

Andreas Kraft

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Education	PhD in Quantitative Marketing University of Texas at Austin	2023 (expected)
	M.A. in Economics University of Texas at Arlington	2017
	B.B.A in Finance University of Texas at Arlington	2015
Research Interests	<u>Fields:</u> Quantitative Marketing, Industrial Organization, Behavioral Economics <u>Substantive:</u> Pricing, Market Frictions, Platforms & Intermediaries	
Work under Review	<ol style="list-style-type: none">1. Signaling Quality via Demand Lockout Kraft, A., Rao, R. S. (<i>Revise & Resubmit at Management Science</i>)2. How do Peer-to-Peer Platforms Affect Durable Asset Prices? Theory and Evidence from a Natural Experiment Kraft, A., Rao, R. S., Sonnier, G. * (<i>Under Review at Journal of Marketing Research</i>)	
Working Papers	<ol style="list-style-type: none">3. Behavioral Skimming: Theory and Evidence from Resale Markets Kraft, A., Rao, R. S. (Job Market Paper)4. Basking in the Warm Glow: “Pay as You Wish” Pricing and Charitable Donations Rao, R. S., Kraft, A., Schaefer R.	
Select Work in Progress	<ol style="list-style-type: none">5. Are Firms Loss Averse? Theory and Empirical Evidence6. Selling a Pink Ferrari: Product Uniqueness and Resale Markets7. Behavioral Bundling with Rao. R. S.8. Self-control in Peer-to-Peer markets with Rao. R. S.	

* Author names are listed in alphabetical order.

Conference Presentations	<p>Behavioral Skimming: Theory and Evidence from Resale Markets 44th INFORMS Marketing Science Conference, Virtual June 2022</p> <p>How do Peer-to-Peer Platforms Affect Durable Asset Prices? Theory and Evidence from a Natural Experiment 43rd INFORMS Marketing Science Conference, Virtual, June 2021 University of Houston Doctoral Symposium, Virtual, April 2021</p> <p>Signaling Quality via Demand Lockout 42nd INFORMS Marketing Science Conference, Virtual, June 2020</p> <p>Sharing Economy: Marketing and Economic Implications 41st INFORMS Marketing Science Conference, University of Rome June 2019</p>																								
Teaching Experience	<p>Instructor at University of Texas at Austin Principles of Marketing, Undergraduate Fall 2020 -Overall Instructor Rating: 4.9/5 -McCombs BBA Faculty Honor Roll Honoree</p> <p>Teaching Assistant at University of Texas at Austin -Data Driven Marketing, MBA -Pricing and Channels, MBA -Brand Management, MBA -Pricing and Channels, Undergraduate -Principles of Marketing, Undergraduate -Brand Management, Undergraduate</p>																								
Relevant Coursework	<p>Marketing</p> <table border="0"> <tr> <td>Marketing Research Methods</td> <td>Raghunath S. Rao</td> </tr> <tr> <td>Behavioral Decision Making</td> <td>Julie Irwin</td> </tr> <tr> <td>Marketing Strategy</td> <td>Raji Srinivasan</td> </tr> <tr> <td>Marketing Models 1</td> <td>Ty Henderson</td> </tr> <tr> <td>Marketing Models 2</td> <td>Jason Duan</td> </tr> </table> <p>Economics</p> <table border="0"> <tr> <td>Microeconomic Theory I</td> <td>Vasiliki Skreta</td> </tr> <tr> <td>Microeconomic Theory II</td> <td>Caroline Thomas</td> </tr> <tr> <td>Empirical Industrial Organization I</td> <td>Robert Town & Eugenio Miravete</td> </tr> <tr> <td>Empirical Industrial Organization II</td> <td>Eugenio Miravete & Jorge Balat</td> </tr> <tr> <td>Probability Theory</td> <td>Haiqing Xu</td> </tr> <tr> <td>Econometrics I</td> <td>Stephen Donald</td> </tr> <tr> <td>Econometrics II</td> <td>Brendan Kline</td> </tr> </table> <p>Statistics</p> <p>Bayesian Methods for Machine Learning Mingyuan Zhou (Audited)</p>	Marketing Research Methods	Raghunath S. Rao	Behavioral Decision Making	Julie Irwin	Marketing Strategy	Raji Srinivasan	Marketing Models 1	Ty Henderson	Marketing Models 2	Jason Duan	Microeconomic Theory I	Vasiliki Skreta	Microeconomic Theory II	Caroline Thomas	Empirical Industrial Organization I	Robert Town & Eugenio Miravete	Empirical Industrial Organization II	Eugenio Miravete & Jorge Balat	Probability Theory	Haiqing Xu	Econometrics I	Stephen Donald	Econometrics II	Brendan Kline
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Awards and Accomplishments

- Fred Moore Assistant Instructor Award for Teaching Excellence (2022)
Awarded to the top 2 assistant instructors each year in the business school
- Fellow, AMA Sheth Doctoral Consortium, Indiana University (2021)
- ISMS Doctoral Consortium Fellow (2020)
- Graduate Continuing Fellowship (2020)
Awarded to the top 2% of PhD students at the University
- McCombs School of Business Recruitment Fellowship (2017,2018)
- Joan McCrea Memorial Economics Scholarship (2015, 2016)
- Full Athletic Scholarship (2011-2016)
-Played wheelchair basketball for University of Texas-Arlington
- Wheelchair Basketball (retired 2017)
European Championship (B) Winner & Top Scorer Award (Austrian National Team)
USA National Championship & MVP (most valuable player)
4x All-American Honors

Skills

Languages: English (Fluent); German (Native); French (Beginner)
Skills: R, Stata, Python, Mathematica, MATLAB, Qualtrics, Github, L^AT_EX

References

<p>Raghunath S. Rao Associate Professor of Marketing McCombs School of Business (UT Austin) Raghunath.Rao@mcombs.utexas.edu</p>	<p>Garrett Sonnier Associate Professor of Marketing McCombs School of Business (UT Austin) Garrett.Sonnier@mcombs.utexas.edu</p>
<p>Vijay Mahajan John P. Harbin Centennial Chair of Marketing McCombs School of Business (UT Austin) Vijay.Mahajan@mcombs.utexas.edu</p>	

Abstracts

“Behavioral Skimming: Theory and Evidence from Resale Markets” with Raghunath S. Rao

Abstract: Lack of information distorts markets, and communicating product value to potential consumers is a crucial ingredient of marketing strategy. However, a large body of behavioral research has suggested that even when information is easily accessible, consumers often fail to attend to it. Evidence of consumer inattention has been studied in various settings, both inside and outside the laboratory. How an intermediary should react when communication fails as a result of consumers’ failure to use the provided information is unclear. Can or should firms profit from asymmetric information caused by consumer inattention? If so, by how much? Does competition alleviate the effect? We consider these questions in the context of resale markets, both theoretically and empirically. The theoretical model demonstrates that a centralized intermediary can extract surplus from serving consumers who are less attentive and, as a result, overestimate the product value. We test the theory using a detailed dataset of millions of automobile transactions from a seven-year period. First, we find clear evidence of a specific type of inattention: Buyers exhibit left-digit bias and systematically underestimate the depreciation of vehicles that have odometer readings immediately below round cutoffs. Second, the estimated level of inattention is twice as high in dealership transactions than in consumer transactions, so that dealers make a significantly higher margin on such vehicles. Third, we estimate the supply-side response to consumer inattention and find 2.53% additional transactions, compared to the *no-inattention* counterfactual. As a result, the average margin is 1.8% higher, leading to an aggregate increase in operating profits of 4.37%, or about \$422 million, within the seven-year sample period. The surplus obtained by the product owners who sell in the market increases by about 2.77%. Back-of-the-envelope calculations imply that U.S. used vehicle dealers’ annual profits attributable to consumer inattention are about \$700 million.

“Signaling Quality via Demand Lockout” with Raghunath S. Rao (R&R at Management Science)

Abstract: In many consumption contexts, consumers face uncertainty about the quality of products and services. Firms often try to resolve quality uncertainty via price signaling, where a higher price implies higher quality. However, a host of consumption contexts increasingly involve a uniform price across differentiated offerings (e.g., streaming platforms), and hence, prices as signals become unavailable. In this paper, we propose and empirically test a novel mode of quality signal: firms’ active exclusion of a profitable segment of consumers - a phenomenon we refer to as demand lockout. Using a theoretical model, we demonstrate that the opportunity cost of locking out a profitable segment can serve as a credible signal of quality when two conditions are met: First, the non-excluded segment is large enough, and second, a significant fraction of consumers only consume if word of mouth has reduced the quality uncertainty. The value of the lockout signal increases as advertising becomes more expensive and decreases as third-party information becomes more accurate. We empirically test our model in the context of the motion picture industry, hypothesizing that studios might use R ratings to credibly signal quality by excluding a non-trivial segment from consuming its product. Our empirical analysis involves using a large corpus of text data from thousands of movie subtitles in conjunction with machine learning methods to non-parametrically control for the “age-inappropriate” content of movies. We find empirical evidence consistent with our proposed theory. Movies are more likely to actively try to get an R rating when the value of the signal is more significant. Furthermore, box office revenue numbers are consistent with our prediction that R ratings could serve as a credible signal, and the value of this signal depends on the availability and noisiness of external information, such as film reviews.

“How do Peer-to-Peer Platforms Affect Durable Asset Prices? Theory and Evidence from a Natural Experiment”, with Raghunath S. Rao and Garrett Sonnier

Abstract: Peer-to-Peer (P2P) platforms enable the sharing of durable assets, especially in short-term housing and transportation. Since owning an asset can bring owners potential income through the utilization of slack capacity, P2P platforms may enhance overall asset value and increase prices. However, another force works in the opposite direction. Platform services may obviate the need to own the asset in the first place, depressing values. Due to these countervailing forces, when an asset is both utilized and displaced by a platform, the effect on its price is ambiguous. The empirical analysis is complicated due to the likelihood that platform entry is affected by unobserved factors. We use the 2016 regulatory induced exit of Uber and Lyft from Austin, TX as a natural experiment to study the impact of P2P platforms on vehicle prices. Utilizing data on over 5 million transactions, we construct vehicle price series within hundreds of TX zip codes. Classifying zip codes as treatment and control units, we estimate the change in the asset prices estimating the causal impact of P2P platforms. Our estimates suggest that platforms affect vehicle prices and the choice of vehicles. Our estimates are economically meaningful in size and are consistent with a theoretical model of a durable good seller with an active decentralized used-good market and a P2P platform.