14.49 Problem Set 3
Some suggested solutions

1)
i) Apple's model has a number of advantages. In terms of business model, Jobs
approached CD makers at a time when they had been battered by file sharing so they
were ready to buy into a low price. Thus he is able to offer enormous variety
and a low price on a product (i.e. single songs) that can't be obtained
legally anywhere else (at least for the moment). The lack of competitors is not just
internet based but also extends to brick and mortar stores. Second, it is a product
that is well suited to the net because it can be distributed directly from
the web site without worrying about shipping and distribution costs, as well as low
inventory costs. It is also linked to the Ipod which provides good cross advertising.

ii) The Pet's.com business made little sense because they were committed to
big distribution costs (when the order was something like big bags of cat
litter) for products consumers were unwilling to wait a long time for. Furthermore, prices
were effectively capped by all the retail outlets that sold the same product in almost any
locale. In fact, their business plan was based on the idea that people who bought cat litter
and dog food would also buy higher margin luxury items like doggy blankets but that
never happened.

iii) Go Devil, like I-tunes, faces competition only from other specialized
producers so even though it has to ship its product to you, it is not
competing against retail outlets that can offer the product more cheaply.
For this form, the web is basically a form of advertising that allows
people to read about and watch videos of the product who otherwise would
have to visit the factory in Louisiana or look at less interesting (and
more expensive) ads in duck hunting magazines.

b) Search engines wouldn't have made much difference for Apple or Pets.com as they did
a lot of direct advertising over media anyway. Go-Devil would have found the web site
less useful if Google didn't exist because they are too small to do extensive advertising of
their name and so they must rely on duck hunters using Google to search for producers of
duck hunting boats which will take the duck hunter to them among other firms.

2) Two points – First, Murray tells brokers to discover a potential client's true financial
goals - i.e. what they really want the money for - to educate their
grandchildren or to make a big contribution to a favorite charity or to take
care of an aging parent, etc. In LeDoux's terms, these deeply
held goals likely have a strong emotional content - i.e. they are wrapped
up with emotional memories stored in the amygdale of, say, the first time
the potential customer saw his grandchild, etc.. By embracing these goals
and appealing to these memories, the broker will stimulate a strong
positive emotional response which will influence the potential customer's
behavior in the same way that a person finds himself predisposed to a

stranger who looks very much like a favorite uncle. Second, Murray tells the broker to wait once he has presented news that will elicit a strong emotional reaction (the amount of money they need to invest), this allows their conscious thinking to catch up with any emotions before the broker attempts to force a decision. Some of you also mentioned that Murray wants to elicit fear by getting the client to understand how much money he/she needs for retirement and uses that fear to get them to start investing as much as possible right away.

3. a) Most of you used the example in the Beamish-Levy-Murnane reading of the mechanic taking the car out for a test drive to try to diagnose the problem through the feel of the car. This is an example of "conditionalized knowledge" in a few ways. First, he is using sensory inputs (the sound, feel, smell of the car) to diagnose the problem. As many of you mentioned, experts are largely unconscious of how they are solving a problem when they are solving it; it becomes nearly instinctual. Some of you also mentioned that the mechanic may be using some form of pattern recognition. The main idea is that he doesn't need to go through the manual and take the car apart piece-by-piece to figure out what is wrong. He has enough experience with these problems to just know what must be wrong. Further, he has detailed knowledge of how the car works as a whole – how it functions – and doesn't see it as a conglomeration of different parts.

b) Expert systems have this idea of conditionalized knowledge as an ideal. They are far from having attained it however. They are largely rules-based and do not do well using pattern recognition. It is very difficult for them to take in and use effectively sensory information as the mechanic does. Also, as noted above, much of the process that the expert uses to reach a conclusion is subconscious, whereas, in designing an expert-system we must be conscious of (and able to program) all of the rules that go into solving a problem.