

Consumer Behavior
MKTG211, Spring Semester, 2011

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Office Hours: By appointment

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Tuesday/Thursday, 1:30 pm – 3 pm (MKTG 211001) and 3:00 pm – 4:30 pm (MKTG211002)

Course Overview

Contemporary approaches to business emphasize the importance of adopting a customer focus. Marketing, in particular, begins and ends with the consumer – from determining consumer needs to providing customer post-purchase satisfaction.

This course will review concepts, issues, and methods applicable to the study of consumer behavior. In general, the aim of this course is to gain a better understanding of how consumers make choices and how their choices ultimately affect their well-being. To achieve this end, students will read and discuss academic research from Psychology, Economics, and Marketing (and many shades in between). The issues we cover are not only of direct concern to marketing managers, but will be of further interest because in trying to understand consumers, we ultimately seek to understand ourselves.

This course will consist of lectures/discussions, cases, guest lectures from industry specialists, and a group project and presentation. Although there is no “textbook” per se, we will read large segments of the enjoyable and useful book *Predictably Irrational*, portions of other relevant books, academic papers, and relevant news pieces (e.g., from *The Wall Street Journal*, *Harvard Business Review*). The assigned readings are MANDATORY and essential to following and engaging in class discussions.

Course Organization

After an introduction and review of research methods for consumer behavior, the course is organized into four substantive units: 1) How do consumers process information? 2) What do consumers like and dislike and how can marketers change their attitudes? 3) How do consumers make decisions? and 4) What makes consumers happy? These units will not be treated in isolation; rather concepts will recur throughout the course. The units merely provide a framework to organize topics. Each unit contains several lectures and a case.

Required Materials

1. *Predictably Irrational* by Dan Ariely.
2. Bulk Pack of readings (available online).

Grading

Your course grade will be determined on the following basis. Each aspect of your grade is explained in greater detail on the following pages.

Class participation	20%
Exam	40%
4 Case Preparation Write-ups	20%
Group Proposal	10%
Group Presentation	10%

Class participation

Your class participation score is based on both attendance and active participation in class discussion. Please bring your name placard to each lecture.

Attendance: Attendance signals your commitment to the course and includes the first few classes of the semester. Students who miss these crucial lectures find it difficult to follow later on.

Attendance will always be taken on presentation days and days on which we have guest lectures. In addition, attendance will be taken for randomly chosen lectures throughout the semester.

Discussion: Each of you can improve the quality of the course by sharing your own insights from the readings and from observations in the real world. Class could be rather dull for all of us if it's just a lecture. I expect you to speak out *on a regular basis* but also to make your comments relevant. I also reserve the right to practice "cold-calling". This is simply to ensure that students are paying attention and keeping up with the readings.

Please be respectful of your classmates. Take care to allow others a turn to speak. Healthy debate is acceptable. Intimidating remarks and dominating the conversation are not acceptable.

You are strongly encouraged to bring in magazine and newspaper articles related to class concepts. This can boost your class participation grade, should it need boosting. These articles should be recent (published within the last 3 months). Please bring them along with a brief statement of how they relate to class concepts.

Finally, treat your class respectfully – arrive on time, turn off your cell phones, and – in case you use your laptop, do so to take notes and for nothing else.

Exam

The exam will be held in class on 4/7. It is closed book and notes. It consists of multiple-choice questions, short answer and short essays. I will hold a review session on 4/5. For this session I will select students' questions on the readings and class material, as sent to me by email till 4/3 at midnight. Note: I will not respond to questions after this date.

Case Preparation Write-Ups

To facilitate good case discussions, each of you is responsible for submitting a case write-up due at the start of class on the day we discuss each of the following 4 cases:

- 2/1 Retail Promotional Pricing: When is a Sale Really a Sale?
- 2/24 TiVo in 2002
- 3/22 Coke Vending Machine: Pricing to Capture Value, or Not?
- 3/29 A Case for Brand Loyalty

Case presentation questions for this assignment will be posted on WebCafé. These should be no more than 5 pages double spaced. We reserve the right to deduct for write ups that exceed 5 pages. They must have a reasonable font (size 12) and at least 1.25 inches on the left and right. The cases will be graded on a 0-5 scale.

Case preparation write-ups should be submitted via the assignment function on webCafé **before the start of class on the due date**. If you are unable to upload, please bring a stapled hard copy to class (no loose sheets, folded corners, or paperclips please). Then when you are able to upload the document to WebCafé, do so.

Please put your name at the top of each assignment on the first (title) page but not on the following pages. This is to facilitate the anonymous grading procedure (see below). In addition, name your files in this format: LASTNAME-Case#.doc. So if your name is Paris Hilton, the filename for the first case write-up would be HILTON-Case1.doc. Note the doc extension. **If you use the latest version of Word, do not save your paper in docx.** You can also submit your papers in pdf, rtf, txt, etc. Just don't submit them in docx.

Your marketing clients: Group Project with emerging business in the Philadelphia area

We have a special opportunity to work with emerging businesses, to apply consumer behavior ideas and methods to design and test marketing materials for the companies.

Supported by the SBDC (Small Business Development Center) at Wharton, these businesses need your boost in defining their markets, generating interest among consumers, creating a positive image, and, of course, promoting purchasing.

The businesses are currently developing their marketing schemes and figuring out ways to brand themselves, create a market segment, and guarantee customer loyalty.

How can a brochure, poster, tv segment, newspaper ad, or point of sale display capture attention and help the companies achieve their goals? How can campaigns be conceptualized to accomplish maximum persuasion, and overcome potential barriers of penetration or uptake? campaigns These are the sorts of questions that you should ask yourself when planning this project. For example, in previous classes, students helped two emerging food retailers hugely (and I mean it!) improve in-store displays, website layouts, product positioning and even

shipping and handling fee structure. It was a great opportunity to make use of the newly acquired knowledge in real-life setting.

Details:

- You may select groups of 4-6 students (group size will be announced before the company is presented, according to class size), who need to be in the same consumer behavior section as you. Think of this as your temporary marketing research team and note – it is a group grade.
- On February 3rd, a representative of the company will come tell us about the company's mission and its challenges. In the past it was the CEO who arrived, along with the CMO. The syllabus will be updated to include the company's name, and you will be encouraged to seek as much information on it as possible ahead of time, so as to keep the discussion with the representative as productive as possible.
- *Proposal*: At the start of class on March 17, each group must submit a 5-page MAX double-spaced proposal of the idea you plan to test. The test should employ an experimental design to test a specific hypothesis(es). This is not about a cool campaign, but rather about putting a theoretical idea to use. I will give you more suggestions and terms concerning this test after we have covered experimental design and have heard from the company's representative. You will receive feedback on these proposals. The proposal is worth 10% of your grade.
- *Test*: Your group will conduct a mini-experiment (a minimum of 15 participants per experimental condition). You can use your friends, roommates, teammates, parents, neighbors, etc. as participants, but participants should not be informed of the hypothesis before participating. You may not participate in your own experiment.
- *Presentation*: In the last 4 days of class, your group will have 10 minutes to present the hypotheses and results of your test in class. This will be followed by Q&A from the class. Class will take a vote of the most practical, fruitful idea for each company to consider for implementation. Prizes will be awarded! The presentation is also worth 10% of your grade.

Other useful information.

- All course documents (other than the book and bulkpack readings) are available on Webcafe.

Grading: All efforts will be made to grade fairly and consistently. To this end, papers will be graded anonymously (names will be covered with dark sticky notes which will not be removed until all papers are graded).

If you feel that you have been graded incorrectly, here is the procedure for filing a grade review request. Submit a copy of the original paper (the one that was handed back to you in class) along with a brief statement explaining why you feel your grade should be changed. If it's a merely mathematical or clerical error, you can just say something like "Numbers were added incorrectly". Grade review requests must be submitted by 5PM one week from the day the papers were returned. So if papers were handed back on a Tuesday during lecture, you have until the following Tuesday at 5PM to submit a request. This deadline applies even if you were not in class when the papers were returned. Requests must be submitted either in class or in Professor

Miron-Shatz's mailbox on the 7th floor of Huntsman (the mailboxes are immediately to your left as you enter). Then email the teaching assistant to let them know that you have submitted a request.

Academic Integrity: Make sure you are familiar with Penn's Code of Academic Integrity
<http://www.vpul.upenn.edu/osl/acadint.html>.

We will report any violations of this case.

Course Schedule and Readings

* indicates Bulk Pack reading

<u>Date</u>	<u>Topic</u>	<u>Readings</u>
1/13	Introduction	Ariely: Introduction * <i>NYT</i> . "Markets shaped by consumers"
Unit 1: How do consumers process information?		
1/18	Exposure and Perception	Ariely: chapter 9 *Allison & Uhl. "Influence of beer brand identification on taste perception" * <i>NYT</i> : Any where the eye can see, it is likely to see an ad" * <i>NYT</i> : Pointed Copy * <i>NYT</i> : Brand-ness of strangers
1/20	Memory	* <i>BW</i> . "McDonald's: Fries with that salad?" * <i>WSJ</i> . "As VW tries to sell pricier cars, everyman image holds it back"
1/25	Heuristics	Ariely chapters 1-3. *Wansink, Kent, & Hoch. "An anchoring and adjustment model of purchase quantity decisions"
1/27	Case 1	*HBS: Retail Promotional Pricing: When is a sale really a sale?
2/1	<i>Visit from companies regarding group project</i>	
Unit 2: What do consumers like and dislike and how can marketers change their attitudes?		
2/3	Consumer behavior methods	*Almquist and Wyner. "Boost your marketing ROI with experimental design"
2/8	Attitudes	*Petty, Cacioppo, & Schumann. "Central and peripheral routes to advertising effectiveness: The moderating role of involvement" *Olson and Fazio. "Implicit attitude formation through classical conditioning"
2/10	Guest talk	<u>TBA</u>
2/15	Persuasion	*Cialdini. "Harnessing the Science of Persuasion" * <i>BW</i> . "Buzz Marketing"
2/17	Impulse buying and consumer self control	Ariely: Chapter 5 *Schelling. "Self-Command in Practice, in Policy, and in a Theory of Rational Choice." *Baumeister. "Yielding to temptation: Self-control failure, impulsive purchasing, and

consumer behavior
 *NYT: Step by Step

2/22	Case 2	*TiVo in 2002
Unit 3: How do consumers make decisions?		
2/24	Framing and Mental Accounting	*Thaler, R. "Mental Accounting and Consumer Choice" *Levin and Gaeth. "How Consumers are Affected by the Framing of Attribute Information Before and After Consuming the Product" *Gourville and Soman. "Pricing and the psychology of consumption"
3/1	Consumer Comparisons	*Barry Schwartz: The paradox of choice. Chapter 9: Why everything suffers from comparison *Silverstein & Fiske. "Luxury for the masses"
3/3	Choice overload	*Barry Schwartz: The paradox of choice. Prologue + Chapter 1.
SPRING BREAK	- No class 3/8, 3/10	
3/15	Value and Decision-Making	*Barry Schwartz: The paradox of choice. Chapter 3: Deciding and choosing. *Ariely: Chapter 7 *Kahneman, Knetch, & Thaler. "The Endowment effect, Loss Aversion, and Status Quo bias" *Simonson. "Get closer to your customers by understanding how they make choices"
3/17	Automatic and Deliberative Choice	Ariely Chapter 8 *Wilson and Schooler. "Thinking too much: Introspection can reduce the quality of preferences and decisions" *NYT. "The unconscious mind: A great decision maker" *Gladwell. "Big and bad: How the S.U.V. ran over automotive safety" <i>Project Proposal Due</i> *Iyengar and Lepper. "Choice is demotivating."
3/22	Case 3	Coke Vending Machine: Pricing to Capture Value, or Not?

Unit 4: What makes consumers happy?

3/24	Happiness Predictions and Satisfaction	<p>Ariely: Chapter 10</p> <p>*Chase & Dasu. “Want to perfect your company’s service? Use behavioral science”</p> <p>*Hsee & Hastie. “Decision and experience: Why don’t we choose what makes us happy?”</p> <p>*Wirtz et al., “What to do on Spring Break? The Role of Predicted, On-Line, and Remembered Experience in Future Choice”</p> <p>*Morgan and Rego. “The value of different customer satisfaction and loyalty metrics in predicting business performance.”</p> <p>*Dick and Basu. “Customer loyalty: Toward an integrated conceptual framework.”</p>
3/29	Case 4	A Case for Brand Loyalty
3/31	The dark (or bright) side of consumer behavior: Implications for public policy	<p>Ariely: Chapters 6, 13</p> <p>Johnson & Goldstein: Do defaults save lives.</p>
4/5	Class review	
4/7	Exam	
4/12	Customer Satisfaction – a surprising perspective <i>Guest Lecturer:</i> Dr. Andrea Lafountain, President and CEO, Mind Field Solutions Corp.	
4/14	Presentations	
4/19	Presentations	
4/21	Presentations	
4/26	Presentations and class summary	