

Consumer Behavior
Marketing 211
Spring, 2013

Location:

10:30am-12pm JMHH F90

Professor Deborah Small
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760 Jon M. Huntsman Hall
Office Hours: Tuesdays, 3-4:30pm
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Email is the best way to contact me; Please use *CB* in the subject line.

Teaching Assistants:

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Course Objectives

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.

The overarching goal of this course is to help you think differently (and better) about how consumers arrive at judgments and choices and how their choices ultimately affect their well-being. To achieve this end, students will read academic research from Psychology, Economics, and Marketing (and many shades in between) and will reflect on how to apply the insights to marketing problems. 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.

Who should take this course? This course is targeted to those with *intellectual curiosity* and an interest in human psychology. The field of consumer behavior is relatively young. Much of the knowledge is particularly nuanced and thus the applications to business problems are not always straightforward. It will be your task to think critically about how and when to utilize the knowledge to inform your own decision making. Critical thinking goes hand and hand with *writing*. As discussed below, there are frequent writing assignments so this course is also targeted for those who like to write.

Class Format

Classroom time will be devoted to a combination of lectures, discussions, cases, and application days with guest lectures from industry specialists. To facilitate students applying these course concepts to areas that they care about, several assignments allow you to apply these course concepts to your own areas of interest.

Materials

Although there is no “textbook” per se, we will read most of the enjoyable and useful book *The Paradox of Choice*, as well as 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.

Please purchase *The Paradox of Choice* by Barry Schwartz and the bulkpack available on study.net. If you are new to study.net, please check out:
<https://reprographics.wharton.upenn.edu/studynet.cfm>

Evaluation

Class Participation	15%
5 Written/Oral Assignments	35%
Case Preparation Write-ups	20%
Exam questions	5%
Exam	25%
Total	100%

- 1) **Class participation (15%).** Robust class discussion is *essential* for learning this material. It is therefore very important that students come fully prepared and take an active role in classroom activities and discussions. Moreover, given how directly relevant the course topics are to everybody’s day-to-day life, it is particularly informative when students share their own experiences and introspections. In a course like this, the adage “garbage-in-garbage-out” is especially true. Students will only get out of this course as much as they are willing to put in.

Attendance signals your commitment to the course. Attendance at the first few classes of the semester is critical. Students who miss these crucial lectures find it difficult to follow subsequent lectures. Attendance includes being **on time to class**. Interviews and other extracurricular activities are not excused.

Please come only to the section for which you are assigned.

Finally, do your best to limit class distraction. Come to class on time, close your laptop, and turn off your cellphone/PDA.

2) **FIVE Written/Oral Assignments (35%).** To reinforce the learning process, short individual assignments will be available most weeks. You must complete FIVE assignments to receive a passing grade in this course, but you can do this a number of different ways. All must be submitted by the last day of class (April 23). Please submit all written assignments on Canvas.

- **“Regular” Short writing assignments (each counts as ONE assignment)**
- **Vanguard Special writing assignment (counts as ONE assignment)**
- **Guest lecture writing assignment (counts as ONE assignment; may only do this or Vanguard assignment one time)**
- **In-class oral presentation (counts as TWO assignments subject to available class time)**

I have set aside two class periods for presentations on March 12 and April 18; these will be awarded on a first come, first serve basis. You are also welcome to request class time for a presentation at any point in the semester, which I will do my best to accommodate.

“Regular” Short writing assignments (each counts as ONE assignment)

These assignments are due on the date indicated in the syllabus. These papers have a strict 600-word limit. Please print the word count on your paper. All papers should be double spaced with wide margins and 12-point font.

Note: It shouldn't be difficult to find something to write about—there are 19 different writing assignments on offer. It is important to get an early start. It is required that your first assignment is submitted some time before Feb. 5 and your second assignment before March 21.

Guest lecture short writing assignment

In addition to the specific options offered, you may also submit ONE assignment in place of the “regular” assignment, which in 600 words analyzes one of our guest lectures applying course concepts. Please do not just restate what he/she said. Rather, integrate it in terms of how it relates to concepts you have learned in class. This is due in the class immediately following the guest lecture.

Vanguard special assignment-details TBA

In-class oral presentation (counts as TWO assignments subject to available class time)

A brief (10 minutes MAXIMUM) talk that applies course material to a business or personal question of interest. One possibility is to report on something you read that is relevant to the course, a problem that course concepts would solve, or a small research project. These should be practically minded and essentially of the form “how has this course helped me think about possible explanations for and/or solutions to this problem or puzzle?”

- 3) **Case Preparation Write-Ups (20%-5% each).** To facilitate good case discussions, each of you is responsible for submitting a case write-up due at 9am on the day we discuss each of the following 4 cases:

Jan 24 A Case for Brand Loyalty

Feb 12 Product Red

Mar 28 Retail Promotional Pricing: When is a Sale is Really a Sale?

April 23 Coke Vending Machine: Pricing to Capture Value, or Not?

There is no case write-up assignment for the first case, Introducing New Coke.

Case Preparation questions for this assignment are posted on Canvas. These should be no more than 3 pages double-spaced **MAXIMUM**.

Case preparation write-ups should be submitted **by 9am on the due date**.

- 4) **Exam questions (5%).** In advance of the exam, everyone must submit 2 exam questions suitable for use in an all essay exam due at 9am on April 2. I will then compile and distribute a list of 20-40 potential exam questions on canvas a day or two later.
- 5) **Exam (25%).** The exam will be held in our regular class period on April 11. It will consist of a subset of these questions with some choice, e.g., answer 4 of 6 of these questions.

Grading system: All assignments (and the exam questions) will be graded using a five point system. The grades can be interpreted as follows:

1=Some evidence of reading, but little understanding of the psychology or how it works, and minimal application of the course concepts to the actual question that was asked.

2=An attempt at applying the course material, but with little or no depth of analysis (possibly just repeating ideas from the reading). **MANY** papers earn this grade.

3=A solid application of the course material, with some good points but few creative insights. Most papers will receive this grade.

4=A deeper level of thinking than the obvious answer, clearly written, perhaps with creative examples. Only very good papers receive this grade.

5=An exceptional paper, with an original insight and clear analysis. Such papers make us say, "I wish I had thought of that!" **VERY FEW** of these grades are given.

Application Days/Guest Lectures

To complement our learning of the basic concepts of Customer Behavior, we are fortunate to have a number of visitors coming from a range of industries who utilize these concepts in their business practice. Their lectures provide “application days” for the course to get us all thinking directly about what practitioners are doing and what they could be doing. The guests will present one time for my two MBA sections—alternating between the regularly scheduled time of the two sections (see schedule). All lectures will be videotaped and made available in the event that you have another obligation at this time.

Feb 28	Food/Philip McGee, Campbell’s Soup
April 2/9	Consumer Finance/Mike Padilla, Steve Utkus, and Chris Williams, Vanguard
April 16	Customer Satisfaction/Paula Courtney, Verde Group

Other Useful Course Information

- All course documents will be made available on Canvas.
- Optional: I am available for ‘take your professor to lunch.’ You can sign up through canvas. This is a nice, fun way for me to get to know you on an informal basis outside of class. This is completely **optional** and has no effect on your grade or status in the course.

Because space is obviously very limited, I ask that you sign up for no more than 1 lunch.

Dates:

January 18

Feb 1

Feb 15

Feb 27

March 22

April 5

Course Schedule, Readings, and Assignments

**indicates availability on study.net*

Note. Short writing assignments are due by 9am on the date by which they are listed.

Date	Topic	Assignments Due
Jan 10	Introduction	Readings: Schwartz Prologue-Ch. 2 (p. 1-44) *Berry, Carbone, and Haeckel. "Managing the total customer experience"
Jan 15	Case: Introducing New Coke	Read case, but no written assignment this time only
Jan 17	Research Methods	*"A Step-by-step guide to smart business experiments"
Jan 22	Motivation, Ability, & Opportunity	Readings: *Celsi and Olsen. "The role of involvement in attention and comprehension processes" WSJ. "Discounting is no bargain" *"Brand builders: Sparkler on the other hand" *Ad Age. "How we eat now"
Jan 24	Case: A Case for Brand Loyalty	Case Preparation Write-up Due Short Writing Assignment options: 1) Design separate promotional strategies for a technology product, each of which stresses one of the levels of Maslow's hierarchy of needs.
Jan 29	Exposure, Attention, and Perception	Readings: *Allison and Uhl. "Influence of beer brand identification on taste perception" *NYT. "Anywhere the eye can see, it is likely to see an ad" *NYT. "Pointed Copy"
Jan 31	Exposure, Attention, and Perception Continued	Short Writing Assignment options: 1) Visit a set of web sites for one type of product (e.g., personal computers, perfumes, laundry detergents, or athletic shoes) and analyze the colors and other design principles employed. Which sites "work" and which don't? Why? 2) Assume that you are a consultant for a marketer who wants to design a package for a new premium chocolate bar targeted to an affluent market. What recommendations would you provide in terms of such package elements as color and graphic design.

Date	Topic	Assignments Due
Feb 5	Memory	<p>Readings: *BW. "McDonalds-Fries with that salad?" *WSJ. "As VW tries to sell pricier cars, everyman image holds it back" *WSJ. "Do you hear what I hear?" *NYT. "The good ol' days of 20 years ago" *NYT. "Your brain lies to you"</p> <p>Short Writing Assignment options: 1) How can you use the principle of JND in Packaging? Pricing? Advertising? Promotion? Provide specific examples. 2) Check out this year's superbowl ads. Do they utilize Consumer Psychology that we have learned in this class? How so?</p>
Feb 7	Memory (cont.)	
Feb 12	Case: Product Red	<p>Case Preparation Write-up Due</p> <p>Short Writing Assignment option: Collect some pictures of "classic" products that have high nostalgia value. Show these pictures to a few consumers, and ask them to free-associate. Analyze the types of memories that they evoke, and write about how a marketer might employ these associations in a product's promotional strategy.</p>
Feb 14	Heuristics	<p>Readings: Schwartz, pg. 56-63 *Wansink, Kent, & Hoch. "An anchoring and adjustment model of purchase quantity decisions"</p>
Feb 19	Attitudes	<p>Readings: *Petty, Cacioppo, & Schumann. "Central and peripheral routes to advertising effectiveness: The moderating role of involvement" *Olson and Fazio. "Implicit attitude formation through classical conditioning"</p> <p>Short Writing Assignment Option: Imagine you are involved in a new product launch of a consumer packaged good (you can make up the good...). How might you utilize the representativeness heuristic to your advantage in promoting the good. How might the reliance of this heuristic be a disadvantage for you.</p>

Date	Topic	Assignments Due
Feb 21	From Attitudes to Behavior	<p>Readings: *Cialdini. "Harnessing the Science of Persuasion" *BW. "Buzz Marketing"</p> <p>Short Writing Assignment Option: Watch one hour of tv of a single channel during prime time. Immediately after watching, list all of the commercials that you can recall seeing. Compare and contrast them the commercials in terms of persuasion concepts that we have learned (e.g., central vs. peripheral route, etc.)</p>
Feb 26	Self-control and Impulsive Purchases	<p>Readings: *Schelling. "Self-Command in Practice, in Policy, and in a Theory of Rational Choice" *Baumeister (2002). "Yielding to temptation: Self-control failure, impulsive purchasing, and consumer behavior" *NYT. "Step by Step" *The New Yorker. "Don't!"</p> <p>Short Writing Assignment option: Apply one of Cialdini's principles to a business problem of personal interest. Describe how this will increase firm profitability and/or consumer welfare.</p>
Feb 28	<p>Application Day: Food Decision Making</p> <p>Guest Lecture by Philip McGee, Campbell's Soup</p>	<p>Short Writing Assignment options:</p> <ol style="list-style-type: none"> 1) To deal with self-control problems, many people use the equivalent of sunk costs to commit themselves to an activity. Examples include paying a large annual health club fee rather than paying per visit, or buying season tickets for the theater. Can you suggest other products that might benefit from using prepayment as a self-control device? Devise a marketing strategy to implement this play. 2) Although people usually procrastinate by postponing the completing of unpleasant tasks, there are also situations in which people procrastinate the enjoyment of something enjoyable, such as drinking a special bottle of wine or finishing a box of gourmet chocolates. For some reason, no occasion ever seems special enough to finish it off, and the activity is continuously postponed. Suppose that you are a seller of luxury goods that have this problem (such as fine wines). How do you get your customers to quit delaying consumption?
Mar 12	Student Presentation Day	<p>Short writing assignment option: Consider how much of a role you think public policy makers should play in helping consumers make better food choices. Look for sources to support your views or serve as illustrations. Come up with two areas where you think legislation is good and two where you think it is bad and explain your position.</p>

Date	Topic	Assignments Due
Mar 14	Decision Making I: Problem Recognition, Information Search, and Choice Strategies	Readings: Schwartz Ch. 3&4 (p. 63-98) *Levin and Gaeth “How Consumers are Affected by the Framing of Attribute Information Before and After Consuming the Product”
Mar 19	Decision Making II: Preferences and Loss Aversion	Readings: *Kahneman, Knetch, & Thaler. “The Endowment effect, Loss Aversion, and Status Quo bias” *Simonson. “Get closer to your customers by understanding how they make choices” Short Writing Assignment options: Reflect on how you might choose each of the following products or services: a) Post-graduation job b) A restaurant for dinner with your significant other on your anniversary c) Toothpaste during a trip to a foreign country where none of your usual brands are available and you don’t know any brand names. For each please indicate: i) how you will know what evaluation criteria to use, ii) which choice model you would use and how.
Mar 21	Decision Making III: Mental Accounting	Readings: *Thaler. “Mental Accounting and Consumer Choice” *Gourville and Soman. “Pricing and the psychology of consumption” *Goldstein, Johnson, Herrmann, & Heitmann. “Nudge your customers toward better choices” Short Writing Assignment options: 1) One of the lessons of this course is that framing “matters.” Some people have learned that lesson better than others. Find an example of inept framing in the news and fix it. That is, find a quote or argument by anyone being quoted in any news source that you think could be improved had they known how to “frame” and rewrite it in a way that you think will be superior. Explain why you think your approach is better. 2) Try to find a real world example of the compromise or attraction effect and present this as written assignment. Try to explain the firm’s intent, and why it will or will not work, in your judgment, using the principles in reading and lecture. Attach a copy of the ad.

Date	Topic	Assignments Due
Mar 26	No class today	Short Writing Assignment options: 1) Mental accounting, to the extent that it violates fungibility, is (according to economic theory) irrational. Do you think there are any circumstances where mental accounting makes people better off nonetheless? How? 2) Suppose that the Dean commissioned our class to generate suggestions about how to use behavioral principles to better promote Wharton. Focus on one aspect of Wharton, e.g., attracting students or recruiters, placement, fundraising, public relations, etc. As always, please use ideas from the course.
Mar 28	Case: Retail Promotional Pricing: When is a Sale Really a Sale?	Case Preparation Write-up Due Readings: *The Economist: "The Psychology of Discounting: Something doesn't add up"
Apr 2	Application Day: Financial Decision Making Guest Lecture by Mike Padilla, Steve Utkus, and Chris Williams, Vanguard	Exam Questions Due
Apr 4	Social Influences in Decision Making	Readings: Schwarz, Ch. 7 (p. 147-166). Ch.9 (p. 181-200) *Silverstein and Fiske. "Luxury for the masses" *WP. "When you're flush, but acting flat broke" Short Writing Assignment: Make a copy of a regular statement (or web interface) you or someone you know receives from a financial services company such as Fidelity or Vanguard. Do whatever is necessary to make the statement confidential (black out names and/or amounts) and then attach the relevant parts to this paper. Now, based on what we've learned in the course thus far, make some suggestions for how this statement could be improved. Be sure to say explicitly what you are trying to improve.
Apr 9	Follow-up Discussion on Financial Decision Making with Vanguard	Special Vanguard Writing Assignment Due
Apr 11	In-class Exam	

Date	Topic	Assignments Due
Apr 16	Application Day: Customer Satisfaction Guest Lecture by Paula Courtney, Verde Group	Readings: *HBR. "The one number you need to grow."
Apr 18	Student Presentation Day	
April 23	Case: Coke Vending Wrap-up	Case Preparation Write Up Due