

# MKTG 458 Models of Consumer Behavior

Syllabus: Spring 2011 (Version: 1-11-2011)

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## **Course Overview**

An essential component of marketing is consumer insight – both the obvious needs and wants that are on the surface of conscious thought, but also the deeper, possibly unconscious motives that drive human behavior at an implicit level. Psychological science has produced numerous theoretical and technological advances in recent years that offer unprecedented access to the inner workings of the mind, and allow for new ways to assess opinion, test new products, evaluate packaging, predict emerging needs, design promotion and advertising executions, and map out overall marketing strategy. This course gives an overview of psychological knowledge as it pertains to capturing consumer insight, and includes a consideration of how the brain works, what factors influence consumer choice, and a critical evaluation of psychological assessment tools (including such diverse methods as online surveys, brain imaging, computerized reaction time assessment, and eye-tracking). The course also reviews a range of "levers" that can influence purchase behavior in unexpected ways and at efficient cost. The course is organized around a model of human cognition rooted to sequential mental processing steps (e.g., awareness, interpretation, attitude, etc.) that intervene between the marketing mix (input) and purchase behavior (output). Armed with this conceptual framework, the course covers the major topics of consumer behavior, including attitudes, impulsive vs. deliberative purchase, brand loyalty, experiential marketing, self and identity, and product satisfaction. The course uses a mix of large cases, mini-cases, and lectures to advance these concepts.

# **Course Learning Goals**

This course provides an overview of consumer behavior and consumer insight, derived from the discipline of psychological science. The course goals are:

- 1. To acquire an understanding of the psychological processes that intervene between the marketing mix and consumer purchase behavior.
- 2. To acquire a knowledge base that enables critical assessment of current and future research technologies, assessment tools, and research data output.
- 3. To acquire a "tool kit" of psychological principles applicable to marketing strategy.

# **Course Structure**

The course is structured on three main learning components:

- 1. Class sessions: Classes will involve a blend of lectures and case discussions. Students are expected to contribute to the class discussions based on the course readings and their own business experiences.
- 2. Team work: Several assignments are done in teams. Although this work is done entirely outside the classroom, these efforts are an integral aspect of the course.
- 3. Individual work: In addition to preparing individually for class sessions and group activities, students will complete some assignments on an individual basis.

## **Corporate Partnership**

The course is partnered with Gen Re, a global Berkshire Hathaway reinsurance corporation. Students will work in teams on a Gen Re assignment to gain new customer insight in the insurance business. Course sessions have been structured to facilitate student access to concepts and tools of use to this challenge. Gen Re managers will make a presentation to class in Session 2a. Gen Re will provide a budget for use in conducting original market research. Teams will make presentations consisting of results and recommendations to Gen Re managers in Session 9b. A portion of the grade derives from

team performance feedback given by Gen Re managers at the end of the quarter (this falls under the Assignment 6 grade).

## **Teams**

Teamwork is an essential component of the course. Students may assemble their own teams, or else teams will be assigned immediately after the first class. Team target size is 5 members. To incentivize participation in team projects, team members are asked to evaluate each other's performance at various times during the quarter, which contributes to the participation grade.

## **Readings**

The coursepack is required and may be purchased at the bookstore. Some additional cases and readings are posted on the course web site (Blackboard). There is no textbook. You will be assigned one chapter from the following book: Robert Cialdini, *Influence*, a copy of which will be provided to your team free of charge in the first week of class.

# **Blackboard**

Blackboard is used not only to post additional cases and readings, but also for class votes (contributes to participation), lecture notes, and other materials. Blackboard is laid out in such a way that you can see all the materials for each session in one location, with items color-coded to indicate degree of priority (must-read vs. optional reading).

#### **Attendance**

Missing more than 2 class sessions is strongly discouraged. Attendance contributes to your participation grade. Attendance will be taken at most (but not all) class sessions. Your absence may be excused if it involves a job interview (or other career imperative), a medical issue, or a family crisis. To be excused, you must notify the professor at least 24 hrs prior to the class in question. You will receive a perfect attendance grade if you fewer than 2 unexcused absences.

#### **Honor Code**

In addition to Kellogg's Honor Code, the following rules apply to this class:

- -Group assignments are to be prepared by group members only. The cases are not to be discussed with out-of-group members.
- -Individual assignments should be done individually, without consultation with anyone else.
- -Students should not seek information (e.g., case solutions) from those who have taken this class in previous quarters (and please do not share this information with students who will be taking this class in future quarters).

#### **Laptop Policy**

To encourage an active and engaging environment, please do not use laptops in class.

## **Contact with Professor**

If you have any questions about the course, contact me by e-mail (n-roese@kellogg.northwestern.edu). I aim to respond within 24 hrs, often much sooner. If you would like an in-person meeting, I do not have specific office hours but can schedule a meeting at a mutually convenient time. Office: Leverone 489

# **Grades**

Your final grade is based on assignments and class participation.

Assignments (see end of syllabus for detailed instructions on each assignment)

Assignment 1: What Makes an Ad Go Viral (individual) – 5%

Assignment 2: Principles of Influence (team) – 10%

Assignment 3: Experiential Audit (team) – 15%

Assignment 4: Write a Case (team) – 20%

Assignment 5: Final Exam (individual) – 20%

Assignment 6: Corporate Partnership Report (team) – 10%

## Participation – 20%

Participation grade is based on 3 components, each contributing equally to the participation grade:

- a) Peer Evaluation: After each team assignment, you will get a chance to evaluate your team members, and they will evaluate you.
- b) Class Participation: Your contribution to class discussion in class will be graded subjectively by the professor. In addition, you will get points for completing the online voting prior to class.
- c) Attendance (attendance will be taken at most classes on a random basis. If you have more than one unexcused absence, you will lose 10% per session for each absence from this Attendance component of the Participation grade)

Your final grade will be based on a Z-score, i.e., your performance is percentile-based. The top 45% of students will receive an A grade.

#### **Session Overview**

For each session listed below, the session number corresponds to the week and the letter refers to the day of the week (a=Tuesday; b=Friday). The required readings are listed below, and all appear in the coursepack. Suggested (but not required) readings are available on Blackboard.

#### Session 1a: Introduction to Consumer Behavior

This session introduces the cognitive model that underlies our examination of consumer behavior.

1) Making ads that whisper to the brain. (2010). New York Times.

## Session 1b: Gen Re presentation

Managers from Gen Re will make a presentation on the course's consumer insight challenge. This will be followed by review of insights from Assignment 1, and description of Assignment 2.

## Session 2a: Harnessing Experiences to Enhance Product and Brand

This session examines experiential marketing, and presents an assessment tool for product, brand, and retail environment: the experiential audit. This tool will be implemented in Assignment 2.

1) Meet the fastest growing company ever (Groupon case). (2010). Forbes.

#### Session 2b: Product and Brand Awareness

This session focuses on impediments to achieving product and brand awareness, and tools for elevating awareness. This session also presents tools that operate at a simple perceptual level to influence brand attitude.

- 1) Kimberly-Clark rolls out tube-free Scott toilet paper (Scott Naturals case). (2010). USA Today.
- 2) Attached to technology and paying a price. (2010). New York Times.
- 3) TV Commercials shrink to match attentions spans. (2010). USA Today.
- 4) New ABCs of branding product names pack punch one letter at time. (2002). Wall Street Journal.

#### Session 3a: Using Promotion vs. Advertising

We will consider a variety of psychological processes (especially memory) in relation to the decision to emphasize promotion vs. advertising, and we will introduce a new marketing strategy tool, all in light of the Lay's in Hungary case.

1) Lay's in Hungary Case

#### Session 3b: Connecting Brand to Consumer Identity

This session focuses on ways to elevate brand value by connecting to consumer's sense of self (i.e., identity, cherished beliefs, deeply-held values, etc), as motivated by the Reagan case.

- 1) Reagan 1984 Case
- 2) Wansink (2003). Using laddering to understand and leverage a brand's equity. *Qualitative Market Research: An International Journal*.

#### Session 4a: Managing Price Perceptions Pt.1

In this and the following session, we will explore the psychological inputs to price perceptions, and how psychological principles yield strategies that bring value to the customer while minimizing cost to the company.

- 1) Apple's pricing decoys. (2010). Bloomberg Businessweek.
- 2) Fashion victim: To refurbish its image, Tiffany risks profits. (2007). Wall Street Journal.

# Session 4b: Managing Price Perceptions Pt.2

1) Smith & Nagle (1995). Frames of reference and buyers' perception of price and value. *California Management Review*.

## Session 5a: Student Presentations

Assignment 2. No readings.

# Session 5b: The Power of Consistency as Purchase Incentive

This session examines cognitive dissonance theory as a perspective that both explains purchase behavior and also suggests unique levers that incentivizes purchase behavior.

1) Abelson et al (2004). Clashing cognitions: When actions prompt attitudes. Chapter 6 in *Experiments with people: Revelations from Social Psychology*.

# Session 6a: Attitudes

This session examines attitudes from the standpoint of measuring (i.e., predicting) vs. influencing purchase behavior. We will consider impulsive vs. deliberative purchase.

- 1) New report reveals magazine performance at checkout (2009). Online news.
- 2) The rise of the surgical shopper as impulse buying declines. (2010). USA Today.
- 3) Cialdini (2001). Harnessing the science of persuasion. *Harvard Business Review*.

#### Session 6b: Student Presentations

Assignment 3. No readings.

#### Session 7a: Brand Loyalty Pt.1

This session introduces the core concepts of brand loyalty in light of a case discussion (BMW Films).

1) BMW Films Case

# Session 7b: Guest Lecture

No readings.

## Session 8a: Brand Loyalty Pt.2

This session continues the examination of brand loyalty, and connects it to building experiences with the brand, in light of a case discussion (Harley). The Harley case is a video case – we will watch several video clips in lieu of reading the written case.

- 1) Chase & Dasu (2001). Want to perfect your company's service? Use behavioral science. Harvard Business Review.
- 2) Zaltman (2003). Chapter 9: Memory, metaphor, and stores. From *How Customers Think: Essential Insights into the Mind of the Market*.

# Session 8b: Guest Lecture

No readings.

# Session 9a: Prep conferences for Gen Re presentations

No readings.

# Session 9b: Gen Re presentations

No readings.

# Session 10a: Choosing Advertising Executions

This session introduces a variety of levers that influence attitudes and purchasing, considered in light of advertising executions.

1) Voyer (2007). How Advertising Works. Ivey Management Services.

## Session 10b: Course Review

We will use the Costco case to organize a review of course concepts and principles. You do not need to read the case in depth; simple familiarize yourself with rhe business model employed by Costco, and be ready to discuss its effectiveness by way of reference to course material.

1) Costco Case

# **Assignments**

#### Assignment 1

# What Makes an Ad Go Viral?

\*Individual assignment

This assignment is designed to familiarize students with the 6 Sticky principles articulated by Heath and Heath in their book, *Made to Stick*. These principles reveal characteristics of messages (ads, stories, mission statements, political slogans, etc.) that make them likely to be passed on to others. As such, these principles embody the factors that influence word-of-mouth, and can explain why some ads go viral. The first chapter of Made to Stick is available in your coursepack; it summarizes all 6 principles.

Find an ad that you believe has gone viral. Use youtube, or check www.adage.com for their current ranking of viral ads (adage requires logging in but membership is free), or use any other internet resource of your choosing.

Write a short summary of how the ad embodies the 6 sticky principles. Be brief, feel free to use point form, and do not exceed 2 medium-sized paragraphs.

Submit both your summary and a link to the ad online.

DUE: Weds, March 30, midnight. Email to TA.

GRADING: You will receive an A if you accurately and coherently described the Sticky principles. You will receive a B if you lack accuracy or insight, or if you forget the link to the ad.

\*We will view some of these videos in class.

#### Assignment 2

## Principles of Influence

\*Team assignment

This assignment is designed to familiarize students with 6 psychological principles that may be used by marketers to influence and persuade customers to buy their product. The 6 principles were compiled by psychologist Robert Cialdini over many years of basic research, and appear in his award-winning book, *Influence*. The 6 Influence principles also appears in a brief summary from the Harvard Business Review, included in your course pack.

Your team will be assigned to focus on one of the 6 Influence principles. Next, all team members should read the corresponding chapter from Cialdini's Influence book to gain deeper insight. (A copy of this book will be given, gratis, to your team, in the first week of class).

The assignment is to describe an example of an execution involving a promotion, an advertisement, a word-of-mouth campaign, or some other marketing initiative that EMBODIES the Influence principle assigned to your team. Your example may derive the work experience of a team member, from observation of executions available in the popular media, or you may design your own from scratch. This assignment entails a 10-minute classroom presentation by your team. You will turn in the Powerpoint file for this presentation, and your team will be graded only on this Powerpoint file. Not all teams may necessarily present in class -- some teams may be assigned to make critiques and

offer comments on other team presentations. However, all teams will be graded on their powerpoint files.

In his book, Cialdini gives many examples for each Influence principle, but please do not present any of his examples in class. Focus only on your own example. Go into enough detail that your audience will understand HOW the Influence principle is working within your example. In past classes, effective presentations have incorporated youtube footage of ads, screen shots of web sites, photos from retail environments, etc.

DUE: Class presentation, Session 5a

GRADING: Teams will receive an A if their presentation demonstrates a clear grasp of the Influence principle plus insightful supporting observations and recommendations. Teams will receive a B if the Influence principle was not correctly or clearly conveyed in the example, or if no clear supporting observations or recommendations are given.

# Assignment 3

# **Experiential Audits**

\*Team assignment

This assignment familiarizes students with the use of the experiential audit tool. The assignment involves a field visit to retail or service environment, assessment using the experiential audit, and a class presentation of the results.

First, pick a retail or service category (e.g., spa, pizza, consumer electronics, clothing, etc). Then pick 2 particular branded examples that you feel involve relatively better vs. worse consumer experiences. For example, in a recent class, students compared the Apple store (better) with the Sony-Style store (worse), both located at Old Orchard mall. Next, your team will visit both locations and complete the experiential audit. Not all teams may necessarily present in class -- some teams may be assigned to make critiques and offer comments on other team presentations. However, all teams will be graded on their Powerpoint files.

Use the experiential grid to analyze both retail/service settings separately. Make note of all the experiences falling into specific cells of the grid. You may focus on most, but not necessarily all, of the cells. Be careful to use both dimensions of the grid. It is fairly easy to describe the experience providers (e.g., environment vs. products vs. people). But also pay special attention to examine the distinct mental responses that are evoke (sensation vs. interpretation vs. attitude, etc.). One experience provider typically triggers a chain of responses. To capture this, fill out the grid vertically, start with the first column (messages) and then go down the list of 5 mental responses.

#### Assignment 4

#### Write a Case

\*Team assignment

This assignment represents your largest opportunity to demonstrate knowledge of and sophistication in use of the psychological principles and tools covered in this course. The assignment is to write a brief case describing a problem, challenge, or issue with a particular marketing initiative. Your case may derive from team members' work experience, or it may focus on a large company for which there is ample information available. You may draw on any number of sources: online resources, books, interviews,

or even your own original market research (e.g., survey using Qualtrics). Include information about relevant managerial decisions (e.g., retail prices, positioning) and consumer behavior (e.g., sales figures, market shares, consumer satisfaction, brand awareness). You should make clear what managerial decision the company faced or faces now, and you should make recommendations. Include relevant Exhibits as you see fit.

LENGTH: 15 pages, double-space (not including references and exhibits).

DUE: Session 10b. (Submit by email to Professor Roese)

GRADING: Teams will receive As based on the clarity, thoroughness, and insightfulness of their description of the marketing challenge(s), the psychological principles involved, and the recommendations.

# Assignment 5

## Final Exam

\*Individual assignment

The final exam is a case analysis in take-home format. You will receive the exam in class and will submit your answers by email.

EXAM GIVEN: Session 10a

DUE: Session 10b. Submit by email to Professor Roese

GRADING: Students will be graded using a standard scoring key, which focuses on the degree of insightful use psychological principles covered in class in answering the case questions.

## Assignment 6

# Corporate Partnership Report

\*Team assignment

Prepare a point form summary of your contributions to the corporate partnership project. Make note of successes and problems, and feel free to make recommendations for such future projects. Length: 1 page, single spaced.

DUE: Session 10b

GRADING: Grading is based in part on feedback from the corporate partner.