MKTG 458
Consumer Behavior

Fall 2012: Tuesdays 6pm – 9pm

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In order to take the course you must attend the first class.

Course Objectives
First, to gain understanding of the psychological principles by which the marketing mix that consumers are exposed to influences them. Second, to use this understanding to develop strategically relevant consumer insights, that is, to identify the key psychological reasons for why particular consumers in particular situations behave the way they do. Third, to translate this understanding into effective marketing mix decisions.

The types of marketing mix decisions we discuss are paraphrased by the session titles (see below). Each session focuses one a type of decision (e.g., pricing, advertising, creating experiences). Within this context we then discuss psychological principles that predict how consumers typically respond to different decisions the marketer could take.

Course Content
This course is based on theories developed in psychology and builds a bridge to marketing. The conceptual framework of the course breaks the causes of behavior up into types of psychological responses (i.e., mental mechanisms), such as, perceiving, reasoning, feeling, learning, or remembering. These psychological responses intervene between the marketing mix (input) and the behavior of consumers, such as purchase or usage (output). The psychological responses hence provide a framework as to why certain marketing inputs lead to certain outputs, that is, a framework to derive strategically relevant consumer insights. The course also reviews a range of simple but powerful "levers" (inputs) that can influence consumer behavior in unexpected ways.

Readings and Homework
Those readings listed in this syllabus are obligatory. It is pivotal to carefully complete the readings before class. They provide context that is essential for understanding the implications of the concepts we discuss, and they will be the foundation for the lectures and class discussions. There are weekly questions to be answered in writing before a class session (see Assignments section at the end of this syllabus). Whenever it was legally possible, we posted readings on Blackboard in order to reduce the cost of the course pack for you. Readings listed without special mention in this syllabus are part of the course pack, those readings posted on Blackboard are listed under the title *Blackboard* below.

Textbook
The course does not follow a textbook. If you are interested in reading one, I recommend: Hoyer, Wayne and Deborah McInnis. *Consumer Behavior*. Boston: Houghton Mifflin. You can save some money by choosing an older edition.

Grading and Assignments
A list of assignments appears at the end of this syllabus. I will assign a maximum of 45% A's. I follow Kellogg's policy on re-grading. In short, re-grading must be requested in writing within 10 days (see student handbook for details) and the entire work is re-evaluated, not just one aspect, implying that the new grade could be higher, lower, or not change.

Honor Code
The course follows the Kellogg School's honor code. Team assignments are to be prepared by team members only. Individual assignments have to be done individually, without consultation with anyone else.

In-Class Etiquette
The guiding theme of our in-class etiquette is mutual respect that fosters an engaging learning environment.

To this end, I am enforcing a strict "no electronic devices in class" policy, including I-pads above the table and smart phones below the table, unless of course you have special circumstances

(e.g., medical needs). The downsides of using these devices to the learning experience of most students outweigh the upsides that some individuals may derive. The temptation of doing e-mail, browsing, or watching others do so detracts from class. Seeing the instructor behind a forest of laptop screens has its own challenges. These rules apply equally when we have a guest speaker.

Cell phone ringers must be turned off. If you have an emergency situation, inform me in advance, set your phone to the vibrate mode and sit near the exit so you can leave without disrupting the flow of the class.

I expect students to attend all class sessions, to arrive on time, also after a break, and to stay until the end of class. If you will miss more than two class sessions (e.g., due to job interviews), you should contact me before you enroll in this course.

Violations of these norms will affect your course grade.

Contact with Professor

If you have any questions I strongly encourage you to contact me. You can send me e-mail or set up an appointment. To facilitate the logistical challenges most of you face, I can arrive to class early and we can set up phone or Skype meetings, even as conference calls with multiple participants during which we can share computer screens. Of course, you can also meet me on the Evanston campus.

Overview of class sessions

1. (a) Introduction: The Psychological Framework 5

1. (b) Analyzing Consumer Experiences 5

2. Choosing Advertising and Promotions Based on Consumer Insight 5

3. (a) Setting Strategic Objectives for the Distribution Channel 5

3. (b) Choosing Advertising Executions 5

4. (a) Applying the Framework to a Business to Business Problem 5

4. (b) Engaging Consumers by Creating Rich Experiences 5

5. Creating Brand Identities 6

6. Doing Research to Gain Consumer Insights 6

7. Psychology of Pricing 6

8. (a) Need for Consistency 6

8. (b) Improving Negative Brand Image 6

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9. (a) Integration of Key Principles 7

9. (b) Group Project Work 7

10. Group Project Presentations 7

Assignments 8

1. (a) Introduction: The Psychological Framework

Complete by Monday, September 24th: Go to course web page and answer online the discussion questions for Session 1.

1. (b) Analyzing Consumer Experiences

- Excerpts from Csikszentmihalyi, M. (1990). *Flow. The psychology of optimal experience*.

Blackboard
- 2012-1014 research priorities. *Marketing Science Institute*. Read priorities 1 through 3.

2. Choosing Advertising and Promotions Based on Consumer Insight

- Case: Lay's potato chips in Hungary (Case A): Building brand image
- Introduction chapter from Heath & Heath (2007) *Made to Stick*

Blackboard
- P&G Plots course to turn lackluster tide: New chief McDonald plans price cuts, expansion abroad and repositioning cheer as a low price detergent, *The Wall Street Journal*, 2009.
- The Man Behind Facebook's Marketing, *The Wall Street Journal*, 2012

3. (a) Setting Strategic Objectives for the Distribution Channel

- Case: Apple Stores

Blackboard
- Berthon et al. (2007). Viewing brands in multiple dimensions, *MIT Sloan Management Review*.

3. (b) Choosing Advertising Executions

- Chapter 5: The communication process (2008). In: Belch & Belch (9th ed.), *Advertising and Promotion*, McGraw Hill.

4. (a) Applying the Framework to a Business to Business Problem

- Avaya Case A

4. (b) Engaging Consumers by Creating Rich Experiences

Includes guest lecture by Steven Dupuis, president, The DuPuis Group

- Excerpts from Chapter 3: A framework for managing customer experiences (2003). In: Schmitt (2003). *Customer Experience Management*. John Wiley & Sons.
- Dholakia. Why employees can wreck promotional offers, *Harvard Business Review, 2011*.

Blackboard

- The trouble with Starbucks, *Financial Times*, 2008.
- The trouble with travel distribution, *McKinsey Quarterly*, 2012

5. Creating Brand Identities

Includes guest lecture by Manny Rivera, Senior Director of Consumer Brand Marketing, Abbott Laboratories

- Case Summary: 1984 US presidential election. (Full case will be distributed in class)

Blackboard

- How the Democrats can win, *New York Times*, 1984.
  This article gives you some historical background for the case.
- Read pp. 11-13 (top): Reynolds & Gutman (1988). Laddering theory, method, analysis, and interpretation, *Journal of Advertising Research*.
- What the Chinese want, *The Wall Street Journal*, 2012

6. Doing Research to Gain Consumer Insights

Includes guest lecture by John A. Hearn, Associate Partner, Business Analytics and Optimization, IBM Global Business Services

- Case: Boston Beer Company: Light beer decision

Blackboard

- How companies learn your secrets, *New York Times*, 2012.

7. Psychology of Pricing

- Case: Pricing strategies for luxury goods: Vericél Jewelry

Blackboard

- Fashion victim: To refurbish its image, Tiffany risks profits, *The Wall Street Journal*, 2007.
- Note on behavioral pricing, *Harvard Business Press*

8. (a) Need for Consistency

Blackboard

- Dove reveals its masculine side, *TalkingRetail.com*, 2010.

8. (b) Improving Negative Brand Image

Includes guest lecture by Christopher Miles, Senior Director Advertising, Kraft Foods North America

November 20 – Thanksgiving Break

9. (a) Integration of Key Principles

- Case “Cost-Co”; see instructions on Blackboard.

9. (b) Group Project Work

10. Group Project Presentations

Assignments

No. 1: Class Participation
Individual Assignment (30 % of grade)
Due: Written responses are due Monday nights, that is, the evening before each class.

Two-thirds of the class participation grade depends on the submission and quality of the written responses to the weekly discussion questions and on small assignments. I review your answers before class and use them as a basis for class discussion. I do not provide you with written feedback for these weekly responses. I assign them to help students organize their case analysis and to enable me to organize class discussion so that alternative perspectives are represented. Participation in class accounts for the remainder of the class participation grade. I will lower the participation grade if peer evaluations on team projects are poor or if you violate the in-class etiquette.

No. 2: Experiential Audit
Teams of 3-4 (20 % of grade)
Due: Written reports and presentation slides are due 48h before Session 4 (i.e., on October 7, 2012).

The objective of this assignment is to learn use of the experiential audit framework. Before you begin the assignment, do all readings for session 4. You will compare two retailers or service providers of your choice, one that offers a rich experience and one that offers a shallow experience. You will conduct an experiential audit of these retailers during a field visit, write a report, and present your analysis in class. Not all teams may necessarily present in class -- some teams may be assigned to make critiques and offer comments on other team presentations, or not present anything. However, all teams will be graded on their written work.

No. 3: Live Case
Team assignment (30 % of grade)
Due:

- Proposal: 48h before Session 6 (i.e., on October 28, 2012)
- Report and presentation slides: Sunday, December 2nd, 2012.

The task is write a short case that develops a consumer insight and based on that evaluates a managerial decision. The learning goal is to be able to spot yourself how psychological principles allow you to develop consumer insights and this way inform marketing decisions. The case could be based on your own experience, on information you find in the news or the web, or from company contacts. If you wish, you can also collect your own data. The case must not be one that you discussed in another course.

I will provide you with a list of questions that companies ask in interviews for marketing jobs. These questions are often very abstract, but they typically ask you to evaluate a managerial decision. You can use these questions to generate a topic for your case.

The managerial decision could concern a strategic decision or any component of the marketing mix. The decision could be one that has already been taken or one that has not been taken.

The report should be no longer than 3,000 words. Additional information (e.g., tables, figures, advertisements) can be added as appendix. The report should include the following two elements:

Description:

- The job interview question you answer with your case (if applicable).

- A clear statement describing the managerial decision that you evaluate.
- A brief description of “your” brand / product / service (its target, position, and marketing mix elements), if relevant also of the competition.

Analysis:
This part evaluates the logic behind the decision as you see it, but importantly, also the strengths and weaknesses of the decision and the consumer insight that you assume for both, logic and strengths/weaknesses. The consumer insight is the central part of the analysis. You should also discuss what actionable implications your analysis has for a marketer. For instance, you could propose improvements that address the weaknesses that you have identified. Eighty percent of the grade for your report will be based on the analysis part.

The teams will make short presentations of their report during Session 10. The goal of this activity is to share the group’s learning from the analysis with others in the class and to practice presentation skills (e.g., for job interviews).

No. 4: Final Exam
Individual assignment (20 % of grade)
Due: Tuesday, December 11th, 2012

The exam will be given out in Session 9. It is a take-home individual assignment consisting of a short case and short-answer open-ended questions that guide you through a case analysis.