

Consumer Behavior, MGT/P-293-002

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Class Time & Location: 6 pm to 9 pm on Tuesdays at Sacramento

Office hours: Before & After Classes, and by appointment

Pre-requisite: Marketing Management, MGT or MGP-204

Course Objectives:

Study of consumer behavior has been a central theme of contemporary business practices. Understanding the importance of consumer centricity on business success, the study of consumer behavior leads to effective marketing strategies. In particular, marketing starts and ends with consumer, from recognizing consumer needs to post purchase satisfaction and loyalties. Gaining in-depth knowledge of consumers and understanding their behavior using scientific approaches is critical to the success of businesses as the current markets have highly fragmented customer segments, short product life cycles, and increased competition.

The course will focus on gaining insights into consumer psychology and its implications on decision-making processes by individuals or their cohorts with regard to acquisition, use or disposition of business offerings. As we are all consumers, we think about purchases on a daily basis, make purchases, recognize product features relevant to us, and others' influence on our purchases decisions. Amid marketing communications we are exposed to, we have developed intuitions about consumers, often shallow. The Consumer Behavior course provides an approach to scientific research and accurate interpretations about how consumers will respond to different marketing activities.

Required Course Material:

1. *Influence: The Psychology of Persuasion*, Cialdini, Robert (2006), Collins.
2. *Nudge: Improving Decisions about Health, Wealth, and Happiness*, revised and expanded edition, Richard Thaler and Case Sunstein
3. Course Pack for Harvard Business Review Articles and Cases, provided by study.net
4. List of online articles from popular newspapers (Listed on Course website in CANVAS) (You can find the readings list for items 3 and 4 in the last page of the syllabus).

Additional Readings (recommended based on your interests)

There are several textbooks and popular press book titles that cover issues related to our class discussions. If earlier editions are cheaper for suggested additional readings, they are generally similar to more recent editions and you can get them instead.

My first recommendation is a comprehensive consumer behavior textbook that you may wish to purchase as a supplement to your course pack:

- Hoyer, Wayne D., Deborah J. MacInnis, and Rik Pieters, *Consumer Behavior*, 7th edition, by Cengage Learning. ISBN-13: 978-1305507272/ ISBN-10: 1305507274

I also highly recommend the following books that touch on topics we will cover during the term (you are not required to purchase these, but you may wish to for your own, independent reading). Some of the required readings contain chapters from *Influence* and *Nudge*. However, you are encouraged to read these books in their entirety over the course of the quarter.

- Belsky, Gary and Thomas Gilovich (2000), *Why Smart People Make Big Money Mistakes and How to Correct Them: Lessons from the New Science of Behavioral Economics*, Simon and Shuster.
- Heath and Heath(2007): *Made to Stick: Why Some Ideas Survive and Others Die*
- Kahneman, Daniel (2011), *Thinking Fast and Slow*, Farrar, Straus and Giroux.
- Underhill, Paco (2009), *Why We Buy: The Science of Shopping: Updated and Revised for the Internet, the Global Consumer, and Beyond*, Simon & Schuster.

Course Format:

We will use a variety of materials and approaches to this course to gain insights into consumer phenomena and to develop managerial implications and practices. Material presentation will be through lectures, classroom discussions, articles, videos, etc. Application of relevant theories to real-world consumer behavior situations will be an integral part of the course.

Assessment:

As outlined in the most current GSM policies and procedures (<http://gsm.ucdavis.edu/GSM-Policies-Procedures>) letter grades will be assigned. There will be one final cumulative exam at the end of the quarter, which will consist of short answer and essay responses. In addition to the Final Exam, you will have one individual assignment and a group project requiring presentation and paper submission. Finally, your class attendance will be recorded and participation will be evaluated. Each student's grade will be determined as follows:

1. Final Exam	40%
2. Individual Assignment, "What Makes Ads Go Viral?"	15%
3. Final Group Project	30%
4. Individual Class Participation	<u>15%</u>
	100%

All assignments must be submitted on or before the due date. Failure to do so without prior authorization from the professor will result in a score of zero for that component of the course.

1. Final Exam (40% of total grade)

A comprehensive final exam will be held at the end of quarter on 6/13/2017 from 6 pm to 8 pm at Sacramento. The format of the exam will be essay and short response. The material for the exam is cumulative, i.e., includes all material covered during the quarter. The exam will be open book/open notes. An exam review sheet will be posted on CANVAS (including sample questions) in preparation for exam. There will be no makeup exams, unless there is an emergency. Plan your schedule accordingly.

2. Individual Assignment: “What Makes Ads Go Viral?”(15% of total grade)

The goal of this assignment is to familiarize you with the 6 Sticky principles from Chip and Dan Heath’s book, *Made to Stick*. These principles are useful for word-of-mouth marketing and give insight as to why some ads go viral. You can find the first chapter of *Made to Stick* using Google or any search engine; it summarizes all 6 principles (You’re welcome to get the book and read it – but it’s not necessary for this assignment).

Find an ad that you believe has gone viral (use You Tube, adage.com, or any resource of your choosing). Write a short summary of if (and how) the ad utilizes the 6 sticky principles.

Be brief, and do not exceed two double-spaced pages. Submit your summary with a web link to the ad.

This assignment will be graded out of a possible 15 points: Expect to receive 13-15 points if all 6 sticky principles noted and coherently discussed 10-12 points = Most but not all sticky principles noted and coherently discussed 8-9 pts = Mostly coherent but there is a glaring mistake, and 7 or less if it’s minimally coherent.

3. Final Group Project (30% of total grade):

I realize that students come into this class from different backgrounds and with different interests. Thus, I want your projects to reflect problems and topics that you find most interesting and important. You can apply the concepts we have discussed in class to help companies make better decisions, or to help consumers make better decisions.

As a group (you can choose your own group, ideally with 5 members, we will decide on groups once the semester begins), you can choose one of the following 2 projects.

Option 1: Consumer Behavior and the Organization

The primary objective of this project is to answer your question, "So what is the relevance of all this to me and my organization?" The focus of this project is the application of consumer behavior concepts to a specific marketing strategy problem facing your organization (or one you are familiar with). For instance, you might ask “How do we increase awareness for a new product?” or “How

can we better understand why a particular segment is choosing our product versus a competitor's product?" There are many possible questions you could ask. For the purpose of this paper, try to focus on one key question. Secondary and primary research is expected. The report should include the following three sections:

(1) Background

The background section provides the context and focus for the consumer analysis. Secondary research is expected for this section, drawing on information from company reports, online sources, news articles, etc. The section should include a discussion of the marketing strategy problem, describing the current situation, and identifying the specific marketing strategy problem. Use course concepts in your explanation. What is the customer segment that is most relevant to the marketing problem you identified? Explain the segment's current or potential value.

(2) Consumer Analysis

Use a form of primary research to gain information on and understanding of the consumer. This may involve observation research, a focus group, interviews, an experiment, etc. Describe your research objectives, method and findings. What did you want to know? How did you study it? What did you learn? How could you improve the research methodology (if you could go back and have the opportunity to redo it). I don't expect you to use major statistical analyses as we do not cover them in this course.

(3) Recommendations

Conclude the report with recommendations, based on the secondary and primary research you conducted. The recommendations should address the marketing problem you identified, and may involve aspects of segmentation, positioning, and marketing mix decisions. Be specific. Suggest how your recommendations could be implemented. Also, identify what additional research you recommend.

Option 2: Helping Consumers Make Better Choices (focus on *Influence* and *Nudge*)

In recent years, the field of consumer research has undertaken a new mission: transformative consumer research. The mission suggests that the field should strive to make a beneficial difference in the lives of consumers, both present and future generations, through the chosen focus and conduct of specific research, and in the communicating of its implications and usefulness. The key word "transformative" signifies important and constructive influence, including the potential for uplifting change.

This project begins by defining the behavior you wish to tackle. Some possible examples include tobacco consumption, excessive alcohol consumption or street drugs consumption (by themselves or coupled with machine operations, including vehicular driving), overeating (and particularly obesity), exercising, unprotected sexual behavior (that may lead to AIDS or other sexually transmitted diseases, or undesired pregnancies), gambling, saving (for retirement or otherwise), charitable donations (of money and/or time and to any cause, not a particular one), recycling. You can certainly choose a different behavior, just please be sure it is an important one for consumers.

The next step is to define population you wish to help. It could be the general population, segments (or one segment) – such as children, adolescents, elderly, illiterate, disabled, etc. Explain why this is the key segment to target.

For the purposes of this project, after you chose the population and behavior, please assume that you are a consultant and were hired by an organization that aims to help consumers with that behavior. Your goal in this project is to advise the organization how to nudge consumers to make better choices in that particular area.

Your project should include the following sections:

(1) The current situation related to the behavior. For example, if the behavior you chose is saving and the population is Americans, track the saving rate in the US, read about the causes for the trends you see in the data and present this. In other words, lay the ground for the problem (is there really a problem? What seem to be the causes for the problem? etc. Your data sources for this part can come from a variety of sources, such as governmental, academic or newspapers (such as the NYT or WSJ), etc. Please make sure your data come from respectable sources, and NOT from obscure websites.

(2) In analyzing the secondary data, identify the weapons of influence that may have helped cause the problem. Discuss them and the companies that may have used them and how (for example, if your behavior is overeating and obesity, you can find data on how the fast food industry contributed to this problem). In addition to the weapons of influence, you should discuss cultural (and sub-cultural), socio-demographic, and peer factors that play key roles in shaping the problem. The depth of the analysis in this section is very important.

(3) Now that you laid the ground for the problem, suggest a way to solve it. I realize that the problems I listed are difficult to solve, so start small. How can you make a difference in the lives of a segment of consumers? Or, by helping some charities or some organizations? Think about becoming a choice architect, what options would you present to people and how would you present them, in order to lead them to choose what is best for them. Use the relevant chapters from *Nudge* to come up with ideas (however, the behavior or problem you chose and your solution cannot be one that was discussed in the book. You must come up with your own ideas on how to improve consumers' lives and choices). You must explain your rationale regarding why your solution is good and how it will operate.

(4) After formulating your solution, test it. Since your sample will be small (aim to interview or survey at least 15-20 people from your target population, or run a small experiment, but do not include anyone from this course), I do not expect you to perform any statistical analyses. Use simple measures to test whether your solution is better than the status quo, for example, % who said they will increase/decrease the behavior following your solution. Note that at this point, you should not tell people directly what you are doing, but simply put them in the situation and see how they react. For example, show them ads that you designed to change behavior, give them scenarios to evaluate etc. You can (and should) be creative at this point. For example, interview party participants (probably toward the end of the party) to learn about effects of alcohol. When you report this part in your write-up, discuss your sample, and clearly explain how you obtained the data and what data

was obtained.

(5) Based on the data you gathered, make adjustments to your solution, and present the final recommendation to tackling the problem. While the cost of your solution is not part of this project, try to think about a solution that will not be excessively expensive. Clearly with infinite money we can do almost anything, but when the money is finite, we need to allocate it smartly.

Written Report and Guidelines (regardless of project topic):

Please limit the report to no more than 10 pages excluding title page, charts, tables, appendices, and reference list. Please make sure the reference list includes all the work you cited (format of this does not matter to me, as long as I can find the reference if I need to). This project should also include an executive summary of your report (1-2 paragraphs of key findings), not included in the 10 page limit.

Noting limitations of your work is encouraged and expected! What could you have done better as you conducted your research? What biases might you have had that influenced your conclusions? Evaluating your own work helps you grow as a marketer, especially when conducting research.

I will ask you to complete peer evaluations at the end of the semester. These can influence your individual grade.

Presentation

No reading or use of note cards. Relate to the audience, focus on scanning the room, and maintain eye contact. Generate enthusiasm about your topic. The information you present is very important but also use visuals, ads, etc. as appropriate to make the topic interesting to the class. You can have access to PowerPoint if you choose to use it. I will ask you to submit the slides to me the night before presentations begin, so I can have them on the computer and ready to go. Use creative ways of keeping the audience involved. Your presentation will be graded primarily on content, professionalism, and ability to get your point across and interest your audience.

4. Individual Participation (15% of total grade)

Your participation grade will be determined by two components: (1) in-class contribution and attendance (since you must be here to contribute) and (2) contribution to your team's field project.

In-Class Contribution (10% of total grade). In-class contribution will be assessed based on the quality and consistency of your contributions to the in-class discussions. You are neither expected to have all the right answers in every class, nor to dominate every in-class discussion. However, you are required to be prepared and contribute regularly. The quality of our class discussions depends on how well prepared you are and your willingness to share the results of your preparation with the class. This means that the quality of your contributions is a lot more important than the quantity. It is entirely possible that you can talk a lot and receive a low grade for in-class contribution. When evaluating your contribution to the class discussions, factors such as the following are considered:

- Does the participant attend class regularly and come to class on time? Is the participant prepared?
- Do comments add insight to our understanding of the marketing concept, the problem, or situation or are others left with a “so what” feeling?
- Do comments generate discussion by yielding a new perspective?
- Is the participant a good listener? Are comments timely and do they advance the comments recently made by others? Are they linked to the comments of others? Is there a willingness to interact with other class members?

If you do not participate in class, you will (obviously) not receive a high participation grade.

Individual class participation is worth 10% of your grade and there are 10 sessions. For each class, you will earn 0.5 point if you attend (are mentally present, not pre-occupied by technology) and either 0.25 point or 0.5 point for participation if you participate, depending on the quality of your contributions.

From time to time, life events (e.g., an interview) may prevent you from attending class; when this happens, you will receive a zero for class participation for that day. You can have one unexcused absence without it negatively impacting your grade. Your score starts with one point.

Final Project Contributions (5% of total grade). Your contributions with respect to your team’s project reports and presentation will also be a factor in assessing participation. To assess contribution, I will ask you to upload a peer evaluation from to CANVAS Dropbox assessing your own contribution and that of your team members. These forms are confidential and will not be shared with your team members.

Please note that I will also ask you to evaluate all of the other team’s presentations. Turning in evaluations of all final project presentations (i.e., your ratings of other teams’ presentations) also represents an important part of your contribution to the overall project experience. You can view the “Audience Feedback” form on CANVAS, but you are not required to print these out – I will bring enough for everyone to fill out and turn in on the presentation days.

A Few Other Things:

A special note: There is a significant amount of reading in this course. It is critical that you read and think about this material BEFORE coming to class. Class begins with the assumption that you have at least a rudimentary understanding of assigned reading material. At times, we will talk in depth about the assigned readings, whereas at other times we will not talk about them at all – they will be a supplement to the class discussions. The readings are meant to give you a background on the topic and/or to give interesting examples of how this topic has been examined either in academia or in the media. Assuming you come prepared and energized, we should all have an interesting learning experience at each meeting.

Writing. All writing completed for the course should be carefully proofread and free of grammatical and typographical errors. I reserve the right to penalize any and all instances of poor writing even if writing quality is not explicitly listed as grading criterion.

Cell phones, iPods and laptops. Please turnoff all cell phones and iPods upon entering the classroom. Please do not use laptops (or any other electronic devices) during class, as they can be distracting to those around you. This is very common in the MBA curriculum across top programs. If, for some reason you need to use a computer for note taking, please speak with me.

Academic Integrity. Please familiarize yourselves with the University Code of Academic Integrity: <http://sja.ucdavis.edu/academic-integrity.html>

COURSE CALENDAR* at Sacramento

**Calendar is subject to change. All changes will be discussed in advance of the day affected.*

<u>Session</u>	<u>Date</u>	<u>Topic</u>	<u>Assignment Due</u>
1	4/4	Introduction Research in Consumer Behavior	A step-by-step guide to smart business experiments, <i>Harvard Business Review</i> , How surveys influence customers, <i>Harvard Business Review</i>
2	4/11	Motivation, Personality and Consumer Values	Using laddering to understand and leverage a brand's equity, Wansink
3	4/18	Perception, Exposure and Attention	If it says McDonald's, then It must be good, NY Times Please Touch the Merchandise, Williams and Ackerman, Bloomberg TV commercials shrink to match attention spans, AP Objects in store are smaller than they appear, Los Angeles Times The Psychology of discounting Something doesn't add up, The Economist Consumer Behavior: Top tips on sales to irrational shoppers, Financial Times
4	4/25	Memory and Learning "Introducing New Coke" Case Discussion	Introducing New Coke, Case by Harvard Business Review
5	5/2	Customer Decision Making "Euro-Air" Case Discussion	Begin reading Nudge A hint of hype, a taste of Illusion," Wall Street Journal Want to perfect your company's service? Use behavioral science, Harvard Business Review Euro-Air (revised) Case, Harvard Business Review
6	5/9	Attitudes and Consumer Behavior	Made to Stick, Chapter 1 .What makes Ad Go Viral Assignment Due
7	5/16	Influence(Contrast Effect, Liking, Reciprocity, Consistency, Scarcity)	Influence, Chapters 1-3, 5-7
8	5/23	Influence (Authority and Consumer Behavior in Group/Social Proof)	Influence, Chapter 4 Finding the 'Weapons' of Persuasion to Save Energy, New York Times Helping the poor in education: The power of a simple nudge, New York times Nudge your customers toward better choices, Goldstein, Johnson, Hermann, and Heitmann, Harvard Business Review In praise of small miracles," Op-Ed, Brooks, New York Times
9	5/30	Dark Side of Consumer Behavior	Influence of Licensed Characters on Children's Taste and Snack Preferences, Roberts, Baik, Harris and Brownell, Pediatrics.
10	6/6	Group Presentations Day	Group Paper Due
	6/13	EXAM 6:00 pm to 8:00 pm	

Harvard Business Review Articles and Cases on Study.net

1. “A step-by-step guide to smart business experiments,” *Harvard Business Review*, R1103H-PDF-ENG
2. “How surveys influence customers,” *Harvard Business Review*, F0205A-PDF-ENG
3. “Introducing New Coke” Case by Harvard Business Review 500067
4. “Want to perfect your company’s service? Use behavioral science,” *Harvard Business Review* R0106D
5. “Euro-Air” (revised) Case, *Harvard Business Review*, W15049
6. “Nudge your customers toward better choices,” Goldstein, Johnson, Hermann, and Heitmann, *Harvard Business Review* R0812H

List of popular readings accessible through our library and/or internet

1. “Using laddering to understand and leverage a brand’s equity,” Wansink, 2003, *Qualitative Marketing Research: An International Journal*.
Use library VPN connection or access on campus. And the following is from Google Scholar:
https://www.researchgate.net/profile/Brian_Wansink/publication/237539246_Using_Laddering_To_Understand_and_Leverage_a_Brand's/links/551e75c40cf29dcabb03cd30.pdf
2. “If it says McDonald’s, then It must be good,” Aug 14, 2007, *New York Times*
<http://www.nytimes.com/2007/08/14/health/nutrition/14nugg.html>
3. “Please Touch the Merchandise,” Williams and Ackerman, *Bloomberg*
<https://www.bloomberg.com/news/articles/2011-12-16/please-touch-the-merchandise>
4. “TV commercials shrink to match attention spans” *AP*
<http://www.denverpost.com/2010/10/29/tv-commercials-shrink-to-match-attention-spans/>
5. “Objects in store are smaller than they appear,” *Los Angeles Times*
<http://articles.latimes.com/2008/nov/09/business/fi-shrink9>
6. “The Psychology of discounting Something doesn’t add up,” *The Economist*
<http://www.economist.com/node/21557801>
7. “Consumer Behavior: Top tips on sales to irrational shoppers,” *Financial Times*
<https://www.ft.com/content/8ff6668a-0488-11e1-ac2a-00144feabdc0>
8. “A hint of hype, a taste of Illusion,” *Wall Street Journal*
Use library VPN or access on campus.
<https://search.proquest.com/docview/399070237?accountid=14505>
9. “Finding the ‘Weapons’ of Persuasion to Save Energy”, *New York Times*
<http://www.nytimes.com/cwire/2010/06/21/21climatewire-finding-the-weapons-of-persuasion-to-save-ene-8137.html?pagewanted=all>
10. “Helping the poor in education: The power of a simple nudge,” *New York times*
<https://www.nytimes.com/2015/01/18/upshot/helping-the-poor-in-higher-education-the-power-of-a-simple-nudge.html>
11. “In praise of small miracles,” Op-Ed, Brooks, *New York Times*
<https://www.nytimes.com/2014/12/12/opinion/david-brooks-in-praise-of-small-miracles.html>
12. “Influence of Licensed Characters on Children’s Taste and Snack Preferences,” Roberts, Baik, Harris and Brownell, *Pediatrics*.
<http://pediatrics.aappublications.org/content/pediatrics/early/2010/06/21/peds.2009-3433.full.pdf>