BAMA 506: Consumer Behaviour

COURSE INFORMATION

Division: Marketing and Behavioural Science

Term/period: Period 3

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Office hours: By appointment

Section number: 001

Class meeting times: Monday-Wednesday, 4-6PM

Course duration: Jan 2 – Feb 8, 2019

Classroom location: HA 133

Course website: Canvas

COURSE DESCRIPTION

Uncovering real insight into how consumers perceive, choose, consume, and evaluate products is the foundation of the success of virtually all business organizations. All decisions involved in developing an effective marketing mix rely on in-depth understanding of the consumers who comprise the target market. Thus, a clear understanding of the principles and processes of consumer behaviour is critical to evaluating and developing effective marketing strategies.

This course examines the science of understanding the consumer. The focus of this course will be on uncovering "consumer insights" and interpreting these through the lens of consumer behaviour principles. The term "consumer insight" refers to more than the simple observation and description of what consumers are doing, to moving towards explaining *why* consumers behave the way that they do. A meaningful consumer insight will drill deeper than surface observations of behavioural patterns into the realm of the underlying psychological processes such as conscious goals, unconscious motivations, perceptions, and values.

In this course, we will consider different tools and techniques for uncovering consumer insights. In addition, the course will provide a coverage of relevant consumer behaviour frameworks and concepts that will help us to interpret and apply these insights in business-relevant ways.

COURSE GOALS & LEARNING OBJECTIVES

After completing the course, students will be able to apply analytical frameworks and methods to:

- Understand the functional and psychological dimensions of customer value
- Analyze psychographic and behavioural data to segment markets and position products
- Generate customer insights based on qualitative and quantitative methods

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- Design online experiments (Facebook) to test customer insights
- Understand perception, attention, and memory to design more effective communication
- Understand the psychology of status-related consumption (e.g., luxury) to make strategic decisions
- Understand the psychology of new product adoption and product diffusion to make strategic decisions
- Understand the psychology of influence to create impactful and persuasive marketing messages
- Understand the key problematics in the food industry to find strategic solutions that align pleasure and health

COURSE MATERIALS & REQUIREMENTS

Online Readings
Some of the course readings will be available free of charge on Canvas (go to "Library Online Course Reserves"). The rest of the readings will need to be purchased as explained below.

Course Reader (Copyrighted cases)

1. Go to the Ivey Publishing website at www.iveycases.com
2. Log in to your existing account or click "Register" to create a new account and follow the prompts to complete the registration. If registering, choose the "Student User" role.
3. Click on this link or copy into your browser: https://www.iveycases.com/CoursepackView.aspx?id=20821
4. Click "Add to Cart".
5. You may choose to order in either **print** or **digital** format.
   o To order the material in digital format, check "digital download" and click "OK".
   o To order a printed copy for delivery, enter the print quantity required and click "OK". Please note that shipping charges will apply.
6. Go to the Shopping Cart (located at the top of the page), click "Checkout", and complete the checkout process.
7. When payment has been processed successfully, an Order Confirmation will be emailed to you immediately and you will see the Order Confirmation screen.
   o If you ordered digital copies: Click "Download your Digital Items" or go to "My Orders" to access the file.
   o If you ordered printed copies: Your order will be printed and shipped within 2 to 3 business days.

IMPORTANT: Access to downloadable files will expire 30 days from the order date, so be sure to save a copy on your computer. The downloadable file is a PDF document that can be opened using Adobe Reader.

ASSESSMENT SUMMARY

30%   Participation

- Participating in class discussions.
- Completing short surveys.
- In-class group activities.

40% Assignments (students can choose to work individually or in pairs)

- Case LOréal in China (10%)
- Case Renova Toilet Paper (15%)
- Case Unilever in Brazil (15%)

30% Group Project – Marketing Experiment

PARTICIPATION

In-Class Individual Participation

For effective class participation you need to have read the assigned materials before the class session, as indicated on the Schedule. A significant portion of class time will be devoted to in-class discussions, applying concepts you have uncovered via the readings, and analysing assigned cases. We all have unique business experience and knowledge, and drawing on this in class is actively encouraged. Please note that I will be looking for quality, not mere quantity in terms of class participation.

Grading Scale for Class Participation:
0 – Absent or late to class.
5 – Present but does not participate.
6 – Participates with basic information such as case facts.
7 – Offers an opinion or asks/answers a basic question.
8 – Engages in a meaningful discussion with other members of the class.
9 – Shares an analysis using data or evidence from the case or reading.
10 – Provides insight or asks a question that is instrumental in advancing understanding.

Please follow these other simple rules for successful participation:
#1: Be on time
#2: Put up your name tag
#3: Come prepared and be ready to participate in discussions
#4: No laptops.

Short Surveys

For some of the sessions, you will complete short surveys by 9am prior to class (see Canvas & Schedule). These surveys won't be graded, but your participation in the surveys will be taken into account in your participation grade.

In-Class Group Activities
In some of the sessions, you will work with your study group on in-class group activities. Your participation in these activities will be taken into account in your participation grade.

ASSIGNMENTS

You will answer specific questions on three cases. The deliverable is a 4 page write-up with appendix if necessary (12-point font, double spaced, one inch margins), to be uploaded on Canvas. Always justify your answers with relevant elements from the case and exhibits (no external research is needed). Please follow the instructions to purchase the case, as indicated under Course Materials & Requirements. You can choose whether to work individually or in pairs for some or all of the assignments, and if you work in pairs you can work with different partners for the different assignments. There will be no peer evaluation.

L'Oréal in China: Marketing Strategies for Turning Around Chinese Luxury Cosmetic Brand Yue Sai (due Session 5)

1. Given the situation facing Yue Sai and the current portfolio of brands of L'Oréal China, what should be the right value proposition? (1) keep its new lifestyle positioning as the brand of "confident, modern Chinese women", (2) be positioned as a Chinese luxury icon symbolizing the nation's long history and rich heritage, (3) adopt a more affordable value proposition, or (4) try something totally different? Please choose one option, justify your answer, and write the positioning statement.
2. Choose and justify a brand architecture in line with the value proposition: (1) sub-branding (e.g. "Yue Sai by L'Oréal"), (2) acknowledgement (e.g. "Yue Sai, a Chinese brand of L'Oréal"), or (3) independence (no mention of L'Oréal)?
3. Given the value proposition, who/what should be the "face" of Yue Sai? Du Juan? Another celebrity? Madam Yue Sai? No celebrity at all?
4. What should be the right channel(s) of distribution?
Questions 1 is the most important question, please allocate about half of your write-up to it.

Renova Toilet Paper: Avant-garde Marketing in a Commoditized Category (due Session 7)

1. Choose one among these five strategic directions described in the case: (1) increased price competition, (2) private label manufacturing, (3) continued technological innovations, (4) launch a black toilet paper as a limited PR coup, (5) launch a black toilet paper as a fully-fledged line extension. Justify your choice by reviewing the pros and cons (potential benefits and dangers) of the chosen option and briefly explaining why you rejected the other ones.
2. Discuss how you would position and promote your option.
3. Briefly discuss the implications of your chosen option for Renova's existing product portfolio.
Questions 1 is the most important question, please allocate about 2/3 of your write-up to it.

Unilever in Brazil 1997-2007: Marketing Strategies for Low-Income Consumers (<u>due Session 9</u>)

1. Should Unilever invest in a lower-margin segment? Why?
2. Now, assume Unilever enters:
     a. Explain whether they should: (1) develop a new brand / use one from their international portfolio, or (2) reposition one of their existing brands (which one?), or (3) launch a brand extension from one of their existing brands (which one? How would you name the brand extension?) ?
     b. Write a positioning statement for your brand in a. above.
     c. Explain how you would implement the 4Ps for your brand in a. above.
3. Compute the break-even cannibalization rate (BECR) for your brand (you can use the Excel sheet available on Canvas, and include the output as an appendix in your write-up). The BECR is the maximum percentage of sales of the new/repositioned product that can come from existing Unilever products in order to break even. In other words, if the actual cannibalization rate ends up being above the BECR, you won't break-even. A rule of thumb would be to have a BECR of at the very least 25%, and ideally above 40%. Also, your BECR needs to be consistent with your positioning strategy: if your proposition is not sufficiently differentiated from existing Unilever products, it is likely that the actual cannibalization rate will be fairly high, and that you won't break-even, especially if your BECR is not large enough. You will need to discuss this point in your assignment. In order to compute the BECR, use the excel sheet: it already contains all the necessary formulas

GROUP PROJECT

Marketing Experiment

The goal of the group project is to tie together themes, frameworks, and skills that we have focused on during the course. This assignment will provide you with first-hand experience using tools for marketing experimentation (or "A/B testing"). You will do the experiment via Facebook Ads (which features specific tools for experimentation). The data that you collect, structure, and interpret will be used to inform high-level recommendations that can be strategically acted upon by a firm, organization, or industry. Detailed instructions on the group project are provided in the document "MARKETING EXPERIMENT GROUP PROJECT DETAILED GUIDELINES" uploaded on Canvas. Information will also be given in class. You will give a presentation during exam week and you will hand in your powerpoint slide deck, research materials, and other appendices to the instructor. You don't need to write a full paper. Expect to spend about $40 ($10 per group member) on Facebook Ads.

Peer Evaluations

Each member of your team will assess the overall contribution of each individual group member's performance in the final group project. This will be done using a confidential peer evaluation form distributed at the completion of the project.

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Please note that if there is consensus among the team that an individual has contributed less than their peers to the project, your team project grade will be weighted to reflect this. Be proactive with your team members and make your expectations of one another clear from the start or the team project. Any problems that arise with team members must be brought to my attention well before the projects are due. Should students fail to complete this evaluation, it will be assumed that each member contributed equally.

COURSE SCHEDULE (version: 11/19/2018)

(Note: These are Subject to Change)

Session	Date	Topic, Readings, and Assignments
1	January 2	**Course Introduction** • An Anthropologist Walks into a Bar*. HBR* ONLINE READING
2	January 7	**Segmentation, Targeting, Positioning and Customer Value – A Consumer Behaviour Perspective** • Creating Customer Value. *HBS* COURSE READER • The Elements of Value. *HBR* ONLINE READING
3	January 8 (make-up class)	**Experimental Methods to test insights** • Better Customer Insight-- in Real Time. *HBR* ONLINE READING • A Step-By-Step Guide to Smart Business Experiments. *HBR* ONLINE READING • The Surprising Power of Online Experiments. *HBR* ONLINE READING *TO DO:* ✓ Start exploring Facebook Ads' functions (see project guidelines)
4	January 9	**Qualitative and Mapping Methods to gather insights** • Generating Perceptual Maps from Social Media Data. *HBR* COURSE READER • Using laddering to understand and leverage a brand's equity. *Qualitative Market Research* ONLINE READING • The ZMET alternative. *Marketing Research* ONLINE READING • Case: Boston Beer. *HBS* COURSE READER *TO DO:* ✓ Answer short survey on Boston Beer case (Canvas)
5	January 14	**Heart and Mind in Conflict** • Brand Positioning Statements. *HBR* COURSE READER • Mini Case: Dear Diary. *Ivey* COURSE READER • Case: L'Oréal in China. *INSEAD* COURSE READER *TO DO:* ✓ Submit L'Oréal in China case assignment (Canvas)

		✓ Answer short survey on L'Oréal in China case (Canvas)
6	January 16	**Guest Speaker: TBD**
7	January 21	**Perception and Attention** • Science of Sensory Marketing. *HBR* ONLINE READING • <u>Case</u>: Renova. *INSEAD* COURSE READER ***TO DO:*** ✓ Submit Renova case assignment (Canvas) ✓ Answer short survey on Renova case (Canvas)
8	January 23	**Influence and Persuasion** • Harnessing the Science of Persuasion. *HBR* ONLINE READING • Greening with Envy. *The Atlantic* ONLINE READING • Eager Sellers and Stony Buyers: Understanding the Psychology of New-Product Adoption. *HBR* ONLINE READING • Understanding the Psychology of Adoption. *Rotman Magazine* ONLINE READING
9	January 28	**Money and Status** • Luxury Branding Below the Radar. *HBR* ONLINE READING • Competing against bling. *HBR* ONLINE READING • <u>Case</u>: Unilever in Brazil Case. *INSEAD* COURSE READER ***TO DO:*** ✓ Submit Unilever in Brazil case assignment (Canvas) ✓ Answer short survey on Unilever in Brazil case (Canvas)
10	January 30	**Food, Health, and Pleasure** • Potential Benefits of Calorie Labeling in Restaurants. *JAMA* ONLINE READING • Reducing Sugar Drink Consumption: NYC Approach. *AJPH* ONLINE READING • Customers Aren't Very Good at Judging Product Sizing. *HBR* ONLINE READING • <u>Case</u>: Candy Crush: Aligning Health, Business, and Pleasure in the Chocolate Industry. *INSEAD* COURSE FILES ***TO DO:*** ✓ Answer short survey on Candy Crush (Canvas)
Week 6	Feb. 4-7	**GROUP PROJECT PRESENTATIONS SCHEDULED DURING EXAM WEEK**

KEY REGULATIONS

Attendance: As per RHL Regulations on Professionalism, Attendance and Behaviour, students are expected to attend 100% of their scheduled classes. Students missing more than 20% of scheduled classes for reasons other than illness will be withdrawn from the course. Withdrawals, depending on timing, could

result in a "W" or an "F" standing on a student's transcript. Students must notify their instructors at the earliest opportunity if they are expected to miss a class due to illness. A medical note from a licensed, local doctor is required if more than 20% of scheduled classes for a course are missed due to illness. Students are required to notify the Student Experience Manager if they are absent from two or more classes due to illness.

Tardiness: As per RHL Regulations on Professionalism, Attendance and Behaviour, students are expected to arrive for classes and activities on time and fully prepared. Late arrivals may be refused entry at the discretion of the instructor or activity lead. Students arriving halfway through a scheduled class, or later, will be treated as absent for that class.

Electronic Devices: As per RHL Regulations on Professionalism, Attendance and Behaviour, laptops and other electronic devices (cellphones, tablets, personal technology, etc.) are not permitted in class unless required by the instructor for specific in-class activities or exercises. Cellphones and other personal electronic devices must be turned off during class and placed away from the desktop. Students who fail to abide by the RHL "lids down" policy will be asked to leave the room for the remainder of the class. Research has shown that multi-tasking on laptops in class has negative implications for the learning environment, including reducing student academic performance and the performance of those sitting around them.

ACADEMIC MISCONDUCT

All UBC students are expected to behave as honest and responsible members of an academic community. Failure to follow appropriate policies, principles, rules and guidelines with respect to academic honesty at UBC may result in disciplinary action.

It is the student's responsibility to review and uphold applicable standards of academic honesty. Instances of academic misconduct, such as cheating, plagiarism, resubmitting the same assignment, impersonating a candidate, or falsifying documents, will be strongly dealt with according to UBC's procedures for Academic Misconduct. In addition to UBC's Academic Misconduct procedures, students are responsible for reviewing and abiding by RHL's policy on Academic Integrity.

STANDARD REFERENCE STYLE

The Robert H. Lee Graduate School uses American Psychological Association (APA) reference style as a standard. Please use this style to cite sources in your work unless directed to use a different style.

LATE ASSIGNMENTS

Late submissions will not be accepted and will receive a zero.

ADDITIONAL SUGGESTED READINGS ABOUT BEHAVIORAL INSIGHTS AND CONSUMER BEHAVIOUR!

- Kahneman, D.: **Thinking Fast and Slow.**
- Thaler and Sunstein: **Nudge: Improving Decisions about Health, Wealth, and Happiness.**

- Heath and Heath: **Made to Stick: Why Some Ideas Survive and Others Die.**
- Belsky and Gilovich: **Why Smart People make Big Money Mistakes.**
- Cialdini, R. **Influence: Science and Practice (4th Edition).**
- Underhill, P. **Why We Buy.**
- Zaltman, G. **How Customers Think.**
- Alba, J. A: **Consumer Insights: Findings from Behavioural Research.**