AUSTRALIAN SCHOOL OF BUSINESS
School of Marketing

MARK3072/MARK3172
ADVANCED CONSUMER BEHAVIOUR

COURSE OUTLINE
SESSION 2, 2007
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<td>12</td>
<td>27</td>
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<tr>
<td>13</td>
<td>28</td>
</tr>
</tbody>
</table>
1. COURSE STAFF

Lecturer: Mathew Chylinski
Room: JG 312
Phone: 9385 3344
Email: m.chylinski@unsw.edu.au
Consultation: Monday 1pm – 3pm

1.1 Communication with Staff
The above office hours are only a suggestion of the time when I am likely to be in the office. However, I am generally available to answer questions or inquiries. You can email or call me on the phone, alternatively you can see me in person. If you’re thinking of dropping by my office it’s always a good idea to bounce me an email first. That way there is a better chance of catching me☺.

2. INFORMATION ABOUT THE COURSE

2.1 Teaching times and Locations
The seminar for this course takes place on Monday, 3-6pm, in Goldstein G05. It includes a lecture, discussion and a tutorial. Do your best to turn-up, I will do likewise☺.

2.2 Units of Credit
Advanced Consumer Behaviour is worth 6 OUC.

2.3 Relationship of this course to other course offerings
Advanced Consumer Behaviour (MARK3072) is an elective subject offered under the Marketing major within the BCom. It builds on firm understanding of the basics of consumer behaviour (MARK2051) and a strong foundation in marketing research (MARK2052). Marketing students are also encouraged to take Market Analysis (MARK2054) before enrolling in Advanced Consumer Behaviour. This course is focused on developing a sophisticated analytical understanding of consumer judgement, behaviour and the underlying decision theory. Although the course is designed primarily for elite marketing students, it may also be of interest to students from other disciplines (e.g.: economics, management, accounting, finance, or psychology) who have a particular interest in behavioural aspects of markets, and who have a reasonable grounding in research methodology.

2.4 Approach to learning and teaching
Advanced Consumer Behaviour is designed to challenge you, encourage you to think for yourselves and even take responsibility for your own learning. The course is delivered in a seminar form, where mutual discussion, analysis and presentations of key concepts and recent research findings are crucial to development of a deeper understanding of the current state of knowledge in consumer behaviour. To obtain full benefits from this course, I suggest you extend yourself... beyond your comfort zone. That means pro-actively participate in the discussions and the seminar tasks. There is a clear structure to the course, but the direction of discussions will depend on your individual interests and questions based on the readings each week.
3. Course Aims and Outcomes

3.1 Course Aims

The aim of MARK3072 Advanced Consumer Behaviour is to develop an appreciation and understanding of the current state of knowledge and the ongoing research in behavioural decision making. The course is relevant to those of you who want to understand a market decision maker from a managerial, academic, and the consumer sovereignty points of view. The aim is to prepare you for a future role as marketing managers, consultants or advisors. The goal is to improve your ability to understand, critically analyse, and apply current research in consumer behaviour to concrete marketing problems. The course also aims to provide you with enough understanding of the strengths and weaknesses of human decision making to encourage you to develop a better set of own decision making strategies.

3.2 Student Learning Outcomes

By the end of the course you should be able to:

- Understand and critically discuss the main concepts involved in current consumer research and decision theory.
- Apply those concepts to concrete marketing problems.
- Improve your decision making strategies.
- Also we aim to teach you to move stuff telekinetically with your mind, fly at the speed of light and walk on water... more or less ☺

3.3 Teaching Strategies

The general approach to teaching in Advanced Consumer Behaviour will take the form of dialectic. The seminar approach is designed to get you talking and me providing the context for your discussions. However, in each seminar we will make sure we cover the following components:

1. I will give a presentation, akin to a lecture, the difference being that you are expected to jump in, ask questions and contribute your five cents to any topic I discuss during the presentation. This will set the context for your own presentations.

2. You will also present at the seminars. The presentations will be based on the readings for each week. These will be done in groups. Each week we will have presenters and critics. Presenters will provide us with their understanding of the substantive concepts, and the application to marketing, based on the articles set in the give week. The critics will evaluate the articles and the insights in the papers taking a distinct point of view to the presenters. The success of the presentations will partly depend on the level of discussion you are able to generate in class.

3. You are all expected to take part in the seminar discussions. This means making constructive comments, statements and asking relevant questions. You have to prepare for each discussion by summarising the articles (1/2-page summary for each article) and writing down a set of questions and discussion points that you can use during class.

4. There will also be an application task during each seminar. The task will usually involve a concrete marketing or decision problem. You will need to solve this task by applying advanced knowledge of consumer behaviour to come up with a set of managerial recommendations.
4. STUDENT RESPONSIBILITIES AND CONDUCT

For information on your responsibilities regarding workload, general conduct and behaviour, and keeping informed, please refer to the School of Marketing’s website. http://www2.marketing.unsw.edu.au/nps/servlet/portalservice?GI_ID=System.LoggedOutInheritableArea&maxWnd=_Current_Policies

4.1 Attendance
Your regular and punctual attendance at lectures and seminars is expected in this course. University regulations indicate that if students attend less than eighty per cent of scheduled classes they may be refused final assessment. ...And I will be extremely displeased if you go AWAL on me too.

5. LEARNING ASSESSMENT

5.1 Formal Requirements
In order to pass this course, you must:

- achieve a composite mark of at least 50; and
- achieve at least 50% from each individual component of assessment (see below).

If you do not pass the individual components, then you will receive a UF grade. Tough I know, but what doesn't kill you only makes you stronger. 😊

5.2 Assessment Details

<table>
<thead>
<tr>
<th>Assessment Component*</th>
<th>Component Weighting</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presentation 1 (affirmative)</td>
<td>10%</td>
<td>TBD</td>
</tr>
<tr>
<td>Presentation 2 (negative)</td>
<td>10%</td>
<td>TBD</td>
</tr>
<tr>
<td>Participation</td>
<td>20%</td>
<td>N/A</td>
</tr>
<tr>
<td>Paper 1 (2000 w.)</td>
<td>30%</td>
<td>03/09/05</td>
</tr>
<tr>
<td>Paper 2 (2000 w.)</td>
<td>30%</td>
<td>29/10/05</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

*The good thing is... no exams!
GROUP ASSESSMENT (GROUPS OF THREE):
Presentation 1. (10%) [The affirmative]
Refer to the readings and the discussion topics set for each week. The aim of presentation 1 is for you to review, in class, the articles set for the week in which you choose to present. Your focus should be on the contribution, the findings and the general message of each paper. You should also integrate the information from different papers into a consistent argument related to the discussion questions set in the relevant week. The quality of your argument will be a major determinant of your presentation mark. Another requirement of the presentation is that you discuss the managerial, consumer and decision making implications of the papers. Keep in mind that what I give you as discussion topics and questions are only my suggestions. Part of this “thinking for yourself” business is that you choose points of interest on which you want to focus in your presentation. These should be clearly stated and defined at the outset of your presentation. Assessment of the presentation will also depend on the level of discussion that you are able to generate during and following the presentation. Hence you will need to plan for and encourage discussion during and after your presentation.

Presentation 2. (10%) [The negative]
Refer to the readings and the discussion topics set for each week. The aim of presentation 2 is to critique and provide a counter argument to presentation 1. Assessment of the presentation 2 will depend on how well you can argue your counter points, the relevant managerial, consumer, and decision making implications you can draw, and the level of discussion you generate during and following the presentation.

INDIVIDUAL ASSESSMENT:
Participation (20%)
Baseline:
Everyone is expected to read all the readings set for each week prior to the seminar. You will have to produce a short (max half page) summary of each article. These will demonstrate that you have read and understood the articles. A single failure to produce the summaries (without a good reason) will earn you a big fat zero for participation. I call this my anti-procrastination incentive scheme or “anti-PIS” for short.

Option:
Participation marks above zero will be awarded based on individual contribution to discussions during the semester. This means making intelligent comments, asking relevant questions and providing arguments related to the discussion topics.
You will also have to produce a one page summary ‘answer’ to the discussion questions for each week. These will help you during the class discussions. The one page ‘answers’ should include further points of discussion which you find particularly interesting and would like to discuss in class.
Finally, you will have to produce a maximum one page answer to the tutorial task each week. You will use these summaries in group exercises during each tutorial. Participation in these tasks will form part of your grade.
I will collect all of the relevant summaries at the end of each seminar.
**Paper 1 (30%)**

Standard economic theory assumes stable, well-defined, and complete consumer preferences. This assumption leads to the prediction of utility maximizing choice behaviour. Discuss the validity of this assumption. How is this assumption affected by the now well established body of research in psychology, judgment and decision theory that suggests consumer behaviour may be subject to systematic biases. Draw out, discuss, and qualify the most important implications of your analysis for both managers and consumers. How can you use the systematic biases in consumer judgment and decision making to supplement the standard economic model in marketing practice? Discuss any issues related to consumer sovereignty that may stem from your above analysis.

**Paper 2 (30%)**

An emerging model, based primarily on the recent findings in psychology, suggests a very specific view of consumer behaviour. In this model consumers' preferences are malleable and generally unstable over time. Situational, non-conscious and emotional influences often play a significant role in guiding consumer behaviour, while self-control problems and strategic rather than utility maximizing behaviour is the norm. Discuss aspects of this emerging model in relation to a notion or a standard of consumer rationality. Could you argue that despite the findings in psychology consumer behaviour is nevertheless adaptive and/or rational? If not, suggest ways in which improvements in consumer decision making can be achieved? As a marketing manager how could make use of this new model of consumer behaviour to your advantage in a competitive marketplace. Finally, comment on consumer sovereignty and the ethics of exploiting systematic biases in consumer judgment and decision making to increase corporate sales and/or profits, or to influence public opinion for political and/or public policy ends.

5.3 Assignment Submission Procedure

Papers are to be submitted on or before the due date at the seminar, or by lodging in the marked essay box located on the 3rd floor, John Goodsell building.

5.4 Late Submission

Information about late submission of assignments, including penalties, is available on the School of Marketing’s website


5.5 Special Consideration and Supplementary examinations

Details relating to procedures for special consideration and supplementary exams can be found at:

http://www2.marketing.unsw.edu.au/nps/servlet/portservice?GI_ID=System.LoggedOutInheritableArea&maxWnd=_Current_SpecialConsideration

NOTE: You only have 3 days from the due date of the assessment/exam in which to lodge a special consideration form.
5.6 Assignment Format

Each paper is to be 2000 words in length, excluding appendices and references. The paper should have a title page with your name and student number. Subheadings and a table of contents are welcomed.

Extra readings are essential. Research for each paper should begin with, but definitely not end, with the set readings. I want evidence that you had thought about, researched and analysed each of the topics. The higher pedagogical goals of demonstrated understanding and insight will guide assessment of the papers. This means that you must infuse your own ideas and construct own arguments, rather than simply repeat what you read in the articles and/or books you include as references to your paper.

6. Academic Honesty and Plagiarism

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For full information regarding policies, penalties and information to help you avoid plagiarism see: www.my.unsw.edu.au/student/atoz/Plagiarism

Plagiarism is the presentation of the thoughts or work of another as one’s own.* Examples include:

- direct duplication of the thoughts or work of another, including by copying work, or knowingly permitting it to be copied. This includes copying material, ideas or concepts from a book, article, report or other written document (whether published or unpublished), composition, artwork, design, drawing, circuitry, computer program or software, web site, Internet, other electronic resource, or another person’s assignment without appropriate acknowledgement;
- paraphrasing another person’s work with very minor changes keeping the meaning, form and/or progression of ideas of the original;
- piecing together sections of the work of others into a new whole;
- presenting an assessment item as independent work when it has been produced in whole or part in collusion with other people, for example, another student or a tutor; and,
- claiming credit for a proportion a work contributed to a group assessment item that is greater than that actually contributed.†

Submitting an assessment item that has already been submitted for academic credit elsewhere may also be considered plagiarism.

The inclusion of the thoughts or work of another with attribution appropriate to the academic discipline does not amount to plagiarism.

Students are reminded of their Rights and Responsibilities in respect of plagiarism, as set out in the University Undergraduate and Postgraduate Handbooks, and are encouraged to seek advice from academic staff whenever necessary to ensure they avoid plagiarism in all its forms.

The Learning Centre website is the central University online resource for staff and student information on plagiarism and academic honesty. It can be located at: www.lc.unsw.edu.au/plagiarism
The Learning Centre also provides substantial educational written materials, workshops, and tutorials to aid students, for example, in:

- correct referencing practices;
- paraphrasing, summarising, essay writing, and time management;
- appropriate use of, and attribution for, a range of materials including text, images, formulae and concepts.

Individual assistance is available on request from The Learning Centre.

Students are also reminded that careful time management is an important part of study and one of the identified causes of plagiarism is poor time management. Students should allow sufficient time for research, drafting, and the proper referencing of sources in preparing all assessment items.

* Based on that proposed to the University of Newcastle by the St James Ethics Centre. Used with kind permission from the University of Newcastle
† Adapted with kind permission from the University of Melbourne.

7. STUDENT RESOURCES

7.1 Course Resources

The readings in this course consist of a set of journal articles related to each seminar topic. These include some of the most recent and cutting edge research articles in consumer behaviour as well as some of the classics from the judgment and the decision making literature. For the list of articles refer to course schedule.

Most of the articles should be conveniently located on the “My Course” library web-page. Few any that might be missing you will have to hunt down yourselves; which means you get to find out where the library is.

7.2 Other Resources, Support and Information

The University and the Faculty provide a wide range of support services for students, including:

- Learning and study support; Counselling support; Library training and support services; Disability support services.

In addition, it is important that all students are familiar with University and Faculty policies and procedures in relation to such issues as:

- Examination procedures and advice concerning illness or misadventure;
- Supplementary Examinations; Occupational Health and Safety policies and expectations;

For information and links relating to the above services, please see [note School web pages where this information is presented.

8. CONTINUAL COURSE IMPROVEMENT

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW’s Course and Teaching Evaluation and Improvement (CATEI) Process ([http://www.ltu.unsw.edu.au/ref4-5-1_catei_process.cfm](http://www.ltu.unsw.edu.au/ref4-5-1_catei_process.cfm)) is one of the ways in which student evaluative feedback is gathered. Significant changes to courses and programs within the School are communicated to subsequent cohorts of students.
## 9. Course Schedule

<table>
<thead>
<tr>
<th>Week</th>
<th>Lecture</th>
<th>Readings</th>
<th>Tasks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 23/7</td>
<td>Course Overview &amp; Orientation</td>
<td>No readings in the first week&lt;br&gt;\textit{A rolling start for week 2, aka “the calm before the storm”}</td>
<td>Discussion: Task: Groups, presentations.</td>
</tr>
</tbody>
</table>
### Behavioural Decision Theory 1

(Choice Models)


### Behavioural Decision Theory 2

(Psychophysics of Choice)


### Summary of JDM and BDT:

| 7/39 | Dynamics of Decision Making 1  
| 8/10 | Dynamics of Decision Making 2  

**Presentation 5**  
*Task:* Line Modification  
*Due:* Paper 1

**Presentation 6**  
*Task:* Consumption Acceleration
<table>
<thead>
<tr>
<th>Date</th>
<th>Task</th>
<th>Notes</th>
</tr>
</thead>
</table>
| 9/17 | **Dynamics of Decision Making 3**  
| 10/8 | **Special Topics 1**  
| 22/9 | Mid-Session Break | |
| 10/1 | Labour Day | |
| 11/8 | **Special Topics 1**  
<p>| Presentation 7 | Task: <strong>COMPETITIVE IMMUNISATION</strong> | |
| Presentation 8 | Task: <strong>PERCEPTUAL FLUENCY</strong> | |</p>
<table>
<thead>
<tr>
<th>Slide</th>
<th>Topic</th>
<th>References</th>
</tr>
</thead>
</table>


Task: *SAVING THE WORLD*

Due: Paper 3
10. DISCUSSION QUESTIONS AND TASKS FOR EACH SEMINAR

WEEK1:

DISCUSSION QUESTIONS
Main argument: Review MARK 2051. What do you really know about consumer behaviour? Discuss the model of consumer decision making. What is the relation between attitude and choice? Is it a consistent relation? What is utility? Do consumers maximise utility? How do consumers form preferences? Do consumer preferences reflect utility over time? Do you think your understanding of consumer behaviour is sufficient to let you loose on the world?

Counter argument: What is your idea of advanced consumer behaviour? What could possibly make CB even more advanced than MARK 2051? How much does understanding of economics aid in understanding of consumer behaviour? What is the value of mathematical psychology in CB? Can we really expect to represent psychological and decision processes mathematically? What is the value of experimental economics in CB? How can we use the experimental findings to enrich our models of consumer behaviour? Will any of this aid managers in predicting and/or influencing consumer behaviour? What about consumers? How relevant is advanced understanding of consumer behaviour to consumers themselves?

Task
Form a group of three students. As a group choose a week, in which you would like to present as the main presenters; i.e.: presentation 1. Choose a week, in which you would like to present as the main critics; i.e.: presentation 2. Do yourselves a favour go get the readings for week 2.
WEEK2:

**DISCUSSION QUESTIONS**

**Main argument:** Normative models of judgment and decision making focus on the efficacy and optimality of decision making. What is the value of the normative approach in studying consumer behaviour? What is rationality? Are consumers rational? Is formal logic a good criterion for rationality? Discuss the concepts of risk and uncertainty. What is the expected utility and how can it be used to reflect consumer judgment? How can you apply the normative approach to consumer behaviour in marketing? How could you use it improve consumer decision making?

**Counter argument:** Descriptive approaches to consumer judgment and decision theory emphasise ecological validity. What is the value of the descriptive approach to the study of consumer behaviour? What are the limitations of the normative approach? Discuss departures from the expected utility criteria of consumer rationality. What factors may affect the ability of consumers to make optimal judgments of probability (refer to information gathering and integration strategies)? Describe the influence of visceral factors, motivations and emotions on consumer judgment? Can these be represented in terms of formal normative models? Discuss the value of the descriptive approaches to marketing.

**TASK: DECISION TREES**

ACME Jet Vehicles division has identified a gap in the market. Currently, there is an unsatisfied customer need for single seat jet-powered chase vehicles. The feasibility study indicates the new product can be manufactured efficiently. However, the management is still uncertain whether to launch the new product or whether to continue with old internal combustion chase vehicles. You’ve been hired as a team of consultants. Your job, using the decision tree analysis, is to provide a set of recommendations regarding which course of action ACME should take. The preliminary market analysis is presented in table 1.

**Table 1:**

<table>
<thead>
<tr>
<th>Old product</th>
<th>Customer response</th>
<th>Quantity sold</th>
<th>Unit margin</th>
<th>Fixed costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>High (probab 0.7)</td>
<td>500</td>
<td>$10</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Low (probab 0.3)</td>
<td>100</td>
<td>$10</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New Product</th>
<th>Customer response</th>
<th>Quantity sold*</th>
<th>Unit margin</th>
<th>Launch cost</th>
<th>High support</th>
<th>Low support</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>1000</td>
<td>$20</td>
<td>$5,000</td>
<td>$4,000</td>
<td>$1,000</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>700</td>
<td>$20</td>
<td>$5,000</td>
<td>$4,000</td>
<td>$1,000</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>300</td>
<td>$20</td>
<td>$5,000</td>
<td>$4,000</td>
<td>$1,000</td>
<td></td>
</tr>
</tbody>
</table>

* Assuming low product support and low competitor response

**Market responsiveness**

<table>
<thead>
<tr>
<th>Customer</th>
<th>Product support on customer</th>
<th>Competitor response on customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>1.1</td>
<td>1.0</td>
</tr>
<tr>
<td>Low</td>
<td>1.0</td>
<td>1.0</td>
</tr>
</tbody>
</table>

**Probability of outcomes**

<table>
<thead>
<tr>
<th>Customer</th>
<th>Probability</th>
<th>Competitor given customer</th>
<th>Competitor’s response probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>0.3</td>
<td>0.5</td>
<td>0.15</td>
</tr>
<tr>
<td>Average</td>
<td>0.5</td>
<td>0.7</td>
<td>0.35</td>
</tr>
<tr>
<td>Low</td>
<td>0.2</td>
<td>0.4</td>
<td>0.08</td>
</tr>
</tbody>
</table>

0.58 0.42
**WEEK3:**

**DISCUSSION QUESTIONS**

**Main argument:** What constitutes an error of judgement or decision? Discuss the some of the main biases in consumer judgment and decision making. What do those biases tell us about consumer rationality? How can we use these biases to influence consumer decision making. Get creative and suggest some of implications of the decision biases for marketing; makeup examples.

**Counter argument:** Can violations of formal logic be considered rational in some way, especially from the point of view of the adaptive consumer? What alternative criteria for rational decision making (especially in a complex environments) can be proposed? Evaluate the relevance and applicability of those alternative criteria. Can decision biases be diminished or reduced in some way? Is it possible to improve human decision making? What strategies or tactics could you use to counter some of the main biases in human judgment and decision making? How could you use your understanding of decision biases to help consumers maintain their sovereignty in the marketplace?

**TASK: VALUATION EFFECTS**

Procter & Gamble is considering offering an incentive scheme with one of their washing powder products in order to increase its value offering and to promote repeat purchase. The scheme is based on a contest, where by sending in multiple barcodes over a period of time consumers can influence the probability of winning different prizes. Consumers need to indicate which prize they are sending the barcodes for, and what amount of each prize they wish to compete for. For example, a consumer can indicate he/she is interested in prize 1 (an overseas trip). This can involve a two night, a four night or a seven night stay in New York (i.e.: varied prize amount). However, Procter & Gamble are not exactly sure how consumers will value this competition, and hence how much value this will add to their product.

Prepare a max 2 page consulting brief outlining the aspects of the consumer’s decision problem Procter & Gamble should consider in estimating the consumers’ valuation of the prizes in the competition. In your brief suggest different approaches consumers may take to risk and utility. Provide a set of recommendations to the company firmly based on one of the two dominant models of information integration in consumer behaviour, i.e.: the Expected Utility model, or the Prospect Theory model. Which did you choose and why?
WEEK4:

DISCUSSION QUESTIONS

Main argument: Modelling how consumers actually make judgements and
decisions as opposed to how they should make judgments and decisions leads to
identification of systematic ‘biases’ that can be used to predict and influence
consumer behaviour. Discuss the effects of framing, context, and response mode
effects on consumer behaviour. What do these effects tell us about consumer
preferences? Are these effects more likely to apply in some situations than others?
How can you use your understanding of the above ‘biases’ as a marketer? For
example, when might it make sense to emphasise price competition over brand
competition? How can you communicate the benefits of your products for maximum
effect? How can you influence consumer preferences for products and product
attributes by strategically launching or advertising products?

Counter argument: Many of the judgement and decision ‘biases’ are the result of
natural adaptive processes that in most circumstances improve the overall chances
of a consumer’s survival in a given environment. However, these may become sub-
optimal in relation to normative predictions of optimal decision making. Discuss
and evaluate this statement. As a marketer how can you minimise the influence of
biases in your own judgement and decision making. How can you influence
consumers in order to reduce the effects of biased decision making? When is this a
desirable course of action? For example, faced with competitive action of a rival
firm that aims to influence consumers’ preferences by manipulating the decision
context, what can you do to counteract this influence? Think of other examples of
competitive market behaviour where you could apply the concepts of contingent
valuation.

TASK: FLANKING BRAND

Holden is facing considerable competitive pressure from Toyota Motor Corporation
in relation to its Commodore model. Toyota Camry has recently taken a large
chunk of Holden’s family car market. The management are considering launching a
flanking brand, that is a brand designed to compete directly with Toyota Camry
and take the heat off the main Commodore brand. However, the management is
uncertain how to position the new brand in terms of features, the communication
strategy, and the focus on price competition or brand competition.

You have been hired as a team of consultants to analyse the potential effects the
launch of the flanking brand could have on consumer preferences and the market
share. Using your understanding of context, response mode, and framing effects on
consumer preferences provide a set of recommendations to the marketing manager
on how best to position and communicate the product to consumers. Remember, the
purpose of the flanking brand is to cause as much damage to the competitor brand
as possible, while protecting your own main (Commodore) brand.
WEEK5:

DISCUSSION QUESTIONS

Main argument: Discuss choice models in the context of consumer behaviour. What is the link between judgement and choice? Does contingent valuation affect judgement or choice? What are the magnitudes of the relative effects? What does all this tell us about consumer decision making? What is the impact of different judgement strategies on consumer decisions? Discuss the nature and the conditions under which traditional choice models may provide less reliable predictions of consumer choice. As an advisor to a marketing manager interested in predicting consumer choice, how would you evaluate any market share predictions from an external market research firm that used choice-based modelling of consumer behaviour?

Counter argument: Traditional choice models have been widely used as a tool for predicting consumer choice and firm market shares. The success of choice models is based on their robustness. Despite a set of normative assumptions the predictions of the choice models often tend to closely reflect actual market outcomes. Discuss the above statement. What solutions could you provide in circumstances in which choice models have been demonstrated to fail? As an advisor to a marketing manager suggest the benefits of using choice models as a decision support tool. Provide appropriate qualifications to your suggestions.

TASK: DECOY BRAND [MAY NOT WORK GIVEN FLANKING]

Toyota Motor Corporation is considering a competitive response to Holden's flanking brand strategy. The management at Toyota have suggested that a decoy brand could work in their favour and mitigate the effect of the Holden's new flanking brand. However, they are not sure how to execute this complex strategy.

You have been hired as a team of consultants to advise the management at Toyota Motor Corporation on the feasibility of the decoy brand strategy. Using your understanding of consumer behaviour and the effects of asymmetrically dominated alternatives on consumer preferences construct an argument and propose a strategy brief outlining the likely effect a decoy brand could have on both the main Holden brand (Holden Commodore) and it's flanking brand (aka the ShinKicker).
WEEK6:

**DISCUSSION QUESTIONS**

**Main argument:** Consumers’ uncertainty about their own preferences results in a number of systematic choice effects that run counter to the standard assumptions of utility maximisation. Discuss the compromise, contrast, similarity and extremes aversion effects. What role does loss-aversion play in generating some of these effects? What conditions are necessary for these effects to become prominent? How can you use the systematic nature of these effects in marketing? Discuss different product positioning strategies you could use based on your understanding of the above effects.

**Counter argument:** Outline the situations in which consumers may be least susceptible to the compromise, contrast, similarity and extremeness aversion effects. How seriously are the standard models of consumer behaviour affected by the above findings? How useful are the above findings in predicting consumer behaviour? What information do we need to be able to accurately predict of the above effects in consumer behaviour? Is it reasonable to expect marketers to have that sort of information prior to making decisions? Evaluate the overall impact of the above effects on the conduct of marketing strategy, and the consumer sovereignty in the market.

**TASK: LOSS AVERSION**

John Howard comes back from the dead to win another term in the office. This time, however, there is renewed public pressure for a referendum on the question of the Australian republic. John Howard knows that he must put the issue before the people and comply with the outcome. Ideologically, however, he is opposed the Australian republic, but politically he has no choice. Or does he?

Being a shrewd politician, as he is, John Howard hires you as a team of political consultants. Your job is to advise the cabinet on the stable, and potentially useful, trait in human decision making known as loss aversion. Prepare a consulting brief to the Prime Minister outlining the strategy, and the conditions under which this strategy would likely deliver the No vote to the Australian republic. How would you construct, frame and present the issue to the public in order to maximise the likelihood of the NO vote.

*What does this tell you about the potential state of the democratic process?*
WEEK7:

DISCUSSION QUESTIONS
Main argument: Variety is the spice of life. Discuss this cliché in relation to the normative and the psychological accounts of consumer behaviour. In what way can consumers derive utility from experiencing change itself? How prevalent do you think change for the change’s sake may be in the market? Are consumers inherently looking for variety or for stability in their lives? What does variety seeking tell us about consumer preferences over time? How does it compare with the normative assumptions of stable preferences and utility maximisation? Is the notion of stable preferences dead already, or does it still have some use in modelling of consumer behaviour? Specifically, how can you apply your understanding of the way consumers seek variety in designing marketing strategy and communications?

Counter argument: Variety seeking exists, however its impact on long-run consumer preferences is predictable. Discuss the concept of meta-preferences. How can consumers use higher order preferences to guide their day to day behaviour? What is the role of habituation and how can it be reconciled with the notion of variety seeking? How likely are consumers to form ‘dynamically stable’ cycles of preference changes? As a marketing manager concerned about consumer variety seeking, what measures could you employ to minimise product and/or attribute switching behaviour?

TASK: LINE MODIFICATION
Nestle is considering a strategic domination of the confectionary market in Australia. Their plan is to redirect resources to only a few, but extremely well supported product brands (under the nestle umbrella) in the key market segments of chocolates, lollies, biscuits, and assorted sweets. The strategy is to gain and hold the dominant position in all these segments to create a ‘fortresses’ scenario, where few strong and well positioned product brands control the overall confectionary landscape. The top management thinks this could be a cost effective way to suppress competition and increase profits. However, the VP of marketing has few reservations about the wisdom of narrowing the product range too much.

You have been hired as a team of consultants to review Nestlé’s proposed strategy and to provide a set of recommendations to the top management. Specifically, you are tasked with applying your expert knowledge of contingent consumer preferences and the phenomenon of variety seeking in relation to the above strategy. In your analysis discuss the role of varied decision rules, sensory-specific satiations and different attribute types on the likely consumer choice behaviour over time.
WEEK8:

DISCUSSION QUESTIONS
Main argument: Consumers’ preferences can change over time with increased levels of information and experience. Discuss the assumptions and the market conditions required for preference dynamics. Normative models of preference updating tend to assume that successive pieces of information are uncorrelated and of equal value. Under what circumstances might these assumptions fail? Under what circumstances would you expect these models to provide reliable forecasts? What is the rational behind the anchoring and adjustment heuristic? Discuss the biasing effects of anchoring and adjustment process. When is this process adaptive and when is it maladaptive. As a marketing manager how can you use your understanding of the updating nature of consumer preferences to affect judgement and choice over time? Suggest ways to accelerate and influence preference updating.

Counter argument: Discuss preference updating in relation to hypothesis testing. In this light what is the function of consumer preferences? When is confirmation a reasonable strategy in preference updating? How is it related to anchoring and adjustment process of consumer in updating of consumer preferences? Assuming a direct competitor is attempting to influence consumers’ preference anchor points and thus affect their level of product purchase. How can you immunise consumers against this effort by your competitor in the market? As a consumer how could you maintain your sovereignty in the market by using your understanding of the sometimes biased nature of the anchoring and adjustment process of preference updating?

TASK: CONSUMPTION ACCELERATION
Kellogg’s has conducted a marketing audit of its brand portfolio. The main finding from the audit is the presence of mature, and stagnant, brands like Kellogg’s Cornflakes and All-Bran in Kellogg’s portfolio. Furthermore, these brands are being threatened by aggressive competitors looking to steal market share. The marketing manager at Kellogg’s is considering a tactical response aimed at limiting its customer base from responding to competitor’s actions. The manager also wants to strengthen the depth of Kellogg’s brands’ market penetration. The aim is to increase the purchase quantity in order to take buyers out of the market, increase habituation, and accelerate consumption in new situations (e.g.: Kellogg’s Cornflakes as a lunch or evening snack).

You have been hired by Kellogg’s as a team of consultants who will advise the marketing manager about the possible actions that can be taken in order to achieve the company’s objectives. Your approach is to apply your expertise of consumer judgement and decision heuristics, specifically the anchoring and adjustment heuristic, to the above problem. Prepare a short brief to the marketing manager outlining a set of tactical responses, their likely effect, and an implementation procedure that can achieve the company’s objectives.

[Discuss the ethics of using consumer’s judgement heuristics in stimulating sales.]
**WEEK9:**

**DISCUSSION QUESTIONS**

**Main argument**: Discuss the role of contingency learning in formation of preferences. Which types of products or product attributes are likely to be influenced by the process of preference formation? What is the role of consumer goals in preference formation? What does preference formation based on associative learning tell you about consumers’ rationality? Could you argue that simple conditioning processes common to both humans and animals will lead to rational utility maximising outcomes? Under what conditions is contingency learning likely to lead to unbiased preferences? As a marketing manager how can you use the antecedents of preference formation to position and accelerate adoption of products in the market?

**Counter argument**: Associative learning (classical and operant conditioning) is a mechanistic process. Discuss the differences between associative conditioning, which relies on relative frequencies of events in the environment for the formation of contingency estimates, and the Bayesian beliefs-based approach. Under what circumstances is associative learning likely to provide biased estimates of contingency and hence sub-optimal preferences? What is the Bayesian explanation for a supposedly biased covariance-based process of preference formation? As a manager interested in predicting and influencing consumer preferences, which approach would you apply (the relative frequency-based, or the Bayesian approach) and why?

**TASK: COMPETITIVE IMMUNISATION**

Through its competitive intelligence, Nokia Cellular Phones division has learned that Sony-Erickson (their main competitor) is working on a new technology (an electronic radiation scrambling device or ERSD) that eliminates 95% of the harmful radiation emitted by mobile phones. ERSD is about 12 months from being patented. When it is patented Nokia would have to enter into a licensing agreement with Sony-Erickson to stay in the market. Understandably the senior management at Nokia are concerned. However, engineering reports also suggest that ERSD will still need to be combined with common shielding technology inside each phone. Nokia’s R&D department claims that common shielding technology in Nokia phones can be improved to eliminate up to 75% of the harmful radiation with a development time of 4 months. Based on this assessment the Nokia marketing manager thinks he can competitively outmanoeuvre Sony-Erickson by immunising consumers to the new ERSD technology.

You have been hired as a team of experts to advise the marketing manager on the implementation of the immunisation strategy. Based on your understanding of the associative nature of preference formation, and its related cue competition effects (i.e.: blocking and CS/US learning interference), suggest a way in which you could accelerate formation of preferences for the shielding technology and prevent later formation of preferences for the ERSD technology. Write a brief to the marketing manager outlining your approach and how you would apply it.
**Week 10: 02/10/05 [Labour Day]**

**Week 11:**

**Discussion Questions**

**Main argument:** There is a good deal of evidence which suggests that a large part of consumer behaviour, especially judgment and choice, is driven by non-conscious processes. Elaborate on the implication of this evidence in relation to what you already know about contingent valuation and consumer preference formation.

Discuss the concept of automaticity. What are the main traits of non-conscious, automatic behaviour? How does automaticity operate as a judgment and/or decision heuristic? In a strict sense, can heuristic processes really be called automatic?

Discuss how automaticity develops over time. What do the subliminal priming experiments suggest about the ability of consumers to make independent decisions in the market? How can you apply this understanding to marketing of products?

**Counter argument:** The dual processing hypothesis suggests that even though much of consumer behaviour may be automatic, it can always be over-ridden by application of conscious attention to a given behaviour. Discuss the conditions under which non-conscious processes are likely to be less effective in determining consumer behaviour. Outline a set of techniques that may be used to disrupt and/or change automatic behaviour. In what marketing situations would it make sense to make use of those techniques? How could consumers use this knowledge to maintain sovereignty in the market?

**Task: Perceptual Fluency**

Leo Burnett USA has just landed an advertising account for a new energy drink called “Burn”. Burn is objectively better (due to its unique scientific formula and its superior taste) at raising consumers’ general alertness and metabolism than any of its competitors, such as Red-Bull, V, or Lift. In blind-taste tests Burn has consistently rated higher than its competitors. However, regardless of its advantages Burn remains a small player in the market.

The executive at Leo Burnett who secured the account has promised the producers that he can raise the sales with a relatively modest advertising budget. He intends to do this by strategically placing print ads and product delivery points in busy city locations. Now all he has to do is deliver on that promise.

You have been hired by the Leo Burnett USA to advise them on the intricacies of their suggested advertising strategy. You know that the conditions suggested by the account executive are not favourable for extended information processing by consumers; i.e.: low involvement product, processing time constraints, and likely dominance of competing conscious consumer goals in busy city locations. On the other hand, the new product is objectively better. Hence, if consumers could be persuaded of its advantages then rationally they should choose Burn over competition. Based on your understanding of consumers’ conscious and non-conscious information processing, especially the mere-exposure and the mere-availability effects, advise the account executive on the best way to implement the advertising strategy. Specifically, in your brief discuss any relation between the print advertising and the delivery points in the busy city locations.
**WEEK 12:**

**DISCUSSION QUESTIONS**

Main argument: Define emotion. What is the role of emotion in consumer behaviour and judgment? What factors make emotional rather than rational processing of information more likely? Discuss different kinds of emotions; are these unipolar or bipolar effects? How would you distinguish emotions from moods? How do moods affect consumer behaviour? Do positive moods hinder or improve decision making; under what conditions? Would you classify attitude as an affective or a cognitive component of consumer behaviour; why? As a marketing manager how could you use your understanding of the effect of emotions and moods on consumer behaviour to your advantage?

Counter argument: Discuss the notion of goal directed behaviour. How are emotions involved in producing rational behaviour? Define the conditions under which emotions improve decision making. How do consumer moods affect traditional economic concepts such as risk tolerance? What are the documented effects of decision makers who are unable to respond emotionally in judgment and choice tasks? Discuss the role of emotions under conditions of limited information and limits to cognitive information processing ability. How much does anticipation of future consequences rely on emotional responses? As marketing managers how does this help us predict consumers' judgments and decisions? How can consumers improve their decisions by realising the role of emotions in judgment and decision making?

**TASK: AFFECTIVE RESPONSE**

Sony has been first to the market with a large size, high resolution LCD TV screens. However, Philips who took six months longer to develop their high resolution LCD technology, have now launched their new product. The Philips LCD TV screen is superior to Sony’s on a number of important dimensions, such as colour contrast and other-device compatibility. Philips knows this and is making the most of its technological advantage. Their promotional campaign is focused on delivering a fairly complicated argument that outlines Philips’ product superiority. This seems appropriate because high resolution LCDs are relatively high involvement products. Sony’s management are worried that the new Philips product is going to significantly erode their current market share, since it can not be matched on features without extra development. Therefore, Sony’s management must consider a market defence strategy, but they know they can not go head to head with Philips.

You have been hired as a team of consultants to advise the Sony’s marketing manager on a possible alternative marketing strategy. Your expertise is in inferential decision making and the influence of consumer affective responses on market competition. Write a brief to the marketing manager outlining a promotional strategy focused on managing consumers’ moods and emotions to affect their information encoding and retrieval. What conditions will be required for this strategy to be effective in preventing market share decline?
**WEEK 13:**

**DISCUSSION QUESTIONS**

**Main argument:** John Maynard Keynes once commented on the long run approach in economic analysis by saying “in the long run we are all dead”. Discuss impulsive behaviour. Which do you think are a better guide to consumer welfare: short-run or long-run preferences? How does impulsive behaviour differ from traditional economic assumptions about consumer behaviour? What is the relation between impulsive and goal directed behaviour? Comment on the struggle between immediate gratification and long term satisfaction. What does this struggle mean for the notion of consistency of preferences and choice? Discuss the marketing implications of impulsive consumer behaviour in terms of price premiums and quantity bundling effects. As a decision maker how can you use the research on impulsive behaviour to improve the quality of your own decisions? As a marketer how can you apply this knowledge to gain advantage in the marketplace?

**Counter argument:** Describe the concept of self control. Comment on the interaction of emotions and rationality in relation to consumer self control. How does regulatory focus affect consumers’ self-control? Discuss the interaction of situation and promotion or prevention focus in affecting consumer behaviour (for example in relation to safe sex behaviour). Discuss effects of regulatory focus on prospect theory. How different is the notion of self control and strategic behaviour from the traditional assumption of behaviour based on consumers’ preferences. Discuss different self control strategies that can be used by marketers or consumers alike in moderating consumption. For example, can rationing be considered a rational strategy, for example as a form of spreading utility over time? As a consumer, how can you recognise and guard against marketing tactics designed to take advantage of impulsive consumer behaviour?

**TASK: REGULATORY FOCUS**

NSW state government has just received a report outlining projected health care costs over the next decade. One of the main recommendations of the report is a need for prevention rather than treatment of preventable diseases in order to avoid a blow out in the state budget. Rising obesity is one of the major causes of preventable health problems. The premier has decided to launch a promotional campaign aimed at reducing obesity in the NSW population. The state advisors have already suggested that a entire industry promoting diets has operated for decades now without effect. They are sceptical of the government’s ability to influence the current social trend towards obesity. However, the premier is undeterred.

You have been hired as a team of consultants to advise the premier and the health minister on the possible approach to the problem. Your expertise lies is in the area of consumer motivation and strategic self-control behaviour. Using your knowledge of naive and sophisticated consumers, the regulatory focus, and the various interrupt tactics produce a short brief to the premier outlining a communication strategy that might have the desired effect on consumers who are prone to over eating.
**WEEK14:**

**DISCUSSION QUESTIONS**

**Main argument:** Groups function to combine effort towards common goals and to store information over and above the capacity of any individual. Discuss changes in individual behaviour as a result of group interaction. How does social interaction affect consumers’ judgments? Discuss the effect of actor versus observer attributions. Comment on the sources of bias in social judgment. What are the systematic differences in self perception versus social perception? How do these effects impact on consumers’ awareness of biased information processing? How can you apply your understanding of introspective illusion, asymmetric insight, and naive realism to marketing?

**Counter argument:** Discuss the link and parallels between individual behaviour and group behaviour. For example, how do beliefs, attitude, and behaviour parallel group evaluation processes? What about impression formation, self knowledge, relationships and attraction parallels? What is the fundamental attribution error (FAE)? How can you relate FAE to consumers' self-control problems? How does the ‘embarrassment effect’ fair as an alternative explanations for the FAE research? Discuss ways in which you can apply your understanding of the social judgment processes to improve decision makers’ decisions. How can consumers improve their performance in the marketplace as a result of social interaction?

**TASK: SAVING THE WORLD**

Australian government officials are to mediate a complex set of negotiations between North Korea and the United States on the issue of nuclear proliferation. The main concern is that these high level talks will breakdown, as they have done in the past, before any meaningful agreement is reached. Australian officials are aware of the certain human psychological and information processing shortcomings that often result in lack of agreement between two opposing sides in a negotiation.

In order to limit the influence of inferential shortcomings and the bias recognition problems among the negotiators Australian officials have hired you as a team of consultants specialising in asymmetric bias attribution. Your job is to advise the Australian officials on a set of strategies that can be employed during the negotiations in order to reduce the participant’s blindness bias effects. Prepare a brief specifically outlining the role of naïve realism, introspective illusion, and the third-person effects in adversarial negotiations. In your brief suggest way in which these effects could be mitigated.