

CHAPTER 1

Consumer Behavior and Technology

LEARNING OBJECTIVES

After reading, studying and analyzing this chapter, students should be able:

- 1.1 To understand the evolution of the marketing concept, what consumer behavior is, and the components of strategic marketing.
- 1.2 To understand how technology has benefited both marketers and consumers.
- 1.3 To understand providing value and satisfaction and how technology has enhanced customer loyalty and retention.
- 1.4 To understand marketers' social and ethical responsibilities.
- 1.5 To understand consumer decision-making as the foundation of this book.
- 1.6 To explain how the knowledge of consumer behavior advances seeking employment after graduation.

CHAPTER SUMMARY

Learning Objective 1.1: To understand the evolution of the marketing concept, what consumer behavior is, and the components of strategic marketing.

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society. Consumer behavior consists of consumers' actions taken while searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs. Consumer behavior influences how marketers can communicate and deliver products that offer value to customers and society and explains how individuals make decisions to spend their available resources on products and services. Marketing and consumer behavior stem from the marketing concept, which maintains that the essence of marketing consists of satisfying consumers' needs, creating value, and retaining customers. Companies must produce only those goods they have already determined that consumers will buy. Marketing myopia is a focus on the product rather than on the needs that the product presumes to satisfy.

The marketing mix (also known as the four Ps) consists of product, price, place (distribution), and promotion. Market segmentation, targeting, and positioning are the foundation of turning consumers into customers. Market segmentation is the process of dividing a market into subsets of consumers who share common needs or characteristics. Targeting means selecting the segments that the company views as prospective customers and pursuing them. Positioning is the process by which a company creates a distinct image and identity for its products, services, and brands in consumers' minds. The societal marketing concept requires marketers to fulfill the needs of their target markets

in ways that improve, preserve, and enhance society's well-being and simultaneously meet their business objectives.

Learning Objective 1.2: To understand how technology has benefited both marketers and consumers.

Technology has revolutionized the marketing mix, segmentation, targeting, positioning, and customer retention. When consumers use their computers, cell phones, electronic readers, tablets, and other electronic devices, they provide marketers with the kind of information that enables companies to target them immeasurably more effectively than during the pre-internet days. Online technologies create a “value exchange:” marketers provide value to consumers in the form of information, opportunities to customize products easily, entertainment content, and much more. While online, consumers provide value to marketers by “revealing themselves,” thereby enabling companies to market their products more efficiently and precisely. Surfing online allows consumers to locate the best prices for products or services, bid on various offerings, bypass distribution outlets and middlemen, and shop for goods around the globe and around the clock. Online communication abilities have created sophisticated and discerning consumers who are hard to attract, satisfy, and retain. More than ever before, marketers must customize their products, add value to the physical product or the core of a service, provide the right benefits to the right consumer segments, and position their products effectively.

Technology also enables marketers to refine their strategies because they can readily customize their offerings and promotional messages, offer more effective pricing and shorter distribution channels, and build long-term relationships with customers. By using rapidly advancing technologies to track consumers, marketers can identify opportunities for creating new offerings, as well as improving and extending existing products and services. They can gather comprehensive consumer information by tracking consumers online, requiring prospective buyers to register at their websites, and combining this knowledge with demographic and lifestyle data gathered offline.

Learning Objective 1.3: To understand providing value and satisfaction and how technology has enhanced customer loyalty and retention.

Customer value is the ratio between customers' perceived benefits and the resources they use to obtain those benefits. Customer satisfaction is customers' perceptions of the performance of the product or service in relation to their expectations. Customer retention involves turning individual consumer transactions into long-term customer relationships by making it in the best interests of customers to stay with the company rather than switch to another firm.

It is more expensive to win new customers than to retain existing ones. Technologies allow marketers to retain more customers and collect highly sophisticated data about shoppers' preferences and post-purchase evaluations. Consumers who are highly satisfied or delighted keep buying the same products and brands, provide positive word-of-mouth

to others, and often become “customers for life.” Those who are less satisfied or feel neutral either switch to a competitor immediately or wait until another marketer offers them a somewhat lower price and then switch. Dissatisfied customers spread negative and often exaggerated word-of-mouth. Internal marketing is marketing the organization to its personnel.

Learning Objective 1.4: To understand marketers’ social and ethical responsibilities.

The marketing concept—fulfilling the needs of target audiences— is shortsighted. Some products that satisfy customer needs are harmful to individuals and society, and others cause environmental deterioration. Studying consumer behavior results in an understanding of why and how consumers make purchase decisions. The societal marketing concept requires marketers to fulfill the needs of the target audience in ways that improve, preserve, and enhance society’s well-being while simultaneously meeting their business objectives.

Learning Objective 1.5: To understand consumer decision-making as the foundation of this book.

Consumer behavior stems from four disciplines: (1) psychology, which is the study of the human mind and the mental factors that affect behavior; (2) sociology, which is the study of the development, structure, functioning, and problems of human society; (3) anthropology, which compares human societies’ cultures and development; and (4) communication, which is the process of imparting or exchanging information.

The process of consumer decision-making consists of the input, process, and output stages. The input stage includes two influencing factors: the firm’s marketing efforts and sociocultural influences. This stage also includes the methods by which information from firms and sociocultural sources is transmitted to consumers. The process stage focuses on how consumers make decisions. Psychological factors affect how the external inputs influence the consumer’s recognition of a need, pre-purchase search for information, and evaluation of alternatives. The output stage consists of two post-decision activities: purchase behavior and post-purchase evaluation.

This book includes five parts. Part I provides an overview of marketing and consumer behavior and the components of strategic marketing. Part II describes the consumer as an individual and explains the psychological factors that affect consumer behavior. Part III addresses the communication and persuasion process, the revolutionary impact of new media, and the roles of reference groups, opinion leaders, and word-of-mouth. Part IV examines consumers in their social and cultural settings. Part V includes discussions of the consumer decision-making process, consumers’ reactions to innovative products, marketers’ social responsibility and ethically questionable practices, and the methodology of consumer research.

Learning Objective 1.6: To explain how the knowledge of consumer behavior advances seeking employment after graduation.

Students with expertise in consumer behavior should pursue employment in three areas: brand management, advertising, and consumer research.

CHAPTER OUTLINE

INTRODUCTION

1. Marketing is the activity, set of institutions, and processes for creating, communicating, and delivering offerings that have value for customers, clients, partners, and society.
2. **Consumer behavior** is the study of consumers' actions during searching, evaluating, purchasing, and using products and services that they believe would satisfy their needs.
3. Consumer purchases are determined not by needs alone, but also by how the product helps owners express their characteristics.

*******Use Key Terms marketing, consumer behavior Here, Use Figure #1.1 Here*******

The Marketing Concept

1. Marketing and consumer behavior stem from the **marketing concept**, which maintains that marketing consists of satisfying consumers' needs, creating value, and retaining customers, and that companies must produce only those goods that they have already determined would satisfy consumer needs and meet organizational goals.

*******Use Key Term marketing concept Here, Use Learning Objective #1.1 Here; Use Figure #1.2 Here; Use Review and Discussion Question 1.1 Here*******

2. The **production concept** focused on cheap, efficient production and intensive distribution.
3. The **product concept** assumes consumers will buy the product that offers the most features.
4. A product orientation may lead to **marketing myopia**, or a nearsighted focus on the product and its direct competitors vs. the market's needs.
5. The **selling concept** maintains that marketers should sell the products they made instead of only making products they could sell.

*******Use Key Terms production concept, product concept, marketing myopia, selling concept Here*******

Market Segmentation, Targeting, and Positioning

1. **Market segmentation** is the process of dividing a market into subsets of consumers with common needs or characteristics. Each subset represents a consumer group with shared needs that are different from those shared by other groups.
2. **Targeting** is selecting the segments identified as prospective customers and pursuing them with distinct offerings.
3. **Positioning** refers to the development of a distinct image for the product or service in the mind of the consumer. The image should differentiate the offering from the competition by stressing the product's unique benefits.

******Use Key Terms market segmentation, targeting, and positioning Here; Use Review and Discussion Question #1.2 Here******

4. The **marketing mix** consists of a company's service and/or product offerings to consumers and the methods and tools it selects to accomplish the exchange.
5. Four basic elements (known as the **four Ps**) include:
 - a) The product or service —features, designs, brands, packaging, post-purchase benefits, etc.
 - b) The price—list price (including discounts, allowances, and payment methods).
 - c) The place—distribution of the product or service.
 - d) Promotion—advertising, sales promotion, public relations, and sales efforts designed to build awareness of and demand for the product or service.

******Use Key Term marketing mix (the four Ps) Here******

Technology Benefits Consumers and Marketers

******Use Learning Objective #1.2 Here* *****

1. Technology shifted communications from a one-way process to a two-way interactive exchange.
2. Marketers provide value to consumers via opportunities to shop more efficiently, customize products easily, and access entertainment content and information.
3. Consumers provide value to marketers by “revealing themselves” while online, which enables companies to market their products more efficiently and precisely.

***** *Use Hands-on Assignment #1.9 Here******

4. Marketers have been offering more personalized products.
5. Figure 1.3 illustrates that across age groups, most Americans own technological gadgets.
6. Figure 1.4 details Americans' most prominent online activities (percentages).
7. Marketers can target consumers based on their searches for more precise targeting.
8. Promotional messages are more interactive, personalized and targeted.

9. **Cross-screen marketing** consists of tracking and targeting users across their computers, mobile phones and tablets.

***** *Use Key Term cross-screen marketing Here; Use Figures 1.5, 1.6 and 1.7 Here; Use Review and Discussion Question 1.4 Here* *****

Customer Value, Satisfaction, Trust, and Retention

******Use Learning Objective #1.3 Here* *****

1. **Customer value** is defined as the ratio between the customer's perceived benefits (economic, functional, and psychological) and the resources (monetary, time, effort, psychological) used to obtain those benefits.
2. **Customer satisfaction** is the individual's perception of the performance of the product or service in relation to his or her expectations.
3. The overall objective of providing value to customers continuously and more effectively than the competition is to have and to retain highly satisfied customers. This strategy of **customer retention** makes it in the best interest of customers to stay with the company rather than switch to another company.

***** *Use Key Terms customer value, customer satisfaction, customer retention Here* *****

4. It is more expensive to win new customers than to retain existing ones for several reasons:
 - a) Loyal customers buy more products and constitute a ready-made market for new models of existing products as well as new ones, and also represent an opportunity for cross-selling.
 - b) Long-term customers who are thoroughly familiar with the company's products are an important asset when new products and services are developed and tested.
 - c) Loyal customers are less price-sensitive and pay less attention to competitors' advertising. Thus, they make it harder for competitors to enter markets.
 - d) Servicing existing customers, who are familiar with the firm's offerings and processes, is cheaper. It is expensive to "train" new customers and get them acquainted with a seller's processes and policies. The cost of acquisition occurs only at the beginning of a relationship, so the longer the relationship, the lower the amortized cost.
 - e) Loyal customers spread positive word-of-mouth and refer other customers.
 - f) Marketing efforts aimed at attracting new customers are expensive; indeed, in saturated markets, it may be impossible to find new customers. Low customer turnover is correlated with higher profits.
 - g) Increased customer retention and loyalty make the employees' jobs easier and more satisfying. In turn, happy employees feed back into higher customer satisfaction by providing good service and customer support systems.

******* Use Review and Discussion Questions #1.6 & #1.7 Here; Use Hands-on Assignment #1.11 Here*******

Technology and Customer Relationships

1. Technologies often enhance customer relationships and retention by engaging consumers with brands.
 - a. **Emotional bonds** represent a customer's high level of personal commitment and attachment to the company.
 - b. **Transactional bonds** are the mechanics and structures that facilitate exchanges between consumers and sellers.
 - c. **Social media** include means of interaction among people in which they create, share and exchange information and ideas in virtual communities and networks.

******* Use Key Terms emotional bonds, transactional bonds, social media Here *******

2. Emotional and transactional motives should be discerned to understand drivers of customer satisfaction, which leads to retention and long-term relationships.
 - a. Determinants of customer satisfaction online include adaptation, interactivity, nurturing, commitment, network, assortment, transaction ease, engagement, loyalty, inertia and trust.
 - b. Table 1.1 applies a four-way categorization of transaction-based and emotional bond-based customer relationships with marketers to Amazon's customers.

******* Use Table 1.1 Here *******

3. Customers who are highly satisfied or delighted keep purchasing the same products and brands, provide positive and encouraging word-of-mouth to others, and often become life-long customers.
4. With respect to customer satisfaction there might be several types of customers:
 - a) Loyalists—completely satisfied customers who keep purchasing.
 - b) Apostles—those whose experiences exceed their expectations and who provide very positive word of mouth about the company to others.
 - c) Defectors—those who feel neutral or merely satisfied and are likely to stop doing business with the company.
 - d) Terrorists—those who have had negative experiences with the company and who spread negative word of mouth.
 - e) Hostages—unhappy customers who stay with the company because of no choice (or other reasons).
 - f) Mercenaries—very satisfied customers but who have no real loyalty to the company and may defect.
5. Companies classify customers according to profitability by tracking revenues obtained from individual customers and categorizes them. For example:

- a. Diamonds – customers who travelled at least 250,000 miles in first class in one year
- b. Emeralds – customers who travelled in first class, but not as frequently as the diamonds or customers who travel very frequently in business class.
- c. Sapphires – a profitable segment because they fly frequently and in business class.
- d. Elite and select – heavy flyers, mostly in premium economy.

******* Use Figure 1.5 Here *******

6. Companies must develop measures to assess customer retention strategies, which may include:
 - a. Customer Valuation
 - b. Retention Rates
 - c. Analyzing Defections

Social Responsibility and Ethics

******* Use Learning Objective 1.4 Here*******

1. Socially responsible marketing suggests marketers would be better off if they integrated social responsibility into their marketing strategies because companies prosper when society prospers.
2. The **societal marketing concept** requires marketers to fulfill the needs of the target audience in ways that improve, preserve and enhance society's well-being while simultaneously meeting their business objectives.
3. Some marketers ignore laws and market potentially harmful products (e.g. Monster Beverage Corp.)
4. Some companies incorporated social goals into their mission statements because they believe it is important for organizational effectiveness.
5. Non-profit organizations also advance causes they believe are ethically and morally right.

*******Use Key Term societal marketing concept Here; Use Figure 1.4 Here; Use Review and Discussion Question 1.3 Here; Use Hands-On Assignment 1.10 Here *******

Consumer Decision-Making

******* Use Learning Objective 1.5 Here *******

1. Marketing theorists borrowed heavily from concepts developed in other scientific disciplines to understand consumer behavior:
 - a) **Psychology**—the study of the human mind and mental factors that affect behavior.

- b) **Sociology**—the study of the development, structure, functioning and problems of human society.
- c) **Anthropology**—compares human societies’ culture and development.
- d) **Communication**—the process of imparting or exchanging information.

***** *Use Key Terms psychology, sociology, anthropology, communication Here******

2. The process of consumer decision making can be viewed as three distinct but interlocking stages: the input stage, the process stage, and the output stage.
 - a) The input stage influences the consumer’s recognition of a product need and consists of:
 - i) The firm’s marketing mix (the product itself, its price, promotion, and distribution).
 - ii) The external sociocultural influences on the consumer (reference groups, family, social class, culture and subculture).
 - iii) Both are communicated using different communication sources.
 - b) The process stage focuses on how consumers make decisions.
 - i) The psychological factors inherent in each individual (motivation, perception, personality, attitudes, perception) affect how the external inputs influence the consumer’s recognition of a need, prepurchase search for information, and evaluation of alternatives.
 - ii) The experience gained through evaluation of alternatives, in turn, affects the consumer’s existing psychological attributes.
 - c) The output stage of the consumer decision-making model consists of two closely-related post decision activities:
 - i) Purchase behavior
 - ii) The post-purchase evaluation

******Use Figure #1-10 Here******

This Book

The book is divided into five parts:

1. **Part I** provides an overview of *marketing* and *consumer behavior* and the components of strategic marketing.
 - a) *Chapter 1* explains the evolution of the *marketing concept* and the importance of researching and analyzing consumers’ behavior in order to target them effectively.
 - b) *Chapter 2* explains market segmentation, the criteria for selecting target markets, behavioral targeting, and differentiating offerings among competitors.
2. **Part II** explains the psychological factors that affect consumer behavior.
 - a) *Chapter 3* discusses consumer motivation and the impact of personality characteristics on consumer behavior.
 - b) *Chapter 4* explores consumer perception/how the way we view the world around us affects our shopping patterns.

- c) *Chapter 5* explains how we learn through applying past experiences and behavior to future purchase decisions.
- d) *Chapter 6* explores how attitudes influence buying behavior.
- 3. **Part III** addresses the communication and persuasion process along its components: sender, message, media, receiver, and feedback.
 - a) *Chapter 7* introduces the elements of the communication process and explains how to overcome the barriers to effective communications. It examines the differences between advertising in mass media and promoting products online and via social media.
 - b) *Chapter 8* explores the transition from print to broadcast media to social media and mobile advertising.
 - c) *Chapter 9* covers source credibility and word-of-mouth.
- 4. **Part IV** examines consumers in their social and cultural settings.
 - a) *Chapter 10* discusses the family as a consumption unit and its standing within the social-class structure.
 - b) *Chapter 11* explains how culture is expressed through values, rituals, and customs.
 - c) *Chapter 12* describes the impact of subcultures.
 - d) *Chapter 13* explores cross-cultural analysis, which includes the basic strategic elements for all companies pursuing markets in countries other than the United States.
- 5. **Part V** consists of three chapters.
 - a) *Chapter 14* discusses the consumer decision-making process and integrates parts II, III, IV.
 - b) *Chapter 15* explores marketers' social responsibility and potential ethically questionable practices.
 - c) *Chapter 16* describes the methodology of consumer research.

Employability

*****Use Learning Objective #1.6 Here *****

1. Students with expertise in consumer behavior should pursue employment in three areas: brand management, advertising, and consumer research.
2. Brand management is the process of maintaining, improving, and upholding a brand so that it is clearly differentiated from other offerings in the same product category.
3. Understanding perception is particularly important.
4. Students understand how consumers' purchases are influenced by their peers, family, and social standing, and their values and customs.
5. Advertising includes writing advertising copy, creating visuals, ensuring that the right messages reach the right consumers at the right time, and determining in which media to place ads, including when and for how long.
6. Consumer research is the process and tools used to study consumer behavior.

REVIEW AND DISCUSSION QUESTIONS

1.1 Describe the interrelationship between consumer behavior and the marketing concept.

The term **consumer behavior** refers to the behavior that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. The study of consumer behavior is the study of how individuals make consumption-related decisions. The key assumption underlying the **marketing concept** is that a company must determine the needs and wants of specific target markets and deliver the desired satisfaction better than the competition. The marketing concept is based on the premise that a marketer should make what they can sell, instead of trying to sell what they have made. Thus, a company which adopts the marketing concept must continuously research and monitor its customers' and potential clients' needs and consumption-related behavior in order to develop, effectively promote, and deliver products and services which satisfy clients' needs better than the competition.

Individual, Easy, 3-5 minutes

Objective 1.1: To understand the evolution of the marketing concept, what consumer behavior is, and the components of strategic marketing.

AACSB: Reflective thinking

1.2 Explore the different categories of segmentation criteria for companies in the writing utensils industry versus the industry of paper notebooks.

The focus of the marketing concept is consumer needs. Three elements for creating a strategic framework for discovering and analyzing those needs are market segmentation, market targeting, and positioning. **Market segmentation** is the process of dividing a market into subsets of consumers with common needs or characteristics. Because most companies have limited resources, few companies can pursue all of the segments identified for the company to pursue.

In answering this question, students need to think about the need for writing utensils and paper notebooks. As thought starters, the instructor may ask the students what the different tools they use for writing are and when they use writing utensils. These questions should get the conversation started.

With regard to the industry of writing utensils (fountain pens, ballpoint pens, pencils, crayons, etc.), students may identify the following criteria:

- Socio-demographic criterion (age, generation, and profession: older people tend to write more by hand using classic pens than younger people, who might use digital pens for their tablets; people in different professions, such as in architecture and craftsmanship, use different writing instruments)
- Psychological criterion (conservative vs. traditional)

For the paper notebook industry, students might mention other segmentation categories:

- Geographic criterion (different countries have different paper formats or sizes)

Individual, Moderate, 5 minutes

Objective 1.1: Understand the evolution of the marketing concept, what consumer behavior is, and the components of strategic marketing.

AACSB: Application of knowledge

1.3 Define the societal marketing concept and discuss the importance of integrating marketing ethics into the company's philosophy and operations.

The societal marketing concept requires marketers to fulfill the needs of the target audience in ways that improve, preserve, and enhance society's well-being while simultaneously meeting their business objectives. Not all companies focus on society, but some companies believe socially responsible marketing is a part of organizational effectiveness. Generally speaking, if society prospers, firms prosper, so it is in the marketer's best interest, in the long-run, to focus on external stakeholders as well as profits.

Individual, Easy, 3-5 minutes

Objective 1.4: To understand marketers' social and ethical responsibilities.

AACSB: Application of knowledge

1.4 Describe how technology enhances the exchange between marketers and consumers.

Marketers provide value to consumers in the form of information, including opportunities to customize products easily and entertainment content. Consumers provide value to marketers by "revealing themselves" while online, which enables companies to market their products more efficiently and precisely. Consumers "pay" for the Internet's seemingly free content by providing virtually unlimited information about themselves to marketers, who gather, analyze, and use it to target buyers. The information allows marketers to customize promotional messages and products. Technology also improves the ability to compare prices, distribution, and allows consumers with the ability to interact with the firm, which may improve satisfaction and, ultimately, retention.

Individual, Moderate, 3-5 minutes

Skill: Concept

Objective 1.2: To understand how technology has benefited both marketers and consumers.

AACSB: Information technology; Reflective thinking

1.5 It is often said that consumers receive “free” content online. Is this true? Why or why not?

Consumers “pay” for the Internet’s seemingly free content by providing virtually unlimited information about themselves to marketers, who gather, analyze, and use it to target buyers.

Individual, Moderate, 1-2 minutes

Objective 1.2: To understand how technology has benefited both marketers and consumers.

AACSB: Information technology

1.6 Discuss the interrelationships among customer expectations and satisfaction, perceived value, and customer retention. Why is customer retention essential?

Perceived value is relative and subjective while customer satisfaction is the individual’s perception of the performance of the product or service in relation to his or her expectation. The concept of customer satisfaction is a function of customer expectations. Customers whose experiences match expectations will be satisfied and customers whose expectations are exceeded will be very satisfied or delighted.

The overall objective of providing value to customers continuously and more effectively than to competition is to have and to retain highly satisfied customers. This is called **customer retention**. The purpose of customer retention is to make it the best interest of customers to stay with the company rather than switch to another firm. The reason that customer retention is essential is that in almost all business situations, it is more expensive to win new customers than to keep existing ones.

Individual, Moderate, 3-5 minutes

Objective 1.3: To understand providing value and satisfaction and how technology has enhanced customer loyalty and retention.

AACSB: Analytical thinking; Reflective thinking

1.7 How can marketers use technology to improve customer retention and enhance their bonds with customers?

The Internet and cell phones have helped marketers maintain closer relations with their consumers and have opened easier channels for the customer to contact the company if they have questions, problems, or suggestions. Marketers also use databases to track revenues by consumer, which allows marketers to categorize customers based on profitability and customize benefits to consumers accordingly.

Individual, Easy, 2-3 minutes

Objective 1.3: To understand providing value and satisfaction and how technology has enhanced customer loyalty and retention.

AACSB: Reflective thinking

1.8 Discuss the role of the social and behavioral sciences in developing the consumer decision-making model.

Consumer behavior was a relatively new field of study in the mid- to late-1960s. Because it had no history or body of research of its own, marketing theorists borrowed heavily from concepts developed in other scientific disciplines. These disciplines were psychology (the study of the individual), sociology (the study of groups), social psychology (the study of how an individual operates in groups), anthropology (the influence of society on the individual), and economics. Many early theories concerning consumer behavior were based on economic theory on the notion that individuals act rationally to maximize their benefits (satisfactions) in the purchase of goods and services. Later research discovered that consumers are just as likely to purchase impulsively and to be influenced not only by family, friends, advertisers, and role models, but also by mood, situation, and emotion. All of these factors combine to form a comprehensive model of consumer behavior that reflects both the cognitive and emotional aspects of consumer decision-making.

Individual, Easy, 3-5 minutes

Objective 1.4: To understand marketers' social and ethical responsibilities.

AACSB: Reflective thinking

HANDS-ON ASSIGNMENTS

1.9 Locate two websites that you visit regularly and discuss how they can (and probably do) track your behavior and enable marketers to target you more effectively.

Instructor's Discussion

In order to answer this question, students should take notice of the use of information technology, databases, interactive communications, and usage of satisfaction surveys. Students might also wish to be aware of how technology's impact on our understanding of and interactions with consumers might be relevant to the exercise. The idea behind targeting is related to customer value, since collecting information should allow marketers to provide more attractive offerings based on their understanding of your preferences. Note that **customer value** is defined as being the ratio between the customer's perceived benefits (economic, functional, and psychological) and the resources (monetary, time, effort, and psychological) used to obtain those benefits.

Individual, Moderate, 10-15 minutes, Outside of Class

Objective 1.3: To understand providing value and satisfaction and how technology has enhanced customer loyalty and retention.

AACSB: Application of knowledge

1.10 Using the internet, locate two examples of magazine advertisements that were retouched for maximum effect using photo-editing software. Discuss the social and ethical responsibilities of marketers in this context.

Instructor's Discussion

The **societal marketing concept** requires the marketer to adhere to the principles of social responsibility in the marketing of their goods and services; that is, they should endeavor to satisfy the needs and wants of their target markets in ways that preserve and enhance the well-being of consumers and society as a whole. Thus, the restructured definition of the marketing concept calls on marketers to fulfill the needs of the target audience in ways that improve society as a whole while fulfilling the objectives of the organization. A serious deterrent to widespread implementation of the societal marketing concept is the short-term orientation embraced by most business executives in their drive for increased market share and quick profits.

While answering this question, students should understand that retouching advertisements is a delicate balancing act between what is real and what is desirable. Open the discussion with a clear definition of what the societal marketing concept is (see above). Next, apply this concept to the supplied advertisements. Discuss the potential consequences of the retouched images (Is it misleading? Is it deceptive? How does it negatively impact customers' perceptions of themselves?). Take the case of Olay's advertisement featuring the UK celebrity Twiggy. The ad bore Twiggy's statement that Olay's Definity eye illuminator was her secret to brighter-looking eyes. The UK's Advertising Standards Authority (ASA) received several hundred complaints regarding the fact that the image of Twiggy on the ad was airbrushed or re-touched, especially around the eyes. The ASA assessed the case and banned the ad for giving a misleading impression of the effect the product could achieve.

Discussion could be further enriched by including the importance of role models. Conclude the discussion with comments on the fine line in advertisements between the amount of airbrushing or digital maneuvering that is considered acceptable and that which is not.

Individual, Moderate, 15-20 minutes, Outside of Class

Objective 1.4: Understand marketers' social and ethical responsibilities.

AACSB: Application of knowledge

1.11 Using a customer loyalty scheme of your choice, illustrate how technological innovations could add value to this program.

Instructor's Discussion

Customer value portrays the ratio between customers' perceived benefits and the resources they have used to receive them. **Customer satisfaction** compares the customers' perceptions of the performance of a product or service to their expectations. **Customer retention** deals with creating long-term relationships with customers.

Students should understand that technological innovations help companies to extensively engage with, satisfy, and retain customers. Open the discussion with a review of the key concepts of customer value, satisfaction, and retention. Next, discuss the impact of technological innovations on customer loyalty schemes. Explore factors like (depending on the students' choice of schemes) the increased use of mobile phones, apps, digital payment solutions, as well as social networks with a view to understanding how they can add value to the schemes. Conclude the discussion by exploring opportunities for companies to deepen consumer insights through data mining (big data), geo-tracking, personalization, the spread of social word-of-mouth, and experience-orientation.

Individual, Moderate, 5-10 minutes

Objective 1.3: Understand providing value and satisfaction and how technology has enhanced customer loyalty and retention.

AACSB: Application of knowledge

S.T.A.R. PROJECTS

Ethical Issues in Consumer Behavior

S.T.A.R. Project #1

H&R Block is the 500-pound gorilla of individual income tax preparation. The company has a significant presence in the U.S. market (especially during the spring tax season). H&R Block has always been an aggressive competitor in this highly competitive market. A trade organization for accountants believes that H&R Block became too aggressive when it ran an ad campaign that showed a consumer running in a dark alley confronted with neon signs flashing “Prestige CPA,” “Taxes Here,” and “Tax Consortium.” The consumer appears confused and frightened. At the end of the alley a solution to the fear and confusion appeared in the form of a warm and friendly H&R Block sign that promised that consumers do not have to pay until they are completely satisfied. Non-Block CPA professionals question whether H&R Block has fairly represented their businesses and consumer policies.

- a. Is this form of advertising ethical? Why or why not?
- b. With respect to what you have learned about the societal marketing concept in the chapter, what suggestions do you have for H&R Block?

Instructor's Discussion

The H&R Block case is a good example of aggressive marketing that might exceed acceptable limits. The ad is much different than the H&R Block approach used on their Web site (see www.hrblock.com). Could a code of ethics help H&R Block? Possibly. CPA professionals do not see themselves as neon sign merchants nor do they believe that the average citizen has complaints with their preparation practices or guarantees. When does innuendo and appearance become unethical? This should be an interesting issue for

the students to discuss. It will also be a good way to introduce the concept of a code of ethics. (See the exercise below for more work on a code of ethics.)

S.T.A.R. Project #2

Many consumers trust their medical supply needs to Johnson & Johnson. Johnson & Johnson is very clear as to its mission and commitment to the health and safety of its customers. The company is often cited as an example of how to do things right with respect to relations with customers and the public. Johnson & Johnson has gone so far as to construct a company credo that it features on its Web site (see www.jnj.com : Our Company: Our Credo Values).

- a. Assume that you have just been hired as a customer relations expert by Johnson & Johnson to answer a growing number of complaints that JNJ products are overpriced and have lost their sense of value for the consumer. The complainants cite lower priced private labels and store brands as illustrations of frustrations with JNJ. As one consumer states, “A band aid is just a band aid after all!” What would be your response?
- b. How could you use the Johnson & Johnson Credo to aid you in your response?

Instructor’s Discussion

First, all students should read the JNJ Credo. The credo itself can be the discussion in this question. Next, students must carefully think about the scenario that has been presented. How could the company use its commitment to quality as an answer? How could the company comment without disparaging the competition? How can the company focus on value? Take the two to three best responses and read them in class. An additional aid is to download the JNJ credo and prepare it as a handout. What does the JNJ credo say about the company’s commitment to ethical behavior?

Small Group Projects

S.T.A.R. Project #3

Who designed the chicken sandwich? According to information provided on the Chick-fil-A Web site (www.chick-fil-a.com) it was Chick-fil-A founder Truett Cathy. Mr. Cathy is also known for his unique approach to the fast food business. This unique approach has at its center an appreciation of family values (the restaurants are closed on Sundays and all children’s toys emphasize values rather than gimmicks or cartoon characters). After visiting the company Web site, your group’s assignment is to list the ways that Chick-fil-A provides customer value, satisfaction, and retention for its customers.

Instructor’s Discussion

The student group should not have a problem listing the ways that Chick-fil-A provides customer value and satisfaction. Retention may take longer. By making the attempt, however, students will appreciate the chapter comments more fully. After the list is complete, the second assignment sounds easy. Students should, however, observe that Chick-fil-A matches both of the two concepts rather well. The astute student will see that

Chick-fil-A may still have some way to go with respect to technological application to the business, databases, and customer segmentation.

S.T.A.R. Project #4

Nike is not just for males. This shoe giant has made great strides in market segmentation, customization, and customer relationship development. The result is that Nike is also a premier female shoe company. Your group assignment is split your team and analyze Nike. To do this, one team should review the www.nike.com Web site and analyze its contents based on its appeals to the male market segment (i.e., styles, language, colors, celebrity endorsers, games, customer relationships, etc.). The second team should analyze the Web site based on its appeals to the female segment (i.e., styles, language, colors, celebrity endorsers, games, customer relationships, etc.). The two teams should now match their findings and write a summary report. What has Nike learned about market segments and market targets? How do the two sections of the nike.com Web site assist Nike in its marketing efforts?

Instructor's Discussion

This exercise gives two small groups within a larger group the chance to explore Nike's marketing efforts to two distinct market segments. If you would like to add additional comparison criteria, feel free to do so. Be sure to ask students what they have learned about consumer behavior from the Nike Web site. This exercise will also give groups a chance to learn to work with each other and will pave the way for future group participation projects.