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CHAPTER 1 WHAT IS CB, AND WHY SHOULD I CARE?

WHAT DO YOU THINK POLLING QUESTION

In any business the customer is truly the most important person.

Strongly disagree — 1 — 2 — 3 — 4 — 5 — 6 — 7 — Strongly agree

Have students access www.cengagebrain.com to answer the polling questions for each chapter of *CB*. Ask them to take the online poll to see how their answers compare with other students taking a consumer behavior course across the country. Then turn to the last page of the chapter to find the “What Others Have Thought” box feature. This graph is a snapshot of how other consumer behavior students have answered this polling question so far.

LEARNING OUTCOMES

After studying this chapter, the student should be able to:

- 1-1 Understand the meaning of *consumption* and *consumer behavior*.
- 1-2 Describe how competitive marketing environments lead to better outcomes for consumers.
- 1-3 Explain the role of consumer behavior in business and society.
- 1-4 Be familiar with the basic approaches to studying consumer behavior.
- 1-5 Appreciate how dynamic the field of consumer behavior continues to be.

SUGGESTED LECTURE OPENER

New York Mayor Michael Bloomberg’s proposed ban on the sale of sodas and other such beverages larger than 16 ounces at restaurants, movie theatres and street carts elicited mixed reactions from the public. The proposed ban was the consequence of research studies that indicated that the consumption of beverages had increased among children and adults, and this was a contributing factor to the increasing levels of obesity among Americans.

While the beverage industry has made efforts to reduce calories in products, their best-sellers have always been the high-calorie drinks. This indicates that consumers prefer these beverages even though they are aware of their high calorie content. The proposed ban is an attempt to modify consumer behavior and preferences through legislation, but soda companies are fighting back.

Source: Leon Stafford, "Soda makers in a new kind of cola war," Atlanta Business News, June 3, 2012, <http://www.ajc.com/business/soda-makers-in-a-1451241.html>

LECTURE OUTLINE WITH POWERPOINT® SLIDES

Consumers make decisions with the intention to improve their lives or do something of value. The process of making a purchase triggers a chain reaction of value creating actions. Marketers need to understand consumers to be able to design products with greater value potential, and to enhance the well-being of stakeholders. An understanding of consumer behavior can mean better business for companies, better public policy for governments, and a better life for individuals and households.

LO: 1-1. Understand the meaning of *consumption* and *consumer behavior*.

[Instructor PPT Slides 3, 4]

Consumption and Consumer Behavior

Consumer behavior can be looked from two unique perspectives:

- Human thought and action involved in consumption, and
- A field of study that develops an accumulated body of knowledge.

[Instructor PPT Slide 5]

Consumer Behavior as Human Behavior

Consumer behavior is the set of value seeking activities that takes place as people go about addressing realized needs.

[Instructor PPT Slide 6]

The Basic Consumption Process

The basic consumption process is illustrated in Exhibit 1.1. In this chapter, the basic CB process is explained briefly in the context of a new tablet computer purchase.

- The consumer realizes a need for better communication in terms of using the Internet to access social media and other websites.
- He addresses his need through *wants* which indicates his enhanced desire for a communication device. He visits an Apple store and chooses the Apple iPad4.
- An *exchange* occurs when money is exchanged for the iPad.
- The *costs* involve the actual price of the product as well as the time and physical effort to visit the store.
- The *benefits* are the positive results of the purchase, such as better work performance, easier Facebook access and so on.
- The *reaction* follows the purchase when the consumer evaluates the effectiveness of the iPad.
- Ultimately, the process results in a perception of *value*.

Q: Ask students to explain the consumer behavior process with an example of a product that they recently purchased.

A: Answers will vary but should include the various steps of the consumer behavior process, beginning with the student's realization of the need for the product till the perception of value gained from the product.

[Instructor PPT Slide 7]

Consumption

Consumption represents the process by which goods, services, or ideas are used and transformed into value. It produces value through the interactions between the marketer and the consumer.

[Instructor PPT Slide 8]

Consumer Behavior as a Field of Study

Consumer behavior as a field of study is a relatively young field of study (initiated in the 1960s) that represents how consumers go about the consumption process. It is the science of studying how consumers seek value in an effort to address real needs.

Consumer behavior has roots in other disciplines like economics, psychology, marketing and anthropology. Exhibit 1.2 represents the relations between CB and other disciplines.

Economics and Consumer Behavior

Economics is the study of production and consumption. Marketing has its origins in economics and economics involves consumption, therefore consumer behavior and economics have a lot in common.

Psychology and Social Psychology

Psychology is the study of human reactions to the environment. Among the various disciplines of psychology, social psychology and cognitive psychology are particularly relevant to consumer behavior.

- *Social psychology* focuses on the thoughts, feelings, and behaviors associated with group behavior.
- *Cognitive psychology* deals with the intricacies of mental reactions involved in information processing.

Marketing

Marketing involves various value-producing seller activities that facilitate exchanges between buyers and sellers. Exchange is involved in marketing and is central to consumer behavior.

[Instructor PPT Slide 9]

Consumer Behavior and Other Disciplines

Sociology focuses on the study of groups of people within a society. It is important in consumer behavior because it takes place within group settings.

Anthropology is important in consumer behavior as it allows researchers to interpret the relationships between consumers and the things they purchase, the products they own, and the activities in which they participate.

Neuroscience deals with the study of the central nervous system including the brain. It is important in consumer behavior as it shows how the consumer's brain functions during the consumption process.

LO: 1-2. Describe how competitive marketing environments lead to better outcomes for consumers.

[Instructor PPT Slide 11]

The Ways in Which Consumers Are Treated

The customer is treated differently depending on the place of business and type of service being performed. Consider the following two questions to understand the importance to any given organization of providing good service to customers:

- How competitive is the marketing environment?
- How dependent is the marketer on repeat business?

Q: Students can be asked to list some businesses that depend on repeat businesses.

A: Answers will vary. Answers may include the publishing business, dry cleaners,

Competition and Consumer Orientation

What does a consumer do if their wait time at the DMV (Department of Motor Vehicle) is too long? If the alternative is not to drive a vehicle, the consumer will tend to tolerate poor service.

Few Competitive Pressures?

The DMV operates in a market with practically no competitive pressure and a captive audience. As they are not dependent on keeping customers, they do not bother to improve customer service. On the other hand, private companies depend on repeat business, so they make improvements in customer service.

Many Competitive Pressures?

Firms that operate in a highly competitive market are dependent on repeat business. These firms are focused on value creation and providing better treatment to their consumers.

[Instructor PPT Slide 12]

Firm Orientations and Consumers

- *Consumer (customer) orientation* is a way of doing business in which consumer value and satisfaction are prioritized above all other concerns. A consumer orientation is a key component of a firm with a market-oriented culture.
- The organizational culture that embodies the importance of creating value for customers among all employees is called a *market orientation*.

- Under the *stakeholder marketing orientation*, firms recognize that more than just the buyer and seller are involved in the marketing process. Primary stakeholders include customers, employees, owners, suppliers, and regulating agencies. Secondary stakeholders include the mass media and trade organizations.

[Instructor PPT Slide 13]

Relationship Marketing and Consumer Behavior

Relationship marketing is based on the belief that a firm's performance is enhanced through repeat business. It is the recognition that customer desires are recurring and that a single purchase may be only one touchpoint in an ongoing series of interactions with a customer. *Touchpoints* are the direct contacts between the firm and a consumer (i.e., email, phone call, text message, and face-to-face contact). Each touchpoint represents a way for the business to build value with the customer.

Q: Students can be asked to list the strategies by which a retail store can strengthen its relationship with the customer.

A: Suggestions could include membership cards, weekly offers or draws, discounts for customers with membership cards, daily alerts about offers through email and text messages, and so on.

LO: 1-3. Explain the role of consumer behavior in business and society.

[Instructor PPT Slides 14, 15]

The CB Field's Role in Business, Society and Consumers

Consumer behavior is important in at least three ways:

- CB provides an input to business/marketing strategy.
- CB provides a force that shapes society.
- CB provides an input to making responsible decisions as a consumer.

[Instructor PPT Slides 16, 17]

Consumer Behavior and Marketing Strategy

Businesses try to survive for long-terms. Companies that achieve this goal do so by obtaining resources from consumers in return for the value they create. This explains the *resource-advantage theory*. Exhibit 1.3 lists several companies, their products, and when they first started doing business.

[Instructor PPT Slides 18, 19]

What Do People Buy?

Consumers don't really buy *attributes*, or the physical parts of a product. Most of the companies don't understand what their product truly is and what they are selling. A *product* is a collection of potentially valuable benefits. Companies need to understand why people buy their products, in order to keep their business going. Companies need to constantly innovate to stay in business.

[Instructor PPT Slide 20]

Different Ways of Doing Business

Various ways of doing business are summarized in Exhibit 1.4 including:

- *Undifferentiated marketing* – It involves offering the same product to all customers with no customization. Undifferentiated marketers generally adopt a *production orientation*, wherein innovation focuses on making the production process as efficient and economical as possible.
- *Differentiated marketing* – It involves serving multiple market segments with a unique product offering. *One-to-one marketing* offers unique products to each individual customer.
- *Niche marketing* – It involves serving one market segment with unique demand characteristics.

Q: Students can be asked to list some niche products.

A: Student examples will vary. Niche products can include designer watches, luxury cars, yachts etc.

[Instructor PPT Slides 21, 22]

Consumer Behavior and Society

The items that people buy and consume are representative of the type of society in which they live. For example, how does society treat smoking? Today, smoking is frowned upon not only in the United States but also in Europe and many places have embraced a non-smoking policy. Smoking is a consumption behavior that is no longer valued by society at large in the United States.

Q: Students can be asked to determine the impact of legislation on consumer behavior. For example, what was the impact on consumer behavior following the recent ban on sale of sodas larger than 16 ounces in a few states?

A: Student answers will vary.

[Instructor PPT Slide 23]

Consumer Behavior and Personal Growth

Consumers' decisions affect their professional careers, their quality of life, and their family lives. Many college students are acquiring large amounts of credit card debt, contributing to the total American consumer debt. A lot of consumers accumulate debt in their early adulthood and hence tend to have negative net worth into their professional life.

Several topics can be particularly helpful in enlightening consumers about consumer behavior including:

- Consequences associated with poor budget allocation
- The role of emotions in consumer decision making
- Avenues for seeking redress for unsatisfactory purchases
- Social influences on decision making, including peer pressure
- The effect of the environment on consumer behavior

LO: 1-4. Be familiar with basic approaches to studying consumer behavior.

[Instructor PPT Slides 24, 25]

Different Approaches to Studying Consumer Behavior

There is no single “best” way to study consumer behavior. Interpretive research and quantitative consumer research are the two basic approaches for studying consumer behavior.

Interpretive Research

Interpretive research seeks to explain the inner meanings and motivations associated with specific consumption experiences. Methods include observations and words that consumers use to describe events.

Interpretive research generally falls into the category of qualitative research. *Qualitative research tools* include case analyses, clinical interviews, focus group interviews, and so on in which data are gathered in a relatively unstructured way. With this approach, the researcher interprets the meaning, hence these results are considered *researcher dependent*.

Interpretive researchers adopt one of several orientations. Two common interpretative orientations are:

- *Phenomenology*: It represents the study of consumption as a “lived experience.”
- *Ethnography*: It has roots in anthropology and often involves analyzing the artifacts associated with consumption. With the everyday use of social networking, ethnography has also introduced a new area known as *netnography* which applies ethnographic tools to study the behavior of online cultures and communities.

[Instructor PPT Slides 26, 27]

Quantitative Consumer Research

Quantitative research addresses questions about consumer behavior by using numerical measurement and analysis tools. Since the consumer will choose a response from among alternatives supplied by the researcher, the method is usually structured.

Quantitative research differs from interpretive research in the following areas:

- The data are not researcher dependent.
- It better enables researchers to test hypotheses as compared to interpretive research.
- It is more likely to stand on its own and does not require deep interpretation.

Exhibit 1.5 summarizes some key differences between quantitative and qualitative research.

LO: 1-5. Appreciate how dynamic the field of consumer behavior continues to be.

[Instructor PPT Slide 28, 29]

Consumer Behavior Is Dynamic

Consumer behavior has changed over time and so has marketers' response. Marketers use advanced technologies to provide consumers with numerous opportunities to communicate with companies. Today, consumers need not wait for a store to open in order to purchase something. Consumers can visit virtual stores 24 hours a day/7 days a week.

Q: Students can be asked to identify and describe a company that adapted its core product with respect to the changing preferences of its customer base.

A: Student answers will vary. McDonald's has altered its menu to suit the changes in customers' tastes.

Internationalization

Many store chains have expanded outside the United States. Consequently, companies must deal not only with geographical distances, but with cultural distances as well. Starbucks and Outback Steakhouse have chains all over the world and they have incorporated changes according to the cultures in those regions.

Technological Changes

Technology has influenced business practices since the advent of industry. In the mid-20th century, television revolutionized consumer behavior and thus home shopping became a possibility. With the advances in technology, consumers now have 24/7 access to purchasing almost any type of product without visiting the store. Consumers also use their mobile communication devices to access stores via the Internet. Although technology continues to change, the basic consumer desire for value has not changed. In fact, the dot.com failures of the late 1990s illustrated that companies can fail if they do not enhance the value that consumers receive when buying online.

Changing Communications

Consumers' favorite form of communication used to be face-to-face. Now, many consumers choose the telephone as their preferred communication method (either by voice or text message). email and social networks are also used for communication among consumers. Marketers are learning to use these tools to communicate with consumers more effectively.

Changing Demographics

Demographic changes that have been noted over the last twenty five years include:

- Families with two primary income providers
- Decrease in the size of the family

This leads marketers around the world to focus more on countries with increasing populations, like China and India.

Changing Economy

Much of the developed world has faced a recent downturn in the economy so consumers have less money to spend. News about other economies around the world that are in economic, social or political turmoil causes consumers to be more cautious as well.

[Instructor PPT Slide 30]

Video material for this chapter is starting on page 16 of the IM

END OF CHAPTER MATERIAL

REVIEW QUESTIONS

(*) *Indicates material on prep cards.*

1. *What does the term “chain reaction” refer to in discussing the role of consumer behavior in greater society?

Answer: The term chain reaction means that a consumer’s decision to buy and consume a product sets in motion a whole host of other actions each of which have the potential to create value for someone and for society in general. This is illustrated with the tablet computer purchase.

BUSPROG: Analytic

DISC: Customer

LO: 1-1

Topic: A-head: Consumption and Consumer Behavior

Bloom’s: Knowledge

Difficulty: Easy

2. List two perspectives from which consumer behavior can be defined.

Answer: Consumer behavior can be defined as (1) a field of study and as (2) human activity involving human thoughts and actions.

BUSPROG: Analytic

DISC: Customer

LO: 1-1

Topic: A-head: Consumption and Consumer Behavior

Bloom’s: Knowledge

Difficulty: Easy

3. Define consumer behavior from both perspectives.

Answer: Consumer behavior as a field of study represents the study of consumers as they go about the consumption process. In this sense, consumer behavior is the science of studying how consumers seek value in an effort to address real need.

Consumer behavior as a human activity is the set of value-seeking activities that take place as people go about addressing and attempting to address realized needs.

BUSPROG: Analytic
DISC: Customer
LO: 1-1
Topic: A-head: Consumption and Consumer Behavior
Bloom's: Knowledge
Difficulty: Easy

4. List each stage in the consumption process, and briefly describe this process.

Answer: The stages include needs, wants, exchange, costs and benefits, reaction, and value. The basic consumption process is a chain reaction of events through which consumers receive value (i.e., the steps in consumption).

BUSPROG: Analytic
DISC: Customer
LO: 1-1
Topic: A-head: Consumption and Consumer Behavior
Bloom's: Knowledge
Difficulty: Easy

5. What is consumption? Provide three examples of something you have “consumed” recently, and illustrate the concept of consumption with each example.

Answer: Consumption represents the process by which goods, services, or ideas are used and transformed into value. Examples should be easy. Music is enjoyable only when one listens to it (and like it). Consumption can turn an mp3 file into value by listening.

BUSPROG: Reflective Thinking
DISC: Customer
LO: 1-1
Topic: A-head: Consumption and Consumer Behavior
Bloom's: Application
Difficulty: Moderate

6. Explain the interrelationships between economics, psychology, marketing, and anthropology, and consumer behavior.

Answer: In some ways, economics is an overarching discipline in that it also studies consumption but at a more abstract level than does consumer behavior. Marketing studies stemmed from economics and psychology, and marketing itself represents potentially value-producing activities aimed at addressing consumer needs. As a field of study, consumer behavior grew from the marketing field and can be viewed as a large subdiscipline within marketing; CB is very much influenced by psychology because great emphasis was placed on the way consumers made decisions. Anthropology allows an interpretation of the relationships between consumer activities and the consumer. Netnography extends this study into online artifacts.

BUSPROG: Analytic
DISC: Customer
LO: 1-1

Topic: A-head: Consumption and Consumer Behavior
Bloom's: Knowledge
Difficulty: Easy

7. What role does competition play in determining the way in which consumers are treated in the marketplace?

Answer: Competition eventually drives businesses toward a consumer orientation because the firm that doesn't serve customers well is vulnerable to the customer going elsewhere. Thus, the more competitive the market, the greater the chance that the consumer is treated with respect as a valuable resource to the firm. Because firms depend on repeat business (and as they recognize the advantages of doing so), they are more likely to treat customers better in an effort to build or maintain a strong relationship.

BUSPROG: Analytic

DISC: Customer

LO: 1-2

Topic: A-head: The Ways in Which Consumers Are Treated

Bloom's: Comprehension

Difficulty: Moderate

8. Define consumer orientation. How do firms become consumer oriented?

Answer: Consumer (customer) orientation refers to a way of doing business in which the actions and decision making of the institution prioritize consumer value and satisfaction above all other concerns. A consumer orientation is often a response to a competitive marketplace.

BUSPROG: Analytic

DISC: Customer

LO: 1-2

Topic: A-head: The Ways in Which Consumers Are Treated

Bloom's: Knowledge

Difficulty: Easy

9. *How does a stakeholder orientation compare with a marketing orientation?

Answer: A stakeholder orientation extends the logic of a consumer orientation to other parties involved in the consumption process such as the owners, the employees, society in general and the media.

BUSPROG: Analytic

DISC: Customer

LO: 1-2

Topic: A-head: The Ways in Which Consumers Are Treated

Bloom's: Knowledge

Difficulty: Easy

10. Think about a consumer on a business trip out of town. What "touchpoints" take place during a typical day in a hotel for a business traveler?

Answer: Touchpoints are direct contacts between a firm and a customer. A day for the traveler may involve the following touchpoints:

Wake-up call

Visiting the fitness center

Going down for breakfast and being served

Asking for directions

Checking out of the hotel

Getting help with transportation.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 1-2

Topic: A-head: The Ways in Which Consumers Are Treated

Bloom's: Application

Difficulty: Moderate

11. How is niche marketing different than differentiated marketing?

Answer: Niche marketers are pursuing exchanges within one market segment. Differentiated marketers attempt to serve multiple segments with multiple products.

BUSPROG: Analytic

DISC: Strategy

LO: 1-3

Topic: A-head: The CB Field's Role in Business, Society and Consumers

Bloom's: Comprehension

Difficulty: Easy

12. List three main reasons why consumer behavior is such an important topic to understand.

Answer: Consumer behavior is important in at least three ways:

CB as an input to business/marketing strategy

CB as a force that shapes society

CB as an input to responsible consumer decision making

BUSPROG: Analytic

DISC: Customer

LO: 1-3

Topic: A-head: The CB Field's Role in Business, Society and Consumers

Bloom's: Knowledge

Difficulty: Easy

13. *How can consumer behavior contribute to public policy?

Answer: Public policy includes measures taken to restrict consumer freedom in the interest of the common good. Restrictions on consumer freedom exist in the form of traffic laws as well as restrictions on trade, such as prescription drugs, and consumption activities, such as smoking. Such decisions should only be made with a thorough understanding of the consumer behavior issues involved, such as consumer psychology and sociology and the impact of such decisions on the marketplace and economy.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 1-3

Topic: A-head: The CB Field's Role in Business, Society and Consumers

Bloom's: Comprehension

Difficulty: Moderate

14. What two basic approaches to studying (i.e., researching) consumer behavior are discussed in this chapter? How do they differ?

Answer: Interpretive research seeks to explain the inner meanings and motivations associated with specific consumption experiences. Quantitative research addresses questions about consumer behavior by using numerical measurement and analysis tools. Exhibit 1.5 demonstrates specific differences between the approaches.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 1-4

Topic: A-head: Different Approaches to Studying Consumer Behavior

Bloom's: Comprehension

Difficulty: Moderate

15. When a researcher gathers information from consumers, such as household income and family size, and then uses this information to determine how much families will spend on a home, what "type" of research is being used here? Explain.

Answer: Quantitative research is being used because these measures will involve concrete, numeric measurements and statistical analyses to provide information.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 1-4

Topic: A-head: Different Approaches to Studying Consumer Behavior

Bloom's: Application

Difficulty: Challenging

16. What is meant by the phrase, "consumer behavior is dynamic?"

Answer: Consumers are constantly changing, and therefore marketers' responses to consumers are constantly changing. Several marketplace trends contribute to the dynamic nature of consumer behavior: internationalization, changing technologies, and changing demographics.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 1-5

Topic: A-head: Consumer Behavior is Dynamic

Bloom's: Comprehension

Difficulty: Moderate

17. How is the fact that communication media preferences are changing affecting consumer behavior and the effective use of consumer behavior in business?

Answer: Consumers no longer communicate by voice to the extent that they used to. In fact, younger consumers have turned to social networking as a preferred means of communication. Older consumers may still prefer speaking to someone in person or on the phone. Middle age consumers may prefer email. Marketers have had to change the way they communicate with their consumers and one result is a shift in resources toward social networking sites like Facebook as a way of reaching customers with effective marketing communication.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 1-5

Topic: A-head: Consumer Behavior is Dynamic

Bloom's: Comprehension

Difficulty: Moderate

INTERACTIVE/APPLICATION EXERCISES

18. Ethics is an important aspect of consumer behavior. Later chapters will focus on ethics in more detail. However, given that consumer behavior is useful from a business, societal, and personal viewpoint, in which area are ethics and consumer behavior most closely related? Explain your choice.

Answer: Students can defend any area by discussing the behavior of people involved in consumption and action. Students are likely to choose the societal viewpoint because issues such as public policy are most closely associated with ethics. However, students should also consider behavior from both the individual consumer and potential marketing employee perspectives.

BUSPROG: Reflective Thinking

DISC: Ethics | Customer

LO: 1-3

Topic: A-head: The CB Field's Role in Business, Society and Consumers

Bloom's: Comprehension

Difficulty: Moderate

19. *Review the following situations, and discuss the relevance of consumer behavior to explain each scenario:

A student selling a textbook back to the college bookstore

A student purchasing a value meal from an on-campus fast-food stand

A family purchasing a new home

A corporate CEO taking a prospective customer to lunch

A consumer injured during a pick-up football match who is given a tetanus shot at a first aid clinic

A consumer in a third-world nation who is considering the purchase of a battery-operated television from a government-owned store

Answer: Any activity involving consumer decisions that could lead to differing amounts of value is clearly relevant to consumer behavior. The case of the injured football player is the least relevant scenario because the consumer has very little choice.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 1-1

Topic: A-head: Consumption and Consumer Behavior

Bloom's: Application

Difficulty: Moderate

20. Do some research on the Internet on the following multi-national companies:

Tesco

Auchan

Lotte Department Store

Walmart

Sephora

Exxon

Based on the descriptions of these companies found on the Internet, which way of treating customers do you believe each has adopted? Which company would you argue is the most multi-national?

Answer: All of these companies are multinational in the sense that they have operations in multiple countries. Sephora and Exxon probably have operations in more countries than do the others. The answer to which orientation each company has adopted to deal with their customers should be related to the degree of competition as well as the potential amount of government regulation that each company faces.

BUSPROG: Reflective Thinking

DISC: International Perspective

LO: 1-2

Topic: A-head: The Ways in Which Consumers Are Treated

Bloom's: Evaluation

Difficulty: Challenging

21. The following is a way to get a little practice as an interpretive researcher. Find two consumers who are significantly older than you, two consumers slightly older than you, and two consumers substantially younger than you who will allow you to observe them while they browse the Internet. Collect some field notes that describe their behavior as well as the discussion that you have with them during the exercise. Based on these interviews, prepare a brief report on the way people from different generations obtain value from their use of the Internet.

Answer: Students should attempt to provide explanations of behavior by interpreting what they see and what the consumer does.

BUSPROG: Reflective Thinking

DISC: Research | Customer

LO: 1-4

Topic: A-head: Different Approaches to Studying Consumer Behavior
Bloom's: Synthesis
Difficulty: Challenging

GROUP ACTIVITY

1. Use the Internet to do a brief research paper on a current public policy issue in which consumer behavior plays an important role. Develop an opinion on whether some type of new regulation or restriction might actually address the issue and create a better societal outcome. Prepare a brief skit to enact your issue, and summarize the ways in which knowledge of consumer behavior can contribute to understanding the issue. Have some fun with this. Relate the consumer behaviors to the amount of competition involved and the fact that public policy has both advantages and disadvantages for consumers.

Answer: Students tend to focus more quickly on the short-term advantages without considering the long-term market implications of regulations.

2. Interview at least five consumers from each of the following age groups: 10–15 years old, 20–29 years old, 35–45 years old, and over 55 years old. Ask the consumers what is their preferred method of communicating with a) friends, b) family and c) businesses. Also, ask them what types of products they use to help them communicate with friends and family. Do the results suggest that they derive value from all communication technologies to the same degree or do they use different technologies to communicate? Do you think the answers would be the same if you were dealing with consumers from Europe, Mexico, or Japan? How might firms cope with the dynamics of this situation?

Answer: Students should focus on the dynamic nature of consumer behavior in discussing the results of the interviews.

3. * As a group, visit a residential construction site and interview someone considering the purchase of a new home. Prepare a brief report that tries to tell from the qualitative interview with the consumer what motivations are driven by the desire for a new home. In particular, try to estimate the types of things a consumer will add to the new home to make the “house” a “home.” Also, try to estimate the number of people (a chain of people) who benefit economically from the purchase of a new home. Start by trying to guess how many workers are directly involved in planning, designing and constructing the new home, then consider how many people in the distribution channel are touched such as the workers for suppliers of flooring, lumber, appliances, etc.

Answer: There is no “correct” answer to this exercise. But, it should dramatically impact the students on the important role of purchase and consumption in society and demonstrate how commerce improves the standard of living for a society.

CHAPTER VIDEO SYNOPSIS

To view the video case Travelocity, go to the CB companion website login.cengage.com to select this video.

Faced with the challenges of plunging sales, Travelocity, the pioneer in Internet travel business, decided to spruce up its marketing strategies. The business was started in 1996, but by 2000-2001, growth slowed. It was evident that the business could not make money only by selling airline tickets. This was when the company decided to focus on providing hotel and flight packages, and vacation packages, in addition to airline tickets. One trend that the company noted was that customers often checked out the offers on the site, but contacted travel agents and hotels for actual purchases, as they didn't trust online purchases. Travelocity addressed this doubt with the "Travelocity Guarantee." This was a customer bill of rights which ensured that promises made to travelers would be fulfilled at all costs. The interest of the customer was strategically put before short-term organizational inconveniences.

The Travelocity Guarantee, coupled with Travelocity's emphasis on relevance marketing and an intelligent exploitation of the media, revived its sales once again. They ensured customers that Travelocity would stand behind travelers 24/7. The business made profits and created a tremendous buzz about their services through various partnerships and distribution networks. Apart from successfully designing the user experience through extensive usability analysis, a big part of Travelocity's success was a result of humanizing the brand and winning the trust of its customers.

Ask your students:

1. What impact did "Travelocity Guarantee" have on the purchasing decisions of consumers?

Answer: Fearing that the promised features may not match up to what they actually receive, travelers are very often uncomfortable with purchasing online. Travelocity noticed that many people would explore the options on the site, but then approach hotels or travel agents to actually make a purchase. The Travelocity Guarantee gave customers who were uncertain about buying online the assurance that their travel experience would live up to its promises.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 1-2

Topic: A-head: The Ways in Which Consumers Are Treated

Bloom's: Application

Difficulty: Moderate

2. How did Travelocity seek to improve the travelling experiences of tourists opting for its services?

Answer: Travelocity aimed to increase customer trust in its offerings. To achieve that end, the Travelocity Guarantee promised that customers would receive exactly what they booked and paid for on Travelocity. The company even went to the extent of honoring \$0 tickets to Fiji

mistakenly sold on its website. Travelocity's marketing and advertising moves away from the usual commercials to integration in media that customers enjoy as part of their everyday lives.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 1-2

Topic: A-head: The Ways in Which Consumers Are Treated

Bloom's: Application

Difficulty: Moderate

3. Why is partnering important for online businesses?

Answer: Online businesses seldom have the money to invest heavily in marketing themselves. Their credibility, therefore, depends on their partners. Partnerships grow a company's distribution network and give online businesses an advantage when negotiating with suppliers.

BUSPROG: Reflective Thinking

DISC: Distribution

LO: 1-3

Topic: A-head: The CB Field's Role in Business, Society and Consumers

Bloom's: Application

Difficulty: Moderate

SHORT VIDEO MATERIAL

At an auction, goods are offered up for sale and sold to the buyer offering the highest bid. The auctioneer calls out the item and the latest bid. The bidders must decide whether or not they want to bid on a particular object. The amount buyers bid for an object depends on how much value they perceive is associated with the object. Often goods offered up for auction have no intrinsic worth but may hold special meaning or value for the buyer.

Ask your students:

1. What attributes or benefits do you suppose people are looking for when they buy goods at an auction?

Answer: Students' answers will vary. Students could mention that goods sold at auctions are seldom sold for utilitarian purposes. Many goods sold at auctions, like the goods in the video, often have decorative or artistic value. Hence, the buyers are buying not the wood, metal, or glass the goods are made of, but the beauty of the finished product. In the case of antiques sold at auctions, buyers may be buying the prestige or the sense of wonder that goes with owning an old object.

BUSPROG: Analytic

DISC: Customer

LO: 1-1

Topic: A-head: Consumption and Consumer Behavior

Bloom's: Application

Difficulty: Moderate

2. If you were a researcher seeking to understand the motivations for buying goods at an auction, which research method would you use and why?

Answer: Students' answers should mention qualitative rather than quantitative research methods. Interpretative research will best help understand the motivations underlying buying behavior. Students can mention research tools such as surveys, group discussions, or other unstructured interactions with consumers. Other possible methods include phenomenology and ethnography. The research must then interpret the consumers' answers to understand their motivations for buying.

BUSPROG: Analytic

DISC: Customer

LO: 1-4

Topic: A-head: Different Approaches to Studying Consumer Behavior

Bloom's: Application

Difficulty: Moderate