

Solution Manual for CB4 4th Edition by Babin and Harris ISBN 111821771 978111821777

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CHAPTER 2

VALUE AND THE CONSUMER BEHAVIOR VALUE FRAMEWORK

WHAT DO YOU THINK POLLING QUESTION

I get a lot out of shopping even when I don't buy anything.

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 thus far.

LEARNING OUTCOMES

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

- L01 Describe the consumer value framework, including its basic components.
- L02 Define consumer value and compare and contrast two key types of value.
- L03 Apply the concepts of marketing strategy and marketing tactics to describe the way firms go about creating value for consumers.
- L04 Explain the way market characteristics like market segmentation and product differentiation affect marketing strategy.
- L05 Analyze consumer markets using elementary perceptual maps.
- L06 Justify consumers' lifetime value as an effective focus for long-term business success.

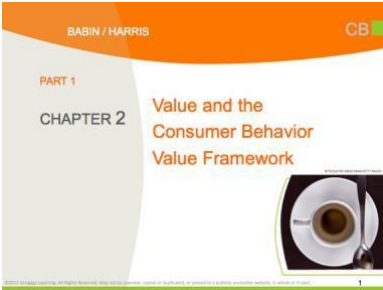
SUGGESTED LECTURE OPENER

Consumer segments play a vital and sometimes surprising role in marketing. Consider the wine industry. The image that likely comes to mind is of an older crowd composed mostly of Baby Boomers. While this image isn't completely wrong, the demographics of wine consumption have changed dramatically in the last decade. According to the Wine Market Council, under-35 consumers have increased by almost 40% over the last year alone. This means more and more of the consumers who are buying and drinking wine

are Millennials—a target segment almost as large as the Boomers and one marketers are already eager to reach. [Source: Jessica Yadegaran, “Millennials: The Next Generation of Wine Judges,” *San Jose Mercury News*, July 28, 2010, <http://www.mercurynews.com>.]

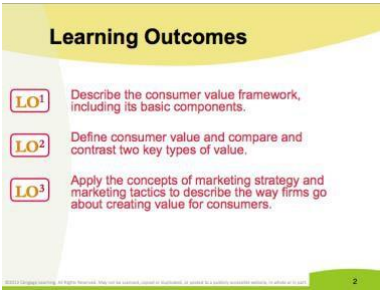
LECTURE OUTLINE WITH POWERPOINT® SLIDES

Slide 1



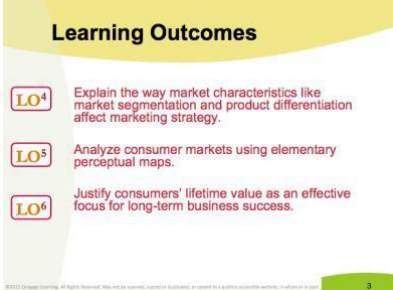
Slide 1 is the title slide. It features an orange header with 'BABIN / HARRIS' and 'CB'. Below the header, it says 'PART 1' and 'CHAPTER 2'. The main title is 'Value and the Consumer Behavior Value Framework'. There is a small image of a coffee cup and saucer.

Slide 2



Slide 2 is titled 'Learning Outcomes'. It lists three outcomes: LO1: Describe the consumer value framework, including its basic components. LO2: Define consumer value and compare and contrast two key types of value. LO3: Apply the concepts of marketing strategy and marketing tactics to describe the way firms go about creating value for consumers.

Slide 3

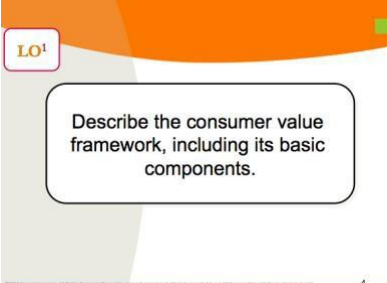


Slide 3 is titled 'Learning Outcomes'. It lists three outcomes: LO4: Explain the way market characteristics like market segmentation and product differentiation affect marketing strategy. LO5: Analyze consumer markets using elementary perceptual maps. LO6: Justify consumers' lifetime value as an effective focus for long-term business success.

LO1. Describe the consumer value framework, including its basic components.

The Consumer Value Framework and Its Components

Slide 4



Slide 4 is titled 'LO1' and contains the text: 'Describe the consumer value framework, including its basic components.'

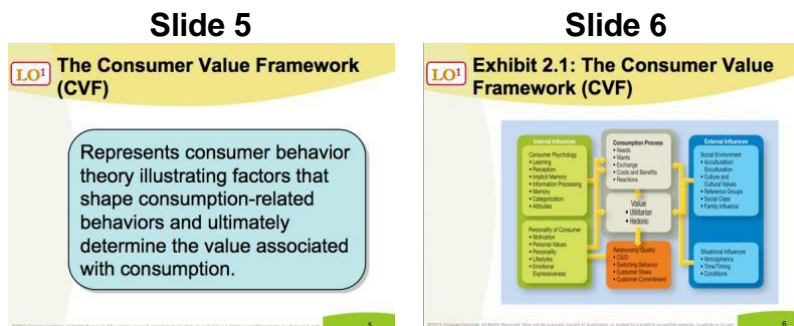
Q: Should the band allow their fans to choose the type of music they play?

A: Answers will vary. In the introduction to this chapter, the pie chart shows different consumer preferences for types of music.

The Consumer Value Framework

The *Consumer Value Framework (CVF)* represents consumer behavior theory that illustrates the factors shaping consumption-related behaviors and ultimately determines the value associated with consumption. Exhibit 2.1 explains the various functions of CVF in greater detail. All components in the model are related and consist of the following elements:

- Internal influences
- External influences
- Consumption process
- Value
- Relationship quality



Value and the CVF Components

The concept of value is at the heart of consumer behavior and found throughout the entire book.

Relationship Quality

A term used to describe this relationship that has gained popularity over the years is *Customer Relationship Management (CRM)*. The basis of this concept is that a company builds a relationship with a customer over a period of time as opposed to simply conducting a transactional exchange. From there, the marketer can determine an effective strategy to communicate with customers. *Relationship quality* reflects the connectedness between a consumer and a retailer, brand, or service provider.

Consumption Process

The consumption process contains many factors, which can be divided into internal, external, and situational influences.

Internal Influences: The Psychology and Personality of the Consumer

Internal influences constitute the psychology of the consumer. For example, how will customers react to a price increase from \$80 to \$100? Does it matter whether an item is

priced at \$69.99 or \$70? The psychology of the consumer involves both *cognition* and *affect*.

Individual differences are the traits including personality and lifestyle differences that help determine consumer behavior. This is the personality of the consumer. So a consumer with an outdoorsy personality might be happier with a convertible over a person who is happier spending time indoors.

Slide 7

LO1 Internal Influences

Slide 8

LO1 Psychology of the Consumer

- **Cognition** – the thinking or mental processes that go on as we process and store things that can become knowledge.
- **Affect** – refers to the feelings experienced during consumption activities or associated with specific objects.

Slide 9

LO1 Personality of the Consumer

Individual differences include things like personality and lifestyles.

Why do consumers have such varied tastes in food? *External influences* include the social and cultural aspects of life as a consumer. The *social environment* includes the people and groups who help shape a consumer's everyday experiences. For example, what we like to eat is primarily shaped by our families and what we eat at home. *Situational influences* include the effect that the physical environment has on consumer behavior.

Slide 10

LO1 External Influences: Interpersonal Influences

Social Environment

Situational Influences

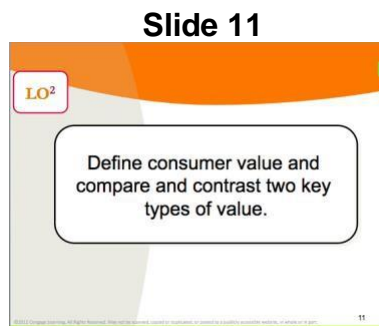
Q: Ask students to recall a recent shopping experience. Determine whether anyone shops at Hollister, where the music is loud and the

perfume and cologne are sprayed every few minutes. Do the situational influences affect their purchase?

A: Answers will vary. Some students will not even be aware that music is playing in a store, while others will experience a heightened state because of the environment.

LO2. Define consumer value and compare and contrast two key types of value.

Value and Two Basic Types of Value



Value is a personal assessment of the net worth obtained from an activity. Consumers are never willing to sacrifice value, but they are often willing to sacrifice quality or satisfaction. An example of value used in the book involves a person's choice of eating establishments. Those who eat at a fast food chain tend to relinquish quality in return for a better price or faster service.

The Value Equation

Exhibit 2.2 demonstrates the value equation, which is “what you get” for “what you have to give.”

- What you get = benefits such as quality, convenience, and nostalgia
- What you give = time, money, and effort

Consumers ultimately pursue *value* because valuable actions address motivations that manifest themselves in needs and desires. It is a good idea to look at the types of value in order to better understand the concept.

Slide 12

Slide 13

LO² Exhibit 2.2
The Value Equation

Value = What you get - What you give

What you get:

- Benefits such as:
 - Quality
 - Convenience
 - Location
 - Prestige
 - Convenience
- Other Factors like:
 - Status
 - Savings

What you give:

- Time
- Money
- Opportunity
- Energy

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LO² Consumer Value

Value is a personal assessment of the net worth obtained from an activity.

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Utilitarian Value

Utilitarian value describes how the consumer solves the issues that come with being a consumer and can generally be equated to how a consumer completes a task. An example of utilitarian value would be using bleach to clean something.

Hedonic Value

Hedonic value is the immediate gratification that comes from experiencing some activity. Because it is emotional and subjective in nature, hedonic value is not a means to an end, but an experience. An example of hedonic value would be watching a horror film.

It should be noted that consumers can derive both a utilitarian and a hedonic value from the same experience. The book uses the example of dining in a place like the Hard Rock Café. A consumer can have a fun dining experience while still being nourished by food. Exhibit 2.3 further explains this concept.

Slide 14

LO² Types of Value

Utilitarian

Hedonic

14

Slide 15

LO² Value

What type of value do consumers get from this product?

15

Slide 16

LO² Exhibit 2.3: Consumption Activities Can Fall into Any of These Categories

		Utilitarian Value	
		Low	High
Hedonic Value	Low	Fast-Fooding - fast-food food	Cheap Fast-fooding - fast-food food
	High	Cheap Fast-fooding - restaurant or store atmosphere fast-food food	Superior Fast-fooding - restaurant or store atmosphere fast-food food

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Q: Many restaurants are reviewed by diners online through various websites and smartphone applications. Have these reviews helped you to experience a restaurant that has put it all together – a high-quality meal with impeccable service in a memorable place? How might this experience change your consumer behavior?

A: Answers will vary.

LO3. Apply the concepts of marketing strategy and marketing tactics to describe the way firms go about creating value for consumers.

Marketing Strategy and Consumer Value

Slide 17

LO³

Apply the concepts of marketing strategy and marketing tactics to describe the way firms go about creating value for consumers.

17

Marketing Strategy

Exhibit 2.4 details the different levels of a marketing strategy.

1. *Corporate strategy* – This strategy deals with how the firm will be defined and sets general goals.
2. *Marketing strategy* – This is the way a company goes about creating value for customers.
3. *Marketing tactics* – These are the ways in which marketing management is implemented. They involve price, promotion, product, and distribution decisions.

Slide 18

LO³ Exhibit 2.4: Business Strategy Exists at Different Levels



18

Total Value Concept

Is Coca-Cola just a soft drink? No. Coke represents 43% of the market share and is definitely not the cheapest product on the market. Exhibit 2.5 shows the U.S. soft drink market share information. *Total value concept* is practiced when companies operate with the understanding that products provide value in multiple ways.

Slide 19

LO³ Total Value Concept

Why do you think Coca-Cola has such a large share of the market?



19

The Total Value Concept Illustrated

How does the Ferrari provide value? If you understand this, you understand the total value concept. Here are some likely value factors:

1. Transportation
2. Ferrari service plan
3. Feelings associated with driving the car
4. Positive feelings that go along with ownership
5. Negative feelings that go along with ownership

Slide 20

LO³ Total Value Concept

Every product's value is made up of the basic benefits, plus the augmented product, plus the "feel" benefits.



Value is Co-Created

Value is not created only by the marketer; the consumer adds his or her own resources to the consumption process.

Slide 21

LO³ Value Is Co-Created

Value co-creation is the realization that a consumer is necessary and must pay a part in order to produce value.

Q: Ask students for an example of a total value concept. Students may use the textbook and walk through the example of purchasing a Ferrari or a college education.

A: Answers will vary. Encourage students to use the book as a guide for comprehending the concept of total value.

LO4. Explain the way market characteristics like market segmentation and product differentiation affect marketing strategy.

Market Characteristics: Market Segments and Product Differentiation

Slide 22

LO⁴

Explain the way market characteristics like market segmentation and product differentiation affect marketing strategy.

Target market is a common term signifying the particular market segment that a company will serve with a specific marketing mix. The *marketing mix* is the combination of product, pricing, promotion, and distribution strategies used to position the brand in the marketplace.

Q: Ask students to name the potential target markets that might be found among their peers.

A: Answers will vary.

Market Segmentation

Market segmentation is the separation of a market into groups based on the different demand curves associated with each group. There may be many or few market segments (groups of people with similar characteristics) in any given market. Exhibit 2.6 depicts the market segmentation process.

Elasticity is a term that is used to demonstrate the degree to which a consumer is sensitive to changes in some product characteristic. The example in the book suggested that there was more elasticity in the price variable versus the warranty variable when consumers purchase HDTVs.

Product category demand explains the market segment for many products that features a positive price-quantity demand relationship. The book uses the example of two perfumes—Trés Cher sold by the gallon and Chanel No.5 sold by the ounce.

Slide 23

LO⁴ Market Segmentation and Product Differentiation

Market segmentation is the separation of a market into groups based on different demand curves associated with each group.

Product differentiation is a marketplace condition in which consumers do not view all competing products as identical to one another.

Slide 24

LO⁴ Exhibit 2.6 Total Market Sales and Sales within Market Segments



Slide 25

LO⁴ Product Category Demand



Chanel No. 5 is in high demand at about \$250 an ounce.

Product Differentiation

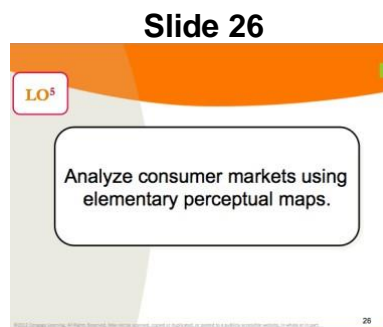
Product differentiation is a marketplace condition in which consumers do not view all competing products as identical to one another. An example of product differentiation is that many people regard Coke and Pepsi as similar but different products.

Q: Have students name products that appeal to different groups of people, such as an iPhone. iPhone users range from college students to professionals. How do the segments differ? How could Apple differentiate the product?

A: Answers will vary. Encourage students to come up with different types of consumers and identify their needs. Apple could possibly find new ways to differentiate the product and reach multiple market segments by changing the color of the iPhone or by adding ring tones or additional features.

LO5. Analyze consumer markets using elementary perceptual maps.

Analyzing Markets with Perceptual Maps



Product differentiation becomes the basis for product positioning. *Product positioning* refers to the way in which a product is perceived by a consumer. Positioning takes place in the mind of the consumer.

Perceptual Maps

Perceptual maps are used to depict the positioning of competing products graphically.

Illustrating a Perceptual Map

Exhibit 2.7 uses a radio station launching in the Springdale market as an example. After analyzing the perceptual map, the analyst can draw several conclusions about the radio station:

1. Because this is a start-up station without massive resources, an “oldies” format with nearly all music is recommended in an attempt to capitalize on the purple segment.
2. The highest demand quadrant appears to be quadrant 1, with contemporary music and little news/talk. A lot of resources would be required to start here because of the entrenched competition. Thus, option 1 appears preferable.
3. A potential threat exists if WXPC were to decrease the amount of news and talk, thus moving them toward the purple ideal point; however, this appears unlikely. If WXPC were to undergo a format change, a move to more news and talk to try to capitalize on the red segment’s ideal point appears easier because of the relative proximity.

Slide 27



Have students choose an example of a product (i.e., car, makeup, household product) using Exhibit 2.7. Students can come up to the board or draw a perceptual map in their notebooks for a classroom discussion.

Using Consumer Behavior Theory in Marketing Strategy

Businesses are constantly using consumer behavior to make better strategic and operational marketing decisions. Exhibit 2.8 in the book displays a consumer behavior analysis checklist that is used by simply applying each question to the given situation.

LO6. Justify consumers’ lifetime value as an effective focus for long-term business success.

Value Today and Tomorrow—Customer Lifetime Value

Slide 28

LO⁶

Justify consumers' lifetime value as an effective focus for long-term business success.

28

Not all customers are created equally. Therefore, firms increasingly want to know the lifetime value associated with a customer or customer segment. Ultimately, companies need to delineate their most profitable segment and devise a way to communicate with them to increase profit.

Customer Lifetime Value (CLV) represents the approximate worth of a customer to a company in economic terms or the overall profitability of an individual consumer. Although there is no generally accepted formula for CLV, the basic premise is simple and can be represented as follows:

$$CLV = npv(\text{sales} - \text{costs}) + npv(\text{equity})$$

where *npv* = net present value. Consider a customer who shops twice a week at IKEA. On average, this customer spends \$200 per week, or \$10,400 per year, at IKEA. If we assume a 5% operating margin, this customer yields a *net* \$520 per year to IKEA.

Slide 29

LO⁶ Customer Lifetime Value (CLV)

Customer lifetime value (CLV) represents the approximate worth of a customer to a company in economic terms.

$$CLV = npv(\text{sales} - \text{costs}) + npv(\text{equity})$$

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Q: Have students calculate the CLV of their favorite take-out restaurant or shopping destination. It might make sense to calculate the CLV of their pizza habits over the course of four years at college.

A: Answers will vary. Students may assume that the average college student eats pizza twice a week or spends \$10 per week or \$520 a year (if the student stays for the summer). If you assume a 10% margin, the cost per year is \$52 or \$208 over four years.

Consumers who find value in the authenticity of cheese, for instance, are willing to spend more for Stilton cheese than plain blue cheese. Some governments recognize the uniqueness of certain products that can be identified by geographical areas and protect their names by law, including Stilton cheese (it can only be produced in three specific counties in England). Authenticity is a potential product characteristic that creates product differentiation.

Slide 30

LO⁶ Authenticity



Some consumers will recognize the real Stilton cheese from the pretenders and are willing to pay more for the real deal.

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VIDEO CLIP


PowerPoint Clip from *The Toledo Mud Hens*

Run time 1:12 minutes

Slide 31

**Value and Baseball:
The Toledo Mud Hens**

- Watch this clip to see how the Toledo Mud Hens increase consumer value.



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The Toledo Mud Hens are a Minor League baseball team inspired by the poem *Casey at the Bat*. The baseball team is positioned as a family entertainment brand. Although the team has historically strong players and performs well during the baseball season, the major focus of the positioning strategy is actually to brand an experience all fans can count on: a fun, affordable, family or group outing. This strategy has worked successfully for the team in both athletic performance and marketing performance arenas.

Ask your students:

1. How does the business model of the Mud Hens provide a different value to minor league fans than it would to major league fans?

Answer: Fans that attend minor league baseball games are looking for a different experience than those who attend major league games. Major league fans are looking for

star players and winning records. The minor league Mud Hens focus on providing an affordable and engaging family activity over stars and streaks.

2. How does attending a Mud Hens' event provide value beyond a baseball game?

Answer: By focusing on merchandising, food and beverage sales, and low-priced tickets the Mud Hens are able to extend a consumers' concept of value beyond just watching baseball, which one might do at home, and into the area of a multi-age, low-cost, entertainment outing.

END OF CHAPTER MATERIAL

PART 1 CASE ANSWERS

Case 1-1 Total Marketing Strategy: You won't come back by chance.

Questions:

1. *What is the perceptual map for the gas station companies in France (Elan, Elf, Total, and the hypermarkets)? What would be the two dimensions you would use to best describe the portfolio of brands that the Total Company has in its market?*

Students can use price (high vs. low) and quality/service (high vs. low) as the 2 dimensions to build the perceptual map. The important point is to clearly position the brand Elf, the brand Total as well as the hypermarkets. Total must be placed at the relatively high price and relatively high quality/service, while Elf and the hypermarkets must be on the low price/low quality/service quadrant.

Students should be able to describe the utilitarian and the hedonic value involved in the choice of a gas station.

Instructors may also encourage students to think about price elasticity in the market, as well as the price delta that can be demand by Total stores. Students might want to use the value function to think about the price point for gas at Total. The instructor could also use this to explain the importance of the coherence among all elements of the marketing mix in line with the company positioning.

2. *Based in the perceptual map, propose a set of marketing actions beyond those that have been mentioned on the case that should be used by Total brand. Use the 4Ps framework to propose these actions and link each action to the CVF framework?*

Students should use the 4Ps framework to propose the actions that would fit the positioning of Total. Instructors might want to reinforce the need of these actions using the customer value framework.

For example, a new payment system for the loyal customers that would recognize the consumers through their loyalty card using the RFID could be

interesting. This system would recognize the customer when she arrives in the pump. When finished, the consumer would be billed at home after putting her digital print just aside the pump. This would allow saving significant amount of time and it would increase the utilitarian value for consumers.

Other propositions like this one should be highlighted by the students.

3. *What are the things that may build utilitarian and hedonic value when consumers go for a gas station? Please, describe how an Elf store might increase value in consumers' shopping experience.*

The instructor may point out that the two positioning are delivering utilitarian and hedonic value. The most important issue for the students is to be able to rightly classify what are the elements that are related to both values.

Students should be instructed to brainstorm on whether or not they think Elf could build hedonic value and what kind of actions could be used to make that.

4. *What are the marketing segments that each store is trying to cover? What are the fundamental benefits that consumers in each of those segments are trying to have while choosing a gas station? Do you think Total Company has done a good job identifying market segments and appealing to these segments? Are some segments left unserved by Total?*

The case explicitly identifies the market segmentation. The basic segmentation used by the company was between the rural and urban areas. More relevant to the case study is the segmentation for the urban areas, based on the key benefits consumers are looking for. The first one is the price oriented consumers, who are looking for price and simplicity. The second one is the quality oriented consumers, who are looking for a relationship and services in the store. Students may comment on family oriented segments that just may use the hypermarket more often because they can buy more things with one stop. In addition, the student may mention some business to business possibilities which may fit better with Elan or Elf as opposed to the Total stores.

Case 1-2 Not Buying Organic? Why not?

Questions:

1. *The Consumer Value Framework (Exhibit 2.1) lists consumer psychology, consumer personality, the social environment, and situation as internal and external influences on consumption. How have these influenced the consumer behavior mentioned in this case study? How does organic food provide utilitarian and hedonic value to Jill and her aunt?*

Answer:

- Consumer Psychology explains how Jill and her aunt have learned beliefs and attitudes about the food categories of ‘organic’ and ‘not organic,’ this information is stored in memory and is later used as input into the consumer value equation, e.g., a perceived health benefit is contrasted to the higher cost of organic food.
 - Consumer ‘Personality’ explains why LOHAS consumers pay more for organic than other consumers: LOHAS consumers place great value on being socially and environmentally responsible.
 - The Social Environment explains how Jill interest in organics was probably fostered by her aunt.
 - Situational Influences, such as whether or not Jill has to study for a test, explain her occasional purchase of organic cookies.
 - Utilitarian value: organic food nourishes the body to maintain health.
 - Hedonic value: Jill experiences organic cookies as an indulgent treat. Her aunt feels pride in being environmentally responsible.
[Note: protecting the environment might seem like a utilitarian benefit, but its not. Environmental protection is a societal benefit, not a benefit that the consumer herself noticeably experiences as a result of a given purchase; instead the consumer obtains the hedonic value of emotional satisfaction from protecting the environment]
2. *What is Jill’s Value Equation (Exhibit 2.2) for regular carrots? How do changes in the value equation explain Jill’s purchase of mini-carrots over organic carrots? What is an example of your own consumption in which you gave up something to get something else?*

Answer:

- Regular carrots represent a basic exchange: the consumer gets sustenance by giving up money.
 - Jill has to pay more for mini-carrots, but that is fully offset by the convenience of pre-prepared carrots. Organic carrots also have a downside of added cost, but this is not fully offset by the perceived health benefit. Jill presumably gets greater value from convenience than a health benefit because convenience provides immediate gratification while the health benefit is only a probabilistic future benefit.
 - Consumers will pay more for packaging, quality, taste, nutritional benefits, brand name, etc.
3. *How is product differentiation and/or relationship marketing used — by farmers, food companies, or retailers — to add value for consumers and thus increase repeat sales in the organic food industry?*

Answer:

- Farmers could sell directly to consumers through farmer’s markets or CSAs (community supported agriculture) in which a consumer buys a share of everything a local farmer grows. This direct relationship between farmers and

consumer allows consumers to know who grows their food and learn more about what they eat.

- Food companies and retailers provide value to the consumer through the practice of branding. Consumers will pay more for brands such as Stonyfield® and Whole Foods® because consumers trust brands to deliver high quality, truthfully-labeled merchandise. Thus, branding differentiates the offerings of these firms from ‘generic’ organics. Firms also differentiate themselves by building relationships with consumers through the use of e-newsletters, special offers for loyal customers, and other personal services. Stonyfield encourages consumers who lack local recycling options to mail yogurt cups back to the firm in return for coupons for future purchases. Whole Foods pays and trains employees well so the every touchpoint between a customer and the store is positive – staff gladly research answers to consumer questions, customers can place custom orders if they don’t find what they want, some stores provide live music at certain times, etc.
4. *What kind of information could a researcher find out by engaging in a) quantitative research and b) interpretive research? Are you surprised that surveys reports are biased in that consumers say they are willing to pay a higher price for organic food they actually are?*

Answer:

- Quantitative research can identify who does or doesn’t buy organic food. Thus marketers can describe market segments in terms of the consumer’s age, income, gender, lifestyle, and geographic location. Buyers and nonbuyers can be further differentiated in terms of where they like to shop, their beliefs, and their preferences for other product attributes like fair trade certification or recycled packaging. Quantitative research can also produce perceptual maps that show how consumers differentiate between suppliers/retailers of organic food.
- Interpretive research can help a marketer develop hypotheses about organic consumption that can be later tested with quantitative research. Moreover, interpretative research helps researchers understand subjective aspects of consumption that surveys can’t capture, especially when consumers lack insight into their own behavior (as is the case when consumer say they will pay more, but don’t). Thus, interpretive research can help explain Jill’s inconsistencies in behavior or why green products are more successful in some product categories than others. Interpretive research can help uncover deep seated consumer motives, emotional connections, symbolic meaning associated with the product, and how organic products fit into consumers’ lives. For example, one group of consumers might associate organics with purity and simplicity, and thus buy organics as a defense against modernity. Some parents might buy organic baby food regardless of price to lessen the insecurities they feel parenting a vulnerable infant.

Case 1-3 Learning About CB: Is Your Coke OK?

Questions:

1. *Define marketing and consumer behavior. Provide your own definition (not the textbook definition) of consumer behavior. How can consumer behavior be applied to your life experiences?*

Both definitions are found in chapter one. When defining marketing, students should describe the 4 P's (Product, Price, Place, and Promotion) and the various names associated with the 4 P's (controllable factors, marketing mix, 3 P's and 1 D). For discussion purposes, the instructor may also explain to students how each of these items may be expanded. For example, Product (products, services, and ideas), Promotion (sales promotions, advertising, direct marketing, internet/interactive, personal selling, publicity/public relations, direct marketing).

Students should differentiate between "controllable" and "uncontrollable" factors.

Instructors may also encourage students to think about these two terms by instructing them to develop their own definitions. The instructor could then share these definitions with the entire class and highlight relevant points.

2. *Compare/contrast human behavior and consumer behavior. Why do marketers study consumer behavior? What activities of Randy would you identify as being examples of consumer behavior and why?*

Students should highlight that human behavior is more broadly defined to include all behavior, while consumer behavior is more narrowly defined in scope and its focus is on the consumer decision-making process. A parallel comparison of social psychology and consumer behavior may also be provided by the instructor.

Students should include the reasons why marketers study consumer behavior. For example, to better understand the actions of consumers in the marketplace.

Students should include several of Randy's activities including his decision to: 1) attend college, 2) purchase his *CB* textbook, 3) enroll in a consumer behavior course, and 4) purchase a Coca-Cola.

3. *What factors do you think contributed to the failure of New Coke and OK Soda? Do you think these products could be successfully re-marketed today?*

Several factors may have lead to the demise of New Coke and OK Soda. Plausible answers include; misinterpretation of market research, poor timing, the elimination of a renowned brand, and the competition.

The instructor may also point out to students that consumer behavior is dynamic and consumers often times react in unexpected ways. It may be helpful for instructors to explain to students the purpose of market research, and how, at times, even the best market research may still result in a failed product.

Students should be instructed to brainstorm on whether or not they think these products could be successfully re-introduced.

4. *Keep a log of your daily activities for three days. List and describe those activities which you would categorize as consumer behavior. How might your activities be studied by a consumer behavior researcher?*

This exercise should help demonstrate to students how their daily activities are related to the study of consumer behavior.

ONLINE CASE ANSWERS

Visit www.login.cengage.com to access the online case studies for CB.

1. *Visit the CVS/pharmacy website (<http://www.cvs.com>). What other benefits does CVS provide to ExtraCare customers? Provide examples of both utilitarian and hedonic value.*

Answer: Utilitarian value is provided when an object or activity allows something else to happen. Examples may include cosmetics, hair care products, hygiene products, and so forth. For instance, soap allows your face to become clean. Hedonic value is the immediate gratification that comes from some activity. Furthermore, hedonic value is emotional and subjective. Examples may include chocolate, candy, and other impulse items sold at CVS.

2. *Suppose a major competitor launches their own customer value card program. How might CVS respond? What recommendations would you give CVS to improve the ExtraCare program?*

Answer: Students may choose any number of ways in which to increase “value” and should refer to the Value Equation in Exhibit 2.2. Students may recommend improvements to benefits or to “what you get” such as quality, convenience, emotions, prestige, and experience. They may also recommend a decrease in what customers “give” or sacrifice including time, money, and effort.

3. *What are the advantages and disadvantages of not requiring personal information from customers for participating in the ExtraCare program?*

Answer: The main benefit to CVS customers of not requiring personal information is privacy. The main disadvantage is that not having personal customer information limits the ability of CVS to improve the quality of their relationship with their customers. CVS can learn valuable information from customer purchases and consequently provide direct marketing (CRM) incentives, such as coupons, to build stronger relationships with customers.

4. *What ethical issues would CVS need to consider before changing their ExtraCare policy to require an address and phone number?*

Answer: Students should address privacy issues, such as identity theft and how to protect customer information in the ExtraCare database against those threats. Another specific ethical issue for CVS is concern over pharmacy transactions. Prescriptions reflect a customer’s medical history and therefore elicit an even higher expectation of privacy.

REVIEW QUESTIONS

(*) *Indicates material on prep cards.*

1. [LO1] What are the differences between internal and external influences on consumers?

Answer: Internal influences are characteristics or traits inherent in the consumer. External influences come from outside the consumer such as culture, the environment, and time of day.

2. [LO1] How is the Customer Value Framework useful?

Answer: The CVF represents consumer behavior theory, which illustrates factors shaping consumption-related behaviors and ultimately determines the value associated with consumption. Thus, the CVF provides potential explanations for behavior.

3. [LO2] List three examples of products you have consumed that provide high utilitarian value. List three examples of items that provide high hedonic value. Think of at least one product or brand that you would associate with both high utilitarian and hedonic value.

Answer: Typical items possessing utilitarian value include fast food, mass transit (subway, bus ride), and cleaning products. Typical items possessing hedonic value include attending a sports event or an amusement park or going shopping in an exciting venue.

4. [LO2] What is the core concept of consumer behavior? Define it and use an example from your own life to illustrate its meaning.

Answer: Value is the core concept of consumer behavior. Value is a personal (subjective) assessment of the overall net worth obtained from an activity.

5. [LO3] Define and distinguish marketing strategy, corporate strategy, and marketing tactics, and provide examples. You may consult the Internet for names of well known marketing firms.

Answer: Corporate strategy deals with how the firm will be defined and sets general goals for the company. Marketing strategy deals more specifically with the way in which a company goes about creating value. Marketing tactics are ways in which the strategy is actually implemented in the marketplace. Walmart has a corporate strategy that emphasizes efficiency and low-cost operations. The marketing strategy is to provide consumers with a wide selection of goods that are placed on the market at low prices driven by low costs. Marketing management includes strategies such as low price guarantees and promotions that emphasize prices.

6. *[LO3] What is the total value concept? Can you use the total value concept to explain why Callaway golf or Starbucks are such successful companies?

Answer: The total value concept is practiced when companies operate with the understanding that products provide value in multiple ways. Callaway Golf realizes that they aren't really selling golf clubs so much as selling the advantage of a better golf experience. Therefore, experiences such as customer club fitting are integral in helping the consumer enjoy more value from their exchange with Callaway. Starbucks sells the coffee experience and not just the coffee. Thus, the atmosphere of the establishment along with things such as wi-fi access enhance the product and are important to deliver to customers even if it is a cost to Starbucks.

7. *[LO3] What is marketing myopia? How does it relate to the total value concept?

Answer: Marketing myopia results when firms define themselves based on the product they produce rather than the value they provide. Firms avoid myopia when they practice the total value concept.

8. [LO4] In what way are market segmentation and product differentiation similar? How are the two concepts different?

Answer: Both are marketplace conditions. Market segmentation is a marketplace characteristic determined by consumer preferences, whereas product differentiation is determined by perceptions of product alternatives.

9. [LO4] Consider the customers visiting a Mega-Plex Movie Theater playing 18 different movies. Use this thought to illustrate both market segmentation and product differentiation. How do these two marketplace characteristics influence the value received by these customers?

Answer: Market segmentation could be observed easily by noting the characteristics of the consumers that see each movie. From these observations, one might observe different demographic characteristics associated with different types of movies. Families may be more likely to see G-rated movies and thus have different demand curves than other movie consumers. Product differentiation is illustrated by the fact that few consumers go to the theater with no movie preference in mind. In other words, the movies are not viewed by consumers as all being similar. Both marketplace characteristics influence consumers' value perceptions by allowing a closer fit between the products offered and consumer preferences. Consumers therefore receive something more to their tastes.

10. *[LO5] What is a perceptual map? What are the dimensions of a perceptual map?

Answer: A perceptual map is used to depict the positioning of competing products graphically. The dimensions of a perceptual map are simply the characteristics that help distinguish different brands or products from each other. For example, price is a commonly used dimension. Brands can be distinguished into low-priced, moderately priced, and high-priced alternatives.

11. [LO5] What is meant by product positioning?

Answer: Positioning refers to the way in which a product is perceived by a consumer. Positioning can be represented by the amount and types of characteristics perceived by consumers and can be depicted on a perceptual map.

12. [LO5] List at least three ways in which a firm can use a perceptual map to analyze a given consumer market.

Answer: When marketing analysts examine perceptual maps, they can identify competitors by seeing which brands are located in the same area on the perceptual map, identify opportunities for doing more business, and diagnose potential problems in the marketing mix. For instance, the analyst may realize that by changing the amount of some product characteristic, they can “move” closer to the ideal point of some segments and thus increase the competitiveness of their product. Alternatively, a new business may choose to position a product in a way that leaves it facing little direct competition. This can be done by “locating” the product as far away from other brands as possible.

13. [LO6] How do marketing firms assess the value of a given customer?

Answer: Customer lifetime value (CLV) represents the approximate worth of a customer to a company in economic terms. Put another way, CLV is the overall, long-term profitability of an individual consumer.

14. [LO6 – ETHICS] How do you feel about companies who give special perks like discounts or preferred seating to their “best” customers? Is this treatment fair?

Answer: Even though this is mostly an opinion question, students should be using CLV concepts in their opinions. Do they believe it’s fair that loyal airline customers get upgrades to first class or gain access to exclusive airport lounges where they enjoy free drinks a comfortable and relaxing waiting environment?

INTERACTIVE/APPLICATION EXERCISES

15. *Interview three consumers from your town. Ask them how they believe the following companies provide value to consumers:

- Home Depot
- Apple
- Barnes and Noble
- John Deere

Answer: The main focus here is to foster a better understanding of how benefits lead to utilitarian and hedonic value.

16. From the list of companies in Question 15, use Internet resources (such as the Wilson Business Resource Database, Hoovers, or Corporate sites) to learn about the corporate and marketing strategies of these companies. From your experience, does it seem that they truly understand the value that consumers desire from companies in their respective industries?

Answer: The main focus here is to help students develop a working knowledge of the total value concept.

17. List 10 fast food restaurants. Consider what a typical lunch would be like at each place. Use their websites if you need to review the menu. Rank them from least to most expensive. Then, using the same 10 restaurants, rank them from the least to the most healthy. Form “dimensions” with these rankings and then create a perceptual map illustrating the fast-food market formed by these 10 restaurants.

Answer: This exercise should result in a two-dimensional perceptual map with price as one dimension and healthiness as the other. Probe students to look for business opportunities within the perceptual map.

18. Interview several consumers, and ask them about their concerns when choosing a fast-food restaurant. Using these results, estimate the location of the ideal points for different fast-food markets on the perceptual map that you developed in Question 17. Then, prepare an executive summary (bulleted list) indicating potential opportunities that exist within this market. Also state which restaurants appear to have the best and the worst positioning, respectively.

Answer: Adding the consumer ideal points should allow students to develop a better understanding of where different fast-food businesses should “move” on the perceptual map. For example, if consumers desire lower prices, perhaps a restaurant would lower their prices to “move” closer to this segment.

19. Assume that someone wishing to start a band in your town has come to you for advice on positioning the band to be a commercial success. Using the Customer Value Framework and your knowledge of positioning, what factors do you think would ultimately explain how or if the band will be successful? Some general advice on successful bands can be found at www.epinions.com.

Answer: The main focus here is designing a product for an existing market segment. By changing certain characteristics (type of music played, media through which music is delivered, price), the band can move closer or further from market segments.

20. Review the Customer Value Framework. At first glance, what aspects of the Customer Value Framework do you believe are most relevant in helping you understand that consumer behavior is useful to study so as to make you a better consumer?

Answer: Any discussion about this topic is acceptable as long as students use terminology from the CVF.

GROUP ACTIVITY

*Have students interview other students in class to determine whether some students are members of a club, fraternity, or sorority; are working part time; or are engaged in other extracurricular activities. Then, have students pair up in groups to analyze how members

of their organization are following Maslow's hierarchy in regard to their purchases or activities outside of school.

You may also want to incorporate a homework assignment in which each group finds a print ad that appeals to each of the levels of Maslow's hierarchy. Is there overlap between levels? Is this good or bad?

CHAPTER VIDEO CASE

To view the video case E-business at Evo, go to the CB companion website login.cengage.com to select this video.¹

When professional skier Bryce Phillips began selling closeout ski equipment out of his garage in 2001, he was hoping to make a little extra money to fund his ski vacations. Things went well with the first garage sale, and soon he had a few employees and started selling snowboard, skateboard, and wakeboarding gear. Almost by accident, at age 20, Phillips had a company on his hands. He pulled some equity out of his house—and online retailer Evo was born. The company grew to 40 employees, then 60. Revenues came to nearly \$6 million. Evogear.com became known worldwide by pros and amateurs alike looking for good deals on great stuff. They now offer all the top brands, closeouts, and used gear for every level and budget.

All this success is quite surprising when you consider that buying skis or snowboards isn't the kind of thing generally done online or through a catalog. To get fully outfitted can cost \$500 to \$1,000, and most people need some expert help with their purchase. Through the design of the site and Bryce's desire to create a community for like-minded people, rather than simply another online discounter, Evogear.com is shredding the competition.

"Well, we want it to be functional, number one," says Molly Hawkins, affiliate program manager at Evo. "If you go to some of our competitors' sites, some of them look really cool" but, she says, "you try and navigate around their sites, they're not as intuitive." Evogear.com is easy to use and does look cool, but adding value for the shopper is key to their business. The site offers product reviews, user accounts with all your past and current orders and preferences, tons of links to affiliate sites, events, blogs—pretty much everything you would want in a Website, or a brick-and-mortar shop. "Aside from that," Molly says, "the *About Us* page has played a huge role." Evo has, from the beginning, wanted to create a community for lovers of water and snow sports, and the *About Us* page really offers the customer an "in" to the company; their mission, values, personal pages and video clips by each employee. Customers love the idea that they can virtually "meet" their customer service person or buyer or Bryce himself. Hawkins believes this helped to legitimize the company in the beginning. "People would get excited to find that the person that they're talking to or the people that they're buying from are actual users of this gear that we're selling," she says.

¹ From Boone & Kurtz. E-business at Evo from Contemporary Marketing 14e, pg. VC-5. Copyright (c) 2010 South-Western, a part of Cengage Learning, Inc. Reproduced by permission. www.cengage.com/permissions

Being seen as legit and trustworthy is paramount in the land of e-commerce. You spend weeks searching for the best price on that new digital camera or gaming system and when it arrives, if it arrives, it was not what you thought you were buying. Often, there is little you can do. The people at Evo know where you're coming from and want to make sure every purchase is stress-free. They have an easy return policy: just let them know what the problem is, from buyer's remorse to a box of splintered skis, and they'll make the switch.

Once an order is placed, Evo's distribution center jumps to attention. Most orders are shipped fast, within a day or two of the order. If you're not in a hurry, they'll ship it ground for free, or overnight via a partnership with FedEx.

Trust, value, and personal service are the key elements in Evo's success, but word of mouth only gets you so far. Advertising is difficult for an e-business such as Evo, where keeping it simple with low overhead and a no-frills annual budget is what makes them able to pass the discounts on to their customers. Like many Websites, they offer an affiliate program that places ads or links on other Websites to drive traffic back to Evo.

An affiliate program or pay-per-click program pays owners of other sites every time a user clicks on an ad. In addition to paying for each click, Evo sends a "thank you" gift of 12 percent of each completed sale at evogear.com originating from the affiliate site.

To protect their brand, remain authentic to their consumers, and remain in good standing with their suppliers, Molly Hawkins and her team lay out some ground rules for each potential affiliate. Their site must be well designed, easy to navigate, and, most importantly, must not contain any references to gambling, sexually explicit material, hate speech or racist content or any other inappropriate material. Sounds obvious, but being inadvertently connected with the most obscure, unseemly Website could mean the end of their business.

Ask your students:

1. Aside from offering good prices, how does evogear.com offer value to the consumer?

Answer: In addition to offering good prices, evogear.com offers 24-hour online shopping convenience; personalization features, such as the "Package Builder" product-matching tool; relevant marketing offers based on user shopping habits; product reviews; order tracking; and ski-culture-related video "web episodes."

2. Evo has opened a large brick-and-mortar store/community art space in Seattle, Washington. Go to culture.evogear.com/category/seattle/ to learn more about what the store offers. Do you think this store will distract or enhance the Website? Consider potential channel conflicts, pricing strategy, convenience, and consumer behavior in your answer.

Answer: Answers will vary. However, opening a flagship store in Seattle has helped Evo integrate its brand and retailing strategy with the broader ski and skate youth culture. The space is designed to unite local customers around shared interests in music, streetwear fashions, art, skiing, snowboarding, and skateboarding. Evo founder Bryce Phillips calls the brick-and-mortar retail store "the heart and soul of

the company.” He explains that it serves as the physical location where local customers, supply chain partners, and sales reps can experience firsthand what the Evo brand is all about. The store supports Evo’s primary e-tailing business and does not cause channel conflict. In the world of e-business, channel conflict typically occurs when product manufacturers undercut the success of their retail partners by selling products direct to consumers through their own electronic storefronts.

3. Evo Founder Bryce Phillips says that e-commerce is yet in its infancy and has not attained its fullest marketing potential. What is Phillips’ vision for improving e-commerce, and do you agree with his perspective? Explain.

Answer: Bryce Phillips says that e-commerce has focused too much on sales transactions and too little on creating loyal customers who connect emotionally with brands online. He explains that many online shoppers conduct quick searches on Google or at electronic storefronts but don’t get personally involved beyond that limited transaction. According to Phillips, that scenario doesn’t produce loyal customers. The Evo founder envisions an e-marketing strategy that combines hip content, social networking, interactive media, and blogs to engage and retain online customers for the long term.

4. What challenges does Evo have in operating its Web-based business?

Answer: The video mentions a variety of challenges related to managing inventories, shipping errors, and understanding customers’ online viewing habits. Although not discussed in the video, Internet businesses face serious threats over privacy issues, safe online payments, fraud, and scams. Cybercrime is a serious financial and legal threat to e-businesses.

PART 1 VIDEO CASE

To view the Part 1 video case, go to the CB companion website login.cengage.com to select this video.

North Face Shopping Experience

Time: This video is between 5-7 minutes long.

Concepts Illustrated in the Video

- Value
- Consumption
- Consumer value framework
- Relationship marketing
- Relationship quality
- Internal influences
- External influences

Synopsis

Patrick, a medical school student enters a North Face store. Today, he's shopping for hiking gear for an upcoming trip to the Mount Washington area located in the Northeast. He's planning his trip during the warm summer month of June. Andy, the North Face employee shows Patrick a variety of jackets to fit his needs. The jackets all come with insulation, ease of entry and have a lifetime warranty. Price is a concern to Patrick so he asks Andy to show him alternative choices to the original fleece version selling for \$150. Patrick finally settles for a jacket retailing for \$79 and presents the store with a coupon for added savings. After Patrick's hiking trip, he returned back to the store to purchase the original jacket Andy recommended for the \$150! Ironically, the summit reached a record low of 10 degrees Fahrenheit in June!

Teaching Objectives for the Video Case

- Introduce students to the consumption process
- Define consumer value and compare and contrast two key types of value

Critical Thinking Questions – Suggested Answers

1. Explain what is meant by relationship marketing. How many touchpoints were illustrated in the video?

Answer: Relationship marketing is the recognition that customer desires are recurring and that a single purchase act may be only one touchpoint in an ongoing series of interactions with a customer. In this video, we see two touchpoints between the customer and the store.

2. What is the value of a North Face jacket? Does the salesperson in the video clearly communicate the value of the jacket? Explain your answer.

Answer: The value of the North Face jacket is the lifetime warranty, high quality products and service one receives when shopping in the store. The salesperson clearly communicates the pros and cons of cheaper products not only by North Face but their competitors.

3. List the internal influences and external influences Patrick faced in purchasing the jacket.

Answer: Internal influences included Patrick's lifestyle, motivation and personality. He's a medical student and concerned about spending money. External influences included the timing of the purchases, possibly Patrick's social class, and the store's atmospherics. *However, students' answers may vary to this question.*