CHAPTER 1

Technology-Driven Consumer Behavior

## LEARNING OBJECTIVES

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

* 1. The evolution of the marketing concept, the most prominent tools used to implement marketing strategies, and the objectives of socially responsible marketing.
	2. How the Internet and related technologies improve marketing transactions by adding value that benefits both marketers and customers.
	3. The interrelationships among customer value, satisfaction and retention, and technology’s revolutionary role in designing effective retention measures and strategies.
	4. Consumer behavior as an interdisciplinary area, consumer decision making, and the book’s structure.

**CHAPTER SUMMARY**

**Learning Objective 1.1:** To understand the evolution of the marketing concept, the most prominent tools used to implement marketing strategies, and the objectives of socially responsible marketing.

**Marketing** is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society. **Consumer behavior** consists of consumers’ actions during searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs. Consumer behavior explains how marketers can do so and how individuals make decisions to spend their available resources (i.e., time, money, effort) on products and services. Marketing and consumer behavior stem from the **marketing concept**, which maintain that the essence of marketing is satisfying consumers’ needs, creating value and retaining customers. Subsequently, companies must they produce only those goods they had already determined that consumers would buy. **Marketing myopia**, that is, a focus on the product rather than on the needs it presumes to satisfy. The **marketing mix** (also known as the **Four Ps**) consists of four elements: Product, price, place (distribution) and promotion. Market segmentation, targeting and positioning are the foundation of turning consumers into customers. **Market segmentation** is the process of dividing a market into subsets of consumers with common needs or characteristics. It consists of groups with shared needs that are different from those shared by other groups. **Targeting** is selecting the segments that the company views as prospective customers and pursuing them. **Positioning** is the process by which a company creates a distinct image and identity for its products, services, and brands in consumers’ minds. The image must differentiate the company’s offering from competing ones and communicate to the target audience that the particular product or service fulfills their needs better than competing offerings. The **societal marketing concept** requires marketers to fulfill the needs of the target audience in ways that improve, preserve, and enhance society’s wellbeing and simultaneously meeting their business objectives.

**Learning Objective 1.2:** To understand how the Internet and related technologies improve marketing transactions by adding value that benefits both marketers and customers.

Technology has revolutionized the marketing mix, segmentation, targeting, positioning, and customer retention. When consumers use their computers, mobile phones, electronic readers, tablets and other electronic gadgets, they provide marketers with the kind of information that enables companies to target them immeasurably more effectively than during the pre-Internet days. Thus, online technologies create a “value exchange”: Marketers provide value to consumers in the form of information that turns shoppers into sophisticated customers, opportunities to customize products easily, entertainment content, and much more. While online, consumers provide value to marketers by “revealing themselves,” which enables companies to market their products more efficiently and precisely. Surfing online allows consumers to locate the best prices for products or services, bid on various marketing offerings, bypass distribution outlets and middlemen, and shop for goods around the globe and around the clock. They can also compare the features of different product models and engage in social networks with consumers who share the same interests, and provide and receive information about their purchases. Online communications created sophisticated and discerning consumers, who are hard to attract, satisfy, and retain. More than ever before, marketers must customize their products, add value to the physical product or the core of a service, provide the right benefits to the right consumer segments, and position their products effectively. Technology also enables marketers to refine their strategies because they can readily customize their offerings and promotional messages, offer more effective pricing, shorter distribution channels, and build long-term relationships with customers. By using rapidly advancing technologies track consumers, marketers can identify opportunities for creating new offerings, as well as improving and extending existing products and services. They can gather comprehensive consumer information by tracking consumers online, requiring prospective buyers to register at their websites, and combining this knowledge with demographic and lifestyle data gathered off line

**Learning Objective 1.3:** To understand the interelationships among customer value, satisfaction and retention, and technolgy’s revolutinary role in designing effective retention measures and strategies.

**Customer value** is the ratio between customers’ perceived benefits (economic, functional and psychological) and the resources (monetary, time, effort, psychological) they use to obtain those benefits. **Customer satisfaction** is customers’ perceptions of the performance of the product or service in relation to their expectations. **Customer retention** is turning individual consumer transactions into long-term customer relationships by making it in the best interests of customers to stay with the company rather than switch to another firm. It is more expensive to win new customers than to retain existing ones. Technologies often enhance customer relationships and retention by engaging consumers with brands. In addition to engaging customers with marketers, social media has transformed market research. Many companies can easily collect input and customers’ preferences, and, sometimes without actively questioning consumers. The objective of understanding customers’ emotional and transactional motives when buying from a company is to understand the drivers of customer satisfaction, which lead to customer retention and long-term relationships. As consumer buy more and more online, it has become important to understand what makes them satisfied during electronic Customers who are highly satisfied or delighted keep purchasing the same products and brands, provide positive and encouraging word-of-mouth to others, and often become “customers for life.” On the other hand, those who less satisfied or feel neutral either switch to a competitor immediately or wait until another marketer offers them a somewhat lower price and then do so. In addition, highly dissatisfied customers spread negative and often exaggerated word-of-mouth. **Internal marketing** is marketing the organization to its personnel. Behavioral and motivational experts agree that employees would “go the extra mile” to try and retain customers only if they are treated like valued “internal customers” by their employer.

**Learning Objective 1.4:** To understand consumer behavior as an interdisciplinary area, consumer decision making, and the book’s structure.

Consumer behavior stems from four disciplines: **Psychology** is the study of the human mind and the mental factors that impact behavior (i.e., needs, personality traits, perception, learnt experiences, and attitudes). **Sociology** is the study of the development, structure, functioning and problems of human society (the most prominent social groups are family, peers and social class). **Anthropology** compares human societies’ culture and development (e.g., cultural values and subcultures). **Communication** is the process of imparting or exchanging information (including media and persuasive strategies).

The process of consumer decision-making consists of: the input, process and output. The “input stage” of includes two influencing factors: the firm’s marketing efforts (i.e., the product, its price and promotion, and where it is sold) and socio-cultural influences (i.e., family, friends, neighbors, social class, and cultural and subcultural entities). This stage also includes the methods of transmitting the information from firms and socio-cultural sources to consumers. The **“**process stage” focuses on how consumers make decisions. The psychological factors (i.e., motivation, perception, learning, personality, and attitudes) affect how the external inputs from the input stage influence the consumer’s recognition of a need, prepurchase search for information, and evaluation of alternatives. The “output stage” consists of two post-decision activities: purchase behavior and post-purchase evaluation.

This book includes five parts. Part One provides an overview of marketing and consumer behavior and the components of strategic marketing. Part Two describes the consumer as an individual and explains the psychological factors that impact consumer behavior. Part Three addresses the communication and persuasion process along its four components: The sender, message, media, and receiver. Feedback is the mechanism that alerts the sender as to whether the intended message was, in fact, received. Part Four examines consumers in their social and cultural settings. Part Five includes a discussion the consumer decision-making process, consumers’ reactions to innovative products, marketers’ social responsibility and potential ethically questionable marketing practices, and the methodology of consumer research.

**CHAPTER OUTLINE**

### INTRODUCTION

1. **Consumer behavior** is the study of consumers’ actions when searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs.
2. Consumer purchases are determined not by needs alone, but also by how the product helps owners express their characteristics.

**\*\*\*\*\**Use Key Term* consumer behavior *Here, Use Figures #1.1 and #1.2 Here*\*\*\*\*\***

**The Marketing Concept**

1. Marketing and consumer behavior stem from the **marketing concept**, which maintains that the essence of marketing consists of satisfying consumers’ needs, creating value, and retaining customers.

**\*\*\*\*\**Use Key Term* marketing concept *Here, Use Learning Objective #1.1 Here; Use Figure #1.3 Here; Use Review and Discussion Question 1.1 Here*\*\*\*\*\***

1. The **production concept** focused on cheap, efficient production and intensive distribution.
	1. It assumes consumers are mostly interested in product availability at low prices.
	2. It works if consumers are more interested in obtaining the product than in getting the features they really want.
2. The **product concept** assumes consumers will buy the product that offers the highest quality, the best performance and the most features.
	1. A product orientation leads companies to focus on quality and add features if feasible (vs. if desired by the end consumer).
	2. A product orientation may lead to **marketing myopia**, or a nearsighted focus on the product and its direct competitors vs. the market’s needs.
3. The **selling concept** maintains that marketers should sell the products they have decided to produce.

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

## Consumer Research

1. Consumers are highly complex individuals, subject to a variety of psychological and social needs quite apart from their basic functional needs.
	1. The needs and priorities of different consumer segments differ dramatically.
	2. The objectives of a company should be to target different products and services to different market segments in order to better satisfy different needs.
	3. In order to design new products and marketing strategies that would fulfill consumer needs, they had to study consumers and their consumption behavior in depth.
2. The term **consumer research** represents the process and tools used to study consumer behavior.

**\*\*\*\*\**Use Key Term* consumer research *Here* \*\*\*\*\***

## Market Segmentation, Targeting, and Positioning

1. The focus of the marketing concept is satisfying consumer needs.
2. Market and consumer researchers seek to identify the many similarities and differences that exist among the peoples of the world.
3. The marketer must adapt the image of its product so that each market segment perceives the product as better fulfilling its specific needs than competitive products.
4. **Market segmentation** is the process of dividing a market into subsets of consumers with common needs or characteristics.
5. **Targeting** is the selection of one or more of the segments identified as prospective customers for the company to pursue.
6. **Positioning** refers to the development of a distinct image for the product or service in the mind of the consumer
	1. The image should differentiate the offering from competing ones and faithfully communicate to the target audience that the particular product or service will fulfill their needs better than competing brands.
	2. Successful positioning focuses on the distinct benefits that the product will provide rather than the product’s features.

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

##### **The Marketing Mix**

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

**\*\*\*\*\**Use Key Terms* marketing mix and four Ps *Here*\*\*\*\*\***

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

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

#### Technology Enriches the Exchange Between Consumers and Marketers

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

1. Marketers provide value to consumers in the form of information, including opportunities to customize products easily and entertainment content.
2. Consumers provide value to marketers by “revealing themselves” while online, which enables companies to market their products more efficiently and precisely.
	1. Consumers “pay” for the Internet’s seemingly free content by providing virtually unlimited information about themselves to marketers, who gather, analyze, and use it to target buyers.

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

* 1. Figure 1.5 illustrates that across age groups, most Americans own technological gadgets.
	2. Figure 1.6 details Americans’ use of the Internet’s most prominent features.
	3. Specialized “information exchanges” track who is interested in what through “cookies” (invisible bits of code stored on Web pages).
		1. Cookie using exchanges such as eXelate or BlueKai sell the cookies to interested marketers who want to target consumers based on their searches for more precise targeting.
		2. Consumers also have access to better information, and can compare products based on attributes in side-by-side comparisons, as done with E-Readers in Figure 1.7.
	4. Promotional messages are more interactive, personalized and targeted.
	5. **Cross-screen marketing** consists of tracking and targeting users across their computers, mobile phones and tablets.

**\*\*\*\*\* *Use Key Term* cross-screen marketing *Here; Use Figures 1.5, 1.6 and 1.7 Here*\*\*\*\*\***

1. Technology increases the availability of customized products and promotional messages.
2. The Internet allows for more effective price comparisons and better distribution.

**\*\*\*\*\**Use Review and Discussion Question 1.4 Here*\*\*\*\*\***

#### Customer Value, Satisfaction, Trust, and Retention

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

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

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

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

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

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

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

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

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

1. Customers who are highly satisfied or delighted keep purchasing the same products and brands, provide positive and encouraging word-of-mouth to others, and often become life-long customers.
2. With respect to customer satisfaction there might be several types of customers:
	1. Loyalists—completely satisfied customers who keep purchasing.
	2. Apostles—those whose experiences exceed their expectations and who provide very positive word of mouth about the company to others.
	3. Defectors—those who feel neutral or merely satisfied and are likely to stop doing business with the company.
	4. Terrorists—those who have had negative experiences with the company and who spread negative word of mouth.
	5. Hostages—unhappy customers who stay with the company because of no choice (or other reasons).
	6. Mercenaries—very satisfied customers but who have no real loyalty to the company and may defect.
3. Companies classify customers according to profitability by tracking revenues obtained from individual customers and categorizing them into tiers, as done in a “customer pyramid”:
	1. Platinum tier – heavy users; not price sensitive; willing to try new offerings
	2. Gold tier – heavy users; not as profitable/more price-sensitive; more likely to buy from several providers
	3. Iron tier – spending volume and profitability to not merit special treatment
	4. Lead tier – cost the company money; claim more attention than merited by spending; tie up resources and spread negative word-of-mouth

**\*\*\*\*\* *Use Figure 1.8 Here* \*\*\*\*\***

1. Companies must develop measures to assess customer retention strategies, which may include:
	1. Customer Valuation
	2. Retention Rates
	3. Analyzing Defections
2. **Internal marketing** consists of marketing the organization to its personnel.
	1. If done well, every employee will provide and receive exceptional service from other employees.
	2. Employees will also understand the significance of their roles and how their roles relate to those of others.

**\*\*\*\*\* *Use Key Term* internal marketing *Here*; *Use Figure 1.9 Here*\*\*\*\*\***

#### Consumer Behavior is Interdisciplinary

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

1. Marketing theorists borrowed heavily from concepts developed in other scientific disciplines to understand consumer behavior:
	1. **Psychology**—the study of the human mind and mental factors that affect behavior.
	2. **Sociology**—the study of the development, structure, functioning and problems of human society.
	3. **Anthropology**—compares human societies’ culture and development.
	4. **Communication**—the process of imparting or exchanging information.

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

1. The process of consumer decision making can be viewed as three distinct but interlocking stages: the input stage, the process stage, and the output stage.
	1. The input stage influences the consumer’s recognition of a product need and consists of two major sources of information:
		1. The firm’s marketing efforts (the product itself, its price, promotion, and where it is sold).
		2. The external sociological influences on the consumer (family, friends, neighbors, other informal and noncommercial sources, social class, cultural and subcultural memberships).
	2. The process stage focuses on how consumers make decisions.
		1. The psychological factors inherent in each individual (motivation, perception, learning, personality, attitude) affect how the external inputs influence the consumer’s recognition of a need, prepurchase search for information, and evaluation of alternatives.
		2. The experience gained through evaluation of alternatives, in turn, affects the consumer’s existing psychological attributes.
	3. The output stage of the consumer decision-making model consists of two closely-related post decision activities:
		1. Purchase behavior
		2. The postpurchase evaluation

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

**The Structure of this Book**

The book is divided into four parts, as follows:

1. Part One provides an overview of marketing and consumer behavior and the components of strategic marketing.
	1. Chapter 1 explains consumer behavior as an interdisciplinary framework centered on people’s consumption-related activities
	2. Chapter 2 discusses the process of market segmentation, the criteria for selecting target markets, behavioral targeting, and differentiating offerings among competitors.
2. Part Two discusses the consumer as an individual and explains psychological factors that affect consumer behavior.
	1. Chapter 3 discusses consumer motivation and the impact of personality characteristics on consumer behavior.
	2. Chapter 4 explores consumer perception/how the way we view the world around us affects our shopping patterns.
	3. Chapter 5 explains how we learn.
	4. Chapter 6 explores how attitudes affect buying behavior.
3. Part Three addresses the communication and persuasion process.
	1. Chapter 7 introduces the communication process, contrasts broadcasting and narrowcasting, and focuses on the message (including appeals).
	2. Chapter 8 explores communication channels.
	3. Chapter 9 covers source credibility and word-of-mouth.
4. Part Four examines consumers in their social and cultural settings.
	1. Chapter 10 examines family as a consumption unit and social class structure and consumption patterns.
	2. Chapter 11 describes culture and how it is expressed through values, rituals and customs.
	3. Chapter 12 describes cultural groups, known as subcultures.
	4. Chapter 13 explores cross-cultural analysis, which includes the basic strategic elements for all companies pursuing markets in countries other than the United States.
5. Part Five consists of three chapters.
	1. Chapter 14 discusses the consumer decision-making process and integrates parts 1-4.
	2. Chapter 15 explores marketers’ social responsibility and potential ethically questionable practices.
	3. Chapter 16 describes the methodology of consumer research.

**REVIEW AND DISCUSSION QUESTIONS**

* 1. **Describe the interrelationship between consumer behavior and the marketing concept*.***

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

Individual, Easy, 3-5 minutes

Objective 1.1: Understand the evolution of the marketing concept, the most prominent tools used to implement marketing strategies, and the objectives of socially responsible marketing.

Learning Outcome: 1. Define consumer behavior and describe its influence on marketing practices

AACSB: Reflective thinking

* 1. **A company is introducing a new e-Reader. Suggest segmentation, targeting, and positioning strategies for the new product.**

 The focus of the marketing concept is consumer needs. Three elements for creating a strategic framework for discovering and analyzing those needs are market segmentation, market targeting, and positioning. **Market segmentation** is the process of dividing a market into subsets of consumers with common needs or characteristics. Because most companies have limited resources, few companies can pursue all of the segments identified for the company to pursue. **Targeting** is selecting one or more of the segments identified for the company to pursue. Because many companies have adopted the marketing concept, the marketplace is filled with many products and services claiming to satisfy consumer needs. **Positioning** is developing a distinct image for the product or service in the mind of the consumer, an image that will differentiate the offering from competing ones and squarely communicate to consumers that the particular product or service will fulfill their needs better than competing brands.

 In answering this question, students need to think about the need or want for an e-Reader. As thought starters, the instructor may ask the students, “what segment of the market is most interested in an e-Reader? What segment also has the resources to purchase an e-Reader?” These questions should get the conversation started.

Individual, Moderate, 5 minutes

Objective 1.1: Understand the evolution of the marketing concept, the most prominent tools used to implement marketing strategies, and the objectives of socially responsible marketing.

Learning Outcome: 1. Define consumer behavior and describe its influence on marketing practices

AACSB: Application of knowledge

* 1. **Define the societal marketing concept and discuss the importance of integrating marketing ethics into the company’s philosophy and operations.**

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

Individual, Easy, 3-5 minutes

Objective 1.1: Understand the evolution of the marketing concept, the most prominent tools used to implement marketing strategies, and the objectives of socially responsible marketing.

Learning Outcome: 1. Define consumer behavior and describe its influence on marketing practices

AACSB: Application of knowledge

* 1. **Describe how technology enhances the exchange between marketers and consumers.**

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

Individual, Moderate, 3-5 minutes

Skill: Concept

Objective 1.2: Understand how the Internet and related technologies improve marketing transactions by adding value that benefits both marketers and customers.

Learning Outcome: 1. Define consumer behavior and describe its influence on marketing practices

AACSB: Information technology; Reflective thinking

* 1. **It is often said that consumers receive “free” content online. Is this the case? Why or why not?**

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

Individual, Moderate, 1-2 minutes

Objective 1.2: Understand how the Internet and related technologies improve marketing transactions by adding value that benefits both marketers and customers.

Learning Outcome: 1. Define consumer behavior and describe its influence on marketing practices

AACSB: Information technology

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

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

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

Individual, Moderate, 3-5 minutes

Objective 1.3: Understand the interrelationships among customer value, satisfaction and retention, and technology’s revolutionary role in designing effective retention measures and strategies.

Learning Outcome: 1. Define consumer behavior and describe its influence on marketing practices

AACSB: Analytical thinking; Reflective thinking

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

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

Individual, Easy, 2-3 minutes

Objective 1.3: Understand the interrelationships among customer value, satisfaction and retention, and technology’s revolutionary role in designing effective retention measures and strategies.

Learning Outcome: 1. Define consumer behavior and describe its influence on marketing practices

AACSB: Reflective thinking

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

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

Individual, Easy, 3-5 minutes

Objective 1.4: Understand consumer behavior as an interdisciplinary area, consumer decision making, and the book’s structure.

Learning Outcome: 10. Describe the stages of consumer decision making

AACSB: Reflective thinking

**HANDS-ON ASSIGNMENTS**

* 1. **Locate two websites that you visit regularly and discuss how they track your behavior and enable marketers to target you more effectively.**

 Instructor’s Discussion

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

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

Objective 1.3: Understand the interrelationships among customer value, satisfaction and retention, and technology’s revolutionary role in designing effective retention measures and strategies.

Learning Outcome: 1. Define consumer behavior and describe its influence on marketing practices

AACSB: Application of knowledge

* 1. **Locate two examples (e.g., advertisements, articles, etc.) depicting practices**

 **that are consistent with the societal marketing concept and two examples of**

 **business practices that contradict this concept. Explain your choices.**

 Instructor’s Discussion

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

Students should be clear as to why examples fit the pro and con approaches. Open the discussion with a clear definition of what the societal marketing concept is (see above). Next, match this concept to the supplied advertisements or articles. Conclude the discussion with comments on the applicability of the concept to modern business.

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

Objective 1.1: Understand the evolution of the marketing concept, the most prominent tools used to implement marketing strategies, and the objectives of socially responsible marketing.

Learning Outcome: 1. Define consumer behavior and describe its influence on marketing practices

AACSB: Application of knowledge

* 1. **Locate two examples of technological innovations designed to enhance customer retention and discuss them in class.**

 Instructor’s Discussion

Student examples may vary. Take the opportunity to remind students how the examples relate to satisfaction, which contributes to retention, and review the advantages of customer retention. Also, ask students to differentiate between technological innovations that facilitate emotional bonds from those that facilitate transactional bonds.

Individual, Moderate, 5-10 minutes

Objective 1.3: Understand the interrelationships among customer value, satisfaction and retention, and technology’s revolutionary role in designing effective retention measures and strategies.

Learning Outcome: 1. Define consumer behavior and describe its influence on marketing practices

AACSB: Application of knowledge

**S.T.A.R. PROJECTS**

**Ethical Issues in Consumer Behavior**

***S.T.A.R. Project #1***

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

 a. Is this form of advertising ethical? Why or why not?

 b. With respect to what you have learned about the societal marketing concept in the chapter, what suggestions do you have for H&R Block?

Instructor’s Discussion

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

***S.T.A.R. Project #2***

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

 a. Assume that you have just been hired as a customer relations expert by Johnson &

Johnson to answer a growing number of complaints that JNJ products are over-priced and have lost their sense of value for the consumer. The complainants cite lower priced private labels and store brands as illustrations of frustrations with JNJ. As one consumer states, “A band aid is just a band aid after all!” What would be your response?

 b. How could you use the Johnson & Johnson Credo to aid you in your response?

Instructor’s Discussion

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

**Small Group Projects**

***S.T.A.R. Project #3***

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

Instructor’s Discussion

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

***S.T.A.R. Project #4***

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

Instructor’s Discussion

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