

# Chapter 2

## Value and the Consumer Behavior Framework

### Learning Objectives

After studying this chapter, the student should be able to accomplish the following objectives.

- 2-1 Describe the consumer value framework, including its basic components.
- 2-2 Define consumer value and compare two key types of value.
- 2-3 Apply the concepts of marketing strategy and marketing tactics to describe the way firms go about creating value for consumers.
- 2-4 Explain the way market characteristics like market segmentation and product differentiation affect marketing strategy.
- 2-5 Analyze consumer markets using elementary perceptual maps.
- 2-6 Justify consumers' lifetime value as an effective focus for long-term business success.

### Lecture Example

Walmart, considered the world's largest retailer, is facing stiff competition from Amazon these days. Shoppers, who are primarily focused on value, are now turning to the world's largest online retailer Amazon for many common purchases. Walmart's target consumers were those who were primarily interested in low prices and not the overall shopping experience. This is where Walmart is losing out to the competitor Amazon, which scores by providing more value to the shopper with competitive prices and free shipping for many of their products.

Source: Brad Tuttle, "Today's Value Shopper Heads to Amazon, Not Walmart," *TIME*, April 10, 2012, <http://business.time.com/2012/04/10/todays-value-shopper-heads-to-amazon-not-walmart/> (Last accessed October 27, 2016)

### Lecture Outline with PowerPoint® Slides

**LO 2-1: Describe the consumer value framework, including its basic components.**

**Q: Ask students to identify some of the factors that affect a consumer's choice of brands or products over time.**

**A: Students' answers will vary. Some of the factors that affect a consumer's choice of brands or products over time include declining quality of products, the perception that the value gained from a product is less than its perceived value, increase in prices of the products, changes in a consumer's social environment, and changes in a consumer's situational factors.**

## **I. The Consumer Value Framework and Its Components**

### **A. The Consumer Value Framework [Instructor PPT Slides 4 and 5]**

Given the potential complexity involved in explaining consumption, a framework for studying consumer behavior is useful. Exhibit 2.1 displays the framework. The **Consumer Value Framework (CVF)** represents consumer behavior theory, illustrating factors that shape consumption-related behaviors and ultimately determine the value associated with consumption. Each aspect of the CVF is related in some way to other components of the model. The model consists of the following elements:

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

### **B. Value and the CVF Components**

Value is at the heart of experiencing and understanding consumer behavior.

#### **Relationship Quality**

Over the past two decades or so, **Customer Relationship Management (CRM)** has become a popular catchphrase, not just in marketing but in all of business. A basic CRM premise is that customers form relationships with companies as opposed to companies conducting individual transactions with customers. A CRM system tracks detailed information about customers so marketers can make more customer-oriented decisions that hopefully lead to longer-lasting relationships.

CRM means each customer represents a potential stream of resources rather than just a single sale. **Relationship quality** reflects the connectedness between a consumer and a retailer, brand, or service provider. When relationship quality is strong between customer and company, customers are highly receptive to brand extensions and thus the brand enjoys

a near ready market for new products. A customer who experiences high value from service realizes that relationship quality is high. Over time, the consistent value delivery builds customer loyalty.

## **Consumption Process**

Consumers must decide to do something before they can receive value. The consumption process involves deciding what is needed, what the options for exchange might be, and the inevitable reaction to consumption. The consumption process can involve a great deal of decision making and thus represents a consumer decision-making process and the results of service. **Service** can be thought of as the organization's efforts and resources applied toward value creation. Many factors influence this process, and these factors can be divided into different categories, such as internal and external influences.

## **Internal Influences: The Psychology and Personality of the Consumer**

### **The Psychology of the Consumer**

**Internal influences** are things that go on inside the mind and heart of the consumer or that are indeed truly a part of the consumer psychologically. The psychology of the consumer involves both cognitive and affective processes. The term **cognition** refers to the thinking or mental processes that go on as people process and store things that can become knowledge. **Affect** refers to the feelings experienced during consumption activities or feelings associated with specific objects.

### **The Personality of the Consumer**

Every consumer has certain characteristics and traits that help define him or her as an individual. People refer to these traits generally as **individual differences**. Individual differences that tangibly make one person distinct from another, which include personality and lifestyle, help determine consumer behavior. Companies have spent vast amounts of money and time trying to harness individual differences in a way that allows consumer choice to be predicted.

## **External Influences [Instructor PPT Slide 6]**

Every consumer contains a storehouse of information internally, but in many cases some external influence triggers the consumption process or provides information necessary for a consumer to make a decision. The “**zero moment of truth**” is the point when a passive shopper becomes an active shopper and actively seeks out exchange alternatives.

Numerous external influences come together to change the value equation for a consumer,

change the relationship with his or her current product, activate a need, and trigger the desire for a better product. External influences include social, cultural, media, environmental, and temporal factors, among others. They are critical to understanding consumer behavior (CB).

### **Social Environment**

The **social environment** includes people and groups who help shape a consumer's everyday experiences. Some influence is personal, meaning the consumer actually knows the people; some is impersonal, coming from unknown people like celebrities; and still other influence is virtual, coming from unknown sources online or in social networks. In addition, any time a consumer chooses to do something, at least in part, to please or appeal to another consumer, the social environment plays a role in that process.

### **Situational Influences**

External influences also include situation influences. **Situational influences** are temporary factors unique to a time or place that can change the value seen in a decision and received from consumption. Situational influences include the effect that the physical environment has on consumer behavior.

**Q: Ask students to recall a recent solitary shopping experience. How was this shopping experience different from the shopping experience with a group? Does shopping with peers or family members influence their buying decisions?**

**A: Students' answers will vary. While shopping alone, people have a lot of time at their disposal to go through all the products, weigh their pros and cons, and then make a decision. Shopping with peers will influence the buying decision to some extent as shoppers may have less time, or they may be influenced by the opinions of their peers.**

**LO 2-2: Define consumer value, and compare two key types of value.**

## **II. Value and its Two Basic Types [Instructor PPT Slide 7]**

The heart of the Consumer Value Framework, and *the* core concept of CB, is value. **Value** is a personal assessment of the *net worth* a consumer obtains from an activity. Value is what consumers ultimately pursue, because valuable actions address motivations that manifest themselves in needs and desires. In this sense, value captures how much gratification a consumer receives from consumption. In return, the firm receives value from consumers as they make purchases.

## A. The Value Equation

Exhibit 2.3 reflects some components of value and how a consumer might put these together to determine the overall worth of something—or its value. Value can be modeled by playing the “what you get” from dealing with a company against the “what you have to give” to get the product. The “what you get” includes all sorts of benefits or positive consequences of consumption. The “what you give” includes sacrifices or the negative consequences of consumption. Opportunity costs play a role.

While theoretically one could probably break down value into many very specific types, a very useful value typology can be developed using only two types—*hedonic* and *utilitarian* values.

## B. Utilitarian Value [Instructor PPT Slide 8]

Activities and objects that lead to high utilitarian value do so because they help the consumer accomplish some task. **Utilitarian value** is gratification derived from something that helps the consumer solve problems or accomplish tasks that are a part of being a consumer. When consumers buy something in pursuit of utilitarian value, they can typically provide a clearly rational explanation for the purchase.

## C. Hedonic Value [Instructor PPT Slide 9]

The second type of value is referred to in CB as hedonic value. **Hedonic value** is the immediate gratification that comes from experiencing some activity. Conceptually, hedonic value differs from utilitarian value in several ways. First, hedonic value is an end in and of itself rather than a means to an end. Second, hedonic value is very emotional and subjective in nature. Third, when a consumer does something to obtain hedonic value, the action can sometimes be very difficult to explain objectively.

Rather than being viewed as opposites, the two types of value are not mutually exclusive. In other words, the same act of consumption can provide both utilitarian value and hedonic value. In fact, the very best consumer experiences are those that provide both high utilitarian value and high hedonic value. Exhibit 2.4 shows the top 10 grossing movies of all time. With a family film, parents can take the kids to the movie and accomplish the job of keeping the kids happy while at the same time enjoying the movie themselves. In this way, movies like these provide high value and the value translates into business success for the studios.

It's easy to start thinking about utilitarian and hedonic value as opposites, but one does not exclude the other. In fact, some brands and experiences offer high or low levels of both. The

decision of just how to deliver value becomes an important marketing strategy question. Firms that offer low utilitarian and low hedonic value typically are failing.

**Q: Ask students to give examples (other than the ones provided in the text) of products that deliver both hedonic and utilitarian values.**

**A: Students' answers will vary. For example, when a person buys a chocolate bar, he or she intends either to consume it or to give it to someone. This is the utilitarian value of the chocolate bar. The hedonic value of the chocolate bar comes into play when that person consumes it and enjoys the taste or gifts it and sees the pleasure on the receiver's face.**

**LO 2-3: Apply the concepts of marketing strategy and marketing tactics to describe the way firms go about creating value for consumers.**

### **III. Marketing Strategy and Consumer Value**

One way that a company can enhance the chance of long-run survival is to have an effective marketing strategy. Generally, a **strategy** is a planned way of doing something to accomplish some goal.

#### **A. Marketing Strategy [Instructor PPT Slides 10 and 11]**

If strategy is a way of doing something, given the purpose of business, a **marketing strategy** is the way a company goes about creating value for customers. The strategy also should provide an effective way of dealing with both competition and eventual technological obsolescence, by making sure the firm's offerings deliver value in a way that competitors cannot duplicate easily and in a way not defined only in terms of the tangible product offered.

A complete understanding of the value consumers seek is needed to effectively develop and implement a strategy. Each firm needs to understand what benefit they truly provide. When companies define themselves in terms of products like phones, cable, or even the Internet, they often fail to realize how they truly serve customers. When firms fail to realize how their products provide value, they run the risk of developing **marketing myopia**, defined as a condition in which a company views itself competing in a product business rather than in a value- or benefits-producing business. Thus, when technology makes a good or service obsolete, the myopic business goes out of business. In contrast, the company that focuses on value creation builds innovative solutions around consumer needs and wants, not the physical product.

Strategies exist at several different levels. Basically, **corporate strategy** deals with how the firm will be defined and sets general goals. This strategy is usually associated with a specific corporate culture, which provides an operating orientation for the company. Marketing strategy then follows. In describing how value is created, the strategies tell why customers will choose to buy things from the company.

Strategies must eventually be implemented. Implementation deals with operational management. In marketing, this level includes activities known as tactics. **Marketing tactics**, which involve price, promotion, product, and distribution decisions, are ways marketing management is implemented. Together, marketing strategy and marketing tactics should maximize the total value received by a company's customers.

## B. Total Value Concept [Instructor PPT Slide 12]

Exhibit 2.7 displays the approximate relative market share for the top athletic shoe companies. If all the products are much the same and sell for about the same prices, then they should have comparable market share. Yet that's not nearly the case. Nike dominates with about half the total market. A couple of interesting facts that may be more than coincidental:

- Nike's advertising budget is twice the size of its nearest competitor.
- Nike's revenue is boosted by premium shoes tied to famous athletes like the "Lebron"—a basketball shoe that retails for just under \$300.
- Among consumers who run more than ten miles per week, New Balance has a share comparable to Nike.

The term **augmented product** means the original product plus the extra things needed to increase the value from consumption. Thus, every product's value proposition is made up of the basic benefits, plus the augmented product, plus the "feel" benefits. A company must try to understand all the ways a product offers value to its customers. The **total value concept** is practiced when companies operate with the understanding that products provide value in multiple ways.

## C. The Total Value Concept Illustrated

Consider a consumer who purchases a 2017 Ferrari 458 Speciale. What does the Ferrari 458 Speciale value proposition offer?

- Transportation
- The Ferrari service plan
- The feelings associated with driving the car
- The positive feelings that go along with ownership
- The feelings of status and pride that come with ownership

- The negative feelings that go along with ownership

Altogether, most readers would certainly like to drive the Ferrari but probably would not care to pay the high price. Thus, the Ferrari does not offer enough benefits for them to make the necessary sacrifice.

#### **D. Value is Co-Created [Instructor PPT Slide 13]**

Alone, a marketer can only propose a way of creating value to consumers. Rather, consumers add resources in the form of knowledge and skills to do their own part in the consumption process. The marketer's offering does not create value directly, but rather consumption involves **value co-creation**. The marketer serves its customer by making potentially beneficial outcomes of consumption available, but the customer plays a role in whether or not the offering's attributes actually do prove beneficial, and therefore valuable. For example, a 24-hour fitness center serves customers by making workout facilities available any time of the day. However, the consumer can only realize value from the offer by paying for this service and applying diligence, skill, and effort to a workout regime. The consumer plays a role in the value equation as well.

**Q: Ask students to explain the total value concept for different types of products and services, such as fast food, coffee, jeans, and a massage.**

**A: Students' answers will vary. Encourage students to use the book as a guide for comprehending the total value concept. For example, when a person buys a new air-conditioner, he or she pays for the product, its installation, breakdowns, and maintenance. At the same time, he or she enjoys the experience of owning an air-conditioner and also enjoys the cool air generated by the air-conditioner. And, at some point in time, he or she will have to dispose of it as well.**

**LO 2-4: Explain the way market characteristics like market segmentation and product differentiation affect marketing strategy.**

**[Instructor PPT Slides 14–16]**

#### **IV. Market Characteristics: Market Segments and Product Differentiation**

Marketing management involves managing the marketing mix and deciding to whom the effort will be directed. The **marketing mix** is simply the combination of product, pricing, promotion, and distribution strategies used to position some product offering or brand in the marketplace. Marketers often use the term **target market** to signify which market segment a company will

serve with a specific marketing mix.

**Q: Give students a product, such as a car, and ask them to list its characteristics and attributes. Based on these characteristics, students must identify some possible target markets for the car and justify their answers.**

**A: Students' answers will vary. For example, if the car is a sports car, it will be more appealing to consumers of a younger age group. If the car is built for durability, for utility, and with seating for five or more people, it will be more appealing to consumers who want to purchase a family car.**

## A. Market Segmentation

**Market segmentation** is the separation of a market into groups based on the different demand curves associated with each group. Market segmentation is a marketplace condition; numerous segments exist in some markets, but very few segments may exist in others.

In economics, **elasticity** is a term used to represent market sensitivity to changes in price or other characteristics. Thus, a market for any product is really the sum of the demand existing in individual groups or segments of consumers. Market segmentation is critically important to effective marketing, though, and the marketing researcher's job becomes identifying segments and describing the segments' members based on characteristics such as age, income, geography, and lifestyle. Exhibit 2.8 depicts the market segmentation process.

*Backward sloping demand*, a term used in economics, refers to a positive relationship between price and quantity. When one considers product category demand, a market segment for many products will feature a positive price-to-quantity demanded relationship.

Market segments are associated with unique value equations just as they are associated with unique demand equations. Thus, if each segment is offered a product that closely matches its particular sensitivities, all segments can receive high value.

## B. Product Differentiation

**Product differentiation** is a marketplace condition in which consumers do not view all competing products as identical to one another. Consumers looking for companionship do not see all online dating sites as the same. Some offer to narrow the market based on offering services ostensibly to those only of a certain age group, ethnicity, religion, or lifestyle. Thus, *farmersonly.com* brings together farmers. In the same way, most markets are characterized by product differentiation and market segmentation.

**Q: Ask students to choose a product category and analyze the ways in which brands differentiate their product offerings. How do they differentiate their product offerings for consumers within the same market segment (e.g., teenagers, Hispanics, and professional women) and across different market segments?**

**A: Students' answers will vary. Encourage students to use the book as a guide for comprehending the concept of market segmentation and product differentiation. For example, a shampoo may be differentiated across different market segments as shampoo for children, women, or men. The shampoo can be further differentiated within the same market. For example, within the shampoo for women category, there may be shampoo for damaged hair, to fight hair fall, and to prevent dandruff.**

**LO 2-5: Analyze consumer markets using elementary perceptual maps.**

## **V. Analyzing Markets with Perceptual Maps**

Product differentiation becomes the basis for **product positioning**. Positioning refers to the way a product is perceived by a consumer and can be represented by the number and types of characteristics that consumers perceive.

### **A. Perceptual Maps [Instructor PPT Slides 17 and 18]**

Marketing analysts use **perceptual maps** to depict graphically the positioning of competing products. When marketing analysts examine perceptual maps, they can identify competitors, identify opportunities for doing more business, and diagnose potential problems in the marketing mix. A **blue ocean strategy** seeks to position a firm so far away from competitors that, when successful, the firm creates an industry of its own by finding an uncontested market space where, at least for a time, it isolates itself from competitors.

### **B. Illustrating a Perceptual Map [Instructor PPT Slide 19]**

Exhibit 2.9 illustrates a perceptual map. Perceptual mapping is used as a way to link differences in consumer behavior to changes in marketing strategy or tactics. In this case, the perceptual map depicts consumer beliefs about tourist attractions in New Orleans, Louisiana. The researcher identified and collected consumer perceptions of the ten tourist destinations and of the **ideal points**, meaning the combination of tourist destination characteristics providing the most value among the five most prominent consumer segments: Adventure Seekers, Culture Explorers, Relaxers, Knowledge Seekers, and Thrill Seekers.

The perceptual map allows several key observations. Some of which are as follows:

- The competition among attractions viewed as highly authentic and relaxing is intense.
- Two segments, Culture Explorers and Knowledge Seekers, possess ideal points near the five segments mentioned above.

The marketing analyst draws several conclusions based on these observations:

- The highest demand positioning is in quadrant IV (highly authentic, relaxing).
- An opportunity may exist in quadrant I. Here, major competition for the adventure-seeking market appears absent. The advantage of positioning a new business away from the competitors is that it takes fewer resources to get started because the major competitors are not likely to see the new offering as a threat.

Perceptual maps are widely used to plot the way consumers view competitors in an industry. The simple two-dimensional graphics give the user an easy way to analyze a market.

**Q: Have students choose an example of a product (i.e., car, makeup, household product). With the help of Exhibit 2.9, students can draw a perceptual map in their notebooks or on the class board for a classroom discussion.**

**A: Students' answers will vary. For example, the perceptual map for a car may include dimensions like classic, distinctive, conservative, sporty, practical, or affordable. A consumer will then plot the cars he is considering along these dimensions and finally buy what he thinks is the best for him.**

### **C. Using Consumer Behavior Theory in Marketing Strategy**

Businesses are constantly using consumer behavior to make better strategic and operational marketing decisions. Exhibit 2.10 displays a checklist inspired by the CVF framework—the CB idea checklist.

**LO 2-6: Justify consumers' lifetime value as an effective focus for long-term business success.**

### **VI. Value Today and Tomorrow—Customer Lifetime Value [Instructor PPT Slide 20]**

Not every customer is equally valuable to a firm. Firms increasingly want to know the customer lifetime value associated with a customer or customer segment. **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. Although

there is no generally accepted formula for the CLV, the basic idea is simple and can be represented as follows:

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

The customer lifetime value then is equal to the net present value (npv) of the stream of profits over a customer's lifetime, plus the worth attributed to the equity a good customer can bring in the form of positive referrals and word of mouth. Consider a consumer shopping twice weekly at IKEA. On average, this customer spends \$200 per week, or \$10,400 per year, at IKEA. If one assumes a 5% operating margin, he yields IKEA a *net* \$520 per year. Thus, marketers can maximize the value they receive from exchange by concentrating their marketing efforts on consumers with high CLVs.

**Q: Ask students to explain the following statement: The value that a company receives from an exchange may be slightly easier to explain than the value that a consumer receives from the exchange.**

**A: The value that a company receives from an exchange may be slightly easier to explain than the value that a consumer receives from the exchange. This is because a company has access to numerical data like sales figures and costs figures, which help in calculating a customer's worth, whereas the only numerical data available to a customer is that of the money he or she spends on a product or service. It is not possible for the customer to assign a numerical value to the satisfaction or dissatisfaction he or she has gained from using the product or service.**

Video material for this chapter can be found on page 21 of the IM.

## End of Chapter Material

### Discussion Questions

*(\*) Indicates material on prep cards.*

1. Why do a consumer's "favorite things" differ from one consumer to the next?

**Answer:** A host of factors influence a consumer's likes and dislikes for various activities and goods. A consumer's favorite things differ from one consumer to the next because of their demographics, such as age, sex, race and ethnicity, marital status, income level; buying behavior; psychological factors; cultural factors; and environmental characteristics.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 2-1

Topic: A-head: The Consumer Value Framework and Its Components

Bloom's: Knowledge

Difficulty: Easy

2. How is the Customer Value Framework (CVF) useful?

**Answer:** The customer value framework (CVF) is a framework used to represent the consumer behavior theory. It illustrates the factors shaping consumption-related behaviors and ultimately determines the value associated with consumption. Thus, the CVF provides potential explanations for consumer behavior.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 2-1

Topic: A-head: The Consumer Value Framework and Its Components

Bloom's: Knowledge

Difficulty: Easy

3. \*What is the difference between an internal influence and an external influence?

**Answer:** Internal influences are things that go on inside the mind and heart of the consumer or that are truly a part of the consumer psychologically. They include individual difference variables like consumer's psychology, demographics, and lifestyle. External influences refer to the social and cultural aspects of life as a consumer. They include the social environment and situational influences.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 2-1

Topic: A-head: The Consumer Value Framework and Its Components

Bloom's: Knowledge

Difficulty: Easy

4. List three examples of products you have consumed recently that provide high utilitarian value. Likewise, list three examples of items that provided high hedonic value. Think of at least one product or brand that you would associate with both high utilitarian and hedonic value.

**Answer:** Students' answers will vary. Typical items possessing high utilitarian value

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

BUSPROG: Analytic

DISC: Product

LO: 2-2

Topic: A-head: Value and Its Two Basic Types

Bloom's: Application

Difficulty: Moderate

5. \*In what ways can sending tweets to others via Twitter provide value? What type of value does tweeting provide?

**Answer:** Students' answers will vary. Just look for the correct usage of the concepts of utilitarian value and hedonic value in the examples given by students. For example, a tweet informing one's friends on where to meet provides utilitarian value, and participating in a humorous tweet provides hedonic value.

BUSPROG: Analytic

DISC: Product

LO: 2-2

Topic: A-head: Value and Its Two Basic Types

Bloom's: Application

Difficulty: Moderate

6. 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.

BUSPROG: Analytic

DISC: Customer

LO: 2-2

Topic: A-head: Value and Its Two Basic Types

Bloom's: Knowledge

Difficulty: Moderate

7. Define and distinguish marketing strategy, corporate strategy, and marketing tactics. 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 with the way in which a company goes about creating value for customers. Marketing tactics are ways in which marketing management is implemented. It involves price, promotion, product, and distribution decisions. 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.

BUSPROG: Analytic

DISC: Strategy

LO: 2-3

Topic: A-head: Marketing Strategy and Consumer Value

Bloom's: Evaluation

Difficulty: Moderate

8. What is the total value concept? Can you use the total value concept to explain why Callaway golf and Starbucks are such successful companies?

**Answer:** The total value concept is practiced when companies operate with the understanding that products provide value to consumers 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, enhances the product and is important to deliver to the customers even if it is a cost to Starbucks.

BUSPROG: Analytic

DISC: Product

LO: 2-3

Topic: A-head: Marketing Strategy and Consumer Value

Bloom's: Application

Difficulty: Moderate

9. What is marketing myopia? How does it relate to the total value concept? Does it apply equally today as it did 30 years ago?

**Answer:** Marketing myopia is a common condition in which a short-sighted company views itself in a product business rather than in a value- or benefits-producing business.

Firms avoid myopia when they practice the total value concept. The answers to the second question should generate an interesting debate among students. An argument can be made in either direction, but the case is easier to make when it applies equally in the past, the present, and the future.

BUSPROG: Analytic

DISC: Strategy

LO: 2-3

Topic: A-head: Marketing Strategy and Consumer Value

Bloom's: Analysis

Difficulty: Moderate

10. In what way are market segmentation and product differentiation similar? How are the two concepts different?

**Answer:** Both are marketplace conditions. Market segmentation is the separation of a market into groups based on the different demand curves associated with each group, whereas product differentiation is a marketplace condition in which consumers do not view all competing products as identical to one another.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 2-4

Topic: A-head: Market Characteristics: Market Segments and Product Differentiation

Bloom's: Analysis

Difficulty: Moderate

11. What is a perceptual map? What are the dimensions of a perceptual map?

**Answer:** A perceptual map is a tool used to depict graphically the positioning of competing products. 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.

BUSPROG: Reflective Thinking

DISC: Product

LO: 2-5

Topic: A-head: Analyzing Markets with Perceptual Maps

Bloom's: Knowledge

Difficulty: Easy

12. What is meant by product positioning?

**Answer:** Product positioning refers to the way in which a product is perceived by a consumer. It can be represented by the number and types of characteristics that are perceived by consumers, and it can be depicted on a perceptual map.

BUSPROG: Reflective Thinking

DISC: Product

LO: 2-5

Topic: A-head: Analyzing Markets with Perceptual Maps

Bloom's: Knowledge

Difficulty: Easy

13. 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 the brands that are located in the same area as they are located on the perceptual map, identify opportunities for doing more business, and diagnose potential problems in the marketing mix. For instance, analysts 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.

BUSPROG: Analytic

DISC: Customer

LO: 2-5

Topic: A-head: Analyzing Markets with Perceptual Maps

Bloom's: Analysis

Difficulty: Challenging

14. \*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.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 2-6

Topic: A-head: Value Today and Tomorrow—Customer Lifetime Value

Bloom's: Knowledge

Difficulty: Easy

15. How do you feel about companies that give special benefits like discounts or preferred seating to their “best” customers? Is this a fair way for companies to treat their consumers?

**Answer:** Students' answers will vary. Even though this is mostly an opinion question, students should be using customer lifetime value (CLV) concepts in their opinions.

BUSPROG: Ethics

DISC: Customer

LO: 2-6

Topic: A-head: Value Today and Tomorrow—Customer Lifetime Value

Bloom's: Evaluation

Difficulty: Challenging

## Group Activity

Assign each team member to closely examine a different component of the consumer value framework (CVF)—internal influences, external influences, etc. Have the members develop and act out a short skit in which each person explains to a store clerk why he or she is selecting a specific type of smartphone to purchase, in terms of the concepts that go along with the particular component of the CVF. In other words, is there a certain type of device that would be more likely to be selected based on external influences rather than internal? In the skit, each person must use the following words: value, hedonic value, utilitarian value, motivation, benefits, cost, and time. Have some fun with this activity.

**Answer:** Students' answers will vary. No specific answers exist. Rather, this is an opportunity for the students to elaborate on core concepts of the CVF.

## Assignments

1. 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:** Students' answers will vary. The main focus here is to foster a better understanding of how benefits lead to utilitarian and hedonic value.

BUSPROG: Analytic

DISC: Customer

LO: 2-2

Topic: A-head: Value and its Two Basic Types

Bloom's: Application

Difficulty: Challenging

2. From the list of companies in Question 1, 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 apply the total value concept to real-life scenarios.

BUSPROG: Analytic

DISC: Customer

LO: 2-3

Topic: A-head: Marketing Strategy and Consumer Value

Bloom's: Application

Difficulty: Challenging

3. \*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 the least expensive to the most expensive. Then, using the same ten 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:** Students' answers will vary. This exercise should result in a two-dimensional perceptual map with price as one dimension and healthiness as the other. Ask students to look for business opportunities within the perceptual map.

BUSPROG: Analytic

DISC: Strategy

LO: 2-5

Topic: A-head: Analyzing Markets with Perceptual Maps

Bloom's: Application

Difficulty: Challenging

4. 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 3. Then, prepare an executive summary (bulleted list) indicating the potential opportunities that exist within this market. Also, state the restaurants that appear to have the best and the worst positioning strategy, respectively.

**Answer:** Students' answers will vary. 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 in a segment prefer lower prices, perhaps a restaurant would lower their prices to "move" closer to this segment.

BUSPROG: Analytic

DISC: Strategy

LO: 2-5

Topic: A-head: Analyzing Markets with Perceptual Maps

Bloom's: Application

Difficulty: Challenging

5. 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 market 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](http://www.epinions.com).

**Answer:** The main focus for students here is to design 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 either move closer or farther away from the market segments.

BUSPROG: Analytic

DISC: Strategy

LO: 2-1, 2-4, 2-5

Topic: A-head: The Consumer Value Framework and its Components, Market Characteristics: Market Segments and Product Differentiation, Analyzing Markets with Perceptual Maps

Bloom's: Synthesis

Difficulty: Challenging

6. Review the customer value framework. At the 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 in order to make you a better consumer?

**Answer:** Students' answers will vary. Any discussion about this topic is acceptable as long as students use terminology from the customer value framework (CVF).

BUSPROG: Analytic

DISC: Customer

LO: 2-1

Topic: A-head: The Consumer Value Framework and Its Components

Bloom's: Knowledge

Difficulty: Easy

## Chapter Video Summary

To view the video case on **E-Business at Evo**, access the **Chapter 2 Media Quiz in CB8 Online** (create a course at [login.cengage.com](http://login.cengage.com)).

### *E-Business at Evo*

When ski enthusiast Bryce Phillips launched Evo from his garage in 2001, the sports equipment company consisted of an Internet connection, used ski gear, and a single employee. Today the Seattle-based ski-and-snowboard retailer is the premier online destination for closeout-model equipment and apparel. Consumers of ski and water sport products choose Evo for its online shopping experience, discounted brand name merchandise, and no-haggle customer service. The retailer's website also delivers value through detailed product reviews and Evo-hosted travel opportunities.

### Ask Your Students

1. According to Bryce, what is the heart and soul of Evo?

**Answer:** Bryce Phillips says, "In many ways the retail environment, the brick-and-mortar, the physical presence of the store are the heart and soul of the company. You know, whether it be a customer, or a sales manager or a rep, or whoever it may be; they can come in and really kind of experience what our brand is all about."

BUSPROG: Reflective Thinking

DISC: Customer

LO: 2-3

Topic: A-head: Marketing Strategy and Consumer Value

Bloom's: Knowledge

Difficulty: Easy

2. How does Evo offer value to its customers?

**Answer:** Evo offers its customers a utilitarian value as well as a hedonic value. Customers are given good value in terms of price, product range and selection, expedited shipping, free shipping, and good customer service. All these options increase the utilitarian value for customers. Customers also enjoy shopping online on Evo's website as it is quite different from the other websites in terms of the content on the site and the personality of the employees with whom they interact. This provides customers with hedonic value.

BUSPROG: Analytic

DISC: Customer

LO: 2-2

Topic: A-head: Value and its Two Basic Types

Bloom's: Comprehension

Difficulty: Moderate

3. Name a significant competitive advantage of Evo.

**Answer:** Evo gives its customers a better online shopping experience than its competitors. This is a significant competitive advantage that Evo has over its competitors. Their website is designed with great content, and they ensure that they provide good customer service to all. Their strategies to enhance the online shopping experience of customers include the addition of a log-in feature to the site and a package builder tool. The package builder tool will provide customers with relevant matches to skis for which they can't find any matches. Thus, customers who shop online will consider the buying process, bringing them a high hedonic value. Apart from this, Evo also provides free shipping for the items purchased online, a wide selection of items, and good value in terms of price. This provides high utilitarian value for customers. Evo can thus segment its market by targeting customers who prefer shopping online. Evo also sells street wear apart from skis, snowboards, wakeboards, skateboards, and so on. This product differentiation strategy gives it an upper hand over its competitors.

BUSPROG: Analytic

DISC: Customer

LO: 2-3 | 2-4

Topic: A-head: Marketing Strategy and Consumer Value | Market Characteristics: Market

Segments and Product Differentiation  
 Bloom's: Analysis  
 Difficulty: Challenging

## Part 1 In-Text Case Answers

### Case 1-1 IDEO: Consumer-Focused Innovation

1. Where does IDEO get inspiration for its product designs?

**Answer:** IDEO's inspiration comes from the consumer. IDEO's product development teams use the "deep dive" process that consists of putting themselves into the consumers' shoes. The resulting experience is very illuminating for the teams in understanding the consumers' needs and their challenges in owning and using a product. Without direct personal experience, it is difficult to determine the features and benefits that consumers will value the most. Optimal product design must happen from the standpoint of the end user.

BUSPROG: Reflective Thinking

DISC: Product

LO: 2-4

Topic: A-head: Market Characteristics: Market Segments and Product Differentiation

Bloom's: Analysis

Difficulty: Challenging

2. What kind of value do you think successful products deliver to consumers?

**Answer:** Successful products need to "do the job" and create a rewarding personal experience for consumers. A well-designed product means that people enjoy using it as it makes their lives easier or makes them feel good about themselves. There are many dimensions of this "feel good" or hedonic aspect of product design. A person may gain a sense of social status from owning an expensive car or may derive a sense of freedom or empowerment from owning a fast car. The car is not just a thing that gets people from one place to another; it also influences how they feel while driving it.

BUSPROG: Reflective Thinking

DISC: Product

LO: 2-4

Topic: A-head: Market Characteristics: Market Segments and Product Differentiation

Bloom's: Analysis

Difficulty: Challenging

3. Why do you think having a product that simply works doesn't always translate to consumer acceptance?

**Answer:** Consumers have many needs. These include both physical and psychological needs. A product that works but is unpleasant in some way, such as hard to manipulate, unattractive to look at, or reminiscent of something unpleasant, is likely to not catch on. In today's society, consumers have many choices as many competitors exist. For example, when faced with a choice between a corkscrew that is easy to use and beautiful to look at and a corkscrew that just "does the job," a consumer will probably choose the former.

BUSPROG: Reflective Thinking

DISC: Product

LO: 2-4

Topic: A-head: Market Characteristics: Market Segments and Product Differentiation

Bloom's: Analysis

Difficulty: Challenging

4. What is the relative importance of the utilitarian versus the hedonic value of products, as suggested by the work of IDEO?

**Answer:** IDEO's success seems to come from the understanding that utility alone is not sufficient in a product, which is why their product development strategy requires total immersion in the consumer experience. When a new product is developed that solves a problem that no other product has solved before, then it is very likely the utilitarian function will prevail. For example, the first mass-produced automobile, the Model T Ford, came in one style and one color, with Henry Ford famously saying, "Any customer can have a car painted in any color that he wants so long as it is black." General Motors challenged the Model T by introducing cars in different styles and colors because there were consumers who sought variety, which is a hedonic value.

BUSPROG: Reflective Thinking

DISC: Product

LO: 2-4

Topic: A-head: Market Characteristics: Market Segments and Product Differentiation

Bloom's: Analysis

Difficulty: Challenging

5. Do you agree with Edison's observation that "genius is 1% inspiration and 99% perspiration"? Explain your answer.

**Answer:** Students' answers will vary. Insights don't come out of nowhere. People who succeed in solving problems usually have spent a good deal of time thinking about the problem and looking at it. IDEO realizes that it's not possible to solve consumers' problems without understanding them first, which is why the "deep dive" process is so important to the teams for developing a market. Since individuals are motivated by a complex set of both utilitarian and hedonic values, the product that will deliver the biggest bundle of value satisfaction will be the most appealing to consumers.

BUSPROG: Reflective Thinking

DISC: Product

LO: 2-4

Topic: A-head: Market Characteristics: Market Segments and Product Differentiation

Bloom's: Analysis

Difficulty: Challenging

### Case 1-2 Born or Reinvented in the "Foreign" Land? Examining Brands and Their Country of Origin

1. Examine further the "2011 Ranking of Top 100 Brands." Classify these brands while considering the product category or sector and the country of origin. Can you detect a pattern? For example, do you see that strong players in the automotive sector emerge largely in Western Europe?

**Answer:** Students' answers will vary.

Industry/Sector	Country/Region	Brands
Automobiles	Western Europe (Germany, Italy)	BMW, Porsche (Germany) Ferrari (Italy)

BUSPROG: Reflective Thinking

DISC: International Perspective

LO: 2-4

Topic: A-head: Market Characteristics: Market Segments and Product Differentiation

Bloom's: Analysis

Difficulty: Challenging

2. List all the brands that you have in your home. Then research to find the country of origin of all the brands on your list. What do you find? How can marketing professionals make

use of the information that you have analyzed?

**Answer:** Students' answers will vary. This exercise will help students create an inventory of brands with which they interact every day without even realizing it. Students might notice a pattern regarding the ownership of brands by companies and their corresponding country of origin.

Brand	Company	Country/Region (of company headquarters)
Colgate Toothpaste	Procter and Gamble	USA
Oreo cookies	Kraft Foods	USA
Macaroni and Cheese	Kraft Foods	USA

BUSPROG: Analytic

DISC: International Perspective

LO: 2-4

Topic: A-head: Market Characteristics: Market Segments and Product Differentiation

Bloom's: Analysis

Difficulty: Challenging

3. Use the "2011 Ranking of Top 100 Brands" table to test the level of BoK of at least five people (excluding yourself). Examine and write a short reflection on how the extent of their knowledge varies with their lifestyles.

**Answer:** Students' answers will vary. This exercise will be an independent quiz that students should engage in as if it were a *test your knowledge* game.

BUSPROG: Reflective Thinking

DISC: Strategy

LO: 2-4

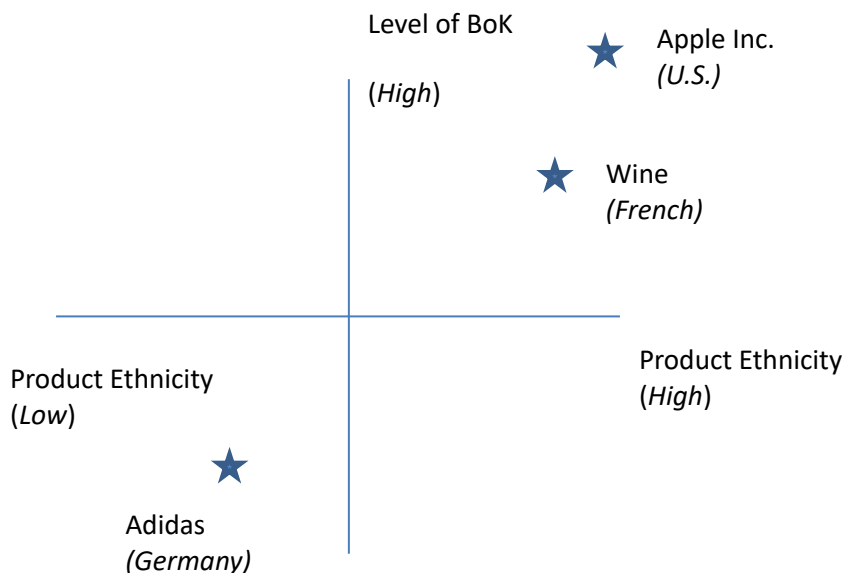
Topic: A-head: Market Characteristics: Market Segments and Product Differentiation

Bloom's: Analysis

Difficulty: Challenging

4. Your textbook refers to the concept of perceptual maps. Construct a perceptual map using the following two dimensions: (i) product ethnicity (low versus high) and (ii) level of BoK (low versus high). Choose at least 10 brands or product categories to represent on the map. You may use the list of brands/categories available at the Interbrand website to populate a list for the map. Use the information from question 3 to identify the average level of knowledge of product ethnicity and extent of BoK.

**Answer:**



*(Note that the perceptual map above is just one example of a student response).*

BUSPROG: Analytic

DISC: Product

LO: 2-5

Topic: A-head: Analyzing Markets with Perceptual Maps

Bloom's: Analysis

Difficulty: Challenging

5. Using the information in question 3, how do you think a company can enhance its understanding of market segmentation so as to efficiently target a marketing message to its potential and existing consumers?

**Answer:** Students' answers will vary. This exercise will help students depict consumers' personalities and their habits with the level of BoK on a perceptual map. After the completion of question 3, students should pay attention to the personality traits or ownership statuses of their friends who got most of their answers correct. For example, if one student was able to answer questions relating to the location of luxury products companies such as Cartier, then it will be interesting to examine the lifestyle pattern of this student. For example, is this student a consumer of such luxury products as he or she has enhanced knowledge over other students? Or is it possible that this student has traveled across the globe and gathered this knowledge from his or her travel? It could also be that this student is just interested in such information or the information about some products.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 2-4

Topic: A-head: Market Characteristics: Market Segments and Product Differentiation

Bloom's: Analysis

Difficulty: Challenging

### **Case 1-3 DemandTec®: Using Collaborative Analytics in a Fragmented Latin American Market**

1. Predictive models used by Target identified changes in the purchase behavior of female shoppers that indicated they might be pregnant, including increased spending on supplements important to neonatal development as well as unscented soaps and lotions. What other changes in purchase behavior might indicate that a female shopper is expecting?

**Answer:** Students' answers will vary. Students may list the types of products an expectant mother might purchase, including some infrequently purchased items (such as a crib, a high chair, or a car seat) as well as bulk purchases of newborn supplies (such as newborn diapers, baby bottles, or formula). Students may also list products that indicate a lifestyle change for expectant parents.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 2-1

Topic: A-head: The Consumer Value Framework and Its Components

Bloom's: Application

Difficulty: Challenging

2. How does the use of collaborative analytics provide value to the consumer and help to facilitate exchanges between buyers and sellers?

**Answer:** The use of collaborative analytics helps marketers predict and better understand the needs of consumers. Predictive models assist marketers in creating a marketing mix focused on consumers' needs, which creates value. Creating the right marketing mix for consumers' needs facilitates the exchange process between the marketer and the consumers.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 2-5

Topic: A-head: Analyzing Markets with Perceptual Maps

Bloom's: Knowledge

Difficulty: Moderate

3. Based on collaborative analytics, Target created targeted sales promotions for newly expectant mothers, such as mailing coupons to them for purchasing diapers or baby bottles. GPA, in Brazil, uses collaborative analytics to optimize prices for their various customer segments. These are only two of the four marketing mix variables. Can you think of other ways that companies might use collaborative analytics to fine-tune the other marketing mix variables?

**Answer:** Students' answers will vary. Students' answers should demonstrate knowledge of the other two marketing mix variables, which are product and place/distribution. They should also show an understanding of how collaborative analytics work and how it might be used to adapt or adjust the other two variables.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 2-4

Topic: A-head: Market Characteristics: Market Segments and Product Differentiation

Bloom's: Synthesis

Difficulty: Challenging

4. GPA uses collaborative analytics to look at the shopping behavior of their customers. The next time you purchase food items (groceries), make a list of every item you purchased. Try to organize the items in a meaningful way. Imagine that a researcher was using ethnographic methods to analyze your grocery list. What insights might they have about you based on your purchases?

**Answer:** Students' answers will vary. At first, students might list "surface" responses about the types of products they purchased. However, as they start to think critically about the list, they may make inferences about their lifestyle choices based on the nature of their purchased products (i.e., natural, healthy, unhealthy, vegan) or the way these products might be used (i.e., for entertaining). This question could be adapted to provide students with a list from an anonymous shopper, which would remove their knowledge of their own lifestyles and purchase behavior.

BUSPROG: Reflective Thinking

DISC: Customer

LO: 2-4

Topic: A-head: Market Characteristics: Market Segments and Product Differentiation

Bloom's: Analysis

Difficulty: Challenging

5. Choose a local retailer that is not part of a national or regional chain. Assume they have decided to expand their efforts internationally and have therefore enlisted the help of DemandTec. How will the use of collaborative analytics help them to better understand consumers in this new market?

**Answer:** Students' answers will vary. Students' answers should demonstrate an understanding of how collaborative analytics works, which would include an explanation about the vast amount of information processed to provide optimized solutions for consumers.

BUSPROG: Diversity

DISC: International Perspective

LO: 2-4

Topic: A-head: Market Characteristics: Market Segments and Product Differentiation

Bloom's: Analysis

Difficulty: Challenging

### Case 1-4 Sears: A Dying Company?

1. Describe how some of the trends mentioned in the textbook are affecting Sears.

**Answer:** Students' responses will vary, but among others, they may mention the trend about the changing economy. The downturn in the economy makes consumers more price conscious, and it, therefore, places Sears at a price disadvantage. Students may also mention the changing demographics of consumers. Today's families are increasingly dual income earners. This makes them more time-starved and more apt to appreciate the convenience offered by big-box discounters. Also, Sears has been unable to connect with younger consumers who prefer different modes of communication (i.e., Facebook and Twitter) than those that are preferred by their parents or grandparents. Finally, the growing popularity of online shopping represents a significant technological change for Sears.

BUSPROG: Analytic

DISC: Strategy

LO: 2-4

Topic: A-head: Market Characteristics: Market Segments and Product Differentiation

Bloom's: Evaluation

Difficulty: Challenging

2. Describe the external and situational influences that steer shoppers like Ashley away from Sears.

**Answer:** External factors would include both social and cultural aspects of consumer life. Today's consumers have many choices when it comes to shopping at brick-and-mortar and online venues, so competition is a huge external factor. In addition, malls no longer have the same social draw that they had a couple of decades ago. Consumers are visiting malls less frequently and, unfortunately, many Sears's stores are located in malls. Growing popularity of discount retailers has led consumers to redefine their perception of value. Consumers now want low prices or great customer service and exclusive brand names, leaving little space for mid-priced retailers to compete. Situational factors like time pressure, convenient locations, or money constraints are also valid influences. Consumers today value one-stop shopping experience because it alleviates their time pressures, stores are conveniently located, and prices are very competitive.

BUSPROG: Reflective

DISC: Strategy

LO: 2-1

Topic: A-head: The Consumer Value Framework and Its Components

Bloom's: Analysis

Difficulty: Challenging

3. Compare the total value concept for Sears and your favorite retailer.

**Answer:** Students' answers will vary. Students may mention concepts of utilitarian values like product benefits and features as well as their hedonic values like atmosphere, fun, and enjoyment. A student's favorite retailer will probably provide value in terms of varied selection. The store may carry the products and the brands he or she wants. The products are of high quality and offered at a fair price. In addition, the store's products appeal to them in terms of tastes and design.

BUSPROG: Reflective Thinking

DISC: Product

LO: 2-3

Topic: A-head: Marketing Strategy and Consumer Value

Bloom's: Evaluation

Difficulty: Moderate

4. What types of utilitarian and hedonic value does Sears presently provide to its customers?

**Answer:** Sears offers a moderate selection of a broad range of products. A customer could

visit Sears to complete a number of tasks. A customer could search for quality tools, lawn and garden equipment, or home appliances and purchase them. A customer could also purchase jewelry, clothes, or bedding products. All of these represent utilitarian value and benefits that are presently offered by Sears. In terms of hedonic value, Sears does not represent a destination retailer as its location is not convenient and its customer service is not good. Sears offers a less hedonic value and benefit.

BUSPROG: Reflective Thinking

DISC: Product

LO: 2-2

Topic: A-head: Value and Its Two Basic Types

Bloom's: Knowledge

Difficulty: Moderate

5. Can Sears be revived? If so, what should their new value equation be? If not, explain.

**Answer:** Students' answers will vary, but they should show the factors that students believe would comprise of value for most consumers. For example, students may suggest Sears to refocus on the quality brands that they already carry. In addition, a refresh of their stores in terms of location, design, and image are probably in order. Sears would also need to be more competitive in terms of the prices for its products to attract more consumers. Finally, Sears would need a stronger Internet presence.

BUSPROG: Reflective Thinking

DISC: Strategy

LO: 2-2

Topic: A-head: Value and Its Two Basic Types

Bloom's: Analysis

Difficulty: Moderate

## Part 1 Online Case Answers

Visit [www.login.cengage.com](http://www.login.cengage.com) to access the online case studies for CB.

### Total Marketing Strategy: You Won't Come Back by Chance

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 Total Group has in its market?

**Answer:** Students' answers will vary. Students can use price (high versus low) and quality/service (high versus low) as the two dimensions to build the perceptual map for the gas station companies in France. The important point is to clearly position these brands—Elan, Elf, Total, and the hypermarkets. Total must be placed at the quadrant with relatively high price and relatively high quality/service, while Elf and the hypermarkets must be on the quadrant with low price and low quality/service quadrant.

Students should be able to describe the utilitarian and the hedonic values 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 demanded by Total stores. Students might want to use the value function to think about the price point for gas at Total. Instructors could also use this to explain the importance of the coherence among all elements of the marketing mix in line with the company's positioning strategy.

2. Based on the perceptual map, propose a set of marketing actions beyond those that have been mentioned, that should be used by Total brand. Use the 4Ps (price, product, place, promotion) framework to propose these actions and link each action to the CVF framework.

**Answer:** Students' answers will vary. Students should use the 4Ps framework to propose the actions that would fit Total's positioning strategy. 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 could recognize consumers by their loyalty card via its RFID. This system would recognize customers when they arrive at the Total gas station. When finished, consumers would be billed after they give their digital print just aside the pump. This would allow customers to save a significant amount of time and increase their utilitarian value.

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 to a gas station? Describe how an Elf store might increase value in consumers' shopping experience.

**Answer:** Students' answers will vary. Instructors may point out that the two positioning goals are delivering utilitarian and hedonic values. The most important issue for the students is to be able to rightly classify the elements related to both values.

Students should be instructed to brainstorm on whether or not they think Elf could build hedonic value and what actions could be taken to introduce hedonic value.

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 seeking when choosing a gas station? Do you think Total Group has done a good job identifying market segments and appealing to these segments? Are some segments left unserved by Total?

**Answer:** Students' answers will vary. The case explicitly identifies Total's market segmentation. Total's basic segmentation of the market was rural areas and urban areas. More relevant to the case study is Total's segmentation of the urban areas, based on the key benefits that consumers seek. The first segment consists of price-oriented consumers, i.e., consumers who are looking for price and simplicity. The second segment consists of quality-oriented consumers, i.e., consumers who are looking for a relationship and customer services in the store. Students may suggest that consumers in the family-oriented segments of the market may use the hypermarket more often because they can buy more things at one stop. In addition, students may mention some business-to-business opportunities that may fit better with Elan's or Elf's positioning strategy rather than Total's positioning strategy.

### **Not Buying Organic? Why not?**

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:** Students' answers will vary, but their answers should include the following points:

- Consumer psychology would explain how Jill and her aunt have learned beliefs and attitudes about "organic" and "not organic" food categories. This information is stored in their memory and is later used as input in the consumer value equation, e.g., a perceived health benefit is compared 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's interest in organics was probably fostered by her aunt.
- Situational influences, such as whether or not Jill has to study for a test, will explain her occasional purchase of organic cookies.

- Utilitarian value: organic food nourishes the body to maintain health.
- Hedonic value: Jill eats 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 it is not. Environmental protection is a societal benefit, not a benefit that consumers themselves experience as a result of a given purchase; instead, consumers obtain the hedonic value of emotional satisfaction by 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:** Students' answers will vary, but their answers should include the following points:

- Regular carrots represent a basic exchange because the consumer gets sustenance by giving up money.
  - Jill has to pay more for mini carrots, but they are fully offset by the convenience of pre-prepared carrots. Organic carrots also have a downside of added cost, but they are 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 added 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:** Students' answers will vary, but their answers should include the following points:

- Farmers could sell their produce directly to consumers through farmer's markets or CSAs (community-supported agriculture) where consumers buy a share of everything a local farmer grows. This direct relationship between farmers and consumers 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 their yogurt cups after consumption to the firm to get coupons for future purchases of yogurt. Whole Foods pays and trains its employees so that every touchpoint between a customer and the store is positive. Its employees gladly research answers to consumer questions. Customers can place custom orders if they don't find what they want. Some of its stores also provide live music at certain times.

4. What kind of information could a researcher find out by engaging in (a) quantitative research and (b) interpretive research? Are you surprised that survey reports are biased in that consumers say they are willing to pay a higher price for organic food than they actually are?

**Answer:** Students' answers will vary, but their answers should include the following points:

- Quantitative research can identify who does or doesn't buy organic food. Thus, marketers can describe their market segments in terms of their consumer's age, income, gender, lifestyle, and geographic location. Existing customers and prospect customers can be further differentiated in terms of where they prefer to shop, their beliefs, and their preferences for other product attributes such as 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 the subjective aspects of consumption that surveys can't capture, especially when consumers lack insight into their own behavior (which is the case when consumers say that they are willing to pay more but often 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 marketers uncover their consumers' deep-seated motives, emotional connections with a product, and symbolic meaning associated with a product. It will also help marketers understand how organic products fit into their consumers' lives. For example, one group of consumers might associate organic products with purity and simplicity, and they may buy these organic products as a defense against modernity. Some parents might buy organic baby food regardless of its price to lessen the insecurities they feel when parenting a vulnerable infant.

### **Learning About CB: Is Your Coke OK?**

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?

**Answer:** Students' answers will vary. Both definitions are found in chapter one. When defining marketing, students should describe the 4P's (product, price, place, and promotion) and the various names associated with the 4P's (controllable factors, marketing mix, 3P's, and 1D). For discussion purposes, instructors may also explain to students how each of these items may be expanded. For example, the product component of the 4Ps includes products, services, and ideas, and the promotion component of the 4Ps includes sales promotions, advertising, direct marketing, internet/interactive, personal selling, publicity/public relations, and direct marketing.

Students should differentiate between "controllable" and "uncontrollable" factors in 4Ps.

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

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

**Answer:** Students' answers will vary. 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 instructors.

Students should include the reasons why marketers study consumer behavior. For example, they study consumer behavior 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 Consumer Behavior (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?

**Answer:** Students' answers will vary. Several factors may have led to the demise of New Coke and OK Soda. Students' answers may include misinterpretation of market research, poor timing, the elimination of a renowned brand, and the competition.

Instructors may also point out to students that consumer behavior is dynamic and consumers often 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 that you would categorize as consumer behavior. How might your activities be studied by a consumer behavior researcher?

**Answer:** Students' answers will vary. This exercise should help demonstrate to students how their daily activities are related to the study of consumer behavior.

### CVS Case

1. Visit the CVS/pharmacy website (<http://www.cvs.com>). What other benefits does CVS provide to ExtraCare customers? Provide examples of both utilitarian value 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 consumers to wash the dirt off themselves. 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 its own customer value card program. How might CVS respond? What recommendations would you give CVS to improve the ExtraCare program?

**Answer:** Students' answers will vary. Students may choose any number of ways in which they may suggest CVS to increase the "value" of their products and should refer to the Value Equation in Exhibit 2.3. 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 of not requiring personal information from CVS's customers is privacy. The main disadvantage is that not having personal customer information limits CVS's ability 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 protection of customer information in the ExtraCare database, against those threats. Another specific ethical issue for CVS concerns their pharmacy transactions with customers. Prescriptions reflect a customer's medical history, and, therefore, they elicit an even higher expectation of privacy.

### **Vous Vois Vision Case**

1. Using the basic consumption process displayed in Exhibit 1.1, illustrate how a consumer "consumes" eyewear.

**Answer:** Consumers develop a need for eyewear. They are motivated to consume items that allow them to see more clearly. Without good eyesight, consumers have difficulty functioning at optimal capacity or achieving success. However, eyewear is also considered a fashion item, and consumers like to feel good about the items they wear because it improves their self-esteem. These needs drive consumers to realize their need for eyewear that allows them to see well, makes them look fashionable, and makes them feel good about themselves. Perhaps this store offers such eyewear for consumers.

Consumers' wants will lead them to consider an exchange with this store if the store's offerings closely match the consumers' wants/desires.

The decision on whether or not to participate in an exchange has its own costs and benefits. Eyewear costs money, and it takes time to purchase them and get the eyewear with the right prescription. In return, the consumer may obtain better vision and a fashionable appearance.

If consumers indeed achieve better vision and feel good about wearing their eyewear, they will react favorably to the product's purchase and use. The consumers would also experience positive value from consuming that product. If the product does not achieve these ends, then no positive value would be received.

2. Do you think Vous Vois Vision should adopt a product, production, or market orientation? Explain why.

**Answer:** A market orientation seems to be the most likely choice. The company operates in a highly competitive market. Furthermore, the company needs to be in close contact with its customer base to determine the designs that are fashionable and also fit their particular customers well. If the industry had not been competitive, then this choice of orientation would change.

3. Almost any business involves some ethical questions. In this case, discuss the ethics involved in potentially selling contact lenses or even designer glasses to a consumer who sees well enough not to actually "need" vision correction.

**Answer:** The question directs to whether or not consumers who have perfect sight really need glasses. If glasses only addressed the desire for better sight, a case could be made that it is wrong to sell eyewear to people who already have perfect sight. However, glasses also satisfy other consumer needs, such as the need to feel good about one's appearance. To the extent that eyewear addresses this need, it may be difficult to make the case that it is unethical to sell eyewear to these consumers. Chances are that the frames may constitute the major portion of the cost, while the lenses for someone with perfect vision should cost less than lenses for people with poor vision.

4. Why might Blaire be interested in hiring a researcher to do some interpretive research about consumers and eyewear?

**Answer:** Interpretive research may help Blaire understand the inner motivations of eyewear consumers as well as the inner meanings associated with different types of eyewear. For example, what prompts a consumer to desire blue eyes (and thus the purchase of contacts that make eyes appear blue) or prescription sunglasses? This information may make Blaire more effective in identifying a target market and selling products to consumers within that market.

## Part 1 Video Case

To view the Part 1 video case, go to the CB companion website [login.cengage.com](http://login.cengage.com).

## North Face Shopping Experience

Time: This video is five to seven 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 and have lifetime warranties. Price is a concern for Patrick, so he asks Andy to show him alternatives to the original fleece version that sells for \$150. Patrick finally settles on a jacket retailing for \$79 and presents the store with a coupon for added savings. After Patrick's hiking trip, he returned to the store to purchase the original jacket that Andy had originally recommended—the \$150 jacket! Ironically, the temperature on the summit had 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 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, viewers will 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 provided in the lifetime warranty, high quality of the store's products and the service that customers receive when they shop in the store. The salesperson clearly communicates the pros and cons of North Face's and their competitors' products and services.

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

**Answer:** Students' answers will vary, but they should include the following points. Internal influences include Patrick's lifestyle, motivation to purchase, and his personality. He's a medical student who is concerned about spending money. External influences include the timing of the purchases, possibly Patrick's social class and the store's atmospherics.