

SOLUTIONS MANUAL

BABIN / HARRIS

STUDENT EDITION

CB²

WHAT'S INSIDE:

*A Student-Tested, Faculty-Approved
Approach to Teaching and Learning
Consumer Behavior*

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CHAPTER 2: VALUE AND THE CONSUMER BEHAVIOR VALUE FRAMEWORK

LECTURE OUTLINE WITH POWERPOINT® SLIDES

Have students access <http://4ltrpress.cengage.com/cb/> to see the polling questions for CB. Ask them to take the online poll to see how their answers compare with other students taking a consumer behavior course.

I get a lot out of shopping even when I don't buy anything.								
Strongly disagree	1	2	3	4	5	6	7	Strongly agree

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

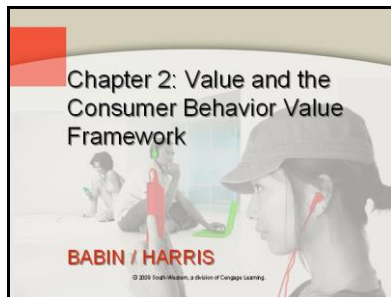
- LO1. Describe the consumer value framework (CVF), including its basic components.
- LO2. Define consumer value and compare and contrast two key types of value.
- LO3. Apply the concepts of marketing strategy and marketing tactics to describe the way firms go about creating value for consumers.
- LO4. Explain the way market characteristics like market segmentation and product differentiation affect marketing strategy.
- LO5. Analyze consumer markets using elementary perceptual maps.
- LO6. Justify adopting the concept of consumers' lifetime value as an effective long-term orientation for many firms.

Suggested Lecture Opener

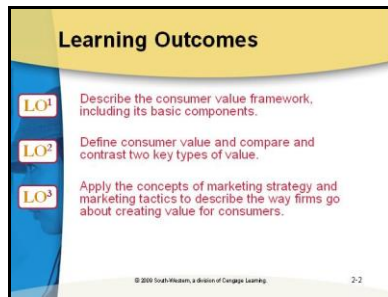
One particular segment critical to marketers is the baby boomer. The young segment of the boomer and Gen Y are expected to decline by 2009 for the age range of 30-44 years old. Companies such as The Gap, Dove, and Ford have implemented programs for the 40+ consumer. Therefore, marketers need to create new marketing programs geared at experiences, since this group has moved beyond the materialistic stage of life.

New segments of boomers reveal new mktg. implications. By: Chay, Dick. Marketing News, 3/15/2005, Vol. 39 Issue 5

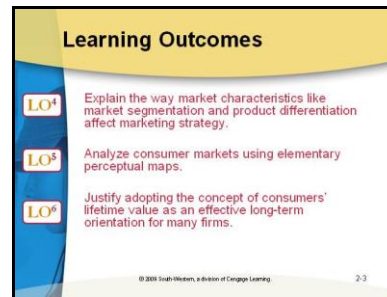
Slide 1



Slide 2

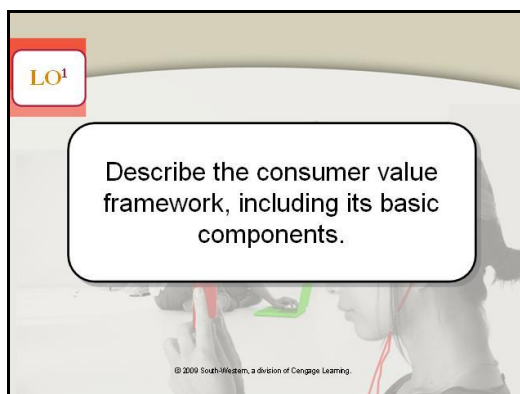


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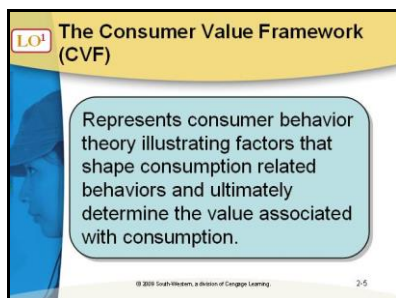
LO1. Describe the consumer value framework, including its basic components (CVF).

Slide 4

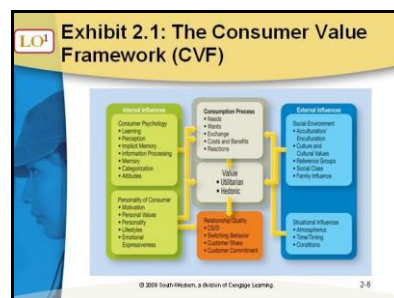


Q: What is your favorite type of music?
A: Answers will vary. In the introduction to this chapter in the book, the most popular choice of music is Rock. See how your class differs.

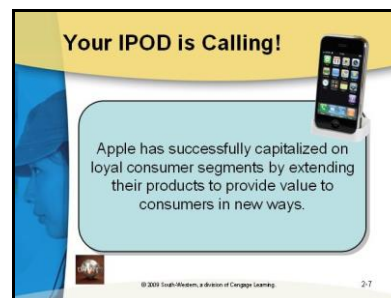
Slide 5



Slide 6



Slide 7



 Icon indicates website links to related topics.

Consumer Value Framework

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

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

Value and CVF Components

The concept of value is pervasive throughout the entire book.

Relationship Quality

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

Slide 8


Slide 9

Slide 10

Slide 11

LO¹ Personality of the Consumer

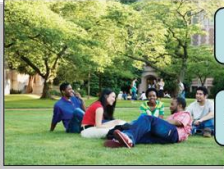
Individual differences include things like personality and lifestyles.



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Slide 12

LO¹ External Influences: Interpersonal Influences



Social Environment

Situational Influences

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Icon indicates website links to related topics.

Consumption Process

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

1. **Internal influences** – These influences constitute the psychology of the consumer. For example, how will customers react to a price increase from \$80 to \$100? Does it matter whether an item is priced at \$69.99 or \$70? The psychology of the consumer involves both cognitive and affective processes.
 - a. **Individual differences** – Individual differences include personality and lifestyle differences.
2. **External influences** – Why do consumers have such varied tastes in food? External influences include the social and cultural aspects of life as a consumer.
 - a. **Social environment** – The social environment includes the people and groups who help shape a consumer's everyday experiences. For example, what we like to eat is primarily shaped by our families and what we eat at home.
3. **Situational influences** – These influences are unique to a particular time or place and can affect consumer decision making as well as the value received from consumption. An example of a situational influence is that music playing in a store may impact buying patterns.

Q: Ask students to recall a recent shopping experience. Determine whether anyone shops at Abercrombie and Fitch, where the music is loud and the perfume and cologne are sprayed every few minutes. Do the situational influences affect their purchase?

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

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

Slide 13

LO²

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

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Slide 14

LO² Consumer Value

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

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Value and Two Basic Types of Value

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

Slide 15

LO² Types of Value

Utilitarian

Hedonic

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Slide 16

LO² Value

What type of value do consumers get from this product?

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Types of Value

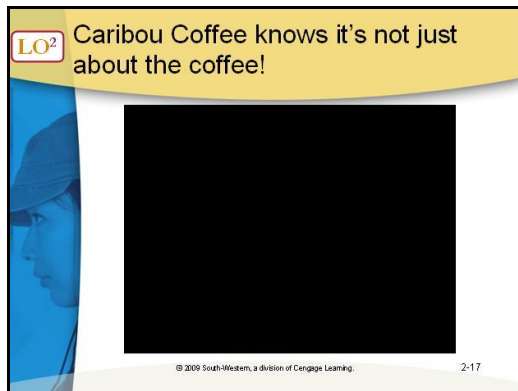
1. **Utilitarian value** – Utilitarian value describes how the consumer solves the issues that come with being a consumer and can generally be equated to how a consumer completes a task. An example of utilitarian value would be using bleach to clean something.
2. **Hedonic value** – Hedonic value is the immediate gratification that comes from experiencing some activity. Because it is emotional and subjective in nature, hedonic value is not a means to an end but an experience. An example of hedonic value would be a ride on Space Mountain.

It should be noted that consumers can derive both a utilitarian and a hedonic value from the same experience. The book uses the example of dining at Emeril's restaurant. A consumer can obtain the BAM experience while still being nourished by food. Exhibit 2.3 further explains this concept.

POWERPOINT® VIDEO SUMMARY AND QUESTIONS

Caribou Coffee

Slide 17



Summary

Since Caribou Coffee opened its first store in Minneapolis, Minnesota, in 1992, the company has been pursuing industry giant Starbucks. How does an entrepreneurial venture with limited resources compete? Caribou has created strong customer value and loyalty, becoming the brand leader in Minnesota. As Caribou has moved into new markets, they have used innovative strategies to build their brand and reputation store by store. Caribou has become the second-largest specialty coffee company in the United States.

Source: BUSN Ch 7, www.cariboucoffee.com/aboutus/corporateprofile.asp

Questions

1. How does Caribou enhance relationship quality with their potential customers?
2. What types of marketing strategy are evident in this video? Give specific examples.


Answers

1. Caribou differentiates their product and customer experience from Starbucks through quality, service, and ambience. Friendly service, quality coffee, and in-store atmospherics are all components of building and sustaining customer loyalty.

- Caribou marketing strategy is centered on generating trial. Management believes that customers who try their coffee will appreciate the superior quality, service, and ambience of Caribou. Examples of marketing tactics include effective use of signage and presentation in stores as well as the use of large caribou-shaped coupons placed in elevators.

Slide 18

LO² Exhibit 2.2
The Value Equation



Value = What you get - What you give

What you get:

- Benefits such as:
 - Quality
 - Convenience
 - Emotions
 - Prestige
 - Experience
- Other Factors like:
 - Scarcity
 - Nostalgia

What you give:

- Sacrifice of:
 - Time
 - Money
 - Effort
 - Opportunity
 - Emotions
 - Image

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The Value Equation


Exhibit 2.2 demonstrates the value equation, which is what you get for what you give.

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

Slide 19

LO² Value

What type of value do consumers receive here?



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Slide 20

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

		Utilitarian Value	
		Low	High
Hedonic Value	Low	Bad Positioning - slow "fast" food	Okay Positioning - fast, "fast" food
	High	Okay Positioning - restaurant w/ nice atmosphere but poor food	Superior Positioning - restaurant w/ great atmosphere and great food

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 Icon indicates website links to related topics.

Q: The book uses Walmart as an example of a store with a low satisfaction index. Why would people trade customer satisfaction to become repeat purchasers at Walmart?

A: Answers will vary. However, most students will agree that price is the main determinant in obtaining repeat purchase value. Most consumers do not expect to have a wonderful experience while shopping at Walmart.

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

Slide 21

LO³

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

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Slide 22

LO³ Exhibit 2.4: Business Strategy Exists at Different Levels

```
graph TD; CC[Corporate Culture] --- CS[CORPORATE STRATEGY]; CC --- MS[MARKETING STRATEGY]; CC --- T[TACTICS];
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Marketing Strategy

Marketing strategy is the way a company goes about creating value for customers. Exhibit 2.4 details the different levels of a marketing strategy.

1. **Corporate strategy** – This strategy deals with how the firm will be defined and with setting general goals.
2. **Marketing strategy** – This strategy involves the way in which a company goes about creating value for its customers while taking competition and obsolescence into consideration.
3. **Tactics** – Tactics are the ways in which marketing management is implemented. They involve price, promotion, product, and distribution decisions.

Slide 23

LO³ Total Value Concept

Brand	Market Share
Coca-Cola	43%
Pepsi	31%
Dr. P/7-UP	15%
Other	11%

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

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Slide 24

LO³ Total Value Concept

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

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Total Value Concept

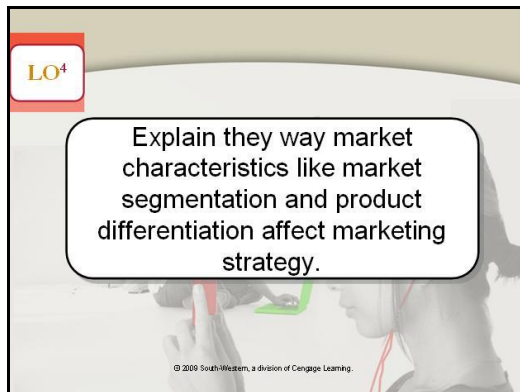
Total value concept is practiced when companies operate with the understanding that products provide value in multiple ways. Is Coca-Cola just a soft drink? No. Coke represents 45% of the market share and is definitely not the cheapest product on the market.

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

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

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

Slide 25



Target market is a commonplace term signifying the particular market segment that a company will serve with a specific marketing mix.

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

A: Answers will vary. Some possible responses include gender differences, age, ethnicity, and religious factors.

Slide 26

LO⁴ Market Segmentation and Product Differentiation


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

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

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Slide 27

LO⁴ Elasticity



Cheaper products don't always outsell their higher-priced alternatives.

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Market Segmentation

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

Elasticity

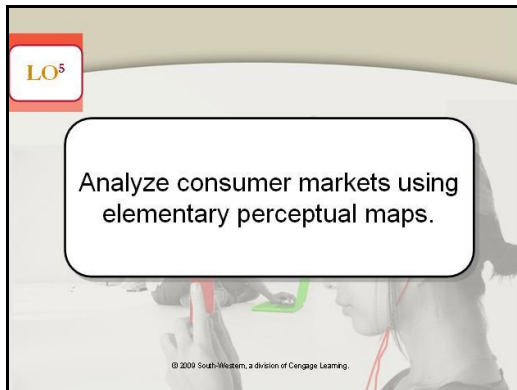
Elasticity is an economics term that is used to demonstrate the degree to which a consumer is sensitive to changes in some product characteristic. The example in the book suggested that there was more elasticity in the price variable versus the warranty variable when consumers purchase HDTVs.

Product Differentiation

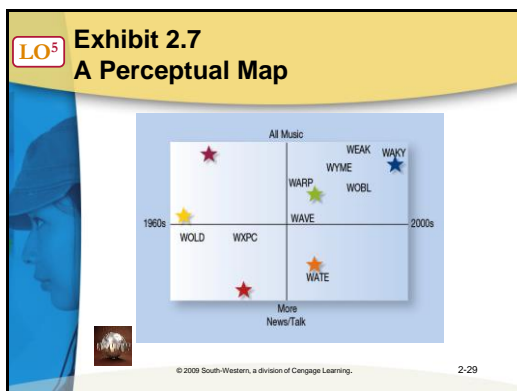
Product differentiation is a marketplace condition in which consumers do not view all competing products as identical to one another. An example of product differentiation is that many people regard Coke and Pepsi as similar but different products.

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

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

LO5. Analyze consumer markets using elementary perceptual maps.**Slide 28**

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

Slide 29

 Icon indicates website links to related topics.

Perceptual Maps

Perceptual maps are used to depict the positioning of competing products graphically. Exhibit 2.7 uses a radio station launching in the Springdale market as an example.

The analyst draws several conclusions about the radio station as follows:

1. Because this is a start-up station without massive resources, an “oldies” format playing nearly all music is recommended in an attempt to capitalize on the grey segment.
2. The highest demand quadrant appears to be quadrant 1 with contemporary music and little news/talk, but a great deal of resources would be required to start here because of the entrenched competition. Thus, option 1 appears preferable.

3. A potential threat exists if WXPC was to decrease the amount of news and talk, thus moving them toward the grey ideal point; however, this scenario appears unlikely. If WXPC was to undergo a format change, a move to increased news and talk to capitalize on the green segment's ideal point appears easier because of the relative proximity.

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

Using Consumer Behavior Theory in Marketing Strategy

Marketers struggle with making the correct decisions in the business world. Exhibit 2.8 displays a consumer behavior analysis checklist that is used by simply applying each question to the given situation.

LO6. Justify adopting the concept of consumers' lifetime value as an effective long-term orientation for many firms.

Slide 30

LO⁶

Justify adopting the concept of a consumers' lifetime value as an effective long-term orientation for many firms.

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Slide 31

LO⁶ Customer Lifetime Value (CLV)

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

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

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

Customer Lifetime Value (CLV)

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

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

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

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

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

Slide 32



 Icon indicates website links to related topics.

The consumer box feature on e-segments illustrates a way in which CLV analysis could be tied to market segmentation.

The CVF provides an orienting framework by which to study consumer behavior. Academic treatments of consumer behavior generally provide some type of comprehensive model. Perhaps none is better known than the Engel, Kollat, and Blackwell (EKB) model of consumer decision making (now found in Blackwell, Miniard, and Engel 2006). Although the CVF shares several common characteristics with other models, it is uniquely different in that it focuses on value and its antecedents and outcomes. In contrast, the EKB model, for example, concentrates on explaining consumer decision making.

The heart of the CVF is value, and value is the concept that leads consumers to form relationships with brands, stores, businesses, ideas, and so forth. Consumers go through the process of decision making because they pursue value. This characteristic best distinguishes the CVF from other frameworks.

END OF CHAPTER MATERIAL

CASE ANSWERS (PAGE 39)

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

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

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

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

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

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

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

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

REVIEW QUESTIONS

(* Indicates material on prep cards.

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

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

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

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

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

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

- 4.* [LO1] How is the Customer Value Framework useful?

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

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

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

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

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

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

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

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

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

9. [LO4] In what ways might one's country influence the value received from a Honda Pilot (an SUV)?

Answer: Countries have different infrastructure levels. A 4-wheel drive vehicle might be more advantageous in places where paved roads are the exception rather than the rule. However, the availability of gasoline is another issue. Because the Pilot needs gasoline, a country without a ready supply is not a country where a consumer could truly consume the product. Also, if gas prices are very expensive, the consumer may opt for a vehicle with better mileage.

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

Answer: A perceptual map is used to depict the positioning of competing products graphically. The dimensions of a perceptual map are simply the characteristics that

help distinguish different brands or products from each other. For example, price is a commonly used dimension. Brands can be distinguished into low-priced, moderately priced, and high-priced alternatives.

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

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

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

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

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

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

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

Answer: Even though this is simply an opinion question, students should be using the CLV concept in their opinions.

INTERACTIVE/APPLICATION EXERCISES

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

- Home Depot
- Starbucks
- Borders
- Oreck

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

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

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

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

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

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

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

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

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

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

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

GROUP ACTIVITY

Have students interview other students in class to determine whether some students are members of a club, fraternity, or sorority; are working part time; or are engaged in other extracurricular activities. Then, have students pair up in groups to analyze how members of their organization are following Maslow's hierarchy in regard to their purchases or activities outside of school.

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

CHAPTER VIDEO CASE

To view the video case E-business at Evo, go to the CB companion website <http://4ltrpress.cengage.com/cb/iamusingcb.html> and go to the Chapter Video and Video Case drop down menus to select this video.*

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

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

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

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

can virtually “meet” their customer service person or buyer or Bryce himself. Hawkins believes this helped to legitimize the company in the beginning. “People would get excited to find that the person that they’re talking to or the people that they’re buying from are actual users of this gear that we’re selling,” she says.

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

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

Trust, value, and personal service are the key elements in Evo’s success, but word of mouth only gets you so far. Advertising is difficult for an e-business such as Evo, where keeping it simple with low overhead and a no-frills annual budget is what makes them able to pass the discounts on to their customers. Like many Websites, they offer an affiliate program that places ads or links on other Websites to drive traffic back to Evo. An affiliate program or pay-per-click program pays owners of other sites every time a user clicks on an ad. In addition to paying for each click, Evo sends a “thank you” gift of 12 percent of each completed sale at evogear.com originating from the affiliate site. To protect their brand, remain authentic to their consumers, and remain in good standing with their suppliers, Molly Hawkins and her team lay out some ground rules for each potential affiliate. Their site must be well designed, easy to navigate, and, most importantly, must not contain any references to gambling, sexually explicit material, hate speech or racist content or any other inappropriate material. Sounds obvious, but being inadvertently connected with the most obscure, unseemly Website could mean the end of their business.

Ask your students:

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

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

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

Answer: Answers will vary. However, opening a flagship store in Seattle has helped Evo integrate its brand and retailing strategy with the broader ski and skate

youth culture. The space is designed to unite local customers around shared interests in music, streetwear fashions, art, skiing, snowboarding, and skateboarding. Evo founder Bryce Phillips calls the brick-and-mortar retail store “the heart and soul of the company.” He explains that it serves as the physical location where local customers, supply chain partners, and sales reps can experience firsthand what the Evo brand is all about. The store supports Evo’s primary e-tailing business and does not cause channel conflict. In the world of e-business, channel conflict typically occurs when product manufacturers undercut the success of their retail partners by selling products direct to consumers through their own electronic storefronts.

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

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

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

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

PART 1 VIDEO CASE

To view the part 1 video case, go to the CB companion website <http://4ltrpress.cengage.com/cb/iamusingcb.html> and go to the Part Video and Video Case drop down menus to select this video.

North Face Shopping Experience

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

Concepts Illustrated in the Video

- Value
- Consumption
- Consumer value framework
- Relationship marketing

- Relationship quality
- Internal influences
- External influences

Synopsis

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

Teaching Objectives for the Video Case

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

Critical Thinking Questions – Suggested Answers

1. Explain what is meant by relationship marketing. How many touchpoints were illustrated in the video?
 - a. Relationship marketing is the recognition that customer desires are recurring and that a single purchase act may be only one touchpoint in an ongoing series of interactions with a customer. In this video, we see two touchpoints between the customer and the store.
2. What is the value of a North Face jacket? Does the salesperson in the video clearly communicate the value of the jacket? Explain your answer.
 - a. The value of the North Face jacket is the lifetime warranty, high quality products and service one receives when shopping in the store. The salesperson clearly communicates the pros and cons of cheaper products not only by North Face but their competitors.
3. List the internal influences and external influences Patrick faced in purchasing the jacket.
 - a. Internal influences included Patrick's lifestyle, motivation and personality. He's a medical student and concerned about spending money.
 - b. External influences included the timing of the purchases, possibly Patrick's social class, and the store's atmospherics. *However, students' answers may vary to this question.*