CB 9 9th edition Babin Solutions Manual

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Instructor Manual

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Table of Contents

Purpose and Perspective of the Chapter 2
Cengage Supplements 2
Chapter Objectives 2
Complete List of Chapter Activities and Assessments 3
Key Terms 4
What's New in This Chapter 7
Chapter Outline 8
Discussion Questions 17
Additional Activities and Assignments 19
Additional Resources 20
Cengage Video Resources 20
External Videos or Playlist 20
Appendix 21
Generic Rubrics 21
Standard Writing Rubric 21
Standard Discussion Rubric 22

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CB 9 9th edition Babin Solutions Manual

Purpose and Perspective of the Chapter

The purpose of this chapter is to give students an overview of what Consumer Behavior (CB) is and why it is relevant to them. A consumer makes a decision with the intention of improving their life—that is, doing something of value. The process of making a purchase starts a chain reaction of value-creating actions. As one can see, people's behavior as consumers is critically important not just to themselves but to many other people. This is why so many people, not just marketing people, are interested in learning about consumer behavior (CB). True, the marketer who understands consumers will be able to design products with greater value potential and thus a greater chance of enhancing the well-being of stakeholders, including the company and customers. Recognizing trends such as machine learning and big data help marketers anticipate new ways to reach customers, different ways to use existing channels, and take advantage of new data sources to better inform their marketing plans. An understanding of consumer behavior can mean better business for companies, better public policy for governments, and a better life for individuals and households.

Cengage Supplements

The following product-level supplements provide additional information that may help you in preparing your course. They are available in the Instructor Resource Center.

- Transition Guide (provides information about what's new from edition to edition)
- Educator's Guide (describes assets in the platform with a detailed breakdown of activities by chapter with seat time)
- PowerPoint (provides text-based lectures and presentations)
- Test Bank (contains assessment questions and problems)
- Guide to Teaching Online (provides information about the key assets within the product and how to implement/facilitate use of the assets in synchronous and asynchronous teaching environments)
- Accelerated Course Syllabus (provides guidance on the recommended delivery of course materials given a 5-week, 8-week, 12-week, and 16-week course)
- MindTap User Guide (provides information on how to navigate and use MindTap)

Chapter Objectives

The following objectives are addressed in this chapter:

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

1-2 Describe how competition for business leads to better outcomes for consumers.

1-3 Explain the role of consumer behavior in today's business and society.

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

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1-5 Recognize how trends including technological evolutions like big data and machine learning contribute to CB's dynamism.

Complete List of Chapter Activities and Assessments

For additional guidance refer to the Teaching Online Guide.

Chapter Objective	PPT slide	Activity/Assessment	Duration	Certification Standard
All objectives	3	PowerPoint: Icebreaker	5 minutes	BUSPROG: Communication DISC: Customer
1-1		MindTap: Learn It 1-1: Consumption and Consumer Behavior	10-15 minutes	BUSPROG: Communication DISC: Customer
1-1	16-17	PowerPoint: Discussion 1	10 minutes	BUSPROG: Communication DISC: Customer
1-1, 1-2, and 1-3		IM: Additional Activities and Assignments	varies	
1-2		MindTap: Learn It 1-2: The Ways in Which Consumers Are Treated	10-15 minutes	BUSPROG: Communication DISC: Customer
1-2		IM: Additional Resources: External Videos or Playlist: GDPR: What Is It and How Might It Affect You?	2:55	
1-2	24-25	PowerPoint: Group Activity 1	15-20 minutes	BUSPROG: Communication DISC: Customer
1-3		MindTap: Learn It 1-3: The CB Field's Role in Business, Society, and for Consumers	10-15 minutes	BUSPROG: Communication DISC: Customer
1-3	36-37	PowerPoint: Discussion 2	10-15 minutes	BUSPROG: Analytic DISC: Customer

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1-4		MindTap: Learn It 1-4: Different Approaches to Studying Consumer Behavior	10-15 minutes	BUSPROG: Communication DISC: Customer
1-4	44	PowerPoint: Knowledge Check	5 minutes	BUSPROG: Communication DISC: Customer
1-5		MindTap: Learn It 1-5: Consumer Behavior Is Dynamic	10-15 minutes	BUSPROG: Communication DISC: Customer
1-5	54-55	PowerPoint: Group Activity 2	10-15 minutes	BUSPROG: Communication DISC: Customer
All objectives		MindTap: Apply It: Assignment: Chapter 01 What Is CB and Why Should I Care?	25 minutes	
All objectives		MindTap: Apply It: Case Activity: Chapter 01 What Is CB and Why Should I Care?	20 minutes	

[return to top]

Key Terms

anthropology: the field of study involving interpretation of relationships between consumers and the things they purchase, the products they own, and the activities in which they participate

attribute: a part, or tangible feature, of a product that potentially delivers a benefit of consumption

benefits: the positive results of consumption experiences

big data: a term used to represent the massive amounts of data available to companies, which can potentially be used to predict customer behaviors

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cognitive psychology: the study of the intricacies of mental reactions involved in information processing

collaborative consumption: the term used for a rental transaction activity that is consumer to consumer, rather than business to consumer or business to business

consumer (customer) orientation: the way of doing business in which the actions and decision making of the institution prioritize consumer value and satisfaction above all other concerns

consumer behavior: a set of value-seeking activities that take place as people go about addressing their real needs

consumer behavior as a field of study: the study of consumers as they go about the consumption process; the science of studying how consumers seek value in an effort to address real needs

consumption: the process by which consumers use and transform goods, services, or ideas into value

costs: the negative results of consumption experiences

differentiated marketers: the firms that serve multiple market segments, each with a unique product offering

economics: the study of production and consumption

ethnography: the qualitative approach to studying consumers that relies on interpretation of artifacts to draw conclusions about consumption

exchange: the acting out of the decision to give something up in return for something perceived to be of greater value

General Data Protection Regulation (GDPR): a regulation aimed at protecting European consumers' privacy, including a "right to be forgotten" requiring erasure of personal data.

internet of things: the automatic recording of data from everyday products that signal consumers' patterns of behavior

interpretive research: the approach that seeks to explain the inner meanings and motivations associated with specific consumption experiences

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machine learning: the application of artificial intelligence to automate tasks otherwise performed by humans

market orientation: an organizational culture that embodies the importance of creating value for customers among all employees

marketing: the multitude of value-producing seller activities that facilitate exchanges between buyers and sellers, including production, pricing, promotion, distribution, and retailing

netnography: a branch of ethnography that studies the behavior of online cultures and communities

neuroscience: the study of the central nervous system including brain mechanisms associated with emotion

niche marketing: a plan wherein a firm specializes in serving one market segment with particularly unique demand characteristics

one-to-one marketing: a type of marketing wherein a different product is offered for each individual customer so that each customer is treated as a segment of one

phenomenology: the qualitative approach to studying consumers that relies on interpretation of the lived experience associated with some aspect of consumption

predictive analytics: the application of statistical tools in an effort to discover patterns in data that allow prediction of consumer behavior

product: a potentially valuable bundle of benefits

production orientation: an approach where innovation is geared primarily toward making the production process as efficient and economical as possible

psychology: the study of human reactions to their environment

qualitative research tools: the means for gathering data in a relatively unstructured and non-quantified way, including case analysis, clinical interviews, and focus group interviews

quantitative research: the approach that addresses questions about consumer behavior using numerical measurement and analysis tools

relationship marketing: the activities based on the belief that the firm's performance is enhanced through repeat business

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researcher dependent: the data that requires a researcher's subjective opinion to interpret a meaning

resource-advantage theory: a theory that explains why companies succeed or fail; the firm goes about obtaining resources from consumers in return for the value the resources create

sharing economy: the global consumer trend toward rental (temporary usage for hire) rather than ownership or rather than doing a task yourself

social psychology: the study that focuses on the thoughts, feelings, and behaviors that people have as they interact with other people

sociology: the study of groups of people within a society, such as consumption that takes place within group settings or is affected by group behavior

stakeholder marketing: an orientation in which firms recognize that more than just the buyer and seller are involved in the marketing process, and a host of primary and secondary entities affect and are affected by the value creation process

touchpoints: the direct contacts between the firm and a customer

undifferentiated marketing: a type of marketing wherein the same basic product is offered to all customers

want: a specific desire representing a way a consumer may go about addressing a recognized need

[return to top]

What's New in This Chapter

The following elements are improvements in this chapter from the previous edition:

- More attention to the role of consumers in society
- Greater coverage to current policies, particularly those dealing with consumer privacy (GDRP)
- Focused attention on technological trends including the use of machine learning in marketing
- Updated consumer trends to include emphasis on private labels and healthcare sensitivity
- Two new feature boxes: One deals with Brand Relevance and another deals with the toilet paper buyout during the COVID-19 crisis.

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CB 9 9th edition Babin Solutions Manual

[return to top]

Chapter Outline

In the outline below, each element includes references (in parentheses) to related content. "CH.##" refers to the chapter objective; "PPT Slide #" refers to the slide number in the PowerPoint deck for this chapter (provided in the PowerPoints section of the Instructor Resource Center); and, as applicable for each discipline, accreditation or certification standards ("DISC"). Introduce the chapter and use the Ice Breaker in the PPT if desired, and if one is provided for this chapter. Review learning objectives for Chapter 1. (PPT Slides 1-3).

I. Consumption and Consumer Behavior (1-1, PPT Slides 4-17, DISC: Customer)
   a. People consider CB from two unique perspectives:
      - The actual human thoughts, feelings, and actions involved in consumption experiences, and/or
      - A field of study (human inquiry) that is developing an accumulated body of knowledge about human consumption experiences.
   b. **Consumer behavior** is the set of value-seeking activities that take place as people go about addressing and attempting to address real needs. In other words, when a consumer is motivated by a need, a process kicks in as the customer sets out to find desirable ways to fill that need.
   c. **The Basic CB Process**:
      - A **want** is a specific desire that spells out a way a consumer can go about addressing a recognized need. A consumer feels a need to stay in touch, belong, socialize, or feel good about one's self, and this need manifests itself in the want for better media access devices. Realizing the need, the consumer decides to visit the new Best Buy store (consumer electronics and appliances retailer). Having made a choice, the consumer completes an exchange in which resources are given up in return for ownership and the potential to use the product.
      - An **exchange** is the acting out of a decision to give something up in return for something perceived to be of greater value. The consumer then uses the product and experiences all the associated benefits and costs associated with consumption.
      - **Costs** are the negative results of consumption experiences.
   d. **Benefits** are the positive results of consumption experiences. Over time, the consumer evaluates the costs and benefits and reacts to the purchase in some way. These reactions involve thoughts and feelings. Ultimately, the process results in a perception of value.
   e. **Consumption** represents the process by which consumers use goods, services, or ideas and transform the experience into value. Consumption is a value-producing process in which the marketer and the consumer interact to produce value.

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f. **Consumer behavior as a field of study** represents the study of consumers as they go through the consumption process. In this sense, consumer behavior is the science of studying how consumers seek value in an effort to address real needs. CB shares particularly strong interdisciplinary connections with economics, psychology (particularly social psychology), marketing, and anthropology.

g. **Economics** is often defined as the study of production and consumption. As the definition states, economics involves consumption. Therefore, consumer behavior and economics have a lot in common.

h. **Psychology** is the study of human reactions to their environment. Psychology itself consists of several subdisciplines. Social psychology and cognitive psychology, in particular, are highly relevant to consumer behavior.
   - **Social psychology** focuses on the thoughts, feelings, and behaviors that people have as they interact with other people (group behavior). Consumer behavior most often takes place in some type of social setting or sometimes with the specific intention of affecting the way others view the self. Thus, social psychology and consumer behavior overlap significantly.
   - **Cognitive psychology** deals with the intricacies of mental reactions involved in information processing. Every time a consumer evaluates a product, sees an advertisement, or reacts to product consumption, information is processed. Thus, cognitive psychology is also very relevant to consumer behavior.
   - **Neuroscience**, the study of the central nervous system including brain mechanisms associated with emotion, offers potential for understanding CB by charting a consumer's psychological brain functions during the consumption process. One finding suggests that when consumers simply think about enjoying some of their favorite foods, their brains become more active than when they actually eat the food.

i. **Marketing** consists of the multitude of value-producing seller activities that facilitate exchanges between buyers and sellers. The value-producing activities include the production, promotion, pricing, distribution, and retailing of goods, services, ideas, and experiences, all with the potential to create value for consumers and other stakeholders. CB and marketing are very closely related. Exchange is intimately involved in marketing and is central to CB too.

j. **Consumer Behavior and Other Disciplines**
   - **Sociology** focuses on the study of groups of people within a society. Sociology's relevance for CB lies in the fact that consumption often takes place within group settings or is in one way or another affected by group dynamics.

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- **Anthropology** has contributed to consumer behavior research by allowing researchers to interpret the relationships between consumers and the things they purchase, the products they own, and the activities in which they participate. Anthropological consumer research often features the symbolic meanings behind people's possessions.

II. The Ways in Which Consumers Are Treated (1-2, PPT Slides 18–25, DISC: Customer)

a. Some organizations can survive while treating customers badly, while others need to pamper customers just to have a chance of surviving. Consider the following two questions in trying to understand why this is so:
   - How *competitive* is the marketing environment?
   - How *dependent* is the marketer on repeat business?

b. **Competition and Consumer Orientation**: Where do consumers go if they don't like their service at the DMV (Department of Motor Vehicles)? If the choice comes down to visiting the bureau or not driving, nearly all consumers will put up with the less-than-immaculate surroundings, long waits, and poor service that all too typically go along with getting a driver's license.

c. **Few Competitive Pressures?** In essence, the DMV typifies a service organization that operates in a market with practically no competitive pressure and a captive audience. In a government service like this, the answers to the two questions above are (1) not at all competitive and (2) not at all dependent on keeping customers. No matter how poor the service is, they know consumers will return to do more business when the term on their license expires or they need to register a vehicle.
   - A few states have turned to combinations of technology and private outsourcing to improve service. Some states have outsourced DMV offices to private companies. The private companies generally provide consumers with better service, and the DMV ends up with better and more accurate information about drivers.

d. **Many Competitive Pressures?** Consumers deal with firms operating in a highly competitive market dependent on repeat business. Thus, firms are oriented toward value creation, and consumers typically receive better treatment.

e. **Firm Orientations and Consumers**: Competition eventually drives companies toward a high degree of consumer orientation.
   - **Consumer (customer) orientation** is a way of doing business in which the actions and decision making of the institution prioritize consumer value and satisfaction above all other concerns. A consumer orientation is a key component of a firm with a market-oriented culture.

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- **Market orientation** is an organizational culture that embodies the importance of creating value for customers among all employees. A market orientation represents a less narrow focus than a strategic orientation that focuses more solely on production.
- However, an even broader orientation comes when firms adapt **stakeholder marketing**. Under the orientation, firms recognize that more than just the buyer and seller are involved in the marketing process. In fact, primary stakeholders include customers, employees, owners (or shareholders), suppliers, and regulating agencies; secondary stakeholders include the mass media, communities, and trade organizations.

f. **Relationship Marketing and Consumer Behavior**

- **Relationship marketing** means the firm's marketing activities aim to increase repeat business as a route to strong firm performance. Relationship marketing recognizes 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.
- **Touchpoints** are direct contacts between the firm and a customer. Increasingly, multiple channels or ways of making this contact exist, including phone, email, text messaging, online social networking, and especially face-to-face contact. Every touchpoint, no matter the channel, should be considered as an opportunity to create value for the customer.

g. **Group Activity: 15–20 minutes**

- Form a team with three other students. Select a company, either local, national, or multinational, that demonstrates a consumer (customer) orientation way of doing business.
- Provide examples that support a high degree of consumer orientation and describe the competitive environment in which this company operates. Use the Internet to conduct research if needed.
  - How easy/difficult was it to determine whether the company has adopted a consumer orientation way of doing business?
  - What do you think drives the company's treatment of its customers?

i. **ANSWER**: Students' answers will vary. A company's treatment of its customers will depend on the degree of competition it faces and possibly the amount of government regulations in its industry. Students should be able to point to specific actions the company has taken to demonstrate it prioritizes consumer value and satisfaction.

III. The CB Field's Role in Business, Society, and for Consumers (1-3, PPT Slides 26–37, DISC: Customer)

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a. CB is important in at least the following three ways:
   - CB provides an input to business/marketing strategy.
   - CB provides a force that shapes society.
   - CB provides an input to making responsible decisions as a consumer.

b. **Consumer Behavior and Marketing Strategy:** The ultimate hallmark of success for a business is long-term survival. Even though people may think about companies like this as lasting forever, chances are some of these giants will not be around 100, 50, or perhaps even 20 years from now. So, surviving is not a trivial goal, and the companies that do survive long term do so by finding ways to continuously obtain resources from consumers in return for the value they offer.
   - This is a basic tenet of **resource-advantage theory**, a prominent theory that explains why companies succeed or fail. Companies succeed by acquiring more resources from consumers and in turn using those resources to gain advantages in physical and intellectual capital. Ultimately, consumers give up resources in the pursuit of value.

c. **What Do People Buy?** When consumers buy something, they give up resources in the form of time, money, and energy in return for whatever is being sold.
   - An **attribute** is a part, or tangible feature, of a product that potentially delivers a benefit of consumption. Consumers don't really pay for the physical attributes of a product. Marketing firms often implement poor strategies when they don't fully understand what a product truly is.
   - A product is not a collection of attributes but rather a potentially valuable bundle of benefits.

d. **Innovation**: Ultimately, companies need to understand why people buy their products to recognize which other current and future products represent competitive threats. Newness alone does not make an innovation. An innovation has to produce value for consumers to be successful. Over time, successful innovations exhibit all or some of these characteristics given below.
   - **Relative advantage**: Makes things better than before
   - **Simplicity**: All things equal, a simpler innovation is better than a complex innovation
   - **Observable**: Things that are observable tend to get adopted faster
   - **Trialability**: Things that can be tried with little or no risk get adopted faster
   - **Consistency**: Consumers are more likely to adopt things that are congruent with existing values and knowledge

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e. **Ways of Doing Business**: Each way of marketing coincides with a varying degree of consumer orientation, which as indicated earlier is a basic component of a market or stakeholder orientation. The ways of doing business often guide a firm's marketing practices.
   - In **undifferentiated marketing**, the same basic product is offered to all customers. Undifferentiated marketers generally adopt a production orientation, wherein innovation is geared primarily toward making the production process as efficient and economical as possible.
   - **Differentiated marketers** serve multiple market segments, each with a unique product offering. Marketers can take differentiated marketing to the extreme with a practice known as one-to-one marketing. Here, the company offers a unique product to each individual customer and thereby treats each customer as a segment of one.
   - Firms that specialize in serving one market segment with particularly unique demand characteristics practice **niche marketing**. Niche marketers may be consumer oriented. However, some niche marketers are product oriented and produce a product that has unique appeal within a segment.

f. **Consumer Behavior and Society**: The things that people buy and consume end up determining the type of society in which they live. Certainly, not every society around the world is the same. Additionally, when governments create laws that govern the way people buy and consume products, consumer behavior is involved. Thus, consumer behavior creates the society in which people live and serves as an important source of input to public policy in a free society.

g. **Consumer Behavior and Personal Growth**: People face many important decisions as consumers. Among these are choices that will affect their professional careers, their quality of life, and the very fiber of their families. Some decisions are good; some are not. All consumers make dumb decisions occasionally. Thus, when consumers learn CB, they should be able to apply that knowledge by making better consumer decisions. Several topics can be particularly helpful in enlightening consumers, including the following:
   - Consequences associated with poor budget allocation
   - The role of emotions in consumer decision making
   - Avenues for seeking redress for unsatisfactory purchases
   - Social influences on decision making, including peer pressure
   - The effect of the environment on consumer behavior

IV. Different Approaches to Studying Consumer Behavior (1-4, PPT Slides 38–44, DISC: Customer)

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a. Consumer researchers have many tools and approaches with which to study CB, and researchers don't always agree on which approach is best. In reality, the consumer researcher should realize that no single best way of studying CB exists. Rather, different types of research settings may call for different approaches and the use of different tools. Thus, a brief overview of two basic approaches for studying CB have been provided.

b. **Interpretive research** seeks to explain the inner meanings and motivations associated with specific consumption experiences. Consumer researchers interpret these meanings through the words that consumers use to describe events or through observation of social interactions. Interpretive research generally falls into the broader category of qualitative research.
    - **Qualitative research tools** include things such as case analyses, clinical interviews, focus group interviews, and other means by which data are gathered in a relatively unstructured way. Data of this type requires that the researcher interpret its meaning.
    - Such results are considered **researcher dependent**, because the interpretation is a matter of opinion until corroborated by other findings.
    - Interpretive researchers adopt one of several orientations. Two common interpretative orientations are phenomenology and ethnography. **Phenomenology** represents the study of consumption as a "lived experience." **Ethnography** has roots in anthropology and often involves analyzing the artifacts associated with consumption. More recently, ethnographic CB research has taken a twist, brought on by the prominence of social networking in everyday life. **Netnography** applies ethnographic tools to study the behavior of online cultures and communities.

c. **Quantitative Consumer Research:** Statistical models can be applied to retail sales data to identify clusters of consumers who are more likely to be in the market for specific types of products. Sometimes, the results are so spot-on they become controversial. Other types of quantitative research exist as well. Researchers also employ quantitative measurement through surveys and very often use surveys to capture responses to some experiment that may manipulate some characteristic of an ad or product.
    - These studies typify quantitative research. **Quantitative research** addresses questions about consumer behavior using numerical measurement and analysis tools. The measurement is usually structured, meaning that the consumer will simply choose a response from among alternatives supplied by the researcher. Quantitative research might analyze sales data tracked via the Internet or with point-of-sale scanners.

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- Unlike qualitative research, the data are not researcher dependent. Typically, quantitative research better enables researchers to test hypotheses as compared to interpretive research. Similarly, quantitative research is more likely to stand on its own and does not require deep interpretation.

V. Consumer Behavior is Dynamic (1-5, PPT Slides 45–55, DISC: Customer)

a. All one has to do is examine the differences in standards of living between today's American consumers and those living in the years 1875, 1925, 1985, and 2020 to gain an appreciation of how CB has changed over time. The way marketers respond to consumers is changing dramatically. Marketers have historically used advances in technology to provide consumers with greater opportunities to communicate with companies. Today, billions of consumers around the world have 24-hour, seven-day-a-week access to markets via the Internet.

b. **Internationalization**: Although fast food and restaurant chains can be found worldwide, consumers are not alike everywhere these firms operate. An Outback Steakhouse in Seoul will offer kimchi (fermented cabbage) on the menu, something neither American nor Australian. Companies must therefore deal with geographical distances as well as cultural distances. The international focus of today's modern company places a greater demand on CB research. Every culture's people will interpret products and behaviors differently. The meanings these consumers perceive will determine the success or failure of the product being offered.

c. **Technological Changes**: People live in an age where technological advances seem to be coming at an ever-increasing rate. Upon closer reflection, they may realize that technology has influenced business practices ever since the advent of industry. In the mid-20th century, television revolutionized consumer behavior. Not only did TV change advertising forever, but true home shopping became a possibility. A consumer now has 24/7 access to purchasing almost any type of product. The Internet has made geographical distance almost a nonissue.

d. **Changing Communications**: As technology changes, so do the ways that people communicate with each other. Branded marketing campaigns and social media influencers rely on social media platforms and channels to push content to customer and attract new customers. New channels and ways of using existing channels are constantly changing the way social media is used.

e. **Big Data**: The term big data has come to be used to represent the massive amounts of data available to companies, which can potentially be used to predict customer behaviors.

- The data include internal records of customer behavior like scanner purchase data, survey responses, and web traffic records, as well as

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CB 9 9th edition Babin Solutions Manual

data from social network interactions and even things like GPS tracking. Researchers apply statistical tools to try to discover patterns in the data that will allow better prediction.

- The application of these statistical tools sometimes is referred to as **predictive analytics**.
- **The internet of things** is a broad term that includes the recording of data from everyday products that marketers can use to determine patterns of consumer behavior.

f. **Machine learning** is the application of artificial intelligence to automate tasks usually performed by humans.

- Marketers use machine learning to automate email and social media marketing campaigns and by using search-engine optimization (SEO) to improve the likelihood of people seeing their posts and published web content online.
- Chatbots provide automated responses to consumer queries using a messaging service.

g. **Changing Demographics**: In most of the Western world, notable demographic trends have shaped consumer behavior patterns greatly over the past quarter century or so. First, households increasingly include two primary income providers. Second, family size is decreasing throughout most of Western culture. As a result, the relative importance of cultures as consumer markets is changing. Marketers around the world find it hard to ignore the nearly 1.5 billion consumers each in China and India.

h. **Changing and Sharing Economy**: Recent years have seen a downturn in the economy in much of the developed world. U.S. consumer spending has changed in several ways. Consumers are more cautious about spending money and react more favorably to price-cutting policies.

- Private label brands are more attractive alternatives to save money.
- Marketers use merchandising to promote private labels using product arrangements on shelves driven by marketing analytics.
- Globally, including the United States, consumers display several signs of the times. Two related global consumer trends include the continued desire for greater convenience and the increased acceptability of temporary use in the form of sharing as an alternative to owning.
- The term **sharing economy** is used to capture the market activity involving temporary usage for hire (rentals) as a replacement for traditional ownership.

i. **Group Activity: 10–15 minutes**

- Form a team with three other students. Discuss the phrase “consumer behavior is dynamic” and what it means. Then answer the following questions:

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CB 9 9th edition Babin Solutions Manual

  - How does the dynamic nature of consumer behavior impact marketers?
  - What marketplace trends contribute to the dynamic nature of consumer behavior?
  - How did your group think the dynamic nature of consumer behavior impacts marketers?
  - What trends did your group consider contributors to the dynamic nature of consumer behavior?
- **ANSWER**: Students' answers will vary. Consumer behaviors are constantly changing, and therefore marketers' responses to consumers are also constantly changing. Several marketplace trends, such as internationalization, changing technologies, changing demographics, and changing and sharing economy, contribute to the dynamic nature of consumer behavior.

[return to top]

Discussion Questions

You can assign these questions several ways: in a discussion forum in your LMS; as whole-class discussions in person; or as a partner or group activity in class.

1. Discussion: (LO 1-1, PPT Slides 16–17) 10–15 minutes
    a. Q: Ask students why consumer behavior is a field of study. What do researchers want to learn when studying consumer behavior? How can this information be used and by whom?
    b. A: Students' answers will vary. Consumer behavior sets into place a chain of reactions that changes their lives, the lives of those around them, and the lives of people they don't even know. So due to the impact on society, the study of consumer behavior is important. It provides relevant knowledge for marketers seeking to understand consumers, which can be used to encourage consumers to shop, buy, and consume to create opportunity for businesses.

2. Discussion: (LO 1-1) 10–15 minutes
    a. Q: Ask students to explain the consumer behavior process with an example of a product that they recently purchased.
    b. A: Students' answers will vary but should include all the steps of the consumer behavior process, which begins with students' realization of their needs for the product and results in a perception of value gained from the product.

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3. Discussion: (LO 1-2) 5–10 minutes
    a. Q: Ask students to list some businesses that depend on repeat businesses.
    b. A: Students' answers will vary, but their answers may include the publishing business, dry cleaners, and so on.

4. Discussion: (LO 1-2) 10-15 minutes
    a. Q: Ask students to list the strategies by which a retail store can strengthen its relationship with its customers.
    b. A: Students' answers will vary. Some of their suggestions for the retail store could include the introduction of membership cards for customers, communication of weekly offers or lucky draws to customers, authorization of special discounts for customers with membership cards, and communication of daily alerts about offers to customers through email and text messages.

5. Discussion: (LO 1–3, PPT Slides 36–37) 10–15 minutes
    a. Q: Consumer behavior creates the society in which we live and serves as an important source of input to public policy, including laws that affect consumption.
    What do you think of the restrictions on the use of mobile phones in cars? Have these restrictions had an impact on consumer behavior? Do you think further restrictions are needed? What are some other examples of legislation that has had an impact on consumer behavior and consumption.
    b. A: Students' answers will vary. Students can defend public policy by discussing the positive impact it has had on consumer behavior. Students are likely to side with the societal viewpoint on public policy when it comes to safety. However, students should also consider behavior from the perspectives of an individual consumer.

6. Discussion: (LO 1-3) 5-10 minutes
    a. Q: Ask students to list some niche products.
    b. A: Students' examples will vary. Niche products can include designer watches, luxury cars, yachts, etc.

7. Discussion: (LO 1-3) 10-15 minutes
    a. Q: Ask students to determine the impact of legislation on consumer behavior. For example, what was the impact on consumer behavior following the bans on smoking in public places? What laws are specific to the state or city in which you live? Can restaurants or other establishments make their own rules regarding smoking?

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b. A: Students' answers will vary, but there should be discussion about differences in municipalities and states, as well as whether restaurants can impose stricter guidelines than the law.

8. Discussion: (LO 1-5) 5-10 minutes
    a. Q: Ask students to identify and describe a company that adapted its core product due to the changing preferences of its customers.
    b. A: Students' answers will vary. For example, students might suggest that McDonald's has altered its menu to suit the changes in its customers' tastes.

[return to top]

Additional Activities and Assignments

1. **Class Activity** (LO 1-1)
    c. Review the following situations, and discuss the relevance of consumer behavior to explain each scenario:
        i. A student selling a textbook back to the college bookstore
        ii. A student purchasing a value meal from an on-campus fast-food stand
        iii. A family purchasing a new home
        iv. A corporate CEO taking a prospective customer to lunch
        v. A consumer injured during a pick-up football match who is given an ice pack at a first-aid clinic
    d. **Answer**: Any activity involving consumer decisions that could lead to differing amounts of value is clearly relevant to consumer behavior. The case of the injured football player is the least relevant scenario because the consumer has very little choice.

2. **Group Activity** (LO 1-3)
    a. Use the Internet to write a brief research paper on a current public policy issue in which consumer behavior plays an important role. Develop an opinion on whether some type of new regulation or restriction might actually address the issue and create a better societal outcome. Prepare a brief skit to enact your issue, and summarize the ways in which knowledge of consumer behavior can contribute to understanding the issue.
    b. Have some fun with this. Relate the consumer behaviors to the amount of competition involved and the fact that public policy has both advantages and disadvantages for consumers.
    c. **Answer**: There is no "correct" answer to this exercise. It may be observed that students tend to focus more quickly on the short-term advantages of a

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public policy on an issue without considering the long-term market implications of these regulations on that issue.

3. **Class Activity** (LO 1-2)
    a. Do some research on the Internet on the following multinational companies:
        i. Whole Foods
        ii. Auchan
        iii. Primark
        iv. Walmart
        v. Ulta
        vi. Exxon
    b. Based on the descriptions of these companies found on the Internet, which way of treating customers has been adopted by each company? Which company would you argue is the most multinational?
    c. Answer: Students' answers will vary. All of these companies are multinational in the sense that they have operations in multiple countries. Primark and Exxon probably have operations in more countries than others. A company's treatment of its customers will depend on the degree of competition it faces and the potential amount of government regulations in its industry.

[return to top]

Additional Resources

Cengage Video Resources

- MindTap Videos:
    - (LO 1-1): What is CB and Why Should I Care? (:43)

External Videos or Playlist

- (LO 1-2): GDPR: What Is It and How Might It Affect You? **https://www.youtube.com/watch?v=j6wwBqfSk-o&ab_channel=ITGovernanceLtd** (2:55)

[return to top]

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Appendix

Generic Rubrics

Providing students with rubrics helps them understand expectations and components of assignments. Rubrics help students become more aware of their learning process and progress, and they improve students' work through timely and detailed feedback.

Customize these rubric templates as you wish. The writing rubric indicates 40 points and the discussion rubric indicates 30 points.

Standard Writing Rubric

Criteria	Meets Requirements	Needs Improvement	Incomplete
Content	The assignment clearly and comprehensively addresses all questions in the assignment. 15 points	The assignment partially addresses some or all questions in the assignment. 8 points	The assignment does not address the questions in the assignment. 0 points
Organization and Clarity	The assignment presents ideas in a clear manner and with strong organizational structure. The assignment includes an appropriate introduction, content, and conclusion. Coverage of facts, arguments, and conclusions are logically related and consistent. 10 points	The assignment presents ideas in a mostly clear manner and with a mostly strong organizational structure. The assignment includes an appropriate introduction, content, and conclusion. Coverage of facts, arguments, and conclusions are mostly logically related and consistent. 7 points	The assignment does not present ideas in a clear manner and with strong organizational structure. The assignment includes an introduction, content, and conclusion, but coverage of facts, arguments, and conclusions are not logically related and consistent. 0 points
Research	The assignment is based upon appropriate and adequate academic literature, including peer reviewed journals and other scholarly work. 5 points	The assignment is based upon adequate academic literature but does not include peer reviewed journals and other scholarly work. 3 points	The assignment is not based upon appropriate and adequate academic literature and does not include peer reviewed journals and other scholarly work. 0 points
Research	The assignment follows the required citation guidelines. 5 points	The assignment follows some of the required citation guidelines. 3 points	The assignment does not follow the required citation guidelines. 0 points
Grammar and Spelling	The assignment has two or fewer grammatical and spelling errors. 5 points	The assignment has three to five grammatical and spelling errors. 3 points	The assignment is incomplete or unintelligible. 0 points

[return to top]

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Standard Discussion Rubric

Criteria	Meets Requirements	Needs Improvement	Incomplete
Participation	Submits or participates in discussion by the posted deadlines. Follows all assignment. instructions for initial post and responses. 5 points	Does not participate or submit discussion by the posted deadlines. Does not follow instructions for initial post and responses. 3 points	Does not participate in discussion. 0 points
Contribution Quality	Comments stay on task. Comments add value to discussion topic. Comments motivate other students to respond. 20 points	Comments may not stay on task. Comments may not add value to discussion topic. Comments may not motivate other students to respond. 10 points	Does not participate in discussion. 0 points
Etiquette	Maintains appropriate language. Offers criticism in a constructive manner. Provides both positive and negative feedback. 5 points	Does not always maintain appropriate language. Offers criticism in an offensive manner. Provides only negative feedback. 3 points	Does not participate in discussion. 0 points

[return to top]

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Instructor Manual

Babin, CB9 2022, 9780357518205; Chapter 2: Value and the Consumer Behavior Framework

Table of Contents

Purpose and Perspective of the Chapter 2
Cengage Supplements 2
Chapter Objectives 2
Complete List of Chapter Activities and Assessments 3
Key Terms 5
What's New in This Chapter 7
Chapter Outline 7
Discussion Questions 16
Additional Activities and Assignments 19
Additional Resources 20
Cengage Video Resources 20
External Videos or Playlist 20
Appendix 21
Generic Rubrics 21
Standard Writing Rubric 21
Standard Discussion Rubric 22

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Purpose and Perspective of the Chapter

The purpose of this chapter is to give students an overview of the framework of Consumer Behavior (CB) and to recognize its value. Students should be able to identify the parts of the Consumer Value Framework (CVF), including the internal and external influences, the consumption process, value, and relationship quality, and how these parts are related to determine value. Differentiating between the two types of value (utilitarian and hedonic) can help determine worth and opportunity cost. Consumer value plays an important role in marketing strategy and helps a company's chances of long-run survival. Knowing how to establish a marketing mix helps attract the target market the company serves. Students should be able to illustrate a perceptual map in order to create an ideal point, which is the combination of product characteristics that provide the most value, in order to create a strategy canvas. Customer Lifetime Value (CLV) is the approximate worth of a customer to a company, in economic terms. Customers with high CLVs are most worth the time and effort in marketing.

Cengage Supplements

The following product-level supplements provide additional information that may help you in preparing your course. They are available in the Instructor Resource Center.

- Transition Guide (provides information about what's new from edition to edition)
- Educator's Guide (describes assets in the platform with a detailed breakdown of activities by chapter with seat time)
- PowerPoint (provides text-based lectures and presentations)
- Test Bank (contains assessment questions and problems)
- Guide to Teaching Online (provides information about the key assets within the product and how to implement/facilitate use of the assets in synchronous and asynchronous teaching environments)
- Accelerated Course Syllabus (provides guidance on the recommended delivery of course materials given a 5-week, 8-week, 12-week, and 16-week course)
- MindTap User Guide (provides information on how to navigate and use MindTap)

Chapter Objectives

The following objectives are addressed in this chapter:

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

2-2 Define consumer value and compare and contrast 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.

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2-5 Analyze consumer markets using elementary perceptual maps.

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

Complete List of Chapter Activities and Assessments

For additional guidance refer to the Teaching Online Guide.

Chapter Objective	PPT slide	Activity/Assessment	Duration	Certification Standard
2-1		MindTap: Learn It 2-1: The Consumer Value Framework and Its Components	10-15 minutes	BUSPROG: Analytic DISC: Customer
2-1, 2-3, and 2-5		IM: Additional Activities and Assignments	varies	
2-1	13-14	PowerPoint: Discussion 1	10-15 minutes	BUSPROG: Analytic DISC: Customer
2-2		MindTap: Learn It 2-2: Value and Its Two Basic Types	10-15 minutes	BUSPROG: Analytic DISC: Customer
2-2	22-23	PowerPoint: Group Activity 1	15-20 minutes	BUSPROG: Analytic DISC: Customer
2-3		MindTap: Learn It 2-3: Marketing Strategy and Consumer Value	10-15 minutes	BUSPROG: Analytic DISC: Strategy
2-3	33-34	PowerPoint: Group Activity 2	15-20 minutes	BUSPROG: Analytic DISC: Marketing Plan
2-4		MindTap: Learn It 2-4: Market Characteristics: Market Segments and Product Differentiation	10-15 minutes	BUSPROG: Analytic DISC: Customer
2-4		IM: Additional Resources: External Videos or	2:46	

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		Playlist: The 4 Ps of the Marketing Mix Simplified		
2-4	41-42	PowerPoint: Discussion 2	10-15 minutes	BUSPROG: Analytic DISC: Product
2-5		MindTap: Learn It 2-5: Analyzing Markets with Perceptual Maps	10-15 minutes	BUSPROG: Analytic DISC: Customer
2-5		IM: Additional Resources: External Videos or Playlist: Perceptual Mapping	5:05	
2-5	48	PowerPoint: Knowledge Check 1	5 minutes	BUSPROG: Analytic DISC: Marketing Plan
2-6		MindTap: Learn It 2-6: Value Today and Tomorrow—Customer Lifetime Value	10-15 minutes	BUSPROG: Analytic DISC: Customer
2-6	51	PowerPoint: Knowledge Check 2	5 minutes	BUSPROG: Analytic DISC: Marketing Plan
All objectives		MindTap: Apply It: Assignment: Chapter 02 Value and the Consumer Behavior Value Framework	25 minutes	
All objectives		MindTap: Apply It: Case Activity: Chapter 02 Value and the Consumer Behavior Value Framework	20 minutes	

[return to top]

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Key Terms

affect: feelings associated with objects or activities

augmented product: the actual physical product purchased plus any services such as installation and warranties necessary to use the product and obtain its benefits

backward (upward) sloping demand: a positive relationship between price and quantity

blue ocean strategy: positioning a firm far away from competitors' positions so that it creates an industry of its own and, at least for a time, isolates itself from competitors

cognition: thinking or mental processes that go on as we process and store things that can become knowledge

Consumer Value Framework (CVF): consumer behavior theory that illustrates factors that shape consumption- related behaviors and ultimately determine the value associated with consumption

corporate strategy: the way a firm is defined and its general goals

Customer Lifetime Value (CLV): the approximate worth of a customer to a company in economic terms; overall profitability of an individual consumer

Customer Relationship Management (CRM): a systematic information management system that collects, maintains, and reports detailed information about customers to enable a more customer-oriented managerial approach

elasticity: the degree of how sensitive a consumer is to changes in some product characteristic

external influences: the social and cultural aspects of life as a consumer

hedonic value: the value derived from the immediate gratification that comes from some activity

ideal point: combination of product characteristics that provide the most value to an individual consumer or market segment

individual differences: characteristic traits of individuals, including demographics, personality, and lifestyle

internal influences: things that go on inside the mind and heart of the consumer or that are psychologically a part of the consumer

liquid consumption: captures the notion that today's consumer extract value more from immediacy and virtual connections than from ownership or networks of family and friends

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

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marketing mix: the combination of product, pricing, promotion, and distribution strategies used to implement a marketing strategy

marketing myopia: a common condition in which a shortsighted company views itself in a product business rather than in a value- or benefits-producing business

marketing strategy: the way a company goes about creating value for customers

marketing tactics: the ways marketing strategy is implemented; involves price, promotion, product, and distribution decisions

perceptual map: the tool used to graphically depict the positioning of competing products

product differentiation: marketplace condition in which consumers do not view all competing products as identical to one another

product positioning: the way a product is perceived by a consumer

relationship quality: the degree of connectedness between a consumer and a retailer, brand, or service provider

service: an organization's efforts and resources applied toward value creation

situational influences: the things unique to a time or place that can affect consumer decision making and the value received from consumption

social environment: the elements that specifically deal with the way other people influence consumer decision making and value

strategy: a planned way of doing something to accomplish some goal

strategy canvas: a perceptual mapping technique involving more than two dimensions used to identify uncontested market space (i.e., a Blue Ocean positioning)

target market: the identified segment or segments of a market that a company serves

total value concept: the business practice wherein companies operate with the understanding that products provide value in multiple ways

utilitarian value: the gratification derived because something helps a consumer solve a problem or accomplish some task

value: a personal assessment of the net worth obtained from an activity

value co-creation: the realization that a consumer is necessary and must play a part in producing the value

zero moment of truth: the point when a shopper moves from passive to active and seeks out exchange alternatives

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[return to top]

What's New in This Chapter

The following elements are improvements in this chapter from the previous edition:

- Updated examples and statistics
- Two new feature boxes tied to current events including the impact of data privacy concerns on value (what consumers say versus what they do with Facebook or Google in light of privacy concerns)
- Introduce the notion of liquid consumption as part of the total value concept.
- Updated the CB Idea Checklist

[return to top]

Chapter Outline

In the outline below, each element includes references (in parentheses) to related content. "CH.##" refers to the chapter objective; "PPT Slide #" refers to the slide number in the PowerPoint deck for this chapter (provided in the PowerPoints section of the Instructor Resource Center); and, as applicable for each discipline, accreditation or certification standards ("DISC"). Introduce the chapter and use the Ice Breaker in the PPT if desired, and if one is provided for this chapter. Review learning objectives for Chapter 2. (PPT Slide 2).

I. The Consumer Value Framework and Its Components (2-1, PPT Slides 3-14, DISC: Customer)
   a. Given the potential complexity involved in explaining consumption, a framework for studying consumer behavior is useful. 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.
   c. **Relationship Quality:** Over the past two decades or so, **Customer Relationship Management (CRM)** has become a popular catchphrase, not

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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.

d. **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.

e. **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.

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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.

f. **External Influences:** 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.

II. Value and its Two Basic Types (2-2, PPT Slides 15-23, DISC: Customer)

a. 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

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consumption. In return, the firm receives value from consumers as they make purchases.

b. **The Value Equation:** 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.

c. 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.
    - **Utilitarian Value:** 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.
    - **Hedonic Value:** 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.

d. 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.

e. 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.

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III. Marketing Strategy and Consumer Value (2-3, PPT Slides 24-34, DISC: Marketing Plan)

a. 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.

b. **Marketing Strategy:** 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.

c. 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.

d. 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.

e. 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.

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f. **Total Value Concept:** Consider 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.

g. 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.

h. **The Total Value Concept Illustrated:** Consider a consumer who purchases a Ferrari Portofino. What does the Ferrari Portofino 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

i. 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.

j. **Value is Co-Created:** 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

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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.

k. **Group Activity: 15–20 minutes**
   - Form a team with two to three other students.
   - As a group, discuss how you believe the following companies provide value to consumers.
     - Home Depot
     - Apple
     - Barnes and Noble
     - Panera Bread
   - When discussing value, consider the positive consequences (benefits) as well as the negative consequences (sacrifices, opportunity costs).
   - **ANSWER**: Students' answers will vary. The main focus here is to foster a better understanding of how benefits lead to utilitarian and hedonic value. Group answers should include the following:
     - Did the members of your group agree on how the different companies provided value?
     - Did anyone think of a value provided in a different way than others in the group?
     - Did the class, as a whole, come to the same conclusions regarding the value offered by the companies?

IV. Market Characteristics: Market Segments and Product Differentiation (2-4, PPT Slides 35-42, DISC: Product)

a. 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.

b. **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.

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c. 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.

d. **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.

e. 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.

f. **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.

g. **Group Activity: 15–20 minutes**

- Form a team with two to three other students.
- As a group, use Internet resources (such as corporate and corporate-sponsored sites, articles, and blogs) to learn about the corporate and marketing strategies of the following companies.
  - Home Depot
  - Apple
  - Barnes and Noble
  - Panera Bread
- From your research, does it seem that they truly understand the value that consumers desire from companies in their respective industries? Provide evidence that supports your stance.
- **ANSWER:** Students' answers will vary. The main focus here is to help students apply the total value concept to real-life scenarios. Group

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answers should include the following:

- What did you learn about each companies' understanding of the value that consumers desire from them?
- How does the total value concept apply to these companies?

V. Analyzing Markets with Perceptual Maps (2-5, PPT Slides 43-48 DISC: Marketing Plan)

a. 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.

b. **Perceptual Maps:** 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.

c. **Illustrating 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.

d. 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.

e. The marketing analyst draws several conclusions based on these observations:

- The highest demand positioning is in quadrant IV (highly authentic, relaxing).

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- 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.

f. **Using Consumer Behavior Theory in Marketing Strategy:** Businesses are constantly using consumer behavior to make better strategic and operational marketing decisions.

VI. Value Today and Tomorrow—Customer Lifetime Value (2-6, PPT Slides 49-51, DISC: Customer)

a. 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* (sales − costs) + *npv* (equity)

b. 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. 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.

[return to top]

Discussion Questions

You can assign these questions several ways: in a discussion forum in your LMS; as whole-class discussions in person; or as a partner or group activity in class.

1. Discussion: (LO 2-1, PPT Slides 13-14) 10–15 minutes

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a. Q: Recall a recent solitary shopping experience. Then, recall a shopping experience with friends or family members. How was the solitary shopping experience different from the shopping experience with a group? Does shopping with peers or family members influence your buying decisions? Do you prefer one type of shopping over the other? Are there other external influences that may affect your buying behavior?
b. 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.

2. Discussion: (LO 2-1) 10–15 minutes
    a. Q: Ask students to identify some of the factors that affect a consumer's choice of brands or products over time.
    b. 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.

3. Discussion: (LO 2-2) 5–10 minutes
    a. Q: Ask students to give examples (other than the ones provided in the text) of products that deliver both hedonic and utilitarian values.
    b. 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.

4. Discussion: (LO 2-3) 10–15 minutes
    a. 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.
    b. 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, they pay for the product, its installation, breakdowns, and maintenance. At the same time, they enjoy the experience of owning an air-conditioner and also enjoy the cool air generated by the air-conditioner. And, at some point in time, they will have to dispose of it as well.

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5. Discussion: (LO 2-4, PPT Slides 41–42) 5–10 minutes
    a. Q: Select a high-priced product, such as a car. Be specific (for example, a sports car or a family car). List the product's characteristics and attributes. Based on these characteristics, identify some possible target markets for the product. Justify your answers. What are the characteristics (for example, age, income, geography, and lifestyle) of the members of the target market you chose?
    b. 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.

6. Discussion: (LO 2-4) 10–15 minutes
    a. 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?
    b. 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.

7. Discussion: (LO 2-5) 10–15 minutes
    a. 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.
    b. 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 they are considering along these dimensions and finally buy what they think is the best for themselves.

8. Discussion: (LO 2-6) 10–15 minutes
    a. 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.
    b. 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.

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This is because a company has access to numerical data like sales figures and cost figures, which help in calculating a customer's worth, whereas the only numerical data available to a customer is that of the money they spend on a product or service. It is not possible for the customer to assign a numerical value to the satisfaction or dissatisfaction they have gained from using the product or service.

[return to top]

Additional Activities and Assignments

1. **Group Activity** (LO 2-1)
    a. Assign each team member to closely examine a different component of the consumer value framework (CVF)—internal influences, external influences, etc.
    b. Have the members develop and act out a short skit in which each person explains to a store clerk why they are 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?
    c. 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.
    d. **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.

2. **Assignment** (LO 2-3)
    a. Interview three consumers from your town. Ask them how they believe the following companies provide value to consumers.
        i. Home Depot
        ii. Apple
        iii. Barnes and Noble
        iv. John Deere
    b. **Answer:** Students' answers will vary. The main focus here is to foster a better understanding of how benefits lead to utilitarian and hedonic value.

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3. **Class Activity** (LO 2-3)
    a. From the list of companies in Question 2, 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?
    b. **Answer:** The main focus here is to help students apply the total value concept to real-life scenarios.

4. **Class Activity** (LO 2-5)
    a. 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.
    b. 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**.
    c. **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.

[return to top]

Additional Resources

Cengage Video Resources

- MindTap Videos:
    - None

External Videos or Playlist

- (LO 2-4) The 4 Ps of the Marketing Mix Simplified **https://www.youtube.com/watch?v=Mco8vBAwOmA** (2:46)
- (LO 2-5) Perceptual Mapping **https://www.youtube.com/watch?v=L9hgJ-4hLYg&ab_channel=ChoiceBasedMarketInsights** (5:05)

[return to top]

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Appendix

Generic Rubrics

Providing students with rubrics helps them understand expectations and components of assignments. Rubrics help students become more aware of their learning process and progress, and they improve students' work through timely and detailed feedback.

Customize these rubric templates as you wish. The writing rubric indicates 40 points and the discussion rubric indicates 30 points.

Standard Writing Rubric

Criteria	Meets Requirements	Needs Improvement	Incomplete
Content	The assignment clearly and comprehensively addresses all questions in the assignment. 15 points	The assignment partially addresses some or all questions in the assignment. 8 points	The assignment does not address the questions in the assignment. 0 points
Organization and Clarity	The assignment presents ideas in a clear manner and with strong organizational structure. The assignment includes an appropriate introduction, content, and conclusion. Coverage of facts, arguments, and conclusions are logically related and consistent. 10 points	The assignment presents ideas in a mostly clear manner and with a mostly strong organizational structure. The assignment includes an appropriate introduction, content, and conclusion. Coverage of facts, arguments, and conclusions are mostly logically related and consistent. 7 points	The assignment does not present ideas in a clear manner and with strong organizational structure. The assignment includes an introduction, content, and conclusion, but coverage of facts, arguments, and conclusions are not logically related and consistent. 0 points
Research	The assignment is based upon appropriate and adequate academic literature, including peer reviewed journals and other scholarly work. 5 points	The assignment is based upon adequate academic literature but does not include peer reviewed journals and other scholarly work. 3 points	The assignment is not based upon appropriate and adequate academic literature and does not include peer reviewed journals and other scholarly work. 0 points
Research	The assignment follows the required citation guidelines. 5 points	The assignment follows some of the required citation guidelines. 3 points	The assignment does not follow the required citation guidelines. 0 points
Grammar and Spelling	The assignment has two or fewer grammatical and spelling errors. 5 points	The assignment has three to five grammatical and spelling errors. 3 points	The assignment is incomplete or unintelligible. 0 points

[return to top]

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Standard Discussion Rubric

Criteria	Meets Requirements	Needs Improvement	Incomplete
Participation	Submits or participates in discussion by the posted deadlines. Follows all assignment instructions for initial post and responses. 5 points	Does not participate or submit discussion by the posted deadlines. Does not follow instructions for initial post and responses. 3 points	Does not participate in discussion. 0 points
Contribution Quality	Comments stay on task. Comments add value to discussion topic. Comments motivate other students to respond. 20 points	Comments may not stay on task. Comments may not add value to discussion topic. Comments may not motivate other students to respond. 10 points	Does not participate in discussion. 0 points
Etiquette	Maintains appropriate language. Offers criticism in a constructive manner. Provides both positive and negative feedback. 5 points	Does not always maintain appropriate language. Offers criticism in an offensive manner. Provides only negative feedback. 3 points	Does not participate in discussion. 0 points

[return to top]

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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.

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.

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.

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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.

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.

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

1. Examine further the "2019 Ranking of Top 100 Global 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:

   It should be clear that automotive products do center largely in Western Europe. Also, many of the technological products originate in the U.S. In fact, many of the products do come from the U.S. From the table we also see that luxury products may tend to originate in France, at least in the case of Chanel. These findings influence consumer perceptions and country-of-origin effects. The intent of this question is to get students thinking about country of origin effects and how they may play out across industrial sectors. Also, as the case emphasizes, these effects do differ across demographics, education, and socio-cultural factors.

2. List ten 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:

   Responses to this question will vary. And, they will likely largely mirror those from the question #1. Patterns should emerge, and student should respond with ideas about how marketers can use this information. The important point here is how the perception of county-of-origin effects influence consumer decision making and behavior. Marketing professionals work to research these effects and to promote products in a way that make sense within the consumers' schemas. For example, Mercedes clearly promotes German engineering in their advertisements, and consumers around the world understand how this is

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an attribute of automobiles made in the country. This is a very clear and visible example of marketing mix components that are associated with country-of-origin effects.

3. Use the "2019 Ranking of Top 100 Global 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:

   Again, responses will vary. Some people will be able to correctly identify the country of origin, while others will not. Patterns may emerge based on lifestyles. For example, people who enjoy technology and keep up-to-date with trends will likely be able to correctly identify county of origin, etc. Others may not. This is a great question for addressing how country of origin effects play out in consumer behavior, knowledge, and decision making.

4. Your textbook refers to the concept of perceptual maps. Construct a perceptual map using the following two dimensions: (i) product ethnicity (low / high), and (ii) level of BoK (low / high). Choose at least ten 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:

   Responses to this question will vary greatly. Students should be able to defend the positioning of the brands included.

5. Using the same 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 customers?

   Answer:

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Depending on previous responses, students should be able to discuss country of origin effects as segmentation tools for marketers. Given the information in the case, students should include discussion of perceptual effects as they apply to this important issue. And, they may expand into popular demographic variables including education, socio-economic factors, and lifestyles. The case mentions this in the discussion regarding segmentation and decision making. Changing country-of-origin perceptions depends largely on belief and attitude change. The student would most likely not have studied this chapter yet, but they may allude to it in this answer. Also, the student should be able to discuss how internationalization factors (as discussed in Chapter 1) relates to country-of-origin effects and segmentation as well.

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Case 1-3 DemandTec by Acoustic: Using Collaborative Analytics and Science-Based Price Optimizatization in a Fragmented Latin American Market

Answers:

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

Answer:

Answers will vary. The idea here is to not focus on obvious baby-related products such as diapers, formula, strollers, etc. And, the focus sudden changes in buying behavior. For example, an expectant mother might exhibit common shopping behaviors that are out of her norm such as beginning to purchase organic foods, larger clothing, cameras, snack goods, anti-nausea medication, antacids, and body pillows. She would also tend to suddenly cut back on alcohol and tobacco purchases, and also to cut back on deli meats.

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

Answer:

Collaborative analytics, as the case discusses, allow for an improved analysis of massive amounts of data that not only increases efficiencies for the marketer, but that also allows customers to receive highly-personalized offerings. As such, these techniques offer improvements for both the marketer and consumer. With the focus on the price optimization software detailed in the case, the student should be aware that prices are able to be changed at the local level, further creating benefits for both the marketer and customer.

3. **GPA uses collaborative analytics to look at the shopping behavior of their customers. The next time you purchase groceries, make a list of every item that you purchased. Try to organize them in a meaningful way. Imagine that a researcher was using ethnographic**

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methods to analyze your grocery list. What insights might they have about you based on your purchases?

Answer:

Answers will vary. Several examples are given below that signal a great deal about lifestyles:

Health-focused consumers
Organic milk
Organic fruit and vegetables
Organic cereal
Free-range eggs
Fresh beef
Whole grain bread
Natural peanut butter
Sugar free jam

Fitness-prone consumers
Protein powder

Animal lovers
Cat food
Cat litter
Cat treats
Dog food
Dog treats

Wine Enthusiasts
Wine

Coffee / Tea Lovers
Coffee
Tea

Benefit-sought toothcare (based on coffee/tea lovers)
Advanced whitened toothpaste

Home / Body focus consumers
Water softener salt

Leisurely / Hobby segments
Coastal Living magazine
Real Simple magazine

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4. 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 by Acoustic. How will the use of collaborative analytics help them to better understand consumers in this new market?

   Answer:

   Answers will vary. While it is difficult for a local retailer that is not a part of a national or regional chain to expand internationally, DemandTec by Acoustic could help tremendously. As detailed in the case, DemandTec allows marketers to gain valuable insights that are not easily identified. All aspects of the marketing mix, including product, place, price, and promotion can be greatly impacted by the analysis. While answers could vary, retailers such as grocery stores, appliance stores, footwear stores, and athletic (golf, etc.) stores could greatly benefit from the use of DemandTec. For example, a footwear store could gather important segmentation and pricing information as is detailed in the case. This information could be used to help build effective and efficient product assortments, promotional campaigns, and pricing tactics. The purpose of this question is to get students to think about how collaborative analytics can help marketers of all sizes.

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Case 1-4 Sears: The Death of a Giant

Answers:

1. Describe some of the consumer behavior trends covered in this book that have affected Sears?

Answer:

Answers will vary. Whereas Sears was once the largest retailer in the world, the company failed to keep up with changes in consumer trends and also fell trap to some highly questionable strategic decisions that left the company heading for bankruptcy. The most obvious consumer trend, as highlighted in the case, is the trend toward discount stores and everyday low prices such as those found at Walmart. One trend that is noted in the book is a trend toward frugality, and this has led consumers to discount retailers. The company also failed to keep up with developments in ecommerce and felt the pain of falling behind Amazon. Big box shopping, like that available at Sam's Club, Costco, Home Depot, and Lowe's also directly impacted Sears in a seriously detrimental way. Sears has relied heavily on their presence in shopping malls, and mall shopping has seen a gradual decline in popularity (exacerbated by the Covid-19 pandemic). Ultimately, it's been a perfect storm of failing to recognize and react to consumer trends, failing to efficiently compete in the ecommerce sphere, and failing at corporate-level strategy that has led to the rapid and well-publicized decline of Sears.

2. Describe the external and situational influencers that have likely steered shoppers away from Sears?

Answer:

The trends highlighted in question #1 all apply (changes in value perspectives, shopping behaviors, frugality, etc.) as do changes in the situational influencers of store closures and merchandise unavailability. These closures and resultant disruptions to product deliver and order fulfillment (along with disastrous) vendor relations have steered customers away from the once proud retail giant. The Covid-19 pandemic, an important situational influencer, further pushed consumers towards online shopping.

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

Answer:

Answers will vary by favorite retailer. If the student were to compare Sears and Walmart, for example, we would expect the benefits from shopping at Walmart to include low prices, a wide selection of discounted items, and shopping convenience in the form of stand-alone bricks and mortar stores. The costs associated would be the relatively low monetary cost, but the higher costs in term of product image due to a focus on discounted items. For the total value concept, Walmart understands, and promotes, the everyday low price strategy. That is, they market to a carefully targeted consumer group that values price over quality. For Sears, the total value concept has been somewhat vague over the years. The department store approach that offered slightly more upscale products at relatively higher prices (usually within shopping malls) no longer appeals to most customers as compared to mass merchandise discount stores. The total value concept for Sears has

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largely been considered to be confusing by most consumers, leaving consumers with little motivation to shop at the stores.

4. What strengths does Sears still possess? Can Sears be revived? Please support your answer.

Answer:

Answers will vary. This is a very difficult question. In mid-2021, there are only a handful of Sears stores remaining (less than 30). And, the holding company, Transformco, is dealing with a mountain of active court cases and litigation regarding the retailer. Furthermore, Transformco is a privately-held company, which makes much of the speculation regarding future strategy and financial performance very difficult to assess. It is easy to suggest that Sears may be able to survive as an online retailer, but even at that, it is very difficult to complete with Amazon and Walmart. Much of the financial muscle of the company remains in real estate, but even this is being actively divested as a part of the strategy to stay afloat. The single best solution from a students' perspective would probably be in online marketing and ecommerce, and possibly very small, carefully targeted Sears boutique stores that are laser focused on specific locales. Even retail analysts are currently baffled at the prospects for Sears. Students, however, should be able to support their answers, which again, will likely focus on online / ecommerce.

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