

# CHAPTER 1

## WHAT IS CB, AND WHY SHOULD I CARE?

### WHAT DO YOU THINK? POLLING QUESTION

In any business, the customer is truly the most important person.

Strongly disagree    1    2    3    4    5    6    7    Strongly agree

Have students access [www.icanb.com](http://www.icanb.com) to answer the polling questions for each chapter of *CB*. Ask them to take the online poll to see how their answers compare with those of other students taking consumer behaviour courses across the country. Then turn to the last page of the chapter to find the What Others Have Thought box feature. This graph is a snapshot of how other consumer behaviour students have answered this polling question thus far.

### LEARNING OUTCOMES

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

- LO1 Understand marketing ethics and consumer misbehaviour.
- LO2 Understand the meaning of *consumption* and *consumer behaviour*.
- LO3 Describe how consumers get treated differently in various types of exchange environments.
- LO4 Explain the role of consumer behaviour in business and society.
- LO5 Be familiar with basic approaches to studying consumer behaviour.
- LO6 Describe why consumer behaviour is so dynamic and how recent trends affect consumers.

### SUGGESTED LECTURE OPENER

Consumer behaviour is driven by many things, including the weather. If your sprinkler breaks down during a dry, hot spell, you are likely to replace it quickly. However, you might have to travel to the back of the store before you get to the product you need, passing by fans, bathing suits, and air conditioners along the way. Savvy marketers use consumers' seasonal needs to drive sales and promote other products. Canada's unseasonably warm winter of 2011/12 even led to a mini housing boom, driving home sales up 6.7% from the previous year, according to Garry Marr's article in the March 15, 2012 edition of *The Financial Post*.

### KEY CONCEPTS WITH POWERPOINT® SLIDES

**Slide 1**



**Slide 2**



**Slide 3**





## What can I do in class?

**Q:** Ask students to explain the link between the recent economic downturn and consumption.

**A:** Answers will vary but should include discussion of the housing market, appliance and furniture purchases, fewer requests for services, and loss of jobs.

### LO1. Understand marketing ethics and consumer misbehaviour.

#### Slide 4

LO1

Understand marketing ethics and consumer misbehaviour.

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### Marketing Ethics and Consumer Misbehaviour

There are times when consumers misbehave and act in an unethical manner and there are times when marketers misbehave and act unethically. Scandals, manipulative marketing practices, and deceptive advertising can upset the value equation associated with a given exchange. Ultimately, consumers may vote with their wallets by changing their own buying behaviour and potentially that of family and friends, as well.

#### Slide 5

LO1 Marketing Ethics and Consumer Misbehaviour

Manipulative marketing practices, deceptive advertising, and corporate scandals upset the value equation associated with a given exchange.

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#### Slide 6

LO1 Effect of Corporate Misbehaviour

Ultimately, consumers "vote with their wallets" when companies engage in unethical behaviour.

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## LO2. Understand the meaning of *consumption* and *consumer behaviour*.

### Consumption and Consumer Behaviour

#### Slide 7

LO2

Understand the meaning of *consumption* and *consumer behaviour*.

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#### Slide 8

LO2 Consumer Behaviour Perspectives

Human Thought and Action

Field of Study

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### Consumer Behaviour as Human Behaviour

*Consumer behaviour* is the set of value-seeking activities that takes place as people go about addressing their needs.

#### Slide 9

LO2 Consumer Behaviour as Human Behaviour

Consumer behaviour is the set of value-seeking activities that take place as people go about addressing their needs.

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### The Basic CB Process

This process is detailed in Exhibit 1.2. In this chapter, the purchase of a BlackBerry Bold is described. In the first step, the consumer determines a *need* for a new cellphone with better access to other people, media, and the Internet. The *want* is to fit into society's norms; therefore, the consumer visits a cellphone store. The *exchange* occurs when money is exchanged for the phone. The *costs* involve the actual price of the product as well as the time and physical effort to visit the store. The *benefits* are the positive results of the purchase, such as better work performance. The *reaction* follows the purchase when the consumer evaluates the effectiveness of the phone. Ultimately, the process results in a perception of *value*.

### Consumption

*Consumption* represents the process by which goods, services, or ideas are used and transformed into value.



## Slide 10



### Economics and Consumer Behaviour

*Economics* is the study of production and consumption.

### Consumer Behaviour as a Field of Study

This relatively young field of study (initiated in the 1960s) represents the study of consumers as they go about the consumption process. Consumer behaviour is also referred to as buyer behaviour, or the science of studying how consumers seek value in an effort to address real needs.

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## Slide 12



**LO3. Describe how consumers get treated differently in various types of exchange environments.**

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## The Ways in Which Consumers Are Treated

The customer is treated differently depending on the place of business and type of service being performed. Consider the following two questions to understand the importance to any given organization of providing good service to customers:

1. How competitive is the marketing environment?
2. How dependent is the marketer on repeat business?

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### What can I do in class?

**Q: Ask students to name places where the consumer was not “king,” such as places where the wait time was too long or the establishment was not clean.**

**A: Examples used in the book include the passport office, Service Canada, a dining establishment, and an apparel retailer.**

## Competition and Consumer Orientation

What does a consumer do if their wait time at the passport office is too long? If the alternative is not to travel, the consumer will tend to tolerate poor service.

The opposite experience is *consumer (customer) orientation*, in which the business prioritizes the customer. A consumer orientation is a key component of a firm with a market-oriented culture. The organizational culture that embodies the importance of creating value for customers among all employees is called a *market orientation*.

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## Relationship Marketing and Consumer Behaviour

Relationship marketing is based on the belief that a firm's performance is enhanced through repeat business. Relationship marketing is the recognition that customer desires are recurring and that a single purchase may be only one touchpoint in an ongoing series of interactions with a customer. Touchpoints may include any type of correspondence with the consumer (i.e., email, phone call, text message, and face-to-face contact). Each touchpoint represents a way for the business to build value with the customer.

### What can I do in class?

**Q: Ask students to provide examples of relationship marketing. Why should a company take the time to establish a repeat customer?**

**A: Examples could include emails that customers receive on a weekly basis or loyalty cards for movie rentals and groceries. It's cheaper for a business to build customer relationships than to establish new customers.**

**LO4. Explain the role of consumer behaviour in business and society.**

### Consumer Behaviour's Role in Business and Society

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### Consumer Behaviour and Marketing Strategy

Consumer behaviour is not only an interesting subject, but also an important topic to understand from multiple perspectives:

1. CB provides an input to business/marketing strategy.
2. CB provides a force that shapes society.
3. CB provides an input to making responsible decisions as a consumer.

Businesses have a goal of achieving long-term survival. Companies that achieve that goal do so by obtaining resources from consumers in return for the value they create. This helps to explain *resource-advantage theory*. Exhibit 1.4 lists several companies, their products, and when they first started doing business.



## Slide 18

**LO1** Why Study CB?

- Input to business/marketing strategy
- Force that shapes society
- Input to making responsible decisions as a consumer

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## Slide 19

**LO1** Resource-Advantage Theory

The resource-advantage theory explains why companies succeed or fail; the company goes about obtaining resources from consumers in return for the value the company's resources create.

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**LO1** Exhibit 1.4: How Old Are These Companies?

**EXHIBIT 1.4**  
How Old Are These Companies?

COMPANY	DATE PRODUCTS	YEAR OF "BIRTH"	PLACE
Richard Roe Company	Mass Merchandising	1876	Chicago
Target	Food Retailing	1919	London, UK
Toyota	Motor Cars	1917	Japan
McDonald's	Fast Food	1954	Illinois
Wal-Mart	Mass Merchandising	1962	Arkansas
Samsung	Electronics	1938	South Korea
Microsoft	Computer Software	1975	Massachusetts
Apple	Computers, Communication Devices	1976	California
Home Depot	Building Supply and Retailing	1971	Georgia
Walmart	Specialty Retailer	1958	British Columbia

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## What Do People Buy?

Theodore Levitt, a famous marketing researcher, noted that consumers don't really seek products. Companies ultimately need to understand why people buy their products in order to understand how to keep their business current. Products that are on their way to obsolescence include VHS tapes, tape recorders, and CD players.

## Slide 21

**LO1** Make-Up or Hope?

A myopic business view defines the business in terms of products and not the value consumers receive.

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## Ways of Doing Business

Various ways of doing business are summarized in Exhibit 1.5, including:

1. **Undifferentiated marketing**—Offering the same product to all customers with no customization.
2. **Differentiated marketing**—Serving multiple market segments with different product offerings, such as the variety of products found in a Toyota car dealership.
3. **Niche marketing**—Serving one market segment with unique needs. For example, The Running Room targets runners to the exclusion of other recreational and competitive athletes.

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**LO1** Exhibit 1.5: Different Ways of Doing Business

**EXHIBIT 1.5**  
Different Ways of Doing Business

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## Consumer Behaviour and Society

The items that people buy and consume are representative of the type of society in which they live. For example, how does society treat smoking? Today, smoking is frowned upon not only in Canada and the United States, but also in Europe, where many places have embraced a non-smoking policy. However, smoking was commonplace and acceptable 40 years ago. Smoking is a consumption behaviour that is no longer valued by society at large in Canada.

### Slide 23



### What can I do in class?

**Q: Ask students how many of them smoke. When did they start smoking and why? How have their consumption patterns changed?**

**A: You will likely see a decline in the number of smokers each year. However, particular regions of Canada as well as colleges or universities might have different numbers.**

## Consumer Behaviour and Personal Growth

This section is based on life stages. Many university students are acquiring large amounts of credit card debt, contributing to the average Canadian debt of \$110,000 per household (including mortgage) in 2009.

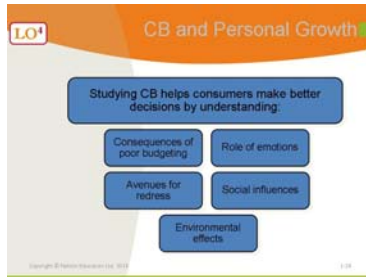
Several topics can be particularly helpful in enlightening consumers about consumer behaviour, including:

1. Consequences associated with poor budget allocation
2. The role of emotions in consumer decision making
3. Avenues for seeking redress for unsatisfactory purchases
4. Social influences on decision making, including peer pressure
5. The effect of the environment on consumer behaviour

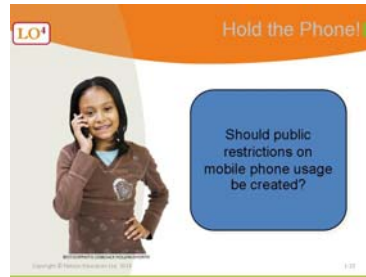
The Motorola “Brick” phone of the 1980s led to smartphones being widely used today. In both Canada and the United Kingdom a large population of children age 10–14 have their own cellphones. Restrictions are being put on mobile phone users ranging from safety issues while driving to etiquette issues for phone use in public places.



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### What can I do in class?

**Q: Ask students their opinions of the list on page 16 about mobile phone etiquette. Should people be restricted on how they use their phone in a public place?**

**A: Student answers will vary greatly.**

**LO5. Be familiar with basic approaches to studying consumer behaviour.**

### Different Approaches to Studying Consumer Behaviour

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There is no single “best” way to study consumer behaviour. The following research methods should be considered.

### Interpretive Research

Interpretive research seeks to explain the inner meanings and motivations associated with specific consumption experiences. Methods include observations and words that consumers use to describe events.

Interpretive research generally falls into the category of qualitative research. *Qualitative research tools* include case analyses, clinical interviews, focus group interviews, and other tools in which data are gathered in a relatively unstructured way.

Interpretive researchers adopt one of several orientations. Two common interpretive orientations are phenomenology and ethnography. *Phenomenology* represents the study of



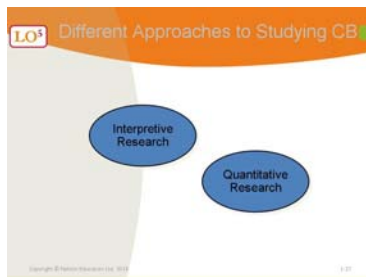
consumption as a “lived experience.” *Ethnography* has roots in anthropology and often involves analyzing the artifacts associated with consumption.

### Quantitative Consumer Research

Quantitative research addresses questions about consumer behaviour by 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. In other words, structured questionnaires typically involve multiple choice-type questions.

If consumers have an average attitude score of 50 for Brand A and 75 for Brand B, it can objectively be said that consumers tend to prefer Brand B. Experimental methodologies are also a key component of quantitative research, and offer the only research method to directly assess cause-and-effect relationships. Exhibit 1.6 summarizes some key differences between quantitative and qualitative research.

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**LO6. Describe why consumer behaviour is so dynamic and how recent trends affect consumers.**

### Consumer Behaviour Is Dynamic

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Today, consumers do not need to wait for a store to open in order to shop. Consumers can visit virtual stores 24 hours a day/7 days a week. The trends that are shaping the value received by consumers today are discussed in this section.



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### What can I do in class?

**Q:** Ask students how they feel about companies like 33Across analyzing their social networking communications to find out about products.

**A:** This statement should spark some debate among students to discuss how the information they volunteer online through social networking may be used. Companies strive to meet consumer demands, offer increasingly innovative products, and grow in response to increased sales. Is it OK that they gain the information for these innovative products by tracking us online?

### Internationalization

Many store chains have expanded outside their home markets. Consequently, companies must deal not only with geographical distances, but with cultural distances as well. The book discusses two examples—Starbucks and Outback Steakhouse. Each corporation must adapt its product menu to the country in which it operates. For example, in Seoul, Outback Steakhouse serves kimchi (fermented cabbage) on the menu, which is neither American nor Australian.

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### Technological Changes

In the mid-20th century, television revolutionized consumer behaviour. Not only did TV change advertising forever, but true home shopping became a possibility. Although technology continues to change, the basic consumer desire for value has not changed. In fact, the dot-com



failures of the late 1990s illustrated that companies can fail if they do not enhance the value that consumers receive when buying online.

### **Changing Communications**

Consumers' favourite form of communication used to be face-to-face. Now, many consumers choose the telephone as their preferred communication method (either by voice or text message). Email and social networks are also used. Marketers are learning quickly how to use these tools to communicate with consumers.

### **Changing Demographics**

Over the last 25 years, changing demographics mean families include two primary income providers and fewer people make up a family in North America and Europe, resulting in stagnant population growth. This leads marketers around the world to look harder at countries with increasing populations, like China and India.

### **Changing Economy**

Much of the developed world has faced a recent downturn in the economy, so consumers have less money to spend. Hearing about other economies around the world that are also in turmoil causes consumers to be more cautious as well.

## **VIDEO CLIP**

**PowerPoint Clip from *Netflix***

**Run time 1:24 minutes**



Netflix is a subscription service that provides streaming video over the Internet or delivers DVDs via mail. Netflix changed the way people rent movies and TV shows by cutting out the “shop front.” For a monthly fee, consumers have increased selections, no late fees, the ability to rent as many times as they like, and no need to leave their homes. Headquartered in Silicon Valley, CA, Netflix maintains distribution centres all over North America in order to maintain the company’s business model of speedy delivery and catering to consumers’ convenience needs.

### **Ask your students:**

1. How has Netflix’s business model successfully tapped into consumer behaviour?

**Answer:** By removing the need to drive to a store to rent or return films and by removing late fees, Netflix provides considerably greater consumer convenience than the traditional method of film rental.



2. How does Netflix use consumer behaviour and the Internet to avoid becoming obsolete as technology changes?

**Answer:** Netflix provides a website with film summaries, reviews, a queue for tracking and rating your videos, as well as a service called “Watch Instantly” that allows consumers even more convenience by eliminating the need to wait for a DVD to arrive in the mail. This delivery method uses current technology to stream video instantly to consumers.

## END OF CHAPTER MATERIAL

### CASE ANSWERS: The Hudson’s Bay Company

1. Using the basic consumption process in Exhibit 1.2, discuss how a young Canadian “consumes” clothing.

**Answer:** Consumers develop a need for new clothing in a variety of ways—new clothes for school or work, the introduction of a new fashion trend, or the desire to fit in with a particular group. Clothes are necessary to keep consumers warm and protected from the elements, but they are also a fashion item and young consumers like to feel good about the clothes they wear because it brings them self-esteem.

These needs drive consumers to want clothing that not only serves the basic functional needs, but also looks attractive and makes them feel fashionable and good about themselves. For this reason, they may be attracted to The Bay’s positioning as a store that’s in touch with fashion trends, with many fashion-forward labels in stock.

Consumers’ wants may lead them to consider an exchange with The Bay if the clothing styles in fact do closely match their desires.

The decision to participate in an exchange (or to forgo one) has costs and benefits. Clothing costs money, and trendy labels tend to cost more than less current designs or lower quality items. In return, however, consumers may project an improved image, and boost their self-esteem. To the extent that consumers believe they are supporting a Canadian retailing institution (regardless of its current ownership), they may gain additional value from the exchange.

If consumers indeed achieve the goal of projecting the desired image and feeling good about themselves, they will react favourably to their purchase from The Bay. The consumer will in that case experience positive value. If the product does not achieve those ends, then no positive value will have been received.

2. Do you think it makes sense for The Bay to pursue more fashionable apparel brands to attract younger shoppers?

**Answer:** Answers may vary. The Bay’s strategy of offering more fashionable apparel brands in order to attract young shoppers is a good business decision *if* it addresses a real need that its target market can afford to satisfy. If successfully implemented, the strategy may allow The Bay to differentiate itself from lower-priced competitors that do not offer higher-end fashion brands, while offering an alternative to exclusive, high-fashion retailers such as Holt-Renfrew.



3. Is The Bay a consumer-oriented company?

**Answer:** Based on its stated desire to cater to the wants and needs of a specific market segment (young consumers), The Bay appears to have adopted a consumer-oriented approach. Hiring a high-profile CEO from within the fashion industry and aggressively pursuing the fashion brands most desired by its customers are further proof of a desire to maximize consumer satisfaction. Its awareness of competitors' strategies indicates that this is part of a market-oriented business approach.

4. What sort of research will Bonnie Brooks need to drive her strategic decisions for The Bay in the next few years? Interpretive, quantitative, or experimental?

**Answer:** No single type of research is likely to provide answers to all the questions Ms. Brooks is likely to have. Quantitative approaches can analyze consumers' current buying patterns, indicating where specific types of products (such as fashion brands) are being purchased, who is buying them, how frequently they buy, and so on. Point-of-sale technologies provide a wealth of data the researcher can analyze to form a detailed picture of consumer buying habits. This information may need to be supplemented with interpretive research, which can help to explain the motivation behind these patterns, such as *why* certain consumers prefer to do business with certain types of stores. Finally, experimental research may be useful in assessing the effectiveness of specific marketing approaches. A test market can be a very useful tool in helping a retail chain to develop the most effective way to display, promote, and price its merchandise.

5. Almost any business involves some ethical questions. In this case, do you see any problems with positioning The Bay as Canada's oldest corporation when it is owned by an American private equity firm?

**Answer:** Answers will vary. Many brands are associated with a country of origin that no longer reflects its ownership (or never did so). The quintessentially British Mini Cooper brand is owned by Germany's BMW, while Jaguar belongs to India's Tata. Roots, which uses Canada and the beaver as part of its brand imagery, was founded by two Americans. Tim Hortons remained a Canadian icon even after its purchase by U.S.-based Wendy's. Students will have varying opinions on The Bay's ability to retain its Canadian heritage and the ethical issues of potential misrepresentation.

## REVIEW QUESTIONS

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

1. [LO1] List two perspectives from which consumer behaviour can be defined.

**Answer:** Consumer behaviour can be defined as (1) a field of study and as (2) human activity involving human thoughts and actions.

2. [LO1] Define consumer behaviour from both perspectives.



**Answer:** Consumer behaviour as a field of study represents the study of consumers as they go about the consumption process. In this sense, consumer behaviour is the science of studying how consumers seek value in an effort to address real need.

Consumer behaviour as a human activity is the set of value-seeking activities that take place as people go about addressing realized needs.

3. [LO1] List each stage in the consumption process, and briefly describe this process.

**Answer:** The stages include needs, wants, exchange, costs and benefits, reaction, and value. The basic consumption process is a chain reaction of events through which consumers receive value (i.e., the steps in consumption).

4. \*[LO1] What is consumption? Provide three examples of something you have “consumed” recently, and illustrate the concept of consumption with each example.

**Answer:** Consumption represents the process by which goods, services, or ideas are used and transformed into value. Examples should be easy. Music is enjoyable only when one listens to it (and likes it). Consumption can turn an mp3 file into value by listening.

5. [LO1] Explain the interrelationships among economics, psychology, marketing, and consumer behaviour.

**Answer:** In some ways, economics is an overarching discipline in that it also studies consumption but at a more abstract level than does consumer behaviour. Marketing studies stemmed from economics and psychology, and marketing itself represents potentially value-producing activities aimed at addressing consumer needs. As a field of study, consumer behaviour grew from the marketing field, and it was very much influenced by psychology because great emphasis was placed on the way consumers made decisions.

6. [LO2] What role does competition play in determining the way in which consumers are treated in the marketplace?

**Answer:** Competition eventually drives businesses toward a consumer orientation because the firm that doesn't serve customers well is vulnerable to the customer going elsewhere. Thus, the more competitive the market, the greater the chance that the consumer is treated with respect as a valuable resource to the firm. Because firms depend on repeat business (and as they recognize the advantages of doing so), they are more likely to treat customers better in an effort to build or maintain a strong relationship.

7. [LO2] Define consumer orientation. How do firms become consumer oriented?

**Answer:** Consumer (customer) orientation refers to 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 often a response to a competitive marketplace.

8. [LO2] Think about a consumer on a business trip out of town. What “touchpoints” take place during a typical day in a hotel for a business traveller?



**Answer:** Touchpoints are direct contacts between a firm and a customer. A day for the traveller may involve the following touchpoints:

- Wake-up call
- Visiting the fitness centre
- Going down for breakfast and being served
- Asking for directions
- Checking out of the hotel
- Getting help with transportation

9. [LO2] How is niche marketing different than differentiated marketing?

**Answer:** Niche marketers are pursuing exchanges within one market segment. Differentiated marketers attempt to serve multiple segments with multiple products.

10. [LO3] List three main reasons why consumer behaviour is such an important topic to understand.

**Answer:** Consumer behaviour is important in at least three ways:

- CB as an input to business/marketing strategy
- CB as a force that shapes society
- CB as an input to responsible consumer decision making

11. [LO3] How can consumer behaviour contribute to public policy?

**Answer:** Public policy includes measures taken to restrict consumer freedom in the interest of the common good. Restrictions on consumer freedom exist in the form of traffic laws as well as restrictions on trade, such as prescription drugs, and consumption activities, such as smoking. Such decisions should only be made with a thorough understanding of the consumer behaviour issues involved, such as consumer psychology and sociology and the impact of such decisions on the marketplace and economy.

12. \*[LO4] What two basic approaches to studying (i.e., researching) consumer behaviour are discussed in this chapter? How do they differ?

**Answer:** Interpretive research seeks to explain the inner meanings and motivations associated with specific consumption experiences. Quantitative research addresses questions about consumer behaviour by using numerical measurement and analysis tools. Exhibit 1.5 demonstrates specific differences between the approaches.

13. [LO4] When a researcher gathers information from consumers, such as household income and family size, and then uses this information to determine how much families will spend on a home, what “type” of research is being used here? Explain.

**Answer:** Quantitative research is being used because these measures will involve concrete, numeric measurements and statistical analyses to provide information.

14. [LO5] What is meant by the phrase “consumer behaviour is dynamic”?

**Answer:** Consumers are constantly changing, and therefore marketers’ responses to consumers are constantly changing, too. Several marketplace trends contribute to the



dynamic nature of consumer behaviour: internationalization, changing technologies, and changing demographics.

15. \*[LO5] How is the fact that communication media preferences are changing affecting consumer behaviour and the effective use of consumer behaviour in business?

**Answer:** Consumers no longer communicate by voice to the extent that they used to. In fact, younger consumers have turned to social networking as a preferred means of communication. Older consumers may still prefer speaking to someone in person or on the phone. Middle-aged consumers may prefer email. Marketers have had to change the way they communicate with their consumers and one result is a shift in resources toward social networking sites like Facebook as a way of reaching customers with effective marketing communication.

## INTERACTIVE/APPLICATION EXERCISES

16. \*Ethics is an important aspect of consumer behaviour. Later chapters will focus on ethics in more detail. However, given that consumer behaviour is useful from a business, societal, and personal viewpoint, in which area are ethics and consumer behaviour most closely related? Explain your choice.

**Answer:** Students can defend any area by discussing the behaviour of people involved in consumption and action. Students are likely to choose the societal viewpoint because issues such as public policy are most closely associated with ethics. However, students should also consider behaviour from both the individual consumer and potential marketing employee perspectives.

17. Review the following situations, and discuss the relevance of consumer behaviour to explain each scenario:

- A student selling a textbook back to the university bookstore
- A student purchasing a value meal from an on-campus fast-food stand
- A family purchasing a new home
- A corporate CEO taking a prospective customer to lunch
- A consumer injured during a pick-up football match who is given a tetanus shot at a first aid clinic
- A consumer in a third-world nation who is considering the purchase of a battery-operated television from a government-owned store

**Answer:** Any activity involving consumer decisions that could lead to differing amounts of value is clearly relevant to consumer behaviour. The case of the injured football player is the least relevant scenario because the consumer has very little choice.

18. Do some research on the Internet on the following multinational companies:

- Tesco
- Auchan
- Lotte Department Store
- Walmart
- Sephora
- Exxon



Based on the descriptions of these companies found on the Internet, which way of treating customers do you believe each has adopted? Which company would you argue is the most multinational?

**Answer:** All of these companies are multinational in the sense that they have operations in multiple countries. Sephora and Exxon probably have operations in more countries than do the others. The answer to which orientation each company has adopted to deal with their customers should be related to the degree of competition as well as the potential amount of government regulation that each company faces.

19. The following is a way to get a little practice as an interpretive researcher. Find two consumers who are significantly older than you, two consumers slightly older than you, and two consumers substantially younger than you who will allow you to observe them while they browse the Internet. Collect some field notes that describe their behaviour as well as the discussion that you have with them during the exercise. Based on these interviews, prepare a brief report on the way people from different generations obtain value from their use of the Internet.

**Answer:** Students should attempt to provide explanations of behaviour by interpreting what they see and what the consumer does.

20. **\*Team Exercise:** Use the Internet to do a brief research paper on a current public policy issue in which consumer behaviour 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 behaviour can contribute to understanding the issue.

Have some fun with this. Relate the consumer behaviours to the amount of competition involved and the fact that public policy has both advantages and disadvantages for consumers.

**Answer:** Students tend to focus more quickly on the short-term advantages without considering the long-term market implications of regulations.

21. **Team Exercise:** Interview at least five consumers from each of the following age groups: 10–15 years old, 20–29 years old, 35–45 years old, and over 55 years old. Ask the consumers what is their preferred method of communicating with a) friends, b) family, and c) businesses. Also, ask them what types of products they use to help them communicate with friends and family. Do the results suggest that they derive value from all communication technologies to the same degree, or do they use different technologies to communicate? Do you think the answers would be the same if you were dealing with consumers from Europe, Mexico, or Japan? How might firms cope with the dynamics of this situation?

**Answer:** Students should focus on the dynamic nature of consumer behaviour in discussing the results of the interviews.



GROUP ACTIVITY

Track consumption patterns in your class over the next week. Have students work in teams of two or as individuals if class size permits. This activity can also be used as a trimester- or semester-long project and will work best at the beginning of the term. Have students collect their receipts throughout the week and track all purchases from books to bottles of water. Students will meet in their groups during the second class and compare their purchase patterns. Students should present their findings in the following journal entry format.

Date	Items Purchased	Place of Purchase	Price	Planned or Impulse?	Descriptive Information	Reason for Purchase	Feelings Associated with Purchase
Week 1 9/7/13	Books	Bookstore	\$190	Planned	Needed for class	Course requirement	Positive, should get a good grade now.

CHAPTER VIDEO CASE

To view the video case *ReadyMade Do It Yourself*, go to the *CB* companion website [www.icancb.com](http://www.icancb.com) to select this video.<sup>1</sup>

In 2001, when Grace Hawthorne, CEO, and Shoshana Berger, Editor-in-Chief, came up with their idea for *ReadyMade*, there were no other publications with their unique do-it-yourself (DIY) theme. *ReadyMade* was to be a magazine about fun and creative projects for the home. Since its development, the bi-monthly magazine has enjoyed a loyal subscriber base and continues to gain readership across the country. All issues include numerous do-it-yourself (DIY) projects, each rated by their level of difficulty, as well as several feature articles exploring the latest in innovation and design. In this video, pay attention to *ReadyMade*’s methods as they launched their magazine. Note also how *ReadyMade* uses its knowledge of its consumer base to tailor the product.

Ask your students:

1. While the *ReadyMade* magazine was still in the design stages, very little research was done to determine whether an interested market existed. Did this adversely affect the magazine as it moved forward to publication? Explain.

**Answer:** The founders of *ReadyMade* magazine did little formal research, but they were immersed in the lifestyles and expectations of their target market, which in essence, was themselves. Whether their subscriber base would have been larger at the outset had they done more research is difficult to say, but since launching, the DIY market segment has grown exponentially and perhaps carried them along. Perhaps *ReadyMade*’s founders were lucky, or perhaps they were inspired. CEO Grace Hawthorne remarked that their marketing plan was, in essence, “if [we] build it, they will come.”

<sup>1</sup> From Lamb, Hair, McDaniel. ReadyMade-Do It Yourself from *Marketing* 9e, pg. 183. Copyright © 2008 South-Western, a part of Cengage Learning, Inc. Reproduced by permission. [www.cengage.com/permissions](http://www.cengage.com/permissions)



2. How does the cover of *ReadyMade* magazine reflect the principles of packaging design as influenced by the known behaviour of its consumers?

**Answer:** The cover of *ReadyMade* magazine is carefully designed to provide a new reader, with just one glance, an understanding of the magazine's purpose: a dual-gender, youth-spirited, DIY, project-related, home improvement guide.

3. To what extent does *ReadyMade* rely on opinion leaders to promote the magazine? Is this a successful tactic?

**Answer:** *ReadyMade* heavily relies on peer-to-peer recommendations; those DIY peers are the opinion leaders in the DIY market segment and have generated new subscriptions. For the DIY market, relying on opinion leaders has proven a successful tactic.