ELEVENTH EDITION

CONSUMER BEHAVIOR

Leon G. Schiffman
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Consumer Behavior

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Consumer Behavior

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In Memory of Leslie Lazar Kanuk
Our Coauthor, Colleague, and Friend

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Brief Contents

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Contents

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Preface

New to the Eleventh Edition

Our guiding principle in writing this edition has been the leaping progress towards the inevitable synthesis of media, entertainment content, and marketing. Not long ago, marketers bought advertising space within information and entertainment content produced by print and broadcast media. Today, media and their contents are often "produced" by consumers. In the past, marketers used media's "audience profiles" in deciding where to place "one size fits all" ads. Today, dynamic-ad-servers customize ads based on consumers' Internet browsing behavior, and marketers use behavioral targeting and employ firms that listen to and analyze what consumers are talking about in social media sites. Marketers that once purchased advertising space in only a few magazines or TV sitcoms, today buy ads through multiple ad exchanges and use predictive analytics that assess the effectiveness of their ads.

- New topics: In this edition, we discuss behavioral targeting, customizing products and promotional messages, predictive analytics, reaching "eyeballs" instead of demographic groups, tracking online navigation and analyzing websites' visits, gauging word-of-mouth and opinion leadership online, consumer-generated advertising, and new media platforms, such as mobile and apps advertising.
- New Technologies and Online Practices: In this edition we also address Americans' usage of new technologies and the online practices of all age subcultures. At a time where the loss of privacy is the subject of an intensive public debate, we have charts showing how leading social networks collect data about consumers and a corresponding judgmental analysis in the chapter on ethics.
- We strengthened the book's principal facet, conceived in its first edition in 1978, which is focusing on the strategic applications of understanding consumer behavior. Our cases feature authentic campaigns that advertisers submitted for recognition by effie Worldwide—a global entity that pays tributes to exceptional marketers. Each chapter opens with a "hands-on" example (some with comments by marketing executives) and exhibits based on recent, empirical data are showcased in all chapters together with guidelines for marketing applications.
- We added sections about sensory audio input, "actual" and "ideal" product-related attitudes, extra measures of cultural values, and empirical data about occupational prestige rankings and social class.
- The presentation about consumers overseas has been updated to include more comprehensive coverage of cross-cultural analysis, charts depicting consumers' spending of disposable income in several countries, brand shares of American products overseas, and profiles of leading global brands.
- Finally, in its first edition, this book was the first one ever to use print ads as illustrations of consumer behavior (a practice that was quickly adopted by all marketing textbooks), and this edition includes over 100 new ads.

Chapter-by-Chapter Updates: In Detail

Part I: Consumers, Marketers, and Technology

Chapter 1 explains consumer behavior as an interdisciplinary framework. It describes the evolution of marketing, prominent marketing strategies, and marketers' social responsibilities. The chapter details the revolutionary impact of technology on strategic marketing, and the interrelationships among customer value, satisfaction, and retention. It concludes with a model of consumer decision-making.

Chapter 2 describes market segmentation, including the demographic, sociocultural, and psychographic bases for segmenting markets. It explores the criteria for selecting target markets, behavioral targeting, and positioning and differentiating products and services.

Chapter 1: Technology-Driven Consumer Behavior

- ***Hands-On:*** Porsche; Scion
- Technology enriches the marketing exchange
- Behavioral information and targeting
- Interactive communication channels
- Customizing products and ads
- Better pricing and distribution
- Technology and customer satisfaction and retention
- ***Showcased:*** Ownership of mobile devices, prominent online activities, comparing e-readers, an airline's profitability tiers, and an updated model of consumer decision-making.
- ***Ads:*** Porsche, Scion, Classico sauce, PeTA (People for the Ethical Treatment of Animals), and the U.S. Navy.

Chapter 2: Segmentation, Targeting, and Positioning

- ***Hands-On:*** Qantas
- Behavioral targeting
- Tracking online navigation
- Geographic location and mobile targeting
- The information "arms race"
- Positioning and repositioning
- ***Showcased:*** Nielsen's segmentation frameworks, segmenting green consumers, samples of psychographic statements, and Target's behavioral targeting
- ***Ads:*** Count on Shell, Bertolli pasta, V8 100% Original Vegetable Juice, Mack's Earplugs, Campbell's Minestrone, Healthy Choice lunch, TOMTOM GPS, and Fage Total yogurt
- ***Case:*** Porsche

Part II: The Consumer as an Individual

Part II examines the impact of psychological factors on consumer behavior. Chapter 3 discusses the influence of needs, motivation, and personality characteristics. Chapter 4 explores consumer perception, which consists of selecting, organizing, and interpreting marketing stimuli. Chapter 5 describes the learning process and how past shopping experiences affect subsequent buying. Chapter 6 looks at the formation, study, and strategic applications of consumer attitudes.

Chapter 3: Consumer Motivation and Personality

- ***Hands-On:*** Government of Alberta; Mr. Clean
- ***Showcased:*** Promotional applications of key psychogenic needs, personality characteristics of opinion leaders and innovators, individuals with a high need for uniqueness, materialistic consumers, compulsive shoppers, and vain persons
- ***Ads:*** Kaplan Bar Review, Ving hotels, Godiva, Outward Bound Wilderness, Rock Resorts, Yoplait Light, and Reach Listerine.

Chapter 4: Consumer Perception

- ***Hands-On:*** McCain French Fries; Heinz Tomato Ketchup
- ***Showcased:*** Sensory audio input and product perception, a price quality relationship "riddle," and brand image updates that create emotional bonds with consumers
- ***Ads:*** Mitchell Eye Centre, Betty Crocker, Xerox, Crest Whitestrips, Children's Defense Fund, Canadian Dental Association, Gillette Proglide, Saab, Spy Museum, MADD (Mothers Against Drunk Driving), and Sweet' n Low.

Chapter 5: Consumer Learning

- ***Hands-On:*** Snickers Peanut Butter Squared; Febreze
- ***Ads:*** Fresh Step cat litter, V8 soups from Campbell's, Mr. Clean Febreze exotic scents, Clorox Bleach Gel, Ragu pasta sauce, Crest Pro-Health, and American Airlines.

Chapter 6: Consumer Attitude Formation and Change

- ***Hands-On:*** Snickers Peanut Butter Squared and Snickers Easter Egg
- Primary data-based application of the attitude-toward-object-model
- "Ideal," "concept," and "actual" attitudes in developing a new orange juice
- Alumni donations illustration of self-attribution theory
- ***Ads:*** Avocado Mexico, Aleve, Phillips' Caplets, Dole Fruit Bowls, Lysol Wipes, Healthy Choice lunch, V8 Fusion vegetable juice, Certified Angus Beef, Method Laundry Detergent, and the American Academy for Orthopedic Surgeons.
- ***Case:*** Febreze
- ***Case:*** Superfast Handwash

Part III: Communication and Consumer Behavior

Part III addresses communication and persuasion. Chapter 7 covers the elements of communications and overcoming barriers to effective communications. We outline the differences between the broadcasting communications model (which is rooted in mass and traditional media), and the narrowcasting model (which originates in new media, such as online advertising and social media). The chapter then focuses on the message: its structure, persuasive appeal, and effectiveness. Chapter 8 explores communication channels and the transition from print and broadcast media to social media and mobile advertising. We expore the targeting methods used in old and new communication channels, the role of key entities (such as Google and Facebook), and the electronic evolution of traditional media. Chapter 9 examines the credibility of media and personal sources of information, consumers' reference groups, the role of opinion leaders, and the dynamics of word-of-mouth offline and online.

Chapter 7: Persuading Consumers

- ***Hands-On:*** Persuasive Appeals—Desley Travel Light, Sojourner Family Peace Center, ALT magazine, and Clorox Bleach
- Narrowcasting versus broadcasting
- Traditional versus new media
- Addressable advertising
- Measures of message effectiveness
- Timely advertising appeals
- ***Ads:*** British Airways, Mistique Ultra Soft Tissue, "I can't believe its not butter," Aleve, Bucharest's City Police, and Ving hotels.

Chapter 8: From Print and Broadcast Advertising to Social and Mobile Media

- ***Hands-On:*** Impression-Based Targeting
- Targeting segments versus eyeballs
- Real-time bidding and data aggregators
- Retargeting
- Google's consumer tracking and targeting
- Web-search, display, and mobile ads
- Google's "organic results" and "sponsored space"
- Consumers' permissions for apps' information gathering
- Effective social media campaigns
- Owned, paid, and earned social media channels
- Consumers and mobile media

- Measuring the effectiveness of advertising in new media
- Analyzing website visits
- Gauging influence within social networks
- Google Analytics
- Nielsen's Cross-Platform measures
- Traditional media's electronic evolution
- Webisodes, advergames, and branded entertainment
- ***Showcased:*** Google's revenues, number of permissions requested from users by the most popular apps, types of permissions requested, M&M's Mr. Red, declining advertising ad pages, and effective tweeting.

Chapter 9: Reference Groups and Word-of-Mouth

- ***Hands-On:*** Campbell's
- Word-of-mouth in social networks and brand communities
- Klout scores
- Weblogging and twetting
- Buzz agents and viral marketing
- Managing negative rumors online
- Diffusion of Innovations
- ***Showcased:*** Group membership and comparative versus normative influence, characteristics of conformists, product conspicuousness and reference group influence, motivations of opinion leaders and receivers, characteristics and shopping patterns of fashion opinion leaders, sample items used in the self-designation of opinion leadership, and characteristics of risk-averse consumers
- ***Ads:*** MADD, the U.S. Navy, ALT magazine, and PeTA.
- ***Case:*** Keystone Light

Part IV: Consumers in Their Social and Cultural Settings

Part IV examines consumers in their social and cultural settings. Chapter 10 examines the family as a consumption unit and its standing within the social class structure. Chapter 11 describes culture and how it is expressed through values, rituals, and customs. It explains how to measure cultural values, and illustrates Americans' core values with ads and consumers' purchases and priorities. Chapter 12 describes how subcultures are derived from ethnicity, religion, geographic location, age, and gender. Chapter 13 explores cross-cultural analysis, how to assess marketing opportunities abroad, and whether or not customize products and promotions in global markets.

Chapter 10: The Family and Its Social Standing

- ***Hands-On:*** Toyota's Auris, Yaris, Verso, and Avensis
- Parental styles' and children's development
- Empirical measures of family decision-making
- The role of occupational prestige in determining social class
- Current data about the correlation between education and income
- Enriched descriptions of America's social classes
- ***Showcased:*** Mothers' socialization styles, parental styles and consumer socialization, children's development as consumers, children as three markets, measure of family decision making, occupational prestige rankings, ethics and occupational prestige, seven educational levels and corresponding incomes, descriptions of social classes: "inherited wealth and privilege," "the nouveau rich," "achieving professionals," "faithful followers," "security minded," "the insecure," and "rock bottom."
- ***Ads:*** Listerine Smart Rinse, Mott's apple juice, MADD, Lever 2000 soap, Ligne Roset furniture, Rock Resorts, Bad Bath & Beyond, and Brain Candy Toys.

Chapter 11: Culture's Influence on Consumer Behavior

- ***Hands-On:*** Dodge; Dell
- The Rokeach typology and illustrative promotional themes
- Gordon's Survey of Personal and Interpersonal Values
- ***Ads:*** distraction.gov, Everlast Recovery, 3-in-one oil, Campbell's Chunky, Dove chocolate, Cross pen, HP, Sojourner Family Peace Center, and Campbell's Healthy Request.

Chapter 12: Subcultures and Consumer Behavior

- ***Hands-On:*** Kohler's Elevance
- ***Showcased:*** Age and sources of information; online activities and interests of generations Z, Y, X, Baby Boomers, and older Americans; post-retirement segments
- ***Ads:*** Jeep and MADD.

Chapter 13: Cross-Cultural Consumer Behavior: An International Perspective

- ***Hands-On:*** Patek Philippe; Frito Lay
- Measures of cross-cultural dimensions
- Linguistic and legal barriers in global marketing
- ***Showcased:*** Profiles of leading global brands, five charts depicting prominent nations' consumers' disposable income expenditures, and Japan's VALS.
- ***Case:*** LG Mobile

Part V: Consumer Decision-Making, Marketing Ethics, and Consumer Research

Chapter 14 integrates the psychological, social, and communication elements into a consumer decision-making model, and discuss the adoption of new products. Chapter 15 addresses marketers' social responsibilities and morals with a focus on ethical issues originating from new media, and, particularly, abuses of consumers' privacy. Chapter 16 details the steps of marketing studies and tools of consumer research.

Chapter 14: Consumer Decision-Making and Diffusion of Innovations

- ***Hands-On:*** GIA; Advil

Chapter 15: Marketing Ethics and Social Responsibility

- ***Hands-On:*** PeTA
- Stages of consumer socialization and exploitive targeting of children
- Manipulative nutritional labeling
- Encouraging overeating and other undesirable consumption
- Abusing consumers' privacy
- Covert marketing
- Consumer ethics
- ***Showcased:*** The impact of irresponsible marketing, regulating targeting children online, alternative (award-winning) designs of nutritional labeling, deceptive or false promotional claims, provocative marketing, promoting social causes, and measuring ethical awareness
- ***Ads:*** Ad Council, NYC Office of Emergency Management, and Utah Transit Authority.

Chapter 16: Consumer Research

- ***Hands-On:*** Disney's Sophia the First
- ***Showcased:*** The consumer research process, questions for depth interviews, screener questionnaire, focus group discussion guide, projective techniques, survey methods, wording questions, attitudes' measures, sampling methods, and quantitative versus qualitative research.
- ***Case:*** Pima Air and Space Museum

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To Our Families, Colleagues, and Friends

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Leon Schiffman

Joe Wisenblit

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Consumer Behavior

1

Technology-Driven Consumer Behavior

Learning Objectives

1 To understand the evolution of the marketing concept, the most prominent tools used to implement marketing strategies, the relationship between value and customer retention, and the objectives of socially responsible marketing.

2 To understand how the Internet and related technologies improve marketing transactions by adding value that benefits both marketers and customers.

3 To understand the interrelationships among customer value, satisfaction, and retention, and technology's revolutionary role in designing effective retention measures and strategies.

4 To understand consumer behavior as an interdisciplinary area, consumer decision-making, and the structure of this book.

MARKETING is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society.[1] **Consumer behavior** is the study of consumers' actions during searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs. The core of marketing is identifying unfilled needs and delivering products and services that satisfy these needs. Consumer behavior explains how individuals make decisions to spend their available resources (i.e., time, money, effort) on goods that marketers offer for sale. The study of consumer behavior describes what products and brands consumers buy, why they buy them, when they buy them, where they buy them, how often they buy them, how often they use them, how they evaluate them after the purchase, and whether or not they buy them repeatedly.

People buy cars because they need personal transportation. However, the types of cars people buy are determined not by needs alone, but also by how cars express their owners' characteristics. Therefore, car marketers differentiate their products by how specific car brands and models appeal to buyers' psychology. The tagline in Porsche's Boxster ad in Figure 1.1 states that "unfulfilled dreams cost a lot more,"* and its copy urges buyers to "fulfill their dreams rather than deny them."* Porsche recognized that many people daydream about luxurious items, but, even if they can afford them, they feel guilty about the purchase and often think: "Oh, it costs too much" and "What if I don't like it?" The ad's copy resolves such conflicts with a simple rationale: "It is expensive to fulfill one's dreams, but it is worth the expense." The ad anticipates that some buyers will feel guilty after purchasing the car and assures them that "of all the emotions you can expect while driving a Boxster, regret will never be one of them." It ends with Porsche's classic tagline: "Porsche. There is no substitute."*

Egotism and power are pervasive psychological needs, and marketers often appeal to them in advertisements. The Scion ad in Figure 1.2

*Porsche

FIGURE 1.1 Porsche: "Unfulfilled dreams cost a lot more"

Source: Porsche Cars of North America

FIGURE 1.2 Scion: "Take On The Machine"

Source: Scion

invites potential buyers to "Take On the Machine." Toyota positioned Scion as a car for drivers who like to face challenges, and feel powerful and in control of their environment. Positioning is conveying the product's benefits and image to potential (or existing) customers, so that the product stands out distinctly in their minds and is not viewed as a "me too" item. Positioning is an essential component of marketing and explained fully in Chapters 2 and 4.

In terms of affordability, Porsche and Scion target contrasting groups of people because their prices are very far apart. Nevertheless, the two carmakers share the same objective, which is to persuade drivers to buy their cars. In order to do so, each car must have a distinct image (or perception) in people's minds and appeal to their needs. Porsche's ad tells consumers that although the car is very pricey, it is worth the price because owning it is a dream fulfilled. The Scion, which is a very affordable car, calls upon drivers to take on a personal challenge, presumably because Scion's target market is young people (some of whom might be buying a new car with their own money for the first time) and are likely to respond when "dared."

Although they target entirely different segments, both ads induce (or even provoke) psychological, presumably unfilled needs, and illustrate their marketers' understanding of car buyers' mindsets. Similarly, our objective is to educate our students about the components and intricacies of consumer behavior, and provide them with the skills needed to market products and services.

First, this chapter describes the evolution of the marketing concept, marketing strategies for satisfying consumers' needs, and socially responsible marketing. Secondly, it describes how the Internet and new technologies can improve marketing transactions and benefit marketers and consumers alike. Afterwards, we explain the interrelationships among customer value, satisfaction, and retention, and using technology to design more effective retention strategies. Lastly, we describe consumer behavior as an interdisciplinary subject, how consumers make purchase decisions, and the structure of this book.

The Marketing Concept

Learning Objective

1 To understand the evolution of the marketing concept, the most prominent tools used to implement marketing strategies, the relationship between value and customer retention, and the objectives of socially responsible marketing.

Marketing and consumer behavior stem from the **marketing concept**, which maintains that the essence of marketing consists of satisfying consumers' needs, creating value, and retaining customers. It maintains that companies must produce only those goods that they have already determined that consumers would buy. For example, Classico's pasta sauce contains the same ingredients that consumers use when they make their own sauce. The slogan of the ad in Figure 1.3 is "We made it like you'd make it," which means that the product fulfills consumers' needs and they would buy it. Marketing-oriented companies do not try to persuade consumers to buy what the firm has already produced, but rather to produce only products that they know they can sell, thereby satisfying consumers' needs and turning them into loyal customers. The marketing concept evolved from several prior business orientations focused on production, the product itself, and selling.

The **production concept**, a business approach conceived by Henry Ford, maintains that consumers are mostly interested in product availability at low prices; its implicit marketing objectives are cheap, efficient production and intensive distribution. This approach makes sense when consumers are more interested in obtaining the product than they are in specific features, and will buy what's available rather than wait for what they really want. Before the 20th century, only wealthy consumers could afford automobiles, because cars were assembled individually and it took considerable time and expense to produce each vehicle. Early in the 20th century, Henry Ford became consumed with the idea of producing cars that average Americans could afford. In 1908, Ford began selling the sturdy and reliable Model T for $850—an inexpensive price for that day. Soon he found out that he could not meet the overwhelming consumer demand for his cars, so in 1913 he introduced the assembly line. The new production method enabled Ford to produce good-quality cars more quickly and much less expensively. In 1916, Ford sold Model Ts for $360 and sold more than 100 times as many cars as he did in 1908.[2] In only eight years, Americans got the product that led to our nation's extensive system of highways and the emergence of suburbs and large shopping malls.

Source: © H.J. Heinz Co., L.P., used with permission.

FIGURE 1.3 An Illustration of the Marketing Concept

Henry Ford's near-monopoly of the car industry did not last. In 1923, as the automobile market was rapidly growing thanks to Ford's mass production, Alfred P. Sloan became president and chairman of General Motors. He inherited a company that was built through takeovers of small car companies that had been producing ill-assorted models unguided by clear business objectives. Sloan reorganized the company and in 1924 articulated the company's product strategy as "a car for every purse and purpose." While Ford continued to produce the Model T until 1927 and stubbornly held onto the production concept, GM offered a variety of affordable mass-produced models, from the aristocratic Cadillac to the proletarian Chevrolet. In addition, Sloan stated: "The best way to serve the customer is the way the customer wants to be served."* About 30 years before the birth of the marketing concept, Alfred Sloan understood the core elements of marketing: all consumers are *not* alike and firms must identify and cater to different customer groups (or segments) and provide solid customer service. Although Ford was the industry's pioneer and considered unsurpassed, within several years GM took over a large portion of Ford's market share and became America's largest car company.[3]

As more and more companies studied customers' needs and offered products that satisfied them well, companies began offering more and more versions, models, and features, often indiscriminately. They were guided by the **product concept**, which assumes that consumers will buy the product that offers them the highest quality, the best performance, and the most features. A product orientation leads the company to strive constantly to improve the quality of its product and to add new features if they are technically feasible, without finding out first whether consumers really want these features. A product orientation often leads to **marketing myopia**, that is, a focus on the product rather than on the needs it presumes to satisfy.

Marketing myopia occurs when companies ignore crucial changes in the marketplace and look "in the mirror rather than through the window." For example, in the 1980s, Apple bundled its software and hardware together and ignored customers who wanted to buy them separately. Apple sold its software, which was better than other operating systems, only when installed on its own, expensive computers. In contrast, Microsoft licensed DOS (disk operating system)—the less efficient and harder-to-operate software—to any manufacturer that wanted to install it on its computers. Most consumers bought the less expensive, DOS-operated computers, and for many years Apple was an insignificant player in the industry. Apple focused on its product and lost sight of the fact that consumers wanted to buy hardware and software separately.

Evolving from the production concept and the product concept, the **selling concept** maintains that marketers' primary focus is selling the products that they have decided to produce. The assumption of the selling concept is that consumers are unlikely to buy the product unless they are aggressively persuaded to do so—mostly through the "hard sell" approach. This approach does not consider customer satisfaction, because consumers who are aggressively induced to buy products they do not want or need, or products of low quality, will not buy them again. Unhappy buyers often communicate their dissatisfactions with the product through negative word-of-mouth that dissuades potential consumers from making similar purchases.

Implementing the marketing concept requires sellers to use consumer research, market segmentation, a combination of the product, price, place, and promotion strategies, provide value and result in long-term customer satisfaction and retention.

Consumer Research

Consumers are complex individuals, subject to a variety of psychological and social needs, and the needs and priorities of different consumer segments differ dramatically. To design products and marketing strategies that fulfill consumer needs, marketers must study consumers' consumption behavior in depth. The term **consumer research** refers to the process and tools used to study consumer behavior (see Chapter 16). Consumer research is a form of **market research**, a process that links the consumer, customer, and public to the marketer through information in order to identify marketing opportunities and problems, evaluate marketing actions, and judge the performance of marketing strategies. The market research process outlines the information required, designs the method for collecting information, manages the data collection process, analyzes the results, and communicates the findings to marketers.

Market Segmentation, Targeting, and Positioning

The focus of the marketing concept is satisfying consumer needs. At the same time, recognizing the high degree of diversity among us, consumer researchers seek to identify the many similarities that exist among the peoples of the world. For example, we all have the same kinds of biological needs, no matter where we are born: the needs for food and nourishment, for water, for air, and for shelter from

*Alfred P. Sloan

the environment's elements. We also develop or acquire needs after we are born, which are shaped by the environment and culture in which we live, our education, and our experiences. The interesting thing about acquired needs is that many people share the same ones. This commonality of need or interest constitutes a market segment, which enables the marketer to target consumers with specifically designed products and/or promotional appeals that satisfy the needs of that segment. The marketer must also adapt the image of its product (i.e., "position" it), so that each market segment perceives the product as better fulfilling its specific needs than competitive products. The three elements of this strategic framework are market segmentation, targeting, and positioning.

Market segmentation, targeting, and positioning are the foundation of turning consumers into customers. **Market segmentation** is the process of dividing a market into subsets of consumers with common needs or characteristics. It consists of defining or identifying groups with shared needs that are different from those shared by other groups. **Targeting** means selecting the segments that the company views as prospective customers and pursuing them. **Positioning** is the process by which a company creates a distinct image and identity for its products, services, and brands in consumers' minds. The image must differentiate the company's offering from competing ones and communicate to the target audience that the particular product or service fulfills their needs better than competing offerings do. Successful positioning focuses on communicating the *benefits* that the product provides. Because there are many similar products in almost any marketplace, an effective positioning strategy must communicate the product's *distinct* benefit(s). In fact, most new products (including new forms of existing products, such as new flavors and sizes) fail to capture significant market shares and are discontinued because consumers perceive them as "me-too" products lacking a unique image or benefit.

The Marketing Mix

The **marketing mix (four Ps)** consists of four elements:

1. *Product or service:* The features, designs, brands, and packaging offered, along with post-purchase benefits such as warranties and return policies.
2. *Price:* The list price, including discounts, allowances, and payment methods.
3. *Place:* The distribution of the product or service through stores and other outlets.
4. *Promotion:* The advertising, sales promotion, public relations, and sales efforts designed to build awareness of and demand for the product or service.

Socially Responsible Marketing

The marketing concept—fulfilling the needs of target audiences—is somewhat shortsighted. Some products that satisfy customer needs are harmful to individuals and society and others cause environmental deterioration. Studying consumer behavior results in an understanding of why and how consumers make purchase decisions, so critics are concerned that an in-depth understanding of consumer behavior can enable unethical marketers to exploit human vulnerabilities in the marketplace and engage in other unethical marketing practices to achieve business objectives.

Because all companies prosper when society prospers, marketers would be better off if they integrated social responsibility into their marketing strategies. All marketing must balance the needs of society with the needs of the individual and the organization. The **societal marketing concept** requires marketers to fulfill the needs of the target audience in ways that improve, preserve, and enhance society's well-being while simultaneously meeting their business objectives. Regrettably, some marketers ignore laws and market potentially harmful products. The San Francisco city attorney sued Monster Beverage Corp. in a California court, and accused the company of marketing its caffeinated energy drinks to children despite alleged health risks. The lawsuit represents the latest effort by an increasing number of city, state, and federal authorities to restrict the selling and marketing of energy drinks—which have quickly become an estimated $10 billion industry in the United States. The drinks promise a "kick" and includes caffeine and other stimulants. The lawsuit alleged that Monster was marketing its drinks to children as young as 6 years old, despite warnings from public health authorities that highly caffeinated products can cause brain seizures and cardiac arrest among adolescents. The U.S. Food and Drug Administration (FDA) currently does not set caffeine limits for energy drinks, imposing caffeine limits only on "cola-like" beverages with a regulation that has been in place since the 1950s and caps caffeine at 6 milligrams per ounce. However, the FDA is now reconsidering this regulation.[4]

The societal marketing concept maintains that companies would be better off in a stronger, healthier society and that marketers that incorporate ethical behavior and social responsibility attract and maintain loyal consumer support over the long term. Accordingly, fast-food restaurants should develop foods that contain less fat and starch and more nutrients; marketers should not advertise foods to young people in ways that encourage overeating, or use professional athletes in liquor or tobacco advertisements because celebrities so often serve as role models for the young. An advertising campaign featuring unreasonably slim females with pale faces and withdrawn expressions must be reconsidered because of its potential to increase eating disorders among young women. Of course, eliminating such practices altogether is unreasonable, but curtailing them is not.

Many companies have incorporated social goals into their mission statements and believe that marketing ethics and social responsibility are important components of organizational effectiveness. They recognize that socially responsible activities improve their image among consumers, stockholders, the financial community, and other relevant publics, and that ethical and socially responsible practices are simply good business, resulting not only in a favorable image but ultimately in increased sales. The converse is also true: Perceptions of a company's lack of social responsibility or unethical marketing strategies negatively affect consumer purchase decisions. For instance, McDonald's became the target of television commercials blaming it for heart disease. In the commercial, produced by the nonprofit Physicians Committee for Responsible Medicine, a woman weeps over a dead man lying in a morgue. In his hand is a hamburger. At the end, the golden arches appear over his feet, followed by the words, "I was lovin' it," a twist on McDonald's longtime ad slogan, "I'm lovin' it." A voiceover says, "High cholesterol, high blood pressure, heart attacks. Tonight, make it vegetarian."[5]

A division of Warner Music Group that operates online fan clubs for pop-music stars was forced to pay $1 million to settle charges that it illegally collected personal information from the sites' child users. The Federal Trade Commission charged the company with violating the Children's Online Privacy Protection Act—a law that forbids websites from collecting personal information from users under 13 years of age without parental consent. According to the charges, more than 100,000 users' information was gathered illegally through websites for fans of four pop stars. The four websites "attracted a significant number of children under age 13," according to the lawsuit, and "failed" to meet the requirements established by the children's privacy law.[6] When Google first revealed in 2010 that cars it was using to map streets were also sweeping up sensitive personal information from wireless home networks, it called the data collection a mistake. Subsequently, federal regulators charged that Google had "deliberately impeded and delayed" an investigation into the data collection and ordered a $25,000 fine on the search giant.[7]

There are also many not-for-profit advocacy groups whose mission is to advance causes that are ethically and morally right. Among many others, such causes include animal rights, fighting childhood obesity and overeating, supporting sober and nondistracted driving, fighting drug abuse and deadly diseases, and encouraging environmentally sound practices (see Chapter 15). Figure 1.4 shows an ad by a notorious not-for-profit entity, People for the Ethical Treatment of Animals (P*e*TA). It features a celebrity and urges us to "share the world" with animals and not mistreat them. By doing so, we will protect and improve the natural environment.

Source: People for the Ethical Treatment of Animals (PeTA)

FIGURE 1.4 P*e*TA Advocates Socially Responsible Behavior

Technology Enriches the Exchange Between Consumers and Marketers

Learning Objective

2 To understand how the Internet and related technologies improve marketing transactions by adding value that benefits both marketers and customers.

Say you are in a strange city and need a hotel for the night. You pull out your smartphone, search for hotels on Google, and find a nearby one listed at the top of the rankings, with a little phone icon that says, "Call." You tap it, reach the hotel, and ask for a room. And just like that, Google made money. That icon was a so-called "click-to-call ad," and the hotel paid Google for it when you called. Technology has revolutionized the marketing mix, as well as segmentation, targeting, positioning, and customer retention. When consumers use their computers, mobile phones, electronic readers, tablets, and other electronic gadgets, they provide marketers with the kind of information that enables companies to target them immeasurably more effectively than during the pre-Internet days. Thus, online technologies create a "value exchange." Marketers provide value to consumers in the form of information that turns shoppers into sophisticated customers, including opportunities to customize products easily, entertainment content, and much more. While online, consumers provide value to marketers by "revealing themselves," which enables companies to market their products more efficiently and precisely. In other words, consumers "pay" for the Internet's seemingly free content by providing virtually unlimited information about themselves to marketers, who gather, analyze, and use it to target buyers.

Advertisers are offering more and more original content online because viewers are now so accustomed to watching programs on devices like mobile phones and tablets that the lines between traditional television and Internet video have become blurred. Advertisers are also shifting dollars from traditional display advertising to sites like Facebook that can deliver huge audiences. Many advertisers say they worry that with so much new content being thrown at the market on so many different platforms, audiences for individual shows will become even more fragmented and microscopic than they already are.[8]

Surfing online allows consumers to locate the best prices for products or services, bid on various marketing offerings, bypass distribution outlets and middlemen, and shop for goods around the globe and around the clock. They can also compare the features of various product models and engage in social networking with consumers who share the same interests, providing and receiving information about their purchases. Online communications created sophisticated and discerning consumers, who are hard to attract, satisfy, and retain. More than ever before, marketers must customize their products, add value to the physical product or the core of a service, provide the right benefits to the right consumer segments, and position their products effectively. Technology also enables marketers to refine their strategies because they can readily customize their offerings and promotional messages, offer more effective pricing and shorter distribution channels, and build long-term relationships with customers. Marketers that use rapidly advancing technologies to track consumers can identify opportunities for creating new offerings, and improve and extend existing products and services. They can gather comprehensive consumer information by tracking consumers online, requiring prospective buyers to register at their websites, and combining this knowledge with demographic and lifestyle data gathered offline (see Chapter 2).

The following example illustrates a value exchange. At Amazon, buyers can find books instantly, read sample pages and reviews posted by other readers, and begin reading purchased books within minutes after placing their orders (as opposed to going to a physical store, picking up a heavy paper copy, standing in line to pay, and then carrying the book.) Simultaneously, when consumers visit Amazon's website, the company records every aspect of their visits, including the books they looked at, the sample pages and reviews they clicked on, and the time spent on each activity. This enables Amazon to build long-term relationships with customers by developing customized book recommendations that shoppers view upon returning to Amazon's website. Amazon also participates in "information exchange networks" that enable marketers to place ads that "follow" consumers into other websites featuring products that consumers have examined or purchased previously (see Chapter 8).

Consumers Have Embraced Technology

Although many assume that only young consumers visit websites and shop online and "reveal themselves" to marketers, it is not so. As illustrated in Figure 1.5, across age groups, most Americans own technological gadgets. Figure 1.6 details Americans' use of the Internet's most prominent features.[9]

FIGURE 1.5

The Ownership of Technological Gadgets across Age Groups (percentages)

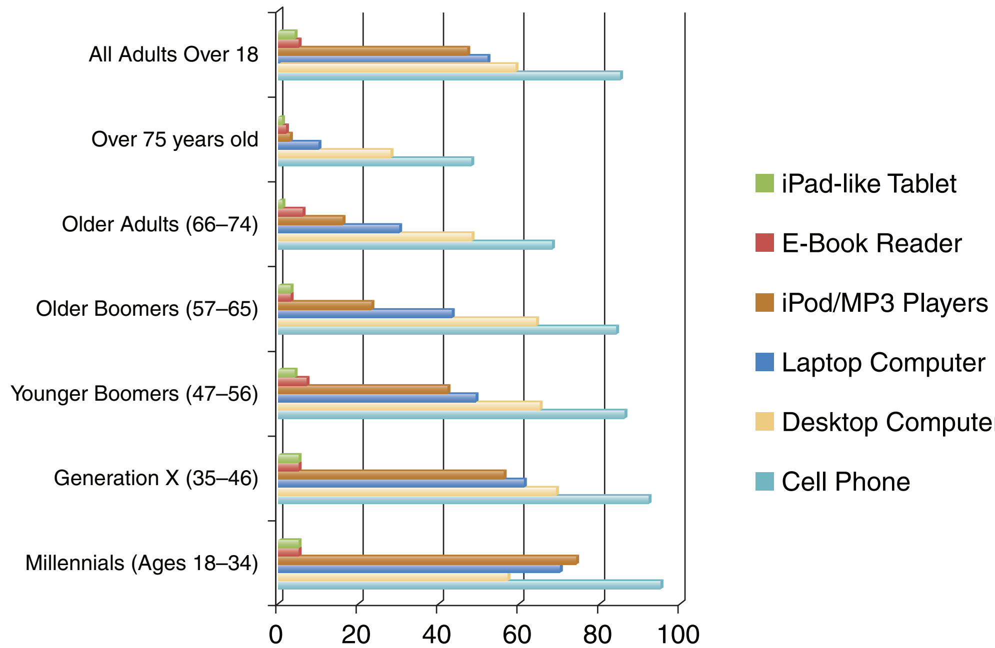
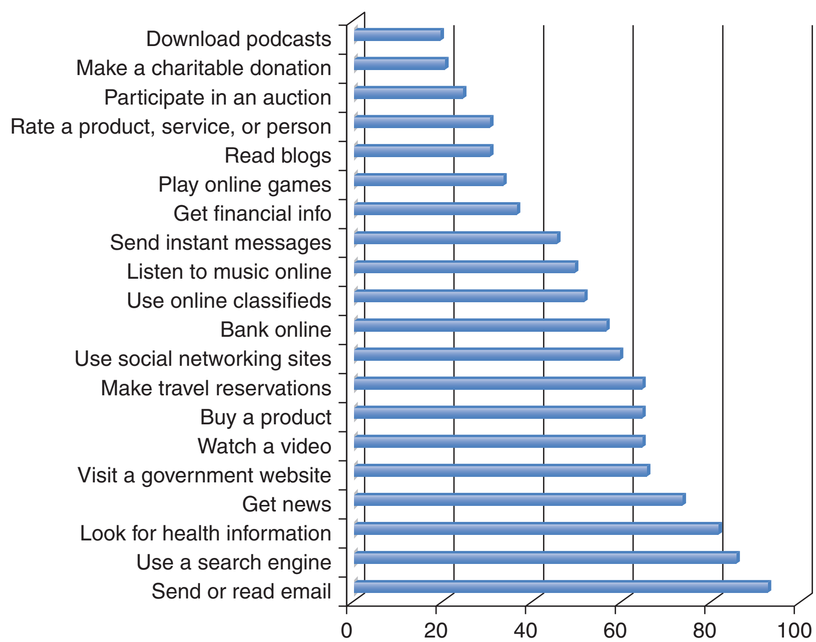


FIGURE 1.6

Americans' Most Prominent Online Activities (percentages)



Behavioral Information and Targeting

In the online world, specialized "information exchanges" track who is interested in what through "cookies" (invisible bits of code stored on Web pages). When someone does a search, for example, on cheapair.com for first-class flights to Paris in September, that information is captured by a cookie and cheapair.com can sell that cookie using exchanges such as eXelate or BlueKai. Let's assume that Hilton wishes to target people who visited travel-related sites recently, rather than use banner ads or promotional messages in offline media to attract customers. Hilton logs into the exchange and selects the criteria for the people it wants to reach. Making it simple, let's assume that Hilton's only criterion is people who looked for flights to Paris in September. Upon logging in, the exchange tells Hilton how many cookies that meet its criterion are for sale and then Hilton bids on the price, competing against other advertisers wishing to buy the same cookies.[10] If Hilton wins the auction, it can show its ads to the persons with these cookies embedded in their browsers, and send ads to them whenever they go online, regardless of the sites they visit.