

TWELFTH EDITION

CONSUMER BEHAVIOR

Leon Schiffman

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Consumer Behavior

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Consumer Behavior

Twelfth Edition

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To Elaine, David, and Nikki Schiffman; Alan Sherman; Janet and Larry Cohen;
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Reid, Jordyn, Emily, Blake, and Grey.

Leon Schiffman

To my niece, Maya, and nephews Daniel, Eli, and Saul Wegarzyn.

Joe Wisenblit

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Preface

New to this Edition

Following is a list of the significant chapter-by-chapter updates to the 12th edition of the text:

Chapter 1: Consumer Behavior and Technology

- Technology enriches the value exchange between consumers and marketers
- More sophisticated consumers and flexible buying channels and pricing
- Customized advertising and targeting
- Interactive communications
- New media and optimal targeting
- Stronger customer retention

Chapter 2: Market Segmentation and Real-Time Bidding

- Targeting impressions optimizes marketers' resources
- Predictive analytics and behavioral biometrics
- Ad exchanges and the application programming interface
- The dynamics of real-time bidding
- Cross-channel campaigns

Chapter 3: Consumer Motivation and Personality

- Technology serves consumers' needs
- Technology reshapes some needs
- New section on the impact of hidden motives
- Expanded narrative about personality traits

Chapter 4: Consumer Perception and Positioning

- Technology enables astute positioning
- Perceptions of social media
- Discerning more complex perceptions
- Technology and perceived risk

Chapter 5: Consumer Learning

- Technology and decision-making
- More complex information processing
- Involvement and customized messages
- Increasingly diverse measures of brand loyalty

Chapter 6: Consumer Attitude Formation and Change

- Multi-attribute attitude models and advanced media
- Social media and attitude formation
- Customized communications and changing attitudes
- Enhanced discussion of attribution theory

Chapter 7: Persuading Consumers

- Source credibility and social media
- New media and communication feedback
- The growing impact of time-shifted viewing
- Addressable, customized, and interactive advertising
- Reshaping measures of communication effectiveness

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

- Consumer engagement and social media
- Advertising goals in employing social media
- Promotional strategies in mobile marketing
- Forms of social media
- Web-search, display, and mobile ads
- Google's "organic results" and "sponsored space"
- Consumers' permissions for apps' information gathering
- Effective social media campaigns
- Consumers and mobile media
- Measuring the effectiveness of advertising in new media
- Analyzing website visits
- Gauging influence within social networks
- Google Analytics
- Traditional media's electronic evolution

Chapter 9: Reference Groups and Communities, Opinion Leaders, and Word-of-Mouth

- Word-of-mouth in social networks and brand communities
- Klout scores
- Weblogging and tweeting
- Buzz agents and viral marketing
- Managing negative rumors online
- The impact of more astute word-of-mouth on marketing new products
- The changing dynamics of opinion leadership

Chapter 10: The Family and Its Social Standing

- Parental styles and children's media exposure
- Family decision-making and more diverse sources of information
- The impact of multiple screens on consumer socialization
- Enriched depictions of America's social classes

Chapter 11: Cultural Values and Consumer Behavior

- The Rokeach typology and illustrative promotional themes
- Gordon's Survey of Personal and Interpersonal Values
- How new media reshapes cultural values

Chapter 12: Subcultures and Consumer Behavior

- Multicultural consumers
- Generational patterns of adopting and utilizing technology
- Ethnicity, social media, and internet utilization

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

- Expanded measures of cross-cultural dimensions
- New narrative describing linguistic and legal barriers in global marketing
- Technology and social media in overseas markets

Chapter 14: Consumer Decision-Making and Diffusion of Innovations

- Streamlined narrative about decision-making
- Technology and diffusion of innovations

Chapter 15: Marketers' Ethics and Social Responsibility

- The alarming breakdown and violation of consumers' privacy
- The disregard for consumer privacy by data brokers such as Acxiom
- Disregard for ethics by online giants—Google and Facebook
- Customized messages that encourage irresponsible buying
- More aggressive manipulation of children by advertisers
- Blunt violations of privacy, such as facial recognition and location targeting

Chapter 16: Consumer Research

- Technology enhances consumer research

Chapter 2 Market Segmentation and Real-Time Bidding

Learning Objectives

- 2.1 To understand how to segment markets along demographics, lifestyles, product benefits and usage, and media exposure.
- 2.2 To understand how to identify, select, and reach target markets.
- 2.3 To understand real-time bidding as compared with market segmentation.

MARKET SEGMENTATION is dividing a market into subsets of consumers with common needs or characteristics. Each subset represents a consumer group with shared needs that are different from those shared by other groups. After dividing the market into distinct groups, the company must select segments that are profitable and reachable, as well as feasibly targetable within its objectives and resources. **Product positioning** is the process by which a company creates a distinct image and identity for its products, services, and brands in consumers' minds; **product repositioning** means changing and "refreshing" a brand's portrayal. The image differentiates the company's offering from competition by communicating to the target audience that the product, service, or brand fulfills their needs better than alternatives. This chapter describes segmentation and targeting; positioning is covered in Chapter 3. Following a discussion of segmentation and targeting, this chapter describes real-time bidding—what is, reaching individual customers rather than large segments.

One method of targeting consumers is based on usage occasion. In Figure 2.1, the marketer of Muck's Earplugs employs **usage-occasion segmentation** by appealing to young adults who travel to beaches during spring break. Segmentation based on demographics is the primary strategy of marketers. Millennials (ages 18 to 34) are the second-largest age group, after the baby boomers, and targeted by most marketers who diligently monitor their values and lifestyles. (discussed in Chapter 12). Old Spice—a brand of men's grooming products including deodorants and antiperspirants, shampoos, body washes, and soaps—was launched in 1937 and owned by Procter & Gamble. Marketing research had indicated that the brand appealed mostly to older consumers and was perceived as unexciting, so P&G decided to reposition it with a new promotional campaign. The ads featured Isaiah Mustafa—a TV star and sports hero—with the slogan, "The Man You Man Could Smell Like." By selecting an Arab American, the company strongly recognized millennials' penchant for diversity, and the ad's motif reflects their fondness for dramatic and "cool" expressions.

Solving Teaching and Learning Challenges

Our guiding principle in writing this book is to capture the impact of consumer behavior on the marketer's ability to learn more about customers' purchases in order to plan, develop, and implement a strategy with greater precision. For nearly one hundred years, marketers purchased advertising space within information and entertainment content produced by print and broadcast media. In the past, marketers used the media's audience profiles in deciding where to place "one size fits all" ads. Today, dynamic ad servers customize ads based on consumers' browsing online and other data, and marketers closely monitor consumers' contacts and discussions on the internet. Marketers that once purchased advertising space in selected magazines and TV sitcoms now purchase space for their messages through ad exchanges and use predictive analytics that assess the effectiveness of their ads. Instead of targeting large segments, marketers are bidding on impression, which enables them to use their resources most effectively via real-time bidding.

Other forms of reaching consumers include native advertising, cross-channel marketing campaigns, consumer-generated advertising, and new media platforms, such as mobile and app advertising. Nevertheless, the loss of privacy has become a key social concern, and we have analyzed this matter and other ethical issues—such as the impact of extensive viewing of screens on children—in our chapter on social responsibility.

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. 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.

Finally, in its first edition, this book was the first one ever to use print ads as illustrations of consumer behavior—which has been imitated by most marketing textbooks—and this edition includes scores of new ads.

Conceptually, the book is divided into five parts: Consumers, Marketers, and Technology, The Consumer as an Individual, Communication and Consumer Behavior, Consumers in their Social and Cultural Settings, and Consumer Decision-Making, Marketing Ethics, and Consumer Research. Each part aims to develop a better understanding of the following key learning areas:

- Influence of new technologies and online practices
- Impact of psychological factors on consumer behavior
- Role of communication and persuasion
- Examines consumers in their social and cultural settings
- Discusses consumer decision-making and marketing ethics

The following is a brief overview of each part.



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.

PART II: THE CONSUMER AS AN INDIVIDUAL

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.

PART III: COMMUNICATION AND CONSUMER BEHAVIOR

Chapter 7 covers the elements of communication and overcoming barriers to effective communication. 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 explore 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.

PART IV: 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 to customize products and promotions in global markets.

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 discusses 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.

Developing Employability Skills

For students to succeed in a rapidly changing job market, they should be aware of their career options and how to go about developing a variety of skills. In this book, we focus on developing skills and prepare ourselves to work in the field of brand management, advertising, and consumer research. These are fields discussed in Chapter 1 of this book.

Instructor Teaching Resources

This text comes with the following teaching resources.

Supplements available to instructors
at www.pearsonhighered.com

Features of the Supplement

Instructor's Manual

- Chapter summary
- Chapter outline
- Answers to all end-of-chapter questions
- Additional activities
- Homework assignments

Test Bank

- Over 1,600 true/false, multiple choice, and short answer questions with these annotations:
- Difficulty level (1 for straight recall, 2 for some analysis, 3 for complex analysis)
 - Learning objective
 - Skill
 - AACSB learning standard (Reflective Thinking and Application of Knowledge)

TestGen® Computerized Test Bank

- TestGen allows instructors to:
- Customize, save, and generate classroom tests
 - Edit, add, or delete questions from the Test Item Files
 - Analyze test results
 - Organize a database of tests and student results

PowerPoint Presentations

- Slides include graphs, tables, and ads from the textbook.
- PowerPoints meet accessibility standards for students with disabilities. Features include, but are not limited to:
 - * Keyboard and Screen Reader access
 - * Alternative text for images
 - * High color contrast between background and foreground colors

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Dr. Schiffman earned his doctorate in business from the City University of New York after receiving an MBA from the City College of New York and a BBA from Pace University. He is a nationally recognized expert on the behavior of the older consumer since his pioneering research on the psychological and sociological aspects of perceived age and innovative behavior of this segment. He has been published in numerous major marketing journals on a wide variety of topics and is frequently referenced by other researchers. He has attended over 100 national and international conferences in 35 countries. He has coauthored *Consumer Behavior* for all of its 12 editions; the book has been translated into several international editions and has been adopted by many higher education institutions in the U.S.

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Joe Wisenblit received his Ph.D. and Master of Philosophy from the City University of New York, and his MBA and BBA from Baruch College. He has gained national and global recognition for his research into crisis communications, voluntary simplicity, economic stagflation, marketing solar energy, targeting mature consumers, and services marketing. His research spans across managerial and pedagogical facets and has been featured in top-tier scholarly journals and presented in scores of conferences and seminars.

Dr. Wisenblit's landmark framework on integrating technology into the marketing curriculum, published in the *Journal of Marketing Education*, received an outstanding article award and has remained one of marketing's most widely cited pedagogical works. Presently, his research is focused on targeting children on the internet and via mobile devices, including the impact of parental styles and children's responses to mobile gaming apps developed by marketers. He is also completing an MFA in creative writing at Columbia University and writing fiction and nonfiction for children and young adults.

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Consumer Behavior

Consumer Behavior and Technology

Learning Objectives

- 1.1 To understand the evolution of the marketing concept, what consumer behavior is, and the components of strategic marketing.
- 1.2 To understand how technology has benefited both marketers and consumers.
- 1.3 To understand providing value and satisfaction and how technology has enhanced customer loyalty and retention.
- 1.4 To understand marketers' social and ethical responsibilities.
- 1.5 To understand consumer decision-making as the foundation of this book.
- 1.6 To explain how the knowledge of consumer behavior advances seeking employment after graduation.

MARKETING is the activity, set of institutions, and processes for creating, communicating, and delivering offerings that have value for customers, clients, partners, and society.

Consumer behavior is the study of consumers' choices during searching, evaluating, purchasing, and using products and services that they believe would satisfy their needs.

Marketers uncover consumer desires that are unmet, or only partially satisfied by the products available, and create and promote superior offerings. Consumer behavior explains how people decide to spend their money, time, and effort on goods that marketers offer for sale and describes which products and brands consumers select and why, when, and where they purchase them.

The car ad in Figure 1.1 reflects Porsche's understanding of their customers' needs. People buy cars because they **need** personal transportation, but the **types** of cars they purchase reflect their psychological and sociological characteristics and lifestyles, including financial resources. The tagline in the Porsche Boxster ad in Figure 1.1 states that, "**unfulfilled dreams cost a lot more,**" and urges buyers to "**fulfill their dreams rather than deny them.**" Recognizing that many daydream about buying the top-of-the-line and exceptionally engineered Porsche but might feel conflicted because of its high price, the ad states that, "**It is expensive to fulfill one's dreams, but it is worth the expense.**" The ad also reinforces the decisions of consumers who had purchased the car: "**Of all the emotions you can expect while driving a Boxster, regret**

FIGURE 1.1


Porsche: “Unfulfilled Dreams Cost a Lot More”

marketing

The activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society.

consumer behavior

The study of consumers’ actions during searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs.



porscheusa.com/boxsterusa

Unfulfilled dreams cost a lot more.

Of all the emotions you can expect while driving a Boxster, regret will never be one of them. The top glides down. The Boxer engine comes to life. Its nimble, mid-engine balance recreates the thrills of Porsche motorsport legends. And its philosophy of getting more from less, the core of Porsche Intelligent Performance, invokes another feeling altogether: the harmony of your heart and head. Porsche. There is no substitute.

The Boxster. Starting at \$47,600.

PORSCHE
INTELLIGENT
PERFORMANCE



PORSCHE

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will never be one of them,” and ends with Porsche’s classic tagline: **“Porsche. There is no substitute.”**

While Porsche appeals to fulfilling a dream, an advertising campaign for the Scion’s sporty car—which also appeals to young adults—features such slogans as **Stand with Us by Standing Out, Make an Impression by Breaking the Mold,** and **Be an Icon Not an Imitation.**

The prices of the two cars are far apart and the two brands target different consumer groups. Porsche tells consumers that, although the car is very pricey, it is worth the price. The much more affordable Scion also targets young people, but by appealing to drivers who want to stand out and appear distinctive from others. Nevertheless, both ads appeal to unfilled needs and demonstrate marketers’ grasp of car buyers’ mindsets.

It is hard to understand consumer behavior because it often defies logic and common sense. For example, one study discovered that consumers would order the **least healthy** food when there was a **healthy** choice on the menu: More consumers ordered French fries when the menu included a green salad, because the

mere presence of a healthy option “licensed” eating unhealthy food. Similarly, when shown a burger alone, on average, consumers guessed that it provided 734 calories. But, when the same burger appeared alongside three celery sticks, the average guess dropped to 619. Similarly, in an experiment, half the subjects took a pill which they were told was a placebo (which it was), while the other half were told that it was a multivitamin. Those who thought they had consumed a vitamin pill consistently chose less healthy options. Thus, consumers who had dropped kale into their shopping carts were more likely to head next to the ice cream or beer sections because buying “virtuous” products tempted and justified purchasing items considered to be “vices.”¹

Our textbook explains such purchases by providing readers with an understanding of how and why consumers make decisions based on other factors than facts and rationality, and how marketers can target consumers more effectively if they study consumer behavior.

This chapter begins with the evolution of the marketing concept, marketing strategies for satisfying

consumers' needs, and socially responsible marketing. Next, it describes how the internet and new technologies have been benefiting marketers and consumers alike. We describe the interrelationships among customer value, satisfaction, and retention, and designing more effective retention strategies by using technology.

Finally, we explain how psychology, sociology, anthropology, communications, and business ethics shape consumers' purchase decisions, and how these disciplines are the foundations of this book.

The Marketing Concept

Learning Objective

- 1.1** To understand the evolution of the marketing concept, what is consumer behavior is, and the components of strategic marketing.

marketing concept

The premise that marketing consists of satisfying consumers' needs, creating value, and retaining customers, and that companies must produce only those goods that they have already determined would satisfy consumer needs and meet organizational goals.

The core principle of the **marketing concept** maintains that marketers must satisfy consumer needs effectively by making only those products that consumers are likely to buy. For example, the ad in Figure 1.2 appeals to young couples who wish to wear nearly identical but also customized shoes. Following the marketing concept, the ad entices the young by gratifying their desires for affection and uniqueness. Marketing-oriented companies are those that do not try to persuade consumers to buy what the firm had already produced; instead, they make only products that satisfy consumers' needs and aim to convert first-time buyers into long-term loyal customers.

The marketing concept emerged in 1960s and replaced prior business approaches for making and selling products.

The **production concept**—conceived by Henry Ford—stated that companies must make inexpensive cars, produced uniformly, and at the lowest possible costs. In 1913, Ford introduced the assembly line, which enabled him to produce good-quality and affordable cars. In 1916, Ford offered the Model T for \$360 and quickly sold every car he had produced. Until then, cars were expensively assembled by hand and very few people could afford them. When Ford introduced the Model T, demand exceeded supply because buyers eagerly bought the first affordable automobiles ever made. Knowing that he would sell as many cars as he could make, Ford supposedly stated that, *“consumers can have cars in any color they want as long as it's black.”*

Ford's dominance of the automobile market was short-lived, even though his innovative production system fueled a rapidly growing demand for cars. In 1923, Alfred Sloan became the leader of General Motors—a company that included car makers that had not been profitable because they produced assorted models without finding out in advance whether or not they were meeting buyers' needs. While Ford remained focused only on

FIGURE 1.2

An Illustration of the Marketing Concept



Source: Vans, a VF Company

producing reasonably priced cars and ignored consumers' preferences, Sloan stated that, *“the best way to serve the customer is the way the customer wants to be served,”* and in 1924, he created the *family of cars—automobiles for every purse and purpose*. While Henry Ford ignored customers' diverse needs, Alfred Sloan understood that all consumers are *not* alike: firms must study consumers' diverse needs and satisfy the desires of specific customer segments.²

Some companies mistakenly assumed that satisfying consumers' needs meant marketing products that *offer* the most features—a premise termed the **product concept**—and ignored buyers who would rather buy simpler and easier-to-use products.

Focusing exclusively on adding features results in **marketing myopia**, which means *centering* on the *product itself* rather than the *need it is designed to fulfill*. This short-sighted (or myopic) approach applies to companies that ignore consumer needs and *look in the mirror rather than through the window*. For example, Apple's software was licensed to be installed *only* on Mac computers. Thus, Mac owners could not share their pictures and other content with the owners of non-Macs because Apple ignored consumers' needs to be able to share their materials with others. In contrast, Microsoft licensed DOS (disk operating system) to all computer manufacturers, which enabled consumers to purchase hardware and software separately rather than combined. Although DOS was harder to use and less efficient than Apple's operating system, most consumers bought DOS. Apple became an insignificant entity for a long time because it mistakenly focused only on its product and lost sight of consumers' wants

Before the development of marketing focused on consumers, many companies had followed the **selling concept**—a premise that companies should sell what they had already made instead of making only those products they could sell. Sellers assumed that consumers would buy their products only if aggressively persuaded to do so (i.e., hard sell), and did not realize that people who were pressured to buy mostly low-quality offerings will not buy them again. Additionally, most unhappy buyers share their dissatisfaction with other consumers, dissuading them from dealing with aggressive salespeople.

marketing myopia

A focus on the product rather than on the needs it presumes to satisfy.

MARKET SEGMENTATION, TARGETING, AND POSITIONING

Satisfying consumer needs consists of recognizing the diversity of consumers and their desires. Humans share identical *biological* needs such as nourishment, air, water, and shelter, but they develop *psychological* needs shaped by upbringing, culture, social stratum, financial resources, and education.

Market segmentation is dividing a market into subsets of consumers with common needs or characteristics. It identifies groups with shared needs that are distinctly different from those of other consumers termed *market segments*. **Targeting** is selecting the segments that the company views as prospective customers and pursuing them with distinct offerings. **Positioning** takes place when 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 that of the competition by stressing the product's unique benefits in promotional appeals and persuading the targeted consumers that the product fulfills their specific needs. Because there are many similar products in almost any marketplace, effective positioning is essential. 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.

Segmentation, targeting, and positioning are implemented across the four components of the **marketing mix (the four Ps)**:

1. **Product or service:** The features, designs, brands, and packaging, along with post-purchase benefits such as warranties and return policies
2. **Price:** The list price, 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 that develop product awareness and demand

market segmentation

The process of dividing a market into subsets of consumers with common needs or characteristics. Each subset represents a consumer group with shared needs that are different from those shared by other groups.

positioning

The process by which a company creates a distinct image and identity for its products, services, and brands in consumers' minds. The image differentiates the company's offering from competition by communicating to the target audience that the product, service, or brand fulfills the target consumers' needs better than alternatives.

marketing mix (four Ps)

The component of the business plan that includes four elements: the product (or service), price, place (or distribution), and promotion.

Technology Benefits Consumers and Marketers

Learning Objective

- 1.2** To understand how technology has benefited both marketers and consumers.

Technological innovations have transformed consumer behavior and marketers' selection and targeting of potential customers. For example, traditional advertising is a one-way process where marketers pay large sums of money to reach large numbers of potential buyers via mass media, and can assess whether promotional messages were effective only after the fact, by looking at sales and post-purchase research studies. In contrast, electronic communications enable a two-way interactive exchange in which consumers instantly react to marketers' messages by, say, clicking on links after receiving ads while online. Thus, marketers can gauge the effectiveness of their promotional messages instantly, instead of relying on delayed feedback.

In response to questions about increasing brand shares, many marketing executives cited the following plans: improving digital sites, increasing social media activity, and switching resources from traditional to digital media.³

THE VALUE EXCHANGE

Let's 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 lodging listed at the top of the list. You tap the call button and request a room. And just like that, Google made money. That button you had pressed was a *click-to-call ad*, and the hotel paid Google for it when you called, whether or not you booked a room.

Nevertheless, when you used your phone, it revealed who you are and your location. When consumers use their computers, mobile phones, electronic readers, tablets, and other electronic gadgets, they provide marketers with detailed data that enables companies to target them immeasurably more effectively than during the pre-internet days. Thus, technologies create a *value exchange*. Marketers provide value to consumers by giving them the means to shop more efficiently, become better informed, buy customized products, and have access to entertainment and information. But consumers pay for the seemingly free content by revealing themselves and giving marketers virtually unlimited information about themselves.

For example, at Amazon, buyers find books instantly, read sample pages and reviews posted by other readers, and begin reading books within minutes after placing their orders, as opposed to visiting a physical store, picking up a heavy paper copy, standing in line to pay, and then carrying the book home. When consumers visit Amazon's website, the company records every aspect of their visits—the books, the sample pages and reviews they examined, and how long they stayed at the site. Amazon builds long-term relationships with customers by offering individual recommendations and also participates in information exchange networks that enable marketers to place ads that follow consumers online with ads for products that presumably match their past shopping patterns.

Advertisers are offering more and more original content online because viewers are watching programs on mobile phones and tablets, and the lines between traditional television and internet video have become blurred. Advertisers are also shifting dollars from traditional display advertising to sites such as 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.⁴

LOWER PRICES, MORE INFORMATION, AND CUSTOMIZED PRODUCTS

Increasingly, consumers have been relying on information from websites and purchasing daily-use products—such as apparel—digitally. Nevertheless, even with the abundance of digital devices, during a 6-month span, 82 percent of apparel shoppers bought their clothes

in physical stores.⁵ Additionally, many shoppers who had ordered online chose to pick up these orders in stores rather than have them delivered to their homes. For example, Amazon enables consumers to pick up ordered books in physical bookstores. The main reason for returning products to stores has been getting a refund right away and looking around the store for replacing the items returned. Regardless of whether the item was ordered online or purchased at a store, studies indicate that social media have significantly influenced choices, and comparing products online was the primary source of information in making purchase decisions.⁶ Additionally, online shoppers are more frugal and fewer buy on impulse.⁷ Furthermore, since consumers can easily track prices on their smartphones and other devices, they know they have the upper hand over retailers and more likely to haggle over prices.⁸

Technology created sophisticated and discerning consumers who are hard to attract, satisfy, and retain. But, it has also enabled forming more refined targeting: marketers can now customize their offerings and promotional messages, offer more effective pricing and shorter distribution channels, and build long-term relationships with customers more easily. They can also identify opportunities for creating new offerings, improve and extend existing products, and gather detailed consumer data by online tracking and combining it with demographic and lifestyle data gathered offline.

Online, consumers can often pay less by bidding on products, bypassing traditional distribution outlets and middlemen, and shopping around the globe and around the clock. They can also compare the features of various product models and engage in social networking with other consumers who share the same interests and provide information and advice about products and services. And, while browsing inside stores, consumers often use their mobile phones to check out the prices of comparable products in other stores. This practice has forced stores such as Target to match the online prices of rival retailers.⁹ Apple unveiled a digital bookstore that would reduce the prices of high school textbooks by almost 90%.¹⁰

Increasingly, marketers have been offering personalized products. Consider these examples:

1. To boost sales, Barnes & Noble launched an online program allowing parents to personalize books by inserting the names and photos of their children and making them characters in stories.
2. Oakley, the world's primary seller of high-end sunglasses, offers models designed for various lifestyles and sports, and even Asian-fit glasses. Most of Oakley's sunglasses can be customized—consumers can select frames, choose shapes and colors of lenses, select different colors for the ear-socks (the “sides” of the frames), and even have their initials elegantly etched on the lenses.
3. One women's clothing retailer sends customers boxes of clothes that are selected by a combination of personal stylists, data collected online, and information from other sources. There is also a high-end personal stylist service for men. Customers work directly with a stylist who takes their measurements, discusses style options, and then chooses a personalized box of clothing.
4. A digital tailor makes custom shirts for men. Customers use an iPhone or iPad camera to allow the tailor to take measurements digitally, and then customize shirts by collar, cuff, and fabric, as well as determine whether the customer wants to wear the shirt tucked or untucked.
5. At a company that makes custom-fit bras, new customers fill out a detailed questionnaire and are categorized into one of several fit types. The site displays items customized for that type and customers can order a box of up to four bras to try on at home, with free returns.¹¹
6. At CVS Pharmacy, customers who belong to the chain's loyalty program receive offers and discounts on items based on past purchases.¹² As another example, CVS

may vary the initial display that returning buyers see when they revisit its website. Buyers whose past purchases indicated that they tend to buy national brands will see a display arranged by brand. Past purchasers who bought mostly products that were on sale or generic brands will see a display categorized by price and discounted products.

7. Grocers such as Safeway and Kroger are offering individualized prices based on shoppers' behaviors that could encourage them to spend more. Their pricing encourages a buyer to purchase a bigger box of Tide and bologna if the retailer's data suggest that the shopper has a large family, and expensive bologna if the data indicate that the shopper is not greatly price-conscious. As another example, a 24-pack of Brand X bottled water costs \$2.71 for Ms. A but \$3.69 for Ms. B. Ms. A's loyalty data indicate that she likes Brand X products, but not its bottled water. The store encourages Ms. A to put another Brand X product into her grocery cart, with the hope that she will keep buying it, whereas Ms. B is unlikely even to try Brand X bottled water.
8. Some stores have a mobile app that allows shoppers to scan products. When they do, the store identifies them through their frequent shopper number or phone number, and knows where in the store they are. Special e-coupons are created on the spot. Thus, if someone is in the baby aisle and they just scanned diapers, the store presents them at that point with a coupon for a baby formula or baby food, based on the presumed age of their baby and what food the baby might be ready for.¹³
9. Stores have been developing devices that personalize in-store shopping. One makeup marketer installed in-store touch-screen televisions to demonstrate the perfect smoky eye, something that was once the exclusive domain of makeup artists. Another store enables shoppers to use a touchpad to personalize the lighting and music in dressing rooms (there is also a button in case they need help).¹⁴

Realizing that sooner or later electronic systems will replace cash and credit cards, several retailers have been developing mobile-payment systems to compete with similar products from Google and cell-phone companies.¹⁵ *Lucky* magazine—a “shopping bible” for women—has introduced a service that saves women the cost and time of driving. A shopping site called *myLuckymag.com* directs readers to buy clothing and accessories directly from more than a dozen retailers.¹⁶ Many online merchants now offer an “automatic recurring shipment” feature, which appeals to shoppers who like to order habitually needed products, such as paper goods and personal care products, online.

When consumers compare products online, they look at the features and attributes of various models and brands side-by-side. For example, when comparing digital cameras, the most prominent evaluative attributes include the lens, screen, megapixels, light sensor, weight, and photo editing capabilities. Most websites of companies selling comparable brands offer visitors the opportunity to compare models and brands within a single screen, and offer one-click access to more detailed technical information. By observing consumers' comparisons, marketers can identify their direct competitors and the product attributes that consumers consider the most important.

The internet drastically improved consumers' access to the information they need when they buy products for the first time or replace them, and simultaneously has enabled marketers to gather more precise data about consumers by *observing* shoppers rather than relying on their *responses* to post-purchase surveys. For instance, car manufacturers that enable consumers to design their cars online from the ground up can quickly determine which colors, features, and accessories are most popular. They can also find out which combinations of features and car attributes are the most desirable and add models with such configurations.

Although many mistakenly assumed that the internet is for the young, consumers of all ages have been buying online and using technology, as illustrated in Figure 1.3 and Figure 1.4.¹⁷

FIGURE 1.3

The Ownership of Technological Gadgets across Age Groups (percentages)

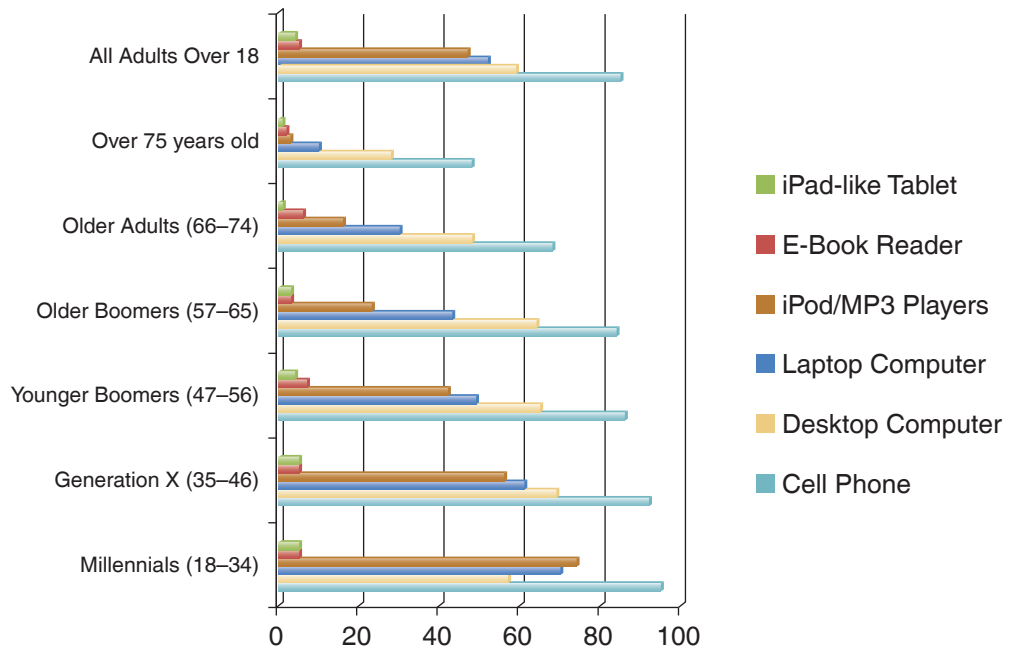
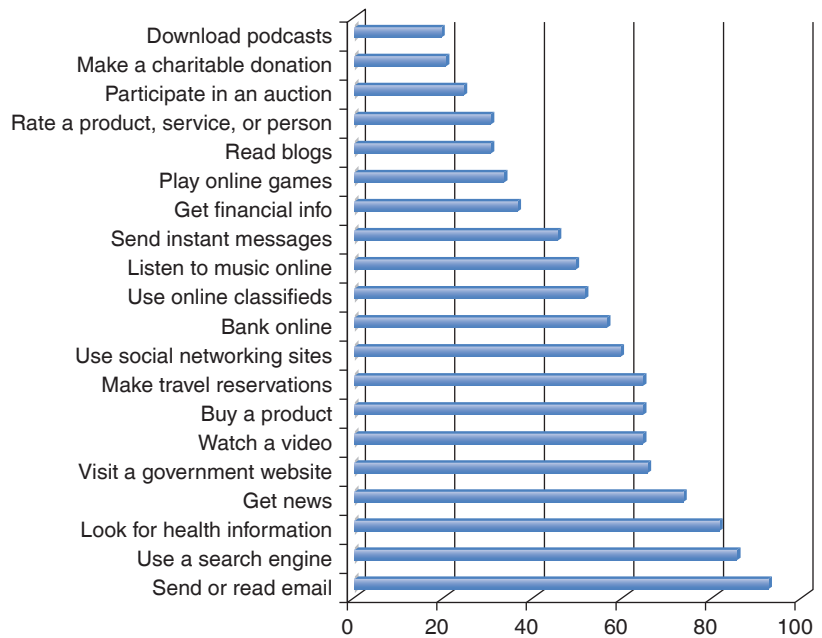


FIGURE 1.4

Americans' Most Prominent Online Activities (percentages)



MORE PRECISE TARGETING

Online data enable data brokers and marketers to exchange information and allow data aggregators to track who is interested in what through “cookies” (invisible bits of code stored on webpages). When someone does a search, for example, 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