Consumer Behavior Buying Having and Being 12th edition Solomon Solutions Manual

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Chapter 2:
CONSUMER AND SOCIAL WELL-BEING

CHAPTER OBJECTIVES

When students finish this chapter, students should understand why:
1. Ethical business is good business.
2. Marketers have an obligation to provide safe and functional products as part of their business activities.
3. Consumer behavior impacts directly on major public policy issues that confront our society.
4. Consumer behavior can be harmful to individuals and to society.

CHAPTER SUMMARY

Ethical business is good business.
Business ethics are rules of conduct that guide actions in the marketplace; these are the standards against which most people in a culture judge what is right and what is wrong, good or bad. Marketers must confront many ethical issues, especially ones that relate to how much they make consumers "want" things they don't need or are not good for them. A related issue is materialism, which refers to the importance people attach to worldly possessions, and the role of business in encouraging this outlook.

Marketers have an obligation to provide safe and functional products as part of their business activities.
It is both ethically and financially smart to maximize customer satisfaction. In some cases, external bodies such as the government or industry associations regulate businesses to ensure that their products and advertising are safe, clear, and accurate. Consumer behavior researchers may play a role in this process and those who do transformative consumer research (TCR) may even work to bring about social change. Companies also play a significant role in addressing social conditions through their corporate social responsibility (CSR) practices and social marketing campaigns that promote positive behaviors.

Consumer behavior impacts directly on major public policy issues that confront our society.
Our relationships with companies and other organizations are complex and many issues that impact quality-of-life relate directly to marketing practices. These include the tradeoff between our privacy and the ability of companies to tailor their offerings to our individual needs. Other issues revolve around market access as many people are unable to navigate the marketplace due to disabilities, illiteracy, or other conditions. In addition, our fragile environment requires a commitment to sustainable business practices that attempt to maximize the triple bottom-line that emphasizes financial, social, and environmental benefits.

Consumer behavior can be harmful to individuals and to society.

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Although textbooks often paint a picture of the consumer as a rational, informed decision-maker, in reality many consumer activities are harmful to individuals or to society. The "dark side" of consumer behavior includes terrorism, addiction, the use of people as products (consumed consumers), and theft or vandalism (anticonsumption).

CHAPTER OUTLINE

I. Business Ethics and Consumer Rights

A. **Business ethics** are rules of conduct that guide actions in the marketplace—the standards against which most people in a culture judge what is right and what is wrong, good, or bad.

1. There are various universal values and many culture-specific ones (which influence whether business practices like bribery are acceptable).
2. Some marketers violate consumer trust (using illegal mislabels on packages or using bait-and-switch selling).
3. Some marketers engage in practices that are legal but have detrimental effects on society.

***** *Use Consumer Behavior Challenge #11 Here* *****

B. Needs and Wants: Do Marketers Manipulate Consumers?

1. **Consumer space** is an environment where individuals dictate to companies the types of products they want and how, when, and where, or even if, they want to learn about them (a shift from ***marketer space*** where companies called the shots).
2. Do marketers create artificial needs? There are arguments to support both sides of this question.
   a. A **need** is a basic biological motive; a **want** represents one way that society has taught us to satisfy that need.
   b. A basic objective of marketing is to create awareness that needs exist, not to create needs.

C. Are Advertising and Marketing Necessary?

1. Products are designed to meet existing needs; advertising helps communicate their availability.
2. The **economics of information** perspective suggests advertising provides an important source of consumer information which consumers are willing to accept because it reduces the economic cost associated with searching for products.

***** *Use Consumer Behavior Challenge #1 Here* *****

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D. Do Marketers Promise Miracles?
   1. Advertisers do not know enough about people to manipulate them.
   2. The failure rate for new products ranges from 40 to 80 percent

E. Materialism: Are You What You Own?
   1. **Materialism** refers to the importance people attach to worldly possessions.
   2. Materialists are more likely to value possessions for their status and appearance-related meanings.
   3. Materialists value the inherent qualities of what they buy. One related dimension is provenance. **Provenance** means shoppers are willing to pay more for an item when they know exactly where it comes from. **Curation** refers to the use of an expert who carefully chooses pieces to include in a collection of consumer products. Table 4.1 summarizes some of the similarities and differences between "old" and "new" materialism.

Discussion Opportunity—Ask: What is your opinion on materialism? Is it good or bad? Be careful how you answer this. How do marketers use materialism to their advantage? What is the alternative to materialism? Would this be good for our economy?

II. . Consumers' Rights and Product Satisfaction

Consumers have three options to pursue when they are dissatisfied with a product: 1) voice response, 2) private response, and 3) third-party response. Several factors influence which route we choose.

A. Market Regulation

1. Several federal agencies oversee consumer-related activities in the U.S. These include the Department of Agriculture, the Federal Trade Commission, the Food and Drug Administration, the Securities and Exchange Commission, and the Environmental Protection Agency. Table 4.2 presents consumer legislation that is designed to protect consumers and Table 4.3 lists major U.S. regulatory agencies.
2. Congress passed the Pure Food and Drug Act in 1906 and the Federal Meat Inspection act in 1907 in response to Upton Sinclair's 1906 book The Jungle, which exposed awful conditions in the Chicago meatpacking industry.
3. The Obama Administration issued voluntary guidelines that food products targeted to children ages 2-17 would have to provide a meaningful contribution to a healthy diet and would have to meet limits for harmful ingredients.

Discussion Opportunity—Ask students whether they feel advertising for foods that are high in sodium, saturated fat and added sugars contributes to child obesity. Do they believe the guidelines should be voluntary? Why or why not?

4. Corrective advertising refers to the use of advertising by a company to inform

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consumers of messages it previously published that were wrong or misleading.

B. Consumerism

1. Adbusters is a nonprofit organization that discourages rampant commercialism and advocates for social activism. These organizations use **culture jamming**, a strategy aimed to disrupt efforts by the corporate world to dominate our cultural landscape.

Discussion Opportunity—Ask: Has cultural jamming ever affected you and your consumption behavior? Any of your friends? If so, why do you think the behavior occurred?

2. John F. Kennedy declared a "Declaration of Consumer Rights" in 1962. These include the right to safety, the right to be informed, the right to redress, and the right to choice.
3. Some consumer researchers are not only seeking to study consumer responses but to rectify what they see as pressing social problems in the marketplace. This is known as ***participatory action research*** (PAR) or **Transformative Consumer Research (TCR)**.

C. Social Marketing and Corporate Social Responsibility (CSR)

Social marketing uses marketing techniques normally employed to sell beer or detergent to encourage positive behaviors such as increased literacy and to discourage negative activities such as drunk driving. Many firms today try to integrate **corporate social responsibility (CSR)** into their business models. CSR describes processes that encourage the organization to make a positive impact on the various stakeholders in its community. Cause marketing is a popular strategy that aligns a company or brand with a cause to generate business and societal benefits.

III. Major Policy Issues Relevant to Consumer Behavior

A. Data Privacy and Identity Theft

1. One of the biggest issues marketers face relates to how much they can or should know about their customers. Technologies record much of our activities including our location if we carry a smart phone with GPS. Our digital actions may even have financial value because of an industry called **real-time bidding**, an electronic trading system that sells ad space on the Web pages people click on the moment they visit.
2. Identity theft occurs when someone steals your personal information and uses it without your permission. It is the most common consumer complaint according to the FTC. Phishing occurs when people receive fraudulent emails that ask them to supply account information. Consumers are also suspect to botnets that hijack computers without a trace.
3. Locational privacy is a related issue as GPS tracking technology identifies and records consumer locations.

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B. Market Access

For many, market access is limited due to physical, mental, economic, or social barriers.

1. Disabilities affect access to stores both physical and online.
2. Food deserts are Census tracts where 33% or 500 people live more than a mile from a grocery store in an urban area or more than 10 miles away in a rural area.
3. Media literacy refers to a consumer's ability to access, analyze, evaluate, and communicate information in a variety of forms, including print and non-print messages. Functional literacy refers to the ability to read sufficiently to carry out everyday tasks.

C. Sustainability and Environmental Stewardship

1. Sustainability is not just about "do-gooder" efforts that reduce a company's carbon footprint; it also benefits companies financially. A triple bottom-line orientation refers to business strategies that strive to maximize return in three ways:
   - Financial
   - Social
   - Environmental
2. Cradle to cradle means that the organization aims for its products to be made from natural materials that are fully reusable or recyclable so that the company actually uses zero resources to make it.
3. Conscientious consumerism means that consumers are paying attention to sustainability efforts by companies.

D. Green Marketing and Greenwashing

1. As a response to consumer efforts, many firms have chosen to protect or enhance the natural environment as they go about their business activities. This practice is known as **green marketing**.
2. Even though consumers largely support green products, many people don't actually buy green. This is in part due to the higher price of green products. It is also due to distrust because of greenwashing. **Greenwashing** occurs when companies make false or exaggerated claims about how environmentally friendly their products are.
3. Marketers point to a segment of consumers they call LOHAS – an acronym for "lifestyles of health and sustainability." Table 4.4 shows that the LOHAS market divides into five different sectors.

E. Product Disposal

How we get rid of stuff is also an important element of consumer behavior. **Later cycling** means that one consumer exchanges something she owns for something another person owns. There is an **underground economy** of products that are sold person to person rather than through traditional *m*arket systems. Trading or reselling products is called **recommerce.**

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*Discussion Opportunity— Many consumers mistrust green marketing claims because of a history of companies "greenwashing," (*positioning *a product or service as environmentally friendly when it does not reduce harm to the environment, diverting attention from a company's environmental wrongdoings, or overstating a product's green benefits). Ask: Which companies do students associate with green marketing? Which companies are they skeptical of green marketing claims? Why?*

IV. . The Dark Side of Consumer Behavior

A. Consumer Terrorism

Disruptions to our financial, electronic, and supply networks are possible through attacks such as bioterrorism and cyberterrorism.

B. Addictive Consumption

Consumer addition is a physiological or psychological dependency on products or services.

1. Addiction to Technology. Consumers can also be addicted to technology. Social media addiction can be compared to a chemical dependency.
2. Technology Issues. Some other issues with technology include cyberbullying and phantom vibration syndrome.

C. Compulsive Consumption

Compulsive consumption refers to repetitive and often excessive shopping performed to relieve tension or anxiety. Three common elements characterize negative or destructive consumer behaviors: 1) the behavior is not by choice, 2) the gratification of the behavior is short-lived, and 3) the person experiences strong feelings of regret or guilt.

D. Consumed Consumers

Consumed consumers are people who are used or exploited for commercial gain. Examples include prostitutes and organ, blood, and hair donors.

E. Illegal Acquisition and Product Use

Analysts estimate that the cost of crimes that consumers commit against business totals more than $40 billion per year. **Shrinkage** is one such crime which refers to inventory and cash losses caused by shoplifting and employee theft. **Counterfeiting** is where companies or individuals sell fake versions of real products to customers.

F. Anticonsumption

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Anticonsumption ranges from relatively mild acts like spray-painting graffiti on buildings to serious incidences of product tampering.

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End-of-Chapter Support Material

SUMMARY OF SPECIAL FEATURE BOXES

2-1. CB As I See It: Ronald Hill, Villanova University

Being "poor" has different implications in different nations, in terms of what is taken for granted, especially in developed Western nations. One study found that in developed national, the level of material yearning increased in middle and high school, but there were also opportunity for self-esteem development. Impoverished neighborhoods do not offer this development. Another study showed that those with more have more positive social comparisons than those with less. A third study showed that the ability to save resulted in greater feeling of well-being for those in poorer nations.

2-2. The Tangled Web

Gripe sites enable consumers to complain about companies online.

2-3. Marketing Pitfall

Brands must ensure their messages are not harmful or inaccurate.

2-4 Marketing Pitfall

Slacktivism supports the idea that there are too many small and meaningless expressions of support for important causes, do to overexposure via technology.

2-5 CB As I See It: Stacey Menzel Baker, Creighton University

Consumer behavior researchers study the relationships among people possessions, places, brands, experiences, and other people. Relationships are important in creating, maintaining, and reconstructing our identities. The relationships with stores and marketplaces that bring us pain when they are gone also bring us a sense normalcy when they return.

2-6 The Tangled Web

Because of the ability to use facial recognition and track keystrokes, technology has created serious privacy risks. Markets use access to personal information to created viewer-relevant advertising.

2-7 Marketing Opportunity

When consumer make the decision to practice sustainability, they are much more likely to follow through on that decision.

2-8 The Tangled Web

Yik Yak allows cyberbullying on college campuses when users can post a profile and remain anonymous. The site has encouraged violence and gang rape by posting "yaks."

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REVIEW

2-1. What are business ethics, and why is this an important topic?
Business ethics are rules of conduct that guide actions in the marketplace. These are the standards against which most people in a culture judge what is right or wrong, good or bad. However, the notions of right and wrong differ among people, organizations, and cultures. This is an important distinction as we learn to work with those of other cultures.
(2 minutes, Chapter Objective 1, AACSB: Reflective Thinking)

2-2. The economics of information perspective argues that advertising is important. Why?
This view emphasizes the economic cost of the time spent searching for products. Accordingly, advertising is a service for which consumers are willing to pay, because the information it provides reduces search time.
(2 minutes, Chapter Objective 1, AACSB: Reflective Thinking)

2-3. State two important criticisms of marketing and provide the pros and cons for each.
Some feel that marketers contribute to the moral breakdown of society when they promote hedonistic pleasure and encourage the pursuit of humanism at the expense of spirituality and the environment. The marketing system creates demand that only its products can satisfy. The argument against this thought is that the need is already there, and marketers simply recommend ways to satisfy it. Marketing creates awareness that the need exist; it does not create the need.

Another criticism of marketing is that it manipulates the masses. This includes online communications. Markets arbitrarily link products to desirable social attributes to foster a materialistic society. Marketers focus on the irrational value of the goods they symbolize. However, some feel that products meet existing needs, and marketing activities only help to communicate the availability of the good or service. The economic cost of time we would need search for products is diminished.
(5 minutes, Chapter Objective 1, AACSB: Reflective Thinking)

2-4. Give two examples of important legislation that relate to U.S. consumers.
The Pure Food and Drug Act in 1906, the Federal Meat Inspection Act in 1907, the Foreign Corrupt Practices Act in 1977 and the 2010 Dodd–Frank Wall Street Reform and Consumer Protection Act are examples given in the text.
(2 minutes, Chapter Objective 2, AACSB: Application of Knowledge)

2-5. Define social marketing, and give an example of this technique.
Social marketing uses marketing techniques normally employed to sell beer or detergent to encourage positive behaviors such as increased literacy and to discourage negative activities such as drunk driving.
(1.5 minutes, Chapter Objective 2, AACSB: Application of Knowledge)

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2.6 What is the primary difference between transformative consumer research and other kinds of consumer research?
Transformative consumer research promotes research that includes the goal of helping people or brings about social change. This idea views consumers as collaborators who work to realize change, rather than as an issue that needs to be research. Other kinds of research promote research as a way to study an issue, not to promote change.
(2 minutes, Chapter Objective 2, AACSB: Reflective Thinking)

2-7. Why is market access an important aspect of consumer well-being? What are some important reasons why consumers can experience limited market access?
Market access is the consumer's ability to find and purchase goods and services. Access might be limited because of physical, mental, economic, or social barriers. There are 11 million U.S. adults that have conditions that m make it difficult for them to leave home to shop. This can be minimized through the use of technology and other resources. (2 minutes, Chapter Objective 2, AACSB: Reflective Thinking)

2-8. What is greenwashing, and why is it a problem for marketers?
Greenwashing is the promotion of environmentally friendly products, but often, the claims are false or exaggerated. Studies show that almost one-fourth of U.S. consumers feel they have no way of knowing how true a claim might be, and one report shows that 95 percent of consumer companies that market products as "green" make misleading or inaccurate claims.
(2 minutes, Chapter Objective 3, AACSB: Reflective Thinking)

CONSUMER BEHAVIOR CHALLENGE

Discuss

2-9. The Culture Jammers Manifesto proclaims opposition to the "mind-polluters": "On the rubble of the old culture, we will build a new one with non-commercial hear and should. " What's your take on "culture jamming;
do advertisers deserve to be parodied?

Students will have mixed views about this topic. Students should identify parody and culture jamming, and the goal of the process. Students should also identify the goal, which is to change the way information flows. Students should offer examples of why some American companies dismiss the concept, as well as some examples of why the concept should be taken seriously.

(20 minutes, Chapter Objective 2, AACSB: Reflective Thinking)

2-10. Should scientists who study consumer behavior remain impartial, or is it appropriate for them to become involved in the topics they research like those who adhere to the transformative consumer research perspective?

Students will have varied opinions on this topic. Students should be able to identify and

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discuss transformative consumer research and its goals of helping bring about social change. Students should be able to compare this concept to more traditional types of research. Discussion should relate to corporate social marketing and indicate how research has furthered this process.

(20 minutes, Chapter Objective 2, AACSB: Reflective Thinking)

2-11. Because of higher competition and market saturation, marketers in industrialized countries try to develop third-world markets. Asian consumers alone spend $90 billion a year on cigarettes, and U.S. tobacco manufacturers push relentlessly into these markets. We find cigarette advertising, which often depicts glamorous Western models and settings, just about everywhere – on billboards, buses, storefronts, and clothing – and tobacco companies sponsor many major sports and cultural events. Some companies even hand out cigarettes and gifts in amusement areas, often to preteens. Should governments allow these practices, even if the products may be harmful to their citizens or divert money that poor people should spend on essentials? If you were a trade or health official in a third-world country, what guidelines, if any, might you suggest to regulate the import of luxury goods from advanced economies?

Students will have a variety of views on this topic. Student should indicate regulations and laws in the U.S. that affect a company's ability to market, and indicate how marketing is different in developing or third world nations. Students should discuss analyst prediction for growth in Europe and the U.S. as well as the expected huge growth in China and other Asian and developing countries. This response should also explain provenance, and the willingness to pay more for an item when consumers know exactly where it came from. Curation, the process of being an expert on a product should also be discussed.

(20 minutes, Chapter Objective 2, AACSB: Reflective Thinking)

2-12. The chapter discusses the practice of serial wardrobing, where people return an outfit after they wear it for a special occasion such as a formal. What do you think of this practice? Is it OK to use an expensive product once and then get your money back?

Students should explain how serial ward robing constitutes consumer theft and fraud. Students should identify serial wardrobers as those who buy an outfit, wear it once, and return it. Students should also indicate other types of wardrobing fraud such as changing price, exchanging products for higher priced ones, or using fake or old receipts to return a product. The retail industry loses about $16 billion a year to these and other types of fraud.

(20 minutes, Chapter Objective 4, AACSB: Reflective Thinking)

2-13. "College students' concerns about the environment and vegetarianism are just a passing fad: a way to look 'cool.' " Do you agree?

Students will have mixed views about this subject. What they need to see is that a fad that

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lasts for some length of time becomes a value (or is at least tied to values). For example, is the trend toward not smoking a value or a fad? The value might be healthy living or avoidance of what is now considered a nasty habit. The result is not smoking. Those who smoke might not only do it because they like it but as a way to be peer accepted or make a nonconformity statement (or to shock their parents and other authority figures). Ask students for their feelings about these subjects. How can the marketer capitalize on these "value" feelings? How do consumers reinforce their deep-seated values?

(20 minutes, Chapter Objective 4, AACSB: Reflective Thinking)

2-14. A case involving Wendy's fast-food chain made national headlines when a woman claimed she had found a finger in her bowl of chili. The restaurants became the butt of jokes (some said they served nail clippers with their food instead of forks), and sales dropped dramatically at the company's franchises. This forced layoffs and reduced hours for many employees – until the woman was arrested for fraud. Consumers commonly file lawsuits against companies to claim damages if a product or service didn't work as expected. In some cases, the defendant just settles the suit to make it go away because it costs more to mount a defense than to just pay damages. Do we have too many frivolous lawsuits? Does our justice system adequately meet the needs of both consumers and companies in terms of how it awards damages?

Student responses will vary but the instructor can use this discussion to address major legislation related to consumer behavior. Legislation would include a discussion on the Department of Agriculture, the Federal Trade Commission, the Food and Drug Administration, the Securities and Exchange Commission, and the EPA.

(20 minutes, Chapter Objective 3, AACSB: Reflective Thinking)

2-15. Nonprofit organizations routinely rely on generous corporate donations, and it is common to name facilities after benefactors. The Nationwide Children's Hospital in Ohio is no exception; its name recognizes the insurance company's $50 million donation. Now the hospital is adding the Abercrombie & Fitch Emergency Department and Trauma Center and there is the Limited Too & Justice Main Lobby. The Campaign for a Commercial-Free Childhood opposes this partnership. The group's director commented, "Abercrombie & Fitch is really among the worst of corporate predators. A company with such cynical disregard for children's well-being shouldn't be able to claim the mantle of healing. . . . And, personally, I find it very concerning that they named their hospital after an insurance company." What do you think? Is this over the line, or does it matter where the money comes from so long as the result is beneficial?

Students will vary in their response to this challenge as both sides present important points. Abercrombie recognizes the positive publicity, which will be generated from such a donation, and charities need funding. At the same time, the center may feel that it is selling out to accept money from an organization, which behaves at times as though it lacks concern for children.

(5 minutes, Chapter Objective 1, AACSB: Ethical Understanding and Reasoning Abilities)

2-16. From time to time advertisers use dark humor to get their messages across, as when a lonely calorie, repairman, or robot considers suicide. Or, an ad may imply that a shoppers are "mentally ill" if they pay retail prices. Are these appeals a legitimate way to

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communicate a message, and if so under what circumstances?
Such appeals are meant to be humorous rather than fear or guilt based. Humor appeals are legitimate. The issue is whether this form of humor is in good taste and a good choice for the brand in question.
(3 minutes, Chapter Objective 1, AACSB: Ethical Understanding and Reasoning Abilities)

Apply

2-17. Will consumers trade lower prices for less privacy? Car owners now can let insurance companies monitor their driving using a new technology in exchange for lower rates. Customers who sign up for Progressive's TripSense program get a device the size of a Tic Tac box to plug into their cars. The device will track speed and how many miles are driven at what times of day. Every few months, customers unplug the device from the car, plug it into a computer, download the data, and send them to the company. Depending on results, discounts will range from 5 to 25 percent. In Great Britain, a major insurer is testing a program called Pay as You Drive. Volunteers will get a device the size of a Palm computer installed in their cars. The gadget will use global positioning satellite technology to track where the car goes, constantly sending information back to the insurance company. Cars that spend more time in safer areas will qualify for bigger discounts. Of course, the potential downside to these efforts is that the insurance companies may be able to collect data on where you have driven, how long you stayed in one location, and so on. Conduct a poll of 10 drivers of various ages where you describe these programs and ask respondents if they would participate to receive a discount on their insurance premiums. What reasons do they give pro and con?
This question of exchanging privacy for lower prices (or convenience, or any of a number of other benefits) can be applied in many contexts these days, particularly in e-commerce. As the student reports are discussed, the instructor can relate this issue to various topics. These include value (what benefits are people gaining and what cost are they "paying"?), ethics (what are the implications of companies having such a depth of information on consumers?), public policy (should there be attempts to regulate such business activities?), and demographic segmentation. Probe students as to what types of trade-offs they have made (providing personal, credit card, bank account, and other information in order to conduct business online).
(10 minutes, Chapter Objective 3, AACSB: Ethical Understanding and Reasoning Abilities)

2-18. Many college students "share" music by downloading clips from the Internet. Interview at least five people who have downloaded at least one song or movie without paying for it. Do they feel they are stealing? What explanations do they offer for this behavior? Try to identify any common themes because of these interviews. If you were devising an ad campaign to discourage free downloading, how might you use what you have learned to create a convincing message?
Obviously, ethical issues of right and wrong should emerge here. These issues should reflect the ethical behavior of the consumer (is it wrong to download for free?), as well as that of

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the corporations (are they ripping customers off by charging too much?). Reports should also revolve around "dark side" issues. Specifically, is this activity stealing? Is it on the same level as shoplifting? Certainly, the explanations given will fall into the category of justification. Thus, from the marketer's perspective, the suggested ad campaign should be designed in a way to persuade consumers that their justified behavior is wrong.
(5-10 minutes, Chapter Objective 2, AACSB: Ethical Understanding and Reasoning Abilities)

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CASE STUDY TEACHING NOTES

Chapter 2 Case Study:
Marketing Responsibility: Patagonia and P&G's Always Redefine What It Means to Be Transparent and Authentic

Summary of Case

Marketing faces challenges and criticism on many fronts. As identified in Chapter 2 questions directed at the marketing field include:

- Does marketing create materialism? Does it lead to confusion between needs and wants?
- Is it ethical to market products that may have a negative impact on consumers' health?
- Do marketers mislead consumers or perpetuate stereotypes with their marketing messages?
- Does marketing lead to an invasion of computer privacy?
- Do companies and brands misuse natural resources for products and packaging? Do they engage in greenwashing?
- Do companies take advantage of questionable labor practices in their quest to keep costs and prices down?

Three companies that have recently been in the spotlight about their work to change perceptions about the role of marketing are Panera Bread, Patagonia, and Proctor & Gamble with its' Always brand.

Patagonia:

Patagonia, an apparel and sporting goods company, has long been regarded as cutting-edge when it comes to environmental and social responsibility. In fact, it is an accredited and founding member of the Fair Labor Association. Now Patagonia is taking on a difficult task of trying to be even more transparent about its' supply chain and related labor practices in an industry knows for its abuses of workers.

As Gillian White details in "Your Clothes Are Made With Exploited Labor", since 2007 Patagonia has worked diligently, along with Verite, a nongovernmental organization that works on labor issues, to make improvements in the practices of the company's first-tier suppliers. There are the suppliers with whom Patagonia works directly to product its' apparel. Through these efforts it was able to reduce the number of first-tier suppliers from 108 to 75, which improved the company's ability to have more control over how these companies treat workers.

However, in 2011 Patagonia's own extensive audits uncovered new supply chain problems with human trafficking, forced labor, and exploitation. They are now trying to go beyond the gains made in their previous work with the first-tier suppliers. Their new focus is on suppliers buried more subtly in the complicated apparel supply chains: mills and suppliers of raw materials. Patagonia has asked Verite to help with additional audits. They have also increased their overall

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corporate social responsibility effort. In 2013 they invited industry peers for a discussion of forced labor issues in the apparel industry, unfortunately only 7 of the 40 invited companies chose to participate.

Patagonia's COO Doug Freeman commented, "We think people will be disappointed at ongoing issues in Patagonia's supply chain, but feel that our transparency will pay off. We want to be really honest and dive deeply into this issue, breaking trails for the rest of the industry." Clearly they have a lot at stake because their branding identity is so closely tied to their leadership in social responsibility.

According to Gillian White, "Patagonia's admission stands out in that it comes from a brand considered a leader in the movement of ethical production." However, the good news as she describes it is that "Patagonia's name continually comes up as one of the few brands that seek to take the high road by choice rather than by necessity. By comparison, many companies aren't prepared or proactive when it comes to rooting out forced labor at all levels"

And Dan Viederman, CEO of Verite, confirms that "there are few, if any, brands that have taken up the mantle of eradicating trafficking, at any level, without first being prodded by potentially embarrassing and illegal findings." Patagonia appears to be one of those few.

For now, Patagonia continues the difficult struggle to monitor and actively work to improve conditions throughout every level of its supply chain. They remain determined to set the bar high and to live up to their mission statement: *Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environment crisis.*

P&G's Always

P&G's Always feminine care campaign, "Like a Girl," has generated a great deal of attention in the marketplace recent: 58 million views on YouTube and the first feminine care product Super Bowl ad. In addition, the campaign has won a number of prestigious awards, including being the sole winner in the 2015 Effie Awards GoodWorks Brand category. The award was created to recognize marketers using their platform for good through purpose-driven marketing campaigns. At the Cannes Lions International Festival of Creativity, considered the Academy Awards for advertising, the campaign won a Glass Lion prize and the Grand Prix award in the PR category. The Glass Lion prize is a new category, introduced in 2015, to honor campaigns that address issues related to gender inequality and prejudice.

P&G is working to target women with more realistic and empowering messages. The campaign focuses on what young women, boys, and girls think it means to do something "like a girl." This is an especially important question given the fact that research has documented a drop in self-esteem as girls grow into young women. The ads have connected well with women and sparked a great deal of conversation, much of it driven by the hashtag #LikeAGirl. The campaign's message is all about changing the like-a-girl phrase from an insult into something that empowers and inspires.

Allison Arden points to a comment about the campaign made by Ken Wheaton in an *Advertising Age* column. Wheaton said, "It's an eye-opener-which is something you don't often get in advertising of any kind. It made me-a 21st century, non-PC male born and raised in the South—

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reconsider my own word choices." Arden shared reflections from several experts on why the Always campaign is a good example of effective purpose-driven marketing. Their comments included the campaigns ability to identify its own insight to create a purpose of its own, create a compelling message that will be meaningful over an extended period of time, and understand the importance of unusual media placements that put the message in front of audience in a way that made a statement. Arden praises the campaign for "effectively setting the Always brand apart, while also changing behaviors and making us pause to consider the power of our words."

Suggested Discussion Questions

CS2-1. Do you believe that consumers consider a brand's supply chain ethics when they purchase apparel? Do consumers bear any responsibility for the ways in which laborers in the apparel industry are treated? Would you be willing to pay a premium for a brand that was transparent about their efforts to ensure that laborers are paid a fair wage and treated decently?

CS2-2. In Allison Ardens *Advertising Age* article about the Like-a-Girl campaign, she talks about the need for purpose driven marketing campaigns to feel authentic. To what extent has the Like-a-Girl campaign achieved this goal? What are the unique marketing challenges for a feminine care product overall?

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Additional Support Material

STUDENT PROJECTS

Individual Projects

Have students explain what it means to be a green consumer. They could report on what they have done to be "green" and how their behaviors have changed. Have they tried to influence anybody else to go "green" and how?
The chapter introduces the idea of green marketing, but student perceptions of green consumers are likely to be based on outside experiences, including their own efforts to be more environmentally responsible, which will vary. Some students may view green consumers as the small subset of consumers who willingly make sacrifices to protect the environment. Others may characterize green consumers as idealistic tree-huggers. Research indicates most consumers fall somewhere on a spectrum from green to brown based on their environmental values and their beliefs in their ability to make a difference. The question about their attempts to influence others can be related to the idea of consumption communities and group influences on consumption behavior.
(5 minutes, Chapter Objective 5, AACSB: Reflective Thinking)

Each group should locate an example of a company that is heavily involved in social or green marketing. Make a report on the activities of the company. Compare this company to a direct competitor that is not so extensively involved in such activities. What are the advantages/disadvantages that the social/green approach has over the other?
Student responses should reflect an understanding of what social or green marketing is. Some students may confuse social marketing with marketing via social media, so it is important to identify differences between the two concepts. The comparison with the competitor should consider the way the company uses or does not use their social/green marketing efforts to position their offerings. If possible (it will depend on the company/industry), students should analyze how social/green marketing efforts relate to the company's bottom line, consumer attitudes toward the company, and brand loyalty.
(20 minutes, Chapter Objective 5, AACSB: Analytic Skills)

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eLAB

1. Visit a website that includes a quiz or test of materialism (ex. **http://www.expertrating.com/quizzes/Materialism-Test.asp** or find it at **www.Quizilla.com**) and take the test to evaluate how materialistic you are.
Students are likely to get different responses, depending on the importance of possessions to the student. They may also have opinions about the accuracy of the results (for themselves or for their classmates).

(20 minutes, Chapter Objective 1, AACSB: Reflective Thinking)

2. Go to www.moveon.org. What is the main variable that this site uses to segment the American public? What is the resulting segment to which this site is attempting to appeal? Extensively, describe this segment in terms of demographic and psychographic variables. What issues seem to be raised on this site? If you were an advertiser, would it be a good idea to sponsor a message on this site? Explain.
Moveon.org is a civic action group that segments the American public based on political ideals. Opinions are one of the facets of psychographic segmentation (activities, interests, opinions). The website notes the organization is a non-partisan effort to give the public a voice in policymaking. However, the separate PAC by the same name raises money to support Democrat candidates. Unlike other political action groups, its donors tend to give small donations via the web. Students may make inferences about the demographics and psychographics of the group's audience based on the issues raised on the website, and the group's use of the web as a primary communication vehicle. Student opinions of whether it would be a good idea to sponsor a message on the site may depend on these inferences, but students may also point out that site sponsorship by corporate interests contradicts the group's mission to reduce corporate America's influence over Washington. An advertiser for a social initiative may not be as susceptible to this challenge.

(15 minutes, Chapter Objective 5, AACSB: Analytic Skills and Reflective Thinking)

3. Go to **www.benjerry.com**. Ben & Jerry's Ice Cream is famous for a well-rounded mission statement and care and concern for the environment. What is their mission? What indications are there about the organization's commitment to the environment? What values does the company try to express? How might this expression help the organization market products?
Ben & Jerry's mission statement can be found under activism (follow the link here: http://www.benjerry.com/activism/mission-statement/). The company publishes a Social and Environmental Assessment Report each year (follow the link here: http://www.benjerry.com/company/sear/). Students may relate the company's values to the growing LOHAS segment.

(25 minutes, Chapter Objective 3, AACSB: Reflective Thinking)

4. Go to **www.wholefoods.com**. Take some time to become familiar with the website. Describe this company and the products that they offer. Select specific examples of

products that seem to target the LOHAS values segment. Are the products that might

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appeal to values other than those described by LOHAS?

LOHAS is an acronym for "lifestyles of health and sustainability." Marketers are responding to the needs of this segment with eco-friendly products and programs. Students may observe Whole Foods seafood labeling initiative and their efforts to reduce seafood that is not sustainable. Students may become aware of wellness programs Whole Foods rolled out in select markets, which include nutrition programs, social dinners and partnerships with exercise facilities/yoga centers in exchange for a membership fee. Students should also recognize that people might buy products that appeal to LOHAS for reasons other than health and sustainability.

(20 minutes, Chapter Objective 3, AACSB: Reflective Thinking)

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Evolving Trends in Fitness and French Fries

Background and Goal

Your close friend has finally saved up enough money to open up their dream business – a fitness gym! He hopes to one day turn his gym into a national chain, but for now he plans on opening just two locations in a large, U.S. city that in convenient for him. He recently read a news article about how fitness trends in his city are consistent with overall trends in the U.S., so he asked you to do a little research about fitness membership trends in the U.S. In addition, he asked you to look up membership trends for three likely competitors: Planet Fitness, LA Fitness, and 24 Hour Fitness. In addition, your friend has noted that some recent trends for gyms have included some rather curious practices, like giving away free pizza and candy to its members! He is wondering if you may be able to provide some insight, even if indirect, about such trends and how they may apply to his new gym.

You used GfK's Media Mark Report tool to find information about U.S. adult gym membership trends in 2012 and 2014. Your plan is to use the two different time points to make some inferences about where the future of fitness gym marketing may be heading. In addition, you also found historical trends about U.S. adult spending at fast food restaurants. While not exactly the same as free pizza at gyms, you decided to look at the data to consider whether you can glean any insights. You also found some information about the types of cable channels and websites/apps used by different fitness consumers; you plan on using this information to give some advice to your friend about how to advertise for his new gym.

The Data

The data in the report is all reported in the millions (000,000s) and interpreted in a similar way:

- "Bought Fast Food" and "Spent Over $100 on FF": Both questions deal with someone's fast food consumption in the past 6 months from either Spring 2014 or Spring 2012. The first question is a simple count of whether someone spent any money on fast food, while the second question estimates the number of people who spent over $100 on fast food in the past 6 months.
- "Member of Gym": This question is an estimate of U.S. adults who have had a membership in any sort of fitness gym in the last 12 months from either Spring 2014 or Spring 2012. This number includes any gym, not just 24 Hour Fitness, Planet Fitness, and LA Fitness.
- "LA Fitness", "24 Hour Fitness", and "Planet Fitness": These questions are the estimated count of U.S. adults who had a membership to the gym within the last 12 months from either Spring 2014 or Spring 2012.

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•

	Bought Fast Food		Spent Over $100 on FF		Member of Gym		LA Fitness		24 Hour Fitness		Planet Fitness	
Year	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014	2012	2014
Total	169.0	168.5	55.3	56.5	43.2	52.1	2.9	4.2	4.5	3.6	2.6	4.9
HH < $40,000	49.9	50.3	12.3	12.5	7.5	10.9	0.5	1.0	0.8	0.6	0.6	1.3
HH $40,000-$74,999	48.5	45.8	15.5	15.2	10.5	12.2	0.7	1.2	0.8	0.9	0.6	1.3
HH $75,000+	70.6	72.4	27.5	28.8	25.2	28.9	1.7	2.0	2.9	2.0	1.3	2.3
Men	81.4	80.8	29.4	30.0	20.4	24.3	1.3	1.9	2.5	1.9	1.3	2.3
Women	87.7	87.8	25.9	26.5	22.8	27.7	1.6	2.3	2.0	1.6	1.2	2.5

All numbers reported in millions (000,000s)

- Which of the three income groups had the largest increase in gym membership from 2012 to 2014? If this was expressed in terms of percentage increase, which income group experienced the largest increase from 2012 to 2014?
    - ANSWER = HH income of >$75k had the largest total increase in gym memberships (28.9 – 25.2) = 3.7 million increase.
    - ANSWER = In terms of percentage increase from 2012, 45.3% increase [(10.9 – 7.5) / 7.5] among people making under HH income of 40k.
    - This is a good opportunity to talk about differences between absolute change and percentage change.
- Which of the three gyms had the largest market share in 2012? In 2014?
    - ANSWER = Under the assumption that market share is defined as % of adults who have gym membership at a particular gym divided by total membership: ANSWER = 24 Hour Fitness in 2012 (4.5 / 43.2), Planet Fitness in 2014 (4.9 / 52.1). Note that a student may (correctly!) point out that this calculation doesn't account for "double counting" of consumers with memberships more than one gym. Likely this number is negligible, but is a valid point.
- From 2012 to 2014, does it appear that LA Fitness, 24 Hour Fitness, and Planet Fitness comprise a greater or lesser share of the total gym membership market? Why?
    - ANSWER = Again, under the assumption that "Member of a Gym" constitutes an accurate measure of the fitness membership market, we would conclude that the 3 gyms owned:
      (2.9+4.5+2.6) / 43.2 = 23.1% of the market in 2012
      (4.2+3.6+4.9) / 52.1 = 24.2% of the market in 2014
      Thus, although the total market has grown, the total growth of the three gyms has slightly outpaced total sector growth.

Discussion

- Compare the membership trends between LA Fitness, 24 Hour Fitness, and Planet Fitness. Are membership trends similar or different across genders and income groups? Consider the different marketing mixes of the three gyms; what do you think may account for the differences

in membership trends? (Tip: You can use a tool like Google News to search for news articles about each gym in 2012 or 2014)

- Your friend told you that he envisions his gym being a place where people who are "intimidated" of going to the gym will feel safe and empowered to work out. Assuming this aspect of your friend's gym is going to be part of his positioning, which of the three competing gyms would you consider to be his most serious competitor? Why?
- Which income group has experienced the greatest increase in fast food spending from 2012 to 2014? Do you think this information is relevant for your friend when thinking about the marketing mix of his gym? Why or why not?

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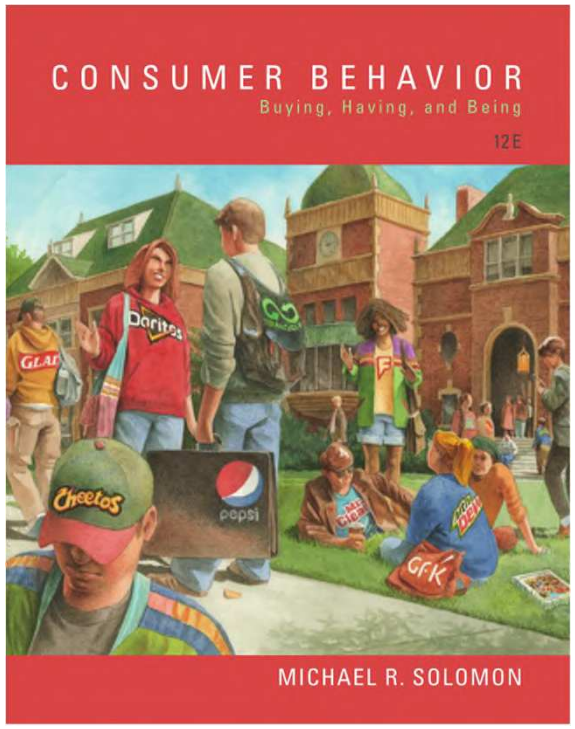
2
Consumer and Social Well-Being

CONSUMER BEHAVIOR, 12e

Michael R. Solomon



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Chapter Objectives

1. Ethical business is good business.
2. Marketers have an obligation to provide safe and functional products as part of their business activities.
3. Consumer behavior impacts directly on major public policy issues that confront our society.
4. Consumer behavior can be harmful to individuals and to society.

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Learning Objective 1

Ethical business is good business.

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Marketing Ethics and Public Policy

- Business ethics are rules of conduct that guide actions in the marketplace
- There are cultural differences in what is considered ethical.

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Needs and Wants

- Consumerspace
- Materialism
- Provenance
- Curation

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Do Marketers Manipulate Consumers?

Advertisers simply do not know enough about people to manipulate them

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Do Marketers Create Artificial Needs?

Objective of marketing: create awareness that needs exist, <u>not</u> to create needs

- Need: a basic biological motive

versus

- Want: one way that society has taught us that the need can be satisfied

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Sample of Federal Legislation Intended to Enhance Consumers' Welfare

TABLE 2.1 Sample of Federal Legislation Intended to Enhance Consumers' Welfare

Year	Act	Purpose
1953	Flammable Fabrics Act	Prohibits the transportation of flammable fabrics across state lines.
1958	National Traffic and Safety Act	Creates safety standards for cars and tires.
1958	Automobile Information Disclosure Act	Requires automobile manufacturers to post suggested retail prices on new cars.
1966	Fair Packaging and Labeling Act	Regulates packaging and labeling of consumer products. (Manufacturers must provide information about package contents and origin.)
1966	Child Protection Act	Prohibits sale of dangerous toys and other items.
1967	Federal Cigarette Labeling and Advertising Act	Requires cigarette packages to carry a warning label from the Surgeon General.
1968	Truth-in-Lending Act	Requires lenders to divulge the true costs of a credit transaction.
1969	National Environmental Policy Act	Established a national environmental policy and created the Council on Environmental Quality to monitor the effects of products on the environment.
1972	Consumer Products Safety Act	Established the Consumer Product Safety Commission to identify unsafe products, establish safety standards, recall defective products, and ban dangerous products.
1975	Consumer Goods Pricing Act	Bans the use of price maintenance agreements among manufacturers and resellers.
1975	Magnuson-Moss Warranty-Improvement Act	Creates disclosure standards for consumer product warranties and allows the Federal Trade Commission to set policy regarding unfair or deceptive practices.
1990	The Nutrition Labeling and Education Act	Reaffirms the legal basis for the Food and Drug Administration's new rules on food labeling and establishes a timetable for the implementation of those rules.
1998	Internet Tax Freedom Act	Established a moratorium on special taxation of the Internet, including taxation of access fees paid to America Online and other Internet Service Providers.
2010	Dodd-Frank Wall Street Reform and Consumer Protection Act	Prompted by the recession that began in 2008, intends to promote the financial stability of the United States by improving accountability and transparency in the financial system, to end "too big to fail," to protect the American taxpayer by ending bailouts, and to protect consumers from abusive financial services practices.

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Are Advertising & Marketing Necessary?

Does advertising foster materialism?

- Products are designed to meet existing needs
- Advertising only helps to communicate their availability

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For Reflection

Advertisers are often blamed for promoting a materialistic society by making their products as desirable as possible.

- Do you agree with this?
  - If yes, is materialism a bad thing?
  - If no, what are your reasons?

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Learning Objective 2

Marketers have an obligation to provide safe and functional products as part of their business activities.

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Courses of Action

- Voice
- Private
- Third-Party Response

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Consumers' Rights and Product Satisfaction

- Market Regulation
  - Corrective advertising
- Consumerism
  - Culture jamming

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U.S. Regulatory Agencies and Responsibilities

TABLE 2.3 U.S. Regulatory Agencies and Responsibilities

Regulatory agency	Responsibilities
Consumer Product Safety Commission (CPSC)	Protects the public from potentially hazardous products. Through regulation and testing programs, the CPSC helps firms make sure their products won't harm customers.
Environmental Protection Agency (EPA)	Develops and enforces regulations aimed at protecting the environment. Such regulations have a major impact on the materials and processes that manufacturers use in their products and thus on the ability of companies to develop products.
Federal Communications Commission (FCC)	Regulates telephone, radio, and television. FCC regulations directly affect the marketing activities of companies in the communications industries, and they have an indirect effect on all firms that use broadcast media for marketing communications.
Federal Trade Commission (FTC)	Enforces laws against deceptive advertising and product labeling regulations. Marketers must constantly keep abreast of changes in FTC regulations to avoid costly fines.
Food and Drug Administration (FDA)	Enforces laws and regulations on foods, drugs, cosmetics, and veterinary products. Marketers of pharmaceuticals, over-the-counter medicines, and a variety of other products must get FDA approval before they can introduce products to the market.
Interstate Commerce Commission (ICC)	Regulates interstate bus, truck, rail, and water operations. The ability of a firm to efficiently move products to its customers depends on ICC policies and regulation.

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Transformative Consumer Research

- TCR promotes research projects that include the goal of helping people or bringing about social change
- Social marketing strategies use marketing techniques to encourage positive behaviors such as increased literacy and to discourage negative activities such as drunk driving

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Social Marketing and Corporate Social Responsibility (CSR)

- Social Marketing encourages positive behavior and discourages negative activities.
- CSR is the process of encourage organizations to make a positive impact on stakeholders
- Cause marketing is a strategy that aligns businesses with a cause.

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Top Cause Marketers

- Yoplait
- Susan G Komen
- General Mills
- P&G
- RED
- Boxtops for Education
- Kellogg's
- Campbell's
- Girl Scouts
- Dawn

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For Reflection

- Do you purchase a certain product because of their cause? Why?
- Do you think organizations support a cause for profits or because they want to be active in their community?

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Learning Objective 3

Consumer behavior impacts directly on major public policy issues that confront our society.

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Data Privacy and Identity Theft

- Identity theft occurs when someone steals your personal information and uses it without your permission.
- The Personal Data Notification & Protection Act of 2015
- The Student Digital Privacy and Parental Rights Act of 2015

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Data Privacy and Identity Theft

- Real time bidding
- Phishing
- Botnets
- Locational Privacy

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Market Access

- Disabilities
- Food deserts
- Media literacy
- Functionally illiterate

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Sustainability and Environmental Stewardship

A **triple bottom-line orientation** refers to business strategies that strive to maximize return in three ways:

- Financial
- Social
- Environmental

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Sustainability and Environmental Stewardship

- Sustainability
- Conscientious consumerism

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Green Marketing and Greenwashing

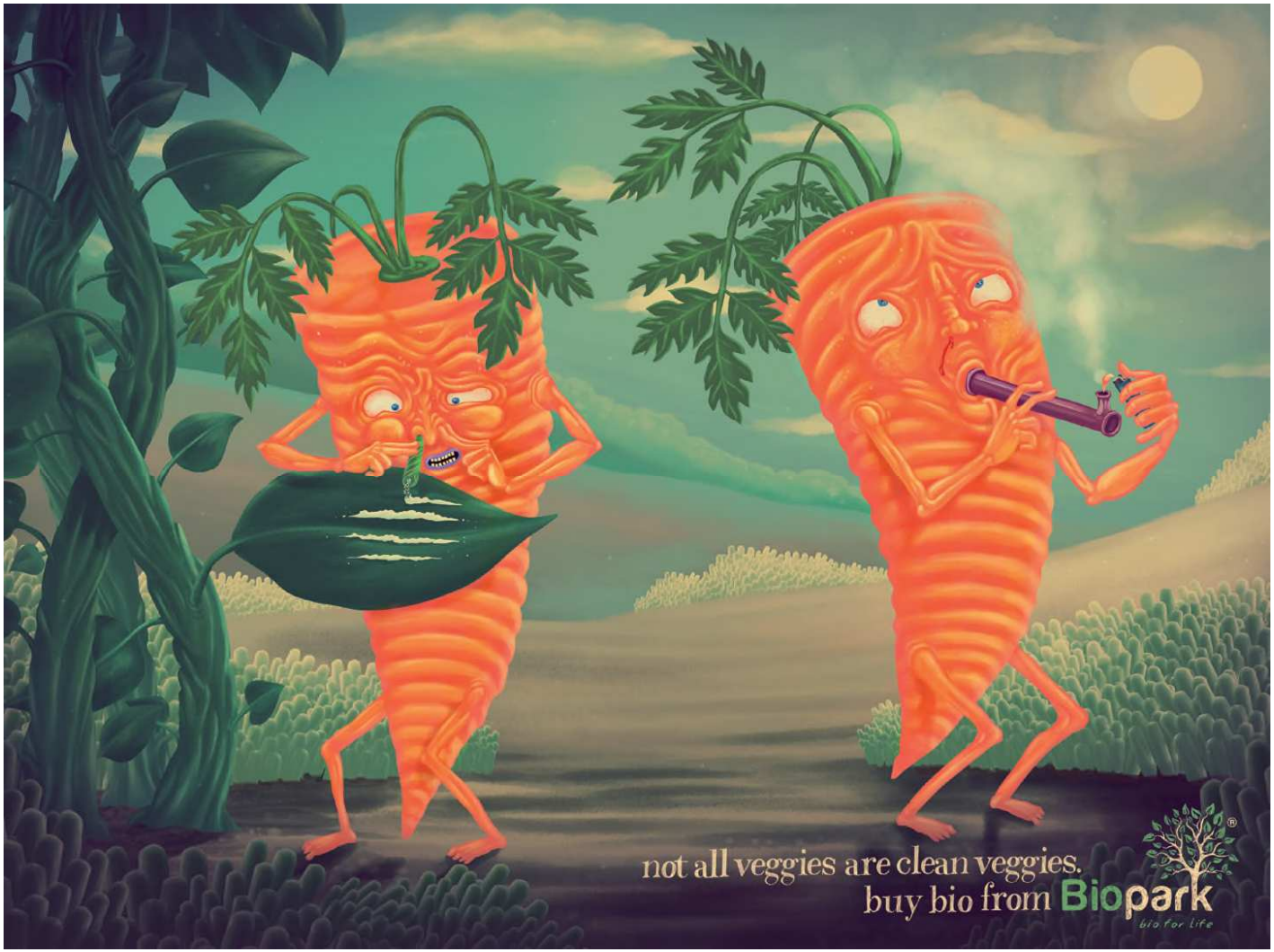

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Table 2.4
LOHAS Market Sectors

TABLE 2.4 LOHAS Market Sectors

Personal Health	Green Building
$117 billion	$100 billion
Natural, organic products	Home certification
Nutritional products	Energy Star appliances
Integrative health care	Sustainable flooring
Dietary supplements	Renewable energy systems
Mind body spirit products	Wood alternatives
Eco Tourism	**Natural Lifestyles**
$42 billion	$10 billion
Eco-tourism travel	Indoor & outdoor furnishings
Eco-adventure travel	Organic cleaning supplies
	Compact fluorescent lights
	Social change philanthropy
	Apparel
Alternative Transportation	**Alternative Energy**
$20 billion	$1 billion
Hybrid vehicles	Renewable energy credits
Biodiesel fuel	Green pricing
Car sharing programs	

Source: www.lohas.com/about.htm, accessed March 2, 2013.

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For Reflection

- Would you prefer to purchase from a restaurant that composts?
- What are some sustainable methods used in your workplace?

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Learning Objective 4

Consumer behavior can be harmful to individuals and to society.

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Consumer Terrorism

- Cyberterrorism
- Guerrilla marketing

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Addictive Consumption

- Consumer addiction
- Social media addiction
- Cyberbullying
- Phantom Vibration Syndrome
- Compulsive consumption

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Dark Side of CB

Consumed consumers

- Illegal acquisition and product use
  - Consumer theft and fraud

    -Shrinkage

    -Serial wardrobers

    -Counterfeiting
- Anticonsumption

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Reflection

- Do you know someone who is addicted to social media? In what way?
- If you work in retail, have you experienced consumers habitually returning items?

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For Review

1. Ethical business is good business.
2. Marketers have an obligation to provide safe and functional products as part of their business activities.
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