

Chapter 2: CONSUMER WELL-BEING

CHAPTER OBJECTIVES

When students finish this chapter, students should understand why:

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

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

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.

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

Use Chapter Objective 1 Here

Use Key Terms ‘Business Ethics’ and ‘Consumerspace’ Here

Use Review Question 2-1 Here

Use Consumer Behavior Challenge 2-9 and 2-10 Here

A. Needs and Wants: Do Marketers Manipulate Consumers?

Consumerspace 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 *marketerspace* where companies called the shots).

1. 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.
2. Is Marketing Necessary?
 - a. Products are designed to meet existing needs; advertising helps communicate their availability.
 - b. 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.
3. Do Marketers Promise Miracles?
 - a. Advertisers do not know enough about people to manipulate them.
 - b. The failure rate for new products ranges from 40 to 80 percent.

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.

Marketplace sentiments occur when enough people band together to express negative sentiments through activist organizations.

Use Key Term 'Economics of Information' Here

Use Review Questions 2-2 and 2-3 Here

Use Consumer Behavior Challenge 2-11 Here

Use Chapter Objective 2 Here

B. Market Regulations

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 2.1 presents consumer legislation that is designed to protect consumers and Table 2.2 lists major U.S. regulatory agencies.
2. **Corrective advertising** refers to the use of advertising by a company to inform consumers of messages it previously published that were wrong or misleading.

C. 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.
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. The publication of books such as Rachel Carson's *Silent Spring* in 1962, which attached the irresponsible use of pesticides, and Ralph Nader's *Unsafe at Any Speed* in 1965, prompted these movements.
4. Robin Thicke's controversial *Blurred Lines* music video was condemned for supposedly encouraging rape.

Use Key Terms 'Corrective Advertising,' 'Cultural Jamming,' 'Social Marketing,' and 'Corporate Social Responsibility (CSR)' Here

Use Review Question 2-4 Here

D. 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.

E. Transformative Consumer Research

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)**.

Use Key Terms 'Transformative Consumer Research (TCR),' 'Social Marketing,' and 'Cause Marketing' Here

Use Review Questions 2-5 and 2-6 Here

Use Consumer Behavior Challenge 2-12 Here

F. Social Marketing

1. **Social marketing** strategies use the techniques that marketers normally employ to sell beer or detergent to encourage positive behaviors such as increased literacy and to discourage negative activities such as drunk driving.
2. **Cause Marketing** is a 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.
3. **Phishing** occurs when people receive fraudulent emails that ask them to supply account information.
4. Consumers are also suspect to **botnets** that hijack computers without a trace.
5. **Locational privacy** is a related issue as GPS tracking technology identifies and records consumer locations.

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.

Use Key Terms 'Real-Time Bidding,' 'Identity Theft,' 'Phishing,' 'Botnets,' 'Location Privacy,'
and 'Food Desert' Here

Use Review Question 2-7 Here

Use Consumer Behavior Challenges 2-13, 2-14, and 2-17 Here

C. Sustainability and Environmental Stewardship

1. **Conscientious consumerism** can be defined as the consumer's focus on personal health merged with a growing interest in global health.
2. 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:
 - a. **Financial**
 - b. **Social**
 - c. **Environmental**
3. 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.
4. Conscientious consumerism means that consumers are paying attention to sustainability efforts by companies.

Use Key Terms 'Conscientious Consumerism,' and 'Triple Bottom-Line Orientation' Here

Use Consumer Behavior Challenges 2-15 and 2-18 Here

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.

Use Key Terms 'Green Marketing,' 'Greenwashing,' and 'LOHAS' Here

Use Review Question 2-8 Here

3. Marketers point to a segment of consumers they call **LOHAS** – an acronym for "lifestyles of health and sustainability."

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**.

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| Use Key Terms 'Bioterrorism,' and 'Cyberterrorism,' Here |
|--|

B. Addictive Consumption

Consumer addiction is a physiological or psychological dependency on products or services. **Social media addiction** can be compared to a chemical dependency. Another issue with technology in **cyberbullying**, which is the willful and repeated harm inflicted through the use of computer, cell phones, and other electronic devices. **Phantom Vibration Syndrome** describes the tendency to habitually reach for your cell phone because you feel it vibrating, even if it's off.

1. **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.

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

D. Illegal Acquisition and Product Use

1. Consumer Theft and Fraud

Analysts estimate that the cost of crimes that consumers commit against business totals more than \$40 billion per year. **Shrinkage** is one such crime that 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.

2. Anticonsumption

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

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| Use Key Terms 'Consumer Addiction,' 'Social Media Addiction,' 'Phantom Vibration Syndrome,' 'Consumed Consumers,' 'Shrinkage,' 'Counterfeiting,' and 'Anticonsumption,' Here Use Consumer Behavior Challenge 2-16 Here |
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End-of-Chapter Support Material

SUMMARY OF SPECIAL FEATURE BOXES

1. The Tangled Web
Gripe sites enable consumers to complain about companies online.
2. Marketing Pitfall
Slacktivism supports the idea that there are too many small and meaningless expressions of support for important causes, due to overexposure via technology.
3. Marketing Pitfall
At both ends of the income spectrum consumers are seeking healthier food. This is accompanied by a growing demand for **superfoods**.

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 2-1, 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 2-1, 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 2-1, 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 2-2, 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 2-2, AACSB: Application of Knowledge)

- 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 2-2, 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 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 2-2, 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 2-3, AACSB: Reflective Thinking)

CONSUMER BEHAVIOR CHALLENGE**Discuss**

- 2-9. Internet addiction has been a big headache in South Korea for several years, where 90 percent of homes connect to cheap, high-speed broadband. Many young Koreans' social lives revolve around the "PC bang," dimly lit internet parlors that sit on practically every street corner. A government study estimates that up to 30 percent of South Koreans younger than 18 are at risk of internet addiction. Many already exhibit signs of actual addiction, including an inability to stop themselves from using computers, rising levels of tolerance that drive them to seek ever-longer sessions online, and withdrawal symptoms such as anger and craving when they can't log on. Some users have literally dropped dead from exhaustion after playing online games for days on end. How big a problem is internet addiction here in the United States? Should parents and educators actively police how much time kids spend online, or if they do so are they preventing young people from interacting with their peers in the ways they want?

Students will have mixed views about this topic; although, many should be able to relate to the idea of internet addiction. Discussions should include not only the physical and/or psychological potential dangers, but also on the ethics associated with policing others. (20 minutes, Chapter Objective 2-2, AACSB: Reflective Thinking; Ethical Understanding and Reasoning Abilities)

- 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 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 2-2, AACSB: Reflective Thinking)

- 2-11. Today many consumers pursue a 'decluttering lifestyle.' Should marketers encourage this trend toward simplicity even though it stresses buying less stuff that marketers sell? What marketing opportunities do you foresee if this trend spreads?

Keep in mind that the goal of marketing should not simply revolve around trying to sell consumers 'more stuff.' Marketing is about providing consumers with what they need and want, while considering the larger societal needs. Decluttering fits well within the framework of marketing. Marketing opportunities include creating and providing the products/services that fit this new paradigm. (10 minutes, Chapter Objective 2-2, AACSB: Reflective Thinking)

- 2-12. 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 2-2, AACSB: Reflective Thinking)

- 2-13. 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 okay to use an expensive product once and then get your money back?

Students should explain how serial wardrobing 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 2-4, 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. Are there 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 2-3, 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 2-1, 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 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 2-1, 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 ten 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 2-3, AACSB: Ethical Understanding and Reasoning Abilities)

- 2-18. Many college students “share” music by downloading clips. 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 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 2-2, AACSB: Ethical Understanding and Reasoning Abilities)

MyLab

- 2-19. A hot button topic right now involves efforts to curb child obesity by encouraging advertisers to limit the messages they send to kids about foods that are high in sodium, saturated fat, and added sugars. Under new federal rules, even the scoreboards in high school gyms will have to advertise only healthy foods. Several large cities including New York City and Philadelphia have tried to prevent the sale of large sizes of sugary drinks to fight obesity. Public health advocates hail these attempts, whereas others argue that they would transform the United States into a “Nanny State” that imposes on our freedom to choose to consume whatever we would like. Should city, state, and federal governments dictate what (legal) products people should consume, even when the population’s health is at stake?

Student responses will vary substantially. There are many practical as well as ethical issues that could be discussed covering everything from who decides what is ‘healthy’ to varying viewpoints on what constitutes ‘ethical action.’ (20 minutes, Chapter Objective 2-1, AACSB: Reflective Thinking; Ethical Understanding and Reasoning Abilities)

- 2-20. Companies in the United States spend billions of dollars to acquire and manage data on consumers such as credit and transaction histories. Well-off consumers obviously hold great attraction to marketers because they have greater buying potential. Today companies have the ability if they choose to offer a more attractive deal to higher-value customers to win their business. The flip side of this process is that potentially they can discriminate against low-income people who won’t qualify for lower prices. And in most cases companies don’t permit consumers to access their database to learn what they know about them. Is it fair to stratify consumers in this way so that some get access to more attractive options than others?

This question works well with Chapter Objective 2-2. The question should generate quite a lively discussion, as opinions will be markedly varied. Looking at this from a strict economic perspective, it makes perfect sense for companies to concentrate on those who can buy more

and pay more. However, from a social marketing perspective, even those that are disadvantaged in some manner (for example income) should have access to the same products. (20 minutes, Chapter Objective 2-2, AACSB: Reflective Thinking; Ethical Understanding and Reasoning Abilities)

CASE STUDY TEACHING NOTES

Chapter 2 Case Study:

Marketing Responsibility: Patagonia 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?

Patagonia is taking steps to change perceptions about the role of marketing by addressing issues regarding labor practices involved in the production of its products.

Suggestions for Presentation

Many students will be familiar with and may be customers of Patagonia. Consider beginning the discussion by asking what Patagonia is known for. A poll could be taken to see how many were aware of its efforts in the area of fair labor practices. A concluding question could be asked regarding what other clothing companies with which students are familiar that are also known for their fair labor practices, noting that these efforts do not always rise to the top of consumers' awareness. (Adidas is another well-known company that has been recognized for its fair labor practices.)¹

Suggested Discussion Questions

CS 2-1. 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?

Consumers have different priorities when making brand choices. For some consumers, supply chain ethics will be the most important factor; for others, it will not even be a consideration. Consumers in different generational groups may have different levels of emphasis on these factors (as noted in the case). Marketing research can help companies

understand what level of importance the target market(s) place on supply chain ethics. Consumers “vote” for more ethical practices by purchasing products from companies placing a higher priority on an ethical approach. (10-12 minutes, Chapter Objectives 1 and 4, AACSB: Reflective Thinking)

- CS 2-2 Since Patagonia is a higher priced apparel offering, should the company simply move production back to the U.S.? Would you be willing to pay a premium for clothing made in the U.S. where laborers would be protected by U.S. laws? What other factors related to Corporate Social Responsibility should Patagonia consider when it makes the onshore/offshore decision?

There are ethical arguments on both sides of the offshoring decision. Lower labor costs allow Patagonia to keep product prices relatively lower, making the product available to some consumers who might decide a higher price is out of reach. By using labor in underdeveloped countries, the company is helping to improve the local economies and financial well-being of workers. While moving to the U.S., would increase the likelihood of fair labor practices, offshoring allows the company to encourage better labor practices in other countries with lax labor laws. (10-12 minutes, Chapter Objectives 1 and 3, AACSB: Ethical Understanding and Reasoning)

- CS 2-3 How could the efforts of companies like Patagonia affect CSR efforts in other companies in its industry or in related industries?

By fairly treating their workers in a particular country, Patagonia creates informal pressure among other local producers. If Patagonia gets awards and other recognition for their ethical practices, other companies will want the same recognition and may take steps to create a similar image for their company. Some companies will be challenged as a matter of principle to step up to a level of ethical conduct that matches a leader like Patagonia. (10-12 minutes, Chapter Objectives 1 and 2, AACSB: Analytical Thinking)

Additional Support Material

STUDENT PROJECTS

Individual Projects

1. 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 2, AACSB: Reflective Thinking)

2. 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 2, AACSB: Analytic Skills)

ONLINE ASSIGNMENTS

Individual Assignments

1. 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 2-3, AACSB: Analytic Skills and Reflective Thinking)

2. 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 Values (follow the link here: <https://www.benjerry.com/values>). The company publishes a Social and Environmental

Assessment Report each year (follow the link here: <https://www.benjerry.com/about-us/sear-reports>). Students may relate the company's values to the growing LOHAS segment.

(25 minutes, Chapter Objective 2-3, AACSB: Reflective Thinking)

3. 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 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 2-3, AACSB: Reflective Thinking)

ⁱ Fair Labor Association, “Fair Labor Association Announces Accreditation of Three Social Compliance Programs,” (October 19, 2017), <https://www.prnewswire.com/news-releases/fair-labor-association-announces-accreditation-of-three-social-compliance-programs-300539982.html> (accessed July 20, 2018).