PART 1

Customer Behavior: Power, Scope, and Context

CHAPTER 1

The Customer: Key to Market Success

Do Churches Have Customers?

This is the story of Willow Creek Community Church in the Chicago suburb of South Barrington, Illinois. William Hybels is the founder and senior pastor. Hybels' audience is different—an odd mix of true believers, along with atheists, agnostics, and those who once believed in Christianity but are now unsure. In their yearning for spiritual fulfillment, they have been disillusioned by conventional churches. Many have developed the attitude that the Bible and Christianity are not relevant to them.

Enter marketing. Hybels believes that the basic products—the Bible and Christianity—are good. What is needed is a way to present it that makes it relevant to these alienated folks' lives. So Hybels has revamped the typical ways the church sermons are offered. No more conventional religious props at Willow Creek, no more crucifixes, incense, or confessions; no more rituals. And he has devised new delivery platforms, the ones based on an intimate understanding of his target customers.

One such group of target customers is 20-year-olds, who are typically absent from the Sunday prayers. For these customers, Hybels has started a Saturday night service with rock music. The audience consists of young men and women—guys with faded jeans and goatees, girls in black boots with purple-streaked hair. To be sure, there is rock music. And then there is the sermon, delivered in ways that echo its young audiences' ethos. Dieter Zander, director of this service, stands up before the group and proclaims, "The leadership style of your generation is different from previous generations." Then he talks about the problems of drugs, divorce among parents, sex, and racial conflicts.

How does his young congregation take it? Very religiously, really. "God doesn't feel distant here," said one attendee. "They talk here about real life; it is dirty and it is grungy, and that is what I have been looking to hear about."

Willow Creek has 145 acres of lushly landscaped grounds with a man-made pond. The church complex has a food court and a bookstore. Also available are day-care services. The service is held in a stadium-like round with a seating capacity of 4,540.

Hybels got his marketing ideas from management guru Peter F. Drucker. After attending one of Drucker's seminars, Hybels started asking some hard questions: What is our business? Who is our customer? What does the customer consider value? His answers: People find church boring and sermons irrelevant to their lives. He discovered that most people believed in God but not in church. So he created a service using rock music, and he used skits to bring sermons to life. He invited people of all beliefs. No dress code, either. And he started ministries to deal with divorce, single-parenting, finding a potential spouse, and, with help from members, even offered car repair services to single parents. Thus, repairing psyches, marriages, and cars became part of the church's offerings.

Today, Willow Creek's success is being copied, with help from Hybels, by other churches. It has as affiliates some 2,300 churches in 15 countries. The average audience there is 400 worshippers, compared to 100 as a national average. At the heart of this success lies one fundamental lesson: understanding the customer's motivations, or needs and wants, and designing services so that they respond to those customer needs and wants.

Hybels is a pastor, but he is also a student of customer behavior par excellence. Nowhere else can one find a better showcase for the value of understanding customer behavior than in Hybels' church services. To students of customer behavior, Willow Creek is poignant proof that understanding customer behavior matters.[1]

The above example shows that marketing even the Bible and Christianity to customers in today's times is not easy. It requires a customer orientation. This is true of every company in the marketplace as well, whether it caters to household or business customers. When Kellogg's first entered the Indian market with its regular breakfast cereals in the late 1990s, it thought it could change customers' breakfast habits drastically. The company compared the healthy nature of the Kellogg's breakfast to the regular heavy and rich breakfast that the Indian customers were used to and thought that its rational arguments would win them over. It soon learned, however, that long-ingrained habits are difficult to change. The company then researched the Indian consumers and introduced cereals in flavors that Indian customers liked to consume with milk. This customer orientation helped Kellogg's garner a chunk of the Indian breakfast market. The case of Betamax versus VHS technology for VCRs also explains how a lack of customer orientation led to a complete wipe-out of Betamax from the market. Betamax had the disadvantage of a short recording length of only one hour, one-half that for VHS, and hence, the customer would not be able to record a full movie on the Betamax tape or watch a movie without changing tapes. Moreover, the Betamax technology was also more expensive than VHS in the initial years. Several companies have failed in the market because their products were too complex or too expensive; in short, because they did not have a customer orientation, and consequently did not offer any value advantage to customers. Understanding customer behavior is critical for market success.

Why Understanding Customer Behavior Is Important

Just as in the case of the Willow Creek community church, businesses everywhere are recognizing the importance of understanding customer behavior as a key to their success. It is the first step toward meeting the challenges of the exciting world of business. Specifically, it helps companies (a) *satisfy customers*, (b) *adopt the marketing concept*, and (c) *gain legitimacy in society*. Let us discuss each in turn.

Satisfying the Customer

Peter F. Drucker, one of the leading management gurus in the world, believes that the purpose of business is to create and then retain a satisfied customer.[2] Although firms have to make money, Drucker argues that making money is a necessity, not a purpose. Moreover, a business makes money only if it satisfies its customers by catering to their needs. This realization has led companies to adopt a **customer culture**—a culture that incorporates customer satisfaction as an integral part of the corporate mission and utilizes an understanding of customer behavior as input to all its marketing plans and decisions. Lands' End, the second-largest catalog clothing retailer in the United States, operates with unusually high inventory levels. Its managers would rather carry excess inventory than fail to fill an order and risk losing a customer. "If we don't keep the customer for several years, we don't make money," said the company's CEO at the time, William End, in 1994. "We need a long-term payback for the expense of coming up with a buyer."[3] As we move from a traditional to an Internet economy, customers become more demanding, more time-driven, more information-intensive and highly individualistic.[4] They will evaluate marketers on their ability to deliver "total customer convenience"—hassle-free product information search (e.g., advertising-on-demand), hassle-free acquisition (e.g., home delivery), hassle-free consumption (e.g., products with built-in expert systems to enable maximum value extraction), and hassle-free disposal. A report by Boston Consulting Group (BCG) based on research with 12,000 consumers in the United States and Canada conducted in the fourth quarter of 1999 states that customers who have had a satisfying first purchase experience online are likely to spend more time and money online. The study reveals that the satisfied first-time purchaser typically engaged in 12 online transactions and spent $500 during the previous 12 months; the dissatisfied first-time purchaser engaged in only four transactions and spent only $140 on online transactions.[5]

Adopting the Marketing Concept

According to Philip Kotler, professor of marketing at Northwestern University, the *marketing concept* is an improvement over the *selling concept*.[6] In the **selling concept**, the firm's principal focus is on finding a buyer for the product it makes and somehow "selling" that customer into parting with his or her cash in exchange for the product the firm has to offer. In contrast, under the **marketing concept**, the firm's obsession is to make what the customer needs or wants. The marketing concept gives a firm greater market success because its products and services meet customer needs better and customers seek out these products and services. Adopting the marketing concept entails the market-oriented firm focusing on understanding its customers' dynamic needs and wants. Instead of pushing a product on the customer, the firm now assumes a consultative role, helping customers identify products and services that would best meet their needs. The Window on Research presents the role that marketing will play in the network economy as a customer consulting function.

Gaining Legitimacy in Society

If making money is the only goal of an organization, it does not provide a legitimate reason for society to support businesses. Rather, a society supports businesses because they serve its members by catering to their needs and wants. Focusing on the customer leads to better serving the society's needs. Paying attention to customer behavior and fashioning a business to respond to customer needs, desires, and preferences amounts to business democracy for a nation's citizens and serves both public and private interest.[7] In other words, we stand to create a more efficient system for both household and business customers if companies pursue the goals of business democracy, giving customers freedom of choice and depending for their own well-being on the economic patronage of their customers. The changes taking place in Eastern Europe demonstrate how

WINDOW ON RESEARCH

Marketing as Seller's Agent to Customer's Agent

Marketing professors Ravi S. Achrol and Philip Kotler specify the role of marketing in the network economy, and one of the levels at which they study the network phenomenon is in terms of *customer opportunity networks*. Customer opportunity networks are organized around customer needs and market opportunities and are designed to search for the best solutions to them. The core competency of the network is knowledge about product technology and the technology of use. Through a global network of offices and information centers, the network matches consumer needs and inquiries, market intelligence, and economic trends with a worldwide directory of suppliers of products, with all relevant information about product specification, custom design possibilities, prices, existing inventory and locations, production time, and terms of trade. These matches between customer needs and suppliers will be conveyed to the customers; the transaction will be negotiated and then simultaneously conveyed to the supplier's or the network company's distribution and delivery systems. Achrol and Kotler propose that, in this form, the marketing function may reach its highest level of development as a customer consulting function, making the marketing-consumer relationship dominant over the marketing-producer relationship. Organizing marketing around the consumer offers at least three important opportunities in the network economy.

First is the opportunity to capitalize on information about consumers as a business asset and, on the basis of its market value, realize appropriate economic rents for consumers for the use of this information. Infomediaries will emerge who collect information from consumers and make it available to companies willing to pay for the information in the form of price or value benefits for consumers. At the same time, they could also handle privacy concerns on the Internet by offering the consumer secure portals and protective software to facilitate financial transactions so that they could search commercial Web sites without their personal information being known to the sites. SuperProfile and PrivaSeek are among the first Web-based infomediary start-ups to emerge, and financial services companies such as Citigroup and First USA, with their large existing databases, are experimenting with the concept.

Second is the opportunity to provide consumers with content and usage information on products. Consumers would have access to product performance data, repair and warranty histories, customer comments, sale prices, and promotional offers. As the consumer is inundated with choices, the opportunity network would help to minimize the consumer's effort in searching for, evaluating, and negotiating the best value. The network company will screen suppliers, evaluate their products, compare and rate them, and collect information on product performance and consumer complaints. Thus, there will be a re-intermediation by consumer opportunity networks, and network companies could actually consolidate consumer needs (e.g., the travel or grocery needs of a network of consumers for a year) and could seek bids from qualified suppliers.

Third is the opportunity to facilitate such interaction by organizing consumers into lifestyle-related virtual communities, such as communities of

(continued)

retirees, sports fans, or outdoor enthusiasts. Hagel and Armstrong state that commercial success in the online arena will belong to businesses that organize electronic communities to meet multiple social and commercial needs. Electronic communities meet four types of consumer needs—they are communities of transaction, communities of interest, communities of fantasy, and communities of relationship. Communities of transaction primarily facilitate the buying and selling of products and services and deliver information related to those transactions. Examples are Travelocity or Virtualvineyards, Web-based services that sell flight bookings and wine respectively. Communities of interest bring together participants who interact extensively with one another on specific topics. GardenWeb is a community of interest where visitors can exchange gardening experiences and tips, share ideas, request seeds, and ask questions of one another. In communities of fantasy, people create new environments, personalities, or stories. On ESPNet, an Internet-based sports community, participants can indulge in their fantasy by creating their own sports teams (using names of real players), which then compete against teams created by other participants. Finally, communities of relationship, revolve around certain life experiences that are often intense and can lead to the formation of deep personal connections. The Cancer Forum on Compuserve or groups focused on widowhood or divorce are examples of such groups.

Companies develop customer communities who are involved with a company because the product represents a significant aspect of their lifestyle and because they can enhance their satisfaction by participating in information- and experience-rich exchanges with the company and among themselves. For example, marketers of recreational vehicles (RVs) hold large conventions at which thousands of RV owners congregate to socialize, exchange experiences, and participate in seminars on RV ownership and recreation. They organize sightseeing caravan tours that owners can join and enjoy as a community. Some other strong brand communities that customers identify with are Apple Computers, Harley-Davidson, Shiseido, and Nintendo. Opportunity networks integrated with customer communities represent the most dramatic scenario of change for marketing in the next millennium.

Sources: Adapted from Ravi. S. Achrol and Philip Kotler, "Marketing in the Network Economy," *Journal of Marketing*, Vol. 63, Special issue 1999, 146–63. Arthur Armstrong and John Hagel III, "The Real Value of Online Communities," *Harvard Business Review*, May–June 1996, 134–41.

economic democracy is taking a foothold in countries around the world, benefiting both businesses and newly liberated (in both political and economic terms) citizens (i.e., "customers").[8]

Customer Behavior and Customer Orientation

The principles of customer behavior serve a company best when they are applied to developing and maintaining a customer orientation. **Customer orientation** (also referred to as **market orientation**) means a thorough understanding of customers' needs and wants, the competitive environment, and the nature of the market used to formulate all of the firm's plans and actions to create satisfied customers.[9]

Marketing scholar and Dartmouth College marketing professor Frederick E. Webster, Jr., has articulated the role of the marketing function and organization in the corporation as follows: "At the corporate level, marketing managers have a critical role to play as *advocates for the customer and for a set of values and beliefs that put the customer first* in the firm's decision making."[10] At this point, we ask you to take the quiz in the Customer Insight box.

CUSTOMER INSIGHT

How Customer-Oriented Is Your Firm?

If you are employed by a business firm, take the following survey from your business's perspective. If you are a customer, answer this survey for a company you do business with, based on whatever impressions you may have formed about the firm.
Scale:

Not true	Partially true	True
−1	0	+1

1. In this business unit, we meet with customers at least once a year to find out what products or services they will need in the future.
2. Individuals from our manufacturing department interact directly with customers.
3. We periodically review the likely effect of changes in our business environment on customers.
4. Marketing personnel in our firm spend time discussing customers' future needs with other departments.
5. Data on customer satisfaction are collected regularly and disseminated at all levels in this business unit on a regular basis.
6. Our business plans are driven more by customer research than by technological advances.
7. Customer complaints never fall on deaf ears in this business unit.
8. When we find out that customers are unhappy with the quality of our services, we take corrective action immediately.
9. According to top management, serving customers is the most important thing our business unit does.
10. Top managers keep telling all employees that they must gear up now to meet customers' future needs.
11. All managers' salaries and bonuses are partly linked to the levels of customer satisfaction.
12. At this firm, everything that is done is always done with the customer uppermost in mind.
13. The firm welcomes customer comments and complaints and tries to do whatever it takes to win over a customer.
14. The employees of this firm with direct customer contact treat their customers as if their pay depends directly on customer feedback.
15. Over time, the firm has offered its customers better value than the competitors.

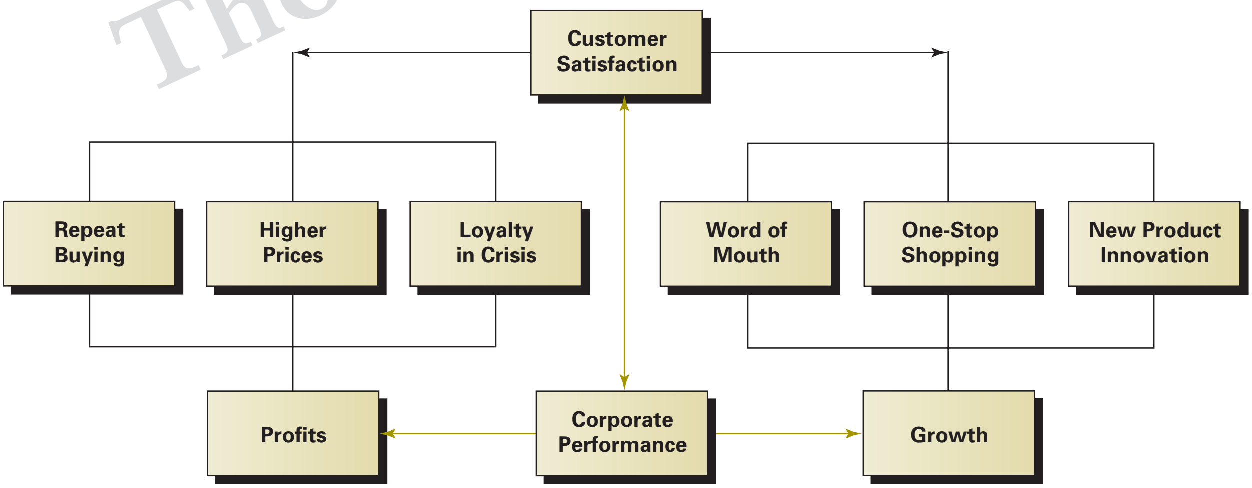
(continued)

Scoring: The score could range from −15 to +15. If your score is negative, the firm is not customer-oriented. The firm is unlikely to retain its customers for long. For a score in the positive range, the closer to +15 the firm is, the more customer-oriented it is. Customers of this firm are probably very satisfied with its products and services. If you are a stockholder, you have reason to be happy, for the firm is likely to be profitable in the long term.

Source: Adapted from Ajay K. Kohli and Bernard J. Jaworski, "Market Orientation: The Construct, Research Propositions, and Managerial Implications," *Journal of Marketing* 54 (April 1990), p. 3. The first 10 questions are adapted from Professors Jaworski and Kohli's research. The last five questions, the scoring method, and suggested score range interpretations are based on authors' intuition and are offered here to advance student understanding of the customer orientation concept.

Following a customer orientation provides a company with competitive advantages that lead to higher corporate performance in the form of increased profitability and revenue growth. There are six advantages, three that increase profitability and three that generate revenue growth. The three advantages that increase profitability are (1) cost efficiencies from repeat customers, (2) price premiums from established customers, and (3) customer loyalty in corporate crisis. The three advantages that generate growth are (1) increased word of mouth, (2) one-stop shopping, and (3) new product innovations.[11] Figure 1.1 summarizes these six advantages, which contribute to corporate profits. Following a customer orientation also results in internal success for the company as it produces a work force that feels pride in its job.

FIGURE 1.1 Competitive Advantages through Customer Satisfaction



Cost Efficiencies from Repeat Customers

Perhaps the best way a company can maintain a competitive advantage in a mature market is through retaining its customers. Competitive strategies for retaining existing customers tend to be less costly than those for gaining new customers. According to some estimates, it costs five times more to attract a new customer than to retain an existing one.

Repeat customers mean cost efficiencies. The cost of serving established customers is considerably less than the cost of serving new customers. This occurs due to several reasons. First, there are economies of scale in manufacturing. Accumulated learning and the resulting increased productivity make it less costly to produce the same item for the same customer. Further, for many products and services, one has to spend time and energy in offering pre-sale and post-sale service, which new customers require to a much greater extent than do continuing customers. Salespeople servicing new accounts need more time to familiarize themselves with the customers' operations. The second reason customer retention reduces costs is that dissatisfied customers increase the costs of doing business. At a minimum, dissatisfied customers slow down payments and elevate complaints to higher levels of management. Sometimes, the price a company pays for a dissatisfied customer goes beyond simply losing the customer. The costs of dissatisfied customers are staggering: 96 percent of unhappy customers don't complain about rude service people, but 90 percent who are dissatisfied will not buy again or will tell their story to at least nine other people,[12] and 13 percent of those unhappy former customers will tell of their experience to more than 20 people.[13] Dissatisfaction, in short, gets broadcast widely. It is also evident to marketers that it is impossible to satisfy all customers—some have unique requirements, their locations are too remote to serve them properly, and their user environments may not be conducive to proper product use. Hence, selecting the right customers and retaining them is an important goal for the company. Finally, it is better to prevent dissatisfaction than to correct it after it is created. It is, therefore, extremely important not to create unrealistic expectations through advertising, product packaging, or sales presentations. The higher the expectations a firm creates with aggressive sales and marketing tactics, the higher the cost of correcting them if customer expectations are not met by their product experience.

"Customer loyalty, measured in repeat purchases and referrals, is the key driver of profitability for online businesses, even more so than for offline companies," according to a study of 2000 online customers by Bain & Company and Mainspring. The study covered three online sectors—apparel, grocery and electronics. It shows that customers spend more money and generate more profits for online retailers as they visit the same site more frequently and stay loyal to the site. For example, at online apparel sites, customers were found to spend 67 percent more overall in the third year of their shopping relationship with the retailer than in the first six months. One-time customers are not profitable for online retailers. The study estimates that an online apparel customer would need to visit a site 4 times in 12 months for the retailer to break even. Hence, online retailers need to develop strategies to keep customers coming back to their site. Loyal customers tend to refer more people to the site and referrals from online grocery shoppers were found to spend an additional 75 percent of what the original shopper spent at the site. Therefore, providing existing customers with a fabulous shopping experience is a good way of acquiring new customers through positive word-of-mouth.[14]

Premium Prices from Established Customers

Established customers are already satisfied with the firm. Unless there is a strong reason to do so, established customers are unlikely to switch their current suppliers. There are always some costs in switching, and sometimes these costs can be prohibitive. For example, if you have invested in a computerized ordering system linked directly to your supplier, switching to a new supplier would mean retooling your computer network or installing a new one. Thus, if a competitor wants to capture your satisfied customer, it must offer significantly better value in terms of lower price or higher performance. This was the experience of Airborne and Emery in competing with Federal Express in the overnight delivery business. Similarly this has been the experience of long distance telephone companies such as MCI, and U.S. Sprint as they try to capture AT&T's customer base. It is estimated that a minimum of 5 percent price advantage is generated through customer satisfaction. In niche markets and for specialty products, this premium could be as high as 30 percent. The price advantage occurs not only because the established customers are unwilling to go through the hassle of switching for a lower price but also because a customer-oriented firm is able to offer its customers value from four other avenues: (a) product excellence, (b) service excellence, (c) brand reputation, and (d) a customer-oriented culture in general.

A good example of price advantage through product excellence is provided by the 3M company. 3M has excellent products like Scotch® tape, Post-it® note pads, and 3M floppy disks, which have retained their performance superiority to command higher prices despite competition. On the other hand, IBM has maintained a price advantage in the mainframe business primarily through service excellence. A third source of price advantage through differentiation is brand reputation. In areas where quality varies significantly across competitors and the customer is unable to judge or control quality consistency, brand reputation becomes a significant price advantage. This is true for McDonald's in the fast-food business, for Marriott in the hospitality business, and for Boeing in the commercial aircraft business. Branding and trust are more important in the online context because there is a spatial and temporal separation between the customer and the retailer. Research by Erik Brynjolfsson and Michael D. Smith shows that consumers may be willing to pay a premium to the online retailer they trust instead of an unknown online retailer. They found that brick and mortar brand names with an online presence are actually able to charge a price premium of 8 to 9 percent on goods and services compared to pure-play Internet retailers.[15] A fourth source of price advantage through differentiation comes from a customer-oriented culture. There are several American and foreign companies where customer satisfaction is part of the corporate creed and practiced at the highest level of management. Examples include Nordstrom in the department stores business and Singapore Airlines in the airlines business.

Protection Against Corporate Crisis

The third way a customer orientation enhances profits is by providing insulation against a corporate crisis. Four major sources of crises directly relevant to customer satisfaction are product tampering, unfair competition, operational breakdowns, and industry restructuring. When a company uses customer orientation to cultivate more committed customers, those customers will be willing to assist the company to ensure its survival.

Corporate crisis can come from product tampering; for example, when the Tylenol brand of analgesics was tampered with, company loyalty built up over the years prevented an erosion of the company's customer base. Tampering of software programs and planting of "viruses" are also a definite threat in today's times, which can cause a corporate crisis.

Loyal customers also will resist unfair and unethical business practices of competitors against a company they really like. Similarly, large and highly visible companies like McDonald's, Coca-Cola, and Procter & Gamble are sometimes targets of rumors and social protests. For example, not too long ago, it was rumored that McDonald's products contain spider webs and that Coca-Cola is a narcotic. Loyal customers tend to ignore rumors and calls to boycott products and continue to patronize the firm. As the emphasis in computing moved from mainframes to desktops in the 1980s, IBM faced a corporate crisis. IBM controlled about 70 percent of the world's mainframe computer business and was losing the market to the distributed computing available on desktops. The company rallied with the IBM PC, and customers came back to the company in large numbers.

Another source of corporate crisis is internal operational problems that may be created by breakdowns, strikes, shortages, or sabotage. Again, loyal customers would, to the extent possible, patiently wait or postpone their purchases. UPS's recovery from its labor strike suggests that its customers are loyal. Instead of switching carriers permanently, they returned to UPS in large numbers.

In recent years, a common source of corporate crisis has been industry restructuring—the result of either consolidation within the industry or a government mandate. Industry restructuring has hit the oil industry and infrastructure industries such as telecommunications and airlines. Companies that have maintained a strong customer orientation and, consequently, a loyal customer base, have survived these changes while companies with high levels of customer dissatisfaction have not. For example, in the airline industry, Delta and United survived, but Eastern Airlines did not. Also noteworthy is the fact that the breakup of the Bell System by the government to induce more competition has not dampened the strong performance of the Bell operating companies and AT&T, largely because these companies have had a strong base of loyal customers.

Increased Word of Mouth

The best way to grow a business is to gain new customers without significant investment of product, marketing, or sales resources. This is possible through word-of-mouth communication. For many years, the legal and medical professions have relied on a referral system to acquire new customers. A customer orientation produces satisfied customers, who will then be willing to invest their own time to tell others about your company. Word-of-mouth communication is a very powerful form of communication and influence since it is more credible and goes through less perceptual filters. Research indicates that satisfied customers talk to three other customers. However, dissatisfied customers talk to seven other customers. Word-of-mouth communication is especially important when the product or service is risky. Customers will want reassurance from others if there is a performance risk (e.g., What if the machine breaks down?), safety risk (e.g., What if the chemical is unsafe to handle?), economic risk (e.g., Is this a good economic investment?), or social risk (e.g., Is the style of this suit appropriate for the business interview?). For such risky products or services, new customers almost always look to word-of-mouth (W-O-M) advice from the company's current, satisfied customers. Hospitals, doctors, law firms, business consultants, and local service firms such as car mechanics, plumbers, construction crew suppliers, and recruitment firms gain new customers largely by W-O-M.

One-Stop Shopping

The second source of business growth is the increase in the number of products a satisfied customer buys from the same company. Both household and business customers prefer to do one-stop shopping for several reasons. It is more economical for a customer to do business with the same firm because of volume discounts, favorable terms, better support service, and savings on procurement paperwork. It is also more convenient since the procedures for ordering, payments, and delivery are standardized. Finally, it eliminates the uncertainty that comes with doing business with a new company. For the company, the competitive advantage that comes with one-stop shopping is the ability of the company to expand its product line and generate more growth without significant risk. For example, McDonald's has expanded its product line from hamburgers to include a breakfast menu, chicken, salads, and other products. One strategy used by several marketers to increase their share of wallet is to issue cards with significant reward value. In the summer of 2000, Sears, Roebuck and Co.—the largest private-label card issuer in the United States, issued the Sears Gold MasterCard product. Customer research told Sears that customers wanted Sears card benefits and universal usability in a single credit product. Sears looked at this feedback as an opportunity to convert its inactive private-label accounts to active ones and offered its customers a card that could be used at Sears and other establishments, and increased Sears share of the customer's wallet. Several other department stores have followed suit with the same strategy now.

The fundamental concept underlying one-stop shopping is **lifetime revenues**. It represents the net present value of all products and services a satisfied customer is likely to buy from you over his or her lifetime. The lifetime revenue concept has interesting implications. It enhances respect, even for small accounts. Second, there is a significant amount of downstream revenues from value-added services. For example, once you sell machinery, you also can sell insurance, financing, maintenance, and repair services. Third, the customer puts his or her trust in the company and, therefore, expects comparable performance in value-added services or other products that he or she buys from the company.

Therefore, one-stop shopping will demand a high degree of consistency across diverse products and business units.

New Product Innovations

A third way that a customer orientation generates revenue growth is by facilitating the introduction of new products. Customer input in the early stages of new-product development is one of the major reasons for success of an innovation because it allows the research and development departments to incorporate customers' wishes as they develop new technologies. This process is facilitated by satisfied and loyal customers who are more open to sharing their experiences with the firm.

Customer Orientation Creates Pride in Employees

Customer orientation also has an effect on employee morale in the company. Front-line employees' job satisfaction depends greatly on the extent to which they are able to satisfy their customers. By doing well by the customer, employees feel a strong pride in their company. Hal Rosenbluth, co-author of *The Customer Comes Second*, says that companies should put their employees first if they want to offer stellar service. The reason is that satisfied employees create satisfied customers. But the influence flows in the reverse direction as well. Happy customers lead to employee happiness. Grudging, complaining, dissatisfied customers actually take a toll on employee morale. Bad employees drive out good customers, and bad customers drive out good employees. How often have we, as consumers, found ourselves switching hairdressers or dry cleaners because we were mistreated by an employee? Likewise, it is not uncommon for employees working in retail settings to leave their jobs as a result of harassment by dissatisfied customers.[16]

Interaction with satisfied customers and the feedback received from them in formal customer surveys, as well as ownership of quality work or service that a customer-satisfying organization necessarily produces, generate pride and happiness among employees.

What Is Customer Behavior?

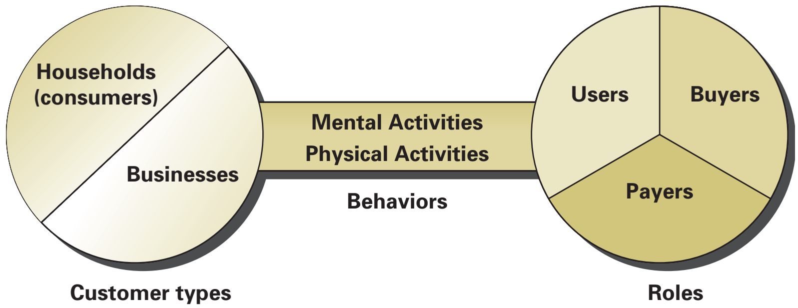
Now that we know the benefits that a firm can achieve through a customer orientation, let us formally define customer behavior. **Customer behavior** is the mental and physical activities undertaken by household and business customers that result in decisions and actions to pay for, purchase, and use products and services. Our definition of *customer behavior* includes a variety of activities and a number of roles that people can hold. Figure 1.2 illustrates the dimensions of customer behavior. These dimensions go beyond marketers' more traditional focus on consumer behavior.

Our definition covers the behaviors of customers in both the **household** and the **business markets**. Conventionally, the term **consumer** has referred to household markets, and the corresponding term for the business market has been "customer." We use the term "customer" to refer to both markets.

In a marketplace transaction, a customer can play one or all three of the following roles: (1) a buyer (i.e., selecting a product), (2) a payer (i.e., paying for a product), or (3) a user/consumer (i.e., using or consuming a product). This book, therefore, goes beyond the conventional subject matter of consumer behavior—the behavior of "end users" (in household or business markets)—to include the behavior of buyers and payers. The customer also can play other roles in the buying decision, such as the initiator (a person who suggests the idea of buying the product or service), influencer (a person whose view or advice influences the decision), decider (a person who decides on any component of the buying decision—when to buy, where to buy, what to buy, or how to buy), approver (a person who approves of the recommendations of the decider after considering the con-

Customers: Types, Roles, and Behaviors

FIGURE 1.2



cerns of influencers and users), or gatekeeper (a person who controls access of information to any of the other roles). In this book, we concentrate on the three most important roles of the customer—namely, user, payer, and buyer.[17]

Our definition of customer behavior includes both mental and physical activities. Examples of mental activities are assessing the suitability of a product or service brand, making inferences about a product's or service's qualities from advertising information, and evaluating actual experiences with the product. Physical activities include visiting stores, searching for information on the Net, reading *Consumer Reports* (or accessing it online at **http://www.consumerreports.org**), talking to salespeople, and issuing a purchase order.

A customer's mental and physical activities are directed toward some type of product or service. Throughout this book, we discuss products and services that households buy and use regularly, both online, and in brick-and-mortar stores, such as automobiles, appliances, shirts, banking, dry cleaning, and insurance. But the discussion also goes beyond these typical household products and services and includes products and services that businesses use, such as office supplies, equipment, and bookkeeping services. Figure 1.3 presents the four types of products and services that constitute the domain of customer behavior discussed in this textbook.

In the upper left-hand quadrant are household products targeted exclusively to the household market. Items that are often replenished, such as food and milk, are examples of such products. Other products that are not replenished as often, such as clothing, electric razors, or an iron, are also listed in this category. Finally, major purchases, such as a home, car, and household appliances, are also part of this category.

Customer Behavior Domain

FIGURE 1.3

	HOUSEHOLD	BUSINESS
PRODUCTS	Consumer Products	Business Products
SERVICES	Consumer Services	Business Services

In the upper right-hand quadrant are business products that are sold exclusively to business firms or to individuals who use them for conducting their business. Examples include machine tools, corporate jets, internal power generators, office supplies, and raw materials.

In the lower left-hand quadrant are consumer services targeted exclusively to the household market. Examples include hair styling, dental cleaning, baby-sitting, home-cleaning service, and home-appliance repairs.

In the lower right-hand quadrant is the business services sector, targeted to businesses. Examples include management training and consulting services, employees benefit services, janitorial services, and document delivery services.

Of course, some products, like automobiles, are targeted to both household and business markets. Other examples of products used by both household and business customers include cellular phones, fax machines, desktop computers, bottled drinking water, and wall fixtures. In many instances, although the product categories are common, the design specifications might differ for the household and business markets. As with products, some services are used by both household and business customers. Examples include banking, security of physical premises, telecommunications, and insurance. While the same service company might target both markets, specific features are often tailored to each market segment.

Three Roles of the Customer

A **customer** is a person or an organizational unit that plays a role in the consummation of a transaction with the marketer or an entity.

A customer can play three different roles in a marketplace transaction. The **user** is the person who actually consumes or uses the product or receives the benefits of the service. The **payer** is the person who finances the purchase, and the **buyer** is the person who participates in the procurement of the product from the marketplace. Each of these roles may be carried out by the same person or an organizational unit (e.g., a department) or by different persons or departments. For example, many teenagers buy groceries and household items for the entire family because both parents work. Parents pay for the purchases but do not always specify what specific food items to buy and/or which brands to purchase. Or they specify broadly, leaving the final decision to the teenager. Anyone who carries out at least one of these roles—end user, payer, or buyer—meets our definition of a customer.

Successful marketers are aware of the value of each of the above-mentioned customer roles. First and foremost, the user role is important in the design of the product or service. The features of the product or service have to be the ones that the user is seeking and that will best meet the user's needs or wants. The other two roles are equally important. The payer plays a critical role in that if the price or other financial considerations do not satisfy the payer, the user simply cannot buy the product. Without the payer, no sale will ever occur. Finally, the buyer's task is to locate the merchandise and find a way to order or acquire it. If the buyer's access to the product or service is constrained, the buyer will simply not buy the product, and thus, the user would not have the product available for use. Marketers must facilitate the buyer's task by making it convenient to buy and acquire the product/service. The Internet has played a crucial role in facilitating access to markets and products for the buyer.

Role Specialization

Dividing the customer roles—user, payer, and buyer—among individuals or groups is called **role specialization**.[18] Regardless of whether the same person is the user, payer, and buyer, each role dictates a different set of values that are sought by the customer. For example, an office worker who is using a personal computer is concerned with the performance of the machine, whereas the purchasing agent for the company who buys the PC is more concerned with the price. Successful marketers are aware of the possible ways in which customers divide their roles among themselves. They adapt their marketing effort to the type of role specialization. Some scenarios of role specialization are discussed below.

User Is Neither Payer Nor Buyer

In some cases, the user is distinct from both the payer and the buyer roles of the customer. For example, parents typically pay for and actually buy most of the products their children use. Pet foods are one product category and veterinary care one service category where the user is definitely different from a buyer and a payer. Other products and services can sometimes fall into this category (e.g., a car bought and paid for by parents for their son or daughter or a health insurance policy bought by the working head of the household and paid for by the employer, but used by the nonworking members of the household). Likewise, in a business setting, an employee is the user of office furniture, like a desk and chair, but the purchase and payment of these products are made by someone else, such as the purchasing and the accounts payable departments of the business. Products like office supplies, industrial raw materials, components, and machinery are also used by employees but bought and paid for by someone else in the organization.

User Is Payer but Not Buyer

In other cases, the user is also a payer, but not a buyer. For example, in the financial markets, stockbrokers act as agents for clients who enlist them to buy stocks of various companies. In business markets, an office assistant may purchase office supplies for someone else's use that are paid for by the department budget. Travel services availed by different members of the organization are used and paid for by the organization but bought through an external travel agent.

User Is Buyer but Not Payer

The user may be a buyer but not a payer of goods or services. A household example of this situation is a customer selecting and using a car towing service whose invoice is then reimbursed by an insurance company. Similarly, a business corporation might sponsor the building of a new wellness facility as an annex to an existing hospital. The hospital does the buying (of a construction contractor's services, for example) and will then be the user, both of the contractor's service and the end product of the contractor's work. Not-for-profit organizations purchase products and services for their clients using donations obtained from others.

User Is Buyer and Payer

Finally, the user may also be both the buyer and the payer for a product or service, combining all three roles into a single person or department. Most consumers purchase and pay for products for their personal use, such as clothing, watches, airline tickets, haircuts, and colognes and perfumes. In the business markets, small business owners often combine all three roles when they acquire office equipment, furniture, and the services of an accountant or a bookkeeper.

Reasons for Role Specialization

When a single customer carries out all the roles, marketers will likely use a different strategy than when different people act as user, payer, and buyer. Thus, it is helpful to be able to identify the conditions under which the various kinds of role specialization occur. In general, users are unlikely to play other customer roles when they lack expertise, time, buying power, or access to the market, or when the product is either unaffordable, subsidized, or free.

Lack of Expertise

In many situations, the user just doesn't have adequate knowledge to make an informed choice. Whenever the user does not have the relevant knowledge and expertise, she or he is likely to delegate the buying task to someone else, who then becomes the buyer. For example, patients lack expertise and depend on their doctors for medication choice. Elderly persons who need a nursing home may not physically or mentally be able to evaluate, choose, and arrange for the nursing home; consequently, they may depend on their family to act as the buyer. In business markets, a firm may hire a consultant to give advice on and execute the buying task for a complex piece of machinery because the firm does not have the in-house expertise relating to evaluating alternative suppliers. The Internet has significantly reduced for the customer the risk of making uninformed purchase decisions; in fact, one can even say that it has led to a democratization of information to customers. Online information search is helping customers to gather a reasonable level of expertise before they visit a seller or a retailer, such as an auto dealer or even their doctor. Apart from the available wealth of information and easy comparison shopping, many Web sites such as AskMe.com and AskJeeves.com invite Internet users to write in questions that will be answered by intelligent search engines or human experts on the subject.

Lack of Time

Another reason a user may delegate the purchasing task to someone else is lack of time. For example, executives delegate purchase decisions, such as making airline and hotel reservations or choosing a mail carrier service, to their assistants or secretaries. Likewise, more and more homemakers these days are delegating many household chores to their spouses, teenage children, or paid shopping consultants because they are too busy themselves. As customers face an information overload on the Internet, they use a new type of search intermediary called the *Infomediary*,[19] which helps them find products and services that match their personal preferences. DealPilot.com allows customers to search for best deals on books, videos, and CDs from more than 100 Internet retailers. The customer delegates the search task in buying to an intermediary and focuses on use and payment.

Lack of Buying Power

Often users have to delegate the buying task to someone else because they lack the buying power. Corporations often adopt the "centralized procurement" practice to take advantage of economies of scale. Membership clubs like Sam's Club are examples of consumers delegating the buying responsibility to a professionally managed organization. According to a report by Access Markets International (AMI) Partners and *Inc. Magazine*, 670,000 small businesses have ventured into the online auction arena, bidding for products and services. Nearly 1 million small businesses planned to participate in online auctions in 2000. It also found that 1.3 million small businesses are interested in using the Internet to collaborate or pool with other small businesses to buy in groups to obtain better prices for products and services.[20]

Lack of Access

Many times, the consumer is prohibited, either by law, by physical barriers, or simply by industry practice, from buying a product directly from the marketer. An example of prohibition by law is that of prescription drugs. Even though patients may know, based on past experience, what medicine works best for them, they cannot make the purchase decision; they need a doctor's prescription. A global supplier often presents a physical barrier. Because of language, distance, and other access barriers, the user has to go through a middleman, a trading or import/export agent, or a bank if it is a financial transaction. In such cases, customers must partner with other firms that have better access to markets in order to purchase a product or service. The Internet is fast reducing these physical barriers as customers gain access to the World Wide Web.

Lack of Affordability

When a product is not affordable to the user, the role separation is between the user and the payer. The user may be the primary decider of what to buy, but the payer (who is also a customer by virtue of playing the payer role) may also influence the decision by restricting the choices that would qualify the payer's funds. College tuition is an obvious example: Parents are often the payers and influence the college their daughter or son chooses. Disadvantaged households that buy food with government stamps are restricted to buying from stores that accept food stamps. In this case, the food-stamp recipient is the user, and the government is the payer. The Internet has opened up options from the point of view of the buyer who now has access to a wide range of price points for each product.

When the Product or Service Is Subsidized by Payers

In many situations, payers provide partial subsidies. An example is benefit programs offered by a company to its employees for health-care services. Another example is corporate cafeterias, where the employees' cost is only a percentage of the actual cost because of the subsidy paid by the company.

When the Product or Service Is Free

Finally, the user and the other roles of the customer are separated when the product or service is given free to the user. The user accepts these products and services, not due to lack of affordability, but simply because of their free availability. Public parks, free music concerts, public libraries, and free coffee on some interstate highways represent instances of such free products and services. In these instances, the user of the service is not the same as the purchaser. As a publisher of books, a supplier of coffee, or a construction company engaged in building public parks, the marketer has to deal with city governments in their role as the purchaser and payer, separated from the role of the user. To the city government building the park, the important concerns are costs and ease of dealing with the contractor. In contrast, the residents who use the park will be more concerned with the performance and safety of the swing sets and the jungle gyms their children will be playing on.

Customer Needs and Wants

It is important for businesses to know the needs and wants of users, payers, and buyers to be customer oriented. It is the needs and wants of customers that marketers have to satisfy.

A **need** is an unsatisfactory condition of the customer that leads him or her to an action that will make the condition better. A **want** is a desire to obtain more satisfaction than is absolutely necessary to improve an unsatisfactory condition. The difference between a need and a want is that need arousal is driven by discomfort in a person's physical and psychological conditions, whereas wants occur when humans desire to take their physical and psychological conditions beyond the state of minimal comfort. Thus, food satisfies a need, and gourmet food additionally satisfies a want. Just as any car satisfies a need for transportation from point A to point B, a Miata, Porsche, Lexus, or Mercedes, in addition, satisfies a want to get the excitement of performance, gain prestige among one's peers, or project the right image to significant others. In the business context, introduction of a new product may lead to a need for increase in plant capacity or a government regulation may lead to a need for improved safety standards. Club memberships for top executives, expensive furniture for the offices, and corporate jets are examples of wants. Only when needs are satisfied do wants surface. As the information revolution takes hold, we see a move toward "desires of a few" becoming "wants of all," and "wants of all" becoming "necessities," especially in the developed countries. Some examples of the second category are the television remote, microwave ovens, power locks, and cell phones.

Determinants of Needs and Wants

Needs and wants also differ in terms of the factors that cause them. Customer needs are determined by the traits of the individual and the traits of the environment. The three personal traits that determine needs are genetics, biogenics, and psychogenics, and the three market traits are climate, topography, and ecology. In contrast, customer wants are determined by the individual context and the environmental context. The individual context consists of three dimensions: an individual's personal financial worth, institutions, and culture. The market context also consists of three dimensions: economy, technology, and public policy. These traits and context dimensions are discussed in detail in Chapter 2.

Figure 1.4 summarizes how each of the determinants shapes the needs and wants of customers in the marketplace. Their impact falls into four broad categories.

1. *Needs-driven markets.* When both personal and environmental characteristics are physical, pure needs drive customer behavior. Examples include climate-relevant clothing, allergy medicine during allergy season, and flood insurance for personal or business property in flood zones.
2. *Personal wants and environmental needs.* When the relevant environmental characteristics are physical, but personal characteristics are contextual, the driver of customer behavior is a personal want but an environmental need. Examples include product categories that are driven by climate, topography, or ecology but where brand usage reflects one's wealth, social standing, and self concept (e.g., name brand warm clothing, fur coat, a contemporary off-road vehicle).
3. *Personal needs and environmental wants.* When the relevant personal characteristics are physical but environmental characteristics are contextual (economy, technology, and public policy), customers seek something that will satisfy a personal need but an environmental want. Examples include microwavable food, home-shopping network or online shopping, and technological gadgets.
4. *Wants-driven markets.* Finally, when both personal and environmental contexts are salient, customer behavior is driven by pure wants. Examples include consuming

FIGURE 1.4 Matrix of Personal and Environmental Characteristics

		Environmental Characteristics	
		Physical	**Contextual**
Personal Characteristics	**Physical**	1. Needs-driven markets (e.g., allergy medicine)	3. Personal needs and environmental wants (e.g., microwavable food)
	Contextual	2. Personal wants and environmental needs-driven markets (e.g., fur coat)	4. Wants-driven markets (e.g., theatre attendance)

arts and theater, participating in political rallies, voting, buying designer clothing, and sporting the grunge look.

Market Values Customers Seek

All customer behavior is driven by needs and wants, whose satisfaction customers seek and value. Thus, all customer behavior is driven by the value received through the acquisition and use of a product or service. The recognition of customers as seekers of problem solutions and the resulting value is fundamental to long-term business viability. As argued in a recent book, *Valuespace*, customer value is "the be-all and the end-all of all business activity; the only purpose of all organizations, all business enterprises. It is the only justifiable goal of all reengineering, organizational renewal, entrepreneurship and corporate innovation. And it is the only path for sustained growth, and for winning the battle for market leadership."[21] Indeed, it goes to the very core of how a business defines and views itself.

Marketing scholar Theodore Levitt has argued that many companies do not know what business they are in. They view themselves too narrowly and, thus, suffer from what Levitt calls "marketing myopia."[22] **Marketing myopia** refers to the narrow vision wherein firms view themselves in limited, product- or service-centered ways—as makers and sellers of products and services that they produce and sell. Consequently, firms that thought they were in the buggy business rather than in the business of providing their customers transportation solutions suffered from marketing myopia and were replaced by the automobile industry. Likewise, in obtaining a life insurance or a health insurance policy, customers are not seeking merely a paper document; rather, they are seeking "peace of mind"—freedom from anxieties about the unknown future. The problem-solving abilities of products and services are what constitute value to the customer.

A **market value** is the potential of a product or service to satisfy customers' needs and wants. Value is created only if the product or service has the capability to satisfy a customer's needs and wants. At the same time, since not all customers' needs and wants are identical, a product or service may be more valuable to one and less valuable to another because it satisfies one customer's needs and wants better than another customer's needs and wants. Furthermore, the customer's context or situation may make a product or service more or less valuable. For example, a product or service may be very valuable in one climatic zone but totally valueless in another climate (e.g., an umbrella is valuable when it rains).[23] Thus, value is created by the convergence of a product's capability with the context of the consumer. Market value differs among customer segments. For example, a business traveler is willing to pay more to be home by Friday evening than a leisure traveler who doesn't mind flying on the weekend.

Classification of Market Values

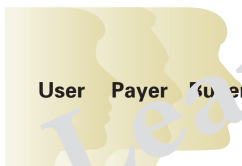
In general, a product's or service's market values may be universal, personal, or both. **Universal values** are values that satisfy the *needs* of the customer. These pertain to the basic purpose of buying a product or service or for doing business with the firm. They are termed "universal" because all customers invariably seek them in a product or service, across nations and cultures.

Personal values are those that satisfy the *wants* of the customer. Personal values pertain to something beyond the basic or universal reason for buying a product or service or for doing business with a firm. They are called "personal" because wants are more diverse than needs and differ from person to person. Some personal values, called group-specific, are desired by and offered alike to a segment or a group of customers. Other personal values, called individual-specific, are more individualized, more internal, more related on one's own personal enjoyment or comfort.

Each class of values corresponds to a marketing strategy. Universal values are the basis of product differentiation strategies (those that distinguish a product from competition). Group-specific values are the basis of segmentation strategies (those that focus on subsets of the total market), and individual-specific personal values are the basis of one-to-one marketing as well as relationship marketing.

As shown in Figure 1.5, each of the three customer roles seeks a particular category of universal and personal values. For the user, the universal value is performance; the personal value is social at the group level and emotional at the individual level. For the payer, the universal value is price; the personal value is credit at the group level and financing at the individual level. Finally, for the buyer, the universal value is service; the group-related personal value is convenience, and the individualized personal value is personalization. Products and services deliver bundles of values to the various customer roles. This is true for each basic category of products and services, from consumer durables to business services.

FIGURE 1.5 **Matrix of Values and Customer Roles**



CUSTOMER ROLES

	User	Payer	Buyer
UNIVERSAL VALUES	Performance value	Price value	Service value
PERSONAL VALUE Group-specific Individual-specific	Social value Emotional value	Credit value Financing value	Convenience value Personalization value

Market Values Sought by Users

Universal Value: Performance

A product's or service's **performance value** is the quality of physical outcome of using the product or service, (i.e., it refers to how well a product or service serves its principal physical function consistently). The performance value resides in and stems from the physical composition of the product or from the design of the service. When customers buy detergents, for example, they seek such performance values as removal of dirt and stain from clothing and protection against color fading. Consumers with dandruff desire a strong shampoo that eliminates dandruff. For business products, performance consists in how accurately and reliably the products perform—for example, that blood testing equipment in a hospital gives correct measurements; that a machine tool cuts metallic surfaces within certain tolerance limits; or that the copier gives good color reproduction and does not jam the paper. In services, the performance value of a hair salon is simply cutting hair in patterns. The performance value of a travel agent is to find the traveler the most cost-effective travel plan.

Personal Values: Social and Emotional

Products are bought and consumed not just for their physical function but also for social benefits. For the user, these benefits are termed social and emotional values. These include sensory enjoyment, attainment of desired mood states, achievement of social goals (e.g., social status or acceptance by one's reference groups), and self-concept fulfillment.

Some market choices may be determined primarily by social value. Users driven by **social value** choose products that convey an image congruent with the norms of their friends and associates or that convey the social image they wish to project. Social value exists when products come to be associated with positively perceived social groups. Users in both household and business settings are often concerned with the social meaning of the product or service they use (see Window on Research box to understand the symbolic value attached to the television in China). Certain types of clothing, for example, are associated with certain groups and are either embraced or avoided, depending on whether that group is desirable or undesirable. As a business person or as a corporate employee, the kind of clothes you wear, the kind of car you drive, and the kind of house you live in can signal to others whether you fit in. Other examples of products connoting social value in a business setting could be membership in country clubs, use of corporate jets, and first-class travel. Highly visible products lend themselves to acquiring positive or negative social value.[24] A New York restaurant called Daniel is fashionable, exclusive, and small. And it is expensive. But for the well heeled, the main obstacle to getting a table is not the cost but a lack of the right connections. You have to know the maitre d' Mr. Bruno Jamias by name, or at least know someone else who does. In late November 1996, a staffer for Bob Dole (then a U.S. presidential candidate) reportedly could not get a table at Daniel for her boss until she called again, asked for Mr. Jamias by name, and identified the guest by name. The same exclusivity reigns at New York's Mesa Grill or Coco Pazzo, Chicago's Frontera Grill, San Francisco's Bix, and New Orleans' Emeril. What do customers seek from restaurants such as these that they put up with this unwelcoming attitude? Superb performance value from the exotic cuisine for one; social value from being among the select celebrity circuit for another.[25] Customers may derive social value by going into a particular store to purchase a product. This value is removed when they buy prestige goods online.

WINDOW ON RESEARCH

Symbolic Consumption of Television in China

As the People's Republic of China emerges as a consumer market, certain products are taking on enormous symbolic meaning, and television sets are one such product. China's exposure to television has been brief by Western standards—about 10 years—but penetration is as high as 80 percent, with urban penetration approaching 98 percent of the homes. Due to the symbolic nature of the product, most of these sets are in color and are large (18 or more inches). Data on Chinese consumers and their interaction with this symbolic product was obtained from 15 consumers in three focus groups and 40 in-depth interviews in Beijing. An even mix of male and female consumers was drawn from a variety of occupations, with an age range of 23 to 81 years and with income levels of about 50 yuan ($60) to 10,000 yuan ($1,200) per month.

(continued)

Living conditions in China hold the key to understanding the importance of televisions in modern Chinese life. Products such as cars or houses seldom are symbolic in China, unlike in the West. Housing in China is provided by the employer, according to an established set of needs for the individual, and the rent is minimal. Consequently, savings rate for the Chinese run as high as 60 percent. But even so, the car remains unaffordable for most Chinese. However, a television set becomes an affordable indulgence. The average living space in China for a family of three is about 250 square feet, and in this small space, the television becomes a focal point. Hence, the size of the TV is of paramount importance to Chinese consumers, and they wish to buy the largest television that will fit into their home. The TV is often accompanied by a VCR to watch prerecorded movies and family videos and karaoke equipment since karaoke is very popular in China, even at home.

To the Chinese consumer, the television represents freedom from the past and access to information. It provides education, entertainment, and news programming to those who otherwise would have little access to them. It represents an escape from the crowding, noise, and dirt of everyday life in most of China. The choice of the television plays an important symbolic role in establishing one's financial image as well as projecting an aura of personal success. This symbolic importance also explains why the selection and purchase of a television plays such an important role in a couple's wedding plans and subsequent marital success. Saving for an appropriate make and model is an ordeal for most young adults, and it even influences when the wedding date is set. Moreover, they prefer a Japanese-made TV over a Chinese-made TV because of the status the former brings them. Naturally, given the symbolic importance of the product purchase, these Chinese consumers rely heavily on their reference groups for assistance and are also influenced by advertising.

The television you purchase in China is a representation of self-worth, freedom from oppression, and the wealth and promise of the "new" China.

Source: Adapted from Kathleen Brewer Doran (1997), "Symbolic Consumption in China: The Color Television as a Life Statement," *Advances in Consumer Research*, Vol. 24, pp. 128–131, http://www.acrweb.org.

Still other market choices are made primarily because of their potential to arouse and satisfy emotions (see Window on Research box—Utilitarian versus Expressive Product Appeals). **Emotional value** refers to the enjoyment and emotional satisfaction products and services offer their users. Many products and services offer desired emotions (e.g., feelings of attractiveness aroused by a special perfume or enhanced confidence from wearing attractive clothing). Most experiential consumption offers emotional value. **Experiential consumption** refers to the use of a product or service where the use itself offers value. Some examples are watching a movie, eating a favorite dessert, savoring a glass of wine, or traveling to an exotic place. In business settings, attending a convention can be, for some, an experiential consumption.[26] This experiential component of purchasing goods in a store where the individual customer is recognized by a sales person and bonds are forged is something that the customer will have to forego when purchasing goods over the Internet. Older, retired people may welcome the opportunity to purchase goods offline simply because this gives them the opportunity for social contact.

WINDOW ON RESEARCH

Utilitarian versus Expressive Product Appeals

If you would like to read some research literature on customer values or at least on user values, you will find it in the writings of several consumer researchers. In searching through the literature, you will meet such well-known consumer researchers as Russ Belk, Bill Bearden, Joel B. Cohen, Kenneth DeBono, Michael Etzel, Beth Hirschman, Morris Holbrook, Bernard Jaworsky, J. S. Johar, Jean Kepferer, Gilles Laurant, Debra MacInnis, Paul Miniard, Banwari Mittal, Jim Munson, Bruce Newman, C. W. Park, Paul Prabhakar, Brian Ratchford, Sharon Shavitt, Jagdish N. Sheth, Joseph Sirgy, Mark Snyder, and Michael Solomon, among others.

Several consumer researchers have argued that two major appeals of products and services for consumers are utilitarian benefits and value-expressive benefits. (In using the word *consumer*, they refer to what we call the user role of the customer.) These two values are analogous to our performance and socio-emotional user values, respectively. Consumer researchers have defined utilitarian appeals as those that stem from the functional features of the product or service (i.e., what physical job the product or service does). The value-expressive appeals are designed to create an image of the typical user of the product (i.e., what social image or self-image the product's use will give its user). It draws on the concept of self-concept, personality, and lifestyle research.

Various consumer researchers have argued that customers seek products whose functional benefits match their functional needs. Likewise, customers seek those products whose social image fits with consumers' self-concept.

In one research study, a sample of consumers were given the names of several products and asked to write down the associations they made with these products. Their thoughts were coded by independent judges who did not know what products elicited particular responses. For such utilitarian products as air conditioners and aspirin, the associations were mostly related to the product's attributes and objective benefits; in contrast, for such expressive products as wedding rings and the American flag, the associations were image- and emotion-related. In a follow-up experiment, consumers were shown advertising appeals that centered on functional benefits or, alternatively, on image appeals, each for both types of products. As expected, consumers found image appeals more persuasive for image products and functional appeals more persuasive for functional products. Furthermore, for such twin user-value products as watches and sunglasses, one type of appeal was more persuasive for one set of consumers, and the other type of appeal was more persuasive for another set of consumers. Further analysis revealed that consumers who were high in self-monitoring (i.e., those who are conscious of the impressions they generate on others) found image appeals more persuasive, whereas those low in self-monitoring found functional appeals more persuasive. This shows that consumers who seek performance value in a product find performance benefits more appealing; in contrast, those who seek socio-emotional values look for products that promise these values.

Source: Adapted from P. W. Miniard and J. B. Cohen, "Modeling Personal and Normative Influences on Behavior," *Journal of Advertising Research* 21 (1983), pp. 37–46; Banwari Mittal, Brian Ratchford, and Paul Prabhakar, "Functional and Expressive Attributes as Determinants of Brand Attitudes," *Research in Marketing* (JAI Press, 1989); J. S. Johar and Joseph M. Sirgy, "Value Expressive Versus Utilitarian Advertising Appeals: When and Why to Use Which Appeal," *Journal of Advertising* 20, No. 3 (September 1991), pp. 23–34; Morris Holbrook and Elizabeth Hirschman, "The Experiential Aspects of Consumption: Consumer Fantasies, Feelings, and Fun," *Journal of Consumer Research* 9 (September 1982), pp. 132–40; and Shavitt, 1990 (Ibid), and Sharon Shavitt and Tina M. Lawrey, . . . 1992, ACR.

Market Values Sought by Payers

Universal Value: Price

For a payer, the universal value is **price value**—the fair prices and other financial costs incurred in acquiring the product (e.g., shipping, maintenance). Catering to this universal value, there are several sites on the Internet that allow consumers to compare prices among vendors. In business settings, price value is of importance in commodity purchases. A new trend on the Internet is "reverse auctions" wherein qualified bidders compete on price in an anonymous online auction. This process drastically reduces the prices the company can get from suppliers and increases price value. When payers consider prices and costs, they, of course, also consider the payoffs they will receive. Thus, judgements about the reasonableness of price and costs are always made in the context of product benefits.[27] Note that the cost of obtaining the benefits that a product gives is more than the purchase price; it includes the operational and maintenance costs. For example, the major cost of an air conditioning unit is not the purchase price but rather the operating cost (i.e., the charges for electricity). So the marketer of an air conditioner or a refrigerator must use the higher operative efficiency of the unit and the installation and maintenance cost advantages of his unit as his selling point. True price value consists in computing the life-cycle costs of owning and using a product[28]—be it a car or a piece of machinery in a business.

Personal Values: Credit and Financing

In their payer role, customers desire the freedom from having to exchange cash at the time of purchase or from becoming liable for immediate payment. They receive this value, called **credit value**, when the seller accepts a credit card issued by a third-party financial institution. Some sellers also issue their own credit cards (e.g., Sears credit card, Firestone credit card, or even a gas station credit card); thus, they offer credit value to customers who may not have been able to obtain bank-issued credit cards. The purpose of the credit value is not so much to offer long-term deferment of payment liability as it is to offer "convenience" to the payer in making the payment. Consider the American Express card, offered both to individuals and to corporations (i.e., Corporate Purchase card). The company requires payment of the entire outstanding amount upon receipt of the bill. Thus, the card offers the convenience of making payment only once for all of the purchases made during the preceding billing cycle. To business customers, their supplier's credit policy is crucial. The usual credit terms are 30 days, net 2 percent (i.e., 30 days' deferred payment, 2 percent discount if paid in cash). Most businesses will forgo a 2 percent price value advantage to avail themselves of the credit value. In some industries, customers are allowed a "float"—always carrying the credit equivalent to a given number of months' inventory. For example, in the diamond trade, the usual float is six months—if a customer's annual sale is $10 million, that customer is allowed to carry $5 million of outstanding dues.

Payers value affordability as well as convenience. **Financing value** consists of offering the terms of purchase that make the payment more affordable by distributing the liability over an extended period of time. Financing allows and often entails more "customized" payment schedules, designed with customer-specific requirements. The financing value becomes more salient in those choice settings where the price of a product or cost of a service is relatively high. Chrysler Credit Corporation and GMAC Financial Services are now separate profit centers of these automakers. Good sources of profit in their own right, they are also helping the car sales divisions sell more cars by offering the financing value. In recent years, leasing has become a very attractive option in automobiles, office equipment, and machinery, as it lowers the entry barrier, often requiring zero or a small amount in down payment. GE Capital, as the largest leasing company, provides this value to airline industries. Likewise, Lucent Technologies, a 1996 spin-off from AT&T, has won many business contracts on the basis of offering better financing value to its customers.

The Internet is significant in that it affords the potential customer far more accessibility to different financing options. According to a study by Brittain Associates, more than 15 million adults state that they have conducted research on mortgage and equity rates online. Approximately one in five of these shoppers has also obtained a mortgage or equity loan following an online search.[29]

Market Values Sought by Buyers

Universal Value: Service

For buyers, the universal value is **service value**—the assistance customers seek in purchasing a product or service. It has three elements:

1. Prepurchase advice and assistance.
2. Post-purchase advice and assistance in maintaining the product's use-worthiness.
3. Freedom from the risk of a mispurchase by being able to refund or exchange the merchandise.

Buyers value prepurchase assistance because they seek product or service information. For example, they want to know the technical features and performance information about various models of cellular phones, the itinerary and activity schedule of a cruise trip, or the availability of a vegetarian menu in a restaurant. Product demonstration and service explanations, key aspects of a salesperson's job, are also included in prepurchase service. Customers of Amazon.com can access media reviews of products and readers' comments and can get recommendations for gifts, thus aiding the buying process. Sites like epinions.com aim to consolidate buyer feedback and provide customer experiences to aid others in making a purchase decision. The reviewers are actually compensated based on how useful their reviews are rated by readers.

Second, customers seek post-purchase advice and assistance in keeping the product use-worthy. Thus, when they receive delivery of a car, appliance, or (for business-to-business customers) a production machine, they look to the salesperson or customer service engineer to explain the maintenance procedures. Furthermore, customers seek prompt and reliable repairs and maintenance service so that the product is always use-worthy—for example, the car is always in working condition and a substitute car is available during repairs; or the office copying machines are kept on an effective preventive maintenance schedule. Most software and hardware companies have sites on the Web where they "hand-hold" the customer through most post-purchase problems, either by accessing the FAQs or by e-mail interaction.

Third, customers seek freedom from risk of a mispurchase. They seek this value in the form of being able to easily return the purchased merchandise for refund or exchange if they later come to realize that they made a wrong decision or if the merchandise turns out to be defective after some use.

Personal Values: Convenience and Personalization

Acquiring a product or service requires time and effort. The effort includes the distance the customer has to travel to acquire the product, the hours of operation during which the customer may conduct the exchange transaction, the ease with which the customer can locate the merchandise, and the ease with which the customer can acquire title to (i.e., take ownership of) the product or service and consummate the exchange. **Convenience value** refers to savings in the time and effort required to acquire the product. Three out of four shoppers in Hong Kong still buy fresh vegetables, fruits, meat, and poultry at their local wet market. However, now younger consumers and working women are opting for the convenience, time saving, and cleanliness of the supermarkets that provide these fresh products—all cleaned and packaged in serving sizes.[30]

Certain retailers specialize in offering convenience value. Convenience stores feature easy-to-reach locations, parking spaces near the door, and limited selection to make shopping fast and easy. Home shopping networks, banking by computer, shopping on the Internet, or home delivery of products such as a pizza are examples of easy physical access. ATM machines in grocery stores and 24-hour convenience stores appeal to "convenience shoppers." Besides convenient locations and hours, customers seek convenience value during the exchange transaction itself. They want the acquisition of title on goods and consummation of exchange made easy through short checkout lines, bar-coding of the merchandise so that it can be scanned quickly, and quick credit check procedures. Note that convenience in buying is different from convenience in use.

For services, customers seek convenience value in the way the service is provided. For example, in the installation of a phone or cable service, there was a time when the local cable company could not tell customers when the repair person would show up for service installation, forcing them to stay home and wait the whole day. Now, many cable and utility companies have improved their operations to give customers a two-hour time window during which the repair person will arrive. This has increased the convenience value for the buyer considerably. See Window on Research box to understand how all six values are equally applicable for services. For business-to-business customers as well, convenience value plays a significant role. They are increasingly seeking marketers who make it easy for them to do business. Small businesses operating out of home seek and appreciate (as indeed do employees in corporation) such wide-ranging products and services as office deliveries of packed lunches and office supplies (for example, Office Depot, a supplier of office supplies in the United States, offers this service), online ordering of office supplies, mail pick-up, delivery of car parts to repair mechanics, and windshield replacement at customers' premises (both homes and offices).

WINDOW ON RESEARCH

Values Customers Seek in Various Service Purchases

What market values do customers seek in various services they buy? Are these values equally important for different services? These questions were recently studied by two customer researchers, Banwari Mittal and Walfried Lassar. These researchers measured the extent to which various services offered three service attributes: reliability, responsiveness, and personalization. (They also measured a fourth attribute, the appearance of equipment, physical facilities, etc., which is not relevant to our present purposes.) Of these, reliability was measured by such questions as "The firm performs the service right the first time"; as such, it may be deemed to be equivalent of performance value in our framework. Responsiveness was measured by such questions as "Employees of this firm are always willing to help you"; as such, responsiveness can be deemed to be equivalent to the prepurchase and during-purchase assistance component of the service value in our framework. Finally, personalization was measured by such questions as "Employees are friendly and pleasant" and "They take the time to know you personally." These can be deemed to represent the personalization element of the service value in our framework.

The researchers studied customer satisfaction for two services: health care and car repair. They argued that since how well the car was repaired could always be credited to or blamed on the car mechanic, but recovery from illness did not always depend on the quality of the doctor, reliability (i.e., performance value) should be specially influential in customer satisfaction for car repair compared to health-care services. In sharp contrast, personalization should have the opposite influence. Since there was not much opportunity for interpersonal interaction in car repair services, personalization should not play much role in customer satisfaction for car repair services. On the other hand, since there were opportunities for extended interaction with health-care personnel, how well customers received the personalization value (i.e., service value in our framework) should have a strong influence on their satisfaction with the health-care service providers.

Their results supported the researchers' expectations. Personalization had a strong influence in satisfying health-care customers, whereas it played no role in car repair services. For car repair services, the performance value (reliability) was most influential in satisfying the customers.

Source: Adapted from Banwari Mittal and Walfried Lassar, "The Role of Personalization in Service Encounters," *Journal of Retailing* 72, No. 1, (1996), pp. 95–109.

Buyers also may want to be able to consummate the transaction in a personalized or individualized manner. This personalization value has two aspects: customization and interpersonal relation. **Customization** refers to receiving the product or service in a manner tailored to an individual customer's circumstance. Customization is common in business markets where schedules of deliveries are matched to the production schedule and delivered as close to the production site as possible. The second aspect of personalization is the desire for the transaction to occur in an environment of pleasant *interpersonal interaction*. Customers seek this value in the form of positive experience in interacting with the sales or customer service employees. Basically, the attitudes and behaviors of employees interacting with the customer determine this value. Some shoppers purposely seek positive interpersonal experience during shopping and were classified as "personalizing shoppers" in a classic study on shopper types.[31]

Several service companies are offering more customized customer services. For example, if you have an investment account with Merill Lynch, you can open a Cash Management Account (CMA). With this account, your account manager will automatically manage the portfolio—transferring funds as needed from cash/checking to investment accounts, or the reverse—to maximize your total return from the assets. According to a study by IBM and Louis Harris & Associates on consumers in the United States, Germany, and the UK, online retailers need to provide personalized services to customers and ensure privacy of their personal data to prevail on the web. Another survey, conducted by Opinion Research for Privacy and American Business, also found that customers were willing to part with preference information to receive personalized information tailored to their needs, provided online retailers gave them notice and choice.[32] Internet portals like Amazon.com and Yahoo.com deliver the personalization value to their customers by customizing their content based on the customer's tastes and preferences. Yahoo allows customers to develop a page called *My Yahoo*, which the customer can tailor to his or her interests, and Amazon.com greets the customer by name whenever he or she accesses the Web site and offers recommendations based on the customer's earlier purchases.

The Window on Practice presents some exemplary descriptions of how customers of selected market-leading companies are receiving extraordinary value.

WINDOW ON PRACTICE

Showcasing Customer Value

Performance Value from Caterpillar

Caterpillar (CAT), a global manufacturer of farm and earth-moving equipment, offers to customers products that are reliable, durable, and most efficient in performance. Take the D11R carry dozer, CAT's latest, most advanced track-type tractor for mining applications, introduced at the Mine Expo in 1996. Charolais Coal, a coal mining company in Madisonville, Kentucky, leased a Komatsu D575A-2 "SD" tractor for 12 months. Within the first year, the tractor developed some engine problems, necessitating the installation of a replacement engine. Track bushings were worn 120 percent after only 2,500 hours of operation. After two years of trial operation, Charolais returned the tractor to the local Komatsu dealer and replaced it with the CATs D11R. At the time of writing (in 1999), Charolais is a very happy user of the D11R.

Social Emotional Value from Fossil Watches

Fossil watches are popular among the 17-to-24-year-old youthful consumers. While the watches are of solid quality, the watch in and of itself is NOT the principal source of value to its core customers. Sure enough, were the watch of inferior quality, it would be hard to find a customer. But what really draws the consumer to Fossil is the brand's unique personality—it is an identity that is reminiscent of the 1950s. To cultivate this personality, the company has taken the images, visuals, and artifacts from that era and surrounded the brand with them. These images are everywhere—in the architectural style of its headquarters building, in the artwork that decorates its offices, in the in-store displays, in point-of-sale materials, and on company stationery. The company executives scout antique shops, flee markets, garage sales, old magazines, and the like for ideas as well as actual objects. Perhaps the most offbeat incarnation of this image is in its packaging. Fondly and simply called the *Tin*, it is a tin box with imprints of the images of the 1950s—about a hundred designs at any time. The customer chooses a watch, and then he or she chooses a tin (which is given free of charge). The company executives believe that choosing the tin after one has bought the watch adds immensely to the buying experience. Once home, it sits on the consumer's desk, dresser, or bookshelf, reminding the user of the brand's unique identity. The '50s style is executed by surrounding the brand with images, visual, and facts from that era. Fossil executives explain that "the images are unique and so different. They look like they are from—not just a different era—but a different planet; the artwork looks surreal—depicting people that are happy, people with a little goofy smile. There is a certain casual attitude about life in these characters and in these artifacts. And it has just caught the fascination of young people. It has become an aspirational brand. The target consumer thinks that if they buy this watch, they belong to a certain group of people, that they are part of some surreal culture, and are living a certain experience."

Price Value from SYSCO

SYSCO, the largest food service marketing and distribution company in North America, has documented superior price value to its customer. Consider its supreme brand of some 20 indices, ranging from shorts and "mis-picks" to cases loaded per truck and quantity of product delivered per stop. Every week, the field level data are transmitted to Houston headquarters, and the corporate office looks for trends and exceptions. It ranks the operating units into quartiles for each index. All companies are then required to catch up to the top 25 percent on every index. One of the current cost reduction initiative is to reduce the SKUs (stock keeping units). In the year 2000, it reduced total SKUs from 614,000 to 597,000 (aggregate over 63 broadline facilities—or from 9,903 to 9,629 per operating unit.)

Credit and Financing Value from AutoNation

Perhaps the most distrust customers have is about dealer financing and the perplexing payment amounts customers are given after they have agreed to buy a car. AutoNation is trying to overcome this distrust with a menu approach. "We have a menu-of-services approach. We present the customer with a menu of services with prices clearly identified for each service. Our pricing for these services is "open, honest, and transparent," says CEO Mike Jackson.

Menu of financial options? What could that be? We asked to see a demonstration, so we went to the Maroone-Toyota dealership on Sunrise Boulevard in Fort Lauderdale, Florida. Ric Gregson, Director of Finance at the dealership, took us through the menu. Basically, the "menu" is a pro forma that offers four preassembled packages of services—services like the Vehicle Protection Program (which is essentially an extended warranty program), Vehicle Care Program, which serves as a prepaid routine maintenance service, Theft Protection Program based on window engraving, Lojack Protection Program, which activates a specially installed transmitter in coordination with the local police, and Guaranteed Auto Protection (GAP), which makes up the gap between what you owe the bank and what your insurance company pays you in the event of a loss. The four preconfigured service packages include these in what the company considers most desired combinations. And the price of each is clearly mentioned. How is this different from the traditional practice? Explains Ric Gregson: "Traditionally, what the dealers would do is to give you a single final figure that incorporates the basic financing payment. Let us say you agreed to a 9% financing rate, so you will be given, say, a $600 monthly payment, and that payment included all the services and options, and you didn't know why the payment was so high. Then the negotiation process began, where the salesperson would delete a service here and a service there to come to a lower figure, and you still didn't know how much your basic payment would have been."

In the menu, we saw a box at the top left corner. It shows the base payment, which is exactly what you were told and what you agreed to when, a few minutes ago, the credit finance was discussed. And then in four columns, there are four different payment amounts depending upon which of the four preconfigured packages you desire. In one such demo sheet we reviewed, the base amount was $425 a month for 54 months. You can buy one of the four protection packages for a combined monthly payment of $460 a month, including the base payment of $425; or you can keep the payment constant at $425 (at the same amount as the basic payment) provided you can accept a 60-month payment period instead of the 54 months, and you still get all the protection. This form also included one other slightly reduced protection option that would cost $445 a month for 54 months but, in fact, cost only $410 a month (less than the basic payment of $425 on a 54-month option) for a 60-month period. Don't like any of the prepackaged option? The next page has a column for a totally customized protection plan, including the two insurance options (appearance protection and credit insurance) that were not included in the four preconfigured packages.

(continued)

Indeed, a menu of options! And a menu approach that is a far cry from the black-box approach of many other dealers (including, perhaps, some of the AutoNation dealers in their pre-AutoNation life). An open, honest, and transparent transaction indeed.

Service Value from PPG Industries

Easy Access

To make it easy for the customer to deal with it, PPG Industries attempts to establish lines of communication between the customer and each of its functional areas and departments—the lab, manufacturing, quality assurance, and marketing, for example. And these links are established early, during the development phase of the supplier evaluation by the customer. This is because a cross-functional team coordinated by a commercial development manager handles the account development process during the qualifying process. As a result, an R&D person from the customer organization can call PPG's R&D department directly if he or she has a question. And the customer's manufacturing department can directly call its customer service department to discuss a shipment.

Rapid Response

However, these open lines of communication would be only half as useful if the people the customer communicates with were not empowered to fulfill the customer's request. At PPG, all customer service employees are authorized to do what is needed for their strategic and key customers. For example, illustrates Jim Faller, the Fine Chemical Unit's Commercial Development Manager, "one of our strategic customers can call one of our plants directly on a Saturday night for an emergency shipment, and the plant will ship it as soon as it is technically possible. Sales and Accounting will be notified on Monday but the plant won't hold the shipment for approval from Sales." This is rapid response, par excellence!

In fact, the company prides itself on being responsive and deems it as its differentiating feature. For example, initially in an RFP situation (where it answers a "Request for Proposal" from a prospective buyer), when the customer is trying to qualify its process, it is very quick with product samples and process data, and it helps the customer move quickly toward commercialization of its own new product in its end-markets. This level of responsiveness is epitomized in a slogan PPG uses in its advertising: "We make it difficult for you to know where your business stops and ours begins!"

To drive its customer-response level higher, it measures what it calls "customer action incident reports (CAIRs)." Every time a customer problem gets recorded, it gets into a system that analyzes the problems by categories; how and when the problem was resolved is also recorded. The CAIR summaries are regularly reviewed by management.

Another point of excellence is its service response. The company can customize delivery time, and it can even customize on package size. For example, if its usual packaging is in drums that contain 441 pounds of chemical, and a customer's process batch requires 1,200 pounds, so the customer might want three drums of 400 pounds each. That way he can pour three drums, and he doesn't have to worry about measuring and saving a partial drum. "Can you do that?" the customer asks. "We sure will," says Faller.

Access Value from Rosenbluth International

Rosenbluth International takes great pride in its customer service, and the quality of its customer service positions it as a leader in Personalization Valuespace. Certainly, it offers its customers easy access. Many of its travel operations are located on client premises and work seamlessly with client organizations. Its reservation and customer service centers are accessible 24 hours a day, 7 days a week, and state-of-the art equipment routes the calls to the next available representative anywhere in the world! Customers also have been given the ability to make a travel reservation themselves, using its E-Res® system on their PCs. A more recently launched system also allows customers to access the company online and complete the travel reservation with a few simple mouse clicks.

If you live in Europe, no matter which country you live in, to reach Rosenbluth International, you call a local number, and the call is automatically connected to its most recent Intellicenter in Killarney, Ireland. And don't worry about whether you will be able to follow the Irish accent of the service associate—the associate who answers your call will speak in your native language. Its automated call routing system, you see, automatically routes the call to an associate designated to receive calls from the country where the call originated. Such is the "access value" Rosenbluth International provides its customers.

Personalization Value from XBS

For XBS, now reorganized as Xerox Global Services, work for a client begins with the design of a site operation. Rather than offering an off-the-shelf, canned solution, XBS configures a custom solution for each customer. Thus, XBS deploys customization as a key driver of performance value for the customer.

For example, consider a manufacturing company that makes sewing machines. The machines come packed with an owner's manual. The current practice is to print it in bulk and enclose it with the product being shipped to retailers. This practice is slated to change for many of the businesses. In the digital age, the manual can be stored and distributed digitally, and then printed by the dealer at the time of the product sale. The manual can even be customized for a specific model or for a specific customer. Now, as a supplier of this outsourced service, XBS can simply take over the current (traditional) manual printing service and run it more efficiently, or it can print more model-specific manuals in smaller quantities. Or, better still, it can distribute the manual to the retailer in a digital form for the retailer to customize it, incorporating value-added after-market services the dealership might offer, and print it on a "just-in-time" basis. This is, in fact, what it does for a number of clients.

Suppose XBS runs your company's mailroom services, and you want a certain category of mail distributed much earlier than currently delivered or even feasible. XBS can do it. One of its financial services clients, for example, wanted the mortgage applications distributed by 9 a.m. instead of the current delivery by 11 a.m. (Doing so would shorten the entire loan-approval cycle by one full day!) So XBS redesigned the whole document process for mortgage applications. It created a special return envelope that could be identified by sight, contracted with Fedex Corporation for a special 8:30 a.m. delivery of that envelope, and assigned an associate to deliver the envelope to the designated mortgage processing officer by 9 a.m.

(continued)

Thus, from initial service configuration for a new customer site to subprocess redesign on an ongoing site, XBS offers customization to enhance its total performance valuespace for its clients.

Relational attitude is the foundation of XBS's business model. Its three-part business model is "retain the present customer, grow the same-account revenues, and gain new customers." And XBS knows you can't retain and grow a client unless you develop, maintain, and grow a relationship with the client. Bill McDermott puts it this way: "I think that for Xerox to transform itself to a knowledge-based company, it has to be very much in partnering, in nurturing, in symbiotic relationships where both parties strategically need each other to get the job done."

The partnering relationship with clients begins at the very outset. XBS management outlines for its strategic clients (i.e., clients who seek enterprise-wide document management services) what kind of relationship it is seeking and how it works to win that relationship. The "retain and grow" objective colors all of its behavior and all of its attitude toward how it approaches specific industries and specific clients. Bill Patterson, XBS's senior VP of marketing, sums up that approach: "First, we understand the document-intensity and document-technology requirements by industries. Next, we move to understanding the client's critical success factors and mission-critical documents, and then we sort that out through conversations with the client. We absolutely ensure in the selling process that we have captured the requirements of the end-users. And with our existing customers, we spend a lot of time getting their feedback and ensuring that we are constantly building our capabilities to serve the client's long-term and emerging needs."

Characteristics of Customer Values

There are several characteristics of customer values. Values are instrumental, dynamic, and hierarchical. As we move up the hierarchy of values, they become increasingly diverse. In addition, customer values are synergistic and role-specific, and they vary among customers.

Values Are Instrumental

Instrumentality of market values refers to products and services being instrumental in fulfilling needs or wants of customers. Thus, it is important for marketers not only to create values in their offerings but also to link or associate these offerings to specific customer needs and wants.

A person will perceive a product, object, or idea to be useful only if the person can establish its instrumentality in achieving his or her goals. If recreation is not a particular customer's goal, then watching sports has no value for this customer. If you are thirsty, then water or other drinks, not a music CD, have value instrumentality. If you open any business magazine such as *Business Week* or *Fortune* or even a consumer magazine like *Newsweek* or *Time*, you can find an advertisement for one month's free trial of Prodigy, Compuserve, or America Online—interactive information services on your computer. Yet only some people take advantage of the free offer. Others do not respond to such free offers simply because they do not see how the free service meets any of their needs or wants; that is, they do not see any instrumentality in the free offer.

Values Are Dynamic

Market values that customers seek change over time. First, they change because individual customers' needs and wants change due to alteration in their life stage and resources. Second, they change because of rising expectations of the entire market. As marketers meet or exceed market expectations, those expectations become the new baseline against which the marketers will be judged.

In business, network reliability of services is expected to be nearly 100 percent since many market suppliers have indeed met this level. American business people expect punctuality from the salespeople who call on them; in contrast, punctuality is an exception in third-world countries such as India.

Values Are Hierarchical

Values are arranged in a hierarchy, with the universal values at the foundation. These are the market values a product or service must offer first. If the universal values are absent, the customer would not even care if the product or service provided personal values. Once universal values are met, customers look for personal values—first group-specific, then individual-specific.

This hierarchy of values is similar to classification of needs, such as Maslow's needs hierarchy (which ranks needs in order from physiological to safety to social status to self-esteem to self-actualization) and Katona's classification of needs (survival → comfort → convenience → spiritual). Need hierarchies will be described in detail in Chapter 5.

Diversity of Customer Values Increases with Hierarchy

A market for any product or service category will be more homogenous if it is dictated primarily by universal values and more diverse if it is dictated by personal values. Commodities (e.g., grain, steel, coal, electricity) and necessities (e.g., medicines, vitamins, salt and pepper, detergents) serve universal values and, therefore, have limited potential for diversity among market offerings. Of course, even for products and services sought primarily for performance value, feature variations do exist because of customers' differentiation of needs (e.g., shampoo varieties for dry, oily, thin, thick, damaged, or sensitive hair). Yet, this variety is much greater for products and services sought for personal (e.g., socio-emotional) values.

In business markets, in buying raw materials and components, customers mainly seek universal values; in contrast, when buying personal office furnishings, customers seek socio-emotional values as well.

Values Are Synergistic

Value synergy means that one value enhances the utility of another value. That is, performance value, price value, and service value (the three universal values) are highest when there is no trade-off among them. Likewise, the social or emotional value, convenience or personalization value, and credit or financing value work best without a trade-off among them.

Best Universal Value = (performance) × (price) × (service value); and

Best Personal Value = (social and emotional) × (convenience and personalization) × (credit and financing)

In other words, the relationship among universal values (and likewise among personal values) is multiplicative instead of additive. The idea is to create a synergistic relationship among the values. For example, performance should not be traded off at the expense of cost. The best strategy for the marketer is to keep costs low and to increase the performance.

Values Are Role-Specific

The role-specific nature of values means that they differ among the user, payer, and buyer. Because of role-specificity, customers may change priorities among diverse values when they change their roles. For example, employees who are paying out of their own pockets may choose differently than when the company pays for travel and restaurants. Similarly, when children have to pay for the purchase of a product themselves, they choose differently than when someone else pays for them.

Values Vary Across Customers

As we have already stated, what is valuable in a product or service to one customer may not be valuable to another. Consequently, a product or service is more versatile if it is capable of generating multiple values to satisfy different customers. For example, personal computers have a high degree of versatility because they must satisfy different needs: word processing, storage of information, communication with the outside world via e-mail, and so on. Nylon has multiple uses in both the consumer and business markets. During World War II, when there was a shortage of silk, nylon served as a substitute for silk stockings as it had the feel of silk. The government took over the production of nylon during the war and used it to make military parachute cords. Nylon has even been used for artificial ski slopes after the war. This product has a degree of versatility that allows it to be of value in various applications.

Finally, for a firm to assess how well it satisfies customer needs and wants, it needs to measure customer perceptions of the values its products and services offer. The Window on Research box provides a methodology for measurement of market values.

WINDOW ON RESEARCH

Measurement of Market Values

One way to measure customer perceptions is to ask a representative sample of customers whether specific choices possess any of the specified values. Here, customer choice refers to three levels of customer decisions:

1. Whether to buy a product or service category (e.g., whether to buy a computer).
2. Which brand or make to buy (e.g., should one buy IBM, Apple, Compaq, Dell, or some other make?)
3. From which supplier to buy it (e.g., from Computerland, Circuit City, mail order, or any other).

The values can be assessed at any of the three levels. The first step in generating a measurement scale is to specify the "content" of various values. This is best done by questioning a sample of customers (buyers, users, and payers), such as in a focus-group setting. The questioning would pertain to each of the values customers take into account while evaluating a set of choice alternatives. Some examples of the questions to be asked in the focus groups would be:

1. When people decide whether or not to buy a ________ (product name), what needs and wants are they expecting to satisfy?
2. When customers are deciding which brand of ________ to buy, what social associations (which brands of ________ would have) would they generally consider?

3. Sometimes people expect certain emotional satisfactions from their use of ________ (product name); what might be the various emotions people might look to experiencing in their selection and use of this product?

Note that these are merely examples, and such questions need to be framed for each of the values discussed in this chapter. The next stage would be to elicit from customers a rating of a given brand or supplier (i.e., an alternative) on the "value items" generated in the focus groups. Suppose focus groups generate five social associations from the ownership of a car; then we would list these five associations and ask customers (users, in this case) to check which associations apply for a given brand. For example, people who buy a Saab are: (1) successful, (2) financially prudent, (3) mature, (4) youthful, and (5) outdoorsy. Similarly one could list various emotions (the list generated from the focus groups) and ask which emotions are likely to be experienced by the user of a particular brand. For example, when you own and drive a Saab, you are likely to feel: (1) overjoyed, (2) confident, (3) embarrassed, and so on. In the same manner, we could measure performance value by asking the user to score Saab on (1) gas mileage efficiency, (2) maintenance needs, (3) road handling, and so on (the list of performance features based on focus groups).

Likewise, for the payer, the economic/price value can be measured by such items as: (1) this brand or store offers good value for money; (2) this brand at this price is a good bargain; (3) this brand is priced too high (reverse scored); and so on. The credit/ financing value can be measured by having payers rate the accuracy of statements such as: (1) the company or store offers good credit terms; (2) the installment payment system for this store/brand makes it possible for me to afford this item.

Finally, for the buyer, the service value can be measured by such aspects as: (1) this company (company or store name) makes it easy for me to do business with it; (2) I do not get the necessary assistance for purchasing the product at this store or from this firm (reverse scored); (3) it is a big hassle to deal with this firm (reverse scored). The convenience value can be measured as: It is convenient for me to shop at ________ (store name). The personalization value can be measured by rating statements such as: (1) the employees at this store or firm are very polite and friendly; (2) I enjoy talking to sales clerks at this firm or store; (3) employees at this firm or store make shopping a pleasure for me.

These examples are only an introductory outline, but they demonstrate that the various values discussed in this chapter need to be measured, and they show how these measures can be obtained from customers. To fully understand its markets, a firm would need to assess these values for its own brands as well as for competitors' brands. Moreover, these assessments need to be obtained from its customers as well as from the customers of the competing brands. These consumer data would then enable a firm to map its position on a value grid against its competitors. Such grids help identify which customer values the firm satisfies better and which it satisfies worse than its competitors. This, in turn, suggests which values need to be improved.

Conceptual Framework

In the above section, we have discussed the three roles of the customer—user, payer, buyer—their needs and wants, and the values sought by each of these roles from products and services. Figure 1.6 presents a conceptual framework that identifies the factors influencing these three roles: 1) external determinants and 2) the internal mindset of the consumer. The influence of these factors on the three roles affects customer decision making, not only for individual and household-level customers but also for business and government customers.

This book is organized as follows. Chapter 2 focuses on the determinants of customer behavior; that is, the external influences on customer behavior. We examine four sets of external influence factors—personal traits (comprising genetics, race, gender, age, and personality), personal context (comprising culture, reference groups, and personal worth), market traits (comprising climate, topography, and ecology), and market context (comprising economy, government, and technology). Chapter 3 elaborates on the current trends in these determinants of customer behavior and discusses how these trends are likely to affect marketing strategy. We focus on three factors that are expected to cause the most significant change in future customer behavior—changes in demographics, advances in technology, and changes in public policy.

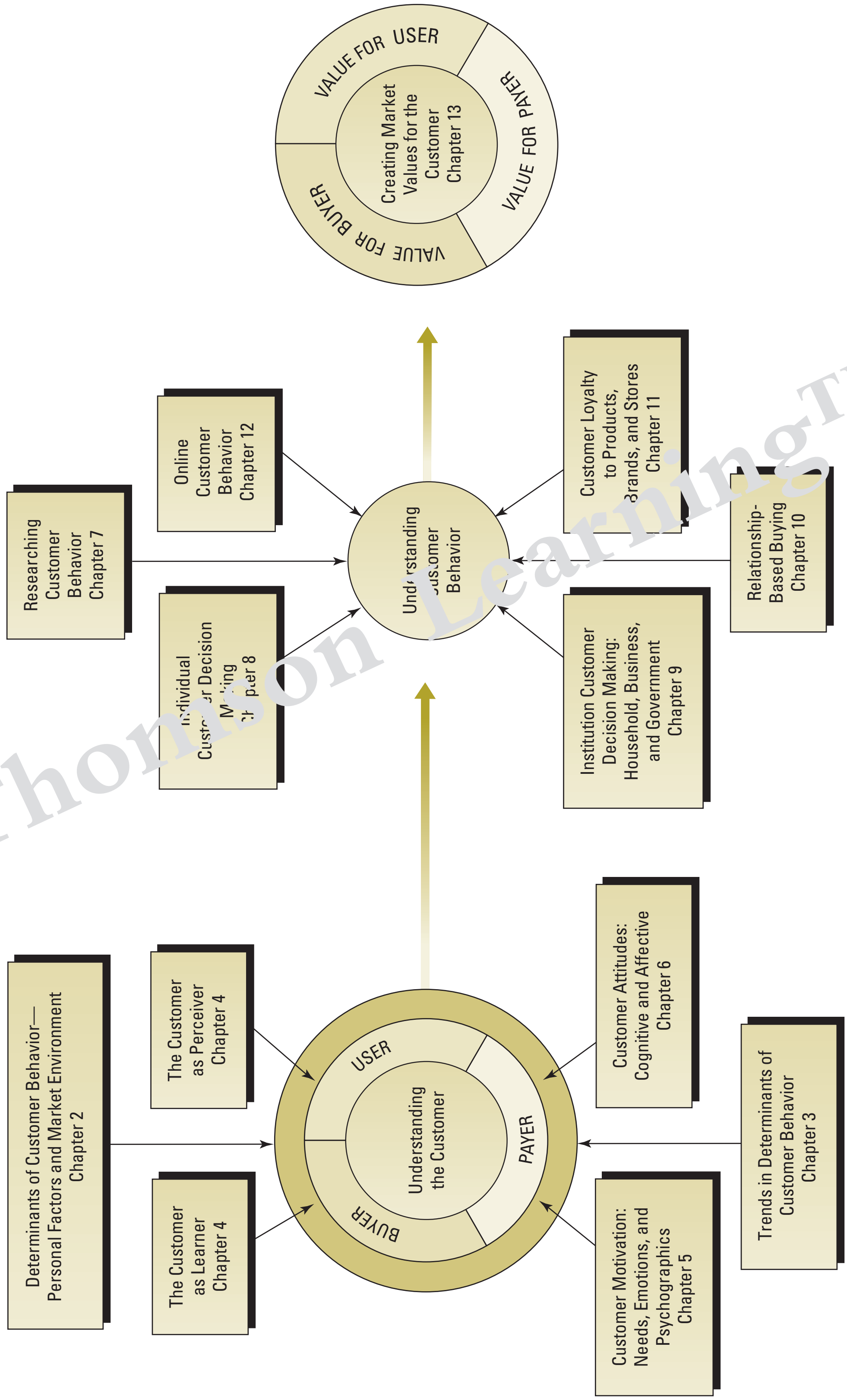
Chapters 4, 5, and 6 examine the "mind-set of the customer"—the internal influences on customer behavior. Chapter 4 explores what it means for customers to be perceivers and learners. It identifies elements of the perception process, customers' biases in the process, and the managerial uses of the perceptual process. The chapter also explains how learning occurs and how customers alter the basic process through simplification and complication. An important aspect of learning is customer response to product and service innovations, and the chapter examines this topic. Chapter 5 attempts to understand why people behave the way they do—the motivations for behavior. It identifies three facets of customer motivation—needs, emotions, and psychographics—and examines each facet in detail. Chapter 6 presents the current state of marketing knowledge about customer attitudes—the underlying psychological processes and the various theories that capture these processes. The chapter discusses the three-component view of attitudes and also explains attitude as a global concept. It dwells on the multi-attribute models of attitude formation and also explains the functional theory of attitudes. Knowing what functions an attitude serves helps us understand the deeper motivation of customer attitudes.

Having understood the different internal and external determinants of customer behavior, Chapter 7 describes how marketers conduct research to understand customer behavior. Several methods for conducting both qualitative and quantitative research are described in the chapter. The chapter also explores some recent innovations in marketing research—specifically, applications of virtual reality and the collection of data on the Internet.

Chapters 8 and 9 focus on "customer decision making." These chapters examine the choice process of individual customers, households, and business and government customers. Chapter 8 concerns individual decision making and identifies the steps in the customer's decision process, including the types of decisions relevant to customer behavior and the ways in which customers gather information. It presents several models for the process of evaluating alternatives and analyzes purchase and post-purchase behavior as part of the decision process. Chapter 9, on institution decision making, elaborates on the buying process of households, businesses, and government customers. Households are the basic unit of buying and consumption in a society, and the chapter discusses the influence of family members at various stages of the household buying process. Next, for business customers, the chapter discusses the components of the buying process, including the steps in, influences on, and participants in the process and their conflict resolution techniques. The government is a major customer in every country, and this chapter describes procedures and regulations that characterize government buying, as well as the challenges and rewards of doing business with the government.

Over a period of time, two important manifestations of customer behavior are relationship-based buying and customer loyalty. We discuss these topics in Chapters 10 and 11. Chapter 10 examines how and why household and business customers engage in relationship-based buying and how marketers need to respond to this emergent customer behavior. The model of relationship-based buying in this chapter discusses the antecedents (cost-benefit and socio-cultural factors) of and outcomes (customer loyalty to the supplier, increased buying, willingness to pay more, favorable word-of-mouth, and customer equity

FIGURE 1.6 Conceptual Framework



or goodwill) of relationship-based buying. The process of relationship buying in business markets is captured in the IMP (Industrial Marketing and Purchasing) model.

Marketers expect that their efforts should result in loyal customers, and Chapter 11 discusses the concepts of brand and store loyalty. The chapter presents a model of brand loyalty that brings together its diverse determinants. It also discusses the concept of brand equity and discusses its significance for marketers. Customers' shopping motives, store choice process, and the underlying factors determining customers' store loyalty are also presented in this chapter.

We have examined the influence of the Internet and the World Wide Web on customer behavior throughout the book. Chapter 12, on online customer behavior, looks at this burgeoning area in detail. It discusses the history of the Internet in brief and presents different facets of online customer behavior across the pre-purchase, purchase, and post-purchase stages of the customer decision-making process. Business-to-business models and e-procurement are also discussed, and, finally, some future trends in e-commerce are presented.

The final chapter, Chapter 13, identifies a set of action strategies for management to deliver each of the specific values sought by the three customer roles. Firms should attempt to differentiate themselves by exceeding on more than one type of customer value. The chapter urges customer-driven companies to constantly listen to the voice of the customer and continually strive to offer better value to their customers.

Summary

In this chapter, you learned that a customer is a person or organizational unit that plays a role in the consummation of a transaction with the marketer or an entity. You learned why companies need to be customer-driven and what the managerial implications are to taking a customer orientation. First of all, creating and maintaining satisfied customers is the purpose of business. Second, according to the marketing concept, business should focus its efforts on the customer. Third, it leads to economic democracy by serving the society's needs better. Following a customer orientation results in a competitive advantage for the firm in the external market and success internally in producing a workforce that feels pride in its job. The competitive advantages in the external market are due to increased profits and revenue growth from satisfied customers. Increased profits come from the reduced costs of doing business with repeat customers, ability to maintain price premiums, and customer loyalty in corporate crisis. Revenue growth comes from increased favorable word-of-mouth, one-stop shopping, and new product innovations.

Customers play three roles: user (the person who actually consumes or uses the product or receives the benefits of the service), payer (the person who finances the purchase), and buyer (the person who participates in the physical exchange of the product with the marketer). The chapter then built on this role distinction to identify conditions under which the three roles of the customer are likely to be separated (i.e., the buyer and/or payer will be a different person from the user). The conditions include a lack of expertise, lack of time, lack of buying power, lack of access, lack of affordability, and situations where the product or service is free.

The next section of the chapter covered the needs and wants of customers—whether as users, payers or buyers. A need was defined as an unsatisfactory physical condition of the customer that leads him or her to an action that will satisfy or fulfill that condition. A want was defined as an unsatisfactory psychological or social condition of the customer that will lead him or her to an action that will satisfy or fulfill that condition. Needs are determined by the personal traits of the customer and by the physical traits of the environment. The personal traits of a customer are genetics, biogenics, and psychogenics. The physical traits of the environment are climate, topography, and ecology. Wants are determined by the individual context and by the environmental context of the customer. The individual context can be broken down into three areas: culture, institutions and groups, and net worth. The environmental context is shaped by the economy, technology, and public policy.

We then defined values as the potential of a product or service to satisfy customers' needs and wants. Two broad clusters of values were named—universal values and personal values. Each cluster has three values, one each for the three roles of the customer. The three universal values are performance value for the user, price value for the payer, and service value for the buyer. Analogously, the three personal values are social and emotional for the user, credit and financing for the payer, and convenience and personalization for the buyer. Consumer and business products and services offer a bundle of values in some or all of these categories.

We identified and described important characteristics of values. Values are instrumental, dynamic, and hierarchical; they work synergistically, are role specific, and vary across customers, and their diversity increases with hierarchy. We also introduced methods of measuring these values from a customer's viewpoint. This measurement would enable a firm to identify which values the firm needs to improve.

Finally, the last section of the chapter presented a conceptual framework that shows how the three roles of the customer are influenced by external and internal factors that, in turn, affect customer decision making.

The next chapter will look at the different determinants of customer behavior and how they affect the three customer roles.

Key Terms

Business Markets 12
Buyer 14
Consumer 12
Convenience Value 25
Credit Value 24
Customer 14
Customer Behavior 12
Customer Culture 4
Customer Orientation 6
Customization 27
Emotional Value 22
Experiential Consumption 22
Financing Value 24
Household Markets 12
Instrumentality of Market Values 32
Lifetime Revenues 11
Market Orientation 6
Market Value 19
Marketing Concept 4
Marketing Myopia 19
Need 17
Payer 14
Performance Value 20
Personal Values 19
Price Value 24
Role Specialization 14
Selling Concept 4
Service Value 25
Social Value 21
Universal Values 19
User 14
Value Synergy 33
Want 17

Discussion Questions and Exercises

1. Some consumer groups and consumer rights advocates have accused marketers of unfairly creating needs and wants by offering customers unnecessary and often

high-priced items. How would you defend the marketers' point of view that needs and wants cannot be artificially created?

2. You are the new marketing assistant to the vice president of admissions at a premier liberal arts college. Historically, the marketing program of this college has consisted of sending a college team to visit the various high schools around the country. On these visits, the college team meets with students during their class periods. This arrangement does not make it feasible for parents to be present, nor has the team considered it necessary. Write your boss a memo explaining why she should consider others (rather than merely high school students) as prospective customers and outlining the appeals that would make sense to these other customers.
3. Describe the process of measuring values. Design a questionnaire for measuring all customer values for the following products:
   - **a.** Washing machine for household use
   - **b.** Long-distance phone service in household markets
   - **c.** Employee recruitment and outsourcing services for business customers
   - **d.** Babysitting services in hotels for guests from diverse foreign countries where parents' child-rearing goals differ vastly
4. Find three friends or classmates to interview. Ask each of them about their recent purchases of the following items:
   - **a.** Jeans or slacks
   - **b.** Athletic shoes
   - **c.** Jewelry or watch

   Ask them what value(s) they were most concerned with as they chose from different brands and whether they made trade-offs between values in their decision making.
5. As the director of marketing of a major international hotel chain, you are faced with increasing competition in your home country (the UK) as well as in other countries in which you are currently doing business and in those that you wish to enter. Your main concern is that customers be fully satisfied with the diverse customer values they seek from your offerings. Design a hotel management manual (which will also serve as a basis for all staff training) that would enhance your value-delivery potential to diverse groups of guests.
6. Using a toll-free telephone number or the Internet, call or access three international airlines that fly from the United States to Europe, Asia, and Latin America, and get a list of the different types of special meals that can be ordered. Use that information to discuss the importance of taking a customer orientation and how this might influence the prosperity of these airlines.
7. Interview the marketing managers of two companies, one that is operating in a very competitive environment and the other in a relatively monopolistic industry. Ask them to answer the customer orientation survey. Which company's scores are higher? Is your finding consistent with your expectations? Please comment.

Notes

1 Katrina Burger, "Jesus Christ.com," *Forbes*, May 7, 1997, pp. 76–83.

2 Peter F. Drucker, *Management: Tasks, Responsibilities, Practices* (New York: Harper & Row, 1973).

3 Robert Blattberg and John Deighton, "Manage Marketing by the Customer Equity Test," *Harvard Business Review*, July–August 1996, pp. 136–45.

4 Jagdish N. Sheth, Rajendra S. Sisodia, and Arun Sharma, "The Impact of Demographic Shifts and Facilitating Technology trends on Future Customer Behavior," *Journal of the Academy of Marketing Science*, Special Issue 1999, http://www.jagsheth.com.

5 David Pecaut, Michael Silverstein, and Peter Stanger, "Winning the Online Consumer: Insights into Online Consumer Behavior," *BCG report*, 1/1/00 http://www.bcg.com/publications–search type =word and topic =ecommerce.

6 *Chicago Tribune*, January 13, 1994, Section 3, p. 3.

7 This was echoed by Adam Smith in his work, *The Wealth of Nations*. For a more recent discussion of Smith's thinking, see Athol Fistzgibbons, *Adam Smith's System of Liberty, Wealth, and Virtue: The Moral and Political Foundations of The Wealth of Nations* (New York: Oxford University Press, 1995).

8 For a very provocative essay on the role of consumers in business democracy, see Roger A. Dickinson, *Consumer Citizenship: The United States, Business and the Contemporary World* (in press), and also Roger A. Dickinson and Stanley C. Hollander Dickinson, "Consumer Votes," *Journal of Business Research* 23 (1991), pp. 9–20.

9 Ajay K. Kohli and Bernard J. Jaworski, "Market Orientation: The Construct, Research Propositions, and Managerial Implications," *Journal of Marketing* 54 (April 1990), p. 3.

10 Frederick E. Webster, Jr., "The Changing Role of Marketing in the Corporation," *Journal of Marketing* 56, No. 4 (October 1992), pp. 1–17.

11 Jagdish Sheth, "Competitive Advantages through Customer Satisfaction," *BMA Review* 2, No. 1 (January–February 1991), pp. 13–25.

12 Robert G. Cooper, "New Products: What Distinguishes the Winners?" *Research-Technology Management* 33 (November/December 1990).

13 Roger L. Desatnick, *Keep the Customer* (Boston: Houghton-Mifflin Co., 1990), p. 4.

14 "Customer Loyalty-Key to E-commerce Profitability," March 30, 2000, http://cyberatlas.internet.com/markets/retailing/article/0,,6061_331431,00.html.

15 E. Brynjolfsson and M. Smith (1999), "Frictionless commerce? A comparison of Internet and conventional retailers," Working paper January, http://ecommerce.mit.edu/papers/friction/friction.pdf.

16 Hal Rosenbluth with Diane McFerrin Peters, *The Customer Comes Second* (New York: Morrow Publishing Co., 1992).

17 Adapted from Philip Kotler, *Marketing Management, Analysis, Planning, Implementation and Control*, 9th ed. p. 190 (New Jersey: Prentice Hall, 1997), Richard P. Bagozzi, Jose Antonio Rosa, Kirti Sawhney Celly, and Francisco Coronel, *Marketing Management* p. 252 (New Jersey: Prentice Hall, 1998).

18 Berkman and Gilson (1986) recognize the terms *consumer* and *buyer* but align this distinction with the household versus institutional settings, respectively; we view the terms to be separate in both settings. Runyon and Stewart (1987) also recognize that sometimes the buyer may be different from the user, but they elect to use the single term *consumer* to include both the roles. Likewise, Solomon (1992), while recognizing the separation of the buyer and user roles in some situations, uses the term *consumer* inclusively to encompass the processes of buying, having, and being. See Harold W. Berkman and Christopher Gilson, *Consumer Behavior: Concepts and Strategies* (Boston: Kent Publishing Company, 1986), p. 7; Kenneth E. Runyon and David W. Stewart, *Consumer Behavior And the Practice of Marketing* (Columbus: Merrill Publishing Company, 1987), p. 5; Michael R. Solomon, *Consumer Behavior: Buying, Having, and Being* (Boston: Allyn and Bacon, 1992), pp. 4–5.

19 John Hagel III and Marc Singer, *Net Worth*, (Boston, Mass.: Harvard Business School Press, 1999).

20 "Small Businesses Buy, But Shy to Sell, Online," May 17 2000, http://cyberatlas.internet.com/markets/smallbiz/article/0,,10098_365281,00.html.

21 Banwari Mittal and Jagdish N. Sheth, *ValueSpace, Winning the Battle for the Market Leadership, Lesson from the World's Most Admired Companies*, (McGraw Hill, 2001).

22 Theodore Levitt, *Marketing Imagination* (The Free Press, 1985).

23 Vast consumer research literature exists on the role of situation in consumer behavior. For example, see Russell W. Belk, "Situational Variables and Consumer Behavior," *Journal of Consumer Research* 2 (December 1975), pp. 157–64; Richard J. Lutz, "On Getting Situated: The Role of Situational Factors in Consumer Research," *Advances in Consumer Research* 7 (1980); Joseph A. Cote and John K. Wong, "The Effect of Time and Situational Variables on Intention-Behavior Consistency," *Advances in Consumer Research* 11 (1984), pp. 374–75; U. N. Umesh and Joseph A. Cote, "Influence of Situational Variables on Brand Choice Models," *Journal of Business Research* 16 (March 1988), pp. 91–100.

24 Roger S. Mason, *Conspicuous Consumption: A Study of Exceptional Consumer Behavior* (New York: St. Martin's Press, 1981).

25 Amy Stevens, "Does Monsieur Have a Reservation? Let Me See. . . ," *The Wall Street Journal*, December 6, 1996, pp. B1, B10.

26 Morris B. Holbrook and Elizabeth C. Hirschman, "The Experiential Aspects of Consumption: Consumer Fantasies, Feelings, and Fun," *Journal of Consumer Research* 9 (September 1982), pp. 132–40; Elizabeth C. Hirschman and Morris B. Holbrook, "Hedonic Consumption: Emerging Concepts, Methods, and Propositions," *Journal of Marketing* 46 (Summer 1982), pp. 92–101; Peter Weinberg and Wolfgang Gottwald, "Impulsive Consumer Buying as a Result of Emotions," *Journal of Business Research* 10 (March, 1982), pp. 43–57.

27 Valarie A. Zeithaml, "Consumer Perceptions of Price, Quality, and Value: A Means-End Model and Synthesis of Evidence," *Journal of Marketing* 52 (July 1988), pp. 2–22.

28 Milind M. Lele and Jagdish N. Sheth, *The Customer Is Key* (John Wiley, 1991).

29 Net Used for Financial Research, November 17, 1998, http://cyberatlas.internet.com/markets/finance/article/0,,5961_152971,00.html.

30 Cecile Leonard, "Hong Kong Supermarkets Woo Wet-Market Clients," *The Wall Street Journal*, 11/13/2000.

31 Edward M.Tauber, "Why Do People Shop?" *Journal of Marketing*, 36 (October) 1972, pp. 46–59.

32 "Consumers Will Provide Information for Personalization," November 10, 1999, http://cyberatlas.internet.com/markets/advertising/article/0,,5941_236141,00.html.