

Name: _____ Class: _____ Date: _____

Chapter 2 - Value and the Consumer Behaviour Value Framework

1. The Consumer Behaviour Framework (CBF) represents consumer behaviour theory illustrating factors that shape consumption-related behaviours and ultimately determine the value associated with consumption.

- a. True
- b. False

ANSWER: False

2. Atmospheric, time and timing, and conditions are situational influences on consumer behaviour.

- a. True
- b. False

ANSWER: True

3. A basic CRM premise is that customers form relationships with companies as opposed to companies conducting individual transactions with customers.

- a. True
- b. False

ANSWER: True

4. A CRM system allows a firm to be more customer-focused.

- a. True
- b. False

ANSWER: True

5. Relationship quality reflects the connectedness between a consumer and a retailer, brand, or service provider.

- a. True
- b. False

ANSWER: True

6. Relationship quality is a function of a consumer's perceived value of the relationship.

- a. True
- b. False

ANSWER: True

7. Internal influences on the consumption process include factors such as service quality.

- a. True
- b. False

ANSWER: False

8. Cognition refers to the thinking or mental processes that go on as we process and store things that can become knowledge.

- a. True
- b. False

ANSWER: True

9. Individual differences are characteristic traits of individuals, including personality and lifestyle.

- a. True

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b. False

ANSWER: True

10. Individual differences have little effect on the value experienced by consumers and the reaction consumers have to consumption.

a. True

b. False

ANSWER: False

11. Internal influences include the social and cultural aspects of life as a consumer.

a. True

b. False

ANSWER: False

12. People and groups who help shape a consumer's everyday experiences are part of the social environment.

a. True

b. False

ANSWER: True

13. The presence of music in an environment is a social influence that may shape consumer behaviour.

a. True

b. False

ANSWER: False

14. The core concept of consumer behaviour is value.

a. True

b. False

ANSWER: True

15. Value is a personal assessment of the net worth obtained from an activity.

a. True

b. False

ANSWER: True

16. Price is the best indicator of value.

a. True

b. False

ANSWER: False

17. Value equals what you get minus what you give.

a. True

b. False

ANSWER: True

18. In the value equation, sacrifice includes things such as quality, prestige, opportunity, and image.

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- a. True
- b. False

ANSWER: False

19. Two types of value are primary value and secondary value.

- a. True
- b. False

ANSWER: False

20. Utilitarian value is derived from a product that helps the consumer solve problems and accomplish tasks that are a part of being a consumer.

- a. True
- b. False

ANSWER: True

21. Hedonic value is the immediate gratification that comes from experiencing some activity.

- a. True
- b. False

ANSWER: True

22. One conceptual difference between utilitarian value and hedonic value is that utilitarian value is an end in and of itself rather than a means to an end.

- a. True
- b. False

ANSWER: False

23. An act of consumption cannot provide both utilitarian and hedonic value.

- a. True
- b. False

ANSWER: False

24. A strategy is a planned way of doing something.

- a. True
- b. False

ANSWER: True

25. The best strategic focus should be centred on the products offered.

- a. True
- b. False

ANSWER: False

26. Strategies exist at more than one level in an organization.

- a. True
- b. False

ANSWER: True

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27. Marketing strategy deals with how the firm will be defined and sets general goals.

- a. True
- b. False

ANSWER: False

28. To deliver superior customer value, different business units within the firm must have the same marketing strategy.

- a. True
- b. False

ANSWER: False

29. Marketing tactics are ways marketing management is implemented.

- a. True
- b. False

ANSWER: True

30. Marketing tactics include price, promotion, product, and distribution decisions.

- a. True
- b. False

ANSWER: True

31. Products are multifaceted and can provide value in many ways.

- a. True
- b. False

ANSWER: True

32. Companies embracing the total value concept demonstrate an understanding that products provide value in multiple ways.

- a. True
- b. False

ANSWER: True

33. The marketing mix is the combination of product, pricing, promotion, and distribution strategies used to position some product offering or brand in the marketplace.

- a. True
- b. False

ANSWER: True

34. Consumers play a role in the creation of the value offered by marketers.

- a. True
- b. False

ANSWER: True

35. The segment or segments of a market that a company services is called the focal market.

- a. True

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b. False

ANSWER: False

36. Target marketing is the separation of a market into groups based on the different demand curves associated with each group.

a. True

b. False

ANSWER: False

37. Sensitivity represents the degree to which a consumer is sensitive to changes in some product characteristic.

a. True

b. False

ANSWER: False

38. The market for any product is the sum of the demand existing in individual groups or segments of consumers.

a. True

b. False

ANSWER: True

39. The most basic truth of economics is that as price increases, quantity demanded will decrease.

a. True

b. False

ANSWER: False

40. Consumer segments exist because different consumers do not value different alternatives the same way.

a. True

b. False

ANSWER: True

41. Product differentiation is a marketplace condition in which consumers do not view all competing products as identical to one another.

a. True

b. False

ANSWER: True

42. Positioning refers to the way a product is perceived by a consumer.

a. True

b. False

ANSWER: True

43. A perceptual map is used to depict graphically the positioning of competing products.

a. True

b. False

ANSWER: True

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44. Ideal points on a perceptual map represent each marketer's product offering.
- a. True
 - b. False

ANSWER: False

45. Both consumers and marketers enter exchanges seeking value.
- a. True
 - b. False

ANSWER: True

46. A company would be foolish to turn away a valued customer.
- a. True
 - b. False

ANSWER: False

47. Customer Lifetime Value (CLV) represents the approximate worth of a customer to a company in economic terms.
- a. True
 - b. False

ANSWER: True

48. Customer Lifetime Value is equal to sales attributed to particular customer minus the costs associated with satisfying that customer over the lifetime of that customer.
- a. True
 - b. False

ANSWER: False

49. Which consumer behaviour theory illustrates factors that shape the consumption-related behaviours ultimately determine the value associated with consumption?
- a. Consumer Behaviour Framework (CBF)
 - b. Consumer Value Framework (CVF)
 - c. Consumption Process Framework (CPF)
 - d. Customer Relationship Framework (CRF)

ANSWER: b

50. Which concept is at the heart of the Consumer Value Framework and the focus of marketing efforts?
- a. value
 - b. consumption
 - c. culture
 - d. quality

ANSWER: a

51. What is an internal influence on consumer value?
- a. costs
 - b. learning
 - c. social class

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d. family

ANSWER: b

52. What is an external influence on consumer value?

- a. personal values
- b. lifestyles
- c. needs
- d. reference groups

ANSWER: d

53. Which of the following is NOT an element of consumer psychology?

- a. learning
- b. culture
- c. information processing
- d. memory

ANSWER: b

54. An automobile marketer is interested in the psychological influences on potential buyers of luxury automobiles. What would this researcher be interested in studying?

- a. lifestyles of luxury car buyers
- b. whether buyers are liberal or conservative
- c. stage in family life cycle of luxury car buyers
- d. buyers' attitudes toward different brands

ANSWER: d

55. Which of the following is NOT considered part of a consumer's personality?

- a. values
- b. lifestyles
- c. motivations
- d. perceptions

ANSWER: d

56. Over which factor depicted in the Consumer Value Framework does the marketer have the most control?

- a. motivation
- b. atmospherics
- c. social class
- d. lifestyles

ANSWER: b

57. GCIC is an insurance company that believes customers form relationships with companies as opposed to companies merely conducting individual transactions with customers. For this reason, GCIC is considering a program of rewarding loyal customers in the form of dividends at the end of each year. The longer a customer has been with the company, the greater the dividend received would be. Which of the following is GCIC considering implementing?

- a. consumer value management (CVM)

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- b. marketing relationship management (MRM)
- c. customer relationship management (CRM)
- d. relationship quality management (RQM)

ANSWER: c

58. The Starbucks Rewards Program tracks detailed information about customers and their purchases so more customer-oriented decisions can be made, hopefully leading to longer-lasting relationships with customers. What is Starbucks involved in?

- a. customer relationship management
- b. consumer value management
- c. quality management
- d. internal marketing management

ANSWER: a

59. Which orientation means each customer represents a potential stream of resources rather than just a single sale?

- a. CVF orientation
- b. hedonic orientation
- c. CRM orientation
- d. utilitarian orientation

ANSWER: c

60. Which of the following reflects the connectedness between a consumer and a retailer, brand, or service provider?

- a. hedonic value
- b. interconnectivity
- c. synergy
- d. relationship quality

ANSWER: d

61. Which of the following improves when a consumer realizes high value from an exchange with a company?

- a. relationship quality
- b. internalization
- c. emotional attachment
- d. augmented quality

ANSWER: a

62. Which type of influences occur inside of the mind and heart of the consumer and influence value?

- a. innate
- b. internal
- c. social
- d. personal

ANSWER: b

63. Which term refers to the thinking or mental processes that go on as we process and store things that can become knowledge?

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- a. cognition
- b. affect
- c. synergy
- d. internalization

ANSWER: a

64. Hannah believes that Mac computers are better than Windows-based computers because they are not as vulnerable to computer viruses. Which psychological element is represented by Hannah's thinking or mental process?

- a. affect
- b. lifestyle
- c. individual differences
- d. cognition

ANSWER: d

65. Which term refers to the feelings that are experienced during consumption activities or associated with specific objects?

- a. cognition
- b. internalization
- c. affect
- d. utilitarian value

ANSWER: c

66. Every Disney employee is thought of and trained to be a host or hostess with the express goal of making sure all guests feel good when they are there. Which term refers to the feelings that visitors experience while they are at Disney and long after they've left?

- a. affect
- b. internalization
- c. environment
- d. satisfaction

ANSWER: a

67. What term refers to the characteristic traits of people including personality and lifestyles?

- a. individual differences
- b. individual identifiers
- c. discriminators
- d. value enhancers

ANSWER: a

68. Which environment includes the people and groups who help shape a consumer's everyday experiences?

- a. emotional
- b. social
- c. macro
- d. micro

ANSWER: b

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69. Haley is a member of a sorority. She uses certain brands because they are popular with the others in her sorority. What are Haley's sorority sisters a part of as they influence her everyday experiences?

- a. value network
- b. relationship network
- c. emotional environment
- d. social environment

ANSWER: d

70. What is the term for things that are unique to a time or place and that can affect consumer decision making and the value received from consumption?

- a. situational influences
- b. social influences
- c. internal factors
- d. socio-environmental factors

ANSWER: a

71. It is the day before Christmas and Mark has not even started shopping for gifts for his family. He rushes to the mall and buys the first things he sees. Which of the following is likely having the greatest impact on Mark's behaviour?

- a. social influences
- b. situational influences
- c. socio-environmental factors
- d. hedonic factors

ANSWER: b

72. Which term refers to a personal assessment of the net worth obtained from an activity?

- a. value
- b. prestige
- c. quality
- d. effort

ANSWER: a

73. What is the value equation?

- a. value = what you get/what you give
- b. value = what you give/what you get
- c. value = what you get – what you give
- d. value = what you give – what you get

ANSWER: c

74. Which of the following is NOT an example of benefits received from consumption?

- a. quality
- b. convenience
- c. prestige
- d. effort

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ANSWER: d

75. Which of the following is NOT an example of “what you give,” or sacrifices, in the value equation?

- a. time
- b. opportunity
- c. emotions
- d. experience

ANSWER: d

76. What are two main types of value?

- a. internal and external
- b. utilitarian and hedonic
- c. personal and social
- d. primary and secondary

ANSWER: b

77. Which type of value is derived from a product that helps a consumer solve problems and accomplish tasks?

- a. utilitarian
- b. functional
- c. terminal
- d. end-state

ANSWER: a

78. Josh needed new soccer cleats, so he visited several stores to find the right ones. He purchased a pair from Soccer Locker and was satisfied that his needs were met. Which type of value did Josh receive?

- a. end-state
- b. hedonic
- c. terminal
- d. utilitarian

ANSWER: d

79. Which type of value is the immediate gratification that comes from experiencing some activity?

- a. hedonic
- b. utilitarian
- c. end-state
- d. process

ANSWER: a

80. Melanie and her daughter enjoy shopping together even if they do not purchase anything. For them, shopping is an end in and of itself, not just a means to an end. Which type of value are they experiencing?

- a. utilitarian
- b. pleasure-seeking
- c. hedonic
- d. experiential

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ANSWER: c

81. How do hedonic value and utilitarian value differ?

- a. Utilitarian value is an end in and of itself and hedonic value is a means to an end.
- b. Hedonic value is very emotional and subjective in nature whereas utilitarian value occurs when consumers accomplish tasks.
- c. Utilitarian value is immediate and hedonic value is delayed.
- d. Hedonic value is more positive and longer-lasting than utilitarian value.

ANSWER: b

82. What is the term for a planned way of doing something?

- a. objective
- b. goal
- c. utilization
- d. strategy

ANSWER: d

83. Canadian rock band [Arcade Fire wanted to promote their new Reflektor album and tour. They asked fan](#) to submit their own photos of the band's *Reflektor* tour. In return, fan photos could wind up on Arcade Fire's Facebook page and website. This was a win for both the band and fans, as the website benefitted from new photography and fans could earn a spotlight on the band's online properties. What is this an example of?

- a. mission
- b. focus
- c. tactic
- d. strategy

ANSWER: d

84. What risk is faced by a company that views itself in a product business, rather than in a value- or benefits-producing business?

- a. marketing myopia
- b. cognitive dissonance
- c. marketing dissonance
- d. marketing disconnect

ANSWER: a

85. Black and Decker is well known for power tools. However, if the company thinks of itself merely as a power tool company instead of a company that delivers the benefits users want, such as cut materials or holes in materials, it could be taking a short-sighted focus of its business. If a technologically advanced device is developed that could replace the need for power tools to deliver those benefits, this company could go out of business. What would Black and Decker be said to suffer from if this occurs?

- a. brain drain
- b. cognitive dissonance
- c. marketing disconnect
- d. marketing myopia

ANSWER: d

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86. Which strategy deals with how the firm will be defined and sets general goals?

- a. corporate
- b. marketing
- c. tactical
- d. meta

ANSWER: a

87. Which of the following is NOT an example of marketing tactics?

- a. determining the quality level of the product
- b. setting the price of a product or service
- c. creating advertising for a service
- d. setting the company sales goal

ANSWER: d

88. A university realizes it needs to increase revenue in the face of severe budget cuts due to the weak economy. The school decides to pursue students who have some post-secondary but have not completed their degrees. To do this, the university is offering online degree programs, charges extra fees for these students, offers a wide selection of online courses each semester, and advertises on billboards, on radio, on television, and in newspapers. The school also sends direct mail letters to students who were previously enrolled at the school but did not complete their degree. What are the courses, tuition, online delivery, and promotion examples of?

- a. corporate strategy
- b. value enhancement
- c. marketing tactics
- d. marketing augmentation

ANSWER: c

89. Callaway presents their golf products on YouTube. The videos include content on how to better hit the ball and play the game of golf. You don't have to be a Callaway customer to benefit from this content but it is hoped that the next time you're purchasing a golf club, you might just consider Callaway. What is this an example of?

- a. mission
- b. focus
- c. tactic
- d. strategy

ANSWER: d

90. Which concept is premised on the realization that a consumer is necessary and must play a part in order to produce value?

- a. synergy
- b. value integration
- c. value co-creation
- d. dyadic valuation

ANSWER: c

91. Which of the following is NOT an element of the marketing mix?

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- a. price
- b. planning
- c. distribution
- d. product

ANSWER: b

92. What market segment will a company serve with a specific marketing mix?

- a. target
- b. primary
- c. segmented
- d. selected

ANSWER: a

93. Vans is a company that manufactures and markets shoes for serious skateboarders. These consumers are predominantly males who are 12–24 years old. What term refers to the market segment that Vans serves with a specific marketing mix?

- a. preferred
- b. optimum
- c. target
- d. segmented

ANSWER: c

94. Which of the following separates a market into groups based on the different demand curves associated with each group?

- a. market zoning
- b. market augmentation
- c. market positioning
- d. market segmentation

ANSWER: d

95. The Canadian National Bank is analyzing its customer data to determine if groups other than simply consumer and business customers can be identified. It is looking at the frequency of branch visits, use of ATMs, online banking activity, loan activity, and account balances for each customer. The bank has identified three groups of customers based on these factors and is considering offering different products to better meet the needs of each group. What marketing concept do these different groups of customers represent?

- a. target marketing
- b. market segmentation
- c. marketing audit
- d. environmental scanning

ANSWER: b

96. What term refers to the degree to which a consumer is sensitive to changes in some product characteristic?

- a. elasticity
- b. differentiation
- c. segmentation

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d. positioning

ANSWER: a

97. In which marketplace condition do consumers NOT view all competing products as identical to one another?

- a. product positioning
- b. product differentiation
- c. competitive advantage
- d. market differentiation

ANSWER: b

98. Consumers do not view all soft drinks as identical to one another. Some prefer Coca-Cola, while others will only drink Pepsi-Cola. Still others will not drink either cola and drink only non-caffeinated soft drinks. What term refers to the marketplace condition in which consumers do not view all competing products as identical to one another?

- a. product differentiation
- b. product variation
- c. market segmentation
- d. perceptual differentiation

ANSWER: a

99. What term refers to the way a product is perceived by a consumer?

- a. product augmentation
- b. product positioning
- c. product segmentation
- d. product perception

ANSWER: b

100. Which of the following graphically depicts the positioning of competing products?

- a. product map
- b. schema
- c. demand curve
- d. perceptual map

ANSWER: d

101. A cosmetics manufacturer was looking at a graphical display of how women perceived different brands of cosmetics and was dismayed to learn that its brand was clustered with brands that are targeted toward older women, not the younger women the marketer was trying to reach. Which graphical depiction of the positioning of competing brands was the marketer using?

- a. perceptual map
- b. competitive matrix
- c. competitive array
- d. positioning plot

ANSWER: a

102. Which of the following on a perceptual map represents the combination of product characteristics that provide the most value to an individual consumer or market segment?

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- a. touchpoint
- b. maximum point
- c. optimum point
- d. ideal point

ANSWER: d

103. What do the x - and y -axes on a perceptual map represent?

- a. how competitors perform on the two most important attributes to consumers, price, and quality
- b. the ideal combination of attributes and the actual combination of attributes of all competitors in the market
- c. dimensions used to separate competitors on a specific characteristic
- d. growth rate of the market and market shares of each competitor

ANSWER: c

104. Which of the following represents the overall approximate worth of a customer to a company in economic terms?

- a. net present value (NPV)
- b. customer lifetime value (CLV)
- c. customer present value (CPV)
- d. customer future value (CFV)

ANSWER: b

105. Which of the following is added to customer lifetime value to equal the net present value of the stream of profits over a customer's lifetime?

- a. the costs associated with satisfying that customer
- b. the retention rate for all customers
- c. the opportunity cost saved from having loyal customers
- d. the worth attributed to the equity a good customer can bring

ANSWER: d

SUPERFOCUS SCENARIO

Superfocus is a revolutionary concept in eyeglasses—it even received a 2010 *The Wall Street Journal* innovation award. It is a type of eyeglass that allows the wearer to change correction without changing glasses, or having to look through a certain part of the lens like bifocal and progressive lens wearers must do. The round lenses are actually two lenses with a clear fluid in-between. The outer lens is hard, while the inner lens is flexible. There's a little slider on the bridge that, when moved, pushes the fluid and changes the shape of the inner, flexible lens. That, in turn, changes the correction, so a user can see near, far, and everything in-between just by changing the position of the slider. The only catch is that the lenses have to be perfectly round and the frames are made out of stainless steel or titanium aluminum, limiting the frame style and colour choices for consumers. Actually, they look pretty goofy.

Superfocus can be purchased through eye care professionals or directly from the manufacturer online. The company has recently started using direct-response television advertising to drive traffic to the website so consumers can learn more about this product and sign up for a free trial offer. With prices starting at \$700 a pair, the free trial might help overcome some resistance due to the relatively high price.

106. Refer to Superfocus Scenario. Superfocus glasses were developed for people who have multiple prescriptions but do not like multifocal lenses like bifocals or who have to continually change glasses for different tasks like reading, computer work, or driving. By solving this problem for consumers, which type of value is Superfocus delivering?

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- a. hedonic
- b. rational
- c. complete
- d. utilitarian

ANSWER: d

107. Refer to Superfocus Scenario. For Superfocus, which of the following is represented by people who need multifocal lenses?

- a. market position
- b. target market
- c. product differentiation
- d. augmented market

ANSWER: b

108. Refer to Superfocus Scenario. For Superfocus, what is exemplified by the advertising, the distribution through the website and eye care providers, the price, and the free trial offer?

- a. marketing tactics
- b. company mission
- c. value proposition
- d. product differentiation

ANSWER: a

109. Refer to Superfocus Scenario. While consumers need and want this type of eyeglass, they also want something that looks fashionable. Most consumers would not consider the round silver stainless steel or titanium aluminum charcoal grey frame fashionable. Thus, which of the following would describe the position of Superfocus on a perceptual map?

- a. It would not be positioned as a very useful product.
- b. It would be positioned close to competitors.
- c. It would not even appear.
- d. It would not be very close to the ideal point.

ANSWER: d

110. Refer to Superfocus Scenario. Which external influence in the Consumer Value Framework is likely to discourage consumers from purchasing these glasses?

- a. attitudes
- b. personality traits
- c. atmospherics
- d. social environment

ANSWER: d

111. Describe the Consumer Value Framework (CVF), including its basic components.

ANSWER: The **Consumer Value Framework (CVF)** (see Exhibit 2.1) represents consumer behaviour theory illustrating factors that shape consumption-related behaviours and ultimately determine the value associated with consumption. **Value** is at the heart of experiencing and understanding consumer behaviour. Value then influences **relationship quality**, which reflects the connectedness between a consumer and a retailer, brand, or service provider. The consumption process can involve a great deal of decision making and thus represents a

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consumer decision making process. Many internal and external factors influence this process. **Internal influences** include consumer psychology (i.e., learning, perception, implicit memory, information processing, memory, categorization, and attitude) and the personality of the consumer (i.e., motivation, personal values, personality, lifestyles, emotional expressiveness). **External influences** include elements in the social environment (i.e., acculturation/enculturation, culture and cultural values, reference groups, social class, and family influence) and situational influences (i.e., atmospherics, time/timing, and conditions).

112. Define consumer value, and compare and contrast utilitarian value and hedonic value. Describe two situations—one in which you received utilitarian value and the other in which you experienced hedonic value. Which made you more satisfied? Explain why.

ANSWER: **Value** is a personal assessment of the net worth obtained from an activity. Value is what consumers ultimately pursue because valuable actions address motivations that manifest themselves in needs and desires. In this sense, value captures how much gratification a consumer receives from consumption.

Two key types of value are utilitarian value and hedonic value. **Utilitarian value** is derived from a product that helps the consumer solve problems and accomplish tasks that are a part of being a consumer. A rational explanation can usually be given when somebody explains why something was purchased when utilitarian value is involved. **Hedonic value** is the immediate gratification that comes from experiencing some activity. Conceptually, hedonic value differs from utilitarian value in several ways: (1) hedonic value is an end in and of itself, rather than a means to an end, (2) hedonic value is very emotional and subjective in nature, and (3) when a consumer does something to obtain hedonic value, the action can sometimes be very difficult to explain objectively.

Students' examples will vary.

113. Explain why marketing plays an important strategic role in an organization and describe where marketing strategy fits in the bigger organization.

ANSWER: One way that a company can enhance the chance of long-term survival is to have an effective marketing strategy. That is because, in a business environment, a marketing strategy is the way a company goes about creating value for customers. Strategies exist at several different levels. Corporate strategy deals with how the firm will be defined and sets general goals. Marketing strategy then follows.

114. Define market segmentation and explain how it is a marketplace condition. Describe different market segments of McDonald's customers.

ANSWER: **Market segmentation** is the separation of a market into groups based on the different demand curves associated with each group. Market segmentation is a marketplace condition; numerous segments exist in some markets, but very few segments may exist in others. Ultimately, consumer segments exist because different consumers do not value different alternatives the same way.

Different market segments of McDonald's customers include families with young children, teenagers and young adults, and senior citizens. Students might also discuss segments based on time of day, such as breakfast eaters, lunch, or dinner. The market could also be segmented by usage—heavy users vs. light users. Finally, consumers could be segmented geographically, especially internationally. McDonald's in other countries or region of this country might carry different product offerings based on local tastes.

115. Explain how perceptual maps are useful in understanding consumers and delivering superior value.

ANSWER: A **perceptual map** is used to depict graphically the positioning of competing products. **Positioning** refers to the way a product is perceived by a consumer and can be represented by the number and types of characteristics that consumers perceive. When marketing analysts examine perceptual maps, they can (1) identify competitors, (2) identify opportunities for doing more business, and (3) diagnose potential problems

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in the marketing mix. **Ideal points** represent the combination of product characteristics that provide the most value to an individual consumer or market segment.

116. Explain the concept of Customer Lifetime Value (CLV). Think of a product you have purchased (e.g., toothpaste, soft drink, computer) and estimate your lifetime value to the manufacturer of a specific brand. What can the marketer of that brand do to ensure you remain loyal to that brand?

ANSWER: Customer Lifetime Value (CLV) represents the approximate worth of a customer to a company in economic terms. In equation form, $CLV = npv(\text{sales} - \text{costs}) + npv(\text{equity})$. Students' examples will vary, but they should estimate how long they could possibly purchase the product and specific brand, how much the product costs, and some discussion regarding what it costs the company to keep them loyal. They should also factor in the value they provide the company if they influence others to become loyal customers as well. Finally, while not specifically covered in the chapter, students should discuss ways the marketer can keep them loyal, such as offering rewards for continued purchases, providing opportunities to purchase other products, offering incentives to recommend the product to others, or offering special privileges for loyal behaviour.