Unit 5: Marketing Issues and Ethics

Retailing

Retailing is important in the study of consumer behavior because it provides the ultimate test of consumer research and strategy: Will consumers buy the product? That question is decided in retail stores. Retailing also offers one of the fastest growing career opportunities for students of consumer behavior.

A massive power struggle is occurring between manufacturers and retailers in the development of a relationship with consumers. Power is the ability of one channel member to influence the actions of other channel members. Increasingly, retailers are winning the power struggle.

Changing channel power is being resolved among the best firms by relationship or partnership marketing. Retailers and vendors are forming close linkages among a variety of firms, to become process partners united to establish a strong relationship with consumers. Trust appears to be the core variable in the emerging understanding of effective relationships.

Attracting consumers to buy more from a particular supply-chain partnership (a retailer and its vendors), process partners increasingly are using multichannel retailing formats. Multichannel retailing includes many formats classified as in-store and nonstore or out-of-store. In-store retailing includes both traditional stores and new formats. Specialty stores, mass merchants, and factory direct stores dominate the in-store part of the retailing revolution. Out-of-store formats include direct selling, direct marketing, and electronic retailing.

The fundamental question facing retailers concerns which stores consumers will chose. Store choice is a complex process consisting of four variables: (1) evaluative criteria, (2) perceived characteristics of stores, (3) comparison process, and (4) acceptable and unacceptable stores. In general, the variables involved in this process are location, nature and quality of assortment, price, advertising and promotion, sales personnel, services offered, physical attributes, store clientele, store atmosphere, and post-transaction service. Many retailers are developing globalized retailing strategies.

Based on: Engel, Blackwell & Miniard, 1995, chapter 23, and the summary on p. 862.

Diffusion of Innovations

The diffusion of innovations, a topic of study and research that has grown rapidly in the past few decades, deals with how a new product is adopted in a society. It is of high importance to marketing organizations because new products must be brought out continuously for firms to survive.

The elements of the diffusion process include the innovation, the communication of the innovation, time, and the social system. The most commonly accepted definition of an innovation is any idea or product perceived by the potential innovator to be new.

Everett Rogers is the most influential change agent in the diffusion of the diffusion research. He has identified the types of consumers adopting a new product classified by the time of adoption as innovators, adopters, early majority, late majority, and laggards. Consumers who have a high amount of innovativeness can be identified in terms of socioeconomic (privileged), personality (venturesome), and communication behavior (contact with the mass media and other people) variables.

Based on: Engel, Blackwell & Miniard, 1995, chapter 24, and the summary on p. 908.

Consumerism and Ethical Responsibility

The consumer has the right to safety, the right to be informed, the right to choose, and the right to be heard. These tenets have been expanded and reaffirmed by decree and administra-

tive action ever since they were declared in 1962 by President John F. Kennedy. Yet, there is ample evidence that these rights are consistently violated, creating a rising interest in consumerism.

Consumerism, is not a recent phenomenon. A historic review showed some ancient antecedents as well as specific activity that began in the United States around the turn of the century. Consumerism as we now know it, however, received its greatest impetus from the Kennedy declarations. The 1960s and 1970s were characterized by a frenzy of activity on many fronts, but there has been a pendulum swing toward a return to market forces as opposed to regulation as a corrective during the 1980s.

Our focus throughout has been twofold: (1) use consumer research to help assure consumer rights, and (2) undertake responsible ethical action that puts consumer interests above such bottom-line concerns as profitability.

Consumer research can play the unique role of providing facts for responsible policy and activity. Otherwise, there often is recourse to normative authoritarianism based on opinion and arbitrary fiat. In a sense, then, a research approach has the potential of becoming a boundary-spanning agent between the conflicting interests of business, government, and consumer advocacy groups.

Research is of no value, however, unless our corporate and individual response is governed by ethics. We reviewed the nature of ethical thinking and put forth the principle that all decision makers need to be guided by the Golden Rule or other philosophical axioms that place primary focus on the best interests of another.

Each of the six consumer rights was evaluated comprehensively from both a research and an ethical perspective. Unfortunately, it becomes apparent that these rights are often treated in a cavalier manner, and this underscores the need for serious attention once again to the integration of ethics into strategy.

Consumerism is just an interesting textbook topic, however, unless recognized as a legitimate force and responded to *by* business accordingly. Several suggestions were given in the spirit that responsible action is needed if a free-market economy is to function in the best interest of all parties.

Based on: Engel, Blackwell & Miniard, 1995, chapter 25, and the summary on p. 946.