**Chapter 1**

**Welcome to the World of Marketing:**

**Create and Deliver Value**

## I. Chapter Overview

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. Therefore, marketing is all about delivering value to stakeholders, that is, to everyone who is affected by a transaction. Organizations that seek to ensure their long-term profitability by identifying and satisfying customers’ needs and wants adopt the marketing concept.

In Chapter 1, these concepts are explored. In addition, students learn the definition of product and benefit. Students are introduced to the four Ps and their interdependent relationship. Students quickly learn that marketing is a part of our everyday life.

## II. Chapter OBJECTIVES

* Explain what marketing is, the marketing mix, what can be marketed, and the value of marketing.
* Explain the evolution of the marketing concept.
* Understand value from the perspectives of customers, producers, and society.
* Explain the basics of market planning.

## III. Chapter Outline

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| **►Marketing Moment Introduction**  Use a top of mind awareness exercise to introduce the different facets of marketing. Instruct students to write down the first word that pops into their head when you say these words: your school name, soup, jeans, marketing, and salesperson. Explain that school name, soup and jeans were just “warm ups.” (Although Campbell’s is likely to be the most popular answer for soup—this is great time to illustrate dominant market share). Most students will respond “advertising” or “sales” in response to marketing—this gives the instructor a chance to introduce the marketing mix and make that point that marketing covers more than just communication. | | | | | |
| p. 27 | **Real People, Real Choices—HERE’S MY PROBLEM at TWITTER**  Chapter 1 begins with a discussion of *Twitter,* a social media platform that democratizes the world by providing a forum for users to share their experiences and views. The question becomes: how do we harness the innovation within Twitter’s walls and leverage it to solve challenges the team faces with employees, consumers, and marketers? And subsequently, how can we track it?  1. Make a case for the management team to hold weekly meetings to  discuss ideas and innovations within Twitter.  2. Build an internal online tool to allow employees to share, build,  and measure ideas (i.e., a Twitter within Twitter).  3. Share ideas on Twitter to galvanize support and subsequently share  findings with the Twitter team.  *Go to MyMarketingLab for the option Michael chose.* | Visit the Twitter website here—  <https://twitter.com> | | | |
| p. 28  p. 28  p. 29  p. 30  p. 30  p. 30  p. 30  p. 31  p. 31  p. 32  p. 32  p. 32 | 1. **mARKETING: what is it?**   Marketing is first and foremost about satisfying consumer needs. We like to say that the consumer is king (or queen), but it’s important not to lose sight of the fact that the seller also has needs—to make a profit, to remain in business, and even to take pride in selling the highest-quality products possible. Products are sold to satisfy both consumers’ and marketers’ needs—it’s a two-way street. **Marketing** is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.  **1.1** **Marketing Is the Activity, Institutions, and Processes**  The importance organizations assign to marketing activities varies a lot. Sometimes a company uses the term *marketing* when what it really means is sales or advertising. No matter what size the firm, a marketer’s decisions affect—and are affected by—the firm’s other operations.  **1.2** **Creating, Communicating, Delivering, and Exchanging: The Marketing Mix**  To satisfy needs, marketers need many tools. The **marketing mix** consists of the tools the organization uses to create a desired response among a set of predefined consumers. These tools include the product, the price, the promotional activities and the places. We refer to the marketing mix as the **four Ps**: *product*, *price*, *promotion*, and *place*.  Although we talk about the four Ps as separate parts of a firm’s marketing strategy, in reality, product, price, promotion, and place decisions are interdependent. Decisions about any one of the four are affected; and affect every other marketing mix decision. Let’s look at each of the four Ps to gain some more insight into their role in the marketing mix.  **1.2.1 Product**  The **product** is a good, a service, an idea, a place, and a person—whatever is offered for sale in the exchange. This aspect of the marketing mix includes the design and packaging of a good, as well as its physical features and any associated services, such as free delivery.  **1.2.2 Promotion**  **Promotion,** often referred to as marketing communications, includes all the activities marketers undertake to inform consumers about their products and to encourage potential customers to buy these products.  **1.2.3 Place**  **Place** refers to the availability of the product to the customer at the desired time and location. This *P* relates to a *channel of distribution*, which is the set of firms that work together to get a product from a producer to a consumer.  **1.2.4 Price**  **Price** is the assignment of value, or the amount the consumer must exchange to receive the offering. Marketers often turn to price to increase consumers’ interest in a product.  At the heart of every marketing act—big or small—is an “exchange relationship.” An **exchange** occurs when a person gives something and gets something else in return.  **1.3 Offerings . . . : What Can We Market?**  We’ll refer to any good, service, or idea that we can market as a product, even though what you buy may not take a physical form.  **1.3.1 Consumer Goods and Services**  **Consumer goods** are the tangible products that individual consumers purchase for personal or family use. **Services** are intangible products that we pay for and use but don’t own. In both cases, though, keep in mind that the consumer looks to obtain some underlying value, such as convenience, security, or status, from a marketing exchange. 1.3.2 Business-to-Business Goods and Services **Business-to-business marketing** is the marketing of goods and services from one organization to another. Although we usually relate marketing to the thousands of consumer goods begging for our dollars every day, the reality is that businesses and other organizations buy a lot more goods than consumers do. They purchase these **industrial goods** for further processing or to use in their own business operations.  **E-commerce** is the buying and selling of products on the Internet.  **1.3.2.1 Not-for-Profit Marketing**  You don’t have to be a businessperson to use marketing principles. Many **not-for-profit organizations** also known as **nongovernmental organizations** or **NGOs**, including museums, zoos, and even churches, practice the marketing concept.  The intense competition for support of civic and charitable activities means that only the not-for-profits that meet the needs of their constituents and donors will survive.  **1.3.3 Idea, Place, and People Marketing**  Marketing principles are also used to market ideas, places, and people. Examples include:   * Tourism marketing * Promoting rock and sports stars * Temporarily famous people promoted on YouTube   Some of the same principles that go into “creating” a celebrity apply to you. An entertainer must “package” his/her talents, identify a marketthat is likely to be interested, and work hard to gain exposure to these potential customers by appearing in the right venues. | Figure 1.1  Snapshot: The Marketing Mix | | | |
| Website**:** Big Brothers Big Sisters is an example of a non-profit organization. What benefits are offered to the volunteer? Can you cite examples of societal marketing on this site?  [www.bbbs.org](http://www.bbbs.org) Go to Volunteer page.  Discussion question: Have you ever thought about the fact that not-for-profit companies need to use marketing as well? If not, why? | | | | | |
| p. 33 | **1.4. value for customers**  According to the **marketing concept**, marketers first identify consumer needs and then provide products that satisfy those needs to ensure the firm’s long-term profitability. A **need** is the difference between a consumer’s actual state and some ideal or desired state. When the difference is big enough, the consumer is motivated to take action to satisfy the need. Needs relate to physical functions (such as eating) or to psychological ones (such as social acceptance). The specific way a person satisfies a need depends on his or her unique history, learning experiences, and cultural environment. | Table 1.1  Value for Customers | | | |
| Website: Subaru is one company that tries to meet the psychological needs of consumers to feel safe (as well as their need for reliable transportation). Visit the Subaru website: [www.**Subaru**.com](http://ri.search.yahoo.com/_ylt=A0LEVj6nQhdUkGQAN3kPxQt.;_ylu=X3oDMTB2YmRjZm1rBHNlYwNvdi10b3AEY29sbwNiZjEEdnRpZAMEcG9zAzE-/RV=2/RE=1410839335/RO=10/RU=http%3a%2f%2f0.r.msn.com%2f%3fld%3dDvNT0edO1A6XDdprPQoYjQsjVUCUyt9PjrYHBpLrttrC47FKRCQWXIplYG_joZUpcpyJ-S96CZTU0Puuof5EC9HfyiZbo7mkPr7hzqA5mE92IASA4b5zws5jFGQt0wklaLGtfWj93Dcmih5Vw9sZBSqPWP4rw%26u%3dhttp%253a%252f%252f133.xg4ken.com%252fmedia%252fredir.php%253fprof%253d87%2526camp%253d4074%2526affcode%253dkw77355%2526cid%253d6160519975%2526queryStr%253dsubaru%252520website%2526url%255b%255d%253dhttp%25253A%25252F%25252Fwww.subaru.com%25253Fs_kwcid%25253DSubaru%252520Website%252526k_clickid%25253D_kenshoo_clickid_%252526prid%25253D87%252526k_affcode%25253D77355/RK=0/RS=K.4Mcnj06RuJvqbtFjEshZhDDzk-?p=subaru+website) | | | | | |
| p. 33  p. 34 | A **want** is a desire for a particular product we use to satisfy a need in specific ways that are influenced culturally and socially.  A product delivers a **benefit** when it satisfies a need or want. For marketers to be successful, they must develop products that provide one or more benefits that are important to consumers.  When you couple desire with the buying power or resources to satisfy a want, the result is **demand**.  A **market** consists of all the consumers who share a common need that can be satisfied by a specific product and who have the resources, willingness, and authority to make the purchase.  A *marketplace* used to be a location where buying and selling occurs face to face. In today’s “wired” world, however, buyers and sellers might not even see each other. The modern **marketplace** may be  face-to-face, or through a mail-order catalog, a TV shopping network, an eBay auction, or a phone app.  Marketplaces are evolving. Consumers, especially younger ones, would rather rent than purchase. **Rentrepreneurs** make money by renting out their stuff when they aren’t using it—offering everything from barbecue grills and power tools to Halloween costumes. Some analysts refer to this mushrooming trend as **collaborative consumption.** | Exhibit: Uber and  other ride-sharing services | | | |
| Website**:** Visit White Castle’s website. What “benefit” are they touting? Would you classify it as a “want” or a “need”? <http://www.whitecastle.com/>  Discussion question: What are your favorite marketplaces in which to shop and why? | | | | | |
| p. 34 | **1.4.1** **Marketing Creates Utility**  Marketing transactions create <keyterm id="ch01term0012" linkend="gloss01\_0012" preference="0" role="strong">**utility**</keyterm><link linkend="ch1mn1\_0013" preference="1"/>, which refers to the sum of the benefits we receive when we use a good or service.  Marketing processes create several different kinds of utility to provide value to consumers:   * *Form utility* is the benefit marketing provides by transforming raw materials into finished products. * *Place utility* is the benefit marketing provides by making products available where customers want them. * *Time utility* is the benefit marketing provides by storing products until they are needed. * *Possession utility* is the benefit marketing provides by allowing the consumer to own, use, and enjoy the product. | Exhibit: Rent the Runway | | | |
| p. 35  p. 35 | **1.4.2** **Value for Clients and Partners**  Marketing meets the needs of diverse stakeholders. The term **stakeholders** here refers to buyers, sellers, investors in a company, community residents, and even citizens of the nations where goods and services are made or sold—in other words, any person or organization that has a “stake” in the outcome. Thus, marketing is about satisfying everyone involved in the marketing process.  **1.4.3** **Value for Society at Large**  Is it possible to contribute to society and the earth and contribute to your paycheck? Target, one the largest retailers, announced that two of its top priorities are environmental sustainability and responsible sourcing. | Exhibit: Green Marketing | | | |
| p. 35  p. 36 | **2. *When* did Marketing Begin? The Evolution of a Concept**  **2.1 The Production Era**  A **production orientation** works best in a seller’s market when demand is greater than supply because it focuses on the most efficient ways to produce and distribute products. Essentially, consumers have to take whatever is available. Under these conditions, marketing plays a relatively insignificant role—the goods literally sell themselves because people have no other choices. Firms that focus on a production orientation tend to view the market as a homogeneous group that will be satisfied with the basic function of a product. | Table 1.2  Marketing’s “Greatest Hits” | | | |
| p. 36 | **2.2 The Sales Era**  When product availability exceeds demand in a buyer’s market, businesses may engage in the “hard sell” in which salespeople aggressively push their wares. **Selling orientation** means that management views marketing as a sales function, or a way to move products out of warehouses so that inventories do not pile up. The selling orientation gained in popularity after World War II. The selling orientation prevailed well into the 1950s. However, consumers as a rule do not like to be pushed, and the hard sell gave marketing a bad image. Companies that still follow a selling orientation tend to be more successful at making one-time sales rather than at building repeat business. We are most likely to find this focus among companies that sell *unsought goods*—products that people do not tend to buy without some prodding. |  | | | |
| Discussion question: Do you mind when someone tries to “hard sell” you on a product? How do you usually react to “hard sell” salesperson? | | | | | |
| p. 36 | **2.3 The Relationship Era**  A **consumer orientation** satisfies customers’ needs and wants. With inflation and recession in the past, firms had to do more than meet consumers’ needs—they had to do this better than the competition and do it repeatedly. They increasingly concentrated on improving the quality of their products. By the early 1990s, many in the marketing community followed an approach termed **Total Quality Management (TQM)**. The TQM perspective takes many forms. Essentially, TQM is a management philosophy that involves all employees from the assembly line onward in continuous product quality improvement. | Table 1.3  The Evolution of Marketing | | | |
| p. 37  p. 37  p. 38  p. 38 | **2.4 The Triple-Bottom-Line Orientation**  **A triple-bottom-line orientation** means building long-term bonds with customers rather than merely selling them stuff today. This new way of looking at business emphasizes the need to maximize three components:   * *The financial bottom line*: Financial profits to stakeholders * *The social bottom line*: Contributing to the communities in which the company operates * *The environmental bottom line*: Creating sustainable business practices that minimize damage to the environment or that even improve it   Another result of this new way of long-term thinking is the **societal marketing concept**, which maintains that marketers must satisfy customers’ needs in ways that also benefit society while still delivering a profit to the firm.  An important trend now is for companies to think of ways to design and manufacture products with a focus on **sustainability**, which we define as “meeting present needs without compromising the ability of future generations to meet their needs.” Sustainability applies to many aspects of doing business, including social and economic practices (e.g., humane working conditions and diplomacy to prevent wars that deplete food supplies, atmospheric quality, and of course, lives). One other crucial pillar of sustainability is the environmental impact of the product. <keyterm id="ch08term29" linkend="gloss08\_029" preference="0" role="strong">**Green marketing**</keyterm>, the development of marketing strategies that support environmental stewardship by creating an environmentally founded differential benefit in the minds of consumers, is being practiced by most forward-thinking firms today.  In addition to building long-term relationships and focusing on social responsibility, triple-bottom-line firms place a much greater focus on *accountability*—measuring just how much value marketing activities create. This means that marketers at these organizations ask hard questions about the true value of their efforts and their impact on the bottom line. These questions all boil down to the simple acronym of **ROMI (return on marketing investment)**. Marketers now realize that if they want to assess just how much value they are creating for the firm, they need to know exactly what they are spending and what the concrete results of their actions are. | Exhibit: Habitat for Humanity | | | |
| Website: Visit Girls Inc. (inspiring all girls to be strong, smart, and bold) for a discussion about the social marketing concept: [www.girlsinc.org](http://www.girlsinc.org) | | | | | |
| **►Marketing Moment In-Class Activity**  A company developed a game called JFK Reloaded, which allows the participant to get behind Lee Harvey Oswald’s sniper rifle and recreate the assassination. The player, who can most closely replicate the shot, wins the game. How would you assess this product in terms of the societal marketing concept? | | | | | |
| **►Marketing Moment In-Class Activity**  Marketing occurs in non-business organizations under different names. Can you think of other names for “customers” in non-business organizations? Example—hospitals: patients, psychologists: clients, schools: students, non-profits: donors, etc. | | | | | |
| p. 38  p. 39 | **2.5 What’s Next in the Evolution of Marketing?**  In the years ahead we will see an acceleration of the most important factors that marketers think about today. These predictions include: Good content, big data, mobile marketing, marketing metrics, customer interaction, and the demand for companies to do good even as they do well.  **Mobile marketing**, interacting with consumers via mobile phones, tablets, and wearable screens such as smart watches, will be one of the prime factors in marketing’s future.  **User-generated content** in which consumers engage in marketing activities such as creating advertisements, will grow and overtake the importance of **branded content**.  **Corporate citizenship**, also called corporate social responsibility, refers to a firm’s responsibility to the community in which it operates and to society in general. In the future, good corporate citizenship will become a major marketing function. | | | Ripped from the Headlines:  Ethical/Sustainable Decisions  in the Real World | |
| ►**Marketing Moment In-Class Activity**  Should e-cigarettes be marketed like any other widely available product such as milk or music? | | | | | |
|  | | | | | |
| p. 40  p. 40  p. 40  p. 41 | **3. the VALUE OF MARKETING AND THE Marketing of**  **Value**  One way to look at value is to think of it as a ratio of benefits to costs— customers “invest” their time and money to do business with a firm, and they expect benefits in return.  **3.1 Value from the Customer’s Perspective**  The value proposition includes the whole bundle of benefits the firm promises to deliver, not just the benefits of the product itself.  Marketers then communicates these benefits to the customer in the form of a **value proposition**, a marketplace offering that fairly and accurately sums up the value that the customer will realize if he or she purchases the product. The challenge to the marketer is to create an attractive value proposition. A big part of this challenge is convincing customers that this value proposition is superior to others they might choose from competitors.  **3.2 Value from the Seller’s Perspective**  Value from a seller’s perspective can take many forms such as money, prestige or pride in their competitive advantage.  Smart companies today understand that making money from a single transaction does not provide the kind of value they desire. In recent years, many firms have transformed the way they do business. They now regard consumers as *partners* in the transaction rather than as passive “victims.”  **Brandfests** are events hosted by companies to thank customers for their loyalty.  It is more expensive to attract new customers than it is to retain current ones</emphasis>. Companies that calculate the **lifetime value of a customer** look at how much profit they expect to make from a particular customer, including each purchase he or she will make from them now and in the future. To calculate lifetime value, companies estimate the amount the person will spend and then subtract what it will cost to maintain this  relationship. | | |  | |
| p. 42 | **►METRICS MOMENT** How do marketers measure value? Increasingly, they develop **marketing scorecards**that report (often in quantified terms) how the company or brand is actually doing in achieving various goals. We can think of a scorecard as a marketing department’s report card. Throughout this book, we will give you the opportunity to “get your hands dirty” as you calculate ROI using various kinds of scores, or **metrics**.  **Apply the Metrics**  1. Using Table 1.4 as a template, develop a scorecard for customer  satisfaction with your marketing class. You will need to develop your  own relevant items for satisfaction measurement.  2. Then have the students in your class complete the scorecard now and  again in the middle of the semester.  3. Summarize, interpret, and present the results. | | | Table 1.4 An Example of a Customer Service Scorecard | |
| pp. 41-43 | **3.2.1 Provide Value through Competitive Advantage**  How does a firm go about creating a competitive advantage? The first step is to identify what it does really well. A **distinctive competency** is a firm’s capability that is superior to that of its competition.  The second step in developing a competitive advantage is to turn a distinctive competency into a **differential benefit**—one that is important to customers. Differential benefits set products apart from competitors’ products by providing something unique that customers want. Differential benefits provide reasons for customers to pay a premium for a firm’s products and exhibit a strong brand preference.  Effective product benefits must be both different from the competition and from things customers want. A firm that delivers these desired benefits provides value to its customers and other stakeholders. | | | Table 1.5 How Some Firms Achieve a Competitive Advantage with a Distinctive Competency | |
| pp. 42-44  p. 44 | **3.2.2 Add Value through the Value Chain**  Many different players—both within and outside a firm—need to work together to create and deliver value to customers. The **value chain** is a useful way to appreciate all the players that work together to create value. This term refers to a series of activities involved in designing, producing, marketing, delivering, and supporting any product. In addition to marketing activities, the value chain includes business functions such as human resource management and technology development.  The main activities of value-chain members include the following:   * *Inbound logistics*: Bringing in materials to make the product * *Operations*: Converting the materials into the final product * *Outbound logistics*: Shipping out the final product * *Marketing*: Promoting and selling the final product * *Service*: Meeting the customer’s needs by providing any additional support required   We have organized this book around the sequence of steps necessary to ensure that the appropriate value exchange occurs and that both parties to the transaction are satisfied—making it more likely they will continue to do business in the future.  **3.2.3 Consumer-Generated Value: From Audience to Community**  One of the most exciting new developments in the marketing world is the evolution of how consumers interact with marketers. **Haul videos** are videos consumers post on YouTube that detail the latest stuff they bought. **Consumer-generated content** include:   * Ghirardelli Chocolate broadcast consumer-generated comments in New York’s Times Square about when and where they most enjoyed eating its chocolate squares. * At iReport, budding citizen journalists can upload photos and videos to CNN in response to breaking news. | | | Figure 1.2 Snapshot: Apple’s Value Chain  Figure 1.3 Process:  Create and Deliver Value | |
| p. 45 | **3.2.4 Consumer Generated Value: Social Networking**  Consumers also create value through **social media**, Internet-based platforms that allow users to create their own content and share it with others who access their sites. On **social** **networking** **platforms**, a user posts a profile on a website and he or she provides and receives links to other members of the network to share input about common interests.  **Cloud** is a network of servers that provide an almost infinite amount of storage space.  Social networking is an integral part of what many call **Web 2.0**, the new generation of the World Wide Web that incorporates social networking and user interactivity. **Web 3.0**refers to the current generation of the web that offers consumers real-time instant communications through live chats and instant messaging and marketers the ability to track customers’ online behavior. **Web 4.0** gives consumers access to thousands of apps and makes the ability to use their smartphones and tablets to access brands anywhere and anytime a necessity.  The web categorizes entries according to **folksonomy** rather than “taxonomy.” In other words, sites rely on users rather than pre-established systems to sort contents.  The **“Wisdom of Crowds”** perspective (from a book by that name) argues that under the right circumstances, groups are smarter than the smartest people in them are. If this is true, it implies that large numbers of (non-expert) consumers can predict successful products. Marketers rely on c**rowdsourcing** when they outsource marketing activities to a large group of people, often through a social networking community. | |  | |
| p. 46  p. 46  p. 47 | **3.3 Value from Society’s Perspective**  Every company’s activities influence the world around it in ways both good and bad. We must consider how marketing transactions add or subtract value from society. Companies usually find that stressing ethics and social responsibility also is good business, at least in the long run.  **3.3.1 The Dark Side of Marketing and Consumer Behavior**  Whether intentionally or not, some marketers do violate their bond of trust with consumers. Despite the best efforts of researchers, government regulators, and concerned industry people, sometimes consumers’ worst enemies are themselves—our desires, choices, and actions often result in negative consequences to ourselves and the society in which we live.  Some dimensions of “the dark side” of consumer behavior include:   * *Terrorism* * *Addictive consumption*: **Consumer addiction** is a physiological or psychological dependency on goods or services. * *Exploited people*: Sometimes people are used or exploited, willingly or not, for commercial gain in the marketplace. **Consumed consumers</emphasis>** are people who themselves become commodities. * *Illegal activities*: The cost of crimes consumers commit against business has been estimated at more than $40 billion per year. * *Shrinkage*: Someone steals from a store every five seconds. * *Anticonsumption*:Some types of destructive consumer behavior are **anticonsumption**, when people deliberately deface products. | | |  | |
| **►Marketing Moment In-Class Activity**  Ask students to think of businesses that engage in socially responsible activities. What is the activity and how does it help society?  Discussion question: Do you personally feel that marketing is “evil?” Why or why not? | | | | | |
| p. 48  p. 48  p. 48 | **4. MARKETING AS A PROCESS**  Our definition of marketing also refers to *processes*. This means that  marketing is not a one-shot operation. When it’s done right, marketing  is a decision process in which marketing managers determine the  strategies that will help the firm meet its long-term objectives and then  execute those strategies using the tools they have at their disposal.  A big part of the marketing process is *market planning*, where we think carefully and strategically about the “big picture” and where our firm and its products fit within it. Firms (or individuals) that engage in marketing planning ask questions like these:   * What product benefits will our customers look for in three to five years? * What capabilities does our firm have that set it apart from the competition? * What additional customer groups might provide important market segments for us in the future? * How will changes in technology affect our production process, our communication strategy, and our distribution strategy? * What changes in social and cultural values are occurring now that will affect our market in the next few years? * How will customers’ awareness of environmental issues affect their attitudes toward our manufacturing facilities? * What legal and regulatory issues may affect our business in both domestic and global markets?   Answers to these and other questions provide the foundation for developing an organization’s **marketing plan**. This document describes the marketing environment, outlines the marketing objectives and strategy, and identifies who will be responsible for carrying out each part of the marketing strategy.  Some firms choose to reach as many customers as possible so they offer their goods or services to a **mass market** that consists of all possible customers in a market regardless of the differences in their specific needs and wants.  Although this approach can be cost-effective, the firm risks losing potential customers to competitors whose marketing plans instead try to meet the needs of specific groups within the market. A **market segment** is a distinct group of customers within a larger market who are similar to one another in some way and whose needs differ from other customers in the larger market. Depending on its goals and resources, a firm may choose to focus on one segment. A **target market** is the segment(s) on which an organization focuses its marketing plan and toward which it directs its marketing efforts. A product’s **market position** is how the target market perceives the product in comparison to competitor’s brands. | | |  | |

#### IV. END-OF-CHAPTER ANSWER GUIDE

# Chapter Questions and Activities

**▶QUESTIONS: Test Your Knowledge**

* 1. Briefly explain what marketing is.

Though marketing can be described in many ways, the best definition is that marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.

* 1. List and describe the elements of the marketing mix.
* Product: a good, service, idea, place, person—whatever is offered for sale in exchange.
* Price: the assignment of value or the amount the consumer must exchange to receive the offering.
* Place: the availability of the product to the customer at the desired time and location.
* Promotion: all of the activities marketers undertake to inform consumers or organizations about their products, and to encourage customers to buy these products.
  1. Define the terms *consumer goods*, *services*, and *industrial goods*.

*Consumer goods* are the tangible products that individual consumers purchase for personal or family use. Examples: laundry detergent, food, home computer.

*Services* are intangible products that we pay for and use but never own. Examples: dry cleaning, tax preparation, dermatologist.

*Industrial goods* are bought by organizations for further processing or for use in their business operations. Examples: wood for paper, rubber for tires, steel for cars.

* 1. Explain needs, wants, and demands. What is the role of marketing in each of these?

A *need* is the difference between a customer’s actual state and some ideal or desired state. A marketer knows that when the difference is big enough, the consumer is motivated to take action to satisfy the need. The marketer seeks to discover consumer needs and focus on the differences between the mentioned states.

A *want* is a desire for a particular product used to satisfy a need in specific ways that are influenced . The marketer focuses on delivering benefits that satisfy a want or a need. These benefits must be important to consumers.

*Demand* occurs when desire is coupled with the buying power or resources to satisfy a want. Marketers must meet demands better than competition.

* 1. What is utility? How does marketing create different forms of utility?

*Utility* is the usefulness or benefit received by consumers from a product. Marketing creates several forms of utility: a) form utility, raw materials are changed into a finished product; b) place utility, the organization makes products available where consumers want them; c) time utility, products are stored until they are needed by the consumer; and d) possession utility, the organization allows the consumer to own, use, and/or enjoy the product.

* 1. Trace the evolution of the marketing concept.

The marketing concept has gone through a few stages throughout the years. These stages include:

* The Production Era: a production orientation works best in a seller’s market when demand is greater than supply because it focuses on the most efficient ways to produce and distribute products.
* The Sales Era: a selling orientationmeans that management views marketing as a sales function, or a way to move products out of warehouses so that inventories do not pile up.
* The Relationship Era: a consumer orientationthat satisfies customers’ needs and wants.
* The Triple Bottom Line: a triple bottom-line orientation means building long-term bonds with customers rather than merely selling them stuff today. This new way of looking at business emphasizes the need to maximize three components: the financial bottom line, the social bottom line, and the environmental bottom line.
  + Customer relationship management (CRM) involves systematically tracking consumers’ preferences and behaviors over time in order to tailor the value proposition as closely as possible to each individual’s unique wants and needs.
  + The social marketing concept, which maintains that marketers must satisfy customers’ needs in ways that also benefit society while still delivering a profit to the firm.
  + Sustainability is defined, as “meeting present needs without compromising the ability of future generations to meet their needs.
* Accountability—measuring just how much value marketing activities create (ROI: return on investment).
  1. Explain how marketers practice the societal marketing concept and sustainability.

An important trend now is for companies to think of ways to design and manufacture products with a focus on sustainability, defined as “meeting present needs without compromising the ability of future generations to meet their needs.” Sustainability applies to many aspects of doing business, including social and economic practices (e.g., humane working conditions and diplomacy to prevent wars that deplete food supplies, atmospheric quality, and of course, lives).

* 1. Describe the Internet and how Web 3.0 and 4.0 provide greater opportunities for marketers to interact with their customers.

In the 1990s, the Internet (*Web 1.0)* was typified by static content provided by a site’s creator. *Web 3.0*  refers to the current generation of the web that offers consumers real-time instant communications through live chats and instant messaging and marketers the ability to track customers’ online behavior.*Web 4.0*gives consumers access to thousands of apps and makes the ability to use their smartphones and tablets to access brands anywhere and anytime a necessity.

* 1. To what does the *lifetime value of the customer* refer, and how is it calculated?

*Lifetime value* refers to the profit made from each customer, including every purchase made from now into the future. To calculate lifetime value, a firm estimates the amount the person will spend and then subtracts what it will cost to maintain the relationship.

* 1. What does it mean a firm to have a competitive advantage? What gives a firm a competitive advantage?

A firm has a competitive advantage when it is able to outperform the competition, providing customers with a benefit the competition cannot. A competitive advantage gives consumers a reason to choose one product over another repeatedly.

* 1. What is involved in market planning?

Firms (or individuals) that engage in marketing planning ask questions like these:

* What product benefits will our customers look for in three to five years?
* What capabilities does our firm have that set it apart from the competition?
* What additional customer groups might provide important market segments for us in the future?
* How will changes in technology affect our production process, our communication strategy, and our distribution strategy?
* What changes in social and cultural values are occurring now that will affect our market in the next few years?
* How will customers’ awareness of environmental issues affect their attitudes toward our manufacturing facilities?
* What legal and regulatory issues may affect our business in both domestic and global markets?

**▶ACTIVITIES: Apply What You’ve Learned**

1-12. ***In Class, 10–25 Minutes for Teams*** Assume that you are a marketing consultant employed by a large retail chain that offers consumers products in a number of brick-and-mortar stores and online. The retail organization wishes to increase its loyal customer base by engaging customers through interaction opportunities on social networks. Develop a list of at least 10 specific social network activities that will work together to increase customer engagement.

*MyMarketingLab for answers to Assisted Graded Questions.*

1-13. ***In Class, 15–25 Minutes for Teams*** Table 1.5 lists five well-known companies and highlights their distinctive competencies, differential benefits, and competitive advantages. First, review this table in your group and discuss how these three factors are interrelated. Then choose three other well-known companies (note: choose firms so that most of your team members have a reasonable knowledge of their marketing strategies) and construct a similar table for these companies. Finally, for each of these new firms, do you think that their competitive advantage is sustainable, or will they need to work to further improve their competitive position in the future?

This activity is designed to push students from a passive mode of learning to an active one. Generally, students skim through a table and indicate that they understand the connections between the various elements of the table; however, this task should encourage them to construct and identify connections on their own. Depending upon the size of the class, the instructor might wish to first get the whole class to agree on a list of three companies to construct a table with their distinctive competencies, differential benefits, and competitive advantages. This is likely to lead to a more productive class discussion and debate regarding this question. A good way to further stimulate the discussion is to identify a key competitor for each of the companies considered in the activity and then to question students about why and how the companies can protect their market share and profitability from these competitors.

1-14. ***In Class, 10–25 Minutes for Teams*** As college students, you and your friends sometimes discuss the various courses you are taking. One of your friends says to you, “Marketing’s not important. It’s just dumb advertising.” Another friend says, “Marketing doesn’t really affect people’s lives in any way.” As a role-playing exercise, present your arguments against these statements to your class.

A good way to make this an effective assignment is to have each student or student team submit a proposal for a skit and choose the best two or three for class demonstration.

1-15. ***For Further Research (Individual)*** Over time, marketing has moved through different eras, and some organizations are have adopted a triple-bottom-line orientation; they are looking beyond just the financial bottom-line to also consider social and environmental outcomes. Review the websites of three to five well-known companies. To what extent do they highlight the importance of social and environmental activities in their overall operations? Make a list of some of the activities (or contributions that they make) in this area.

This is an Internet-based task that can be conducted in class or assigned as homework. It should be relatively easy for students to find examples of companies that actively promote their social and environmental contributions, though they may not refer to it as a triple-bottom-line orientation. A possible way to extend this activity is to encourage students to engage in a class discussion on whether these companies consider their social and environmental outcomes seriously to make a positive difference to society or for the sake of building their brand awareness and shaping their brand image.

1-16. ***For Further Research (Groups)*** Today’s marketers recognize that the Internet and Big Data have changed marketing and will continue to change it in the years to come. Your team assignment is to first find examples of how the Internet and Big Data have improved marketing for some for-profit and not-for-profit organizations. Then develop your ideas on how the Internet and Big Data could make contributions to society as a whole in the future. Develop a short presentation for your class.

Groups should explore websites to find examples of how the Internet and Big Data have improved marketing for some for-profit and not-for-profit organizations

**▶marketing metrics exercise**

The chapter discusses the growing importance of sustainability, and it notes that companies and consumers increasingly consider other costs in addition to financial kinds when they decide what to sell or buy. One of these cost categories is damage to the environment. How can marketers make it easier for shoppers to compute these costs? The answer is more apparent in some product categories than in others. For example, American consumers often are able to compare the power consumption and annual costs of appliances by looking at their EnergyStar™ rating. In other situations, we can assess the *carbon footprint* implications of a product or service; this tells us how much CO2 our purchase will emit into the atmosphere (e.g., if a person flies from New York to London). The average American is responsible for 9.44 tons of CO2 per year! A carbon footprint comes from the sum of two parts, the direct, or primary, footprint and the indirect, or secondary, footprint:

The *primary footprint* is a measure of our direct emissions of CO2 from the burning of fossil fuels, including domestic energy consumption and transportation (e.g., cars and planes).

• The *secondary footprint* is a measure of the indirect CO2 emissions from the whole life cycle of products we use, from their manufacture to their eventual breakdown.

Although many of us are more aware today that our consumption choices carry unseen costs, there is still a lot of confusion about the best way to communicate the environmental costs of our actions—and in many cases consumers aren’t motivated to take these issues into account unless the costs impact them directly and in the short term.

1-17**.** As a consumer, what other metrics would you suggest that might reflect benefits of sustainability initiatives that would motivate you to purchase from one provider or the other?

*MyMarketingLab for answers to Assisted Graded Questions.*

1-18**.** Would you buy from a demonstrably more expensive provider just because they exhibited a higher level of commitment to sustainability?

*MyMarketingLab for answers to Assisted Graded Questions.*

**▶CHOICES: WHAT DO YOU THINK?**

* 1. ***Critical Thinking*** Journalists, government officials, and consumers have been highly critical of companies for gathering and storing large amounts of data on consumers (i.e., Big Data). Others argue that such practices are essential for firms to provide high-quality, affordable products that satisfy consumers’ varied needs. What do you think? Should the government regulate such practices? How can such practices hurt consumers? How can these practices help consumers?

In answering this question, the student should be encouraged to examine their life personally and relate marketing to their daily activities and events. Areas that should be mentioned in this discussion are consumer purchases (such as buying food, clothes, supplies at the bookstore, and major purchases such as computers or cars) as well as advertising’s impact on their learning processes (such as learning about new products, how to do things, and contemporary trends. Students should look on the Internet for recent events regarding privacy issues and whether governmental intervention is appropriate.

1-20**. *Ethics*** Despite best efforts to ensure product safety, products that pose a danger to consumers sometimes reach the marketplace. At what point should marketers release information about a product’s safety to the public? How should marketers be held accountable if their product harms a consumer?

*MyMarketingLab for answers to Assisted Graded Questions.*

1-21. ***Critical Thinking*** The marketing mix consists of four interdependent sets of tools that brands use in combination to obtain a desired response from targeted consumers. Think about two or three key competitors within the same industry (such as fast-food outlets, fashion retailers, food/snack brands, and so on)—do these firms (or brands) structure their marketing in a similar or different ways? That is, for each of their four Ps, outline what you see as similar in their approaches and also highlight where you see clear areas of difference in their marketing mix elements.

This is a good exercise for students new to marketing as it makes them think beyond advertising and/or product offering and gives them a better sense of the scope of marketing. The challenge for the instructor lies in ensuring that students do not provide quick, superficial responses but critically examine the subtle differences between the marketing mix offerings. To initiate this process, the instructor should raise questions to the students. Which brands have more products (or more new products)? What is the scope of media that they have chosen to use? Do they have different retailers? Do they deal directly or online? Do they have different approaches to sales promotions and discounts? The answers to these questions should ideally progress into a discussion on how the various aspects of the marketing mix are interrelated. (Note: This will be more easily achieved if the competitors reviewed are quite distinct in their offerings or target different market segments.) Finally, the discussion can be extended to how different target markets might be more or less responsive to different marketing mix combinations.

1-22. ***Critical Thinking*** Many consumers are concerned about the environment. They demand

green marketing activities and more green products. Still, most do not buy green products because they are a few cents more expensive. How do you explain this? What are marketers doing wrong? Should government intervene? What are your suggestions for successful green marketing?

Students can share ideas for successful green marketing to include ways to make others buy

green products.

1-23. ***Critical Thinking*** Consumer-generated commercials seem to be part of a broader trend

toward consumer-generated content of all sorts. examples include MySpace, Flickr

(where users post photos and comment on others’ pictures), blogging, and video-

sharing sites like YouTube. Do you think this is a passing fad or an important trend? How

(if at all) should marketers be dealing with these activities?

*MyMarketingLab for answers to Assisted Graded Questions.*

* 1. ***Ethics*** The American Psychological Association does not yet recognize Internet

addiction as a problem. Should it? Why and why not?

Student answers will vary. You can set up this discussion by surfing the APA website and typing in addiction terms in the search engine—articles and publications will pop up because of your search. Solicit suggestions for search terms related to addiction from students.

* 1. ***Ethics*** Crowdsourcing has a lot of upside—for the company initiating the crowdsourcing anyway. The company gets to generate buzz among its fans as well as generate new product ideas and inventive advertising campaigns for little to no investment. Is there an upside to crowdsourcing for the customer, or are companies exploiting their users?

Students can role-play this question, taking opposite sides on the value of crowdsourcing.

The “Wisdom of Crowds”perspective (from a book by that name) argues that under the right circumstances, groups are smarter than the smartest people in them are. If this is true, it implies that large numbers of (non-expert) consumers can predict successful products. . Marketers rely on crowdsourcin**g** when they outsource marketing activities to a large group of people, often through a social networking community.

**▶Mini-project: Learn by Doing**

The purpose of this miniproject is to develop an understanding of the practice of marketing and the importance of societal marketing and sustainability to different organizations.

* 1. This task needs to be undertaken by a student team (with up to five students) and at least one student in the group should know a contact person in a business (the firm may be large or small). Step one in this task is to schedule an appointment with your contact and arrange for your entire group to both visit the business’s premises and discuss how the firm undertakes its marketing activities (please refer to the next step in this project below for a list of possible questions).
  2. Divide the following list of topics among your team and ask each person to be responsible for developing a set of questions to ask during the interview to learn about the company’s program:

• What customer segments the company targets.

• How it determines customer needs and wants.

• What products it offers, including features, benefits, and goals for customer satisfaction

• What its pricing strategies are.

• How it uses interactive content to engage customers.

• How it distributes products and whether it has e countered any problems.

• How it determines whether the needs and wants of customers are being met.

• Explain what marketers mean by the “societal marketing concept” and “sustainability” and ask if

these are areas of concern to the organization. If so, how do they address them in their organization’s activities? If

not, ask if they have any plans to move in this direction in the future and, if so, how.

* 1. Develop a team report of your findings. In each section of the report, share what you learned that is new or surprising to you compared to what you expected.
  2. Develop a team presentation for your class that summarizes your findings. Conclude your presentation with comments on what your team believes the company was doing that was particularly good and what was not quite so good.

This project will help students understand the difficulty, but yet the necessity, of focusing on a value proposition in an organization. Obviously, some firms do this better than others do. However, all firms must consider what they deliver to the customer and how the customer accepts this proposition. If there is disparity between what the consumer expects, what the consumer perceives or sees, what the organization says it will provide or do, and what is actually received, problems will arise. This basic project will aid the student in understanding the need to obtain information from the marketplace and focus on delivering value to customers.

**V. MARKETING IN ACTION CASE: Real Choices At**

**coca-cola**

**Summary of Case**

What do you do when your customer starts to shrink, both literally and figuratively? The sale of soft drinks in the U.S. is not what it used to be. The $98 billion soft-drink industry is being challenged by changes in consumers’ attitudes toward both sugar-sweetened and diet drinks. Historically, soft drinks have been a significant portion of the American diet and sales have grown year after year. In the United States the rates of obesity, diabetes, and other weight-related health issues are on the rise. In 2014, the Centers for disease Control and Prevention found that 35 percent of U.S. adults were obese. And the problem is not limited to adults; with distressing regularity children are being diagnosed as obese. Although obesity and its related issues are complicated and have many different causes, soft drink manufacturers, like Coca-Cola, have been forced to bear a large share of the blame. This combined with the current consumer trend toward a healthier lifestyle has dealt a blow to the beverage industry. Since the 1990s, the sales of soft drinks have fallen by more than 25 percent.

The association of obesity and soft drinks has become so much of a problem that in some cities, politicians are proposing “soda taxes” to reduce the amount of sugar consumed. For now the soft-drink manufacturers are winning the political battles but are in jeopardy of losing overall. One of the consequences of these policy fights is that consumers are being reminded that soft drinks may not be the healthiest choice.

**Suggestions for Presentation**

This case could be assigned for various online or in-class discussion activities.

**Online Assignment Suggestions**

Research companies such as PepsiCo, Dr. Peer, Evian, Perrier, Aquafina, and other competitors. What is Coca-Cola’s competitive advantage?

Determine how each competitor’s product would be ranked in terms of product, price, place, and promotion.

Visit the Coca-Cola website at [www.**coca**-**cola**company.com/](http://www.coca-colacompany.com/) and report on the most recent marketing strategies that are being accomplished.

**In-Class Assignment Suggestions**

In groups or as individuals, discuss the marketing strategy that Coca-Cola should consider, due to increased obesity issues facing soft-drink companies.

Divide the class into groups of three to five students and have each group conduct a strengths, weaknesses, opportunities and threats (SWOT) analysis to determine how Coca-Cola can develop strategies to overcome adverse findings.

**You Make the Call**

1-30. **What is the decision facing Coca-Cola?**

How will this ongoing concern by public health officials effect how Americans feel about soft

drinks in the long run? Will soft drinks ever attain the negative status of tobacco products,

which many consumers have abandoned? Will Coca-Cola be able to reclaim its former

position as market leader or must coke change its focus to something else?

Students may come up with a number of different decisions that Coca-Cola might make such

as:

* Coca-Cola needs to determine what marketing mix strategies would be effective for their future success (and what strategies would not be as successful).
* Students may be encouraged to factor in extensive marketing research designs in their answers.
* New ideas for marketing mix strategies.
  1. **What factors are important in understanding this decision situation?**

The following factors are important in understanding this decision situation:

* Coca-Cola’s marketing strategy of product, price, place, and promotion needs to be superior to its rivals.
* The $98 billion soft-drink industry is being challenged by changes in consumers’ attitudes toward both sugar-sweetened and diet drinks.
* Sales of soft drinks have fallen by more than 25 percent since the 1990s.
* In this health-conscious market, innovation is necessary for companies to attain and hold market share.
* Competitors in this marketplace include PepsiCo, other soft-drink, and water companies such as Evian and Perrier.
* Innovation must be accompanied with value in the minds of consumers.
  1. **What are the alternatives?**

Students might recommend a variety of different marketing strategies and/or revisions to current marketing strategies discussed in the case. Some possibilities include:

* Develop an aggressive promotion plan.
* Reduce pricing.
* Develop a competitive advantage.
* Monitor and understand how the competitors are potentially gaining power and influence.
* Monitor on a continual basis the market position and pricing in relationship to competition.
* Coca-Cola must show the benefit to consumers that will satisfy that need or want.
* Marketers must develop the product with the benefits of the customers in mind.
* Articulate why Coca-Cola is the choice to make for a soft-drink.

1-33. **What decision(s) do you recommend?**

Students may focus on several of the alternatives developed. They should be encouraged to

discuss which alternative actions are more critical.

1-34. **What are some ways to implement your recommendations?**

Students may make a variety of suggestions for implementation depending on their recommendations. These may include specific promotional activities, specific pricing, research activities, and many others.

**WEB RESOURCES**

Michael Baumwoll (Real People, Real Choices, Decision Time vignette): <https://twitter.com>

Coca-Cola: [www.**coca**-**cola**company.com/](http://www.coca-colacompany.com/)

Craigslist (online classifieds website): [www.craigslist.org](http://www.craigslist.org)

The Sims (online virtual community): [www.thesims.com/](http://www.thesims.com/)

Second Life (a 3-D virtual world created by its residents): [www.secondlife.com](http://www.secondlife.com)

The SmartWay brand (identifies products and services that reduce transportation-related emissions): [www.epa.gov](http://www.epa.gov)

Avon Foundation (to improve the lives of women globally): [www.avoncompany.com](http://www.avoncompany.com)

Girls Inc. (inspiring all girls to be strong, smart, and bold): [**www**.**girlsinc**.**org**](http://www.girlsinc.org)

Blogger.com (a small team in Google focusing on helping people have their own voice on the web and organizing the world’s information from the personal perspective): [www.blogger.com](http://www.blogger.com)

Subaru: [www.subaru.com](http://www.subaru.com)

LinkedIn (professional network online community): [www.linkedin.com](http://www.linkedin.com)

Ad Roll (lets publishers “connect” through a social network-style matching system to “roll-up” their ad space into highly targeted packages that advertisers can buy across): [www.adroll.com](http://www.adroll.com)

Wikipedia (a multilingual, web-based, free content encyclopedia): [www.wikipedia.org](http://www.wikipedia.org)

Google (online search engine): [www.google.com](http://www.google.com)

YouTube (allows people to easily upload and share video clips): [www.youtube.com](http://www.youtube.com)

MediaPost (the media, marketing and advertising professional’s resource for complete news coverage, engaging events, a focused social network, and comprehensive industry jobs, directories and research): [www.mediapost.com](http://www.mediapost.com)