

# CHAPTER 1

## MARKETING: CREATING AND CAPTURING CUSTOMER VALUE

### General Teaching Tips for this Chapter

This chapter introduces the subject of marketing, starting with the question: What is marketing? There are many definitions. The American Marketing Association defines marketing as 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. The Oxford English Dictionary defines marketing as the action or business of promoting and selling products or services, including market research and advertising. Wikipedia defines it as is the process of communicating the value of a product or service to customers, for selling that product or service. This textbook defines marketing simply as managing profitable customer relationships. Another simple definition of marketing is, everything that is done in support of sales.

For most students, this will be their first introduction to marketing and all its ramifications. To most of them, marketing is nothing more than selling and/or advertising, and this gets reinforced daily when they see “marketing” job ads that are really sales positions. It helps to get students talking about what marketing is, and to give examples of what they think is really good marketing. Try to bring in contemporary examples that the students can relate to.

The first chapter of this textbook sets the stage for the rest of the content. It outlines the major topics and principles that will be discussed in each of the following chapters, and gives the student a good grounding in what to expect in their journey into the world of marketing. First classes are always difficult, both for the instructor and for the student. Therefore, using examples that students can relate to easily is always a good idea when starting out.

In reviewing the material in class, a good way to break it down follows. This assumes a typical one-hour structure; if the class is longer, spend a little more time on each topic. If shorter, you can either break the chapter over two sessions, or shorten each topic’s allotted discussion time:

- **10 MIN** discussing what marketing really is. Many students will come into class thinking they are going to be learning all about advertising, or all about selling. Ask students to talk about what they think marketing is, and to use examples of what they’ve encountered in their own lives.
- **10 MIN** on the second major topic of the chapter, understanding the marketplace and consumer needs. Discussing the differences of needs, wants, and demands, and how they relate to marketing, can greatly enhance the students’ understanding of the basis of marketing. Also included in this section are the notions of marketing offers, satisfaction, and relationships. You can discuss the various ways companies develop relationships with their customers. Using Amazon.com as an example can really help the students understand that a company with millions of customers can still easily develop relationships with each and every one of them.

- **10 MIN** on designing customer-driven marketing strategies. Many students will still not understand how needs, wants, and demands can drive companies' product development, but this section of the chapter will help them see it a little more clearly.
- **5 MIN** on preparing a marketing plan and program. This section shows how everything they learn in marketing will be pulled together, but it is too soon in the semester to be spending a lot of time on the topic.
- **15 MIN** on customer relationships, because this topic is the heart of the chapter and the entire text. Use examples that the students will appreciate. Discussing the difference in the relationships they have with their hairdresser or barber and that of Amazon.com or other online seller (Ticketmaster?) can drive home the importance of holding on to good customers. Students will also be well aware of frequency marketing programs, and examples of those will also be beneficial.
- **10 MIN** discussing the future of marketing and the development of customer relationships. Remember your students have known an era without the Internet. Asking them how they would have developed relationships with their customers without the assistance of technology is a good way to get a discussion started on how marketing programs are developed. Then you can talk about how the advent of email and the Internet has opened the entire world for even a small retailer.

If time permits, revisit the question of “what is marketing?” The students should now have a greater appreciation of the science behind marketing, as well as the creativity necessary to develop successful marketing programs.

Students need to truly understand and internalize what it means to work in marketing, and to be a marketer, before they can proceed with the topics in this book. They need to do more than just memorize and repeat back a definition; they need to demonstrate understanding. So, a good way to start off the first class is to ask students how they would define marketing. Or, less formally, “How would you explain what marketing is to a friend who has never taken a marketing course?” (Variations: how would you explain it to your grandparents; how would you explain it to the Martians if they just landed on Earth and no nothing about us.)

At this stage, students are very apprehensive about the course. When they walked into class, they thought they might learn about selling and advertising, and now they've discovered that there is much more to marketing than just those two subjects. Talking about how much fun it is to be the centre of the company, and knowing more about customers than any other functional area in the company, can sometimes ease their minds and make them look forward to learning more. Emphasizing that marketing combines both the analytical and the creative can also ease some tension. The accounting and finance majors will find that there is something in it to suit their more analytical frame of reference, and the artists and designers who hope to become fashion mavens can also rest assured that although they will need to understand the more logical areas of the subject, their intuition can still reign supreme.

Finally, you might want to show the students the website of the Canadian Marketing Association, just to introduce them to the organization, and show them what it is. More teaching tips follow below, in conjunction with each content section of this chapter.

## Ideas for Activities and Assignments based on Opening Story (Joe Fresh)

The opening story is about grocery giant Loblaw's clothing line, Joe Fresh, which has become one of Canada's most successful apparel brands—a success attributed to the company's approach to marketing. The Joe Fresh brand creates value for customers, and in return it captures value from those customers, through the money they spend in the store, and the fact that they keep coming back.

The main retail segment, which operates under several grocery banners and the Joe Fresh clothing chain, had \$7.41 billion in sales, up 1.8 per cent or \$130 million from \$7.29 billion (Feb 20, 2014, CBC News, Canadian Press). The brand expanded its product line to include beauty and cosmetics in 2009 (which it rolled out in Shoppers' Drug Mart store in January 2016), and launched an ecommerce site in 2013. Joe Fresh is now set to expand to 140 more stores in 23 new countries to respond to customer demand and requests for more current service strategies.

You'll see this theme of creating customer value, to capture value in return repeated throughout the first chapter and throughout the text.

**Group discussion:** What some of the strategic marketing decisions (under the 4 P's of marketing) that Joe Fresh made that has led to their success?

**Some answers to look for:**

- **Distribution or P=place decision:** Locating the stores inside or beside Loblaw's grocery stores and creating e-commerce options
- **P=price decision:** Very low prices/affordable, so consumers can pick up a few things at the same time as groceries, without having to make a major shopping investment
- **P=product decision:** Constantly rotating stock so that people can visit every week and always see something new and adding in new diversified products such as shoes and cosmetics
- **P=promotion:** Brand name has a Canadian sound to it ("Joe") and the word fresh communicates what the brand stands for

**In-class group participation activity:** Joe Fresh was launched in 2006 and in less than 8 years has grown to become the largest apparel brand in Canada in terms of both units sold and dollars. Research (search online) the other top apparel brands in Canada. Collect data such as annual sales if possible.

## Ideas for Activities and Assignments based on M@W 1.1 (Canada Goose)

Canada Goose was the comprehensive case in the 4<sup>th</sup> Canadian edition of this textbook, so if you still have a copy, might want to use it for more ideas and material. Canada Goose is a brand that many Canadian students are familiar with, especially ones who come from, or live in, very cold parts of the country. But the brand has taken off rapidly in the last decade by marketing its made-in-Canada ethos and trendy goose down parkas with red, white, and blue circular patches to Europeans, who have flocked to the outerwear. Celebrities such as Toronto-born rapper Drake, Prime Minister Justin Trudeau, and model Kate Upton (on the cover of the 2013 *Sports*

*Illustrated* swimsuit edition, sporting nothing else) have been spotted donning the puffy coats. Even after it's sale to U.S. equity firm Bain, the President and CEO Dani Reiss still uses Canadian-made as the moniker for its brand dominance. "Made in Canada is extremely important, and extremely important to Canada Goose, and we've chosen partners to whom it is also extremely important to," Mr. Reiss said in an interview. "And I have no expectation that that's going to change. If I thought that it was going to change, I would not have done this deal." (*Retail and Marketing*, Dec. 2013)

**Group/class discussion:** Though the subject of branding isn't covered in detail until chapter 9, it is mentioned in this story so this is a good time to introduce it. The story says, "Canada Goose is a company that has always chosen its own path and stayed true to its brand." Ask students what they think that means, especially the part about staying true to a brand.

**Some points to look for:** A very good student might pick up on this point, quoted from the story: "Customers know what to expect when they buy a Canada Goose product." That, essentially, is what it means to be a brand—it is an identification that "signals" meaning to consumers, so they know what to expect. It's why people go into McDonald's when they're in interesting foreign countries. Brands *mean* something; they *stand for something* in the consumer's mind. Ask students what Canada Goose means to them. Ask them what Canada Goose stands for. Another quote they should pick up on is "Canada Goose... realized early on that having its clothes made in Canada was integral to the authenticity of its brand." Ask students what is meant by "authenticity" when it comes to a brand. Ask them what brands they feel are authentic, and which are not. (They will likely have strong opinions about this.) Other points they might mention about the Canada Goose brand are the fact that it still manufactures in Canada; the designs are all by Canadian designers; and the fact that CG uses animal products in an ethical, humane, and sustainable manner.

## **Ideas for Activities and Assignments based on M@W 1.2 (Life is Good, Inc.: Engaging Customers and Spreading Optimism)**

The example of Life is good illustrates how brands are more than a company's products, and how brands creating meaning beyond the product form and function.

**Group discussion: How would you describe Life is good's market offering?**

**Some answers to look for:**

- According to the text, a market offering is "some combination of products, services, information, or experiences offered to a market to satisfy a need or want." Students will easily identify t-shirts as their product. However, students should be challenged to identify the rest of the Life is good offerings and how they're part of the "product." This could include: 10% of profits to children's charity; consumer-generated marketing through the community of Optimists on Facebook, Twitter, Pinterest, and YouTube; Life is Good Radio, Lifeisgood.com, and the Life is good Festival.

**Research assignment:** What other brands are successful at engaging customers and in creating vibrant online communities? What do the brands have in common? What value do the brands deliver to customers, and what value does the brand get in return?

## **LO1: Define marketing and outline the steps in the marketing process.**

In addition to the introductory notes above, an important point for students to learn in this section is, “Sound marketing is critical to the success of every organization.”

Also, they need to understand that every business, every company, and every organization—even not-for-profit ones—exists for only one reason: to offer something to the market. (They usually have to chew on this idea for a while.) So therefore, logically, if a business exists to offer something to the market, how can they possibly exist without marketing? It is, arguably, the most important function of every business.

Students should memorize the steps of the marketing process (Figure 1.1) so that throughout the course they can fit every new thing they learn into this framework:

1. Understand the marketplace and customer needs and wants.
2. Design a customer-driven marketing strategy.
3. Construct an integrated marketing program that delivers superior value.
4. Build profitable relationships and create customer delight.
5. Capture value from customers to create profits and customer equity.

## **LO1: Assignments and Activities**

**Think-Pair-Share:** Consider the following questions, formulate an answer, pair with the student on your right, share your thoughts with one another, and respond to the questions from the instructor. These questions could also be given as out-of-class assignments:

1. Do marketers create needs?
2. How is marketing different from selling?
3. What are two companies with which you have an emotional bond? Describe that bond.

**Individual writing assignment:** What does the term “marketing” mean to you? (In other words, come up with your own definition of marketing.) Think about a car you would like to have (realistically) when you graduate. Write about how each phase of the marketing process is addressed by that particular car.

## **LO2: Explain the importance of understanding customers and the marketplace, and identify the five core marketplace concepts.**

**Customer Needs, Wants, and Demands:** Beyond simply memorizing these definitions, students should understand that, when it comes right down to it, we don’t *need* most of what we buy. We buy things because we *want* them.

**Market offerings:** As mentioned in LO1, every company is in business for one reason only: to offer something to the market for use, purchase, or consumption. Market offerings can be tangible products but they can also be services, information, and ideas. What, exactly, is a “product” is the topic of chapter 8.

**Marketing myopia:** This is not a term used in the modern world of marketing; it is a term coined by marketing scholar Theodore Levitt in his 1960 Harvard Business Review article with the same title. A good writing assignment for first time marketing students is to have them read the article and review and comment on it. It's a great way to get them thinking about what it really means to be a marketer. It also has the effect of making them realize that people have been thinking about marketing for a long time.

**Customer value and satisfaction:** Since students have been consumers their entire lives, ask them what these terms mean to them. What must marketers do to satisfy them as consumers? Marketing is, at its most basic, an **exchange** of value between sellers and buyers; and between producers and consumers. Whenever two parties engage in such an **exchange**, they have formed a **relationship**. Marketing is also about cultivating and sustaining those relationships.

A **market** is the set of all actual and potential buyers of a product. **The market** for any particular company or organization's offering is never "everybody." So "the market" refers to the set of actual and potential buyers of that specific product. This basic understanding of the "target market" is a foundation of marketing, and will be covered in more detail in chapter 7.

The "**marketing system**" refers to the way marketing fits into our modern society. Producers and suppliers create products but may offer them to more than one company (like retailers, for example). Those companies may use marketing intermediaries (covered in chapter 11) to help move those products through what are called "marketing channels" (also covered in chapter 11) until then end up in the hands of the final customer (which may be a consumer, or may be a business).

## LO2: Assignments and Activities

**Small group in-class participation exercise:** Have students brainstorm in small groups and jot down answers to the following questions. Have them hand in their work for participation points:

1. Why is it important to truly understand the customer? Make a list of 10 "wants" that you have. What would have to occur to move each of these from "wants" to "needs?"
2. Not everyone can be part of your market. Take a look at TSN's website. Who would you say is their market? Why?

**Individual research/writing assignment:** Talk to five people, varying in age from young adult to senior citizen, about their automobiles. Ask them what value means to them with regard to an automobile and how the manufacturer and dealer create such value. Write a brief report of what you learned about customer value. Note: One thing students should learn is that a customer buys from the firm that offers the highest customer-perceived value—the customer's evaluation of the difference between all the benefits and all the costs of a market offering relative to those of competing offers. Importantly, customers often do not judge value and costs "accurately" or "objectively." They act on *perceived* value.

**Class discussion or debate:** Marketing has been criticized because it makes people buy things they don't really need. Refute or support this statement.

**Some responses to look for:** The most basic concept underlying marketing is that of human needs. Human **needs** are states of felt deprivation. They include basic physical needs for food, clothing, warmth, and safety; social needs for belonging and affection; and individual needs for knowledge and self-expression. Marketers did not create these needs; they are a basic part of the human makeup. Wants are the form human needs take as they are shaped by culture and individual personality. Wants are shaped by one's society and are described in terms of objects that will satisfy needs. When backed by buying power, wants become demands. Given their wants and resources, people demand products with benefits that add up to the most value and satisfaction. For example, there is a physical need for hydration, and the consumer wants a Gatorade as the need satisfier. You might ask students why Gatorade? The answer might be that the consumer saw an ad, that a team/school had Gatorade available, or that the consumer prefers the taste. For Nike the need is a physical need for athletic shoes or the psychological need for status. For an Apple Watch, the need is likely hedonic more than utilitarian.

### **LO3: Identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.**

**Selecting customers to serve:** Reinforce with students the fact that there's no such thing as a product (or service, or idea) for "everyone," and that one of the very first, most basic, business decisions every organization needs to make is, "Whom shall we serve? (In other words, what kind of people will be our customers?)"

**Choosing a value proposition:** A company's (or organization's, or brand's) value proposition is the set of benefits or values it promises to deliver to customers to satisfy their needs. Essentially, it is the answer to the question, "Why are you in business?"

**Preparing an integrated marketing plan:** At this stage in the course, just introduce the idea to students that marketing activities require careful strategic planning. Most companies and organizations set out a one-year marketing plan at the beginning of each fiscal year—a detailed plan outlining all the marketing activities that will take place in the next 12 months.

### **Marketing Management Orientations**

The idea of the four marketing management orientations; the production concept, the product concept, the selling concept, and the marketing concept comes from a classic article by Robert J. Keith called "The Marketing Revolution," published in the *Journal of Marketing* in 1960. Along with the Levitt article mentioned in LO1, these two articles form the very foundations of modern marketing textbooks.

**Societal marketing** is something that can be a little unclear to students. Why should fast food chains, for instance, be responsible for the nation's obesity (just one very topical discussion point)? Understanding how one should balance the need for profits with what some might consider being "soft" issues can be difficult at times. And that can be made even more difficult among the politically astute students, as they can easily lead the class into a left versus right discussion on individual versus corporate versus governmental responsibility. Try to not let that happen, instead focusing on how companies can actually increase their revenue and profits by showing that they care about their customers and their communities.

What for many years in marketing textbooks has been called societal marketing is now giving way to the more modern concept of **sustainable marketing**, a term that different groups of people have different ideas of what it means. It would make for an interesting group discussion to have students research the meaning of the term, then come back and share their findings.

### LO3: Assignments and Activities

**Small group in-class participation exercise:** What are the five different marketing management orientations? Which orientation do you believe your school follows when marketing itself? Note to instructors: Students' responses will vary when discussing their school's marketing. Many students at a community college might feel a bit of the production concept, since the school provides affordable education for a large number of students. If a school tends to market very innovative programs and markets itself on its high standings and selectivity, students might see their university as following the product concept. The selling concept might come through if students feel their school has a strong recruitment program, which reaches many high school students. Students might mention the marketing concept if they feel the school is customer driven and bases its programs and offerings on student feedback. A few students might mention the societal marketing concept if their school offers programs or research that really helps society.

### LO4: Discuss customer relationship management and identify strategies for creating value *for* customers and capturing value *from* customers in return.

**Building customer relationships** is the fourth and most important step in the marketing process.

Building relationships can sometimes be easy to understand in a business-to-business transaction, but it can be much more difficult to comprehend in consumer businesses. Use examples such as Amazon.com that do a wonderful job of developing one-on-one relationships with millions of customers through their tracking of customer purchases and analysis of these purchases to recommend additional items. Ask students to discuss how they feel about the companies they buy from. Have any developed relationships with them that have made them loyal to the brand or store?

**Customer relationship management, or CRM**, is both the function of managing relationships (usually using software programs) and the general term for the type of software program used.

**Customer value**, or **customer-perceived value**, is what motivates customers to act on marketing information. They must perceive/believe that choosing your product or brand provides them with the most value for their cost (time, effort, and money spent).

**Customer satisfaction** is a measure of the degree to which what the customer gets matches their expectations. An important point to make with students is that a product/service doesn't have to be "excellent" or "high quality" in order to satisfy its customers. Many consumers shop at dollar stores and other discount stores, and are quite satisfied as customers.



**Levels of customer relationships:** **basic relationships** are the kind that major brands such as Nike have with their customers (consumers, that is; not their retailers, who are their business customers). Thousands, if not millions, of consumers own Nike products, but Nike does not have a database of their personal information, nor does it communicate with them personally. **Full partnerships** are the kind of relationship that Nike has with retailers such as Sport Chek.

Some of the **tools marketers use to build relationships** are: frequency marketing programs (like frequent flyer programs, or other loyalty cards); and club marketing programs, or creating “clubs” that reward “members” for their loyalty as customers.

**The changing nature of customer relationships** refers to the fact that few marketers today practice old-fashioned mass marketing. Modern marketers use software to analyze the profitability of the customers, and allow the unprofitable ones to fade away (in some cases actually “firing” them), while focusing on strengthening the relationship with the profitable ones. Customer-marketer **relationships are interactive**, as today’s customers can communicate more easily with marketers via social media and email, than they could 20 years ago, when the only way to communicate with a company was to send them a letter. This interaction has given rise to **consumer-generated marketing**, a very recent development in which brand exchanges created by consumers themselves—both invited and uninvited—are playing an increasing role in shaping brand experiences for consumers.

**Partner relationship management:** In addition to managing relationships with customers, marketers must also manage relationships with their business partners. (And sometimes partners are customers.) Some important business partners in almost every business are the members of the supply chain—a topic we’ll look at more closely in chapter 11.

**Capturing value from customers:** There are those who believe that good marketers must strive not to simply satisfy customers, but to *delight* them, for only a delighted customer will remain loyal. And customer loyalty is of supreme importance, because today’s marketers don’t look at customers in terms of one sale, they consider the **customer lifetime value**. Marketers today also want to increase their “share of customer,” that is, the share they get of the customer’s purchasing in their product categories. They also consider **customer equity**, or the combined customer lifetime value of all the company’s customers.

### **In-class “game show” activity with customer relationship groups**

Whenever a topic in the text requires the students to essentially memorize the meanings of a set of terms, a fun activity that will drill the terms into their heads so they never forget them, is the in-class game show activity.

In this case, use the four classifications of customer relationship groups: butterflies, true friends, strangers, and barnacles. You can also throw in some other terms from this chapter to make the game more complex and more interesting.

Prepare a set of questions ahead of time. The answer to each question must be one of the terms to be drilled. To make it interesting, you can mix it up; either read the questions, or show pictures of on slides that somehow represent the term. (For example, show an image of a butterfly, and the correct response is to give the definition, “A customer whose needs are a good fit with the company’s offerings, and who has a high profit potential.”) There should be at least 20 questions to make the game worthwhile.

Depending on the size of the class you might want to divide them in half and make it a two-team competition. Another way to do it is to break the class into two teams and have them create the questions and drill each other (less work for you, more active learning for them).

You can reward each correct answer with participation points. To make it truly fun for the students, use sound clips like a buzzer, or the music/sound effects from *Jeopardy!* where appropriate.

## LO4: Assignments and Activities

**In-class discussion or activity:** Think of a product or retailer to which you are loyal. What has caused this loyalty? What could a competing product/retailer do to break this loyalty?

**Small group participation exercise:** *Maclean's* is Canada's only weekly current affairs magazine. With over 2.8 million readers, *Maclean's* has managed to create considerable customer equity for this product. What is customer equity? Using the customer relationship groups in Figure 1.5, explain which group best describes *Maclean's* subscribers. Discuss other products or services that *Maclean's* could offer to grow its share of customer.

Suggested responses: Customer equity is the total combined customer lifetime values of all of the company's current and potential customers. As such, it's a measure of the future value of the company's customer base. Clearly, the more loyal the firm's profitable customers, the higher the firm's customer equity. Customer equity may be a better measure of a firm's performance than current sales or market share. It is difficult to put all subscribers under one of these labels but in this group you would definitely find *Maclean's* "True Friends" or individuals who have held a subscription for years and are loyal followers who pay their annual subscription bill and support the magazine in good times and bad. There are probably a significant amount of "Butterflies" or individuals who are a good fit and probably purchase the magazine sporadically in the newsstands and have recently signed up to a limited promotional subscription for a 3-6 month period. Converting them into true friends is the challenge. Perhaps this can be achieved by offering some advanced online options that better suit their needs or lifestyle. Today new delivery devices, such as the iPad, can provide a new dynamic manner to deliver magazine content.

**Debate:** Is it possible to take his idea of "the customer is always right" too far so that it becomes a negative on the company? Why or why not?

**Group discussion:** Explain the difference between *share of customer* and *customer equity*. Why are these concepts important to marketers?

**Share of customer** is the share a business gets of the customer's purchasing in their product categories. For example, consumers purchase financial services from banks and other financial institutions such as insurance companies. Many insurance companies now offer banking and investment services to capture a greater share of an individual consumer's purchases of these offerings. Increasing share of customer is one way to increase a customer's lifetime value—the value to a company of a satisfied, loyal customer over his or her lifetime. To increase share of customer, firms can offer greater variety to current customers or create programs to cross-sell and up-sell in order to market more products and services to existing customers. **Customer equity** is the total combined customer lifetime values of all of the company's current and

potential customers. Clearly, the more loyal the firm's profitable customers, the higher the firm's customer equity. Customer equity may be a better measure of a firm's performance than current sales or market share. Whereas sales and market share reflect the past, customer equity suggests the future.

Understanding these concepts is important to marketers because developing marketing activities that create value for customers should, ultimately, create value in return, in the form of current and future sales, market share, and profits. By creating superior customer value, the firm creates highly satisfied customers who stay loyal and buy more. This, in turn, means greater long-run returns for the firm.

### Calculating the Lifetime Value of a Customer

How much are you worth to a given company if you continue to purchase its brand for the rest of your life? Many marketers are grappling with that question, but it's not easy to measure. Calculating customer lifetime value can be very complicated. Intuitively, however, it can be a fairly simple net present value calculation. To determine a basic customer lifetime value, each stream of profit is discounted back to its present value (PV) and then summed. The basic equation for calculating net present value (NPV) is:

$$NPV = \sum_{t=0}^N \frac{C_t}{(1+r)^t}$$

Where,

$t$  - time of the cash flow

$N$  - total customer lifetime

$r$  - discount rate

$C_t$  - net cash flow (the profit) at time  $t$  (The initial cost of acquiring a customer would be a negative profit at time 0.)

NPV can be calculated easily on most financial calculators (which can also be found online). For more discussion of the financial and quantitative implications of marketing decisions, see Appendix 3, Marketing by the Numbers.

**Question:** Assume that a customer shops at a local grocery store spending an average of \$150 a week and that the retailer earns a 5 percent margin. Using the calculator found at the website given above, determine the customer lifetime value if this shopper remains loyal over a 10-year life-span, assuming a 5 percent annual interest rate and no initial cost to acquire the customer.

**Answer:** A customer who shops at this store and spends an average of \$150 a week will spend \$7,800 per year (one year = 52 weeks). At a 5 percent margin, this customer yields \$390 per year for this retailer ( $\$7,800 \times 0.05 = \$390$ ). Over a 10-year life span of shopping at this store, with a 5 percent annual interest rate and no initial cost to acquire this customer, this customer is worth over \$3,000 in profits.

**Question:** Discuss how a business can increase a customer's lifetime value.

**Answer:** Revenues, costs, and retention are the most important variables that a business can influence. Companies can increase revenues generated by a customer by increasing sales of current products, cross selling, and up selling (that is, increase customer share). Cross selling is offering other products to current customers. Up selling is encouraging customers to “trade-up” to more profitable offerings of the company. For example, the retailer can encourage customers to purchase gourmet food items or higher-margin non-food products, such as health and beauty aides. Another way to increase revenues generated by a customer is through referrals to others. Reducing costs in order to increase margins is another way to increase customer lifetime value. Finally, a business can increase a customer's life—that is, retain them as loyal customers for a longer period.

**Question:** Select a retailer and calculate how much you are worth to that retailer if you continue to shop there for the rest of your life (your customer lifetime value). What factors should you consider when deriving an estimate of your lifetime value to a retailer? How can a retailer increase your lifetime value?

**Answer:** Students can select any store of their choice but they should consider factors such as marketing costs to attract and keep them as a customer, the length of time they are a customer, and the revenues they generate for the retailer. Most students may not consider the time value of money, so a discussion of a simple calculation of customer lifetime value using the equation below would be useful.

### **LO5: Describe the major trends and forces that are changing the marketing landscape in this age of relationships.**

This section looks at five major developments: the digital age, the changing economic environment, the growth in not-for-profit marketing, rapid globalization, and the call for more ethics and social responsibility. As a group discussion, encourage them to now consider these subjects from the point of view of the marketer:

**The digital age:** By 2016, more than 40 percent of the world's population will be online.

At the most basic level, marketers set up company and brand websites that provide information and promote the company's products. Beyond brand websites, most companies are also integrating social and mobile media into their marketing mixes.

**The changing economic environment:** The global economic downturn of 2008-2009 has seen consumers getting thrifty (and the rise of the sharing economy) while marketing budgets get slashed.

**The growth of not-for-profit marketing** has changes the way all marketers think about customers and customer relationships.

The move towards **globalization**, and the ease with which marketers can communicate with customers all over the world, has changed the nature of marketing and the nature of customer relationships.

Consumers have demanded **sustainable marketing and more socially responsible marketing**, and marketers are responding to the call.

## Boston Pizza Comprehensive Case—Questions and Answers

### 1. What is Boston Pizza's value proposition?

**Answer:** A brand's value proposition is the set of benefits or values it promises to deliver to customers to satisfy their needs. A good value proposition is what differentiates one brand from another. Boston Pizza's value proposition is a fun, affordable dining experience with a sports bar theme.

### 2. Does Boston Pizza's value proposition extend beyond customers and into the community in which it has a location?

**Answer:** Boston Pizza benefits the community in which it is located by being a part of the local economy (usually the franchisees are local too), and by supporting local sports teams and charities.

### 3. To which marketing segments does Boston Pizza appeal?

**Answer:** Boston Pizza has two distinct market segments: Canadian suburban families (particularly those with kids who play sports) are the core of the dining segment; Canadian sports enthusiasts, particularly men, are the target for the sports bar side of the restaurant.

## End of Chapter Materials

### Discussion Questions

#### 1. Define marketing and outline the steps in the marketing process. (AACSB: Written and oral communication)

**Answer:** *Marketing* as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return. Figure 1.1 presents a simple, five-step model of the marketing process. In the first four steps, companies work to understand consumers, create customer value, and build strong customer relationships. In the final step, companies reap the rewards of creating superior customer value.

#### 2. What is marketing myopia and how can it be avoided? (AACSB: Written and oral communication; Reflective thinking)

**Answer:** Many sellers make the mistake of paying more attention to the specific products they offer than to the benefits and experiences produced by these products. These sellers suffer from *marketing myopia*. They are so taken with their products that they focus only on existing wants and lose sight of underlying customer needs. They forget that a product is only a tool to solve a consumer problem. Smart marketers look beyond the attributes of the products and services they sell. By orchestrating several services and products, they create *brand experiences* for consumers

**3. What is customer-engagement marketing and how is it related to the surge in digital and social media technologies?** (AACSB: Written and oral communication; Reflective thinking)

**Answer:** Yesterday's companies focused mostly on mass marketing to broad segments of customers at arm's length. By contrast, today's companies are using online, mobile, and social media to refine their targeting and to engage customers more deeply and interactively. The *old marketing* involved marketing brands *to* consumers. The *new marketing* is *customer-engagement marketing*—fostering direct and continuous customer involvement in shaping brand conversations, brand experiences, and brand community. Customer-engagement marketing goes beyond just selling a brand to consumers. Its goal is to make the brand a meaningful part of consumers' conversations and lives. Today's greater consumer empowerment means that companies can no longer rely on marketing by *intrusion*. Instead, they must practice marketing by *attraction*—creating market offerings and messages that engage consumers rather than interrupt them. Hence, most marketers now augment their mass-media marketing efforts with a rich mix of online, mobile, and social media marketing that promotes brand-consumer engagement and conversation.

**4. What is consumer-generated marketing? Describe examples of both invited and uninvited consumer exchanges.** (AACSB: Written and oral communication; Reflective thinking).

**Answer:** A growing part of the new customer dialogue is *consumer-generated marketing*, by which consumers themselves are playing a bigger role in shaping their own brand experiences and those of others. This might happen through uninvited consumer-to-consumer exchanges in blogs, video-sharing sites, and other digital forums. At times, these exchanges are not always positive (for example, conduct a search using “I hate...” with any company name to see numerous negative comments). But increasingly, companies are *inviting* consumers to play a more active role in shaping products and brand messages. The chapter describes many examples, and students should be encouraged to find more recent ones.

**5. Discuss trends impacting marketing and the implications of these trends on how marketers deliver value to customers.** (AACSB: Written and oral communication)

**Answer:** The major changes in the marketplace are: (1) the digital age, (2) the changing economic environment, (3) the growth of not-for-profit marketing, (4) rapid globalization, and (5) the call for more ethics and social responsibility. The explosive growth in digital technology has fundamentally changed the way we live—how we communicate, share information, access entertainment, and shop. Beyond brand Web sites, most companies are also integrating social and mobile media into their marketing mixes. The Great Recession of 2008 in the United States caused many customers to rethink their spending priorities. In response, companies have aligned their marketing strategies with the new economic reality, emphasizing the *value* in their value propositions. Marketing also has become a major part of the strategies of many

not-for-profit organizations, such as colleges, hospitals, churches, and so on that provide value. Sound marketing can help them attract membership and support. In an increasingly smaller world, companies are now connected *globally* with their customers and marketing partners. Finally, as the worldwide consumerism and environmentalism movements mature, today's marketers are being called to develop *sustainable marketing* practices. Corporate ethics and social responsibility have become hot topics for almost every business, and more forward-looking companies readily accept their responsibilities to the world around them.

## Critical Thinking Exercises

1. **Select a publically-traded company and research how much was spent on marketing activities in the most recent year of available data. What percentage of sales does marketing expenditures represent for the company? Have these expenditures increased or decreased over the past five years? Write a brief report of your findings.** (AACSB Written and oral communication; Analytical thinking)

**Answer:** Students' responses will vary depending on the company selected. For consistency across students, instructors may want to assign specific companies from databases that may be available online or through the school library. It would be interesting to have different students research competing companies in an industry, such as Walmart and Target, to compare results.

2. **Go to a company's, organization's, or specific brand's website that has a link to Facebook, Google+, YouTube, Twitter, and/or Pinterest. Click on the links and describe how that company is using social media to market its products. Evaluate its effectiveness in creating customer engagement.** (AACSB: Written and oral communication; Information technology; Reflective thinking)

**Answer:** Students' examples will vary and instructors may want to assign specific companies or organizations to get a broad array of examples. While some websites have links to social media, they don't seem to have much content or interaction, which may be due to the nature of the product, company, or organization. However, others use social media extensively. For example, the website for Philadelphia Cream Cheese has links to Pinterest, Facebook, Twitter, and YouTube. The YouTube site has "How-To Recipe" videos and viewers can subscribe to the site as well as other related sites featured on the page for more interaction with the company/brand. The Pinterest site has hundreds of recipes that have Philadelphia Cream Cheese as an ingredient that get repined by others on the social media site.

3. **Search the Internet for salary information regarding jobs in marketing from a website such as [www.simplyhired.com/a/salary/search/q-marketing](http://www.simplyhired.com/a/salary/search/q-marketing) or a similar site. What is the national average salary for five different jobs in marketing? How do the averages compare in different areas of the country? Write a brief report on your findings.** (AACSB: Written and oral communication; Information technology; Reflective thinking)

**Answer:** In 2013, the nationwide average salary for marketing jobs was \$63,000 and ranged from \$29,000 for marketing assistants to \$179,000 for sales directors. In California, however, the average salary was \$71,000 and salaries were \$33,000 and \$203,000 for assistants and sales directors, respectively. Some other salary sites are: [www.cbsalary.com/salary\\_calculator\\_results.aspx?kw=Marketing&jn=jn009&ns=1&cbRecursionCnt=1&cbsid=2cb725a319c6405d9703c78489cb9fdf-333996312-wt-6](http://www.cbsalary.com/salary_calculator_results.aspx?kw=Marketing&jn=jn009&ns=1&cbRecursionCnt=1&cbsid=2cb725a319c6405d9703c78489cb9fdf-333996312-wt-6) and [http://marketinghire.salary.com/salarywizard/layoutscripts/swzl\\_newsearch.asp](http://marketinghire.salary.com/salarywizard/layoutscripts/swzl_newsearch.asp).

## Online, Mobile, and Social Media Marketing: Xbox One

Eight years after the launch of its wildly successful Xbox 360, Microsoft finally announced its new Xbox One to be released at the end of 2013. The company is hoping the new console will turn around its 71 percent plunge in profits in 2012. The Xbox One touts a blue-ray video player, voice-activated on-demand movies and TV, Skype calling, and social media integration. Smart-TV features will customize menus for each player and tailor content for individual users. Xbox Live's 48 million members will be able to interact on social media during special televised events such as the Olympics, Super Bowl, Oscars, and other special programming. Games will have greater artificial intelligence, enabling players to feel like the virtual athletes are making decisions on their own. Sports data such as daily performance and injury updates will feed into online games, such as *Madden NFL*, mirroring its real-world counterpart. Players will be able to augment live televised games with fantasy football stats that can be shared with friends via Skype and Microsoft's Smart-Glass apps. One thing the Xbox One won't be able to do is play old games. Competitor Sony plans to come out with its PlayStation 4 that will have touch-sensors in its controller and allow players to play any game—current or old—instantly over the Internet. Both companies are banking on more digital and social media applications to save them from the fate competitor Nintendo faced with its failed Wii U console introduced in 2012.

1. **Debate whether these new features in game consoles are enough to survive against the growth of smartphone and tablet apps that offer free or inexpensive games.**

(AACSB: Written and oral communication; Reflective thinking)

**Answer:** Students' response will vary. The game console industry has suffered as a result of the growth of smartphones and tablets. Microsoft seems to be moving more toward television and movie streaming integration with its Xbox One and not relying only on games. However, smartphones and tablets also have these features. Probably the biggest advantage of the game consoles is that they are connected to a much larger screen than those found on smartphones and tablets.

2. **Brainstorm three new game console features incorporating digital, mobile, or social media technology to encourage consumer interaction and engagement with gaming.**
- (AACSB: Written and oral communication; Reflective thinking)

**Answer:** Students' responses will vary and are limited only by their imaginations.



## Think Like a Marketing Manager: Boathouse

The 5<sup>th</sup> edition of the textbook featured West 49, while the 6<sup>th</sup> edition features Boathouse; both stores feature similar skate and surf-inspired brands with more than 70 locations across Canada and online stores. Students are likely familiar with both stores, but the trick is to get them to think about Boathouse from the perspective of a marketing manager, rather than a consumer.

- 1. Suppose you are the marketing manager at Boathouse. How would you describe your value proposition?**

**Answer:** What you are looking for here is the students' ability to phrase a value proposition, that is, to state what the company offers of value to the market. Boathouse is a retailer that offers a broad range of apparel, footwear, accessories and equipment to meet the needs of the youth action sports lifestyle.

- 2. What specific elements of Boathouse's website and social media presence helps create customer loyalty? What other ways could the company build relationships with its customers?**

**Answer:** The website is quite interactive and clearly geared towards a youth market which enjoys active sports such as skateboarding. There is a blog, an email newsletter, links to "join over 65,000 community members" on Instagram, Facebook, twitter, and Pinterest.

## Marketing Ethics

With two-thirds of adults and one-third of school-aged children in the United States overweight or obese, New York City mayor, Michael Bloomberg, took action against the soft drink industry. Mayor Bloomberg banned big sugary drinks such as 7-11's mammoth 32-ounce "Big Gulp." The ban put a 16-ounce cap on fountain and bottled drinks sold at restaurants, theaters, and sporting events. While it applied to drinks having more than 25 calories per 8-ounces, it did not apply to 100 percent juice or milk-based beverages. Establishments serving fountain drinks feared a significant revenue drop because these drinks are often marked up 10 to 15 times their cost. Many consumers opposed the ban because they perceived it as further encroachment of the "nanny state." Even though this ban did not go into effect because a judge ruled that Mayor Bloomberg did not have jurisdiction to impose such a ban, he has already banned smoking in public parks and trans fats in restaurant foods, and required chain restaurants to include calorie information on menus. New York is not the only city taking action. The San Francisco city council passed the Healthy Food Incentive Ordinance, banning toys inside children's meals that do not meet strict nutritional standards. This leads many to ask, "What's next?"

- 1. Should marketers embrace the societal marketing concept with respect to foods or products that could be harmful to consumers? Discuss an example of a company embracing the societal marketing concept with respect to the obesity epidemic. (AACSB: Written and oral communication; Ethical understanding and reasoning)**

**Answer:** Students' opinions will vary. The *societal marketing concept* questions whether the pure marketing concept overlooks possible conflicts between consumer *short-run wants* and consumer *long-run welfare*. Is a firm that satisfies the immediate needs and wants of target markets always doing what is best for its consumers in the long run? The societal marketing concept holds that marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's *and the society's* well-being.

One example of a company embracing the societal marketing concept is Disney. The company is eliminating ads for sugar-laden drinks, snacks, and candy on the Disney TV channels, radio station, and websites by 2015.

## Marketing by the Numbers

Consumer consumption makes up a large portion of the U.S. gross domestic product (GDP). The American Customer Satisfaction Index (ACSI) is an economic barometer of consumers' satisfaction with goods and services across many sectors of the economy. The company that produces the index interviews nearly 80,000 Americans annually to create a national, sector, industry, and company satisfaction index. The ACSI benchmarks ten economic sectors, forty-three industries, and hundreds of companies and federal and local government sectors. While sales and profit data are historical, the ACSI is considered a leading economic indicator of macroeconomic growth. Marketers use this index to measure the pulse of the consumer. Research has shown it to be a predictor of GDP and Personal Consumption Expenditure (PCE) growth and even stock market performance.

1. **Visit [www.theacsi.org/](http://www.theacsi.org/) and learn about the American Customer Satisfaction Index (ACSI). Write a report explaining the index and compare indices for five different industries along with the national average. Are there differences in customer satisfaction among industries? Explain why or why not.** (AACSB Written and oral communication; Information technology; Reflective thinking)

**Answer:** Students' responses will vary, depending on when they access the website. Useful information explaining the index can be found on this website, with the Frequently Asked Questions being the easiest to understand (see Useful Information on ACSI (FAQs): [www.theacsi.org/about-acsi/frequently-asked-questions#what\\_is](http://www.theacsi.org/about-acsi/frequently-asked-questions#what_is)).

Clicking on the "ACSI Results" tab ([www.theacsi.org/acsi-results/acsi-results](http://www.theacsi.org/acsi-results/acsi-results)) along the top provides considerable information. Students can click on the links on the right side of that page to access the most recent data, benchmarks by company, benchmarks by industry, national customer satisfaction benchmarks, and government benchmarks. The reports provide all data available since 1994.

Analyses of industry benchmarks reveal that durable and non-durable goods score higher than do services or government. This could possibly be due to more quality control in manufacturing of goods compared to the human interaction involved in services. Lower satisfaction scores for government services could also be due to the monopolistic nature of these services.

2. **The Customer Satisfaction Index (CSI) is measured similarly in other countries. Find another country's CSI and compare results to the American Customer Satisfaction Index (ACSI). Are U.S. consumers more or less satisfied than consumers in the other country? Are trends in the national score similar?**  
(AACSB: Written and oral communication; Information technology; Reflective thinking)

**Answer:** Students' responses will vary. The CSI is measured in several other countries, including Great Britain, Puerto Rico, Turkey, Mexico, Indonesia, Barbados, and Colombia. For example, information on the UK Customer Satisfaction Index (UKCSI) can be found at [www.instituteofcustomerservice.com/10560/UK-CustomerSatisfactionIndexUKCSI.html](http://www.instituteofcustomerservice.com/10560/UK-CustomerSatisfactionIndexUKCSI.html), and the January 2013 report can be found at [www.instituteofcustomerservice.com/files/UKCSI\\_Jan2013\\_Exec\\_Summary\\_3.pdf](http://www.instituteofcustomerservice.com/files/UKCSI_Jan2013_Exec_Summary_3.pdf).

In January 2013, the Overall UKSCI was 78.2, whereas the National ACSI was 76.6 in the United States. Therefore, UK consumers were more satisfied than U.S. consumers. Both countries' scores were trending upward from previous quarters.

### **End-of-Chapter Case: Pinterest**

All questions are discussion questions, so students' answers will vary based on their opinion. To keep the discussion going, always ask a follow-up question; ask the student to explain their thinking; then ask the other students if they agree or disagree. Before beginning the discussion, you might have students do online research to find out what's new with Pinterest.

1. **Analyze the forces in the marketing environment that have contributed to Pinterest's explosion in popularity.**
2. **Why has Pinterest demonstrated such a high influence on consumers' decision to purchase products?**
3. **Discuss ways that companies can use Pinterest to build their own brands and generate sales.**
4. **What are some threats that Pinterest faces in the future? Give recommendations for dealing with those threats.**

### **More Ideas for In-class Activities and Assignments Based on Chapter 1**

#### **Individual assignment (comprehensive marketing: Sea Ray Sports Boats)**

The purpose of this assignment is to make students consider all of the basic marketing questions with respect to a product/industry/marketplace that most of them are probably unfamiliar with, but that is also fun and engaging—speed boats. This can be done as an individual homework assignment requiring a formal written hand-in, or blog post with links. It can also be done as a small group in-class exercise for participation points (require either an informal hand-in, or a short informal presentation):

Find and examine the website of Sea Ray Sports Boats. Click on the link that says Build My Sea Ray, and build the boat of your dreams. If you won the lottery tomorrow and could buy this boat, how, exactly, would you do so? Now that you've experienced Sea Ray from the point of

view of the consumer, consider it from the point of view of the marketer. What needs, wants, and demands is Sea Ray attempting to fill? What does Sea Ray offer to the market? What is Sea Ray's value proposition? Briefly describe the market for Sea Ray products in general, and describe a typical customer in as much detail as possible (use your imagination).

**Some answers to look for:** Sea Ray is primarily appealing the wants. Wants are the form human needs take as they are shaped by culture and individual personality. They are providing products that allow people the opportunity to escape their everyday lives and existences. These are not traditional needs they are appealing to. No one needs a boat to sustain his or her existence. Remember, human needs are states of felt deprivation. Market offerings are some combination of products, services, information, or experiences offered to a market to satisfy a need or want. Sea Ray provides a wide range of boats designed to satisfy the divergent wants of their target market. Through a review of the website, you will realize that Sea Ray makes a strong effort to maintain close relationships with their customers. The annual AquaPalooza is one good example of Sea Ray's relationship building efforts. Sea Ray's markets are quite varied. Depending on the size and type of boat, their markets cover from the casual family weekend boater to the successful business or corporate type looking for a crewed yacht.

### **Individual or group assignment (marketing ethics)**

On the topic of ethics in marketing, consider the following questions: Did you drive a car today? Use a laptop computer? Buy a product in a store? If so, you emitted carbon dioxide (CO<sub>2</sub>) and created a carbon footprint. All of us do that every day. Individuals and companies emit carbon dioxide in everyday activities. Many consumers feel bad about doing this; others expect companies to take action. What's the answer? Reducing carbon emissions is one solution, but another one is to offset your carbon emissions by purchasing carbon offsets and renewable energy certificates (RECs)—forms of "emission trading." Individual consumers do this, and companies are flocking to purchase carbon offsets for themselves or to offer them to their customers, resulting in an estimated US\$100 million annual market. And experts predict exponential growth over the next few years. Airlines routinely offer flyers the option of paying a few extra dollars to offset their carbon emissions. For example, in partnership with Zerofootprint, Air Canada has launched the "carbon offset program" for individual and corporate travelers. Since it began in 2007, Air Canada customers have contributed nearly \$250 000, resulting in over 150 000 tonnes of CO<sub>2</sub> offset: roughly equivalent to planting over 3000 trees or taking 3700 cars off the road for a year!

**Q:** Learn more about carbon offsets and discuss four examples of how businesses are using them. In your opinion, are these companies embracing the societal marketing concept?

**A:** Carbon offsets occur when an individual or business pays money to offset the carbon emissions resulting from their activities. Some examples of companies offering these to customers are Dell, General Electric, Volkswagen, Allstate, and most airlines, to name only a few. Delta Airlines, for instance, offers customers offsets for \$5.50 on domestic flights and \$11 on international flights. Volkswagen gave its customers free carbon credits that would offset their carbon emissions for one year of driving and offered more years for consumers to purchase. Most companies turn to third parties, such as Carbonfund.org and TerraPass, to broker these exchanges. These organizations purchase offsets for companies and individuals to counter their emissions, thus becoming "carbon-neutral."

**Q:** One criticism of carbon offsetting is that companies are not really helping the environment by changing their own behaviour. Instead, they're merely buying "environmental pardons." Recently proposed legislation, referred to as "cap and trade," argues that the marketplace will cause a reduction in pollution. Do you think carbon offsets are a responsible solution to environmental concerns? Write a brief essay debating this issue.

**A:** Students' opinions will vary as there is considerable controversy surrounding emission trading and carbon offsets. The "environmental pardons" criticism is a valid one. However, the other side of the coin is that the offsets money is put into efforts that truly reduce CO<sub>2</sub> levels around the world, and that benefits the entire planet. Another issue is that many projects receiving funding would have taken place without the additional funding from carbon offsets, which means the condition of "additionality" set by the United Nations is not met. Some interesting articles on this topic are "Another Inconvenient Truth" in *BusinessWeek* magazine, March 25, 2007; and "The Big Chill on Carbon Offsets" in *The Christian Science Monitor*. Students should find more articles on the subject, and should be trained to always question the credibility of the source.

### **Individual or group assignment (consumer-generated marketing)**

Consumer-generated marketing is also known as consumer-generated media and consumer-generated content. More than 100 million websites contain user-generated content. If you've ever posted something on a blog, reviewed a product at Amazon.com, uploaded a video on YouTube, or sent a video from your mobile phone to a news website, you have contributed content (and you are a consumer). This force has not gone unnoticed by marketers, and with good reason. Nielsen, the TV ratings giant, found that most consumers trust consumer opinions posted online. As a result, savvy marketers encourage consumers to generate content. For example, Coke has more than 3.5 million fans on Facebook, mothers can share information at Pamper's Village, and Dorito's scored a touchdown with consumer-created advertising during the past several Super Bowls. Apple even encourages iPhone users to develop applications for its device. However, consumer-generated marketing is not without problems—just check out the Diet Coke/Mentos videos or just search "I hate (insert company name)" in any search engine!

**Q:** Find two examples (other than those discussed in the chapter) of marketer-supported consumer-generated content, along with two examples of consumer-generated content that is not officially supported by the company whose product is involved. Provide the Web link to each and discuss how the information impacts your attitude toward the companies involved. List and briefly describe the advantages and disadvantages of consumer-generated marketing.

**A:** Students are probably quite familiar with consumer-generated content from their own experience, but they should also search for "consumer-generated media," "consumer-generated content," and "consumer-generated marketing" on Google and in your library's database. Some advantages include consumers think outside the box, consumer-generated marketing generates excitement among consumers, and consumers trust other consumers. However, disadvantages include lack of control by the marketer, perceptions that consumer-generated content on a company's website is merely propaganda, and unintended consequences if products are used improperly.

**Individual or group assignment (self-serve marketing)**

**Q:** Find and examine the website of The Kiosk Factory. What would be an industry that you would target for integrating self-serve technology?

**A:** This is a wonderful open-ended question that provides the students with an opportunity to be creative, as well as to apply marketing concepts to real situations. Suggest some industries, and ask whether they think it's possible to offer self-service, and if so, how would it work? Some suggestions: fast food restaurants, regular eat-in restaurants, hotels, car repair shops, and hospitals. Some might sound ridiculous, but ask the students to consider whether any level of self-service might be provided. Fifty years ago the idea of a self-service grocery store checkout and a bank machine would have sounded ridiculous, too.

**Small group participation exercise (not-for-profit (NFP) marketing)**

As previously mentioned, most students walk into their first marketing class thinking they'll learn about advertising or sales. By the end of their first class they're probably overwhelmed with processing all the new ways of looking at marketing, and working it into their existing schema as a consumer. So throw them one more curve: consider that marketing is not only done by companies that sell products for a profit. Marketing is also done by charities and other not-for-profit organizations.

Think of a not-for-profit organization—if possible, one that you are familiar with, like Scouts Canada, or a minor league hockey team or other sports organization, or a church, or a charity—and find the organization's website. Examine the website, and discuss the following questions with the group. Jot down answers and present to the class.

1. What does your organization offer to the market?
2. Who are the typical customers of your organization? (There may be more than one group of "customers" or "users.")
3. What is the value proposition of your organization?
4. Does your organization follow the marketing concept, or some other marketing orientation like the product concept? Do you think they are doing this deliberately, or by accident?
5. Do you think this organization wants to grow its customer base? If so, do you think its website is doing a good job of reaching and communicating with prospective new customers?