

Chapter 1

MARKETING: CREATING AND CAPTURING CUSTOMER VALUE

CHAPTER OVERVIEW

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In this chapter, we introduce the basic concepts of marketing. It starts with the question, “What is marketing?” Simply put, marketing is managing profitable customer relationships. The aim of marketing is to create value *for* customers and to capture value *from* customers in return. Next is discussed the five steps in the marketing process – from understanding customer needs, to designing customer-driven marketing strategies and programs, to building customer relationships and capturing value for the firm. Finally is discussed the major trends and forces affecting marketing in this age of customer relationships.

CHAPTER OBJECTIVES

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1. Define marketing and outline the steps in the marketing process.
2. Explain the importance of understanding customers and the marketplace, and identify the five core marketplace concepts.
3. Identify the key elements of a customer-drive marketing strategy and discuss the marketing management orientations that guide marketing strategy.
4. Discuss customer relationship management, and identify strategies for creating value *for* customers and capturing value *from* customers in return.
5. Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

CHAPTER OUTLINE

P. 3 & 4	<p>Chapter One Vignette Running Room – A Passion for Creating Customer Value and Relationship</p> <p>Founded in Edmonton in 1984 by John Stanton, Running Room has grown to over 110 locations across Canada and the United States. While exact sales numbers are not available for this family-owned business, some analysts estimate sales of over \$100 million annually.</p> <p>In 2004, Stanton announced the opening of Walking Room, which allowed the company to grow into smaller Canadian markets, such as Sudbury, Ontario, and Fredericton, New</p>	
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	<p>Brunswick, which would not have been financially feasible. “Dealing with walkers of all ages was a huge learning curve for us. We discovered we weren’t talking to walkers who would eventually become runners. Walkers made it clear to us that walking was their sport and that they had no intention of ever becoming runners.</p> <p>Running Room’s success can be summed up in one word: relationships. The deep connections cultivated among the owner and company, customers, and the broader community are the driving force behind Running Room’s success.</p> <p>Running Room’s success is based on their “value oriented” marketing strategy: Running Room offers an incredible number of clinics such as Walking, Learn to Run, Marathon, Half Marathon, 10K Training, Personal Best, and For Women Only Running Clinics. The tremendous success of these clinics is evident from the more than 800 000 clinic graduates to date.</p> <p>Running Room is also actively involved in building strong relationships in the community. Running Room sponsors and helps organize and promote more than 400 walks, runs, and events that annually raise millions of dollars for local charities and not for-profit organizations.</p> <p>Running Room has done a fantastic job ensure “customer value” to its clients in Canada and the United States!</p>	
	<p>➤ Opening Vignette Questions</p> <ol style="list-style-type: none"> 1. Did Running Rooms philosophy of asking the client what they want pay off? Why or Why not? 2. What marketing “segment(s)” does the Running Room pursue? 3. How does the Running Room provide value to its clients? 	
P. 5	<p>WHAT IS MARKETING?</p> <p>A simple definition of marketing is <i>managing profitable customer relationships</i>.</p> <p>Marketing must both attract new customers and grow the current customers.</p> <p>Every organization must perform marketing functions, not just for-profit companies.</p>	

<p>P. 5</p> <p>PPT 1-3</p>	<p>Non-profits (colleges, hospitals, churches, etc.) also must also perform marketing.</p> <p>Marketing Defined</p> <p>Most people think of marketing as selling and/or advertising—“telling and selling.”</p> <p>Marketing must focus on satisfying customer needs.</p> <p>We define marketing as the process by which companies create value for customers and build strong customer relationships to capture value from customers in return..</p>	<p>P. 5 Key Term: Marketing</p>
<p>➤ Assignments, Resources <i>Use Discussing the Concepts 1 here</i> <i>Use Application Question 1 here</i> <i>Use Web Resource 1 here</i></p> <p>➤ Troubleshooting Tip 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.</p>		
<p>P. 6</p> <p>PPT 1-4</p>	<p>The Marketing Process</p> <p>Figure 1-1 shows the five-step marketing process.</p> <ol style="list-style-type: none"> 1. Understand the marketplace and customer needs and wants. 2. Design a customer-driven marketing strategy. 3. Construct a marketing program that delivers superior value. 4. Build profitable relationships and create customer delight. 5. Capture value from customers to create profits and customer quality. <p>In the first four steps, companies work to understand consumers, create customer value, and build strong</p>	<p>Objective 1</p> <p>P. 6 Figure 1.1: A Simple Model of the Marketing Process</p>

	<p>customer relationships.</p> <p>In the final step, companies reap the rewards of creating superior customer value. By creating value <i>for</i> consumers, they in turn capture value <i>from</i> consumers in the form of sales, profits, and long-term customer equity.</p>	
<p>➤ Assignments, Resources Use Think-Pair-Share 1 here</p>		
<p>P. 6</p> <p>PPT 1-4</p> <p>P. 6</p> <p>PPT 1-7</p>	<p>UNDERSTANDING THE MARKETPLACE AND CUSTOMER NEEDS</p> <p>Five core customer and marketplace concepts are critical: (1) <i>needs, wants, and demands</i>; (2) <i>marketing offers (products, services, and experiences)</i>; (3) <i>value and satisfaction</i>; (4) <i>exchanges and relationships</i>; and (5) <i>markets</i>.</p> <p>Customer Needs, Wants, and Demands</p> <p>The most basic concept underlying marketing is that of human needs.</p> <p>Human needs are states of felt deprivation. They include <i>physical, social, and individuals</i> needs. These needs were not created by marketers; they are a basic part of the human makeup.</p> <p>Wants are the form human needs take as they are shaped by culture and individual personality. A Canadian <i>needs</i> food but <i>wants</i> a breakfast sandwich and a large double-double from Tim Hortons.</p> <p>When backed by buying power, wants become demands.</p> <p>The best marketing companies go to great lengths to learn and understand their customers' needs, wants, and demands.</p>	<p>Objective 2</p> <p>P. 6 Key Terms: Needs, Wants, Demands</p>
<p>➤ Assignments, Resources Use Discussing the Concepts 2 here Use Additional Project 1 here Use Think-Pair-Share 2 here</p>		

P. 7	<p>Market Offerings—Products, Services, and Experiences</p> <p>Needs and wants are fulfilled through market offerings—some combination of products, services, information, or experiences offered to a market to satisfy a need or want.</p> <p>Market offerings are some combination of products, services, information, or experiences offered to a market to satisfy a need or want.</p> <p>Marketing myopia occurs when a company becomes so taken with their own products that they lose sight of underlying customer needs.</p>	<p>P. 7 Key Term: Market Offering</p> <p>P. 7 Key Term: Marketing Myopia</p> <p>P. 7 Ad: David Suzuki Foundation</p>
PPT 1-8		
P. 7	<p>Customer Value and Satisfaction</p> <p>Customers form expectations about the value and satisfaction that various market offerings will deliver and buy accordingly.</p> <p>Satisfied customers buy again and tell others about their good experiences.</p> <p>Dissatisfied customers switch to competitors and disparage the product to others.</p> <p>Customer value and customer satisfaction are key building blocks for developing and managing customer relationships.</p>	
PPT 1-9		
P. 8	<p>Exchanges and Relationships</p> <p>Exchange is the act of obtaining a desired object from someone by offering something in return.</p> <p>Marketing consists of actions taken to build and maintain desirable exchange <i>relationships</i> with target audiences.</p>	<p>P. 8 Key Term: Exchange</p>
PPT 1-10		
P. 8	<p>Markets</p> <p>A market is the set of all actual and potential buyers of a product.</p>	<p>P. 8 Key Term: Market</p>

PPT 1-11	<p>Marketing means managing markets to bring about profitable customer relationships.</p> <p>Figure 1.2 shows the main elements in a modern marketing system.</p>	P. 9 Figure 1.2: A Modern Marketing System
<p>➤ Assignments, Resources Use Outside Example 1 here</p>		
<p>P. 9</p> <p>PPT 1-12</p>	<p>DESIGNING A CUSTOMER-DRIVEN MARKETING STRATEGY</p> <p>Marketing management is defined as the art and science of choosing target markets and building profitable relationships with them.</p> <p>The marketing manager must answer two important questions:</p> <ol style="list-style-type: none"> 1. What customers will we serve (what's our target market)? 2. How can we serve these customers best (what's our value proposition)? 	<p>Objective 3</p> <p>P. 9 Key Term: Marketing Management</p>
<p>➤ Assignments, Resources Use Discussing the Concepts 3 here</p>		
<p>P. 9</p> <p>PPT 1-13</p>	<p>Selecting Customers to Serve</p> <p>A company must decide <i>who</i> it will serve.</p> <p>It does this by dividing the market into segments of customers (<i>market segmentation</i>) and selecting which segments it will go after (<i>target marketing</i>).</p> <p>Marketing managers know they cannot serve all customers. By trying to do so, they end up not serving any well.</p> <p><i>Demarketing</i> is the act of purposefully reducing the number of customers or to shift their demand temporarily or permanently.</p>	
<p>➤ Assignments, Resources Use Application Question 2 here Use Think-Pair-Share 3 here</p> <p>➤ Troubleshooting Tip Demarketing is always a problem for students. Most</p>		

<p>of them have not yet encountered anything like it. The light bulb seems to go on, though, when you talk about National Parks and how crowded they get, and efforts to get people to go see them during off-peak travel times. Having students come up with their own examples will increase the level of understanding.</p>		
<p>P. 9</p> <p>PPT 1-14</p> <p>P. 10</p> <p>PPT 1-15</p> <p>P.10</p> <p>PPT1-16</p> <p>P. 10</p> <p>PPT 1-17</p>	<p>Marketing management is <i>customer management</i> and <i>demand management</i>.</p> <p>Choosing a Value Proposition</p> <p>A company's <i>value proposition</i> is the set of benefits or values it promises to deliver to consumers to satisfy their needs. (BMW promises "the ultimate driving machine.")</p> <p>Such value propositions <i>differentiate</i> one brand from another.</p> <p>Marketing Management Orientations</p> <p>Marketing management wants to design strategies that will build profitable relationships with target consumers. But what <i>philosophy</i> should guide these marketing strategies?</p> <p>There are five alternative concepts under which organizations design and carry out their marketing strategies:</p> <p>1) The Production Concept</p> <p>The production concept holds that consumers will favour products that are available and highly affordable.</p> <p>Management should focus on improving production and distribution efficiency.</p> <p>2) The Product Concept</p> <p>The product concept holds that consumers will favour products that offer the most in quality, performance, and innovative features.</p> <p>Under this concept, marketing strategy focuses on making continuous product improvements.</p>	<p>P. 9</p> <p>Ad: Vibram Five Fingers shoes</p> <p>P. 10,11</p> <p>Key Terms: Production Concept, Product Concept, Selling Concept, Marketing Concept</p>

<p>P. 10</p> <p>PPT 1-18</p>	<p>3) The Selling Concept</p> <p>The selling concept holds that consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort.</p> <p>The concept is typically practiced with unsought goods—those that buyers do not normally think of buying, such as insurance or blood donations.</p> <p>These industries must be good at tracking down prospects and selling them on product benefits.</p>	
<p>P. 11</p> <p>PPT 1-19</p>	<p>4) The Marketing Concept</p> <p>The marketing concept holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do.</p> <p>Under the marketing concept, customer focus and value are the <i>paths</i> to sales and profits.</p> <p>It views marketing not as “hunting,” but as “gardening.”</p> <p>The job is not to find the right customers for your product but to find the right products for your customers.</p> <p><i>Customer-driven</i> companies research current customers deeply to learn about their desires, gather new product and service ideas, and test proposed product improvements.</p>	<p>P. 11</p> <p>Figure 1.3: The Selling and Marketing Concepts Contrasted</p>
<p>PPT 1-20</p>	<p><i>Customer-driving</i> marketing is understanding customer needs even better than customers themselves do and creating products and services that meet existing and latent needs.</p>	<p>P. 12</p> <p>Key Term: Societal Marketing Concept</p>
<p>P. 12</p> <p>PPT 1-21</p>	<p>5) The Societal Marketing Concept</p> <p>The societal marketing concept questions whether the pure marketing concept overlooks possible conflicts between consumer <i>short-run wants</i> and consumer <i>long-run welfare</i>.</p> <p>The societal marketing concept holds that marketing strategy should deliver value to customers in a way that</p>	<p>P. 12</p> <p>Figure 1.4: Considerations Underlying the Societal Marketing Concept</p>

	maintains or improves both the consumer's <i>and the society's</i> well-being.	
	<p>➤ Assignments, Resources Use Discussing the Concepts 4 here Use Additional Project 2 here Use Focusing on Ethics here Use Web Resource 2 here</p> <p>➤ Troubleshooting Tip Societal marketing is also 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. Newman's Own is a brand that could be discussed, as most profits are donated to charities, and they have moved strongly into ensuring a sustainable environment.</p>	
P. 13	<p>PREPARING AN INTEGRATED MARKETING PLAN AND PROGRAM</p> <p>The company's marketing strategy outlines which customers the company will serve and how it will create value for these customers.</p> <p>Next, the marketer develops an integrated marketing program that will actually deliver the intended value to target customers.</p>	
PPT 1-22	<p>The marketing program consists of the firm's <i>marketing mix</i>, the set of marketing tools the firm uses to implement its marketing strategy.</p> <p>The marketing mix tools are classified into the <i>four Ps</i> of marketing: product, price, place, and promotion.</p>	

	The firm blends all of these marketing mix tools into a comprehensive <i>integrated marketing program</i> that communicates and delivers the intended value to chosen customers.	
	<p>➤ Resources, Applications Use <i>Focusing on Technology</i> here</p>	
<p>P. 13</p> <p>P. 13</p> <p>PPT 1-23</p>	<p>BUILDING CUSTOMER RELATIONSHIPS</p> <p>Customer Relationship Management</p> <p><i>Customer relationship management</i> is the most important concept of modern marketing.</p> <p>Customer relationship management is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.</p> <p>It deals with all aspects of acquiring, keeping, and growing customers.</p> <p><i>Relationship Building Blocks: Customer Value and Satisfaction</i></p> <p>The key to building lasting customer relationships is to create superior customer value and satisfaction.</p> <p>Customer Value. This is 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.</p> <p>Customers often do not judge values and costs "accurately" or "objectively."</p> <p>Customers act on customer perceived value.</p> <p>Customer Satisfaction. Customer satisfaction depends on the product's perceived performance relative to a buyer's expectations.</p> <p>If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or</p>	<p>Chapter Objective 4</p> <p>P. 13 Key Terms: Customer Relationship Management,</p> <p>P. 14 Key Terms: Customer-Perceived Value Customer Satisfaction</p> <p>P. 14 Ad: the Ritz-Carlton</p> <p>P. 15 Real Marketing: Canada Goose</p>

	<p>delighted.</p> <p>Although the customer-centered firm seeks to deliver high customer satisfaction relative to competitors, it does not attempt to <i>maximize</i> customer satisfaction.</p> <p>A company can always increase customer satisfaction by lowering its price or increasing its services. But this may result in lower profits.</p> <p>The purpose of marketing is to generate customer value profitably.</p> <p><i>Customer Relationship Levels and Tools</i></p> <p>Companies can build customer relationships at many levels.</p> <p>At one extreme, a company with many low-margin customers may seek to develop <i>basic relationships</i> with them.</p> <p>At the other extreme, in markets with few customers and high margins, sellers want to create <i>full partnerships</i> with customers.</p> <p>Many companies offer <i>frequency marketing programs</i> that reward customers who buy frequently or in large amounts.</p> <p>Companies sponsor <i>club marketing programs</i> that offer members special benefits and create member communities. (For example, Harley-Davidson sponsors the Harley Owners Group [H.O.G.])</p>	
PPT 1-25		
P. 17	The Changing Nature of Customer Relationships	P. 17 Photo: MyPanera
PPT 1-26	<p>Yesterday's big companies focused on mass marketing to all customers at arm's length.</p> <p>Today's companies are building deeper, more direct, and more lasting relationships with carefully selected customers.</p>	P. 17 Photo: "Fired"

	<p><i>Relating with More Carefully Selected Customers</i></p> <p>Called <i>selective relationship management</i>, many companies now use customer profitability analysis to weed out losing customers and to target winning ones for pampering.</p> <p><i>Relating More Deeply and Interactively</i></p> <p>Today's marketers are incorporating interactive approaches that help build targeted, two-way customer relationships.</p> <p>Increasingly, marketers are using new communications approaches in building closer customer relationships. The marketing world is now embracing not only customer relationship management, but also <i>customer-managed relationships</i>.</p> <p>Consumers have more information about brands than ever before.</p> <p>Companies can no longer rely on marketing by <i>intrusion</i>.</p> <p>Companies must practice marketing by <i>attraction</i>—creating market offerings and messages that involve consumers rather than interrupt them.</p> <p>Consumer-generated marketing has become a significant marketing force.</p>	<p>P. 18 Key Terms: Customer-managed relationship</p> <p>P. 19 Photo: Tourism PEI</p> <p>P. 19 Key Term: Consumer-Generated Marketing</p>
	<p>➤ Resources, Applications</p> <p>Use Application Question 3 here</p> <p>Use <i>Real Marketing 1.1 and 1.2</i> here</p> <p>Use <i>Video Case 1</i> here</p> <p>Use Discussing the Concepts 5 here</p> <p>Use Small Group Assignment 1 and 2 here</p> <p>Use Additional Project 3 here</p> <p>Use Think-Pair-Share 4 here</p> <p>Use Web Resource 3 here</p>	
<p>P. 20 PPT 1-27</p>	<p>Partner Relationship Management</p> <p><i>Partners Inside the Company</i></p> <p>Every employee must be customer focused.</p> <p>David Packard, late co-founder of Hewlett-Packard, said,</p>	<p>P. 20 Key Term: Partner Relationship Management</p>

PPT 1-28	<p>“Marketing is far too important to be left only to the marketing department.”</p> <p>Today, firms are linking all departments in the cause of creating customer value.</p> <p>Rather than assigning only sales and marketing people to customers, they are forming cross-functional customer teams.</p> <p><i>Marketing Partners Outside the Firm</i></p>	
PPT 1-29	<p>Marketing channels consist of distributors, retailers, and others who connect the company to its buyers.</p> <p>The <i>supply chain</i> describes a longer channel, stretching from raw materials to components to final products that are carried to final buyers.</p> <p>Through <i>supply chain management</i>, many companies today are strengthening their connections with partners all along the supply chain.</p>	
P. 21	<p>CAPTURING VALUE FROM CUSTOMERS</p>	
PPT 1-30	<p>The first four steps in the marketing process involve building customer relationships. The final step involves capturing value in return.</p> <p>By creating superior customer value, the firm creates highly satisfied customers who stay loyal and buy more.</p>	
P. 21	<p>Creating Customer Loyalty and Retention</p> <p>The aim of customer relationship management is to create not just customer satisfaction, but customer delight.</p> <p>This means that companies must aim high in building customer relationships.</p> <p>Customer delight creates an emotional relationship with a product or service, not just a rational preference.</p> <p>The value of the entire stream of purchases that the customer would make over a lifetime of patronage is known as the <i>customer lifetime value</i>.</p>	<p>P. 21 Key Term: Customer lifetime value</p> <p>P. 22 Photo: Stew Leonard</p>

	<p>➤ Resources, Applications Use Marketing by the Numbers here Use Individual Assignment 1 here</p>	
P. 22	Growing Share of Customer	P. 22
PPT 1-31	Share of customer is defined as the share the company gets of customers purchasing in their product categories. (Thus, banks want to increase “share of wallet.”)	Key Term: Share of Customer
P. 22	Building Customer Equity	
PPT 1-32	Companies want not only to create profitable customers, but to “own” them for life, capture their customer lifetime value, and earn a greater share of their purchases.	
	What Is Customer Equity?	P. 23
	Customer equity is the total combined customer lifetime values of all of the company’s current and potential customers.	Key Term: Customer Equity
	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.	P. 23
PPT 1-33	<i>Building the Right Relationships with the Right Customers</i>	Ad: Cadillac
	Not all customers, not even all loyal customers, are good investments.	
PPT 1-34	The power point slide classifies customers into one of four relationship groups, according to their profitability and projected loyalty.	
	“Strangers” show low potential profitability and little projected loyalty. The relationship management strategy for these customers is simple: Don’t invest anything in them.	
	“Butterflies” are potentially profitable but not loyal. The company should use promotional blitzes to attract them, create satisfying and profitable transactions with them, and then cease investing in them until the next time around.	

<p>P. 24</p> <p>PPT 1-36</p> <p>P. 24</p>	<p>“True friends” are both profitable and loyal. There is a strong fit between their needs and the company’s offerings. The firm wants to make continuous relationship investments to delight these customers and retain and grow them.</p> <p>“Barnacles” are highly loyal but not very profitable. There is a limited fit between their needs and the company’s offerings.</p> <p>Important point: Different types of customer require different relationship management strategies.</p> <p>The goal is to build the <i>right relationships</i> with the <i>right customers</i>.</p> <p>THE CHANGING MARKETING LANDSCAPE</p> <p>This section looks at four major developments: the new digital age, rapid globalization, the call for more ethics and social responsibility, and the growth in not-for-profit marketing.</p> <p>The Uncertain Economic Environment</p> <p>Beginning in 2008, world economies experienced a stunning economic meltdown, unlike anything since the Great Depression of the 1930s. Stock markets plunged, and trillions of dollars of market value simply evaporated. The financial crisis left shell-shocked consumers short of both money and confidence as they faced losses in income, a severe credit crunch, declining home values, and rising unemployment.</p> <p>The so-called Great Recession caused many consumers to rethink their spending priorities and cut back on their buying. After a decade of overspending, “frugality has made a comeback,” says one analyst. More than just a temporary change, the new consumer buying attitudes and spending behaviour will likely remain for many years to come. “The ‘new frugality,’ born of the Great Recession, . . . is now becoming entrenched consumer behaviour that is reshaping consumption patterns in ways that will persist even as the economy rebounds,” says another analyst.³⁵ Even in its aftermath, consumers are now spending more carefully.</p>	<p>Chapter Objective 5</p> <p>P. 25 Ad: Target</p>
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<p>PPT 1-37</p>	<p>The Digital Age</p> <p>The recent technology boom has created a digital age.</p> <p>The most dramatic new technology is the Internet.</p> <p>Beyond competing in traditional <i>marketplaces</i>, companies now have access to exciting new <i>marketspaces</i>.</p> <p>The Internet has now become a global phenomenon.</p> <p>The number of Internet users worldwide now stands at almost 1.2 billion and will reach an estimated 3.4 billion by 2015.</p> <p>Online marketing is now the fastest growing form of marketing.</p> <p>In addition to the “click-only” dot-coms, most traditional “brick-and-mortar” companies have now become “click-and-mortar” companies.</p> <p>Canada has the highest internet penetration rate in the world: roughly 85% of the population has internet access and a large percentage of them are shopping online.</p>	
	<ul style="list-style-type: none"> ➤ Applications, Resources Use <i>Discussing the Concepts 6</i> here Use <i>Video Case</i> here ➤ Troubleshooting Tip Traditional-age undergraduates have spent their entire lives with technology, and so some of them can actually snicker when the discussion turns to how technology has changed business in general and marketing more specifically. A discussion of the difficulties of connecting to consumers without the Internet is warranted. How would the students approach a one-on-one relationship with millions of customers if they didn’t have email or the Internet or blast faxes? 	
<p>P. 29</p> <p>PPT 1-38</p>	<p>Rapid Globalization</p> <p>Marketers are now connected <i>globally</i> with their customers and marketing partners.</p>	

<p>P. 30</p> <p>PPT 1-39</p> <p>P. 30 PPT 1-40</p> <p>P. 32</p>	<p>Almost every company, large or small, is touched in some way by global competition.</p> <p>North American firms have been challenged at home by the skilful marketing of European and Asian multinationals.</p> <p>British Columbia-based lululemon athletica manufactures its yoga inspired athletic apparel in seven different countries and operates 235 stores in Canada, the United States, Australia, China, and New Zealand.</p> <p>Thus, managers in countries around the world are increasingly taking a global, not just local, view of the company's industry, competitors, and opportunities.</p> <p>Today, companies are buying more supplies and components abroad.</p> <p>Sustainable Marketing: The Call for More Ethics and Social Responsibility</p> <p>Marketers are being called upon to take greater responsibility for the social and environmental impact of their actions.</p> <p>Corporate ethics and social responsibility have become hot topics for almost every business.</p> <p>Forward-looking companies view socially responsible actions as an opportunity to do well by doing good.</p> <p>The Growth of Not-for-Profit Marketing</p> <p>The nation's nonprofits face stiff competition for support and membership. Sound marketing can help them to attract membership and support.</p> <p>SO, WHAT IS MARKETING? PULLING IT ALL TOGETHER</p> <p>Marketing is the process of building profitable customer relationships by creating value for customers and capturing value in return.</p> <p>The first four steps in the marketing process create value <i>for</i> customers.</p>	<p>P. 29 Photo: Bombardier</p> <p>P. 30 Photo: Patagonia</p>
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	<p>The final step in the process allows the company to capture value <i>from</i> customers.</p> <p>After the marketing strategy is defined, the marketing program is developed, which consists of the four Ps.</p> <p>When building value for customers, companies must utilize marketing technology, go global in both selling and sourcing, and act in an ethical and socially responsible way.</p> <p>Figure 1.6 shows a model of the marketing process.</p>	<p>P. 33 Figure 1.5: An Expanded Model of the Marketing Process</p>
	<p>➤ Resources, Applications Use <i>Individual Assignment 2</i> here Use <i>Company Case</i> here (page 37 in textbook)</p>	

END OF CHAPTER MATERIAL

Discussing the Concepts

1. Define marketing and discuss how it is more than just “telling and selling.”

Answer:

Marketing is managing profitable customer relationships. The twofold goal of marketing is to attract new customers by promising superior value and to keep and grow current customers by delivering satisfaction. Hence, marketing is defined as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return. Today, marketing must be understood not in the old sense of making a sale but in the new sense of *satisfying customer needs*. If the marketer understands consumer needs; develops products and services that provide superior customer value; and prices, distributes, and promotes them effectively, this goal will be achieved easily.

2. Marketing has been criticized because it “makes people buy things they don’t really need.” Refute or support this accusation.

Answer:

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. These needs were not created by marketers; 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 Gatorade, 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 iPod, the need is likely a more hedonic one for entertainment or individual self-expression.

3. Discuss the two important questions a marketing manager must answer when designing a winning marketing strategy. How should a manager approach finding answers to these questions?

Answer:

To design a customer-driven marketing strategy, the marketing manager must answer two important questions: *What customers will we serve (what's our target market)?* and *How can we serve these customers best (what's our value proposition)?* The company must first decide *who* it will serve—that is, the target market. It does this by dividing the market into segments of customers (*market segmentation*) and selecting which segments it will go after (*target marketing*). Some people think of marketing management as finding as many customers as possible and increasing demand. But marketing managers know that they cannot serve all customers in every way. By trying to serve all customers, they may not serve any customers well. Instead, the company wants to select only customers that it can serve well and profitably. Ultimately, marketing managers must decide which customers they want to target and on the level, timing, and nature of their demand. Simply put, marketing management is *customer management* and *demand management*. The company must also decide how it will serve targeted customers—how it will *differentiate and position* itself in the marketplace. A company's *value proposition* is the set of benefits or values it promises to deliver to consumers to satisfy their needs.

4. What are the five different marketing management orientations? Which orientation do you believe your school follows when marketing itself?

Answer:

The five alternative concepts under which organizations design and carry out their marketing strategies are: the production, product, selling, marketing, and societal marketing concepts. The **production concept** holds that consumers will favour products that are available and highly affordable. Therefore, management should focus on improving production and distribution efficiency. The **product concept** holds that consumers will favour products that offer the most in quality, performance, and innovative features. Under this concept, marketing strategy focuses on making continuous product improvements. The **selling concept** holds that consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort. The **marketing concept** holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do. Under the marketing concept, customer focus and value are the *paths* to sales and profits. Instead of a product-centered “make and sell” philosophy, the marketing concept is a customer-centered “sense and respond” philosophy. The **societal marketing concept** questions whether the pure marketing concept overlooks possible conflicts between consumer *short-run wants* and consumer *long-run welfare*. 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.

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.

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

Answer:

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.

6. Discuss trends affecting marketing and the implications of these trends on how marketers deliver value to customers.

Answer:

Dramatic changes are occurring in the marketing arena. The recent Great Recession left many consumers short of both money and confidence, creating a new age of consumer frugality that will last well into the future. More than ever, marketers must now emphasize the value in their value propositions. The challenge is to balance a brand's value proposition with current times while also enhancing its long-term equity. The boom in computer, telecommunications, information, transportation, and other technologies has created exciting new ways to learn about and relate to individual customers. It has also allowed new approaches by which marketers can target consumers more selectively and build closer, two-way customer relationships in the Web 3.0 era.

Application Question - Applying the Concepts

1. 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.

Answer:

Students' responses will vary. One thing students will likely 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.

2. 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.

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 or by using one of the calculators available on the Internet, such as the one found at www.investopedia.com/calculator/NetPresentValue.aspx.

Example:

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. Assuming the customer spends an average of \$150 a week at this store, remains loyal over a 10-year lifespan, a 5 percent annual interest rate, and no initial cost to acquire the customer, the customer lifetime value can be calculated as follows:

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 lifespan 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.

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. 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 aids. 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.

3. Read Appendix 4 or go online to learn about careers in marketing. Interview someone who works in one of the marketing jobs described in the appendix and ask him or her the following questions:
 - a. What does your job entail?
 - b. How did you get to this point in your career? Is this what you thought you'd be doing when you grew up? What influenced you to get into this field?
 - c. What education is necessary for this job?
 - d. What advice can you give to university students?
 - e. Add one additional question that you create.

Write a brief report of the responses to your questions and explain why you would or would not be interested

Answer:

Students' responses will vary. This is an exercise that most students find interesting and insightful. Some may interview a family member or someone else they know and learn things they never knew about their careers. If possible, have students give an informal presentation to share what they learned with the other students in the class.

Focus on Technology

In only a few short years, consumer-generated marketing has increased exponentially. It's also known as consumer generated media and consumer-generated content. More than 100 million websites contain user-generated content.

You may be a contributor yourself if you've ever posted something on a blog; reviewed a product at Amazon.com; uploaded a video to YouTube; or sent a video from your mobile phone to a news website such as CBC.ca or CTV.ca. 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, Coca-Cola has more than 3.5 million “fans” on Facebook, mothers can share information at Pampers Village (www.pampers.com), and Doritos scored a touchdown with consumer-created advertising during the past several Super Bowls. Apple even encourages iPhone users to develop apps for its device. However, consumer generated marketing is not without problems—just search for “I hate (insert company name)” with any search engine!

1. Find two examples (other than those discussed in the chapter) of marketer-supported, consumer-generated content and 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 affects your attitude toward the companies involved.

Answer:

Students' responses will vary and they will most likely be very savvy about finding this information. Searching “consumer-generated media,” “consumer-generated content,” or

“consumer-generated marketing” returns several sources of information. For example, www.spotlightideas.co.uk/?p=2352 is an interesting Web site that links to several examples.

2. Discuss the advantages and disadvantages of consumer generated marketing.

Answer:

There are several Web sites (see link given in question #1) and articles students can use to address the advantages and disadvantages of consumer-generated marketing. 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 Web site is merely propaganda, and unintended consequences if products are used improperly.

Focus on Ethics

Sixty years ago, about 45 percent of North Americans smoked cigarettes, but now the smoking rate is less than 20 percent. This decline results from acquired knowledge on the potential health dangers of smoking and marketing restrictions for this product. Although smoking rates are declining in most developed nations, more and more consumers in developing nations, such as Russia and China, are puffing away. Smoker rates in some countries run as high as 40 percent. Developing nations account for more than 70 percent of world tobacco consumption, and marketers are fuelling this growth. Most of these nations do not have the restrictions prevalent in developed nations, such as advertising bans, warning labels, and distribution restrictions. Consequently, it is predicted that 1 billion people worldwide will die this century from smoking-related ailments.

1. Given the extreme health risks, should marketers stop selling cigarettes even though they are legal and demanded by consumers? Should cigarette marketers continue to use marketing tactics that are restricted in one country in other countries where they are not restricted?

Answer

Students’ responses will vary. One argument for continuing to sell this product is that it is a legal product and consumer demand exists. Students may argue that a company will not and should not put itself out of business. Consumers willingly enter into the exchange relationship when they purchase cigarettes, so an argument can be made that marketers should continue to satisfy their needs and desires for this product. Likewise, people who work at a tobacco company or invest in the company do so of their own volition. The discussion will probably turn to whether or not the government should ban the product.

As to whether or not a marketer should use marketing tactics not allowed in one country in other countries where the tactics are not restricted, some students will argue for use of whatever tactics are allowed by law in a given country to sell the product. Other will argue that marketers should adhere to these restrictions no matter where the product is marketed.

2. Research the history of cigarette marketing in North America. Are there any new restrictions with respect to marketing this product?

Answer

There are numerous sources on the history of cigarette marketing in the United States. Significant events include the banning of cigarette advertising on broadcast television and radio and the requirement for warning labels in the 1970s. A settlement reached in the 1990s with the attorney generals of several states imposed more restrictions, such as no advertising on billboards or in magazines with a large youth readership. More recently, the FDA now has the authority to regulate tobacco, and the words “light” and “mild” will be banned.

See the following source for a brief history on cigarette marketing:

www.time.com/time/nation/article/0,8599,1904624,00.html.

Several interesting articles are listed in the following history of smoking bibliography:

www.library.ucsf.edu/tobacco/smokebiblio.

Marketing by the Numbers

Marketing is expensive! A 30-second advertising spot during the 2010 Super Bowl cost US\$3 million, which doesn't include the \$500 000 or more necessary to produce the commercial. Anheuser-Busch usually purchases multiple spots each year. Similarly, sponsoring one car during one NASCAR race costs US\$500 000. But Sprint, the sponsor of the popular Sprint Cup, pays much more than that. What marketer sponsors only one car for only one race? Do you want customers to order your product by phone? That will cost you \$8 to \$13 per order. Do you want a sales representative calling on customers? That's about \$100 per sales call, and that's if the sales rep doesn't have to get on an airplane and stay in a hotel, which can be very costly considering some companies have thousands of sales reps calling on thousands of customers.

What about the \$1 off coupon for Tropicana orange juice that you found in the Sunday newspaper? It costs Tropicana more than \$1 when you redeem it at the store. These are all examples of just one marketing element: promotion. Marketing costs also include the costs of product research and development (R&D), the costs of distributing products to buyers, and the costs of all employees working in marketing.

1. Select a publicly traded company and research how much the company spent on marketing activities in the most recent year of available data. What percentage of sales does marketing expenditures represent? Have these expenditures increased or decreased over the past five years? Write a brief report of your findings.

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. Search the Internet for salary information regarding jobs in marketing. What is the national average for five different jobs in marketing? How do the averages compare in different areas of the country? Write a brief report on your findings.

Answer

www.simplyhired.com/a/salary/search/q-marketing

www.cbsalary.com/salary_calculator_results.aspx?kw=Marketing&jn=jn009&ns=1&cbRecursionCnt=1&cbsid=2cb725a319c6405d9703c78489cb9fdf-333996312-wt-6

http://marketinghire.salary.com/salarywizard/layoutscripts/swzl_newsearch.asp

Company Case Notes

JetBlue: Delighting Customers Through Happy Jetting

Synopsis

JetBlue is relentlessly focused on making sure that every customer experience lives up to the company slogan, "Happy Jetting." At JetBlue, customer well-being is ingrained in the culture. The discount airline has focused on providing niceties that are simply not the norm when it comes to commercial air travel. Things like more legroom, comfortable leather seats, gourmet snacks, LCD entertainment at every seat, and free e-mail onboard. These things are sure to delight customers. But JetBlue knows that these tangible amenities are easily replicated. That's why JetBlue's real competitive advantage is its culture. The goal is to provide exceptional customer service at every touch point. To accomplish this, JetBlue starts by hiring the right employees. Then, it trains them according to the company's core values: safety, integrity, caring, passion, and fun. Loving customers breeds truly loyal customers who share the brand by word-of-mouth. Thus, customers are delighted far more by how they are treated by JetBlue's

employee's than by what they get in a flight. As JetBlue and Southwest (the other low-fare airline known for excellent customer service) start to overlap on routes serviced, many are watching to see which will be victorious. In the end, the loser might just be "all other airlines."

Teaching Objectives

The teaching objectives for this case are to:

1. Introduce students to the concept of customer value creation and its central role in marketing.
2. To provide working examples of needs, wants, and demands.
3. Allow students to analyze JetBlue's product offering in depth.
4. Introduce the concepts involved in customer relationship management.

Discussion Questions

1. Give examples of needs, wants, and demands that JetBlue customers demonstrate, differentiating these three concepts. What are the implications of each for JetBlue's practices?

Needs—could be discussed in terms of Maslow types of needs like safety and affection. But likely the most core need here is long distance transportation from point A to point B.

Wants—are shaped by culture and by personality. Customers can fly any airline. But they want to be treated with kindness and respect. They want comfort in flight. They want to be on time. Given the choice, they want an assortment of tasty snacks and a selection of media at their seat.

Demands—the interesting thing about this case is that all the extras that JetBlue delivers do not cost more. In fact, in many cases, they cost less. Thus, the wants kind of automatically translate into demands. This isn't a case where people are willing to pay a certain amount in order to get the amenities. They may actually save money and still get all the good stuff.

2. Describe in detail all the facets of JetBlue's product. What is being exchanged in a JetBlue transaction?

People are exchanging money, the time and effort to book a flight, and the opportunity to travel with some other airline for all the facets of JetBlue's market offering. Thus, JetBlue's combination of products, services, and experiences can be listed. These include all the features and services on the flights (more comfortable seats set further apart, gourmet snacks, in-seat entertainment, etc.) and in the terminals (more security lanes, high-end dining, wide array of mall stores, play zone, work space, etc.). But this also includes the customer service that people find (phone reps that treat you like a good neighbor, gate reps that are cheerful and accommodating, flight attendants that dole out

the goodies without begging). All this gets wrapped up in an experience that is stress-free and leaves the customer feeling pampered.

3. Which of the five marketing management concepts best applies to JetBlue?

The marketing concept is clearly established. JetBlue does an amazing job of identifying customer needs and wants and then delivering them better than the competition can. However, there may be some who argue that JetBlue exhibits the societal marketing concept. There is some evidence that JetBlue's approach to treating customers is in society's best interest, in that it may just transform the entire industry. Then, all travelers are better off. However, there is little said in this case about efforts on behalf of JetBlue that typically characterize the societal marketing concept.

4. What value does JetBlue create for its customers?

This should be discussed in terms of the "value = benefits - costs" equation outlined in the text. The benefits/features and costs of JetBlue have already been outlined above. What should be noted here is that because JetBlue delivers MORE benefits than other airlines at prices that are as low or lower, JetBlue delivers greater customer value. Therefore, it seems that most customers, given the choice, would choose JetBlue as long as it is available for the route they need to travel. One thing that is not discussed in this case that makes a difference to many air travelers is airline membership reward programs (frequent flyers). No information is given as to how JetBlue provides such benefits. This is a benefit that many will put a high value on, given that they get free travel or upgrades from such programs. Especially if they accumulate points from business travel that they can redeem for personal travel, then such programs provide a monetary incentive. Such incentives go a long way toward balancing out the value of good snacks and LCD entertainment. This is a good comparison to make to illustrate how value differs across customer segments.

5. Is JetBlue likely to continue being successful in building customer relationships? Why or why not?

Corporate culture is on JetBlue's side. The company certainly has the infrastructure to continue to provide the service and benefits that have created such strong customer relationships. The only issue in question is whether or not JetBlue can continue to afford to provide all the niceties at low prices. However, the last paragraph of the case points out that JetBlue also has the luxury of a lower cost structure than most other airlines. Its cost per available seat mile of 8.88 cents is even lower than Southwest's cost of 9.76 cents. Thus, from a competitive standpoint, there is no reason that JetBlue should not be able to continue to deliver.

Teaching Suggestions

JetBlue has a great Web site (www.jetblue.com/experience/) that illustrates the full JetBlue customer experience. In conjunction with the discussion questions, use this Web site to illustrate the full spectrum of customer benefits that JetBlue delivers.

This case also works well with the marketing strategy chapter (Chapter 2), the consumer behavior chapter (Chapter 5), and the product and services marketing chapter (Chapter 8).

ADDITIONAL PROJECTS, ASSIGNMENTS, AND EXAMPLES

Projects

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?” (Objective 2)
2. Review the five alternative concepts under which organizations design and carry out their marketing strategies. Now, take a look at one of the auto dealers in your town. Which one of these five concepts do you believe they are typically employing? Why? (Objective 3)
3. 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? (Objective 4)

Small Group Assignments

1. Form students into groups of three to five. Each group should read the opening vignette to the chapter on Running Room. Each group should answer the following questions. (Objective 2)
 - a. Can you develop a relationship with a retail store that sells running shoes?
 - b. How does Running Room create lasting customer value?

Each group should then share its findings with the class.

2. Form students into groups of three to five. Each group should read Real Marketing 1.2: “The New Era of Consumer Frugality.” Each group should then answer the following questions and share their findings with the class. (Objective 4)
 - a. Discuss the growing use of consumer-generated marketing.
 - b. Discuss what you see to be the primary advantages and disadvantages of this growing marketing phenomenon.
 - c. What are companies doing to harness consumer-generated content?

Each group should then share its findings with the class.

Individual Assignments

1. Companies are realizing that losing a customer means more than losing a single sale. It means losing a stream of revenue from that customer over their lifetime. Reread the story of Stew Leonard (under Capturing Value from Customers, p. 21-22). (Objective 4)

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?

2. Marketing activities by not-for-profit organizations has increased substantially in recent years. Organizations such as hospitals and churches now spend significant monies to get their individual messages out and draw in new customers, clients, members, etc. Discuss where or not you consider this a good long-term strategy to grow the business. (Objective 5)

Think-Pair-Share

Consider the following questions, formulate and answer, pair with the student on your right, share your thoughts with one another, and respond to questions from the instructor.

1. How is marketing different from selling? (Objective 1)
2. Do marketers create needs? (Objective 2)
3. What is Lexus’ value proposition? (Objective 2)
4. What are two companies with which you have an emotional bond? Describe that bond. (Objective 4)

Outside Examples

1. Five core customer and marketplace concepts are critical to success: (1) *needs, wants, and demands*; (2) *marketing offers (products, services, and experiences)*; (3) *value and satisfaction*; (4) *exchanges and relationships*; and (5) *markets*.

Take a look at Sea Ray boats (Use [Web Resource 4](#) here). Answer the following questions. (Objective 2)

- a. What needs, wants, and/or demands is Sea Ray attempting to fill?
- b. Describe their marketing offers.
- c. Describe the relationships they have with their customers.
- d. What are their markets?

Possible Solution.

- a. 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 their existence. Remember, human **needs** are states of felt deprivation.
- b. **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 (hopefully) satisfy the divergent wants of their target market.
 - c. 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.
 - d. 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.
2. One of the great new "marketplaces" of our time is eBay. Spend some time on the eBay website (www.ebay.ca). Find a product that you are interested in and follow the bidding. How much would you be willing to pay? Consider the following questions. (Objective 2)
- a. How is eBay providing value to its customers?
 - b. Describe the relationship they have with their customers.
 - c. What are their markets?

Possible Solution

- a. A company's *value proposition* is the set of benefits or values it promises to deliver to consumers to satisfy their needs. eBay provides value by providing its clients with an easy, safe, and exciting method by which to buy and sell merchandise.
- b. eBay takes great effort to maintain a close, almost personal relationship with their customers. They continually provide you with updates on items you are watching, selling, or bidding on. Additionally, they provide you with information about new or additional services that may be of interest to you, based on your previous history with them.
- c. Their markets are diverse. By a casual perusal of sellers, you will find that their markets cover the range from everyday individuals looking to unload an old pair of jeans to large bookstores selling hundreds of items a day (such as vjbooks [www.vjbooks.com]).

Web Resources

1. http://pg.com/product_card/prod_card_main_tide.shtml
This link will provide you with more information on P&G's Tide.
2. www.harley-davidson.com
This is the home page for Harley-Davidson. Here you will learn about H.O.G.
3. www.stewleonards.com
Read more about Stew Leonard's legendary service here.
4. <http://www.searay.com/>
Learn more about sea ray boats by clicking on the link.