

Chapter 1

Welcome to the World of Marketing: Create and Deliver Value

I. CHAPTER OVERVIEW

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

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

II. CHAPTER OBJECTIVES

- 1-1. Explain what marketing is, the marketing mix, what can be marketed, and the value of marketing.
- 1-2. Explain the evolution of the marketing concept.
- 1-3. Understand value from the perspectives of customers, producers, and society.
- 1-4. Explain the basics of market planning.
- 1-5. Understand how to increase your chances of getting a great job by developing an effective résumé and cover letter, getting these to the right people and making yourself stand out among the applicants.

III. CHAPTER OUTLINE

► MARKETING MOMENT INTRODUCTION

Use a top of mind awareness exercise to introduce the different facets of marketing. Instruct students to write down the first word that pops into their head when you say these words: your school name, soup, jeans, marketing, and salesperson. Explain that school name, soup and jeans were just “warm ups.” (Although Campbell’s is likely to be the most popular answer for soup—this is great time to illustrate dominant market share). Most students will respond “advertising” or “sales” in response to marketing—this gives the instructor a chance to introduce the marketing mix and make that point that marketing covers more than just communication.

p. 2

REAL PEOPLE, REAL CHOICES—HERE’S MY PROBLEM AT COMCAST Comcast has been working hard to improve its customer service and brand reputation. Because Comcast opts-in customers to marketing messages at point of sale, promotional messages are permitted through email. Comcast had to weigh the decision to balance any messages seen as noncritical or promotional with key service messages—too many messages might cause a customer to tune-out all messages but sending none would not aid the

	<p>customer in understanding what services might be a better fit for their household. Suzanne had three options:</p> <ol style="list-style-type: none"> 1: Don't email these customers about anything more than the products they have. 2: Add promotional emails to the flow. 3: Use emails to highlight ways to upgrade service plans as a part of the service email. <p>See what option Suzanne chose option #3.</p>	
p. 4	<p>1. MARKETING: WHAT IS IT?</p> <p>Marketing is first and foremost about satisfying consumer needs. We like to say that the consumer is king (or queen), but it's important not to lose sight of the fact that the seller also has needs—to make a profit, to remain in business, and even to take pride in selling the highest-quality products possible. Products are sold to satisfy both consumers' and marketers' needs—it's a two-way street. Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.</p>	
p. 4	<p>1.1 Marketing Is the Activity, Institutions, and Processes</p> <p>The importance organizations assign to marketing activities varies a lot. A marketer's decisions affect—and are affected by—the firm's other activities. Marketing managers must work with financial and accounting officers to figure out whether products are profitable, to set marketing budgets, and to determine prices.</p>	
p. 5	<p>1.2 Creating, Communicating, Delivering, and Exchanging: The Marketing Mix</p> <p>To satisfy needs, marketers need many tools. The marketing mix consists of the tools the organization uses to create a desired response among a set of predefined consumers. These tools include the product, the price, the promotional activities and the places. We refer to the marketing mix as the four Ps: <i>product, price, promotion, and place</i>.</p> <p>Although we talk about the four Ps as separate parts of a firm's marketing strategy, in reality, product, price, promotion, and place decisions are interdependent. Decisions about any one of the four are affected; and affect every other marketing mix decision. Let's look at each of the four Ps to gain some more insight into their role in the marketing mix.</p>	<p>Figure 1.1 Snapshot: The Marketing Mix</p>
p. 6	<p>1.2.1 Product</p> <p>The product is a tangible good, a service, an idea, a place, and a person—whatever is offered for sale in the exchange. This aspect of the marketing mix includes the design and packaging of a good, as</p>	

	well as its physical features and any associated services, such as free delivery.	
p. 6	1.2.2 Promotion Promotion , often referred to as marketing communications, includes all the activities marketers undertake to inform consumers about their products and to encourage potential customers to buy these products.	
p. 6	1.2.3 Place Place refers to the availability of the product to the customer at the desired time and location. This <i>P</i> relates to a <i>channel of distribution</i> , which is the set of firms that work together to get a product from a producer to a consumer.	
p. 6	1.2.4 Price Price is the assignment of value, or the amount the consumer must exchange to receive the offering. Marketers often turn to price to increase consumers' interest in a product. At the heart of every marketing act—big or small—is an “exchange relationship.” An exchange occurs when a person gives something and gets something else in return.	
p. 7	1.3 Offerings . . . : What Can We Market? We'll refer to any good, service, or idea that we can market as a product, even though what you buy may not take a physical form.	
p. 7	1.3.1 Consumer Goods and Services Consumer goods are the tangible products that individual consumers purchase for personal or family use. Services are intangible products that we pay for and use but don't own. Marketers need to understand the special challenges that arise when they market an intangible service rather than a tangible good. Because both goods and services are products, it's more accurate to say “goods and services” rather than “products and services.”	
p. 8	1.3.2 Business-to-Business Goods and Services Business-to-business marketing is the marketing of goods and services from one organization to another. Although we usually relate marketing to the thousands of consumer goods begging for our dollars every day, the reality is that businesses and other organizations buy a lot more goods than consumers do. They purchase these industrial goods for further processing or to use in their own business operations. E-commerce is the buying and selling of products on the Internet.	

<p>p. 8</p>	<p>1.3.2.1 Not-for-Profit Marketing You don't have to be a businessperson to use marketing principles. Many not-for-profit organizations also known as nongovernmental organizations or NGOs, including museums, zoos, and even churches, practice the marketing concept. The intense competition for support of civic and charitable activities means that only the not-for-profits that meet the needs of their constituents and donors will survive.</p>	
<p>p. 8</p>	<p>1.3.3 Idea, Place, and People Marketing Marketing principles are also used to market ideas, places, and people. Examples include: Fatherhood involvement, Shelter-pet adoption, Microcelebrities Some of the same principles that go into "creating" a celebrity apply to you. An entertainer must "package" his/her talents, identify a market that is likely to be interested, and work hard to gain exposure to these potential customers by appearing in the right venues. You can use marketing strategies to create your unique brand—Brand You</p>	
<p>Website: Big Brothers Big Sisters is an example of a non-profit organization. What benefits are offered to the volunteer? Can you cite examples of societal marketing on this site? www.bbbs.org Go to Volunteer page.</p> <p>Discussion question: Have you ever thought about the fact that not-for-profit companies need to use marketing as well? If not, why?</p>		
<p>p. 9</p>	<p>1.4. VALUE FOR CUSTOMERS According to the marketing concept, marketers first identify consumer needs and then provide products that satisfy those needs to ensure the firm's long-term profitability. A need is the difference between a consumer's actual state and some ideal or desired state. When the difference is big enough, the consumer is motivated to take action to satisfy the need. Needs relate to physical functions (such as eating) or to psychological ones (such as social acceptance). The specific way a person satisfies a need depends on his or her unique history, learning experiences, and cultural environment.</p>	<p>Table 1.1 Value for Customers</p>
<p>Website: Subaru is one company that tries to meet the psychological needs of consumers to feel safe (as well as their need for reliable transportation). Visit the Subaru website: www.Subaru.com</p>		

p. 11	<p>1.4.2 Value for Clients and Partners Marketing meets the needs of diverse stakeholders. The term stakeholders here refers to buyers, sellers, investors in a company, community residents, and even citizens of the nations where goods and services are made or sold—in other words, any person or organization that has a “stake” in the outcome. Thus, marketing is about satisfying everyone involved in the marketing process.</p>	
p. 11	<p>1.4.3 Value for Society at Large Is it possible to contribute to society and the earth and contribute to your paycheck? Target, one the largest retailers, announced that two of its top priorities are environmental sustainability and responsible sourcing.</p>	Exhibit: Green Marketing
p. 12	<p>2. WHEN DID MARKETING BEGIN? THE EVOLUTION OF A CONCEPT</p> <p>2.1 The Production Era A production orientation works best in a seller’s market when demand is greater than supply because it focuses on the most efficient ways to produce and distribute products. Essentially, consumers have to take whatever is available. Under these conditions, marketing plays a relatively insignificant role—the goods literally sell themselves because people have no other choices. Firms that focus on a production orientation tend to view the market as a homogeneous group that will be satisfied with the basic function of a product.</p>	Table 1.2 Marketing’s “Greatest Hits”
p. 12	<p>2.2 The Sales Era When product availability exceeds demand in a buyer’s market, businesses may engage in the “hard sell” in which salespeople aggressively push their wares. Selling orientation means that management views marketing as a sales function, or a way to move products out of warehouses so that inventories do not pile up. The selling orientation gained in popularity after World War II. However, consumers as a rule do not like to be pushed, and the hard sell gave marketing a bad image. Companies that still follow a selling orientation tend to be more successful at making one-time sales rather than at building repeat business. We are most likely to find this focus among companies that sell <i>unsought goods</i>—products that people do not tend to buy without some prodding.</p>	
Discussion question: Do you mind when someone tries to “hard sell” you on a product? How do you usually react to “hard sell” salesperson?		
p. 13	<p>2.3 The Relationship Era A consumer orientation satisfies customers’ needs and wants. With inflation and recession in the past, firms had to do more than meet consumers’ needs—they had to do this better than the competition and do it repeatedly. They increasingly concentrated on improving the</p>	Table 1.3 The Evolution of Marketing

	<p>quality of their products. By the early 1990s, many in the marketing community followed an approach termed Total Quality Management (TQM). The TQM perspective takes many forms. Essentially, TQM is a management philosophy that involves all employees from the assembly line onward in continuous product quality improvement.</p>	
<p>p. 14</p>	<p>2.4 The Triple-Bottom-Line Orientation A triple-bottom-line orientation means building long-term bonds with customers rather than merely selling them stuff today. This new way of looking at business emphasizes the need to maximize three components:</p> <ul style="list-style-type: none"> • <i>The financial bottom line:</i> Financial profits to stakeholders • <i>The social bottom line:</i> Contributing to the communities in which the company operates • <i>The environmental bottom line:</i> Creating sustainable business practices that minimize damage to the environment or that even improve it 	
<p>p. 14</p>	<p>Another result of this new way of long-term thinking is the societal marketing concept, which maintains that marketers must satisfy customers' needs in ways that also benefit society while still delivering a profit to the firm.</p>	<p>Exhibit: Habitat for Humanity</p>
<p>p. 14</p>	<p>An important trend now is for companies to think of ways to design and manufacture products with a focus on sustainability, which we define as “meeting present needs without compromising the ability of future generations to meet their needs.” Sustainability applies to many aspects of doing business, including social and economic practices (e.g., humane working conditions and diplomacy to prevent wars that deplete food supplies, atmospheric quality, and of course, lives). One other crucial pillar of sustainability is the environmental impact of the product. Green marketing, the development of marketing strategies that support environmental stewardship by creating an environmentally founded differential benefit in the minds of consumers, is being practiced by most forward-thinking firms today.</p>	
<p>p. 14</p>	<p>In addition to building long-term relationships and focusing on social responsibility, triple-bottom-line firms place a much greater focus on accountability—measuring just how much value marketing activities create. This means that marketers at these organizations ask hard questions about the true value of their efforts and their impact on the bottom line. These questions all boil down to the simple acronym of ROMI (return on marketing investment). Marketers now realize that if they want to assess just how much value they are creating for</p>	

<p>p. 16</p>	<p>3. THE VALUE OF MARKETING AND THE MARKETING OF VALUE</p> <p>One way to look at value is to think of it as a ratio of benefits to costs—customers “invest” their time and money to do business with a firm, and they expect benefits in return.</p>	
<p>p. 16</p>	<p>3.1 Value from the Customer’s Perspective</p> <p>The value proposition includes the whole bundle of benefits the firm promises to deliver, not just the benefits of the product itself.</p> <p>Marketers then communicates these benefits to the customer in the form of a value proposition, a marketplace offering that fairly and accurately sums up the value that the customer will realize if he or she purchases the product. The challenge to the marketer is to create an attractive value proposition. A big part of this challenge is convincing customers that this value proposition is superior to others they might choose from competitors.</p>	
<p>p. 16</p>	<p>3.2 Value from the Seller’s Perspective</p> <p>Value from a seller’s perspective can take many forms such as money, prestige or pride in their competitive advantage.</p> <p>Smart companies today understand that making money from a single transaction does not provide the kind of value they desire. In recent years, many firms have transformed the way they do business. They now regard consumers as <i>partners</i> in the transaction rather than as passive “victims.”</p>	
<p>p. 17</p>	<p>Brandfests are events hosted by companies to thank customers for their loyalty.</p> <p>It is more expensive to attract new customers than it is to retain current ones. Companies that calculate the lifetime value of a customer look at how much profit they expect to make from a particular customer, including each purchase he or she will make from them now and in the future. To calculate lifetime value, companies estimate the amount the person will spend and then subtract what it will cost to maintain this relationship.</p>	
	<p>► METRICS MOMENT How do marketers measure value? Increasingly, they develop marketing scorecards that report (often in quantified terms) how the company or brand is actually doing in achieving various goals. We can think of a scorecard as a marketing department’s report card. Throughout this book, we will give you the opportunity to “get your hands dirty” as you calculate ROI using various kinds of scores, or metrics.</p>	<p>Table 1.4 An Example of a Customer Service Scorecard</p>

	<p>Apply the Metrics</p> <ol style="list-style-type: none"> Using Table 1.4 as a template, develop a scorecard for customer satisfaction with your marketing class. You will need to develop your own relevant items for satisfaction measurement. Then have the students in your class complete the scorecard now and again in the middle of the semester. Summarize, interpret, and present the results. 	
p. 17	<p>3.2.1 Provide Value through Competitive Advantage</p> <p>How does a firm go about creating a competitive advantage? The first step is to identify what it does really well. A distinctive competency is a firm’s capability that is superior to that of its competition.</p> <p>The second step in developing a competitive advantage is to turn a distinctive competency into a differential benefit—one that is important to customers. Differential benefits set products apart from competitors’ products by providing something unique that customers want. Differential benefits provide reasons for customers to pay a premium for a firm’s products and exhibit a strong brand preference.</p> <p>Effective product benefits must be both different from the competition and from things customers want. A firm that delivers these desired benefits provides value to its customers and other stakeholders.</p>	
p. 18	<p>3.2.2 Add Value through the Value Chain</p> <p>Many different players—both within and outside a firm—need to work together to create and deliver value to customers. The value chain is a useful way to appreciate all the players that work together to create value. This term refers to a series of activities involved in designing, producing, marketing, delivering, and supporting any product. In addition to marketing activities, the value chain includes business functions such as human resource management and technology development.</p> <p>The main activities of value-chain members include the following:</p> <ul style="list-style-type: none"> <i>Inbound logistics</i>: Bringing in materials to make the product <i>Operations</i>: Converting the materials into the final product <i>Outbound logistics</i>: Shipping out the final product <i>Marketing</i>: Promoting and selling the final product <i>Service</i>: Meeting the customer’s needs by providing any additional support required <p>We have organized this book around the sequence of steps necessary to ensure that the appropriate value exchange occurs and that both parties to the transaction are satisfied—making it more likely they will continue to do business in the future.</p>	<p>Table 1.5 How Firms Achieve a Competitive Advantage with a Distinctive Competency</p> <p>Figure 1.2 Snapshot: Apple’s Value Chain</p>

<p>p. 20</p>	<p>3.2.3 Consumer-Generated Value: From Audience to Community One of the most exciting new developments in the marketing world is the evolution of how consumers interact with marketers. Haul videos are videos consumers post on YouTube that detail the latest stuff they bought. Consumer-generated content include:</p> <ul style="list-style-type: none"> • Loews Hotels opted to use photos of actual guests in their marketing instead of hiring actors. They began the process by looking through Instagram photos that their guests had already shared. This inspiration turned into the #TravelForReal campaign where they invited real travelers to capture the essence of each hotel. They collected these photos and used them on their website, social media outlets 	<p>Figure 1.3 Process: Create and Deliver Value</p>
<p>p. 21</p>	<p>3.2.4 Consumer Generated Value: Social Networking Consumers also create value through social media, Internet-based platforms that allow users to create their own content and share it with others who access their sites. On social networking platforms, a user posts a profile on a website and he or she provides and receives links to other members of the network to share input about common interests. Advertisers realize that these social networking sites are a great way to reach an audience that tunes in regularly and enthusiastically to catch up with friends, check out photos, proclaim opinions about political or social issues, or share discoveries of new musical artists. Social networking is an integral part of what many call Web 2.0, the second generation of the World Wide Web that incorporates social networking and user interactivity.</p> <p>The web categorizes entries according to folksonomy rather than “taxonomy.” In other words, sites rely on users rather than pre-established systems to sort contents.</p> <p>The “Wisdom of Crowds” perspective (from a book by that name) argues that under the right circumstances, groups are smarter than the smartest people in them are. If this is true, it implies that large numbers of (non-expert) consumers can predict successful products. Marketers rely on crowdsourcing when they outsource marketing activities to a large group of people, often through a social networking community.</p>	
<p>p. 22</p> <p>p. 22</p>	<p>3.3 Value from Society’s Perspective Every company’s activities influence the world around it in ways both good and bad. We must consider how marketing transactions add or subtract value from society. Companies usually find that stressing ethics and social responsibility also is good business, at least in the long run.</p> <p>3.3.1 The Dark Side of Marketing and Consumer Behavior Whether intentionally or not, some marketers do violate their bond of trust with consumers. Despite the best efforts of researchers, government regulators, and concerned industry people, sometimes consumers’ worst</p>	

<p>p. 23</p>	<p>enemies are themselves—our desires, choices, and actions often result in negative consequences to ourselves and the society in which we live.</p> <p>Some dimensions of “the dark side” of consumer behavior include:</p> <ul style="list-style-type: none"> • <i>Terrorism</i> • <i>Addictive consumption</i>: Consumer addiction is a physiological or psychological dependency on goods or services. • <i>Exploited people</i>: Sometimes people are used or exploited, willingly or not, for commercial gain in the marketplace. Consumed consumers are people who themselves become commodities. • <i>Illegal activities</i>: The cost of crimes consumers commit against business has been estimated at more than \$40 billion per year. • <i>Shrinkage</i>: Someone steals from a store every five seconds. • <i>Anticonsumption</i>: Some types of destructive consumer behavior are anticonsumption, when people deliberately deface products. 	
<p>► Marketing Moment In-Class Activity Ask students to think of businesses that engage in socially responsible activities. What is the activity and how does it help society? Discussion question: Do you personally feel that marketing is “evil?” Why or why not?</p>		
<p>p. 24</p>	<p>4. MARKETING AS A PROCESS</p> <p>Our definition of marketing also refers to <i>processes</i>. This means that marketing is not a one-shot operation. When it’s done right, marketing is a decision process in which marketing managers determine the strategies that will help the firm meet its long-term objectives and then execute those strategies using the tools they have at their disposal.</p> <p>A big part of the marketing process is <i>market planning</i>, where we think carefully and strategically about the “big picture” and where our firm and its products fit within it. Firms (or individuals) that engage in marketing planning ask questions like these:</p> <ul style="list-style-type: none"> • What product benefits will our customers look for in three to five years? • What capabilities does our firm have that set it apart from the competition? • What additional customer groups might provide important market segments for us in the future? • How will changes in technology affect our production process, our communication strategy, and our distribution strategy? • What changes in social and cultural values are occurring now that will affect our market in the next few years? • How will customers’ awareness of environmental issues affect their attitudes toward our manufacturing facilities? • What legal and regulatory issues may affect our business in both domestic and global markets? 	

p. 24	<p>Answers to these and other questions provide the foundation for developing an organization's marketing plan. This document describes the marketing environment, outlines the marketing objectives and strategy, and identifies who will be responsible for carrying out each part of the marketing strategy.</p> <p>Some firms choose to reach as many customers as possible so they offer their goods or services to a mass market that consists of all possible customers in a market regardless of the differences in their specific needs and wants.</p> <p>Although this approach can be cost-effective, the firm risks losing potential customers to competitors whose marketing plans instead try to meet the needs of specific groups within the market. A market segment is a distinct group of customers within a larger market who are similar to one another in some way and whose needs differ from other customers in the larger market. Depending on its goals and resources, a firm may choose to focus on one segment. A target market is the segment(s) on which an organization focuses its marketing plan and toward which it directs its marketing efforts. A product's market position is how the target market perceives the product in comparison to competitor's brands.</p>	
p. 25	<p>5. Brand You: A Framework for Managing Your Career</p> <p>Your brand will help you present yourself to employers as a top candidate when you seek internships and jobs during college.</p> <p>5.1 Starting the Brand You Process No matter what type of career you want, creating your personal brand will help you manage that career.</p> <p>5.2 Applying Marketing Concepts to Brand You</p> <p>Developing a brand identity is only the first step.</p>	

IV. END-OF-CHAPTER ANSWER GUIDE

CHAPTER QUESTIONS AND ACTIVITIES

►QUESTIONS: TEST YOUR KNOWLEDGE

1-1. Briefly explain what marketing is.

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

Part 1: Understand the Value Proposition

1-2. List and describe the four Ps of the marketing mix.

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

1-3. Define the terms *consumer goods*, *services*, and *industrial goods*. What do we mean by marketing ideas, people, and places?

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

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

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

Marketing principles are also used to market ideas, places, and people. Examples include:

- Fatherhood involvement
- Shelter-pet adoption
- Microcelebrities

Some of the same principles that go into “creating” a celebrity apply to you. An entertainer must “package” his/her talents, identify a market that is likely to be interested, and work hard to gain exposure to these potential customers by appearing in the right venues. You can use marketing strategies to create your unique brand—Brand You

1-4. What is *user generated content*? What is *branded content*?

Marketers need to think of users as a community that is motivated to participate in both the production and the consumption of what companies sell. They also are part of the brand communication process as they create their own videos, provide product reviews, and participate in blogs. This is called **consumer-generated content**. Smart companies today understand that making money from a single transaction does not provide the kind of value they desire. In recent years, many firms have transformed the way they do business. They now regard consumers as *partners* in the transaction rather than as passive “victims.”

Brandfests are events hosted by companies to thank customers for their loyalty. generated content has become more important than branded content.

1-5. What is utility? How does marketing create different forms of utility?

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

1-6. Trace the evolution of the marketing concept. What is the *triple bottom line orientation*?

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

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

1-7. Explain how marketers practice the societal marketing concept and sustainability.

An important trend now is for companies to think of ways to design and manufacture products with a focus on sustainability, defined as "meeting present needs without compromising the ability of future generations to meet their needs." Sustainability applies

Part 1: Understand the Value Proposition

to many aspects of doing business, including social and economic practices (e.g., humane working conditions and diplomacy to prevent wars that deplete food supplies, atmospheric quality, and of course, lives).

1-8. Explain the concept of a *value proposition*.

The **value proposition** is a marketplace offering that fairly and accurately sums up the value that the customer will realize if he or she purchases the product. The value proposition includes the whole bundle of benefits the firm promises to deliver, not just the benefits of the product itself. For example, although most people probably won't get to their destination sooner if they drive a BMW versus a Mercedes-Benz or Audi, many die-hard loyalists swear by their favorite brand.

1-9. To what does the *lifetime value of the customer* refer, and how is it calculated?

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

1-10. Define the terms *distinctive competency*, *differential benefit* and *competitive advantage*. What does it mean for a firm to have a competitive advantage? What gives a firm a competitive advantage?

A **distinctive competency** is a firm's capability that is superior to that of its competition. The second step in developing a competitive advantage is to turn a distinctive competency into a **differential benefit**—one that is important to customers. A firm has a competitive advantage when it is able to outperform the competition, providing customers with a benefit the competition cannot. A competitive advantage gives consumers a reason to choose one product over another repeatedly.

1-11. What is involved in market planning?

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

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

► **ACTIVITIES: APPLY WHAT YOU'VE LEARNED**

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

Students can work in small groups to develop a list of 10 specific social network activities to increase customer engagement.

- 1-13. ***In Class, 10–25 Minutes for Teams*** Successful firms have a competitive advantage because they are able to identify distinctive competencies and use these to create differential benefits for their customers. Consider your business school or your university. What distinctive competencies does it have? What differential benefits does it provide for students? What is its competitive advantage? What are your ideas as to how your university could improve its competitive position? Write an outline of your ideas.

Students will probably have a lot of opinions and ideas regarding this question. You might ask them to explain the thought process they went through when enrolling in your school. Was your school the student's top choice? Why or why not? What could make this school more competitive? Have the students' opinions changed as they matriculated? Another useful tool to offer students working on this task is to introduce them to the SWOT analysis. In particular, matching up a business school's strengths to opportunities often leads to insights about competitive advantages in the marketplace.

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

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

- 1-15. ***For Further Research (Individual)*** Recent reports indicate that consumers, including children and teens, are becoming small screen addicts. Develop a series of questions to be used in a survey (about 10). Use these to Interview at least five of your fellow students about their use of smartphones and tablets. Write up a report on your finding and conclusions.

Students can interview their classmates about their use of smartphones and tablets.

- 1-16. ***For Further Research (Groups)*** Select a global or national company that you are familiar with. Examine the firm's Web site and other sources of information about the company to determine its competitive advantages. Who are their biggest competitors?

Part 1: Understand the Value Proposition

What are each of their competitive advantages? Give three suggestions for how the company can market their products/services to feature their advantages and overcome the advantages of the competition?

Groups should explore websites to find examples of companies to determine their competitive advantages. They can offer ideas on how these companies can market their products/services to feature their advantages and overcome their disadvantages.

► **CONCEPTS: APPLYING MARKETING METRICS**

The chapter discusses the growing importance of sustainability, and it notes that companies and consumers increasingly consider other costs in addition to financial kinds when they decide what to sell or buy. One of these cost categories is damage to the environment. How can marketers make it easier for shoppers to compute these costs? The answer is more apparent in some product categories than in others. For example, American consumers often are able to compare the power consumption and annual costs of appliances by looking at their EnergyStar™ rating. In other situations, we can assess the *carbon footprint* implications of a product or service; this tells us how much CO₂ our purchase will emit into the atmosphere (e.g., if a person flies from New York to London). The average American is responsible for over 16 metric tons of CO₂ per year! A carbon footprint comes from the sum of two parts, the direct, or primary, footprint and the indirect, or secondary, footprint:

- The *primary footprint* is a measure of our direct emissions of CO₂ from the burning of fossil fuels, including domestic energy consumption and transportation (e.g., cars and planes).
- The *secondary footprint* is a measure of the indirect CO₂ emissions from the whole life cycle of products we use, from their manufacture to their eventual breakdown.

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

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

Sustainability applies to many aspects of doing business, including social and economic practices (e.g., humane working conditions and diplomacy to prevent wars that deplete food supplies, atmospheric quality, and of course, lives). Students can share their ideas on sustainability issues.

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

Companies think of ways to design and manufacture products with a focus on *sustainability*, or “doing well by doing good.” Experts believe marketing will continue to change with greater use of good content, Big Data, mobile marketing, metrics and accountability, customer interaction, and corporate citizenship. Students can share their purchasing habits. For example, do they purchase cage-free eggs which are more expensive but represent a more humane way of treating animals?

► **CHOICES: WHAT DO YOU THINK?**

- 1-19. **Critical Thinking** Journalists, government officials, and consumers have been highly critical of companies for gathering and storing large amounts of data on consumers (i.e., Big Data). Others argue that such practices are essential for firms to provide high-quality, affordable products that satisfy consumers’ varied needs. What do you think? Should the government regulate such practices? How can these practices help consumers? What potential downfalls are there?

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

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

Society receives value from marketing activities when producers stress ethics and social responsibility. Criticisms of both marketing and consumer activities may be valid in a few instances, but most are unfounded. Students can have a lively discussion and share experiences about how marketers should release information about a product’s safety to the public.

- 1-21. **Critical Thinking** Organizations are now focusing more on the triple-bottom-line orientation, meaning that firms should focus on maximizing the financial, social, and environmental areas of the business. What should companies do when they realize that two or more of these conflict with one another? Do you think any one of them is more important? Why?

In small groups students can offer ideas on what companies can do in face of a conflict among the triple-bottom-line elements.

Part 1: Understand the Value Proposition

- 1-22. **Critical Thinking** Many consumers are concerned about their impact on the environment. They demand green products as well as green marketing activities. However, these same consumers often opt not to purchase green products as they are traditionally more expensive than their alternatives. What do you think is driving this decision? How can marketers change their products or the way in which they are marketing them to encourage consumers to increase their purchases of green products? What are some ideas that you have for ways companies can execute green marketing?

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

- 1-23. **Critical Thinking** Many would argue that Amazon's competitive advantages include fast delivery and its vast array of product options. Do you think these advantages are sustainable? Who do you think are Amazon's biggest competitors? How are they working to overcome Amazon's advantages?

Students can discuss whether Amazon, the market leader, can effectively be challenged by market challengers and market followers. Many companies have followed Amazon's strategy of offering easy ordering, convenient return policy, and free delivery. Amazon is not always charging the lowest prices for its products. Competitors could match Amazon's benefits and bet its prices.

- 1-24. **Ethics** The American Psychological Association formally recognizes Internet addiction as a psychological disorder. Should it? Why or why not?

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

- 1-25. **Ethics** Crowdsourcing has a lot of upsides—for the company initiating the crowdsourcing. The company gets to generate buzz among its fans as well as generate new product ideas and inventive advertising campaigns for little to no investment. Is there an upside to crowdsourcing for the customer, or are companies exploiting their users?

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

► **MINI-PROJECT: LEARN BY DOING**

The purpose of this mini-project is to develop an understanding of the importance of marketing to different organizations.

- 1-26. Working as a team with two or three other students in your class, select an organization in your community. It may be a manufacturer, a service provider, a retailer, a not-for-profit organization—almost any organization will do. Then schedule a visit with someone within the organization who is involved in the marketing activities. Arrange for a short visit during which the person can give your group a tour of the facilities and explain the organization’s marketing activities.
- 1-27. Divide the following list of topics among your team and ask each person to be responsible for developing a set of questions to ask during the interview to learn about the company’s program:
- What customer segments the company targets.
 - How it determines customer needs and wants.
 - What products it offers, including features, benefits, and goals for customer satisfaction
 - What its pricing strategies are.
 - How it uses interactive content to engage customers.
 - How it distributes products and whether it has e countered any problems.
 - How it determines whether the needs and wants of customers are being met.
 - Explain what marketers mean by the “societal marketing concept” and “sustainability” and ask if these are areas of concern to the organization. If so, how do they address them in their organization’s activities? If not, ask if they have any plans to move in this direction in the future and, if so, how.
- 1-28. Develop a team report of your findings. In each section of the report, share what you learned that is new or surprising to you compared to what you expected.
- 1-29. Develop a team presentation for your class that summarizes your findings. Conclude your presentation with comments on what your team believes the company was doing that was particularly good and what was not quite so good.

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

V. MARKETING IN ACTION CASE: REAL CHOICES AT COCA-COLA

Summary of Case

What do you do when your customer starts to shrink, both literally and figuratively? The sale of soft drinks in the U.S. is not what it used to be. The \$81 billion soft-drink industry is being challenged by changes in consumers' attitudes toward both sugar-sweetened and diet drinks. Historically, soft drinks have been a significant portion of the American diet and sales have grown year after year. In the United States the rates of obesity, diabetes, and other weight-related health issues are on the rise. In 2014, the Centers for disease Control and Prevention found that 35 percent of U.S. adults were obese. And the problem is not limited to adults; with distressing regularity children are being diagnosed as obese. Although obesity and its related issues are complicated and have many different causes, soft drink manufacturers, like Coca-Cola, have been forced to bear a large share of the blame. This combined with the current consumer trend toward a healthier lifestyle has dealt a blow to the beverage industry. Sales of carbonated soft drinks have been in decline since 2004 and in 2016, sales of bottled water surpassed soft drink sales for the first time. Millennials and others are drinking flavored sparkling water. The association of obesity and soft drinks has become so much of a problem that in some cities, politicians are proposing "soda taxes" to reduce the amount of sugar consumed. For now the soft-drink manufacturers are winning the political battles but are in jeopardy of losing overall. One of the consequences of these policy fights is that consumers are being reminded that soft drinks may not be the healthiest choice.

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

How will this ongoing concern by public health officials effect how Americans feel about soft drinks in the long run? Will soft drinks ever attain the negative status of tobacco products, which many consumers have abandoned? Will Coca-Cola be able to reclaim its former position as market leader or must coke change its focus to something else?

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

- Coca-Cola needs to determine what marketing mix strategies would be effective for their future success (and what strategies would not be as successful).
- Students may be encouraged to factor in extensive marketing research designs in their answers.
- New ideas for marketing mix strategies.

1-31. What factors are important in understanding this decision situation?

The following factors are important in understanding this decision situation:

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

1-32. What are the alternatives?

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

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

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

Students may focus on several of the alternatives developed. They should be encouraged to discuss which alternative actions are more critical.

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

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

Digging Deeper into the Case

- 1-35. Think about three Coca-Cola products: classic Coke, Diet Coke, and the new Diet Coke flavors. What *needs* do these products meet?

A need is the recognition of any difference between a consumer's actual state and some ideal or desired state. Students can discuss this question and offer ideas on what needs these products meet. For example, Diet Coke and new Diet Coke meet the needs of those who do not want a drink that is loaded with sugar and high calories.

- 1-36. Devise a good value proposition for the new line of flavored Diet Coke.

The **value proposition** is a marketplace offering that fairly and accurately sums up the value that the customer will realize if he or she purchases the product. The value proposition includes the whole bundle of benefits the firm promises to deliver, not just the benefits of the product itself. Students can use this definition to work in small groups and develop a value proposition for the new line of flavored Diet Coke.

- 1-37. Consider Coca-Cola's corporate social responsibility in the area of providing products that are not harmful. What do you feel the company could do differently in product development and/or communications about their products?

Students can share their ideas about what Coca-Cola could do to improve its corporate social responsibility by providing products that are not harmful.

► MYLABMARKETING

MyLab Marketing

Go to www.pearson.com/mylab/marketing for Auto-graded writing questions as well as the following Assisted-graded writing questions

- 1-38. **CreativeHomework/ShortProject.** An old friend of yours has been making and selling vitamin-fortified smoothies to acquaintances and friends of friends for some time. He is now thinking about opening a shop in a small college town, but he is worried about whether just having a great smoothie is enough to be successful. Knowing that you are a marketing student, he's asked you for some advice. What can you tell him about product, price, promotion, and place (distribution) strategies that will help him get his business off the ground?

Marketing provides value for customers when they practice the marketing concept and focus on identifying and satisfying customer needs. Marketing provides form, place, time, and possession utility. In addition, marketing satisfies the needs of diverse stakeholders. The marketing mix includes product, price, place, and promotion. The product is what satisfies customer needs. The price is the assigned value or amount to be exchanged for the product. The place or channel of distribution gets the product to the customer. Promotion is the organization's efforts to persuade customers to buy the product.

- 1-39. **CreativeHomework/ShortProject.** As a marketing professional, you have been asked to

write a short piece for a local business newsletter about the state of marketing today. You think the best way to address this topic is to review how the marketing concept has evolved and to discuss finding your competitive advantage. Write the short article you will submit to the editor of the newsletter.

Working in small groups, students can review the marketing concept and how it has evolved. Each group can prepare a short article that can be presented to the class. Today, many firms are moving toward a triple- bottom-line orientation that includes a commitment to quality and value and a concern for both economic and social profit while protecting the environment. The societal marketing concept maintains that marketers must satisfy customers' needs in ways that also benefit society while still delivering a profit to the firm. Similarly, companies think of ways to design and manufacture products with a focus on *sustainability*, or “doing well by doing good.” Experts believe marketing will continue to change with greater use of good content, Big Data, mobile marketing, metrics and accountability, customer interaction, and corporate citizenship.

WEB RESOURCES

Coca-Cola: www.coca-colacompany.com/

Craigslist (online classifieds website): www.craigslist.org

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

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

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

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

Girls Inc. (inspiring all girls to be strong, smart, and bold): www.girlsinc.org

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

Subaru: www.subaru.com

LinkedIn (professional network online community): www.linkedin.com

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

Part 1: Understand the Value Proposition

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

Google (online search engine): www.google.com

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

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