

Chapter 1

MARKETING: CREATING AND CAPTURING CUSTOMER VALUE

MARKETING STARTER: CHAPTER 1

Amazon.com: Obsessed with Creating Customer Value and Relationships

Synopsis

When you think of shopping online, chances are good that you think first of Amazon. The company sells everything from books, music, electronics, tools, housewares, apparel, and groceries to loose diamonds and Maine lobsters.

From the start, Amazon has grown explosively. Its annual sales have rocketed from a modest \$150 million in 1997 to more than \$74 billion today. What has made Amazon such an amazing success story? Founder and CEO Jeff Bezos put it in three simple words: “Obsess over customers.” To its core, the company is relentlessly customer driven.

Amazon wants to deliver a special experience to every customer. Most regulars feel a surprisingly strong relationship with the company, especially given the almost complete lack of actual human interaction.

Visitors to Amazon.com find a huge selection, good value, low prices, and convenience. But it's the “discovery” factor that makes the buying experience really special. Amazon.com has become a kind of online community in which customers can browse for products, research purchase alternatives, share opinions and reviews with other visitors, and chat online with authors and experts. That ability to share opinions and reviews builds relationships with the company and with other customers.

Indeed, Amazon has become the poster child for companies that are obsessively and successfully focused on delivering customer value.

Discussion Objective

An active 10-minute discussion of the Amazon.com story will help link students to key foundational marketing concepts. Amazon.com provides an excellent vehicle for introducing the overall marketing framework presented in Chapter 1 and throughout the text: Good marketing is all about creating value for customers and building strong customer relationships in order to capture value from customers in return. No company does that better than Amazon.com.

Starting the Discussion

To start the discussion, ask the class, “Has anyone here purchased a product from Amazon.com?” It may make more sense to ask whether there is anyone who has NOT purchased something from Amazon.com. Based on the show of hands, ask for students to share their experience. Was this a random purchase or are they die-hard Amazon regulars? What is it about the customer experience that is so enticing?

Next, pull up the Amazon Web site. Working with students, search for a few random products that interest them. Click on products and delve a bit further into each page. Together, note how each product search becomes its own discovery process, complete with detailed product descriptions, expert opinions, customer reviews, purchase alternatives, and even online chat with

authors and experts. Be sure to review the “Get to Know Us” link at the bottom. In what ways does Amazon’s obsession with customer service show through in every feature and detail?

You should be familiar with this Web site in advance so that you can move purposefully to keep the discussion moving. But let the class discussion interactively guide the parts of the site that you explore, taking you deeper into each page. Start with the first question below, and then ask other questions as the discussion allows. Throughout the discussion, keep your objective firmly in mind: to emphasize that good marketing is all about creating value for customers and managing customer relationships in order to capture value from customers in return. The final question leads the class into Chapter 1 and the discussion for the day. Have fun with this one!

Discussion Questions

1. The very first marketing story in the text is about Amazon.com. Let’s take a quick look at the “Get to Know Us,” “Make Money with Us,” and “Let Us Help You” links at the bottom of the home page and see what we can learn about the company and how it operates. Just looking at this Web page, what stands out about Amazon.com? (The point: Everything on the site points to Amazon’s obsession with its customers. It’s all about connecting the company and the customers.)
2. How has what we are seeing on this site contributed to Amazon’s performance? How has Amazon.com been successful? (As pointed out in the Amazon.com story, thanks in large part to its obsession with customer satisfaction and customer experience, the company has grown astronomically and profitably. Even in a slow retail economy, Amazon’s sales have soared in recent years. Thus, by creating value for customers, Amazon.com has captured value from customers in return.)
3. Why did the authors choose Amazon.com as the very first company to highlight in Chapter 1 and in the entire text? How does this opening story relate to the major points made in the rest of the chapter? (This question should lead naturally into major Chapter 1 concepts: What is marketing and what is the marketing process? What is customer-driven marketing and why are customer value, satisfaction, and relationships so important?)

CHAPTER OVERVIEW

Use Power Point Slide 1-1 Here

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, the five steps in the marketing process are discussed—from understanding customer needs, to designing customer-driven marketing strategies and integrated marketing programs, to building customer relationships and capturing value for the firm. Finally, there is a discussion of the major trends and forces affecting marketing in this age of customer relationships.

CHAPTER OBJECTIVES

Use Power Point Slides 1-2, 1-3, and 1-4 Here

1. Define marketing and outline the steps in the marketing process.

2. Explain the importance of understanding the marketplace and customers, and identify the five core marketplace concepts.
3. Identify the key elements of a customer-driven 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. 26	<p>INTRODUCTION</p> <p>When you think of shopping online, chances are good that you think first of Amazon. The company sells everything from books, music, and electronics to tools, house wares, and more.</p> <p>From the start, Amazon has grown explosively. Its annual sales have rocketed from a modest \$150 million in 1997 to more than \$74 billion today.</p> <p>To its core, the company is relentlessly customer driven. Amazon wants to deliver a special experience to every customer.</p> <p>The Amazon “discovery” factor makes the buying experience special.</p> <p>Amazon is obsessively and successfully focused on delivering customer value.</p>	p. 27 Photo: Jeff Bezos, Amazon CEO
	<p>➤ Opening Vignette Questions</p> <ol style="list-style-type: none"> 1. Many companies claim to be obsessed with customer service. What sets Amazon.com apart from the others? 2. In your opinion, is it wise to spend little on media advertising, and rely instead mostly on word of mouth? Explain. 3. Do you believe that customers really want long-term relationships with a company, rather than short-term bargains? If so, how does Amazon.com build these relationships? 4. What if a close online competitor came along, offering comparable items and service? Do you think most Amazon.com customers would remain loyal to them? Defend your answer. 	

	<p>Wants are the form human needs take as they are shaped by culture and individual personality. A typical American <i>needs</i> food but <i>wants</i> a Big Mac.</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>➤ Assignments, Resources Use <i>Discussion Question 1-2</i> here Use <i>Additional Project 1</i> here Use <i>Think-Pair-Share 2</i> here</p>	
p. 30 PPT 1-11	<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 include <i>products</i> and <i>services</i>—activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything.</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. 31 Key Term: Market Offerings</p> <p>p. 31 Photo: Angry Birds</p> <p>p. 31 Key Term: Marketing Myopia</p>
p. 32 PPT 1-12	<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>	
p. 32 PPT 1-13	<p>Exchanges and Relationships</p> <p>Exchange is the act of obtaining a desired object from</p>	<p>p. 32 Key Term: Exchange</p>

	<p>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. 32</p> <p>PPT 1-14</p> <p>PPT 1-15</p>	<p>Markets</p> <p>A market is the set of actual and potential buyers of a product.</p> <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>Review Learning Objective 2: Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.</p>	<p>p. 32 Key Term: Market</p> <p>p. 33 Figure 1.2: A Modern Marketing System</p>
	<p>➤ Assignments, Resources Use <i>Online, Mobile, and Social Media Marketing</i> here Use <i>Outside Example 1</i> and <i>2</i> here</p>	
<p>p. 33</p> <p>PPT 1-16</p> <p>PPT 1-17</p>	<p>Identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.</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>Learning Objective 3</p> <p>p. 33 Key Term: Marketing Management</p>
<p>p. 33</p> <p>PPT 1-18</p>	<p>Selecting Customers to Serve</p> <p>A company must first decide <i>whom</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>Marketing managers must decide which customers they want to target and on which level, timing, and nature of their demand.</p>	
	<ul style="list-style-type: none"> ➤ Assignments, Resources Use <i>Discussion Question 1-3</i> here Use <i>Critical Thinking Exercise 1-6</i> here Use <i>Think-Pair-Share 3</i> here ➤ Troubleshooting Tip The concept of not serving all customers may be confusing to students. Most of them have not yet encountered anything like it. The light bulb seems to go on, though, when you talk about how crowded National Parks get, and the efforts made to have people visit them during off-peak travel times. Having students come up with their own examples will increase the level of understanding. 	
<p>p. 33 PPT 1-19</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>p. 33 Photo : Social media marketing on mobile devices</p>
<p>p. 34 PPT 1-20</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>PPT 1-21</p>	<p>The Production Concept</p> <p>The production concept holds that consumers will favor products that are available and highly affordable.</p>	<p>p. 34 Key Terms: Production Concept, Product Concept, Selling Concept</p>

<p>PPT 1-22</p>	<p>Management should focus on improving production and distribution efficiency.</p> <p>The Product Concept</p> <p>The product concept holds that consumers will favor 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>PPT 1-23</p>	<p>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. 35 PPT 1-24</p>	<p>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>Rather than a “make and sell” philosophy, it is a customer-centered “sense and respond” philosophy.</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><i>Customer-driven</i> marketing is understanding customer</p>	<p>p. 35 Key Term: Marketing Concept</p>

<p>PPT 1-25</p> <p>p. 35 PPT 1-26</p> <p>p. 36 PPT 1-27</p>	<p>needs even better than customers themselves do and creating products and services that meet existing and latent needs.</p> <p>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 maintains or improves both the consumer's and <i>society's</i> well-being.</p> <p>Designing a Customer Value-Driven Marketing Strategy</p> <p>Figure 1.3 contrasts the selling concept and the marketing concept. The selling concept takes an <i>inside-out</i> perspective. It starts with the factory, focuses on the company's existing products, and calls for heavy selling and promotion to obtain profitable sales. It focuses primarily on customer conquest—getting short-term sales with little concern about who buys or why.</p> <p>In contrast, the marketing concept takes an <i>outside-in</i> perspective. The marketing concept starts with a well-defined market, focuses on customer needs, and integrates all the marketing activities that affect customers. In turn, it yields profits by creating relationships with the right customers based on customer value and satisfaction.</p> <p>As Figure 1.4 shows, companies should balance three considerations in setting their marketing strategies: company profits, consumer wants, <i>and</i> society's interests.</p>	<p>p. 35 Key Term: Societal Marketing Concept</p> <p>p. Ad: Boston Market</p> <p>p. 35 Figure 1.3: Selling and Marketing Concepts Contrasted</p> <p>p. 36 Figure 1.4: Three Considerations Underlying the Societal Marketing Concept</p> <p>p. 36 Ad: Lush</p>
	<ul style="list-style-type: none"> ➤ Assignments, Resources Use <i>Additional Project 2</i> here Use <i>Marketing Ethics</i> here ➤ 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)? 	

	<p>Understanding how one should balance the need for profits with what some might consider as “soft” issues can be difficult at times. That can also be 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 not to 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. 37	<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 1-28	<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> <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>	
PPT 1-29	<p>Review Learning Objective 3: Identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.</p>	
	<p>➤ Resources, Applications Use <i>Online, Mobile, and Social Media Marketing</i> here</p>	

<p>p. 37 PPT 1-30</p>	<p>Discuss customer relationship management and identify strategies for creating value <i>for</i> customers and capturing value <i>from</i> customers in return.</p>	<p>Learning Objective 4</p>
<p>PPT 1-31</p>	<p>BUILDING CUSTOMER RELATIONSHIPS</p> <p>Customer Relationship Management</p> <p><i>Customer relationship management</i> is perhaps 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>p. 37 Key Term: Customer Relationship Management</p>
<p>PPT 1-32</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</p> <p>Customer-perceived value 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>Instead, customers act on perceived value.</p> <p>Customer Satisfaction</p> <p>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 delighted.</p>	<p>p. 37 Key Term: Customer-Perceived Value</p> <p>p. 38 Key Term: Customer Satisfaction</p> <p>p. 38 Photo: YETI</p>

<p>PPT 1-35</p> <p>p. 42 PPT 1-36</p> <p>PPT 1-37</p>	<p>conversation.</p> <p>Customer-engagement marketing goes beyond just selling a brand to consumers. Its goal is to make the brand a meaningful part of consumers’ conversations and lives.</p> <p>The burgeoning Internet and social media have given a huge boost to customer-engagement marketing.</p> <p>Today’s consumers are better informed, more connected, and more empowered than ever before. Newly empowered consumers have more information about brands, and they have a wealth of digital platforms for airing and sharing their brand views with others.</p> <p>The marketing world is now embracing customer-managed relationships.</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 <i>involve</i> consumers rather than interrupt them.</p> <p>Consumer-generated marketing has become a significant marketing force. Here, consumers themselves are playing a bigger role in shaping their own brand experiences and those of others.</p> <p>As consumers become more connected and empowered, and as the boom in digital and social media technologies continues, consumer brand engagement, whether invited or not, will be an important marketing force. Brands must embrace this trend or risk being left behind.</p>	<p>p. 42 Key Term: Customer-Engagement Marketing</p> <p>p. 43 Key Term: Consumer-Generated Marketing</p> <p>p. 43 Photo: McDonald’s</p>
	<p>➤ Resources, Applications Use <i>Critical Thinking Exercise 1.9</i> here Use <i>Real Marketing 1.1</i> and <i>1.2</i> here Use <i>Video Case</i> here Use <i>Small Group Assignment 1</i> and <i>2</i> here Use <i>Additional Project 3</i> here Use <i>Think-Pair-Share 4</i> here</p>	
<p>p. 45 PPT 1-38</p>	<p>Partner Relationship Management</p> <p>Partners Inside the Company</p> <p>Today’s marketers know they must work closely with others</p>	<p>p. 45 Key Term: Partner Relationship Management</p>

	<p>inside and outside the company to jointly bring more value to customers.</p> <p>Today, firms are linking all departments in the cause of creating customer value. In today's connected world, every functional area in the organization can interact with customers.</p> <p>Rather than assigning only sales and marketing people to customers, they are forming cross-functional customer teams.</p> <p>Marketing Partners Outside the Firm</p> <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>p. 46</p> <p>p. 46</p> <p>PPT 1-39</p>	<p>CAPTURING VALUE FROM CUSTOMERS</p> <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>Creating Customer Loyalty and Retention</p> <p>The aim of customer relationship management (CRM) 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>Companies are realizing that losing a customer means losing more than a single sale. It means losing customer</p>	<p>p. 46 Photo: Stew Leonard</p> <p>p. 46 Key Term: Customer Lifetime Value</p>

	lifetime value.	
	<p>➤ Resources, Applications Use <i>Marketing by the Numbers</i> here Use <i>Individual Assignment 1</i> here</p>	
p. 46 PPT 1-40	<p>Growing Share of Customer</p> <p>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.”)</p> <p>To increase share of customer, firms can offer greater variety to current customers.</p> <p>Or they can create programs to cross-sell and up-sell to market more products and services to existing customers.</p>	p. 46 Key Term: Share of Customer
p. 47 PPT 1-41	<p>Building Customer Equity</p> <p>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.</p> <p>What Is Customer Equity?</p> <p>Customer equity is the total combined customer lifetime values of all of the company’s current and potential customers.</p> <p>Clearly, the more loyal the firm’s profitable customers, the higher the firm’s customer equity.</p> <p>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.</p>	p. 47 Key Term: Customer Equity
p. 47 PPT 1-42	<p>Building the Right Relationships with the Right Customers</p> <p>Companies should manage customer equity carefully. They should view customers as assets that need to be managed and maximized. But not all customers, not even all loyal customers, are good investments. Surprisingly, some loyal customers can be unprofitable, and some disloyal customers</p>	p. 47 Photo: Cadillac

<p>p.</p>	<p>can be profitable. Which customers should the company acquire and retain?</p> <p>The company can classify customers according to their potential profitability and manage its relationships with them accordingly.</p> <p>Figure 1.5 classifies customers into one of four relationship groups, according to their profitability and projected loyalty. Each group requires a different relationship management strategy.</p> <p>Strangers show low potential profitability and little projected loyalty. There is little fit between the company’s offerings and their needs. The relationship management strategy for these customers is simple: Don’t invest anything in them; make money on every transaction.</p> <p>Butterflies are potentially profitable but not loyal. There is a good fit between the company’s offerings and their needs. However, efforts to convert butterflies into loyal customers are rarely successful. Instead, it should create satisfying and profitable transactions with them, capturing as much of their business as possible in the short time during which they buy from the company. Then, it should move on and cease investing in them until the next time around.</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 nurture, retain, and grow them. It wants to turn true friends into <i>true believers</i>, who come back regularly and tell others about their good experiences with the company.</p> <p>Barnacles are highly loyal but not very profitable. There is a limited fit between their needs and the company’s offerings. Barnacles are perhaps the most problematic customers. The company might be able to improve their profitability by selling them more, raising their fees, or reducing service to them. However, if they cannot be made profitable, they should be “fired.”</p> <p>The point here is an important one: Different types of customers require different engagement and relationship management strategies. The goal is to build the right</p>	<p>p. 48 Figure 1.5: Customer Relationship Groups</p>
-----------	---	---

	<p><i>relationships</i> with the <i>right customers</i>.</p>	
<p>PPT 1-43 PPT 1-44</p>	<p>Review Learning Objective 4: Discuss customer relationship management and identify strategies for creating value <i>for</i> customers and capturing value <i>from</i> customers in return.</p>	<p>Learning Objective 5</p>
<p>PPT 1-45 p. 48</p>	<p>Describe the major trends and forces that are changing the marketing landscape in this age of relationships.</p> <p>THE CHANGING MARKETING LANDSCAPE</p>	
<p>p. 48 PPT 1-46</p>	<p>This section explores five major developments: the digital age, the changing economic environment, the growth of not-for-profit marketing, rapid globalization, and the call for more ethics and social responsibility.</p> <p>The Digital Age: Online, Mobile, and Social Media Marketing</p>	<p>p. 49 Photo: Social media marketing</p>
	<p>The explosive growth in digital technology has fundamentally changed the way we live—how we communicate, share information, access entertainment, and shop.</p> <p>An estimated 3 billion people—40 percent of the world’s population—are now online.</p> <p>Nearly half of all American adults now own smartphones; 50 percent of those adults use their smartphones and other mobile devices to access social media sites. These numbers will only grow as digital technology rockets into the future.</p> <p>Most consumers are totally smitten with all things digital. For example, according to one study, more than half of Americans keep their mobile phone next to them when they sleep—they say it’s the first thing they touch when they get up in the morning and the last thing they touch at night.</p>	<p>p. 49 Key Term: Digital and social media marketing</p>
<p>p. 50 PPT 1-47</p>	<p>Favorite online and mobile destinations include the profusion of Web sites and social media that have sprung up.</p> <p>Digital and social media marketing involves using digital marketing tools such as Web sites, social media, mobile ads and apps, online video, e-mail, blogs, and other digital</p>	

<p>p. 52</p> <p>p. 52</p> <p>PPT 1-49</p> <p>p. 53</p> <p>PPT 1-50</p>	<p>Rapid Globalization</p> <p>As they are redefining their customer relationships, marketers are also taking a fresh look at the ways in which they relate with the broader world around them. Today, almost every company, large or small, is touched in some way by global competition.</p> <p>Sustainable Marketing—The Call for More Social Responsibility</p> <p>Marketers are reexamining their relationships with social values and responsibilities and with the very Earth that sustains us. As the worldwide consumerism and environmentalism movements mature, today’s marketers are being called on to develop <i>sustainable marketing</i>.</p> <p>Review Learning Objective 5: Describe the major trends and forces that are changing the marketing landscape in this age of relationships.</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>The final step in the process allows the company to capture value <i>from</i> customers.</p> <p>When building customer and partner relationships, companies must harness marketing technology, take advantage of global opportunities, and act in an ethical and socially responsible way.</p> <p>Figure 1.6 provides a road map to future chapters of this text.</p>	<p>p. 53 Photo: Ben & Jerry’s</p> <p>p. 54 Figure 1.6: An Expanded Model of the Marketing Process</p>
	<p>➤ Resources, Applications Use <i>Critical Thinking 1-8</i> here Use <i>Marketing Ethics</i> here</p>	

	Use <i>Individual Assignment 2</i> here Use <i>Company Case</i> here	
--	---	--

END OF CHAPTER MATERIAL

Discussion Questions

1-1 Define marketing. What is marketing myopia and how can it be avoided? (Objective 1) (AACSB: Written and Oral Communication; Reflective Thinking)

Answer:

Marketing is the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return. **Marketing myopia** is the mistake of paying more attention to the specific products a company offers than to the benefits and experiences produced by these products. It can be avoided by focusing on the underlying customer needs being met by the product.

★ 1-2 Explain the importance of needs, wants, and demands and how these frame marketing activities. (Objective 2) (AACSB: Communication)

Answer: Refer to the Mylab for answers to this and all starred Mylab questions.

1-3 Describe the five different competing marketing orientations that a business organization can adopt to drive its marketing strategy. (Objective 3) (AACSB: Communication; Reflective Thinking)

Answer:

Marketing management can adopt one of the five different competing marketing orientations. The production concept holds that management's task is to improve production efficiency and bring down prices. The product concept holds that consumers favor products that offer the most in quality, performance, and innovative features; thus, little promotional effort is required. The selling concept holds that consumers will not buy enough of an organization's products unless it undertakes a large-scale selling and promotion effort. The marketing concept holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do. The societal marketing concept holds that generating customer satisfaction and long-run societal well-being through sustainable marketing strategies is key to both achieving the company's goals and fulfilling its responsibilities.

1-4 Companies want to acquire profitable customers. Describe how marketers build relationships with customers. (Objective 4) (AACSB: Communication; Reflective Thinking)

Answer:

Companies want to not only acquire profitable customers but also build relationships that will keep them and grow the “share of customers.” Different types of customers require different customer-relationship management strategies. The marketer’s aim is to build the right relationship with the right customers. In return for creating value for targeted customers, the company captures value from customers in the form of profits and customer equity. In building customer relationships, good marketers realize that they cannot do it alone. They must work closely with marketing partners inside and outside the company. In addition to being good at customer-relationship management, they must also be good at partner-relationship management.

- ★ 1-5 When implementing customer relationship management, why might a business desire fewer customers over more customers? Shouldn’t the focus of marketing be to acquire as many customers as possible? (Objective 4) (AACSB: Written and Oral Communication; Reflective Thinking)

Answer: Refer to the Mylab for answers to this and all starred Mylab questions.

Critical Thinking Exercises

- 1-6 Select an FTSE 100 company. How much did the company spend on marketing activities in the most recent year for which data are available? What percentage of sales does marketing expenditure represent for the company? Have these expenditures increased or decreased over the past five years? Write a brief report of your findings. (Objective 3) (AACSB: Communication; Analytic Reasoning)

Answer:

Student answers will vary. The full listing is on the site <http://www.londonstockexchange.com/exchange/prices-and-markets/stocks/indices/constituents-indices.html>. This provides a comprehensive up-to-date list of the companies. The companies will have their full annual reports featured on their websites and it should be a relatively straightforward task to extract the necessary data.

- ★ 1-7 Some believe that social marketing is primarily effective only for bigger companies with the time and capacity to manage and update their media content. Choose a local business and evaluate its effectiveness in creating customer engagement. Is the content up-to-date and relevant? How does it manage its content? (Objective 4) (AACSB: Communication; Use of IT; Reflective Thinking)

Answer: Refer to the Mylab for answers to this and all starred Mylab questions.

- 1-8 Use the Internet to search for salary information regarding jobs in marketing in your country or region. What is the national average salary for five different jobs in marketing? How do

the averages compare in different areas of the country? Write a brief report on your findings. (Objective 4) (AACSB: Communication; Use of IT; Reflective Thinking)

Answer:

Each country or region should have online agencies offering jobs in the industry. The data will be different from region to region, as will the salary scales. Similar jobs may be listed with radically different job titles.

MINICASES AND APPLICATIONS

Online, Mobile, and Social Media Marketing: Retro Console

The ZX Spectrum was an 8-bit personal home computer released in the UK in 1982 by Sinclair Research Ltd. Scroll forward 23 years and the Spectrum is back! Not exactly as the same device; for one thing, you cannot program with it. And there is no need for it, as the new version comes already loaded with over 1,400 games. Since the launch of the machine, over 24,000 compatible software titles have been released, and even today about 100 are released every year. Behind the original computer was Sir Clive Sinclair who was also the inventor of the first pocket TV in 1966 and the first pocket calculator in 1972. It has been estimated that over five million Spectrum units were sold. The original buyers, now in their late 40s or early 50s, have flocked to the Indiegogo crowd-funding campaign for the Sinclair Spectrum Vega, which is based on the original Spectrum. It has a simple and elegant design with five buttons and a control pad. The plan for the new Vega is that once the first 1,000 limited edition versions have been manufactured and shipped by Retro Computers Ltd, they will make the next 3,000 units and then move on to batches of 10,000. As production scales up, the price will drop. Even at the launch price, with the games included, the Vega costs about 1 per cent of the total cost of the computer and the games when they were launched.

1-9 Debate whether there is still a market for this sort of product beyond a relatively small market consisting of fans with an interest in retro products. (Objective 2) (AACSB: Communication; Reflective Thinking)

Answer:

From this example, there is clearly a market for retro products, but with a modern twist and the benefits of a more reliable technology. At the same time, the target market is more affluent than it was when the original product was launched. The original, relatively speaking, was expensive at the time and clever adaption has allowed the new manufacturers to reinvent the product for a fraction of the original cost.

1-10 Brainstorm three similar technology-based products that could be reinvented for today's market. Again, speculate on whether there is only a small market of enthusiasts for such products. Could a broader market potential be discovered? (Objective 2) AACSB: Communication; Reflective Thinking)

Answer:

Student answers will vary. Focus should include stand-alone products that have now been incorporated into more complex products with a variety of features. There is some evidence to suggest that there is a market for more simplistic yet modern products that do similar jobs to those that individuals used in the past.

Marketing Ethics: Extreme Baby Monitoring

A fear all parents have when they put an infant to sleep is Sudden Infant Death Syndrome (SIDS)—the sudden unexplainable death of an otherwise healthy baby. In the United States, about 2,000 infants die each year of SIDS, the third leading cause of infant death. For \$199, parents can buy monitors that track babies' vital signs, such as respiration, heart rate, skin temperature, sleeping position, and quality of sleep. The Mimo Smart Baby Monitor is a cute clip-on turtle that attaches to a special organic cotton onesie, and the Owlet Baby Monitor is a smart sock that looks like a little toeless boot. If parents don't want to attach these devices on their little ones, they can opt for the SafeToSleep Breathing Monitor sheet with a built in monitor. All of these devices stream data to parents' smartphones. Manufacturers of these devices promote them to parents for "your baby's health" or "gives you that extra assurance" to protect against SIDS. However, several government agencies such as the Food and Drug Administration, the Consumer Product Safety Commission, the Center for Disease Control, and the National Institute of Health, as well as the American Academy of Pediatrics, all agree that these devices cannot protect a baby from SIDS. But fear sells, and most of these manufacturers cannot keep up with the demand for their products.

- ★ 1-11 Is it right for marketers to play on parents' fear to sell products that experts conclude are not necessary or effective? (Objective 5) (AACSB: Written and Oral Communication; Ethical understanding and reasoning; Reflective Thinking)

Answer: Refer to the Mylab for answers to this and all starred Mylab questions.

- 1-12 Discuss other examples of marketers using emotion to sell products. Are they ethical? (Objective 5) (AACSB: Written and Oral Communication; Ethical understanding and reasoning)

Answer:

Student answers will vary. Many products are marketed using emotion to sell them. The products range from beer to cosmetics to cereals to prescription drugs such as Viagra.

Marketing by the Numbers: Consumers Rule!

Private consumption makes up a large portion of the UK gross domestic product (GDP). The UK Customer Satisfaction Index (UKCSI) is the national measure of customer satisfaction. Published every six months, the index is based on an online survey of consumers that has been designed to be demographically representative of the UK population. The July 2013 UKCSI incorporated over 30,000 responses from approximately 9,000 individual customers. The UKCSI rates organizations in 13 sectors of the economy. It provides satisfaction ratings for each of the 13 sectors and an overall UK rating. It is published bi-annually and is used to track trends over time

as well as to provide a snapshot of ratings. The UKCSI is based on real consumers' actual (and recent) experiences with specific organizations.

1-13 Visit www.instituteofcustomerservice.com and learn about the UKCSI. Write a report explaining the index and comparing the ratings for five different industries along with the national average. Are there differences in customer satisfaction across industries? Explain why or why not. (Objective 4) (AACSB: Communication; Use of IT; Reflective Thinking)

Answer:

Student answers will vary. The executive summaries are sufficient to provide information to answer this question. Discretionary purchase areas – such as automotive and general retail – show better ratings due to the importance of customer satisfaction as part of the marketing mix.

1-14 The Customer Satisfaction Index (CSI), similar to the UKCSI, is used in many countries. Find another country's CSI and compare these results to those in the UKCSI. Are UK consumers more or less satisfied than consumers in the other country? Are trends in the national score similar? (Objective 4) (AACSB: Communication; Use of IT; Reflective Thinking)

Answer:

Student answers will vary. There are several other Customer Satisfaction indices to compare: South Africa (<http://www.sacsi.biz/>) and Singapore (<http://ises.smu.edu.sg>). There is no standardized way of measuring customer satisfaction and it is also important to note that some of the indices have limited numbers of sectors. For example, the Dubai survey just looks at three sectors.

Company Case Notes

Abou Shakra Restaurant: Creating Customer Value the Old-Fashioned Way

Synopsis

Abou Shakra is a chain of restaurants in Egypt well known for charcoal cooking—grilled meat, kebabs, and kofta. In 1947, Ahmed Abou Shakra opened his first Abou Shakra restaurant in El Kasr El Einy, a famous central district in Cairo. The first restaurant was not in a consumer-attractive neighborhood, but that did not stop Abou Shakra, who believed that offering healthy, tasty, and well-marinated food was more important than location in attracting customers and having them return time and again—if they received a good meal, the location of the restaurant would not have much bearing on their future dining decisions

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 a case for the analysis of customer satisfaction.
3. Allow students to analyze a product offering in depth.
4. Introduce the concepts involved in customer relationship management.

Discussion Questions

1-18 Describe Abou Shakra in terms of the value it provides for customers.

Abou Shakra provides unique value to its customers. The main value comes from the quality of its food. Abou Shakra guarantees a consistent high quality food across all food items and in all its branches. It is well known for offering original - charcoal cooked - grilled meat, kebabs, and kofta. It guarantees offering healthy, tasty, and well-marinated food. The meat comes from their own farms and their vegetables, fruits and other food products are freshly purchased. It also offers other food types such as: Indian, Chinese, and Italian, all guaranteed to be fresh and well-marinated.

1-19 Do you think Abou Shakra should develop a high-growth strategy? Why or why not?

It seems logical that Abou Shakra pursue a high growth strategy. However, the management of Abu Shakra have selected a cautious and limited growth strategy. The reason for this is to ensure their consistent high quality food across all their branches. Had Abu Shakra approached a high growth strategy, maintaining consistent quality across branches might have been a challenge which may have weakened their main customer proposition.

1-20 Should Abou Shakra spend more on advertising than what is currently expended?

Abou Shakra targets a group of customers that are seeking top quality food. This is offered at a premium price. Thus, it would not be logical for Abou Shakra to spend much on mass media advertising as their market is very small percentage of the population. Advertising would not be effective and would not bring any positive returns on investment. Word of mouth, relationship marketing, and delighting the customer would be more effective than advertising.

1-21 Do you think the legacy of Abou Shakra will continue with an increasing number of consumers disposed toward nontraditional cuisine? Why or why not?

The appetite for traditional Egyptian cuisine will remain with the emergence of new generations. This is reflected in the ongoing demand for Abou Shakra's food for the past 65 years. Abou Shakra has added new dishes to its menus to cater to the diverse tastes of its customers. By this, Abou Shakra positions itself as a place to have original tasty food whether it is Egyptian, Italian, Indian or Chinese and not only limiting itself to Egyptian

food. This adaptation has made Abou Shakra able to meet the diverse needs of its customers.

1-22 Suggest other methods by which Abou Shakra can provide value to its customers.

Abou Shakra can provide additional value to its customers by advancing the value in the restaurant ambiance, and creating a unique customer experience that fits with their core product quality. This may include a few unique lanterns, classic Egyptian music and a unique classic costume for its waiters.

Teaching Suggestions

A discussion based on this case is optimal when the concepts of needs/wants/desires, customer value, customer satisfaction, and marketing management orientations have been covered. After these concepts have been covered, ask students to consider a time when they had a task that absolutely had to be done by a certain date and time, and they simply did not have the capacity or the time to complete the task. What did that situation feel like? How could someone or some company have helped them? How much would they have been willing to pay? This sets the stage for FedEx's business model. At this point, have the students read the case in or out of class. Then, direct a discussion based on the questions.

This case also works well with the marketing environment chapter (Chapter 3), the marketing channels chapter (Chapter 12), and the competitive advantage chapter (Chapter 18).

Go to **mymktlab.com** for the answers to the following Assisted-graded writing questions:

1-23 Discuss trends impacting marketing and the implications of these trends on how marketers deliver value to customers. (AACSB: Communication)

1-24 When implementing customer relationship management, why might a business desire fewer customers over more customers? Shouldn't the focus of marketing be to acquire as many customers as possible? (AACSB: Communication; Reflective Thinking)

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 automobile dealerships 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 Amazon.com. Each group should answer the following questions. (Objective 2)
 - a. How does Amazon.com succeed in creating unique customer “discovery” experiences with each product search? Which chapter marketing objectives does this help the company to achieve?
 - b. Based on your study of Amazon.com, do you believe that customers really want long-term relationships with a company, rather than short-term bargains? Why or why not?

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 1.1: “JetBlue: Delighting Customers and Bringing Humanity Bank to Air Travel.” Each group should then answer the following questions and share their findings with the class. (Objective 3)
 - a. In an age of crowded airplanes and fees for everything from bags to food, what is it about the JetBlue customer service philosophy that still wins over travelers every time?
 - b. What does JetBlue’s legendary customer service begin with? What are the most important steps in ensuring that the company on its promise delivers every time?
 - c. Discuss the connection between selecting and training the right employees, and consistently delivering outstanding customer service.

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 Creating Customer Loyalty and Retention). (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 have 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 whether or not you consider this a good long-term strategy to grow the organization. Does the condition of the economy affect your thinking? (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 Target's 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 (www.searay.com). 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 to 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 Web site, 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 Web site (www.ebay.com). 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]).