

Chapter 1

MARKETING: CREATING AND CAPTURING CUSTOMER VALUE

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

CHAPTER OBJECTIVES

Use Power Point Slide 1-2 Here

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

CHAPTER OUTLINE

P. 2	<p>INTRODUCTION</p> <p>Procter & Gamble (the makers of Tide) is a great marketing organization. Tide controls 43 percent of the detergent market.</p> <p>To keep Tide competitive in the market it became important to determine how Tide “speaks” to customers.</p> <p>Tide was viewed as getting clothes clean, but also as being an “arrogant, masculine” brand.</p> <p>P&G was successful in repositioning the product as being</p>	P. 3 Ad: Tide
------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------

	<p>more relevant in the day-to-day existence of its largely female clientele.</p> <p>Today’s successful companies have one thing in common: they are strongly customer focused and heavily committed to marketing.</p>	
<p>➤ Opening Vignette Questions</p> <ol style="list-style-type: none"> 1. Why was Tide perceived in consumers’ minds as being an “arrogant, masculine” brand? 2. Who is the main market for Tide? 3. What did P&G do to effectively reposition this powerhouse brand? 		
<p>P. 4</p>	<p>WHAT IS MARKETING?</p> <p>A simple definition of marketing is <i>managing profitable customer relationships</i>.</p> <p>Marketing must both attract new customers and grow the current customers.</p> <p>Every organization must perform marketing functions, not just for-profit companies.</p> <p>Non-profits (colleges, hospitals, churches, etc.) also must also perform marketing.</p>	
<p>P. 5</p>	<p>Marketing Defined</p> <p>Most people think of marketing as selling and/or advertising—“telling and selling.”</p> <p>Marketing must focus on satisfying customer needs.</p>	
<p>PPT 1-3</p>	<p>We define marketing as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.</p>	<p>Key Term: Marketing</p>
<p>➤ Assignments, Resources</p> <p>Use <i>Discussing the Concepts 1</i> here</p> <p>Use <i>Application Question 1</i> here</p> <p>Use <i>Web Resource 1</i> here</p> <p>➤ Troubleshooting Tip</p> <p>For most students, this will be their first introduction</p>		

<p>to marketing and all its ramifications. To most of them, marketing is nothing more than selling and/or advertising, and this gets reinforced daily when they see “marketing” job ads that are really sales positions. It helps to get students talking about what marketing is, and to give examples of what they think is really good marketing. Try to bring in contemporary examples that the students can relate to.</p>		
<p>P. 6 PPT 1-3</p>	<p>The Marketing Process</p> <p>Figure 1-1 shows the five-step marketing process.</p> <ol style="list-style-type: none"> 1. Understand the marketplace and customer needs and wants. 2. Design a customer-driven marketing strategy. 3. Construct a marketing program that delivers superior value. 4. Build profitable relationships and create customer delight. 5. Capture value from customers to create profits and customer quality. <p>In the first four steps, companies work to understand consumers, create customer value, and build strong customer relationships.</p> <p>In the final step, companies reap the rewards of creating superior customer value. By creating value <i>for</i> consumers, they in turn capture value <i>from</i> consumers in the form of sales, profits, and long-term customer equity.</p>	<p>Chapter Objective 1</p> <p>P. 6 Figure 1.1: A Simple Model of the Marketing Process</p>
<p>➤ Assignments, Resources Use <i>Think-Pair-Share 1</i> here</p>		
<p>P. 6 PPT 1-5</p>	<p>UNDERSTANDING THE MARKETPLACE AND CUSTOMER NEEDS</p> <p>Five core customer and marketplace concepts are critical: (1) <i>needs, wants, and demands</i>; (2) <i>marketing offers (products, services, and experiences)</i>; (3) <i>value and satisfaction</i>; (4) <i>exchanges and relationships</i>; and (5) <i>markets</i>.</p>	<p>P. 6-7 Key Terms: Needs, Wants, Demands</p>

<p>P. 6</p> <p>PPT 1-6</p>	<p>Customer Needs, Wants, and Demands</p> <p>The most basic concept underlying marketing is that of human needs.</p> <p>Human needs are states of felt deprivation. They include <i>physical, social, and individuals</i> needs. These needs were not created by marketers; they are a basic part of the human makeup.</p> <p>Wants are the form human needs take as they are shaped by culture and individual personality. A Canadian <i>needs</i> food but <i>wants</i> a breakfast sandwich and a large double-double from Tim Hortons.</p> <p>When backed by buying power, wants become demands.</p> <p>The best marketing companies go to great lengths to learn and understand their customers' needs, wants, and demands.</p>	
<p>➤ Assignments, Resources</p> <p>Use <i>Discussing the Concepts 2</i> here</p> <p>Use <i>Additional Project 1</i> here</p> <p>Use <i>Think-Pair-Share 2</i> here</p>		
<p>P. 7</p> <p>PPT 1-7</p> <p>PPT 1-8</p>	<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. 7 Key Term: Market Offering</p> <p>P. 7 Key Term: Marketing Myopia</p> <p>P. 7 Ad: EarthShare</p>
<p>P. 8</p> <p>PPT1-9</p>	<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</p>	

<p>P. 8</p> <p>PPT 1-10</p>	<p>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>Exchanges and Relationships</p> <p>Exchange is the act of obtaining a desired object from someone by offering something in return.</p> <p>Marketing consists of actions taken to build and maintain desirable exchange <i>relationships</i> with target audiences.</p>	<p>P. 8</p> <p>Key Term: Exchange</p>
<p>P. 8</p> <p>PPT 1-11</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>P. 8</p> <p>Key Term: Market</p> <p>P. 9</p> <p>Figure 1.2: A Modern Marketing System</p>
<p>➤ Assignments, Resources Use <i>Outside Example 1 and 2</i> here</p>		
<p>P. 9</p> <p>PPT 1-12</p>	<p>DESIGNING A CUSTOMER-DRIVEN MARKETING STRATEGY</p> <p>Marketing management is defined as the art and science of choosing target markets and building profitable relationships with them.</p> <p>The marketing manager must answer two important questions:</p> <ol style="list-style-type: none"> 1. What customers will we serve (what's our target market)? 2. How can we serve these customers best (what's our value proposition)? 	<p>P. 9</p> <p>Key Term: Marketing Management</p>
<p>➤ Assignments, Resources Use <i>Discussing the Concepts 3</i> here</p>		

<p>P. 8</p> <p>PPT 1-13</p>	<p>Selecting Customers to Serve</p> <p>A company must decide <i>who</i> it will serve.</p> <p>It does this by dividing the market into segments of customers (<i>market segmentation</i>) and selecting which segments it will go after (<i>target marketing</i>).</p> <p>Marketing managers know they cannot serve all customers. By trying to do so, they end up not serving any well.</p> <p><i>Demarketing</i> is the act of purposefully reducing the number of customers or to shift their demand temporarily or permanently.</p>	
<ul style="list-style-type: none"> ➤ Assignments, Resources Use <i>Application Question 2</i> here Use <i>Think-Pair-Share 3</i> here ➤ Troubleshooting Tip Demarketing is always a problem for students. Most of them have not yet encountered anything like it. The light bulb seems to go on, though, when you talk about National Parks and how crowded they get, and efforts to get people to go see them during off-peak travel times. Having students come up with their own examples will increase the level of understanding. 		
<p>P. 10</p> <p>PPT 1-14</p> <p>P. 10</p> <p>PPT 1-15</p>	<p>Marketing management is <i>customer management</i> and <i>demand management</i>.</p> <p>Choosing a Value Proposition</p> <p>A company's <i>value proposition</i> is the set of benefits or values it promises to deliver to consumers to satisfy their needs. (BMW promises "the ultimate driving machine.")</p> <p>Such value propositions <i>differentiate</i> one brand from another.</p> <p>Marketing Management Orientations</p> <p>Marketing management wants to design strategies that will build profitable relationships with target consumers. But what <i>philosophy</i> should guide these marketing strategies?</p>	<p>P. 9</p> <p>Ad: Land Rover</p>

<p>PPT1-16</p>	<p>There are five alternative concepts under which organizations design and carry out their marketing strategies:</p> <p>1) The Production Concept</p> <p>The production concept holds that consumers will favour products that are available and highly affordable.</p> <p>Management should focus on improving production and distribution efficiency.</p>	<p>P. 10,11 Key Terms: Production Concept, Product Concept, Selling Concept, Marketing Concept</p>
<p>PPT 1-17</p>	<p>2) The Product Concept</p> <p>The product concept holds that consumers will favour products that offer the most in quality, performance, and innovative features.</p> <p>Under this concept, marketing strategy focuses on making continuous product improvements.</p>	
<p>PPT 1-18</p>	<p>3) The Selling Concept</p> <p>The selling concept holds that consumers will not buy enough of the firm’s products unless it undertakes a large-scale selling and promotion effort.</p> <p>The concept is typically practiced with unsought goods—those that buyers do not normally think of buying, such as insurance or blood donations.</p> <p>These industries must be good at tracking down prospects and selling them on product benefits.</p>	<p>P. 11 Figure 1.3: The Selling and Marketing Concepts Contrasted</p>
<p>PPT 1-19</p>	<p>4) The Marketing Concept</p> <p>The marketing concept holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do.</p> <p>Under the marketing concept, customer focus and value are the <i>paths</i> to sales and profits.</p> <p>It views marketing not as “hunting,” but as “gardening.”</p>	

<p>PPT 1-20</p> <p>PPT 1-21</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-driving</i> marketing is understanding customer needs even better than customers themselves do and creating products and services that meet existing and latent needs.</p> <p>5) The Societal Marketing Concept</p> <p>The societal marketing concept questions whether the pure marketing concept overlooks possible conflicts between consumer <i>short-run wants</i> and consumer <i>long-run welfare</i>.</p> <p>The societal marketing concept holds that marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's <i>and the society's</i> well-being.</p>	<p>P. 12 Key Term: Societal Marketing Concept</p> <p>P. 12 Photo: Customer-Driven Marketing</p> <p>P. 12 Figure 1.4: Considerations Underlying the Societal Marketing Concept</p> <p>P. 13 Ad: Johnson & Johnson</p>
<ul style="list-style-type: none"> ➤ Assignments, Resources <ul style="list-style-type: none"> Use <i>Discussing the Concepts 4</i> here Use <i>Additional Project 2</i> here Use <i>Focusing on Ethics</i> here Use <i>Web Resource 2</i> here ➤ Troubleshooting Tip <p>Societal marketing is also something that can be a little unclear to students. Why should fast food chains, for instance, be responsible for the nation's obesity (just one very topical discussion point)? Understanding how one should balance the need for profits with what some might consider being "soft" issues can be difficult at times. And that can be made even more difficult among the politically-astute students, as they can easily lead the class into a left versus right discussion on individual versus corporate versus governmental responsibility. Try to not let that happen, instead focusing on how companies can actually increase their revenue and profits by showing that they care about their customers and their communities. Newman's Own is a brand that could be discussed, as most profits are</p> 		

<p>donated to charities, and they have moved strongly into ensuring a sustainable environment.</p>		
<p>P. 13</p>	<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>	
<p>PPT 1-22</p>	<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>	
	<p>➤ Resources, Applications Use <i>Focusing on Technology</i> here</p>	

<p>P. 13</p>	<p>BUILDING CUSTOMER RELATIONSHIPS</p>	<p>Chapter Objective 4</p>
<p>P. 13</p>	<p>Customer Relationship Management</p>	
<p>PPT 1-23</p>	<p><i>Customer relationship management</i> is the most important concept of modern marketing.</p> <p>Customer relationship management is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.</p> <p>It deals with all aspects of acquiring, keeping, and growing customers.</p> <p><i>Relationship Building Blocks: Customer Value and Satisfaction</i></p>	<p>P. 14 Key Terms: Customer Relationship Management, Customer-Perceived Value Customer Satisfaction</p>
<p>PPT 1-24</p>	<p>The key to building lasting customer relationships is to create superior customer value and satisfaction.</p> <p>Customer Value. This is the customer’s evaluation of the difference between all the benefits and all the costs of a market offering relative to those of competing offers.</p> <p>Customers often do not judge values and costs “accurately” or “objectively.”</p> <p>Customers act on customer perceived value.</p> <p>Customer Satisfaction. Customer satisfaction depends on the product’s perceived performance relative to a buyer’s expectations.</p> <p>If the product’s performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted.</p> <p>Although the customer-centered firm seeks to deliver high customer satisfaction relative to competitors, it does not attempt to maximize customer satisfaction.</p>	<p>P. 15 Ad: iRobot Roomba</p> <p>P. 17 Photo: Ritz-Carlton</p>

<p>PPT 1-25</p>	<p>A company can always increase customer satisfaction by lowering its price or increasing its services. But this may result in lower profits.</p> <p>The purpose of marketing is to generate customer value profitably.</p> <p><i>Customer Relationship Levels and Tools</i></p> <p>Companies can build customer relationships at many levels.</p> <p>At one extreme, a company with many low-margin customers may seek to develop <i>basic relationships</i> with them.</p> <p>At the other extreme, in markets with few customers and high margins, sellers want to create <i>full partnerships</i> with customers.</p> <p>Many companies offer <i>frequency marketing programs</i> that reward customers who buy frequently or in large amounts.</p> <p>Companies sponsor <i>club marketing programs</i> that offer members special benefits and create member communities. (For example, Harley-Davidson sponsors the Harley Owners Group [H.O.G.])</p>	<p>P. 17 Photo: H.O.G.</p>
<p>P. 17 PPT 1-26</p>	<p>The Changing Nature of Customer Relationships</p> <p>Yesterday’s big companies focused on mass marketing to all customers at arm’s length.</p> <p>Today’s companies are building deeper, more direct, and more lasting relationships with carefully selected customers.</p> <p><i>Relating with More Carefully Selected Customers</i></p> <p>Called <i>selective relationship management</i>, many companies now use customer profitability analysis to weed out losing customers and to target winning ones for pampering.</p> <p><i>Relating More Deeply and Interactively</i></p> <p>Today’s marketers are incorporating interactive approaches that help build targeted, two-way customer relationships.</p> <p>Increasingly, marketers are using new communications</p>	<p>P. 18 Photo: Best Buy</p>

	<p>approaches in building closer customer relationships.</p> <p>Consumers have more information about brands than ever before.</p> <p>Companies can no longer rely on marketing by <i>intrusion</i>.</p> <p>Companies must practice marketing by <i>attraction</i>—creating market offerings and messages that involve consumers rather than interrupt them.</p> <p>Consumer-generated marketing has become a significant marketing force.</p>	<p>P. 19 Photo: Nike</p> <p>P. 20 Key Term: Customer-Generated Marketing</p>
	<p>➤ Resources, Applications</p> <p>Use <i>Application Question 3</i> here</p> <p>Use <i>Real Marketing 1.1 and 1.2</i> here</p> <p>Use <i>Video Case 1</i> here</p> <p>Use <i>Discussing the Concepts 5</i> here</p> <p>Use <i>Small Group Assignment 1 and 2</i> here</p> <p>Use <i>Additional Project 3</i> here</p> <p>Use <i>Think-Pair-Share 4</i> here</p> <p>Use <i>Web Resource 3</i> here</p>	
<p>P. 20 PPT 1-27</p> <p>PPT 1-28</p> <p>PPT 1-29</p>	<p>Partner Relationship Management</p> <p><i>Partners Inside the Company</i></p> <p>Every employee must be customer focused.</p> <p>David Packard, late co-founder of Hewlett-Packard, said, “Marketing is far too important to be left only to the marketing department.”</p> <p>Today, firms are linking all departments in the cause of creating customer value.</p> <p>Rather than assigning only sales and marketing people to customers, they are forming cross-functional customer teams.</p> <p><i>Marketing Partners Outside the Firm</i></p> <p>Marketing channels consist of distributors, retailers, and others who connect the company to its buyers.</p>	<p>P. 20 Key Term: Partner Relationship Management</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. 23</p> <p>PPT 1-30</p> <p>P. 23</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 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 lifetime value.</p>	<p>P. 23 Photo: Stew Leonard</p> <p>P. 23 Key Term: Customer Lifetime Value</p>
	<p>➤ Resources, Applications</p> <p>Use <i>Marketing by the Numbers</i> here</p> <p>Use <i>Individual Assignment 1</i> here</p> <p>Use <i>Web Resource 4</i> here</p>	
<p>P. 24</p> <p>PPT 1-31</p> <p>P. 24</p> <p>PPT 1-32</p>	<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>Building Customer Equity</p> <p>Companies want not only to create profitable customers, but</p>	<p>P. 24 Key Term: Share of Customer</p>

<p>PPT 1-33</p>	<p>to “own” them for life, capture their customer lifetime value, and earn a greater share of their purchases.</p> <p><i>What Is Customer Equity?</i></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.</p> <p><i>Building the Right Relationships with the Right Customers</i></p> <p>Not all customers, not even all loyal customers, are good investments.</p> <p>Figure 1.5 classifies customers into one of four relationship groups, according to their profitability and projected loyalty.</p> <p>“Strangers” show low potential profitability and little projected loyalty. The relationship management strategy for these customers is simple: Don’t invest anything in them.</p>	<p>P. 24 Key Term: Customer Equity</p> <p>P. 25 Ad: Cadillac</p> <p>P. 26 Figure 1.5: Customer Relationship Groups</p>
<p>PPT 1-34</p>	<p>“Butterflies” are potentially profitable but not loyal. The company should use promotional blitzes to attract them, create satisfying and profitable transactions with them, and then cease investing in them until the next time around.</p> <p>“True friends” are both profitable and loyal. There is a strong fit between their needs and the company’s offerings. The firm wants to make continuous relationship investments to delight these customers and retain and grow them.</p> <p>“Barnacles” are highly loyal but not very profitable. There is a limited fit between their needs and the company’s offerings.</p> <p>Important point: Different types of customer require different relationship management strategies.</p>	

<p>P. 26</p> <p>P. 26</p> <p>PPT 1-36 PPT 1-37</p>	<p>The goal is to build the <i>right relationships</i> with the <i>right customers</i>.</p> <p>THE CHANGING MARKETING LANDSCAPE</p> <p>This section looks at four major developments: the new digital age, rapid globalization, the call for more ethics and social responsibility, and the growth in not-for-profit marketing.</p> <p>The Digital Age</p> <p>The recent technology boom has created a digital age.</p> <p>The most dramatic new technology is the Internet.</p> <p>Beyond competing in traditional <i>marketplaces</i>, companies now have access to exciting new <i>marketspaces</i>.</p> <p>The Internet has now become a global phenomenon.</p> <p>The number of Internet users worldwide now stands at almost 1.2 billion and will reach an estimated 3.4 billion by 2015.</p> <p>Online marketing is now the fastest growing form of marketing.</p> <p>In addition to the “click-only” dot-coms, most traditional “brick-and-mortar” companies have now become “click-and-mortar” companies.</p> <p>Canada has the highest internet penetration rate in the world: roughly 85% of the population has internet access and a large percentage of them are shopping online.</p>	<p>Chapter Objective 5</p> <p>P. 27 Ad: Dunkin’ Donuts</p>
<ul style="list-style-type: none"> ➤ Applications, Resources Use <i>Discussing the Concepts 6</i> here Use <i>Video Case</i> here ➤ Troubleshooting Tip Traditional-age undergraduates have spent their entire lives with technology, and so some of them can actually snicker when the discussion turns to how technology has changed business in general and marketing more specifically. A discussion of the difficulties of connecting to consumers without the Internet is warranted. How would the students 		

<p>approach a one-on-one relationship with millions of customers if they didn't have email or the Internet or blast faxes?</p>		
<p>P. 28 PPT 1-38</p>	<p>Rapid Globalization</p> <p>Marketers are now connected <i>globally</i> with their customers and marketing partners.</p> <p>Almost every company, large or small, is touched in some way by global competition.</p> <p>North American firms have been challenged at home by the skilful marketing of European and Asian multinationals.</p> <p>McDonald's now serves 52 million customers daily in 31,600 restaurants worldwide—some 65 percent of its revenues come from outside the United States.</p> <p>Today, companies are buying more supplies and components abroad.</p>	<p>P. 28 Photo: Research in Motion</p>
<p>P. 28 PPT 1-39</p>	<p>The Call for More Ethics and Social Responsibility</p> <p>Marketers are being called upon to take greater responsibility for the social and environmental impact of their actions.</p> <p>Corporate ethics and social responsibility have become hot topics for almost every business.</p> <p>Forward-looking companies view socially responsible actions as an opportunity to do well by doing good.</p>	
<p>P. 29 PPT 1-40</p>	<p>The Growth of Not-for-Profit Marketing</p> <p>The nation's nonprofits face stiff competition for support and membership. Sound marketing can help them to attract membership and support.</p>	
<p>P. 30</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>After the marketing strategy is defined, the marketing program is developed, which consists of the four Ps.</p> <p>When building value for customers, companies must utilize marketing technology, go global in both selling and sourcing, and act in an ethical and socially responsible way.</p> <p>Figure 1.6 shows a model of the marketing process.</p>	<p>P. 31 Figure 1.6: An Expanded Model of the Marketing Process</p>
	<p>➤ Resources, Applications Use <i>Individual Assignment 2</i> here Use <i>Company Case</i> here</p>	

END OF CHAPTER MATERIAL

Discussing the Concepts

1. What is marketing and what is its primary goal? (AASCB: Communication)

Answer:

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

2. Compare and contrast customer needs, wants, and demands. Describe the need versus the want for the following products: Gatorade, Nike shoes, and iPod. (AACSB: Communication; Reflective Thinking)

Answer:

The most basic concept underlying marketing is that of human needs. Human **needs** are

states of felt deprivation. They include basic *physical* needs for food, clothing, warmth, and safety; *social* needs for belonging and affection; and *individual* needs for knowledge and self-expression. These needs were not created by marketers; they are a basic part of the human makeup. **Wants** are the form human needs take as they are shaped by culture and individual personality. Wants are shaped by one's society and are described in terms of objects that will satisfy needs. When backed by buying power, wants become **demands**. Given their wants and resources, people demand products with benefits that add up to the most value and satisfaction.

For Gatorade, there is a physical need for hydration, and the consumer wants a Gatorade as the need satisfier. You might ask students why Gatorade? The answer might be that the consumer saw an ad, that a team/school had Gatorade available, or that the consumer prefers the taste. For Nike the need is a physical need for athletic shoes or the psychological need for status. For an iPod, the need is likely a more hedonic one for entertainment or individual self-expression.

3. Explain how a company designs a customer-driven marketing strategy. (AACSB: Communication)

Answer:

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

4. What are the five different marketing management orientations? Which orientation do you believe your school follows when marketing itself? (AACSB: Communication; Reflective Thinking)

Answer:

The five alternative concepts under which organizations design and carry out their marketing strategies are: the production, product, selling, marketing, and societal marketing concepts. The **production concept** holds that consumers will favour products that are available and

highly affordable. Therefore, management should focus on improving production and distribution efficiency. The **product concept** holds that consumers will favour products that offer the most in quality, performance, and innovative features. Under this concept, marketing strategy focuses on making continuous product improvements. The **selling concept** holds that consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort. The **marketing concept** holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do. Under the marketing concept, customer focus and value are the *paths* to sales and profits. Instead of a product-centered "make and sell" philosophy, the marketing concept is a customer-centered "sense and respond" philosophy. The **societal marketing concept** questions whether the pure marketing concept overlooks possible conflicts between consumer *short-run wants* and consumer *long-run welfare*. The societal marketing concept holds that marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's *and the society's* well-being.

Students' responses will vary when discussing their school's marketing. Many students at a community college might feel a bit of the production concept, since the school provides affordable education for a large number of students. If a school tends to market very innovative programs and markets itself on its high standings and selectivity, students might see their university as following the product concept. The selling concept might come through if students feel their school has a strong recruitment program which reaches many high school students. Students might mention the marketing concept if they feel the school is customer driven and bases its programs and offerings on student feedback. A few students might mention the societal marketing concept if their school offers programs or research that really helps society.

5. Explain the difference between *share of customer* and *customer equity*. Why are these concepts important to marketers? (AACSB: Communication; Reflective Thinking)

Answer:

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

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

6. How has the Internet changed consumers? Marketers? (AACSB: Communication)

Answer:

The explosive growth in computer, communications, and other digital technologies has had a major impact on the ways companies bring value to their customers. Perhaps the most dramatic new digital technology is the Internet, with usage growing phenomenally worldwide. Marketers have new ways to learn about and track customers and to create products and services tailored to individual customer needs. The Internet is helping marketers to communicate with customers in large groups or one-to-one. This digital shift means that marketers can no longer expect consumers to always seek them out, nor can they always control conversations about their brands. The phenomenal surge and meltdown of the “dot-coms” has resulted in a new version of the Internet—a “second coming” of the Web often referred to as *Web 2.0*. Web 2.0 involves a more reasoned and balanced approach to marketing online. It also offers a fast-growing set of new Web technologies for connecting with customers, such as Weblogs (blogs) and vlogs (video-based blogs), social networking sites, and video-sharing sites. The interactive, community-building nature of these new technologies makes them ideal for relating with customers.

Applying the Concepts

1. Ask five business people from different industries (for example, food service, retailing, consumer product manufacturing, industrial product manufacturing, education, and so on) what they think marketing is. Evaluate their definitions and discuss whether or not they are consistent with the goal of creating customer value and managing profitable customer relationships. (AACSB: Communication; Reflective Thinking)

Answer:

Students’ responses will vary and they will likely find that definitions of marketing will differ among the business people they speak to. Students should demonstrate an understanding of the goal of managing profitable customer relationships by attracting new customers with superior value and keeping and growing current customers by delivering satisfaction. Students should be able to distinguish whether or not the organization a business person represents is working to achieve that goal.

2. In a small group, develop a marketing plan for a pet boarding service. Who is your target market? How will you enable customers to get the best value? Define what you mean by value and develop the value proposition of your offering for this target market. (AACSB: Communication; Reflective Thinking)

Answer:

Students' responses will vary. One key variable is how their target market defines "value." Some pet owners might want basic food and shelter for their pets while they are away, whereas others may want enriching experiences and pampering for their beloved pets. Still others may want convenience, such as that offered by recent boarding facilities appearing at major airports. Regardless, the groups must decide how the business will serve targeted customers to achieve the value expected—how it will *differentiate and position* itself in the marketplace. Its *value proposition* is the set of benefits or values it promises to deliver to consumers to satisfy their needs.

3. Define the different relationship levels companies can build with customers. Pick a company and describe the types of relationships you have with it. (AACAB: Communication; Reflective Thinking)

Answer:

Companies can build customer relationships at many levels, depending on the nature of the target market. At one extreme, a company with many low-margin customers may seek to develop *basic relationships* with them. For example, many consumer packaged-goods manufacturers develop relationships with customers at this level, and marketers do not get to know customers personally. However, databases allow marketers to send targeted messages, such as direct mail coupons, to customers. At the other extreme, in markets with few customers and high margins, sellers want to create *full partnerships* with key customers. For example, McCain's Foods customer teams work closely with major retail customers, such as Loblaws. It's unlikely students will have a personal example of a relationship with a company at this level. Today, most leading companies are developing customer loyalty and retention programs through *frequency marketing programs*. Students will likely have several examples of these (for example, Subway, Tim Horton's, and Second Cup cards; frequent flyer programs like Aeroplan). Other companies sponsor *club marketing programs* that offer members special benefits and create member communities. For example, Harley-Davidson sponsors the Harley Owners Group (H.O.G.), which provides value through shared common passion, magazines, a roadside assistance program, and other amenities.

Focus on Technology

Embracing the marketing concept is one thing; implementing it is another. How do marketers know what consumers' needs and wants are so that they can develop a marketing strategy and mix to satisfy those needs and wants? Research, of course. But that takes time and resources, so many companies are turning to the Internet to get continuous, timely, and innovative information from customers. For example, Future Shop allows customers to share feedback in a customer forum at <http://www.futureshopforums.ca>. They also have widely used user submitted product reviews that provide instant feedback on any product they sell. Hence, Future Shop encourages their customers to share their thoughts.

1. Explore the Web sites of other companies to learn how they get feedback from customers. Start by clicking on “Contact Us,” then dig deeply to see if you can find a place where each company seeks or accepts feedback and ideas. Write a brief report of what you find. (AACSB: Communication; Use of IT)

Answer:

While all have addresses and phone numbers, students will see that some sites have much more than that so customers can provide feedback as well as interact with other customers. For example, Telus’ customer feedback site offers a variety of ways to collect customer and employee feedback. They offer online data collection through surveys, but also offer a 1-800 line so that you can deliver your feedback personally. Check it out at <http://www.tellusaboutus.com/>.

2. Discuss other ways in which businesses can use the Internet to create greater customer value. (AACSB: Communication; Reflective Thinking)

Answer:

One way businesses can create greater customer value is to use the Internet as an electronic store where customers can order products. However, many products, such as consumer packaged goods and services, are not feasibly distributed this way. These types of businesses find other ways to offer added value to customers on their Web sites, such as recipes, product use ideas, and articles of interest to their customers.

Focus on Ethics

Did you drive a car today? Use a laptop computer? Buy a product in a store? If so, you emitted carbon dioxide (CO₂) and created a carbon footprint. All of us do that every day. Individuals and companies emit carbon dioxide in everyday activities. Many consumers feel bad about doing this; others expect companies to take action. What’s the answer? Reducing carbon emissions is one solution, but another one is to offset your carbon emissions by purchasing carbon offsets and renewable energy certificates (RECs). Individual consumers do this, and companies are flocking to purchase carbon offsets for themselves or to offer to their customers, resulting in an estimated \$100 million market. And experts predict exponential growth over the next few years. Airlines routinely offer flyers the option of paying a few extra dollars to offset their carbon emissions. For example, JetBlue Airways introduced its *Jetting to Green* program that allows flyers to make their flight “carbon-neutral” for as little as \$2.00. Flyers’ donations will then support reforestation, wind, and waste management projects.

1. Learn more about carbon offsets and discuss four examples of how businesses are using them. In your opinion, are these companies embracing the societal marketing concept? (AACSB Communication; Reflective Thinking)

Answer:

Carbon offsets occur when an individual or business pays money to offset the carbon emissions resulting from their activities. Some examples of companies offering these to customers are Dell, General Electric, Amtrak, Volkswagen, Allstate, and most airlines, to name only a few. Air Canada, for instance, offers customers offsets for both domestic and international flights. Check out their website at <http://www.aircanada.com/en/travelinfo/traveller/zfp.html>. Volkswagen gave its customers free carbon credits that would offset their carbon emissions for one year of driving and offered more years for consumers to purchase. Most companies turn to third parties, such as Carbonfund.org and TerraPass, to broker these exchanges. These organizations purchase offsets for companies and individuals to counter their emissions, thus becoming “carbon-neutral.”

2. One criticism of carbon offsetting is that companies are not really helping the environment by changing their own behaviour; instead they’re merely buying “environmental pardons.” Do you think carbon offsets are a responsible solution to environmental concerns? Write a brief essay debating this issue. (AACSB: Communication; Ethical Reasoning)

Answer:

Students’ opinions will vary as there is considerable controversy surrounding carbon offsets. The “environmental pardons” criticism is a valid one. However, the other side of the coin is that the offsets money is put into efforts that truly reduce CO₂ levels around the world, and that benefits the entire planet.

Another issue is that many projects receiving funding would have taken place without the additional funding from carbon offsets, which means the condition of “additionality” set by the United Nations is not met. Some interesting articles on this topic can be found at http://www.businessweek.com/magazine/content/07_13/b4027057.htm and <http://www.csmonitor.com/2008/0529/p08s01-comv.html>.

Industry Canada is concerned about the environmental claims marketers, and has created a document called “Key Study Lessons V3 Green Marketing Gets Real” which advises companies on best practices in environmental communication. The document is available at www.ic.gc.ca/eic/site/csr-rse.nsf/vwapj/...marketing.../green_marketing.pdf.

Marketing by the Numbers

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

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

Where,

t - time of the cash flow

N - total customer lifetime

r - discount rate

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

NPV can be calculated easily on most financial calculators or by using one of the calculators available on the Internet, such as the one found at

<http://www.investopedia.com/calculator/NetPresentValue.aspx>. For more discussion of the financial and quantitative implications of marketing decisions, see Appendix 2, Marketing by the Numbers.

1. Assume that a customer shops at a local grocery store spending an average of \$150 a week and that the retailer earns a 5 percent margin. Calculate the customer lifetime value if this shopper remains loyal over a 10-year life-span, assuming a 5 percent annual interest rate and no initial cost to acquire the customer. (AACSB Communication; Analytic Reasoning)

Answer:

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

2. Discuss how a business can increase a customer's lifetime value. (AACSB: Communication; Reflective Thinking)

Answer:

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

Company Case Notes

Build-A-Bear: Build-A-Memory

Synopsis

This case illustrates the success that Build-A-Bear Workshop has achieved since its founding in 1996. A detailed description is given of the Build-A-Bear retail experience and why it is that both parents and children are drawn to this concept. Personalization, and not just customization, is the driving force.

The case also highlights how founder Maxine Clark stays in touch with the customer and the employees. For Clark, management-by-walking-around is more than just a way to supervise operations. It is a way of conducting her own market research. Clark has also embraced the networking capabilities of the Internet as a way of keeping in touch with the customer.

Future prospects for Build-A-Bear's continued success are also discussed.

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. Allow students to analyze Build-A-Bear's product offering in depth.
3. Introduce the concepts involved in customer relationship management.
4. Introduce the concepts of customer lifetime value and customer equity.
5. Allow students to develop specific recommendations for Build-A-Bear's future.

Discussion Questions

1. Give examples of needs, wants, and demands that Build-A-Bear customers demonstrate, differentiating each of these three concepts. What are the implications of each on Build-A-Bear's actions?

The purpose of this question is to force students to consider whether or not it is important for a company to differentiate between needs, wants, and demands. By the textbook definition, Build-A-Bear customer needs might include:

- *belonging—joining the Build-A-Bear “club.”*
- *affection—creating and caring for another being.*
- *self-expression—the ability to create a product that reflects elements of the self.*

Students should consider how wants differ from these fundamental needs. Basically, they may need to belong, but could fulfill that need through any number of outlets. Based on cultural and personality factors, they develop a specific desire to belong to the Build-A-

Bear club. In the same manner, affection and self-expression can be fulfilled in various ways. Why do Build-A-Bear customers desire to fulfill these through needs with Build-A-Bear's product offering? Students should outline specific elements of Build-A-Bear's offering that fulfill each of the above-noted needs.

Demands are differentiated from wants by the buying power of the Build-A-Bear's customer base. To what extent can/do Build-A-Bear customers demand the things that they want? If they are coming to Build-A-Bear, then they have the money. Therefore, they are demanding it. But the question remains—to what extent?

It is important for a company like Build-A-Bear to distinguish between these three concepts. Core needs must be identified first. Then, every element of the product offering should be created with the intention of fulfilling one of these needs, thus generating wants and desires within the consumer base. The company must then understand what it is that customers might want that is not being offered—in essence, are they demanding something? Maxine Clark and her team have taken careful measures to understand the specifics of what customers are demanding: what is working in the stores, what isn't, and what they want that is not being supplied.

2. In detail, describe all facets of Build-A-Bear's product. What is being exchanged in a Build-A-Bear transaction?

Students should be able to identify that Build-A-Bear's "product" is multi-faceted. It can also be analyzed on different levels, from the most concrete to the most abstract:

- *The specifics of the tangible item. This would include the various options for the basic stuffed animal—the clothing, voice box, name, and birth certificate.*
- *The experience. This would include the ability to customize and personalize each part of the product. It also includes being a part of the creative process and coming away with an item that is a piece of the customer. The store ambience and even waiting in line are also part of the experience.*

That which the product is being exchanged for should also be discussed. This would definitely include the price of the bear. But it would to some extent also include other cost factors given up by the customer as identified in the response to question 4.

3. Which of the five marketing management concepts best describes Build-A-Bear Workshop?

The marketing concept. Maxine Clark has very clearly taken Build-A-Bear to high levels of financial success by knowing and understanding the needs and wants of the customers. The goals of the organization are dependent upon that. Clearly, the business strategy displayed by Build-A-Bear fits the marketing concept better than it does the production, product, or selling concepts. Also, there is no information in the case that would lead the student to believe that Build-A-Bear is focused on the welfare of society.

4. Discuss in detail the value that Build-A-Bear creates for its customers.

Student responses or discussion of this question should incorporate a complete list of customer benefits as well as customer costs (value being of function of benefits minus costs). By this point, the benefits should be easily identified as they have already come out in answering the previous questions. The benefits received by the customer could be identified in terms of need/want fulfillment. However, the cost factor has not been discussed. The most obvious cost is the monetary price, which ranges from \$10 to upwards of \$30. Other costs include time (waiting in line, that of actually going through the building process) and effort (the mental effort involved with so many choices of building this bear) expended. This should be an interesting discussion in that the very things that on the surface are considered to be costs for so many customers, in this case, are actually benefits.

The students should consider a comparison between the value formula for Build-A-Bear and that of a substitute like Vermont Teddy Bear. One thing that may come out strongly is that Vermont customers may not view the time and effort expended as a benefit. They'd rather order one and have it sent, or step in to a store, take a bear off the shelf, and be done with it. On the other hand, why is a Vermont customer willing to pay three to five times the price of a Build-A-Bear?

5. Is Build-A-Bear likely to be successful in continuing to build customer relationships? Why or why not?

A couple of issues should be considered here. As mentioned in the case, the toy industry is fickle. The popularity of toys comes and goes as trends and fads. In fact, it might be interesting to discuss how many top selling toys today were top sellers 10 years ago, much less 20 or 30 years ago. Very few toys make it from one generation to the next. Power Rangers are still out there, but hardly the rage they once were. Even blue chip brands like Barbie eventually show signs of age (its sales have been decreasing in recent years faced with newer "in" dolls like the Bratz line).

But the thing that should come out here is that Build-A-Bear is not just a toy company. It is an entertainment company, a theme-park-like experience. At the core of its success has been Maxine Clark's strategic vision and her uncanny ability to pay attention to the real benefits that customers are seeking. As long as she and the company can continue to successfully do that, then they should be able to evolve and adapt to the trends as they happen. The inside of a Build-A-Bear store may therefore look very different in 20 years.

Teaching Suggestions

This case will stimulate students to think about some of their own product experiences, now and in previous years. One way to begin the discussion is to ask what products students buy that involve much more than the core, functional item. As students recount their experience, it is helpful to ask them how they felt before, during, and after the experience to help bring out reasons why they purchase such a product.

This case also works well with the marketing strategy chapter (Chapter 2), the consumer behaviour chapter (Chapter 6), and the product and services marketing chapter (Chapter 9).

ADDITIONAL PROJECTS, ASSIGNMENTS, AND EXAMPLES

Projects

1. Why is it important to truly understand the customer? Make a list of 10 “wants” that you have. What would have to occur to move each of these from “wants” to “needs?” (Objective 2)
2. Review the five alternative concepts under which organizations design and carry out their marketing strategies. Now, take a look at one of the auto dealers in your town. Which one of these five concepts do you believe they are typically employing? Why? (Objective 3)
3. Think of a product or retailer to which you are loyal. What has caused this loyalty? What could a competing product/retailer do to break this loyalty? (Objective 4)

Small Group Assignments

1. Form students into groups of three to five. Each group should read the opening vignette to the chapter on Procter & Gamble. Each group should answer the following questions. (Objective 2)
 - a. Can you develop a relationship with a laundry detergent brand?
 - b. How does P&G create lasting customer value?

Each group should then share its findings with the class.

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

Each group should then share its findings with the class.

Individual Assignments

1. Companies are realizing that losing a customer means more than losing a single sale. It means losing a stream of revenue from that customer over their lifetime. Reread the story of Stew Leonard (under Capturing Value from Customers, p. 23). (Objective 4)

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

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

Think-Pair-Share

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

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

Outside Examples

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

Take a look at Sea Ray boats (Use *Web Resource 5* here). Answer the following questions. (Objective 2)

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

Possible Solution.

- a. Sea Ray is primarily appealing the wants. **Wants** are the form human needs take as they are shaped by culture and individual personality. They are providing products that allow people the opportunity to escape their everyday lives and existences. These

- are not traditional needs they are appealing to. No one **needs** a boat to sustain their existence. Remember, human **needs** are states of felt deprivation.
- b. **Market offerings** are some combination of products, services, information, or experiences offered to a market to satisfy a need or want. Sea Ray provides a wide range of boats designed to (hopefully) satisfy the divergent wants of their target market.
 - c. Through a review of the website, you will realize that Sea Ray makes a strong effort to maintain close relationships with their customers. The annual AquaPalooza is one good example of Sea Ray's relationship building efforts.
 - d. Sea Ray's markets are quite varied. Depending on the size and type of boat, their markets cover from the casual family weekend boater to the successful business or corporate type looking for a crewed yacht.
2. One of the great new "marketplaces" of our time is eBay. Spend some time on the eBay website (www.ebay.ca). Find a product that you are interested in and follow the bidding. How much would you be willing to pay? Consider the following questions. (Objective 2)
 - a. How is eBay providing value to its customers?
 - b. Describe the relationship they have with their customers.
 - c. What are their markets?

Possible Solution

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

Web Resources

1. http://pg.com/product_card/prod_card_main_tide.shtml
This link will provide you with more information on P&G's Tide.
2. www.harley-davidson.com
This is the home page for Harley-Davidson. Here you will also find a discussion of H.O.G.
3. www.stewleonards.com
Read more about Stew Leonard's legendary service here.