

## CHAPTER 1

# Customer-Driven Strategic Marketing

## TEACHING RESOURCES QUICK REFERENCE GUIDE

Resource	Location
Key Terms	<a href="#">IRM, p. 1</a>
Side-by-Side Comparison of the Major Topics and Learning Objectives	<a href="#">IRM, p. 2</a>
What's New in This Chapter	<a href="#">IRM, p. 2</a>
Purpose and Perspective	<a href="#">IRM, p. 2</a>
Lecture Outline	<a href="#">IRM, p. 3</a>
Discussion Starters	<a href="#">IRM, p. 10</a>
Class Exercises	<a href="#">IRM, p. 13</a>
Chapter Quiz	<a href="#">IRM, p. 15</a>
Answers to Issues for Discussion and Review	<a href="#">IRM, p. 16</a>
Answers to Developing Your Marketing Plan	<a href="#">IRM, p. 18</a>
Comments on Video Case 1	<a href="#">IRM, p. 19</a>
PowerPoint Slides	Instructor's website

## KEY TERMS

customer relationship management (CRM)	marketing concept	relationship marketing
customers	marketing environment	stakeholders
exchanges	marketing mix	target market
green marketing	marketing	value
market orientation	product	

## SIDE-BY-SIDE COMPARISON OF THE MAJOR TOPICS AND

## LEARNING OBJECTIVES

A-Head	Learning Objective
1-1 Defining Marketing	1-1 Define marketing.
1-2 Marketing Deals with Products, Price, Distribution, and Promotion	1-2 Explain the different variables of the marketing mix.
1-3 Marketing Creates Value	1-3 Describe how marketing creates value.
1-4 Marketing Occurs in a Dynamic Environment	1-4 Briefly describe the marketing environment.
1-5 Understanding the Marketing Concept	1-5 Summarize the marketing concept.
1-6 Customer Relationship Management	1-6 Identify the importance of building customer relationships.
1-7 The Importance of Marketing in Our Global Economy	1-7 Explain why marketing is important to our global economy.

## WHAT'S NEW IN THIS CHAPTER

- New Marketing Insights feature describes how Airbnb embraces the sharing economy concept that promotes the renting of underutilized human and physical resources.
- New example of how Fresh Step messages their target market in “Marketing Focuses on Customers” section
- In “Marketing Deals with Products, Price, Distribution, and Promotion,” section, new example of how Chrome Industries developed a marketing mix that matches the needs of customers
- New Snapshot feature shows how much time Americans spend on technology
- In “Understanding the Marketing Concept” section, new example of Horizon satisfies the needs of potential customers
- New Entrepreneurship in Marketing boxed feature shared Blue Bottle Coffee strays from the marketing strategies of traditional coffee shops to create a premium coffee experience
- In “Implementing the Marketing Concept” section, new example on how General Mills is removing artificial colors to adapt to changing consumer demand
- New data on the annual value of returned products in America
- New table shows how various age groups use their smart phones
- New Green Marketing boxed feature highlights Walmart’s sustainability initiatives

## PURPOSE AND PERSPECTIVE

The purpose of this chapter is to give students an overview of strategic marketing and provide a general framework for studying the field of marketing. First, we develop a definition of marketing and explore each element of the definition in detail. Next, we explore the importance of value-driven marketing. We also introduce the marketing concept and consider several issues associated with its implementation. Additionally, we take a look at the management of customer relationships and relationship marketing. Finally, we examine the importance of marketing in a global society.

## LECTURE OUTLINE

## I. Defining Marketing

- A. **Marketing** is the process of creating, pricing, distributing, and promoting goods, services, and ideas to facilitate satisfying exchange relationships with customers and to develop and maintain favorable relationships with stakeholders in a dynamic environment.
- B. This definition is consistent with the American Marketing Association definition of marketing which defines marketing as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”
  - 1. The essence of marketing is to develop satisfying exchanges from which both customers and marketers benefit. Both customer and marketer expect to gain something of value from the exchange.
- C. The marketing mix variables are often viewed as controllable because they can be modified.
  - 1. However, economic conditions, competitive structure, political forces, technology, sociocultural forces, and government regulations shape the decision making environment for controllable variables.
- D. Marketing Focuses on Customers
  - 1. As the purchasers of the products that organizations develop, price, distribute, and promote, **customers** are the focal point of all marketing activities.
  - 2. The essence of marketing is to develop satisfying exchanges from which both customers and marketers benefit. Both customer and marketer expect to gain something of value from the exchange.
  - 3. Organizations generally focus their marketing efforts on a specific group of customers, or **target market**.
    - a. Marketing managers may define a target market as a vast number of people or a relatively small group.

## II. Marketing Deals with Products, Price, Distribution, and Promotion

- A. Marketing is more than simply advertising or selling a product; it involves developing and managing a product, making the product available in the right place and at a price acceptable to buyers, and communicating information to help customers determine if the product will satisfy their needs.
  - 1. These activities—product, distribution, promotion, and pricing—are known as the **marketing mix** because marketers decide what type of each element to use and in what amounts.
  - 2. Marketers must aim to create and maintain the right mix of elements to satisfy customers in the target market.
  - 3. Marketers must collect detailed and up-to-date information on their target market, consumer preferences, and competitors in order to develop the marketing mix.
    - a. Such information might include data about the age, income, ethnicity, gender, and educational level of people in the target market, their preferences for product features, their attitudes toward competitors’ products, and the frequency with which they use the product.

## Chapter 1: Customer-Driven Strategic Marketing

### B. Product

1. The product variable of the marketing mix deals with researching customers' needs and wants and designing a product that satisfies them.
2. A **product** can be a good, a service, or an idea.
  - a. Good—a physical entity that customers can touch
  - b. Service—the application of human and mechanical efforts to people or objects to provide intangible benefits to customers
  - c. Idea—concept, philosophy, image, or issue
3. The product variable includes the creation or modification of brand names and packaging. It may also include decisions regarding warranty and repair services.
4. Product variable decisions and activities directly impact the creation of products that meet customers' needs and wants.

### C. Price

1. The price variable relates to decisions and actions associated with establishing pricing objectives and policies and determining product prices.
2. Price is a critical component of the marketing mix because customers are concerned about the value obtained in an exchange.
3. Price is often used as a competitive tool.
4. Pricing is the most flexible marketing-mix variable and can be changed very quickly.

### D. Distribution

1. In dealing with the distribution variable, a marketing manager makes products available in the quantities desired to as many target-market customers as possible, keeping total inventory, transportation, and storage costs as low as possible.
2. A marketing manager may select and motivate intermediaries, establish and maintain inventory control procedures, and develop and manage transportation and storage.
3. The Internet has dramatically impacted distribution, making it faster and more widespread.

### E. Promotion

1. The promotion variable relates to activities used to inform individuals or groups about an organization and its products.
2. Promotion aims to increase public awareness of the organization and of new or existing products.
3. Promotional activities also can educate customers about product features or urge people to take a particular stance on a political or social issue.
4. Promotion can help to sustain interest in established products that have been available for decades.
5. Many companies are using websites, apps or social media to communicate information about themselves and their products.

## III. Marketing Creates Value

- A. **Value** is a customer's subjective assessment of benefits relative to costs in determining the worth of a product (customer value = customer benefits – customer costs).
  1. Customer benefits include anything a buyer receives in an exchange.
  2. Customer costs include anything a buyer must give up to obtain the benefits the product

provides.

- a. The most obvious cost is the monetary price of the product, but nonmonetary costs can be equally important in a customer's determination of value.
- b. Two nonmonetary costs are the time and effort customers expend to find and purchase desired products.
3. The process people use to determine value may vary widely.
4. In developing marketing activities, it is important to recognize that customers receive benefits based on their experiences.
5. The marketing mix can be used to enhance perceptions of value.
6. A product that demonstrates value usually has a feature or an enhancement that provides benefits.

#### B. Marketing Builds Relationships with Customers and Other Stakeholders

1. Individuals and organizations engage in marketing to facilitate **exchanges**, the provision or transfer of goods, services, or ideas in return for something of value.
2. Any product (good, service, or even idea) may be involved in a marketing exchange.
3. For an exchange to take place, four conditions must exist:
  - a. Two or more individuals, groups, or organizations must participate, and each must possess something of value desired by the other party.
  - b. The exchange should provide a benefit or satisfaction to both parties involved in the transaction.
  - c. Each party must have confidence in the promise of the "something of value" held by the other.
  - d. To build trust, the parties to the exchange must meet expectations.
4. Figure 1.2 depicts the exchange process.
5. An exchange will not necessarily take place just because these conditions exist; marketing activities can occur even without an actual transaction or sale.
6. Marketing activities should attempt to create and maintain satisfying exchange relationships.
7. To maintain an exchange relationship, buyers must be satisfied with the good, service, or idea obtained, and sellers must be satisfied with the financial reward or something else of value received.
8. Marketers are also concerned with building relationships with relevant stakeholders.
  - a. **Stakeholders** include those constituents who have a "stake," or claim, in some aspect of a company's products, operations, markets, industry, and outcomes; these may include customers, employees, shareholders, suppliers, governments, communities, competitors, and many others.

### IV. Marketing Occurs in a Dynamic Environment

- A. The **marketing environment**, which includes competitive, economic, political, legal and regulatory, technological, and sociocultural forces, surrounds the customer and affects the marketing mix.
  1. The effects of these forces on buyers and sellers can be dramatic and difficult to predict.
  2. The forces of the marketing environment affect a marketers' ability to facilitate value-driven marketing exchanges in three general ways:
    - a. They influence customers by affecting their lifestyles, standards of living, and preferences and needs for products.

- b. Marketing environment forces help to determine whether and how a marketing manager can perform certain marketing activities.
  - c. Environmental forces may affect a marketing manager's decisions and actions by influencing buyers' reactions to the firm's marketing mix.
- 3. Marketing environment forces can fluctuate quickly and dramatically.
- 4. Changes in the marketing environment produce uncertainty for marketers and at times hurt marketing efforts, but they also create opportunities.
- 5. Marketers who are alert to changes in environmental forces not only can adjust to and influence these changes but can also capitalize on the opportunities such changes provide.
- 6. Marketing mix variables—product, price, distribution, and promotion—are factors over which an organization has control; the forces of the environment, however, are subject to far less control.

## V. Understanding the Marketing Concept

- A. According to the **marketing concept**, an organization should try to provide products that satisfy customers' needs through a coordinated set of activities that also allows the organization to achieve its goals.
- B. Customer satisfaction is the major focus of the marketing concept.
- C. To implement the marketing concept, an organization focuses on customer analysis, competitor analysis, and integration of the firm's resources to provide customer value and satisfaction, as well as to generate long-term profits.
  - 1. The firm also must continue to alter, adapt, and develop products to keep pace with customers' changing desires and preferences.
- D. The marketing concept emphasizes that marketing begins and ends with customers.
  - 1. Research has found a positive association between customer satisfaction and shareholder value, and high levels of customer satisfaction also tend to attract and retain high-quality employees and managers.
- E. The marketing concept is not a second definition of marketing.
  - 1. It is a management philosophy guiding an organization's overall activities.
- F. The marketing concept is a strategic approach to achieve objectives.
  - 1. A firm that adopts the marketing concept must satisfy not only its customers' objectives but also its own, or it will not stay in business long.
- G. It is important for marketers to consider not only their current buyers' needs but also the long-term needs of society.
  - 1. Striving to satisfy customers' desires by sacrificing society's long-term welfare is unacceptable.
- H. Evolution of the Marketing Concept
  - 1. There have always been companies that embraced the marketing concept.
  - 2. However, businesspeople have not always believed that the best way to make sales and profits is to satisfy customers.
- I. The Production Orientation
  - 1. During the second half of the nineteenth century, the Industrial Revolution was in full swing in the United States.

2. With new technology and new ways of using labor, products poured into the marketplace, where demand for manufactured goods was strong.
- J. The Sales Orientation
1. During the first half of the twentieth century, competition increased and businesses realized that they would have to focus more on selling products to buyers.
  2. Businesses viewed sales as the major means of increasing profits, and this period came to have a sales orientation.
  3. Businesspeople believed that the most important marketing activities were personal selling, advertising, and distribution.
- K. The Market Orientation
1. By the early 1950s, some businesspeople began to recognize that they must first determine what customers want and then produce those products rather than making the products first and then trying to persuade customers that they need them.
  2. A **market orientation** requires the “organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it.”
  3. Today, businesses want to satisfy customers and build meaningful, long-term buyer-seller relationships.
- L. Implementing the Marketing Concept
1. To implement the marketing concept, a market-oriented organization must accept some general conditions and recognize and deal with several problems.
  2. Management must establish an information system to discover customers’ real needs, and then use the information to create satisfying products.
  3. An information system is usually expensive.
  4. To satisfy customers’ objectives as well as its own, a company also must coordinate all its activities.
    - a. This may require restructuring its internal operations, including production, marketing, and other business functions.
    - b. This requires the firm to adapt to a changing external environment and predict major changes.

## VI. Customer Relationship Management

- A. **Customer relationship management (CRM)** focuses on using information about customers to create marketing strategies that develop and sustain desirable customer relationships.
1. Achieving the full profit potential of each customer relationship should be the fundamental goal of every marketing strategy.
  2. At the most basic level, profits can be obtained through relationships in the following ways:
    - a. By acquiring new customers
    - b. By enhancing the profitability of existing customers
    - c. By extending the duration of customer relationships
  3. Implementing the marketing concept means optimizing the exchange relationship, otherwise known as the relationship between a company’s financial investment in customer relationships and the return generated by customers’ loyalty and retention.

- B. The term **relationship marketing** refers to “long-term, mutually beneficial arrangements in which both the buyer and seller focus on value enhancement through the creation of more satisfying exchanges.”
1. It continually deepens the buyer’s trust in the company, and as the customer’s confidence grows, this, in turn increases the firm’s understanding of the customer’s needs.
  2. It strives to build satisfying exchange relationships between buyers and sellers by gathering useful data at all customer contact points and analyzing that data to better understand customers’ needs, desires, and habits.
  3. It focuses on building and using databases and leveraging technologies to identify strategies and methods that will maximize the lifetime value of each desirable customer to the company.
  4. To build the long-term customer relationships, marketers are increasingly turning to marketing research and information technology.
  5. By increasing customer value over time, organizations try to retain and increase long-term profitability through customer loyalty, which results from increasing customer value.
  6. Through the use of Internet-based marketing strategies (e-marketing), companies can personalize customer relationships on a nearly one-on-one basis.
  7. Customer relationship management provides a strategic bridge between information technology and marketing strategies aimed at long-term relationships.

## VII. The Importance of Marketing in Our Global Economy

- A. Marketing Costs Consume a Sizable Portion of Buyers’ Dollars
1. About one-half of a buyer’s dollars goes to the costs of marketing.
  2. It is important to know how this money is used.
- B. Marketing Is Used in Nonprofit Organizations
1. Marketing is also important in organizations working to achieve goals other than ordinary business objectives such as profit.
  2. Government agencies at the federal, state, and local levels engage in marketing activities to fulfill missions and goals.
  3. In the private sector, nonprofit organizations also employ marketing activities to create, price, distribute, and promote programs that benefit particular segments of society.
- C. Marketing Is Important to Businesses and the Economy
1. Businesses must engage in marketing to survive and grow, and marketing activities are needed to reach customers and provide products.
  2. Marketing activities help produce profits that are essential to the survival of individual businesses, help create a successful economy, and contribute to the well-being of society.
- D. Marketing Fuels Our Global Economy
1. Marketing is necessary to advance a global economy.
  2. Advances in technology, falling political and economic barriers, and the universal desire for a higher standard of living have made marketing across national borders commonplace while stimulating global economic growth.
- E. Marketing Knowledge Enhances Consumer Awareness
1. Marketing activities help improve the quality of customers’ lives.



## Chapter 1: Customer-Driven Strategic Marketing

2. Understanding how marketing activities work helps us to be better consumers and increases our ability to maximize value from our purchases.
- F. Marketing Connects People through Technology
1. Technology, especially computers and telecommunications, helps marketers to understand and satisfy more customers than ever before.
  2. The Internet allows companies to provide tremendous amounts of information about their products to consumers and to interact with them through e-mails and websites.
- G. Socially Responsible Marketing: Promoting the Welfare of Customers and Stakeholders
1. The success of our economic system depends on marketers whose values promote trust and cooperative relationships in which customers are proactively engaged.
  2. The public is increasingly insisting that social responsibility and ethical concerns be considered in planning and implementing marketing activities.
  3. In the area of the natural environment, companies are increasingly embracing the notion of **green marketing**, which is a strategic process involving stakeholder assessment to create meaningful long-term relationships with customers while maintaining, supporting, and enhancing the natural environment.
  4. By addressing concerns about the impact of marketing on society, a firm can contribute to society through socially responsible activities as well as increase its financial performance.
- H. Marketing Offers Many Exciting Career Prospects
1. Marketing positions are among the most secure positions because of the need to manage customer relationships.
  2. Marketing knowledge and skills are valuable assets no matter what the field.

## DISCUSSION STARTERS

### Discussion Starter 1: Customer Service

*ASK: How many of you have ever experienced rejection or disappointment in a customer service experience?*

This question can lead to a discussion on good and bad customer service.

*ASK: How many of you have used social media to convey your dissatisfaction about a company's good or service? How did the company respond?*

This can lead to a discussion on how companies are using social media sites such as Twitter to better respond to customer's complaints and concerns. For example, you could discuss how airline delays are one of the most common causes of customer frustration and how JetBlue uses Twitter to ensure it is responsive to its customers because it understands it is important for continued customer loyalty.

Also, you could discuss how Nike is a prime example of customer service done well. It constantly responds to followers on Twitter whether it is about apparel or other products. Every few minutes, you can watch them respond to someone new. What makes this remarkable? Nike is a huge company. It has many different types of sports equipment and lines of apparel that make up its brand. While Nike manages a number of Twitter accounts to accommodate followers interested in specific sports or store locations, @NikeSupport is dedicated solely to responding to customers who need help.

Transition into a discussion about *the marketing concept, a firm's market orientation, and/or customer relationship management* following the chapter outline.

### Discussion Starter 2: The Marketing Mix

*ASK: Why is it important for marketers to consider their target market before changing parts of the marketing mix like price and product?*

If a firm is market oriented, it will want to meet the needs of its target market. Although customers do not like price increases, they are more likely to accept gradual rate changes. Turing, a pharmaceutical firm, received major backlash from both consumers and regulators after its CEO raised the price of the drug Daraprim by over 5,000 percent. The pill's price increased from \$13.50 a pill to \$750. Turing attempted to pacify critics by offering large-scale price reductions to hospitals and smaller bottles of the drug. The CEO of Turing was eventually arrested on an unrelated charge. Rising prices at other drug companies have sparked frustration with the industry.

Diet Pepsi also made the decision to change its product by replacing aspartame with sucralose. The move was in response to consumers' growing distrust of aspartame. Initial reaction to the reformulated Diet Pepsi was negative. Similar reactions occurred when Coca-Cola introduced New Coke, prompting it to pull the product. Most of the time, changes to beloved products initiate consumer backlash, at least in the

beginning. This requires marketers to carefully consider changes to products, prices, and other elements of the marketing mix.

*ASK: What can the pharmaceutical industry do differently to keep customers satisfied? Will customers ever approve of price increases?*

Students should have a lot of ideas to answer this question. As consumers, they probably disapprove of price increases for drugs, especially drugs that are necessary for survival. However, it is important for students to begin to think like business people and decide how they would handle changing the marketing mix. Pharmaceutical firms argue that research and development as well as innovation necessitate higher costs for certain drugs. Students may suggest that drug firms should raise prices more slowly. They may also argue that the pharmaceutical firms should reveal the reasoning behind decisions. For those drugs where the price must be increased dramatically, offering hospitals discounts and finding other methods to keep the costs affordable would be ways to help stem the tide of criticism. Transparency with consumers and regulators is key to maintaining trust.

### **Discussion Starter 3: The Exchange**

*ASK: Why is the exchange at the core of all marketing transactions? Why is it crucial to think marketing is applicable to exchanges beyond buyers and sellers?*

Students should understand that marketing is about the exchange of values between two parties to arrive at mutually beneficial outcomes. If students are simply focused on buyers and sellers they will not be able to conceive of marketing outside a sales transaction. The following examples may help students broaden their understanding:

- Volunteer organizations—volunteers exchange the value associated with their time to gain the value of assisting their community or supporting a meaningful cause. The organization exchanges the opportunity to demonstrate support for a community or cause for volunteers' time.
- Non-monetary transactions—during the holiday season, many organizations trade a discount coupon toward the purchase of new goods for used goods. Others may trade admission to an event for canned foods or other non-monetary contributions.

In these examples marketing extends beyond buyers and sellers to others who engage in a value exchange. As these examples illustrate, marketing applies to non-profit entities as well as for-profit entities.

Transition the discussion into the next chapter sections about the marketing environment and the marketing concept.

### **Discussion Starter 4: Socially Responsible Marketing**

*ASK: How do you feel marketing benefits society?*

Be prepared for students to discuss the negative consequences of marketing activities, such as negative self-image among teen girls and consumption beyond fiscal responsibility (unnecessary wants). Steer the conversation to positive marketing attributes, using the text outline to guide this discussion.

## Chapter 1: Customer-Driven Strategic Marketing

Remind students that marketing is a social process. Marketers must create value for all stakeholders. Items and issues of importance to consumers and society are also significant to marketers. For example, environmental concerns are playing an increasingly important role in consumer choices. Marketers may take the opportunity to provide consumers with environmentally-friendly product alternatives as well as educate consumers about the environmental impacts.

By constantly seeking to provide consumers with the best possible product alternatives, marketers drive continuous product innovation.

*Special Note:* The text discusses that socially responsible marketing can promote the welfare of customers and stakeholders. Transition the discussion into the next chapter sections about the marketing environment and the marketing concept.

## CLASS EXERCISES

### Class Exercise 1: Great and poor customer service experiences (from your students' perspectives)

The **marketing concept**, a firm's **market orientation**, and **customer relationship management** all revolve around putting the customer at the center of strategic marketing. The illustrations on pages 1 and 4 depict this customer-centric viewpoint. With the customer at the center, the heart of strategic marketing revolves around providing outstanding customer service. Every beginning student in marketing will have experience with both superior and inferior customer service.

Ask each student to take 5-10 minutes to write about two recent customer service experiences, one highlighting excellent customer service and one highlighting poor customer service.

To conclude this exercise, the instructor may want to ask for volunteers to read their tales of customer service Joy (positive) and tales of Woe (negative). If there is no time, simply ask the students to hand them in. For the second option, the instructor may want to tabulate the information before the next class in order to better discuss the results with students. Instructors may want to read a selection of the particularly vivid experiences.

*Addendum:* To underscore the logic behind the power of negative customer testimonials, you can introduce the Rule of 66. On average, when a customer has a particularly bad experience, they will tell on average 11 people, and those 11 people will tell an additional 5 people each. Thus 11 times 5 equals 55, and adding those 11 people who were told the original bad experience makes 66 people.

### Class Exercise 2: Chinese Brands and Brand Image

Chinese brands are in a perception predicament with U.S. consumers. Americans view products made in China as high quality if they are designed in the United States, but if they are both designed and manufactured in China, the perception of the product's quality is generally negative. Instead of conveying to the American consumer something about the quality of their products and how it is something that could be of use to them, Chinese companies have tended to emphasize the fact that their items are low cost. When consumers see a low price without information about the quality of the product, they tend to perceive it as low quality. Chinese companies tend to take a follow-the-leader approach when it comes to creating products, focusing on a manufacturing or sales orientation rather than a marketing orientation.

1. Why are Chinese brands struggling to break into the American market?
2. Why are consumer perceptions of brands so hard to change?
3. What might be some steps Chinese brands can take to improve perceptions of their brands' quality?

### Class Exercise 3: Crocs—Designed for Success

Crocs, Inc. was founded in 2002 and achieved success by creating a unique type of shoe made out of foam and offered in a variety of colors. Although the shoe design was often perceived as ugly, it attracted customers because of its unique nature and comfortable qualities. However, after early

success, Croc began experiencing dwindling sales because it only offered one type of shoe. Crocs began to expand into other product lines such as fashionable flats, wedges, sneakers, and other products that offered the same comfort level. Yet sales continued to dwindle. In 2015 the toddler son of Prince William and Kate Middleton was seen sporting crocs, causing a large spike in sales. New leadership at the firm will attempt to increase the hype behind crocs once more.

1. Describe the target market for Crocs. How does Crocs create value for target market consumers?
2. With regards to Crocs, examine the marketing mix elements. Discuss the product, distribution, price, and promotion for the shoe industry. How did each element contribute to the initial success of Croc shoes?

#### **Class Exercise 4: The Target Market is You**

This group exercise examines the vast array of products for which college students represent the primary target market.

Step 1: Brainstorm with the group a list of products that specifically target college students.

Step 2: Next to each product list any other applicable target markets.

Step 3: Evaluate each product and discuss whether college students will continue to use this good/service after college.

Step 4: Choose one good/service and define its marketing mix.

## CHAPTER QUIZ

1. Coca-Cola is aiming its Diet Coke Plus (with vitamins and minerals) at health-conscious customers. These health-conscious customers represent Coke's
  - a. audience.
  - b. sales alternative.
  - c. business group.
  - d. target market.
  - e. focus group.
2. Customer relationship management (CRM) focuses on using \_\_\_\_\_ about customers to create marketing strategies that develop and sustain desirable customer relationships.
  - a. internal communication
  - b. information
  - c. purchasing power insights
  - d. marketing mix knowledge
  - e. implementation knowledge
3. Marketers use the term \_\_\_\_\_ to describe establishing long-term, mutually satisfying buyer-seller relationships.
  - a. relationship marketing
  - b. customer service
  - c. marketing management
  - d. exchange
  - e. utility
4. \_\_\_\_\_ is an organization-wide commitment to researching and responding to customer needs.
  - a. Marketing concept
  - b. Relationship marketing
  - c. Market orientation
  - d. Sales orientation
  - e. Production orientation

Answers to Chapter Quiz: 1. d; 2. b; 3. a; 4. c.

## ANSWERS TO ISSUES FOR DISCUSSION AND REVIEW

### 1. What is *marketing*? How did you define the term before you read this chapter?

The text defines *marketing* as the process of creating, pricing, distributing, and promoting goods, services, and ideas to facilitate satisfying exchange relationships with customers in a dynamic environment. The second part of this question can be used to stimulate class discussion about how the average person views marketing.

### 2. What is the focus of all marketing activities? Why?

Customers are the focal point of all marketing activities because they are the purchasers of the products which organizations develop, price, distribute, and promote. Without customers for its products, a firm would quickly fail.

### 3. What are the four variables of the marketing mix? Why are these elements known as variables?

The marketing mix includes product, pricing, distribution, and promotion. They are called *variables* because marketing managers decide what type of each element to use and to what degree.

### 4. What is value? How can marketers use the marketing mix to enhance the perception of value?

Value is a customer's subjective assessment of benefits relative to costs in determining the worth of a product. Examples of ways marketers can modify their marketing mixes to enhance perceptions of value include offering product features or enhancements that provide desirable consumer benefits, using promotion to create positive images or prestigious characteristics that consumers consider in value assessment, pricing products according to how consumers use them, and offering convenient distribution outlets.

### 5. What conditions must exist before a marketing exchange can occur? Describe a recent exchange in which you participated.

For an exchange to take place, four conditions must exist. First, two or more individuals, groups, or organizations must participate, and each must possess something of value that the other party desires. Second, the exchange should provide a benefit or satisfaction to both parties involved in the transaction. Third, each party must have confidence in the promise of the "something of value" held by the other. Finally, both parties to the exchange must meet expectations. The second part of this exercise can be used to stimulate class discussion about exchanges based on students' experiences.

### 6. What are the forces in the marketing environment? How much control does a marketing manager have over these forces?

The marketing environment, which involves uncontrollable factors that exist outside of the



marketing mix, includes competitive, economic, political, legal and regulatory, technological, and sociocultural forces. These forces can have a swift and strong effect on an organization, but marketers have little control over them. Marketers must be aware of environmental forces, adapt to them, and capitalize on the opportunities they provide.

**7. Discuss the basic elements of the marketing concept. Which businesses in your area use this philosophy? Explain why.**

The marketing concept is an organizational philosophy that states that an organization should try to provide products that satisfy customers' needs through a coordinated set of activities that also allow the organization to achieve its goals. The major focus is customer satisfaction. The answers to the other parts of this question are based on local examples.

**8. How can an organization implement the marketing concept?**

To implement the marketing concept, a marketing organization must first establish an information system to discover customers' real needs and then use the information to create satisfying products. The organization must also coordinate all its activities.

**9. What is customer relationship management? Why is it so important to “manage” this relationship?**

Customer relationship management focuses on using information about customers to create marketing strategies which develop and sustain desirable customer relationships. “Managing” customer relationships is important to marketers because it can foster customer loyalty and thereby increase long-term profitability. A loyal lifelong customer can be worth a considerable sum of money, so the loss of such customers can result in lower profits.

**10. Why is marketing important in our society? Why should you study marketing?**

Marketing is important in our society because it provides employment for many people and helps sell products that address stakeholder needs. This, in turn, generates profits essential to the survival of individual businesses as well as to the health and ultimate survival of the global economy. Many organizations—including nonbusiness organizations like governments and NGOs—use marketing activities.

The study of marketing is important because marketing costs consume a sizable portion of buyers' dollars, and knowledge about how this money is used helps consumers understand product costs. By becoming informed about marketing activities, students can one day become good marketers themselves, working effectively and efficiently to create products that satisfy needs and provide them to the stakeholders who need them. The study of marketing activities also enables consumers to weigh the costs and benefits of marketing activities and to evaluate laws, regulations, and industry guidelines intended to stop unfair, misleading, and unethical marketing practices.

## ANSWERS TO DEVELOPING YOUR MARKETING PLAN

The information obtained from the following questions should assist you in developing various aspects of your marketing plan.

**1. Discuss how the marketing concept contributes to a company's long-term success.**

The marketing concept is a managerial philosophy that states that an organization should try to satisfy customers' needs through a coordinated set of activities that also allows the organization to achieve its goals. The marketing concept contributes to a company's long term success in several ways. First, the marketing concept realizes that for any exchange to be sustainable, both parties (i.e. buyers and sellers) must have their needs met. Second, the marketing concept requires organizations to generate market intelligence pertaining to current and future customer needs. Understanding future customer needs is essential to sustaining long-term success. Finally, businesses want to satisfy customers and build meaningful long-term buyer-seller relationships. Doing so helps a firm to boost its financial value, and the marketing concept is the proven way to achieve this result.

**2. Describe the level of market orientation that currently exists in your company. How will a market orientation contribute to the success of you new product?**

Students must first identify a company (either their employer or another company with which they are familiar), then describe the level of market orientation that currently exists within this company, and finally explain how a market orientation will contribute to the success of the new product.

**3. What benefits will your product provide to the customer? How will these benefits play a role in determining the customer value of your product?**

Students must explain what specific benefits their new product will provide to customers. As an example, if their new product is a soft drink, the soft drink would have to provide great taste that is different from other drinks on the market, attractive or innovative packaging, and probably a catchy or interesting name in order to attract customers.

## COMMENTS ON VIDEO CASE 1: CRUISING TO SUCCESS: THE TALE OF NEW BELGIUM BREWING

### Summary

This case illustrates how New Belgium Brewing's market orientation has helped the company grow from a small business to one of America's largest breweries. Since its founding, New Belgium has emphasized the importance of meeting the needs of its many stakeholder groups, and that philosophy continues to guide the company's marketing activities. While students may be familiar with the company's corporate social responsibility activities, it is important for them to realize that those activities are part of the company's marketing strategy and thus its profitability.

### Questions for Discussion

#### 1. How has New Belgium implemented the marketing concept?

According to the marketing concept, an organization should try to provide products that satisfy customers' needs through a coordinated set of activities that also allow the organization to achieve its goals. New Belgium considers its customers and other stakeholders at every level of its marketing activities, which has led to the company's popularity and success. Students may cite examples related to each part of the marketing mix, so make sure they focus on how the marketing mix contributes to customer satisfaction and the marketing concept.

To ensure customer satisfaction, New Belgium focuses on creating quality products. The company engages in market research when creating its beers. It continually creates new products to keep customers engaged and excited about the brand. Even the company's focus on sustainability reflects what is important to their customers. However, New Belgium's corporate social responsibility activities are not just philanthropic—they are strategic. Because New Belgium beers provide more value, customers are willing to pay premium prices, which leads to higher profits for the company and its impressive growth rate.

#### 2. What has Kim Jordan done to create success at New Belgium?

Kim Jordan created a unique marketing mix for New Belgium. Under her direction, the company crafted quality beers (product), placed them on shelves and in bars (distribution), created a unique indie brand (promotion), and increased their profit by providing more value and charging a higher price. In addition, Jordan's vision for New Belgium's corporate culture creates value for all stakeholder groups, including employees, customers, the environment, and the community and fosters loyalty to the New Belgium brand.

#### 3. How does New Belgium's focus on sustainability as a core value contribute to its corporate culture and success?

Sustainability has been a major part of the company's vision since its founding. For this reason,

## Chapter 1: Customer-Driven Strategic Marketing

NBB strives to incorporate environmental responsibility directly into its business strategies. Sustainability is important to several of New Belgium's stakeholder groups, which increases customer and employee loyalty. Because of this, the company's environmental philosophy creates a competitive advantage. Environmentally conscious consumers are more likely to do business with a company that incorporates green practices into its business activities. Sustainable practices also increase consumers' perceptions of the value of New Belgium's prices, which results in higher prices and better financial returns for the company.