

Chapter 1

Welcome to the World of Marketing: Create and Deliver Value

I. CHAPTER OVERVIEW

Marketing is all around us. Marketing is delivering value to everyone who is affected by a transaction. Organizations seek to ensure their long-term profitability by identifying and satisfying customer needs and wants through a transaction or an exchange that creates value. In the course of this process, organizations find and keep satisfied customers.

In Chapter 1, these concepts are explored. In addition, students learn the definition of product and benefit. Students are introduced to the 4 Ps and their interdependent relationship. Students quickly learn that marketing is a part of our everyday life.

II. CHAPTER OBJECTIVES

1. Explain what marketing is and how value creation is central to the marketing concept.
2. Explain how marketing is a decision-making process and describe the planning and the marketing mix tools that managers use in the marketing process.
3. Understand key issues relating to making ethical marketing decisions in a sustainable world and be able to discuss different perspectives of marketing.
4. Be able to discuss ethical issues related to marketing decisions.

III. CHAPTER OUTLINE

The outline also includes a feature entitled “Marketing Moment,” which is identified by an arrow icon (►). These are short, in-class activities—appropriate for either individual or group work.

► MARKETING MOMENT – INTRODUCTION

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

► MARKETING MOMENT – DEFINE MARKETING

Use the following scenario to get your to discuss the definition of marketing. Instruct students to write down how they would describe marketing to a friend who asks what marketing is. Answer will vary, e.g. some will say advertising, selling, sales promotion etc. Tie the answers back to the AMA definition of marketing: “Marketing is the activity, set of institutions and processes for crating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large.”

<p>p. 4</p>	<p>REAL PEOPLE, REAL CHOICES HERE’S MY PROBLEM AT YELLOW POINT LODGE Chapter One begins with a discussion of <i>Yellow Point Lodge</i>, a rustic, all-inclusive 185 acre adult camp, located near Ladysmith on Vancouver Island, British Columbia. Yellow Point Lodge guests are intensely loyal, returning year after year and generally do not like change. Richard Hill is the owner and manager of Yellow Point Lodge Richard is facing increasing costs, such as property taxes, and is considering the following four options to better align revenues with costs:</p> <p>Option 1: Raise the Price Option 2: Increase Capacity Option 3: Protect the Land and Decrease Its Value</p> <p>Richard chose option 3.</p>	
<p>Visit the Yellow Point Lodge Website http://www.yellowpointlodge.com/</p>		
<p>p. 6</p>	<p>OBJECTIVE #1 Explain what marketing is and how value creation is central to the marketing concept.</p> <p>1.1. WELCOME TO BRAND YOU Marketing is all around us. Indeed, some might say we live in a branded world. Customer Value refers to the benefits a customer receives from buying a good or service. <i>You</i> have “market value” as a person—you have qualities that set you apart from others and abilities other people want and need. Therefore, the principles of marketing apply to people, just as they apply to coffee, convertibles, and computer processors. Sure, there are differences in how we go about marketing each of these, but the general idea remains the same: Marketing is a fundamental part of our lives both as consumers and as players in the business world.</p>	<p>Exhibit 1.1 Justin Bieber</p>
<p>p. 7</p>	<p>1.2. WHAT IS MARKETING? The term Marketing means different things to different people. “Marketing is the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large.”</p>	
<p>p. 8</p>	<p>1.2.1. Focus on Value Creation Marketing’s “prime directive” is to create value for customers in order to achieve organizational objectives. One important part of our definition of marketing is that it is about meeting the needs of diverse stakeholders. The term</p>	<p>Exhibit 1.2 Aquafina value proposition</p>

<p>p. 9</p>	<p>stakeholders here refers to buyers, sellers, investors in a company, community residents, and even citizens of the nations where goods and services are made or sold—in other words, any person or organization that has a “stake” in the outcome. Thus, marketing is about satisfying everyone involved in the marketing process.</p> <p>One important stakeholder is YOU. A consumer is the ultimate user of a good or service. Consumers can be individuals or organizations, whether a company, government, sorority, or charity.</p> <p>Needs, Wants and Benefits. Most successful firms today practice the marketing concept—that is, marketers first identify consumer needs and then provide products that satisfy those needs, ensuring the firm’s long-term profitability. A need is the difference between a consumer’s actual state and some ideal or desired state. When the difference is big enough, the consumer is motivated to take action to satisfy the need. Needs relate to physical functions (such as eating) or to psychological ones (such as social acceptance). The specific way a person satisfies a need depends on his or her unique history, learning experiences, and cultural environment.</p> <p>A want is a desire for a particular product we use to satisfy a need in specific ways that are influenced culturally and socially.</p> <p>A product delivers a benefit when it satisfies a need or want. For marketers to be successful, they must develop products that provide one or more benefits that are important to consumers.</p> <p>When you couple desire with the buying power or resources to satisfy a want, the result is demand.</p> <p>A market consists of all the consumers who share a common need that can be satisfied by a specific product and who have the resources, willingness, and authority to make the purchase.</p> <p>A <i>marketplace</i> used to be a location where buying and selling occurs face to face. In today’s “wired” world, however, buyers and sellers might not even see each other. The modern marketplace may take the form of a glitzy shopping mall, a mail-order catalog, a television-shopping network, an eBay auction, or an e-commerce website.</p> <p>1.2.2. Marketing and Exchange Relationships</p>	<p>Exhibit 1.3 Mountain Country Trail Mix – customer needs/wants</p>
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<p>p. 10</p>	<p>At the heart of every marketing act—big or small—is something we refer to as an “exchange relationship.” An exchange occurs when a person gives something and gets something else in return. The buyer receives an object, service, or idea that satisfies a need and the seller receives something she feels is of equivalent value. A product{ XE "product" } is a good, a service, an idea, a place, or a person—whatever is offered for sale in the exchange.</p> <p>For an exchange to occur, at least two people or organizations must be willing to make a trade, and each must have something the other wants. Both parties must agree on the value of the exchange and how it will be carried out. Each party also must be free to accept or reject the other’s terms for the exchange.</p>	<p>Exhibit 1.4 Virtual Exchanges</p> <p>Exhibit 1.5 Not-for-Profit Exchanges</p> <p>Exhibit 1.6 Intrawest Service Marketing</p>
<p>p. 11</p>	<p>1.2.3. The Who and Where of Marketing</p> <p>Marketers come from many different backgrounds and work in a variety of locations and organizations. All marketers are real people who make choices that affect themselves, their companies, and very often thousands or even millions of consumers.</p>	
<p>p. 12</p>	<p><i>Marketing’s Role in the Firm: Cross-Functional Relationships</i></p> <p>The importance organizations assign to marketing activities varies a lot. Some firms realize that marketing applies to all aspects of the firm’s activities. As a result, there has been a trend toward integrating marketing with other business functions (such as management and accounting) instead of making it a separate function. A marketer’s decisions affect—and are affected by—the firm’s other operations.</p> <p><i>Where Do You Fit In? Careers in Marketing</i></p> <p>Marketing is an incredibly exciting, diverse discipline brimming with opportunities. There are many paths to a marketing career.</p>	<p>Table 1.1 Careers in Marketing</p>
<p>DISCUSSION QUESTION: Ask the following questions and direct the student responses to help them understand the marketing concept.</p> <p>Why do you think marketing needs to be embraced by all employees and departments of a company? For example, why do a firm’s accountants need to be concerned about the marketing strategy of a company?</p> <p>DISCUSSION QUESTION: Ask the following questions and direct the student responses to help them understand what marketing is and its role in everyday life.</p>		

<p>What did you have for breakfast today?</p> <p>Probe and Explore:</p> <p>Needs & Wants – Why did you have breakfast at all? Why did you choose the foods that you chose? Why didn't you choose (some other type of food – e.g. vegemite sandwich)?</p> <p>Product Benefits – What benefit did you get out of your breakfast? Explore basic benefits of satiety, nutrition. Explore enhanced benefits of taste enjoyment, convenience, and fun to eat. How are products designed to deliver these benefits?</p>		
p. 14	<p>1.3. WHAT CAN WE MARKET?</p> <p>Marketers' creations surround us and marketing can encompass consumer goods and services, business to business goods and services, not-for-profit organizations, ideas, places and people.</p>	
p. 15	<p>1.3.1. Consumer Goods and Services</p> <p>Consumer goods are the tangible products that individual consumers purchase for personal or family use. Services are intangible products that we pay for and use but never own. In both cases, though, keep in mind that the consumer looks to obtain some underlying value, such as convenience, security, or status, from a marketing exchange.</p> <p>1.3.2. Business-to-Business Goods and Services</p> <p>Business-to-business marketing is the marketing of goods and services from one organization to another. Although we usually relate marketing to the thousands of consumer goods begging for our dollars every day, the reality is that businesses and other organizations buy a lot more goods than consumers do. They purchase these industrial goods for further processing or to use in their own business operations.</p> <p>E-commerce is the buying and selling of products on the Internet.</p> <p>1.3.3. Not-for-Profit Marketing</p> <p>Many <small><keyterm id="ch01term0032" linkend="gloss01_0032" preference="0" role="strong"></small>not-for-profit organizations<small>{ XE "not-for-profit organizations" }</keyterm><link linkend="ch1mn1_0033" preference="1"/></small>, including museums, zoos, and even churches, practice the marketing concept. The intense competition for support of civic and charitable activities means that only the not-for-profits that meet the needs of their constituents and donors will survive.</p> <p>1.3.4. Idea, Place, and People Marketing</p> <p>Marketing principles are also used to market ideas, places, and people. Examples include:</p>	<p>Exhibit 1.7 Marketing Not-For-Profits</p> <p>Exhibit 1.8 Marketing Ideas</p>

	<ul style="list-style-type: none"> • Tourism marketing • Convincing consumers to wear seatbelts • Promoting rock and sports stars <p>Some of the same principles that go into “creating” a celebrity apply to you. An entertainer— whether Adam Lambert or Tony Bennett —must “package” his talents, identify a market that is likely to be interested, and work hard to gain exposure to these potential customers by appearing in the right musical venues.</p>	
<p>THINK/PAIR/SHARE: Ask students to come up with an example of a consumer good, a consumer service, a business to business good, a business to business service, a not-for-profit organization, a place a person? Ask the students to discuss with your neighbour. Ask students to share with the class.</p>		
<p>WEBSITE: Big Brothers Big Sisters is an example of a non-profit organization. What benefits are offered to the volunteer? Can you cite examples of societal marketing on this site? http://www.bbbs.org/site/c.diJKKYPLJvH/b.1539751/k.BDB6/Home.htm</p>		
<p>DISCUSSION QUESTION: Have you ever thought about the fact that not-for-profit companies need to use marketing as well? If not, why?</p>		
<p>p. 16</p>	<p>1. Explain how marketing is a decision-making process and describe the planning and the marketing mix tools that managers use in the marketing process.</p> <p>1.1. MARKETING AS A DECISION MAKING PROCESS</p> <p>1.1.1. Understand the Opportunity Marketing decisions start with an understanding of the situation or context in which the decisions need to be made. Marketers examine internal and external environmental factors, develop SWOT analysis and apply marketing theory, concepts and principles in order to evaluate the opportunity.</p> <ul style="list-style-type: none"> a. Environmental Analysis b. SWOT Analysis c. Other Analysis d. Marketing Theory, Concepts, Principles 	<p>Figure 1.2 A Marketing Decision Framework</p>
<p>p. 17</p>	<p>1.1.2. Marketing Strategy: Specify the Value Marketing decisions are made to help organizations to achieve their objectives. Marketer must ensure that their objectives are well defined, that they have clearly identified their target market and that they are appropriately positioning their product to appeal to their target market.</p>	<p>Exhibit 1.9 Buckley’s Cough Syrup</p> <p>Exhibit 1.10 HP EcoSolutions</p>

<p>p. 20</p>	<p>a. Marketing Objectives b. Target Market c. Positioning</p> <p>1.1.3. Marketing Mix: Create the Value</p> <p>Once the desired positioning is established marketers develop the value proposition for their product using the marketing mix or 4 P's – product, price, place (distribution) and promotion (communication).</p> <p>a. Product b. Price c. Distribution d. Communication</p>	<p>Exhibit 1.11 VOSS water</p> <p>Exhibit 1.12 BlackBerry®</p>
<p>p. 23</p>	<p>1.1.4. Implementation and Evaluation: Realize the Value</p> <p>In order to realize the value of the marketing decisions marketers develop implementation plans identifying the key actions required, outlining contingency plans and developing the budget to make it all happen. Marketers evaluate the plan using financial analysis and make the decision to proceed or abandon the plan. If the decision is to move forward the plan is executed and then performance is measured and evaluated.</p> <p>a. Plan the Implementation b. Evaluation c. Execute the Plan d. Measure Performance</p> <p>Add Value through the Value Chain</p> <p>Many different players—both within and outside a firm—need to work together to create and deliver value to customers. The value chain is a useful way to appreciate all the players that work together to create value. This term refers to a series of activities involved in designing, producing, marketing, delivering, and supporting any product. In addition to marketing activities, the value chain includes business functions such as human resource management and technology development.</p> <p>The main activities of value-chain members include the following:</p> <ul style="list-style-type: none"> • <i>Inbound logistics</i>: Bringing in materials to make the product • <i>Operations</i>: Converting the materials into the final product • <i>Outbound logistics</i>: Shipping out the final product • <i>Marketing</i>: Promoting and selling the final product • <i>Service</i>: Meeting the customer's needs by providing any 	<p>Figure 1.3 Apple's Value Chain</p>

<p>p. 24</p> <p>p. 25</p> <p>p. 26</p>	<p style="text-align: center;">additional support required</p> <p>Consumer-Generated Value: From Audience to Community One of the most exciting new developments in the marketing world is the evolution of how consumers interact with marketers. In particular, we are seeing everyday people actually generating value instead of just buying it—consumers are turning into advertising directors, retailers, and new-product-development consultants. Amafessionals{ XE "amafessionals" } contribute ideas for the fun and challenge rather than to receive a paycheck so their motivation is to gain <i>psychic income</i> rather than financial income. Amafessionals create consumer-generated content.</p> <p>Social Networking & Web 2.0 In a social network a user represents herself via a profile on a website and provides and receives links to other members of the network to share input about common interests. Social networking is an integral part of what many call Web 2.0, the new generation of the World Wide Web that incorporates social networking and user interactivity. It categorizes entries according to folksonomy{ XE "folksonomy" } rather than “taxonomy.” In other words, sites rely on users rather than pre-established systems to sort contents.</p> <p>The “Wisdom of Crowds” perspective (from a book by that name) argues that under the right circumstances, groups are smarter than the smartest people in them are. If this is true, it implies that large numbers of (non-expert) consumers can predict successful products.</p> <p>Open Source Business Models Open source developers post their programs on a public site and a community of volunteers is free to tinker with it, develop other applications using the code, and then give their changes away free.</p>	<p>Exhibit 1.13 Threadless Consumer-Generated Content</p>
<p>► MARKETING MOMENT IN-CLASS ACTIVITY Ask the class to develop two different marketing mixes for bicycles designed for two different target markets/purposes—one bicycle is for professional bicycle racers (think Lance Armstrong) and the other bicycle is for middle-aged women who want a little exercise. How will the marketing mixes for these two products differ?</p> <p>DISCUSSION QUESTION: Now that you know that marketing is not just about advertisements, how has your appreciation for it or perspective about it changed?</p> <p>Troubleshooting tip: Initially, students find that the basic marketing mix elements (4 Ps) to be</p>		

intuitive. However, it is very important to emphasize that each basic marketing mix element (by itself and in combination with other elements) becomes a very complicated matter outside the classroom in the “real-world.” Right after you introduce students to the marketing mix components, ask students to consider what marketing mix strategies they would implement for a lemonade stand. As this activity develops, it becomes increasingly clear that many “little decisions” must be made for each marketing mix component, and those “little decisions” significantly affect the other marketing mix components.

DISCUSSION QUESTION:

Ask the following questions and direct the student responses to help them understand how marketers use different elements of the marketing mix.

Let’s look at the cereals you ate this morning and examine the different elements of the marketing mix.

Probing and Exploring:

Product – Think of Lucky Charms versus Rice Krispies? How are these products designed differently? Why? How do their names relate to the product?

Do cereals come in different sizes? (regular, single packs, and jumbo packs). Why? What needs do these different sizes meet?

Place - Where did you buy the cereal? Discuss all of the possible places for purchasing cereal. Discuss the importance of modifying a product depending on where it is sold (e.g. club stores, grocery stores, convenience stores, restaurant, Internet).

Price - Was price a factor in your selection? For example did you buy a cereal that was on sale? What are private label products? How do they compete on price?

Promotion – Do you recall seeing any advertising for the cereal? What about promotions? (e.g. coupons, or promotional offers in the box) Did those messages or offers have any impact on your selection? Why or why not?

Close: Do marketers create needs? How do marketers use tools (4P’s) to meet needs in competitive and compelling ways?

WEBSITES:

Visit the Social Vibe and Ad Roll websites to investigate social networking.

Social Vibe (social media platform that facilitates interaction between people, the brands they love, and the causes they care about): <http://www.socialvibe.com/#>

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

Discussion question: Are you a part of an online social network? If so, exactly do you get out of it? If not, why not?

p. 27	<p>OBJECTIVE #2 Understand key issues relating to making ethical marketing decisions in a sustainable world and be able to discuss different perspectives of marketing.</p> <p>2.1. MAKING DECISIONS IN A SUSTAINABLE</p>	
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	<p style="text-align: center;">WORLD</p> <p>All marketing decisions are made in a global context. Even the small local business purchase products made with materials sourced globally and are faced with increasingly global competition.</p> <p style="text-align: center;">2.1.1. The Global Environment of Business</p> <p>In an increasing competitive global environment marketers must meet the challenge of doing good while doing well. It is no longer enough to just make money, today we expect companies to benefit their communities as well.</p> <p>In this environment organizations are adopting a triple bottom-line orientation. This means building long-term bonds with customers rather than merely selling them stuff today. This new way of looking at business emphasizes the need to maximize three components:</p> <ul style="list-style-type: none"> • <i>The financial bottom line</i>: Financial profits to stakeholders • <i>The social bottom line</i>: Contributing to the communities in which the company operates • <i>The environmental bottom line</i>: Creating sustainable business practices that minimize damage to the environment or that even improve it 	
<p>p. 28</p>	<p style="text-align: center;">2.1.2. Customer Relationship Management</p> <p>One outgrowth of this new way of thinking was the concept of customer relationship management (CRM), which involves systematically tracking consumers' preferences and behaviours over time in order to tailor the value proposition as closely as possible to each individual's unique wants and needs.</p> <p>An attention economy is { XE "attention economy" }</emphasis>one in which a company's success will be measured by its share of mind rather than share of market where companies make money when they attract eyeballs rather than just dollars. Companies must find new and innovative ways to stand out from the crowd and become an integral part of consumers' lives rather than just being a dry company that makes and sells products. Another result of this new way of long-term thinking is the social marketing concept, which maintains that marketers must satisfy customers' needs in ways that also benefit society while still delivering a profit to the firm.</p>	<p>Exhibit 1.14 Moosehead Beer</p> <p>Exhibit 1.15 Candystand</p>
<p>p. 29</p>	<p style="text-align: center;">2.1.3. Social Marketing Concept</p>	<p>Exhibit 1.16 Mountain Equipment</p>

<p>p. 31</p>	<p>An important trend now is for companies to think of ways to design and manufacture products with a focus on sustainability, which we define as “meeting present needs without compromising the ability of future generations to meet their needs.” Sustainability applies to many aspects of doing business, including social and economic practices (e.g. humane working conditions and diplomacy to prevent wars that deplete food supplies, atmospheric quality and of course lives). One other crucial pillar of sustainability is the environmental impact of the product. Green marketing, the development of marketing strategies that support environmental stewardship by creating an environmentally-founded differential benefit in the minds of consumers, is being practiced by most forward-thinking firms today.</p> <p>In addition to building long-term relationships and focusing on social responsibility, Triple Bottom line firms place a much greater focus on <i>accountability</i>—measuring just how much value marketing activities create. This means that marketers at these organizations ask hard questions about the true value of their efforts and their impact on the bottom line. These questions all boil down to the simple acronym of ROI (return on investment). Marketers now realize that if they want to assess just how much value they are creating for the firm, they need to know exactly what they are spending and what the concrete results of their actions are.</p> <p style="text-align: center;">2.1.4. Other Perspectives in Marketing</p> <p>Not all organizations have adopted a triple-bottom-line orientation. Organizations that have a philosophy that emphasizes the most efficient ways to produce and distribute products are said to have a product orientation. Organizations with a managerial view of marketing as a selling function or a way to move products out of warehouses to reduce inventories have a selling orientation. Organizations that have a management philosophy that focusses on ways to satisfy customers’ needs and wants have a consumer orientation.</p>	<p>Co-op</p> <p>Exhibit 1.17 Mega Bloks</p>
<p>DISCUSSION QUESTION: Do you mind when someone tries to “hard sell” you on a product? How do you usually react to “hard sell” salesperson?</p>		
<p>DISCUSSION QUESTION: Ask the following questions to illustrate the evolution of how organizations can adopt different orientations over time.</p> <p>Do you think McDonald’s over time has adopted a product orientation, a selling orientation, a</p>		

<p>consumer orientation, or a new era orientation or a combination?</p> <p>Probing and Exploring:</p> <p><i>Product Orientation</i> – Has anyone ever ordered a burger with no pickles or no onions? What happens?</p> <p><i>Consumer Orientation</i> – How has McDonald’s changed its menu in the past year? (Low carb, healthful options). Why? What about trans fats in its frying oils?</p> <p><i>Social Marketing Orientation</i> – How has McDonald’s worked to help society? (Ronald McDonald House) How about the environment? (Move away from Styrofoam containers)</p> <p>Close: What consumer needs or initiatives have contributed to how McDonalds has changed its orientation over time?</p>		
<p>p. 32</p>	<p>OBJECTIVE #3 Be able to discuss ethical issues related to marketing decisions.</p> <p>3.1. DOING IT RIGHT: ETHICAL BEHAVIOUR IN THE MARKETPLACE</p> <p>It has been suggested that organizations are now operating in an “ethics era”. More and more consumers and investors alike believe that business executives should “embrace a broader social ethic” in their corporate responsibilities. Business ethics are the rules of conduct for an organization and the notion of what is right and wrong differs between organizations and cultures. In order to answer the question around what is expected of individuals in an organization many organizations are developing a specific code of ethics for their organization.</p>	<p>Figure 1.4 AMA Code of Ethics</p>
<p>p. 35</p>	<p>3.1.1. The Dark Side of Marketing</p> <p>Whether intentionally or not some marketers do violate their bond of trust with the consumer. These actions may, in some cases, have a detrimental impact on society while in others they may outright illegal.</p> <p>Marketing is viewed by some as a “four letter word” and is often the subject of harsh criticism:</p> <ul style="list-style-type: none"> • Criticism: Marketing corrupts society. A Response: A need is a basic biological motive; a want represents one way that society has taught us to satisfy the need. • Criticism: Advertising and marketing are unnecessary. A Response: Products are designed to meet existing needs, and advertising only helps to communicate their availability. • Criticism: Marketers and manipulate consumers through the promise of miracles. A Response: Advertisers simply do not know enough about people to manipulate them. 	<p>Ethical and Sustainable Decisions in the Real World</p>

<p>p. 38</p>	<ul style="list-style-type: none"> • Criticism: Marketers support addictive consumption. A Response: As a society we have to balance the freedom of choice that consumers have against regulations preventing consumption. • Criticism: Marketers exploit people. A Response: This can happen. Consumers have a strong voice and should let marketers know when they do not align with consumer values but making alternative consumption choices. <p>3.1.2. Consumerism: People Fighting Back Marketers are seeing a growing trend of organized activity by consumers to bring about social and political change. Consumerism is a social movement that attempts to protect consumers from harmful business practices.</p>	
<p>DISCUSSION QUESTION: Ask students to think of businesses that engage in socially responsible activities. What is the activity and how does it help society?</p> <p>DISCUSSION QUESTION: Do you personally feel that marketing is “evil?” Why or why not?</p>		

IV. END-OF-CHAPTER ANSWER GUIDE

Chapter Questions and Activities

►QUESTIONS: TEST YOUR KNOWLEDGE

1. Where do marketers work and what role does marketing play in the firm?

Marketers work in a variety of locations. They work in consumer-goods companies such as Taco Bell or Nissan or at service companies like Monster.com. You will see them in retail organizations like The Limited and at companies that manufacture products for other companies to use like DuPont.

2. Briefly, explain what marketing is.

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

3. Explain needs, wants, and demands. What is the role of marketing in each of these?

A *need* is the difference between a customer's actual state and some ideal or desired state. A marketer knows that when the difference is big enough, the consumer is motivated to take action to satisfy the need. The marketer seeks to discover consumer needs and focus on the differences between the mentioned states.

A *want* is a desire for a particular product used to satisfy a need in specific ways that are influenced. The marketer focuses on delivering benefits that satisfy a want or a need. These benefits must be important to consumers.

Demand occurs when desire is coupled with the buying power or resources to satisfy a want. Marketers must meet demands better than competition.

4. What is value? How does marketing create different types of value?

Value refers to the benefits a customer receives from buying and using a good or service in relation to the costs and sacrifices of buying and using it. Marketers create value by researching and understanding the market including the needs and wants of their customers. Marketers use this understanding to develop their marketing mix (product, price, place and promotion) in order to satisfy the needs and wants and to create value for their customers.

5. Trace the evolution of the marketing concept.

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

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

6. Define the terms *consumer goods*, *services*, and *industrial goods*.

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

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

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

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

Lifetime value refers to the profit made from each customer, including every purchase made from now into the future.

To calculate lifetime value, a firm estimates the amount the person will spend and then subtracts what it will cost to maintain the relationship.

8. What does it mean a firm to have a competitive advantage? What gives a firm a competitive advantage?

A firm has a competitive advantage when it is able to outperform the competition, providing customers with a benefit the competition cannot. A competitive advantage gives consumers a reason to choose one product over another repeatedly.

9. What is involved in marketing planning?

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

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

10. List and describe the elements of the marketing mix.

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

►ACTIVITIES: APPLY WHAT YOU'VE LEARNED

1. ***Creative Homework/Short Project*** An old friend of yours has been making and selling vitamin-fortified smoothies to acquaintances and friends of friends for some time. He is now thinking about opening a shop in a small college town, but he is worried about whether he will have enough customers who want these smoothies to keep a business going. Knowing that you are a marketing student, he has asked you for some advice. What can you tell him about product, price, promotion, and place (distribution) strategies that will help him get his business off the ground?

This would be an interesting question to compare suggestions now with those after the course and text are finished. Students' answers to this question will improve with experience. To lead the students through this application exercise, focus on what our potential storeowner

would need to know about the 4 Ps to be successful. This would include discussion of who his customers (target market) will be, what types of smoothies and other menu items he might offer, what his costs will be and how they will determine his pricing, how he will let potential customers know about the business, and how he would like to design the shop.

2. ***In Class 10-25 Min. for Teams*** assume that your city's Chamber of Commerce employs you. One major focus of the chamber is to get industries to move to your city. As a former marketing student, you know that there are issues involving product, price, promotion, and place (distribution) that can attract business. Next week you have an opportunity to speak to the members of the chamber, and your topic will be "Marketing a City." Develop an outline for that presentation.

Students should be encouraged to assume the role described in the assignment. Some students may even want to contact the local Chamber of Commerce. Set rules on this to avoid problems. Place marketing is a very interesting subject. Advise students to use the Web to get ideas. Go to city Websites to see their "pitches." This should help with the basic outline. Once the assignment has been completed, screen the results and have two or three unique outlines presented in class. Often chamber speakers will come to class to report on how the local chamber does its businesses.

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

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

4. ***Creative Homework/Short Project*** As a marketing professional, you have been asked to write a short piece for a local business newsletter about the state of marketing today. You think the best way to address this topic is to review how the marketing concept has evolved and to discuss the triple bottom line orientation. Write the short article you will submit to the editor of the newsletter.

This assignment asks students to synthesize and summarize the material found in the text on the subjects of the marketing concept, the various eras and orientations, and current concepts regarding the triple bottom line orientation, such as the social marketing concept and sustainability. The instructor can use the outline provided in the Chapter Outline Section for guidance in checking the students' work. An interesting deviation from this assignment

might be to assign selected students the task of demonstrating that the production orientation or the selling orientation is superior to that of the marketing concept. Another method might be to assign specific companies and have the students demonstrate how they believe the companies are using (or not using) the new triple bottom line orientation.

5. ***In Class 10-25 Min. for Teams*** As university or college students, you and your friends sometimes discuss the various courses you are taking. One of your friends says to you, “Marketing’s not important. It’s just dumb advertising.” Another friend says, “Marketing doesn’t really affect people’s lives in any way.” As a role-playing exercise, present your arguments against these statements to your class.

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

► **MARKETING METRICS EXERCISE**

The chapter discusses the growing importance of sustainability, and it notes that companies and consumers increasingly consider other costs in addition to financial kinds when they decide what to sell or buy. One of these cost categories is damage to the environment. How can marketers make it easier for shoppers to compute these costs? The answer is more apparent in some product categories than in others. For example, American consumers often are able to compare the power consumption and annual costs of appliances by looking at their EnergyStar™ rating. In other situations, we can assess the *carbon footprint* implications of a product or service; this tells us how much CO₂ our purchase will emit into the atmosphere (e.g. if a person flies from New York to London). The average American is responsible for 9.44 tons of CO₂ per year! A carbon footprint comes from the sum of two parts, the direct, or primary, footprint and the indirect, or secondary, footprint:

1. The *primary footprint* is a measure of our direct emissions of CO₂ from the burning of fossil fuels, including domestic energy consumption and transportation (e.g., cars and planes).
2. The *secondary footprint* is a measure of the indirect CO₂ emissions from the whole lifecycle of products we use, from their manufacture to their eventual breakdown. Although many of us are more aware today that our consumption choices carry unseen costs, there is still a lot of confusion about the best way to communicate the environmental costs of our actions – and in many cases consumers aren’t motivated to take these issues into account unless the costs impact them directly and in the short-term. What other metrics would you suggest that might address this important measurement problem?

To gain new insights for this task, students should consider all of the various groups of people affected by a product category of their choice. How is each group affected by the creation and distribution of the product? The group characteristics that are affected will often point to the necessary metric to be measured.

► **CHOICES: WHAT DO YOU THINK?**

1. **Ethics** Have you ever pirated software? How about music? Is it ethical to give or receive software instead of paying for it? Does the answer depend on the person's motivation and/or if the person could otherwise afford to buy the product?

In answering this question, students should be encouraged to be honest with themselves and their answers. Most students either will have pirated or downloaded music from one or more of the download services. Initiate a discussion about Napster and its eventual demise (at least the form that was so popular among youth). As in value, ethics is often a question of perception and position. Ask students to pretend that they owned a software or small music production company. Would their belief in the correctness of piracy and downloads now change? A useful way to discuss this question is to allow a few students to role-play. Have the students design their own skit that illustrates the ethical problems presented by this question.

2. **Critical thinking** The marketing concept focuses on the ability of marketing to satisfy customer needs. As a typical college student, how does marketing satisfy your needs? What areas of life are affected by marketing? What areas of your life (if any) are not affected by marketing?

In answering this question, the student should be encouraged to examine their life personally and relate marketing to their daily activities and events. Areas that should be mentioned in this discussion are consumer purchases (such as buying food, clothes, supplies at the bookstore, and major purchases such as computers or cars) as well as advertising's impact on their learning processes (such as learning about new products, how to do things, and contemporary trends). Other areas include interactions with groups (such as the role that reference groups play in their purchase processes and how others might be affected by marketing practice). It is also important to examine career plans and aspirations (because most of these students will be business students, they should understand how to pursue job opportunities and market themselves). There are obviously other areas that students might mention such as the international environment, the environment itself, and the legal environment. Each area mentioned should be examined and justified. Most students will find that there will be few activities they pursue daily that are not touched by marketing. One way to stimulate discussion in this area is to relate your own (the instructor's) personal daily experiences with marketing.

3. **Critical thinking** In both developed and developing countries, not all firms have implemented programs that follow the marketing concept. Can you think of firms that still operate with a production orientation? A selling orientation? What changes would you recommend for these firms?

Obviously, students could present a wide variety of situations and scenarios here. This question will probably work best when some direction is given to it. For example, ask international students to report on the less than adequate marketing efforts with which they are familiar. Consider marketing in socialist, communist, and economically controlled

countries. Next, consider a consumer's experiences with our "modern" health care system. Is the consumer served correctly or is an "assembly line mentality" applied through physician's offices, hospitals, and insurance providers? The banking industry might also be used to generate discussion. Contrast these industries with retail organizations, service-oriented firms, and online organizations. Focus student comments on needed corrections rather than on negative "war stories."

4. **Critical thinking** Ideally, each member of a value chain adds value to a product before someone buys it. Thinking about a music CD you might buy in a store, what kind of value does the music retailer add? How about the label that signs the artist? The public relations firm that arranges a tour by the artist to promote the new CD? The production company that shoots a music video to go along with the cut?

You might rephrase this question by asking why they purchased the CD in a specific store. Did they receive some type of value beyond the CD? If so, what? Different stores might offer different types of value; ask students to give examples.

Students might also discuss the reason for purchasing. Was the music video the driving force—even though the video cannot be viewed on the CD? What did the public relations firm do right to cause you to purchase? Any suggestions for what the public relations firm might do?

What value does the CD deliver? Did your students buy the CD because their friends already own it? Do they really enjoy the music? Does the CD have lasting value?

5. **Critical thinking** User-generated commercials seem to be part of a broader trend toward user-generated content of all sorts. Examples include *MySpace*, *Flickr* (where users post photos and comment on others' pictures), blogging, and video-sharing sites like *YouTube*. Do you think this is a passing fad or an important trend? How (if at all) should marketers be dealing with these activities?

This might come up with different answers from the students, but there is a high likelihood that this is a new addition to information sharing. This user-generated content can lead to discussions on how much advertising can be placed on these sites without losing customer loyalty. Ask about the personal thoughts of the students since they most likely have personal experience with the sites.

6. **Ethics** Some marketing or consumption activities involve the (literal) consumption of people—voluntarily or not. In one recent controversial incident, a man in Germany advertised on the Internet to find someone who wanted to be killed and eaten (we are not making this up). He actually found a willing volunteer and did just what he promised—he is now on trial for murder. If a person consents to be "consumed" in some way, is this still an ethical problem?

This is a good opportunity for students to discuss the ethical issues of asking for illegal use of the Internet. With the increase in use of the Internet, even though sites like Google.com are

monitoring for these unusual requests, they also are requesting users to report finding requests such as the one identified in this question. It is highly unlikely that it will go away, but it is far from ethical.

7. **Ethics** The American Psychological Association does not yet recognize Internet addiction as a problem. Should it?

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

► **MINI-PROJECT: LEARN BY DOING**

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

1. Working as a team with two or three other students in your class, select an organization in your community that practices marketing. It may be a manufacturer, a service provider, a retailer, a not-for-profit organization—almost any organization will do. Then schedule a visit with someone within the organization who is involved in the marketing activities. Arrange for a short visit in which the person can give your group a tour of the facilities and explain the organization's marketing activities.
2. Divide the following list of topics among your team and ask each person to be responsible for developing a set of questions to ask during the interview to learn about the company's program:
 - What customer segments the company targets
 - How it determines needs and wants
 - What its pricing strategies are, including any discounting policies it has
 - What promotional strategies it uses and what these emphasize to position the product(s)
 - How it distributes products and whether it has encountered any problems
 - What products it offers, including features, benefits, and goals for customer satisfaction
 - How marketing planning is done and who does it
 - Whether social responsibility is part of the marketing program and, if so, in what ways
3. Develop a team report of your findings. In each section of the report, share what you learned that is new or surprising to you compared to what you expected.
4. Develop a team presentation for your class that summarizes your findings. Conclude your presentation with comments on what your team believes the company was doing that was particularly good and what was not quite so good.

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

V. MARKETING IN ACTION CASE: ONLINE GAMING

Summary of Case

Online gaming is one of the fastest growing online businesses. In Canada online gaming is controlled by the provinces and territories. As such it is a crime for anyone except a provincial or territorial government to operate or promote online gaming sites. The Ontario Lottery and Gaming Corporation, however, estimates that Ontarians spend over \$400 million a year on unregulated online gaming. In fact, it appears that 60% of the world's online gaming traffic is received by the Kahnawake First Nation's people in Quebec. This fact highlights the difficulty in controlling and policing online gaming and the advertising of it.

In-Class Assignment Suggestions

In groups have students discuss the “You Make the Call” items.

Divide the class into groups of three to five students and have each group take a position and prepare a response to each of the items.

Divide the class into two groups to debate the “positive aspects of government regulation and control of online gaming” and the “negative aspects government regulation and control of online gaming.”

Divide the class into groups of three to five students and have each group develop a code of ethics for the Canadian online gaming industry. Have the groups compare their codes of ethics.

Suggested Answers for Discussion Questions

1. When is government regulation appropriate or not appropriate when it comes to the marketing of products on the internet?

Student responses will vary. A key challenge is the balance between the governments' role as the provider of public benefit and the individuals' freedom of expression and freedom to choose.

2. Should provincial governments be in the online gaming market? Why or why not? Should they have a monopoly? Why or why not?

Again, student responses will vary. Some students will argue that the government's role is to provide public benefit not operate in business enterprises. Some will argue that online gaming is not in the public interest and therefore should not be operated by the government. Still others will argue that people are going gamble online anyway so the government should control it and reap the profit for the benefit of society at large rather than private corporations.

3. Develop a code of ethics for the Canadian online gaming industry?

Student responses will vary. The codes of ethics should suggest the ethical norms and values that should govern the online gaming industry in Canada.

4. Compare the key elements of your code of ethics to those of other students. Discuss the differences and update your own code where appropriate.

Students should compare their code of ethics to others in the class and discuss similarities and differences. What are the common themes across the various codes of ethics? What is the rationale behind some of the differences?

WEB RESOURCES

Prentice Hall support link: <http://247.prenhall.com>

Richard Hill (Real People, Real Choices, Decision Time vignette):
<http://www.yellowpointlodge.com/>

Career-building Website: <http://www.monster.com/>

Craigslist (online classifieds Website): <http://www.craigslist.org/about/sites>

The Sims (online virtual community): <http://thesims.ea.com/>

Second Life (a 3-D virtual world created by its residents): <http://secondlife.com/>

Kraft's Candystand (the hottest games online): <http://www.candystand.com/index.do>

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

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

LinkedIn (professional network online community): <http://www.linkedin.com/>

Social Vibe (social media platform that facilitates interaction between people, the brands they love, and the causes they care about): <http://www.socialvibe.com/>

Part 1: Make Marketing Value Decisions

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

<http://www.adroll.com/>

Wikipedia (a multilingual, Web-based, free content encyclopedia): <http://www.wikipedia.org>

Amazon (online shopping portal): www.amazon.ca

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

Current TV (peer-to-peer news and information network): <http://current.com/currenttv>

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

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