

Chapter 1

MARKETING: CREATING CUSTOMER VALUE AND ENGAGEMENT

MARKETING STARTER: CHAPTER 1

NIKE's Customer Value-Driven Marketing: Engaging Customers and Building Brand Community

Synopsis

When you think of sports gear, you think of Nike. The company sells sports apparel and gear for sports from basketball to baseball to hiking and wall climbing.

From the start, Nike focused on product innovation and aggressive sports marketing. It is the world's largest sports apparel company, 44 percent larger than rival Adidas. It reaches an impressive 62 percent of the U.S. sports footwear market versus number-two Skechers at only 5 percent and Adidas at 4.6 percent. What has made Nike such an amazing success story? Nike knows that connecting today is a dialogue, according to its CEO. Nike's chief marketing officer states: "The engagement levels we have received...drive huge momentum for our brand...the beginning of how we will connect with and inspire athletes around the world." To its core, the company is relentlessly customer driven.

Nike wants to deliver a special experience to every customer. Most regulars feel a surprisingly strong relationship with the company. Nike's mission is to "bring inspiration and innovation to every athlete in the world."

Nike builds customer engagement and relationships. Customers connect with Nike through ads, in-person events, at Niketown stores, a local Nike running club, a Nike+ app, or one of the company's many community web and social media sites. These create opportunities for customers to bond with the Nike brand, through a personal brand-customer connection. Nike's digital and social media marketing interacts with customers to build brand engagement, advocacy, and community.

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

Discussion Objective

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

Starting the Discussion

To start the discussion, ask the class, "Does anyone here wear the 'swoosh?'" It may make more sense to ask whether there is anyone who does not recognize the "swoosh." Based on the show of hands, ask for students to share their experience with the brand. What attracts them to Nike? What is it about the customer experience that is so enticing?

Next, pull up Nike's Facebook pages. Working with students, search for a few specific sports pages that interest them. Click on articles and links to further explore. Together, note the variety of approaches Nike takes and the focus on customers. Investigate Nike's other social media feeds, including the company's Web site, Twitter, Snapchat, and YouTube. In what ways does Nike's obsession with customer service show through in every feature and detail?

You should be familiar with these Web sites in advance so that you can move purposefully to keep the discussion moving. But let the class discussion interactively guide the sites that you explore, taking you deeper into each page.

Start with the first question below, and then ask other questions as the discussion allows. Throughout the discussion, keep your objective firmly in mind: to emphasize that good marketing is all about creating value for customers and managing customer relationships in order to capture value from customers in return. The final question leads the class into Chapter 1 and the discussion for the day. Have fun with this one!

Discussion Questions

1. The first marketing story in the text is about Nike. Let's take a quick look at the "About Nike" link at the bottom of the Nike home page and see what we can learn about the company and how it operates. Just looking at this Web page, what stands out about Nike? Go to Nike's other social media outlets to reinforce the idea that everything points to Nike's obsession with its customers—it's all about connecting the company and the customers.
2. How has what we are seeing on these sites contributed to Nike's performance? How has Nike been successful? (As indicated in the Nike story, the company has grown astronomically in market share and strength of customer relationships, due largely to its obsession with customer satisfaction and customer experience. Even in a slow retail economy, Nike's sales have soared in recent years. Thus, by creating value for customers, Nike has captured value from customers in return.)
3. Why did the authors choose Nike as the very first company to highlight in the first chapter of the text? How does this opening story relate to the major points made in the rest of the chapter? (This question should lead naturally into major Chapter 1 concepts: What is marketing and what is the marketing process? What is customer-driven marketing? Why are customer value, customer satisfaction, and customer relationships so important?)

CHAPTER OVERVIEW

Use Power Point Slide 1-1 Here

In this chapter, we introduce the basic concepts of marketing. It starts with the question, "What is marketing?" Simply put, marketing is managing profitable customer relationships. The aim of marketing is to create value *for* customers and to capture value *from* customers in return. Next, the five steps in the marketing process are discussed—from understanding customer needs, to designing customer-driven marketing strategies and integrated marketing programs, to building customer relationships and capturing value for the firm. Finally, there is a discussion of the major trends and forces affecting marketing in this age of customer relationships.

CHAPTER OBJECTIVES

Use Power Point Slides 1-2 here

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

CHAPTER OUTLINE

p. 2	INTRODUCTION <p>When you think of shopping for sports apparel, chances are good that you think first of Nike. The company sells everything from apparel and equipment for sports ranging from basketball and baseball to biking, wall climbing, and skateboarding.</p> <p>From the start, Nike has grown steadily and strongly. In the past decade, its global sales and income have more than doubled, and its market share of sports apparel and footwear overwhelms competitors</p> <p>To its core, the company is relentlessly customer driven. Nike wants to deliver a special experience to every customer.</p> <p>Nike's social media marketing makes the brand experience special by focusing on building relationships and connections.</p> <p>Nike successfully concentrates on delivering customer value through its efforts to develop personal and deep experiences.</p>	p. 3 Photo: The Nike swoosh
	<p>➤ Opening Vignette Questions</p> <ol style="list-style-type: none"> 1. Many companies claim to be obsessed with customer service. What sets Nike apart from the others? 2. In your opinion, is it possible to spend heavily on media advertising and contracts with athletes, and also successfully market through digital and social media? Explain. 3. Do you believe that customers really want long-term relationships with a company and other customers? If so, how does Nike build these relationships? 4. What if a close online competitor came along, offering comparable items and service? Do you think most Nike customers would remain loyal to Nike? Defend your answer. 	
PPT 1-3	Define marketing and outline the steps in the marketing process.	Learning Objective 1
PPT 1-4 p. 4	WHAT IS MARKETING?	

p. 5	<p>A simple definition of marketing is <i>engaging customers and managing profitable customer relationships</i>.</p> <p>Marketing must both attract new customers and grow current customers.</p> <p>Every organization must perform marketing functions, not only for-profit companies.</p> <p>Nonprofits (colleges, hospitals, churches, etc.) also must perform marketing.</p> <p>Marketing Defined</p> <p>Most people think of marketing only as selling and advertising or “telling and selling.”</p> <p>Marketing must focus on <i>satisfying customer needs</i>.</p> <p>We define marketing as the process by which companies engage customers, build strong customer relationships, and create customer value in order to capture value from customers in return.</p>	<p>p. 5 Key Term: Marketing</p> <p>p. 5 Photo: Social media marketing on mobile devices</p>
	<ul style="list-style-type: none"> ➤ Assignments, Resources Use <i>Discussion Question 1-1</i> here ➤ Troubleshooting Tip For most students, this will be their first introduction to marketing and all its ramifications. To most of them, marketing is nothing more than selling and/or advertising, and this gets reinforced daily when they see “marketing” job ads that are really sales positions. It helps to get students talking about what marketing is, and to give examples of what they consider good marketing. Try to bring in contemporary examples that the students can relate to. 	
p. 6 PPT 1-5	<p>The Marketing Process</p> <p>Figure 1.1 shows the five-step marketing process.</p> <ol style="list-style-type: none"> 1. Understand the marketplace and customer needs and wants. 2. Design a customer value-driven marketing strategy. 3. Construct an integrated marketing program that delivers superior value. 4. Engage customers, build profitable relationships, 	<p>p. 6 Figure 1.1: The Marketing Process:</p>

	<p>and create customer delight.</p> <p>5. Capture value from customers to create profits and customer equity.</p> <p>In the first four steps, companies work to understand consumers, create customer value, and build strong customer relationships.</p> <p>In the final step, companies reap the rewards of creating superior customer value. By creating value <i>for</i> consumers, they in turn capture value <i>from</i> consumers in the form of sales, profits, and long-term customer equity.</p> <p>Review Learning Objective 1: Define marketing and outline the steps in the marketing process.</p>	Creating and Capturing Customer Value
	<p>➤ Assignments, Resources Use <i>Think-Pair-Share 1</i> here</p>	
<p>p. 6 PPT 1-6</p> <p>PPT 1-7</p>	<p>Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.</p> <p>UNDERSTANDING THE MARKETPLACE AND CUSTOMER NEEDS</p> <p>Five core customer and marketplace concepts are critical: (1) <i>needs, wants, and demands</i>; (2) <i>market offerings (products, services, and experiences)</i>; (3) <i>value and satisfaction</i>; (4) <i>exchanges and relationships</i>; and (5) <i>markets</i>.</p> <p>Customer Needs, Wants, and Demands</p> <p>As the first step in the marketing process, the company must fully understand consumers and the marketplace in which it operates.</p> <p>The most basic concept underlying marketing is that of human needs.</p> <p>Human needs are states of felt deprivation. They include <i>physical, social, and individual</i> needs. These needs were not created by marketers; they are a basic part of the human makeup.</p> <p>Wants are the form human needs take as they are shaped by culture and individual personality. A typical American <i>needs</i> food but <i>wants</i> a Big Mac.</p>	<p>Learning Objective 2</p> <p>p. 6 Key Terms: Needs, Wants, Demands</p> <p>p. 6 Photo: Target</p>

	<p>When backed by buying power, wants become demands.</p> <p>The best marketing companies go to great lengths to learn and understand their customers' needs, wants, and demands.</p>	
	<p>➤ Assignments, Resources Use <i>Additional Project 1</i> here Use <i>Think-Pair-Share 2</i> here</p>	
<p>p. 7 PPT 1-8</p>	<p>Market Offerings—Products, Services, and Experiences</p> <p>Needs and wants are fulfilled through market offerings—some combination of products, services, information, or experiences offered to a market to satisfy a need or want.</p> <p>Market offerings include <i>products</i> and <i>services</i>—activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything.</p> <p>Marketing myopia occurs when a company becomes so taken with their own products that they lose sight of underlying customer needs.</p>	<p>p. 7 Key Term: Market offerings</p> <p>p. 7 Photo: American Girl</p> <p>p. 7 Key Term: Marketing myopia</p>
<p>p. 7</p> <p>p. 8 PPT 1-9</p>	<p>Customer Value and Satisfaction</p> <p>Customers form expectations about the value and satisfaction that various market offerings will deliver and buy accordingly.</p> <p>Satisfied customers buy again and tell others about their good experiences.</p> <p>Dissatisfied customers switch to competitors and disparage the product to others.</p> <p>Customer value and customer satisfaction are key building blocks for developing and managing customer relationships.</p> <p>Exchanges and Relationships</p> <p>Exchange is the act of obtaining a desired object from someone by offering something in return.</p> <p>Marketing consists of actions taken to build and maintain desirable exchange <i>relationships</i> with target audiences.</p>	<p>p. 9 Key Term: Exchange</p>
<p>p. 9 PPT 1-10</p>	<p>Markets</p> <p>A market is the set of actual and potential buyers of a</p>	<p>p. 9</p>

PPT 1-11	<p>product.</p> <p>Marketing means managing markets to bring about profitable customer relationships.</p> <p>Figure 1.2 shows the main elements in a modern marketing system.</p> <p>Review Learning Objective 2: Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.</p>	<p>Key Term: Market</p> <p>p. 10 Figure 1.2: A Modern Marketing System</p>
	<p>➤ Assignments, Resources Use <i>Discussion Question 1-2</i> here Use <i>Outside Example 1</i> and <i>2</i> here</p>	
<p>p. 10 PPT 1-12</p> <p>PPT 1-13</p>	<p>Identify the key elements of a customer value-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.</p> <p>DESIGNING A CUSTOMER VALUE-DRIVEN MARKETING STRATEGY AND PLAN</p> <p>Marketing management is defined as the art and science of choosing target markets and building profitable relationships with them.</p> <p>The marketing manager must answer two important questions:</p> <ol style="list-style-type: none"> 1. What customers will we serve (what's our target market)? 2. How can we serve these customers best (what's our value proposition)? 	<p>Learning Objective 3</p> <p>p. 10 Key Term: Marketing management</p>
p. 10	<p>Selecting Customers to Serve</p> <p>A company must first decide <i>whom</i> it will serve.</p> <p>It does this by dividing the market into segments of customers (<i>market segmentation</i>) and selecting which segments it will go after (<i>target marketing</i>).</p> <p>Marketing managers know they cannot serve all customers. By trying to do so, they end up not serving any well.</p> <p>Marketing managers must decide which customers they want to target and on the level, timing, and nature of their demand.</p>	
	<p>➤ Assignments, Resources</p>	

	<p>Use <i>Discussion Question 1-3</i> here Use <i>Critical Thinking Exercise 1-6</i> here</p> <p>➤ Troubleshooting Tip The concept of not serving all customers may be confusing to students. Most of them have not yet encountered anything like it. However, the light bulb seems to go on with a discussion of crowded national parks and the efforts made to have people visit them during off-peak travel times. Having students come up with their own examples will increase the level of understanding.</p>	
<p>p. 11 PPT 1-14</p>	<p>Marketing management is <i>customer management</i> and <i>demand management</i>.</p> <p>Choosing a Value Proposition</p> <p>A company's <i>value proposition</i> is the set of benefits or values it promises to deliver to consumers to satisfy their needs. (BMW promises "the ultimate driving machine.")</p> <p>Such value propositions <i>differentiate</i> one brand from another.</p>	<p>p. 11 Photo: Hyatt Regency</p>
<p>p. 11 PPT 1-15</p>	<p>Marketing Management Orientations</p> <p>Marketing management wants to design strategies that will build profitable relationships with target consumers. But what <i>philosophy</i> should guide these marketing strategies?</p> <p>There are five alternative concepts under which organizations design and carry out their marketing strategies.</p> <p><i>The Production Concept</i></p> <p>The production concept holds that consumers will favor products that are available and highly affordable.</p> <p>Management should focus on improving production and distribution efficiency.</p> <p><i>The Product Concept</i></p> <p>The product concept holds that consumers will favor products that offer the most in quality, performance, and</p>	<p>p. 11 Key Terms: Production concept, Product concept</p>

<p>p. 11</p>	<p>innovative features.</p> <p>Under this concept, marketing strategy focuses on making continuous product improvements.</p> <p><i>The Selling Concept</i></p> <p>The selling concept holds that consumers will not buy enough of the firm's products unless the firm undertakes a large-scale selling and promotion effort.</p> <p>The concept is typically practiced with unsought goods—those that buyers do not normally think of buying, such as insurance or blood donations.</p> <p>These industries must be good at tracking down prospects and selling them on product benefits.</p> <p><i>The Marketing Concept</i></p> <p>The marketing concept holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors.</p> <p>Under the marketing concept, customer focus and value are the <i>paths</i> to sales and profits.</p> <p>Rather than a “make and sell” philosophy, it is a customer-centered “sense and respond” philosophy.</p> <p>The job is not to find the right customers for your product, but to find the right products for your customers.</p> <p><i>Customer-driven</i> companies research current customers deeply to learn about their desires, gather new product and service ideas, and test proposed product improvements.</p> <p><i>Customer-driven</i> marketing requires understanding customer needs even better than customers themselves do and creating products and services that meet existing and latent needs.</p>	<p>p. 12 Key Term: Selling concept</p> <p>p. 12 Key Term: Marketing concept</p>
<p>PPT 1-16</p>	<p>Designing a Customer Value-Driven Marketing Strategy</p>	

<p>p. 13 PPT 1-17</p>	<p>Figure 1.3 contrasts the selling concept and the marketing concept. The selling concept takes an <i>inside-out</i> perspective. It starts with the factory, focuses on the company's existing products, and calls for heavy selling and promotion to obtain profitable sales. It focuses primarily on customer conquest—getting short-term sales with little concern about who buys or why.</p> <p>In contrast, the marketing concept takes an <i>outside-in</i> perspective. The marketing concept starts with a well-defined market, focuses on customer needs, and integrates all the marketing activities that affect customers. In turn, it yields profits by creating relationships with the right customers based on customer value and satisfaction.</p> <p>The Societal Marketing Concept</p> <p>The societal marketing concept questions whether the pure marketing concept overlooks possible conflicts between consumer <i>shortrun wants</i> and consumer <i>longrun welfare</i>.</p> <p>The societal marketing concept holds that marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's and <i>society's</i> wellbeing.</p> <p>As Figure 1.4 shows, companies should balance three considerations in setting their marketing strategies: company profits, consumer wants, <i>and</i> society's interests.</p>	<p>p. 12 Figure 1.3: Selling and Marketing Concepts Contrasted</p> <p>p. 13 Key Term: Societal marketing concept</p> <p>p. 13 Figure 1.4: Three Considerations Underlying the Societal Marketing Concept</p> <p>p. 13 Photo: Door to Door Organics</p>
	<ul style="list-style-type: none"> ➤ Assignments, Resources Use <i>Think-Pair-Share 3</i> here Use <i>Additional Project 2</i> here Use <i>Marketing Ethics</i> here ➤ Troubleshooting Tip Societal marketing is also something that can be a little unclear to students. Why should fast food chains, for instance, be responsible for the nation's obesity (just one very topical discussion point)? Understanding how one should balance the need for profits with what some might consider “soft” issues can be difficult at times. That can be even more difficult among the politically astute students, as they can easily lead the class into a left versus right discussion on individual versus corporate versus 	

<p>PPT 1-21</p> <p>p. 15</p>	<p>important concept of modern marketing.</p> <p>Customer relationship management is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.</p> <p>It deals with all aspects of acquiring, keeping, and growing customers.</p> <p><i>Relationship Building Blocks: Customer Value and Satisfaction</i></p> <p>The key to building lasting customer relationships is to create superior customer value and satisfaction.</p> <p>Customer-perceived value is the customer's evaluation of the difference between all the benefits and all the costs of a market offering relative to those of competing offers.</p> <p>Customers often do not judge values and costs "accurately" or "objectively."</p> <p>Instead, customers act on perceived value.</p> <p>Customer satisfaction depends on the product's perceived performance relative to a buyer's expectations.</p> <p>If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted.</p> <p>Although the customer-centered firm seeks to deliver high customer satisfaction relative to competitors, it does not attempt to <i>maximize</i> customer satisfaction.</p> <p>A company can always increase customer satisfaction by lowering its price or increasing its services. But this may result in lower profits.</p> <p>The purpose of marketing is to generate customer value profitably.</p> <p><i>Customer Relationship Levels and Tools</i></p>	<p>relationship management</p> <p>p. 14 Key Term: Customer-perceived value</p> <p>p. 15 Key Term: Customer satisfaction</p> <p>p. 15 Photo: Steinway piano</p> <p>p. 15 Photo: L.L.Bean</p>
------------------------------	--	---

<p>p. 18 PPT 1-23</p>	<p>their brand views with others.</p> <p>The marketing world is now embracing <i>customer-managed relationships</i>.</p> <p>Companies can no longer rely on marketing by <i>intrusion</i>.</p> <p>Companies must practice marketing by <i>attraction</i>—creating market offerings and messages that <i>involve</i> consumers rather than interrupt them.</p> <p>Consumer-generated marketing has become a significant marketing force. Here, consumers themselves are playing a bigger role in shaping their own brand experiences and those of others.</p> <p>As consumers become more connected and empowered, and as the boom in digital and social media technologies continues, consumer brand engagement, whether invited or not, will be an important marketing force. Brands must embrace this trend or risk being left behind.</p>	<p>p. 18 Key Term: Consumer-generated marketing</p> <p>p. 19 Photo: Mountain Dew</p>
	<p>➤ Resources, Applications</p> <p>Use <i>Real Marketing 1.1</i> and <i>1.2</i> here</p> <p>Use <i>Video Case</i> here</p> <p>Use <i>Small Group Assignment 1</i> and <i>2</i> here</p> <p>Use <i>Additional Project 3</i> here</p> <p>Use <i>Think-Pair-Share 4</i> here</p>	
<p>p. 19 PPT 1-24</p>	<p>Partner Relationship Management</p> <p>Today’s marketers know they must work closely with others inside and outside the company to jointly bring more value to customers.</p> <p>Today, firms are linking all departments in the cause of creating customer value. In today’s connected world, every functional area in the organization can interact with customers.</p> <p>Rather than assigning only sales and marketing people to customers, firms are forming cross-functional customer teams.</p> <p>Marketing channels consist of distributors, retailers, and others who connect the company to its buyers.</p>	<p>p. 19 Key Term: Partner relationship management</p>

<p>p. 21 PPT 1-27</p>	<p>Building Customer Equity</p> <p>Companies want not only to create profitable customers, but to “own” them for life, capture their customer lifetime value, and earn a greater share of their purchases.</p> <p><i>What Is Customer Equity?</i></p> <p>Customer equity is the total combined customer lifetime values of all of the company’s current and potential customers.</p> <p>Clearly, the more loyal the firm’s profitable customers, the higher the firm’s customer equity.</p> <p>Customer equity may be a better measure of a firm’s performance than current sales or market share. Whereas sales and market share reflect the past, customer equity suggests the future.</p> <p><i>Building the Right Relationships with the Right Customers</i></p>	<p>p. 21 Key Term: Customer equity</p>
<p>p. 22</p> <p>PPT 1-28</p>	<p>Companies should manage customer equity carefully. They should view customers as assets that need to be managed and maximized. But not all customers, not even loyal customers, are good investments. Surprisingly, some loyal customers can be unprofitable, and some disloyal customers can be profitable. Which customers should the company acquire and retain?</p> <p>The company can classify customers by potential profitability and manage relationships with them accordingly.</p> <p>Figure 1.5 classifies customers into one of four relationship groups, according to their profitability and projected loyalty. Each group requires a different relationship management strategy.</p> <p><i>Strangers</i> show low potential profitability and little projected loyalty. There is little fit between the company’s offerings and their needs. The relationship management strategy for these customers is simple: Don’t invest anything in them; make money on every transaction.</p>	<p>p. 21 Photo: Cadillac</p> <p>p. 22 Figure 1.5: Customer Relationship Groups</p>

<p>PPT 1-29</p> <p>p. 22</p> <p>p. 22 PPT 1-30</p>	<p><i>Butterflies</i> are potentially profitable but not loyal. There is a good fit between the company's offerings and their needs. However, efforts to convert butterflies into loyal customers are rarely successful. Instead, the firm should create satisfying and profitable transactions with them, capturing as much of their business as possible in the short time during which they buy from the company. Then, it should move on and cease investing in them until the next time around.</p> <p><i>True friends</i> are both profitable and loyal. There is a strong fit between their needs and the company's offerings. The firm wants to make continuous relationship investments to delight these customers and nurture, retain, and grow them. It wants to turn true friends into <i>true believers</i>, who come back regularly and tell others about their good experiences with the company.</p> <p><i>Barnacles</i> are highly loyal but not very profitable. There is a limited fit between their needs and the company's offerings. Barnacles are perhaps the most problematic customers. The company might be able to improve their profitability by selling them more, raising their fees, or reducing service to them. However, if they cannot be made profitable, they should be "fired."</p> <p>The point here is an important one: Different types of customers require different engagement and relationship management strategies. The goal is to build the <i>right relationships</i> with the <i>right customers</i>.</p> <p>Review Learning Objective 4: Discuss customer relationship management and identify strategies for creating value <i>for</i> customers and capturing value <i>from</i> customers in return.</p> <p>Describe the major trends and forces that are changing the marketing landscape in this age of relationships.</p> <p>THE CHANGING MARKETING LANDSCAPE</p> <p>This section explores five major developments: the digital age, the changing economic environment, the growth of not-for-profit marketing, rapid globalization, and the call for more ethics and social responsibility.</p> <p>The Digital Age: Online, Mobile, and Social Media</p>	<p>Learning Objective 5</p>
--	---	-----------------------------

p. 23	<p>Marketing</p> <p>The explosive growth in digital technology has fundamentally changed the way we live—how we communicate, share information, access entertainment, and shop.</p> <p>An estimated 3.3 billion people—46 percent of the world’s population—are now online.</p> <p>Nearly two-thirds of all American adults own smartphones; these numbers will only grow as digital technology rockets into the future.</p> <p>Most consumers are totally smitten with all things digital. According to one study, nearly three-fourths of Americans keep their mobile phone next to them when they sleep—they say it’s the first thing they touch when they get up in the morning and the last thing they touch at night.</p> <p>Digital and social media marketing involves using digital marketing tools such as Web sites, social media, mobile ads and apps, online video, e-mail, blogs, and other digital platforms that engage consumers anywhere, anytime via their computers, smartphones, tablets, internet-ready TVs, and other digital devices.</p> <p>These days, it seems that every company is reaching out to customers with multiple websites, newsy Tweets and Facebook pages, viral ads and videos posted on YouTube, rich-media e-mails, and mobile apps that solve consumer problems and help them shop.</p> <p>At the most basic level, marketers set up company and brand websites that provide information and promote the company’s products. Many of these sites also serve as online brand communities, where customers can congregate and exchange brand-related interests and information.</p> <p>Social Media Marketing</p> <p>Social media provide exciting opportunities to extend customer engagement and get people talking about a brand.</p> <p>Mobile Marketing</p>	<p>p. 23 Photo: Petco, social media marketing</p> <p>p. 23 Key Term: Digital and social media marketing</p> <p>p. 26</p> <p>p. 25 Photo: NASA, Social media marketing</p> <p>p. 26 Photo: Redbox</p>
-------	---	--

	Mobile marketing is perhaps the fastest-growing digital marketing platform.	
	<ul style="list-style-type: none"> ➤ Resources, Applications Use <i>Discussion Question 1-4</i> and <i>1-5</i> here Use <i>Critical Thinking 1-7</i> here Use <i>Online, Mobile, and Social Media Marketing</i> here Use <i>Video Case</i> here ➤ Troubleshooting Tip Traditional-age undergraduates have spent their entire lives with technology, so some of them may snicker when the discussion turns to how technology has changed business in general and marketing more specifically. A discussion of the difficulties of connecting to consumers without the Internet is warranted. How would the students approach a one-on-one relationship with millions of customers if they didn't have e-mail, the Internet, or tweets? 	
p. 26	The Changing Economic Environment The Great Recession of 2008 to 2009 and its aftermath hit American consumers hard. After two decades of overspending, new economic realities forced consumers to bring their consumption back in line with their incomes and rethink their buying priorities.	
p. 27	The Growth of Not-for-Profit Marketing In recent years, marketing has also become a major part of the strategies of many not-for-profit organizations, such as colleges, hospitals, museums, zoos, symphony orchestras, foundations, and even churches. The nation's not-for-profits face stiff competition for support and membership. Sound marketing can help them attract membership, funds, and support. For example, not-for-profit St. Jude Children's Research Hospital has a special mission: "Finding cures. Saving children."	p. 27 Photo: St. Jude Children's Research Hospital
PPT 1-31		
p. 28	Rapid Globalization As they are redefining their customer relationships, marketers are also taking a fresh look at the ways in which they relate with the broader world around them. Today, almost every company, large or small, is touched in some way by global competition.	

p. 29	<p>Sustainable Marketing—The Call for More Environmental and Social Responsibility</p> <p>Marketers are reexamining their relationships with social values and responsibilities and with the very earth that sustains us. As the worldwide consumerism and environmentalism movements mature, today's marketers are being called on to develop <i>sustainable marketing</i>.</p> <p>Review Learning Objective 5: Describe the major trends and forces that are changing the marketing landscape in this age of relationships.</p> <p>SO, WHAT IS MARKETING? PULLING IT ALL TOGETHER</p> <p>Marketing is the process of building profitable customer relationships by creating value for customers and capturing value in return.</p> <p>The first four steps in the marketing process create value <i>for</i> customers.</p> <p>The final step in the process allows the company to capture value <i>from</i> customers.</p> <p>When building customer and partner relationships, companies must harness marketing technology, take advantage of global opportunities, and act in an ethical and socially responsible way.</p> <p>Figure 1.6 provides a road map to future chapters of this text.</p>	p. 29 Photo: Ben & Jerry's
PPT 1-32 p. 29		
	<p>➤ Resources, Applications Use <i>Critical Thinking 1-8</i> here Use <i>Marketing Ethics</i> here Use <i>Individual Assignment 2</i> here Use <i>Company Case</i> here</p>	p. 30 Figure 1.6: An Expanded Model of the Marketing Process

END OF CHAPTER MATERIAL

Discussion Questions

- ★1-1 Define *marketing* and outline the steps in the marketing process. (AACSB: Communication)

Answer: Student answers will vary based on their personal response. Refer to the MyLab for an opportunity to assign this question, and all starred MyLab questions, to a student discussion board.

- 1-2 What is a market offering? Give a recent example of a market offering that has satisfied your need or want. (AACSB: Communication; Reflective Thinking)

Answer:

Market offerings are products, services, information, or experiences offered to a market to satisfy a need or a want. They are not limited to physical products; they include persons, places, organizations, and ideas. Student examples will vary.

- ★1-3 Describe the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy. (AACSB: Communication; Reflective Thinking)

Answer: Student answers will vary based on their personal response. Refer to the MyLab for an opportunity to assign this question, and all starred MyLab questions, to a student discussion board.

- 1-4 Discuss the concept of customer satisfaction. How do customer relationship management and customer-perceived value affect customer satisfaction? (AACSB: Communication; Reflective Thinking)

Answer:

Customer relationship management is the process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. Customer-perceived value is the customer's evaluation of the difference between all the benefits and all the costs of a marketing offering relative to those of competing offers.

Customer satisfaction depends on the product's perceived performance relative to a buyer's expectations. If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted. Companies aim to delight customers by promising only what they can deliver and then delivering more than they promise.

- ★1-5 Explain the growing importance of digital and social media marketing. (AACSB: Communication; Reflective Thinking)

Answer: Student answers will vary based on their personal response. Refer to the MyLab for

an opportunity to assign this question, and all starred MyLab questions, to a student discussion board.

Critical Thinking Exercises

- 1-6 Select a publicly traded company and research how much was spent on marketing activities in the most recent year of available data. What percentage of sales does marketing expenditures represent for the company? Have these expenditures increased or decreased over the past five years? Write a brief report of your findings. (AACSB: Communication; Analytic Reasoning)

Answer: Student answers will vary. Examples include Kohl's Corp. increasing its advertising spending to \$356 million in 2012, while JCPenney spent \$506 million in 2012, and Macy's spent \$842 million. (Source: <http://www.bizjournals.com/milwaukee/blog/2013/07/kohls-millercoors-boost-ad-spending.html>) For 2013, Kohl's spent \$365 million. With sales for 2013 of \$19.03 billion, the expenditures represent approximately two percent of sales. According to the Kohl's 10K for 2013, marketing expenditures have been increasing year over year. Additional reports include: <http://www.forbes.com/sites/christinemoorman/2014/03/05/who-has-the-biggest-marketing-budgets/#2b22d8e64696>, with a link to the 2016 survey data: <https://cmosurvey.org/results/>

- ★ 1-7 Visit the Tide website at tide.com/en-us. Scroll to the bottom of the page and notice how Tide is currently connecting with customers on social media platforms including Facebook, Twitter, Pinterest, Google+, and YouTube. Click on one or more of the platforms to view ways in which Tide is building and maintaining customer linkages while illustrating value and providing information behind the brand. Evaluate Tide's effectiveness in creating customer engagement through its web and social media sites. (AACSB: Communication, Use of IT, Reflective Thinking)

Answer: Student answers will vary based on their personal response. Refer to the MyLab for an opportunity to assign this question, and all starred MyLab questions, to a student discussion board.

- 1-8 Search the internet for salary information regarding jobs in the marketing industry using www.glassdoor.com, www.payscale.com, or a similar website. Choose five different jobs in marketing. For each position, review the national average salaries and compare them to the salaries in your local area. Discuss your findings. (AACSB: Communication; Use of IT; Reflective Thinking)

Answer: According to www.glassdoor.com, the nationwide average salary in September 2016 for account coordinator jobs was \$45,600, for account associates was \$50,700, and for account directors was \$65,700 per year. This is a starting point on a report.

APPLICATIONS AND CASES

Online, Mobile, and Social Media Marketing: The ALS Ice Bucket Challenge

In the summer of 2014, people with connections to ALS (Lou Gehrig's disease) raised awareness of the condition by urging people to post videos of themselves dumping buckets of ice water over their heads and challenge others to do the same. The efforts raised millions of dollars in online donations to the ALS Association for enhanced research and patient services. This real-time marketing campaign generated 17 million videos uploaded to social media platforms from 159 countries. Celebrities posting videos included Will Smith, Bill Gates, Oprah Winfrey, and Mark Zuckerberg. The Ice Bucket Challenge generated 70 billion video views while raising \$220 million. The best part? Zero dollars were spent to promote the Ice Bucket Challenge, yet 440 million people saw it. The ALS Association has now turned the wildly successful challenge into an annual social media campaign, bringing back the original Ice Bucket Challenge #EveryAugustUntilACure. For more information, visit www.alsa.org/fight-als/ice-bucket-challenge.

- 1-9 Real-time marketing is a shift for traditional marketers who can now digitally link brands to important moments in customers' lives. Explain how real-time marketing was used in the Ice Bucket Challenge. Why was this campaign successful? (AACSB: Communication; Reflective Thinking)

Answer: The Ice Bucket Challenge became an extremely successful example of a viral campaign. It fed on itself as more and more people, especially celebrities, posted videos and challenged others to take the challenge. It became a "social event" to which many people could relate, even if they were unfamiliar with ALS. It worked because it was fun, harmless, genuine, and provided a feel-good benefit at little cost to participants.

- 1-10 Create a real-time marketing campaign for a product or service of your choice to create customer engagement using online, mobile, and social media. How would you measure the success of your campaign? (AACSB: Communication; Reflective Thinking)

Answer: Student answers will vary. Focus should include timeliness, genuineness, and relevance to the customers. Will success be measured by increased sales, increased awareness and knowledge of the product or service, or some other measure?

Marketing Ethics: Is Big Brother Watching?

Retailers commonly track customers' shopping patterns and target them with special offers. For example, CVS has an Extracare card that, when swiped at checkout, applies discounts to purchases and provides rebates called Extra Bucks to be used as cash on future purchases. Behind the scenes, CVS is gathering data on customers' purchases and using aggregated data to target individuals with special offers. Customers who haven't recently shopped may receive a discount in the mail or an online offer to incentivize them to return. Frequent shoppers can scan their Extracare cards to get discounts and offers in the store,

1-11 Is it right for marketers to track consumer purchases? Should consumers be concerned with what information is being used? (AACSB: Communication; Ethical Reasoning; Reflective Thinking)

Answer: Student answers may vary about the ethical aspect of tracking consumer purchases. Students should consider how they provide that information to companies through their actions online and in stores. Privacy aspects, particularly regarding financial or medical information, should be considered.

1-12 Discuss other examples of marketers using data collection to sell products. Is this ethical? (AACSB: Communication; Ethical Reasoning)

Answer: Student answers will vary. Most companies use data collection to market products. Everything from grocery items to ads people see online are determined by information companies have collected.

Marketing by the Numbers: What's a Customer Worth?

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

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

Where,

t : time of the cash flow

N : total customer lifetime r : discount rate

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

NPV can be calculated easily on most financial calculators or by using one of the calculators available on the internet, such as the one found at www.investopedia.com/calculator/NetPresentValue.aspx.

1-13 Assume that a customer shops at a local grocery store, spending an average of \$200 a week and resulting in a retailer profit of \$10 each week from this customer. Assuming the shopper visits the store all 52 weeks of the year, calculate the customer lifetime value if this shopper remains loyal over a 10-year life span. Also assume a 5 percent annual interest rate and no initial cost to acquire the customer. (AACSB Communication; Analytic Reasoning)

Answer:

Using the www.investopedia calculator, the resulting figure is \$4015.30.

1-14 Describe ways marketers can increase the lifetime value of a customer. (AACSB Communication; Reflective Thinking)

Answer:

The key to building lasting relationships is the creation of superior customer value and satisfaction. Delivering superior customer value creates highly satisfied customers who will buy more and buy again. This creates greater share of customer, the share a company gets of the customer's purchasing in their product categories.

Company Case Notes

Chick-fil-A: Getting Better Before Getting Bigger

Synopsis

Chick-fil-A may not be the biggest fast-food chain, but the up and coming purveyor of poultry sells more food per store than any of its competition—even McDonald's. Its annual growth rate blows away all other top-10 chains. How does it do it? By making customers the number one priority. Chick-fil-A has a great product in its breaded chicken sandwich. But its real secret is the exceptional way all its employees treat customers. Beyond the point-of-purchase customer experience, Chick-fil-A also places customer engagement at the core of its strategy.

Teaching Objectives

The teaching objectives for this case are to:

1. Introduce students to the concept of customer value creation and its central role in marketing.
2. Provide a case for the analysis of customer satisfaction.
3. Consider the business model for a company and how it fits into marketing management orientations.
4. Introduce the concepts involved in customer relationship management.

Discussion Questions

1-18 Give examples of needs, wants, and demands of Chick-fil-A customers, differentiating these three concepts.

***Needs.** When considered in a purely "Maslow" sense, the needs experienced by Chick-fil-A customers are the needs of eating and drinking. These are the most basic level human needs.*

***Wants.** Wants fulfill a consumer need, but in a specific way that isn't necessary for the fulfillment of that need. Thus, while a person can satisfy their hunger or thirst needs in a*

variety of different ways, Chick-fil-A customers demonstrate a want each time they choose the brand—that is, a desire to eat one of the best chicken sandwiches anywhere and to experience the unique and special treatment by company employees.

Demands. You need reliable transportation. You want a high-performing luxury sport sedan. A BMW M5 would fit the bill. But you don't have the "buying power" to get your wishes. The concept of "demands" as defined in this chapter is closely related to the more general concept of "demand." In other words, the fact that Chick-fil-A is experiencing such strong growth and success indicates the extent to which large amounts of customers support their wants with their buying power.

1-19 Describe Chick-fil-A in terms of the value it provides customers. How does Chick-fil-A engage customers?

Value = benefits – costs.

- *Benefits*
 - *Quality food is prepared in a way that results in a unique flavor.*
 - *Customers can satisfy needs via a variety of different entrées.*
 - *Fast service*
 - *Friendly service*
- *Costs*
 - *Price is comparable to offerings from strong competitors.*
 - *In most areas of the country, customers don't have to travel far as there are Chick-fil-As everywhere.*

If the total of the benefits exceeds the total of the costs, then value is provided.

At first glance, customer engagement may not seem to fit in the same question as customer value. However, it can be argued that customer engagement itself provides benefits to customers. All the techniques that Chick-fil-A employs (cow advertising, clever events that give customers the opportunity to interact, employees who roam the dining room to ensure everyone is satisfied) provide benefits (entertainment, feelings of being a part of something fun, a boost to one's self-worth) that are separate from those provided by the food and beverages.

1-20 Evaluate Chick-fil-A's performance relative to customer expectations.

This question references the concept of customer satisfaction. Customers are satisfied when perceived outcomes match expectations. For Chick-fil-A, customer expectations are created by former experience with the company as well as by promotional claims and word-of-mouth. Thus, expectations are likely to be high in terms of food quality and customer service. Thus, the only way that Chick-fil-A can achieve customer satisfaction is to be sure it delivers on those expectations and even surpasses them.

1-21 Which of the five marketing management orientations best applies to Chick-fil-A?

If Chick-fil-A only delivered a great chicken sandwich, it could be argued that it applies the product concept (make high quality goods, and customers will buy them). However, given its

high focus on customers and extensive practices that foster engagement, a better choice is the marketing concept. While the case says little about the quest for learning what its customers' needs are, it is clear that Chick-fil-A does everything possible to understand its customers and to cater to said customers.

1-22 Can Chick-fil-A continue to provide exceptional customer service *and* sustain the level of growth it now enjoys? Why or why not?

Given that Chick-fil-A is doing exactly that, there is no reason to suspect that it can't keep doing it in the future. The common barrier to holding fast to a strategic pillar as a company rapidly grows is being able to keep up with the execution of such. Chick-fil-A puts a lot into customer training, and every new restaurant displays the same customer focus as existing ones.

Teaching Suggestions

A discussion based on this case is optimal when the concepts of needs/wants/desires, customer value, customer satisfaction, and marketing management orientations have been discussed. After these concepts have been covered, ask students to consider the classic scenario of making a choice as to which fast-food option they might choose for a given meal. What did that situation feel like? Is that decision only based on how certain food items taste? Or, is it based on far more than that? Ask how many students like Chick-fil-A and why.

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

Go to **mymktlab.com** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

1-23 When implementing customer relationship management, why might a business desire fewer customers over more customers? Shouldn't the focus of marketing be to acquire as many customers as possible?

1-24 Compare and contrast needs wants, and demands. Which one(s) can marketers influence?

ADDITIONAL PROJECTS, ASSIGNMENTS, AND EXAMPLES

Projects

1. Why is it important to truly understand the customer? Make a list of 10 "wants" that you have. What would have to occur to move each of these from "wants" to "needs"? (Objective 2)
2. Review the five alternative concepts under which organizations design and carry out their marketing strategies. Now, take a look at one of the automobile dealerships in your town. Which one of these five concepts do you believe they are typically employing? Why? (Objective 3)

3. Think of a product or retailer to which you are loyal. What has caused this loyalty? What could a competing product/retailer do to break this loyalty? (Objective 4)

Small Group Assignments

1. Form students into groups of three to five. Each group should read the opening vignette to the chapter on Nike. Each group should answer the following questions. (Objective 2)
 - a. How does Nike succeed in developing unique customer experiences? Which chapter marketing objectives does this help the company to achieve?
 - b. Based on your study of Nike, do you believe that customers really want long-term relationships with a company? Why or why not?

Each group should then share its findings with the class.

2. Form students into groups of three to five. Each group should read Real Marketing 1.1: “Buffalo Wild Wings: Fueling the Sports Fan Experience.” Each group should then answer the following questions and share their findings with the class. (Objective 3)
 - a. With plenty of casual-dining choices available, what is it about the Buffalo Wild Wings customer service philosophy that wins over diners every time?
 - b. What does Buffalo Wild Wings’ legendary customer service begin with? What are the most important steps in ensuring that the company delivers on its promise every time?
 - c. Discuss the connection between selecting and training the right employees, and consistently delivering outstanding customer service.

Each group should then share its findings with the class.

Individual Assignments

1. Companies are realizing that losing a customer means more than losing a single sale. It means losing a stream of revenue from that customer over their lifetime. Reread the story of Stew Leonard (under Creating Customer Loyalty and Retention). (Objective 4)

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

2. Marketing activities by not-for-profit organizations have increased substantially in recent years. Organizations such as hospitals and churches now spend significant monies to get their individual messages out and draw in new customers, clients, members, etc. Discuss whether or not you consider this a good long-term strategy to grow the organization. Does the condition of the economy affect your thinking? (Objective 5)

Think-Pair-Share

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

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

Outside Examples

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

Take a look at Sea Ray boats (www.searay.com). Answer the following questions. (Objective 2)

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

Possible Solution:

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

Possible Solution:

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