Chapter 1

**MARKETING: CREATING AND CAPTURING CUSTOMER VALUE**

**MARKETING STARTER: CHAPTER 1**

# Amazon.com: Obsessed with Creating Customer Value and Relationships

### Synopsis

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

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

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

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

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

### Discussion Objective

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

### Starting the Discussion

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

Next, pull up the Amazon Web site. Working with students, search for a few random products that interest them. Click on products and delve a bit further into each page. Together, note how each product search becomes its own discovery process, complete with detailed product descriptions, expert opinions, customer reviews, purchase alternatives, and even online chat with authors and experts. Be sure to review the “Get to Know Us” link at the bottom. In what ways does Amazon’s obsession with customer service show through in every feature and detail?

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

### Discussion Questions

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

## Chapter Overview

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

## Chapter OBJECTIVES

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

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

## Chapter Outline

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| p. 2 | **INTRODUCTION**  When you think of shopping online, chances are good that you think first of Amazon. The company sells everything from books, music, and electronics to tools, house wares, and more.  From the start, Amazon has grown explosively. Its annual sales have rocketed from a modest $150 million in 1997 to more than $74 billion today.  To its core, the company is relentlessly customer driven. Amazon wants to deliver a special experience to every customer.  The Amazon “discovery” factor makes the buying experience special.  Amazon is obsessively and successfully focused on delivering customer value. | p. 3  Photo: Jeff Bezos, Amazon CEO |
|  | * **Opening Vignette Questions**  1. Many companies claim to be obsessed with customer service. What sets Amazon.com apart from the others? 2. In your opinion, is it wise to spend little on media advertising, and rely instead mostly on word of mouth? Explain. 3. Do you believe that customers really want long-term relationships with a company, rather than short-term bargains? If so, how does Amazon.com build these relationships? 4. What if a close online competitor came along, offering comparable items and service? Do you think most Amazon.com customers would remain loyal to them? Defend your answer. |  |
| PPT 1-5  p. 4  PPT 1-6  p. 5 | **Define marketing and outline the steps in the marketing process.**  **WHAT IS MARKETING?**  A simple definition of marketing is *managing profitable customer relationships.*  Marketing must both attract new customers and grow the current customers.  Every organization must perform marketing functions, not just for-profit companies.  Nonprofits (colleges, hospitals, churches, etc.) also must perform marketing. Marketing Defined Most people think of marketing only as selling and advertising, or “telling and selling.”  Marketing must focus on *satisfying customer needs.*  We define **marketing** as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return. | Learning Objective 1  p. 5  Key Term: Marketing  p. 5  Photo: Aspects of Marketing |
|  | * **Assignments, Resources**   Use *Discussion Question 1-1* 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 think is really good marketing. Try to bring in contemporary examples that the students can relate to. |  |
| p. 6  PPT 1-7  PPT 1-8 | The Marketing Process Figure 1.1 shows the five-step marketing process.   1. Understand the marketplace and customer needs and wants. 2. Design a customer-driven marketing strategy. 3. Construct a marketing program that delivers superior value. 4. Build profitable relationships and create customer delight. 5. Capture value from customers to create profits and customer quality.   In the first four steps, companies work to understand consumers, create customer value, and build strong customer relationships.  In the final step, companies reap the rewards of creating superior customer value. By creating value *for* consumers, they in turn capture value *from* consumers in the form of sales, profits, and long-term customer equity.  **Review Learning Objective 1:** Define marketing and outline the steps in the marketing process. | p. 7  Figure 1.1: The Marketing Process: Creating and Capturing Customer Value |
|  | * **Assignments, Resources**   Use *Think-Pair-Share 1* here |  |
| p. 6  PPT 1-9  PPT 1-10 | Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.  UNDERSTANDING THE MARKETPLACE AND CUSTOMER NEEDS  Five core customer and marketplace concepts are critical: (1) *needs, wants, and demands*; (2) *marketing offerings (products, services, and experiences)*; (3) *value and satisfaction*; (4) *exchanges and relationships*; and (5) *markets*.    Customer Needs, Wants, and Demands  As the first step in the marketing process, the company must fully understand consumers and the marketplace in which it operates.  The most basic concept underlying marketing is that of **human needs**.  Human **needs** are states of felt deprivation. They include *physical, social,* and *individual* needs. These needs were not created by marketers; they are a basic part of the human makeup.  **Wants** are the form human needs take as they are shaped by culture and individual personality. A typical American *needs* food but *wants* a Big Mac.  When backed by buying power, wants become **demands**.  The best marketing companies go to great lengths to learn and understand their customers’ needs, wants, and demands. | Learning Objective 2  p. 6  Key Terms: Needs, Wants, Demands  p. 6  Photo: Boston Market |
|  | * **Assignments, Resources**   Use *Discussion Question 1-2* here  Use *Additional Project 1* here  Use *Think-Pair-Share 2* here |  |
| p. 6  PPT 1-11 | Market Offerings—Products, Services, and Experiences  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.  Market offerings include *products* and *services*—activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything.  **Marketing myopia** occurs when a company becomes so taken with their own products that they lose sight of underlying customer needs. | p. 7  Key Term: Market Offerings  p. 7  Photo: Angry Birds  p. 7  Key Term: Marketing Myopia |
| p. 8  PPT 1-12  p. 8  PPT 1-13 | Customer Value and Satisfaction  Customers form expectations about the value and satisfaction that various market offerings will deliver and buy accordingly.  Satisfied customers buy again and tell others about their good experiences.  Dissatisfied customers switch to competitors and disparage the product to others.  Customer value and customer satisfaction are key building blocks for developing and managing customer relationships.    Exchanges and Relationships  **Exchange** is the act of obtaining a desired object from someone by offering something in return.  Marketing consists of actions taken to build and maintain desirable exchange *relationships* with target audiences. | p. 8  Key Term: Exchange |
| p. 8  PPT 1-14  PPT 1-15 | Markets  A **market** is the set of actual and potential buyers of a product.  Marketing means managing markets to bring about profitable customer relationships.  Figure 1.2 shows the main elements in a modern marketing system.  **Review Learning Objective 2:** Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts. | p. 8  Key Term: Market  p. 9  Figure 1.2: A Modern Marketing System |
|  | * **Assignments, Resources**   Use *Online, Mobile, and Social Media Marketing* here  Use *Outside Example 1* and *2* here |  |
| p. 9  PPT 1-16  PPT 1-17 | **Identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.**  **DESIGNING A CUSTOMER-DRIVEN MARKETING STRATEGY**  **Marketing management** is defined as the art and science of choosing target markets and building profitable relationships with them.  The marketing manager must answer two important questions:   1. What customers will we serve (what’s our target market)? 2. How can we serve these customers best (what’s our value proposition)? | Learning Objective 3  p. 9  Key Term: Marketing Management |
| p. 9  PPT 1-18 | Selecting Customers to Serve  A company must first decide *whom* it will serve.  It does this by dividing the market into segments of customers (*market segmentation*) and selecting which segments it will go after (*target marketing*).  Marketing managers know they cannot serve all customers. By trying to do so, they end up not serving any well.  Marketing managers must decide which customers they want to target and on which level, timing, and nature of their demand. |  |
|  | * **Assignments, Resources**   Use *Discussion Question 1-3* here  Use *Critical Thinking Exercise 1-6* here  Use *Think-Pair-Share 3* here   * **Troubleshooting Tip**   The concept of not serving all customers may be confusing to students. Most of them have not yet encountered anything like it. The light bulb seems to go on, though, when you talk about how crowded National Parks get, and the efforts made to have people visit them during off-peak travel times. Having students come up with their own examples will increase the level of understanding. |  |
| p. 9  PPT 1-19  p. 10  PPT 1-20  PPT 1-21  PPT 1-22  PPT 1-23  p. 11  PPT 1-24  PPT 1-25  p. 11  PPT 1-26  p. 12  PPT 1-27 | Marketing management is *customer management* and *demand management.*    Choosing a Value Proposition  A company’s *value proposition* is the set of benefits or values it promises to deliver to consumers to satisfy their needs. (BMW promises “the ultimate driving machine.”)  Such value propositions *differentiate* one brand from another.    Marketing Management Orientations  Marketing management wants to design strategies that will build profitable relationships with target consumers. But what *philosophy* should guide these marketing strategies?  There are five alternative concepts under which organizations design and carry out their marketing strategies:    The Production Concept  The **production concept** holds that consumers will favor products that are available and highly affordable.  Management should focus on improving production and distribution efficiency.  The Product Concept  The **product concept** holds that consumers will favor products that offer the most in quality, performance, and innovative features.  Under this concept, marketing strategy focuses on making continuous product improvements.    The Selling Concept  The **selling concept** holds that consumers will not buy enough of the firm’s products unless it undertakes a large-scale selling and promotion effort.  The concept is typically practiced with unsought goods—those that buyers do not normally think of buying, such as insurance or blood donations.  These industries must be good at tracking down prospects and selling them on product benefits.    The Marketing Concept  The **marketing concept** holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do.  Under the marketing concept, customer focus and value are the *paths* to sales and profits.  Rather than a “make and sell” philosophy, it is a customer-centered “sense and respond” philosophy.  The job is not to find the right customers for your product but to find the right products for your customers.  *Customer-driven* companies research current customers deeply to learn about their desires, gather new product and service ideas, and test proposed product improvements.  *Customer-driven* marketing is understanding customer needs even better than customers themselves do and creating products and services that meet existing and latent needs.    The Societal Marketing Concept  The **societal marketing concept** questions whether the pure marketing concept overlooks possible conflicts between consumer *short‑run wants* and consumer *long‑run welfare*.  The societal marketing concept holds that marketing strategy should deliver value to customers in a way that maintains or improves both the consumer’s and *society’s* well‑being.  **Designing a Customer Value-Driven Marketing Strategy**  Figure 1.3 contrasts the selling concept and the marketing concept. The selling concept takes an *inside-out* 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.  In contrast, the marketing concept takes an *outside-in* 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.  As Figure 1.4 shows, companies should balance three considerations in setting their marketing strategies: company profits, consumer wants, *and* society’s interests. | p. 9  Photo : Social media marketing on mobile devices  p. 10  Key Terms: Production Concept, Product Concept, Selling Concept  p. 11  Key Term: Marketing Concept  p. 11  Key Term: Societal Marketing Concept  p.  Ad: Boston Market  p. 11  Figure 1.3: Selling and Marketing Concepts Contrasted  p. 12  Figure 1.4: Three Considerations Underlying the Societal Marketing Concept  p. 12  Ad: Lush |
|  | * **Assignments, Resources**   Use *Additional Project 2* here  Use *Marketing Ethics* 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 as “soft” issues can be difficult at times. That can also be even more difficult among the politically-astute students, as they can easily lead the class into a left versus right discussion on individual versus corporate versus governmental responsibility. Try not to let that happen, instead focusing on how companies can actually increase their revenue and profits by showing that they care about their customers and their communities. Newman’s Own is a brand that could be discussed, as most profits are donated to charities, and they have moved strongly into ensuring a sustainable environment. |  |
| p. 13  PPT 1-28  PPT 1-29 | **PREPARING AN INTEGRATED MARKETING PLAN AND PROGRAM**  The company’s marketing strategy outlines which customers the company will serve and how it will create value for these customers.  Next, the marketer develops an integrated marketing program that will actually deliver the intended value to target customers.  The marketing program consists of the firm’s *marketing mix*, the set of marketing tools the firm uses to implement its marketing strategy.  The marketing mix tools are classified into the *four Ps* of marketing: product, price, place, and promotion.  The firm blends all of these marketing mix tools into a comprehensive *integrated marketing program* that communicates and delivers the intended value to chosen customers.  **Review Learning Objective 3: Identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.** |  |
|  | * **Resources, Applications**   Use *Online, Mobile, and Social Media Marketing* here |  |
| p. 13  PPT 1-30  PPT 1-31  PPT 1-32  p. 15  PPT 1-33 | Discuss customer relationship management and identify strategies for creating value *for* customers and capturing value *from* customers in return.  BUILDING CUSTOMER RELATIONSHIPS  Customer Relationship Management  *Customer relationship management* is perhaps the most important concept of modern marketing.  **Customer relationship management** is the overall process of building and maintaining profitable customer relation­ships by delivering superior customer value and satisfaction.  It deals with all aspects of acquiring, keeping, and growing customers.  ***Relationship Building Blocks: Customer Value and Satisfaction***  The key to building lasting customer relationships is to create superior customer value and satisfaction.  Customer Value  **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.  Customers often do not judge values and costs “accurately” or “objectively.”  Instead, customers act on perceived value.  Customer Satisfaction  **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.  Although the customer-centered firm seeks to deliver high customer satisfaction relative to competitors, it does not attempt to *maximize* customer satisfaction.  A company can always increase customer satisfaction by lowering its price or increasing its services. But this may result in lower profits.  The purpose of marketing is to generate customer value profitably.  Customer Relationship Levels and Tools  Companies can build customer relationships at many levels.  At one extreme, a company with many low-margin customers may seek to develop *basic relationships* with them.  At the other extreme, in markets with few customers and high margins, sellers want to create *full partnerships* with customers.  Many companies offer *frequency marketing programs* that reward customers who buy often or in large quantities.  Companies sponsor *club marketing programs* that offer members special benefits and create member communities. (For example, Harley-Davidson sponsors the Harley Owners Group [H.O.G.].) | Learning Objective 4  p. 13  Key Term: Customer Relationship Management  p. 13  Key Term:  Customer-Perceived Value  p. 14  Key Term: Customer Satisfaction  p. 14  Photo: YETI  p. 15  Photo: Ritz-Carlton  p. 15  Photo: Walgreens |
| p. 17  PPT 1-34  PPT 1-35  p. 18  PPT 1-36  PPT 1-37 | Engaging Customers  Customer Engagement and Today’s Digital and Social Media  Yesterday’s big companies focused on mass marketing to all customers at arm’s length.  Today’s companies are building deeper, more direct, and more lasting relationships with carefully selected customers.  The new marketing is customer-engagement marketing, fostering direct and continuous customer involvement in shaping brand conversations, brand experiences, and brand community. It involves using a rich mix of online, mobile, and social media marketing that promotes engagement and conversation.    Customer-engagement marketing goes beyond just selling a brand to consumers. Its goal is to make the brand a meaningful part of consumers’ conversations and lives.  The burgeoning Internet and social media have given a huge boost to customer-engagement marketing.  Today’s consumers are better informed, more connected, and more empowered than ever before. Newly empowered consumers have more information about brands, and they have a wealth of digital platforms for airing and sharing their brand views with others.  The marketing world is now embracing **customer-managed relationships.**  Companies can no longer rely on marketing by *intrusion*.  Companies must practice marketing by *attraction*—creating market offerings and messages that *involve* consumers rather than interrupt them.  **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.  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. 17  Photo: Customer engagement marketing  p. 18  Key Term: Customer-Engagement Marketing  p. 19  Key Term: Consumer-Generated Marketing  p. 19  Photo: McDonald’s |
|  | * Resources, Applications   Use *Critical Thinking Exercise 1.9* here  Use *Real Marketing 1.1* and *1.2* here  Use *Video Case* here  Use *Small Group Assignment 1* and *2* here  Use *Additional Project 3* here  Use *Think-Pair-Share 4* here |  |
| p. 21  PPT 1-38 | Partner Relationship Management  Partners Inside the Company  Today’s marketers know they must work closely with others inside and outside the company to jointly bring more value to customers.  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.  Rather than assigning only sales and marketing people to customers, they are forming cross-functional customer teams.    Marketing Partners Outside the Firm  Marketing channels consist of distributors, retailers, and others who connect the company to its buyers.  The *supply chain* describes a longer channel, stretching from raw materials to components to final products that are carried to final buyers.  Through *supply chain management*, many companies today are strengthening their connections with partners all along the supply chain. | p. 21  Key Term: Partner Relationship Management |
| p. 22  p. 22  PPT 1-39 | **CAPTURING VALUE FROM CUSTOMERS**  The first four steps in the marketing process involve building customer relationships. The final step involves capturing value in return.  By creating superior customer value, the firm creates highly satisfied customers who stay loyal and buy more.    Creating Customer Loyalty and Retention  The aim of customer relationship management (CRM) is to create not just customer satisfaction, but customer delight.  This means that companies must aim high in building customer relationships.  Customer delight creates an emotional relationship with a product or service, not just a rational preference.  Companies are realizing that losing a customer means losing more than a single sale. It means losing **customer lifetime value.** | p. 22  Photo: Stew Leonard  p. 22  Key Term: Customer Lifetime Value |
|  | * **Resources, Applications**   Use *Marketing by the Numbers* here  Use *Individual Assignment 1* here |  |
| p. 22  PPT 1-40  p. 23  PPT 1-41  p. 23  PPT 1-42  p.  PPT 1-43  PPT 1-44  PPT 1-45  p. 24  p. 24  PPT 1-46  p. 26  PPT 1-47 | Growing Share of Customer    **S**hare of customer is defined as the share the company gets of customers purchasing in their product categories. (Thus, banks want to increase “share of wallet.”)  To increase share of customer, firms can offer greater variety to current customers.  Or they can create programs to cross-sell and up-sell to market more products and services to existing customers.    Building Customer Equity  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.    What Is Customer Equity?  **Customer equity** is the total combined customer lifetime values of all of the company’s current and potential customers.  Clearly, the more loyal the firm’s profitable customers, the higher the firm’s customer equity.  Customer equity may be a better measure of a firm’s performance than current sales or market share. Whereas sales and market share reflect the past, customer equity suggests the future.    Building the Right Relationships with the  Right Customers  Companies should manage customer equity carefully. They should view customers as assets that need to be managed and maximized. But not all customers, not even all loyal customers, are good investments. Surprisingly, some loyal customers can be unprofitable, and some disloyal customers can be profitable. Which customers should the company acquire and retain?  The company can classify customers according to their potential profitability and manage its relationships with them accordingly**.**  **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.  ***Strangers***show low potential profitability and little projected loyalty. There is little fit between the company’s offerings and their needs. The relationship management strategy for these customers is simple: Don’t invest anything in them; make money on every transaction.  ***Butterflies***are potentially profitable but not loyal. There is a good fit between the company’s offerings and their needs. However, efforts to convert butterflies into loyal customers are rarely successful. Instead, it should create satisfying and profitable transactions with them, capturing as much of their business as possible in the short time during which they buy from the company. Then, it should move on and cease investing in them until the next time around.  ***True friends***are both profitable and loyal. There is a strong fit between their needs and the company’s offerings. The firm wants to make continuous relationship investments to delight these customers and nurture, retain, and grow them. It wants to turn true friends into *true believers*, who come back regularly and tell others about their good experiences with the company.  ***Barnacles***are highly loyal but not very profitable. There is a limited fit between their needs and the company’s offerings. Barnacles are perhaps the most problematic customers. The company might be able to improve their profitability by selling them more, raising their fees, or reducing service to them. However, if they cannot be made profitable, they should be “fired.”  The point here is an important one: Different types of customers require different engagement and relationship management strategies. The goal is to build the ***right relationships*** with the ***right customers***.  Review Learning Objective 4: Discuss customer relationship management and identify strategies for creating value *for* customers and capturing value *from* customers in return.  Describe the major trends and forces that are changing the marketing landscape in this age of relationships.  THE CHANGING MARKETING LANDSCAPE  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.    The Digital Age: Online, Mobile, and Social Media Marketing  The explosive growth in digital technology has fundamentally changed the way we live—how we communicate, share information, access entertainment, and shop.  An estimated 3 billion people—40 percent of the world’s population—are now online.  Nearly half of all American adults now own smartphones; 50 percent of those adults use their smartphones and other mobile devices to access social media sites. These numbers will only grow as digital technology rockets into the future.  Most consumers are totally smitten with all things digital. For example, according to one study, more than half of Americans keep their mobile phone next to them when they  sleep—they say it’s the first thing they touch when they get up in the morning and the last thing they touch at night.  Favorite online and mobile destinations include the profusion of Web sites and social media that have sprung up.    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.  These days, it seems that every company is reaching out to customers with multiple Web sites, 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.  At the most basic level, marketers set up company and brand Web sites 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.  Social media provide exciting opportunities to extend customer engagement and get people talking about a brand.  Mobile marketing is perhaps the fastest-growing digital marketing platform. | p. 22  Key Term: Share of Customer  p. 23  Key Term: Customer Equity  p. 23  Photo: Cadillac  p. 24  Figure 1.5: Customer Relationship Groups  Learning Objective 5  p. 25  Photo: Social media marketing  p. 25  Key Term: Digital and social media marketing  p. 26  Photo: Mobile marketing |
|  | * Resources, Applications   Use *Discussion Question 1-4* and *1-5* here  Use *Critical Thinking 1-7* here  Use *Video Case* here   * Troubleshooting Tip   Traditional-age undergraduates have spent their entire lives with technology, and so some of them can actually snicker when the discussion turns to how technology has changed business in general and marketing more specifically. A discussion of the difficulties of connecting to consumers without the Internet is warranted. How would the students approach a one-on-one relationship with millions of customers if they didn’t have e-mail or the Internet or blast tweets? |  |
| p. 27  PPT 1-48  p. 28  p. 28  PPT 1-49  p. 29  PPT 1-50 | Not-for-Profit Marketing Growth  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, Alex’s Lemonade Stand Foundation is a not-for-profit organization with a special mission: “Fighting childhood cancer, one cup at a time.”  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.    Sustainable Marketing—The Call for More Social Responsibility  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 *sustainable marketing.*    **Review Learning Objective 5:** Describe the major trends and forces that are changing the marketing landscape in this age of relationships.  **SO, WHAT IS MARKETING?**  **PULLING IT ALL TOGETHER**  Marketing is the process of building profitable customer relationships by creating value for customers and capturing value in return.  The first four steps in the marketing process create value *for* customers.  The final step in the process allows the company to capture value *from* customers.  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.  Figure 1.6 provides a road map to future chapters of this text. | p. 27  Ad: Alex’s Lemonade Stand Foundation  p. 29  Photo: Ben & Jerry’s  p. 30  Figure 1.6: An Expanded Model of the Marketing Process |
|  | * Resources, Applications   Use *Critical Thinking 1-8* here  Use *Marketing Ethics* here  Use *Individual Assignment 2* here  Use *Company Case* here |  |

**END OF CHAPTER MATERIAL**

**Discussion Questions**

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

*Answer:*

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

**✪** 1-2 Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts. (Objective 2) (AACSB: Written and Oral Communication; Reflective Thinking)

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

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

*Answer:*

Customer-driven companies research customers deeply to learn about their desires, gather new product ideas, and test product improvements. Such customer-driven marketing usually works well when a clear need exists and when customers know what they want.

To design a winning marketing strategy, the company must first decide whom it will serve. It does this by dividing the market into segments of customers (market segmentation) and selecting which segments it will cultivate (target marketing). Next, the company must decide how it will serve targeted customers (how it will differentiate and position itself in the marketplace).

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

1-4 What is customer-engagement marketing? Describe an example of a brand that engages customers well. (Objective 4) (AACSB: Written and Oral 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-engagement marketing aims to make a brand a meaningful part of consumers’ conversations and lives through direct and continuous customer involvement in shaping brand conversations, experiences, and community. The aim of customer relationship management and customer engagement is to produce high customer equity, the total combined customer lifetime values of all of the company’s customers. The key to building lasting relationships is the creation of superior customer value and satisfaction.

Student examples will vary. Brands that engage customers well include Starbucks, Hertz and Coca-Cola. Starbucks has 36 million fans on Facebook and Coca-Cola has over 80 million. Hertz engages customers in multiple social media avenues, including Twitter, Facebook, Google+, and its YouTube channel.

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

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

**Critical Thinking Exercises**

1-6 Select 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. (Objective 3) (AACSB: Written and Oral Communication; Analytical Thinking)

*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.

**✪** 1-7 Go to a company’s, organization’s, or specific brand’s Web site that has a link to Facebook, Google+, YouTube, Twitter, and/or Pinterest. Click on the links and describe how that company is using social media to market its products. Evaluate its effectiveness in creating customer engagement. (Objective 4) (AACSB: Written and Oral Communication; Information Technology; Reflective Thinking)

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

1-8 Search the Internet for salary information regarding jobs in marketing from a Web site such as www.simplyhired.com or a similar site. What is the national average salary for five different jobs in marketing? How do the averages compare in different areas of the country? Write a brief report on your findings. (Objective 4) (AACSB: Written and Oral Communication; Information Technology; Reflective Thinking)

*Answer:*

In October, 2014, the nationwide average salary for marketing jobs was $63,000 and ranged from $29,000 for marketing assistants to $179,000 for sales directors. In California, however, the average salary is $71,000 and salaries are $33,000 and $203,000 for assistants and sales directors, respectively. Some other salary sites are:

[www.cbsalary.com/salary\_calculator\_results.aspx?kw=Marketing&jn=jn009&ns=1&cbRecursionCnt=1&cbsid=2cb725a319c6405d9703c78489cb9fdf-333996312-wt-6](http://www.cbsalary.com/salary_calculator_results.aspx?kw=Marketing&jn=jn009&ns=1&cbRecursionCnt=1&cbsid=2cb725a319c6405d9703c78489cb9fdf-333996312-wt-6);

<http://marketinghire.salary.com/salarywizard/layoutscripts/swzl_newsearch.asp>.; and <http://www.payscale.com/af/calc.aspx?af=2385&src=SH1&job=marketing&city=&state>=

**MINICASES AND APPLICATIONS**

**Online, Mobile, and Social Media Marketing: Xbox One**

Eight years after the launch of its wildly successful Xbox 360, Microsoft finally launched its new Xbox One in 2013. The company was hoping the new console would turn around its 71 percent plunge in profits in 2012. The Xbox One touts a Blu-ray video player, voice-activated on-demand movies and TV, Skype calling, and social media integration. Smart-TV features customize menus for each player and tailor content for individual users. Xbox Live’s 48 million members can interact on social media during special televised events such as the Olympics, Super Bowl, Oscars, and other special programming. Games have greater artificial intelligence, enabling players to feel like the virtual athletes are making decisions on their own. Sports data such as daily performance and injury updates feed into online games, such as *Madden NFL*, mirroring its real-world counterpart. Players can augment live televised games with fantasy football stats that can be shared with friends via Skype and Microsoft’s Smart-Glass apps. One thing the Xbox One can’t do is play old games. Competitor Sony came out with its PlayStation 4 that has touch-sensors in its controller and allows players to play any game—current or old—instantly over the Internet. Both companies are banking on more digital and social media applications to save them from the fate that competitor Nintendo faced with its failed Wii U console introduced in 2012.

<CORE>1-9</CORE><ALT1>10.</ALT1> Debate whether these new features in game consoles are enough to survive against the growth of smartphone and tablet apps that offer free or inexpensive games. (Objective 2) (AACSB: Written and Oral Communication; Reflective Thinking)

*Answer:*

Student answers will vary. However, they should be able to search on “Is console gaming dying?” and find plenty of information from reliable sources. Students should consider the concepts of needs and wants, as well as value and product offerings, including experiences in formulating their answers.

<CORE>1-10</CORE><ALT1>11.</ALT1> Brainstorm three new game console features incorporating digital, mobile, or social media technology to encourage consumer interaction and engagement with gaming. (Objective 2) (AACSB: Written and Oral Communication; Reflective Thinking)

*Answer:*

Student answers will vary. Focus should include integrating new developments in digital, mobile, and social media technology in the new features so that customers interact with each other and with games and gaming companies.

**Marketing Ethics: Extreme Baby Monitoring**

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

**✪** <CORE>1-11</CORE><ALT1>12.</ALT1> Is it right for marketers to play on parents’ fear to sell products that experts conclude are not necessary or effective? (Objective 5) (AACSB: Written and Oral Communication; Ethical understanding and reasoning; Reflective Thinking)

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

<CORE>1-12</CORE><ALT1>13.</ALT1> Discuss other examples of marketers using emotion to sell products. Are they ethical? (Objective 5) (AACSB: Written and Oral Communication; Ethical understanding and reasoning)

*Answer:*

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

**Marketing by the Numbers: Consumers Rule!**

Consumer consumption makes up a large portion of the U.S. gross domestic product (GDP). The American Customer Satisfaction Index (ACSI) is an economic barometer of consumers’ satisfaction with goods and services across many sectors of the economy. The company that produces the index interviews nearly 80,000 Americans annually to create national, sector, industry, and company satisfaction indexes. The ACSI benchmarks ten economic sectors, forty-three industries, and hundreds of companies and federal and local government sectors. While sales and profit data are historical, the ACSI is considered a leading economic indicator of macroeconomic growth. Marketers use this index to measure the pulse of the consumer. Research has shown it to be a predictor of GDP and Personal Consumption Expenditure (PCE) growth and even stock market performance.

<CORE>1-13</CORE><ALT1>14.</ALT1> Visit <http://www.theacsi.org> and learn about the American Customer Satisfaction Index (ASCI). Write a report explaining the index and compare indices for five different industries along with the national average. Are there differences in customer satisfaction across industries? Explain why or why not. (Objective 4) (AACSB: Written and Oral Communication; Information Technology; Reflective Thinking)

*Answer:*

Student answers will vary. Across many industries, there may not be much variation. However, some industries are significantly higher or lower than the majority. Students should indicate that customer satisfaction is directly related to how well a product or service meets the buyer’s expectations. Acknowledging that some industries meet expectations more consistently than other industries helps explain differences in satisfaction levels. Student answers should be specific related to the industries chosen for the comparison.

<CORE>1-14</CORE><ALT1>15.</ALT1> The Customer Satisfaction Index (CSI) is measured similarly in other countries. Find another country’s CSI and compare these results to the American Customer Satisfaction Index (ACSI). Are U.S. consumers more or less satisfied than consumers in the other country? Are trends in the national score similar? (Objective 4) (AACSB: Written and Oral Communication; Information Technology; Reflective Thinking)

*Answer:*

By using the Global Partnerships link from the ACSI website, students will be able to compare satisfaction levels across industries and countries. This will allow them to evaluate how U.S. consumers’ satisfaction level compares and whether trends in national scores are similar.

**Company Case Notes**

**FedEx: Making Every Customer Experience Outstanding**

**Synopsis**

FedEx got its start when no company was providing overnight delivery service on a broad scale at affordable prices. Fred Smith, the company founder, recognized that the value of overnight delivery for businesses in particular was very high. The company was built on the promise of getting a package there when it “absolutely, positively has to be there overnight.” Since then, FedEx has expanded its services. But perhaps more important, it has focused on provided exceptional customer service by making it part of the company culture.

**Teaching Objectives**

The teaching objectives for this case are to:

1. Introduce students to the concept of customer value creation and its central role in marketing.
2. To provide a case for the analysis of customer satisfaction.
3. Allow students to analyze a product offering in depth.
4. Introduce the concepts involved in customer relationship management.

**Discussion Questions**

1. 1-18 Give examples of needs, wants, and demands that FedEx customers demonstrate, differentiating these three concepts.   
   *Needs. As the textbook states, needs are defined as a “state of felt deprivation.” The core business concept of FedEx is built around a core need that individuals and businesses often have—when an item they have at one location “absolutely, positively has to be there overnight.” There isn’t anything fluffy about this. If “the next day” is the birthday of someone special, if business operations are stopped because of a missing component and every passing hour means money lost, then there is definitely a state of felt deprivation.*

*Wants. Wants fulfill a consumer need, but in a specific way that isn’t necessary for the fulfillment of that need. One example of FedEx fulfilling a want would be when a customer doesn’t have to have the item there the next day, but would prefer that it is for one reason or another. Thus, choosing overnight delivery is overkill, but makes the customer feel better. But there are various other FedEx services and activities that seek to move beyond fulfilling basic needs and provide the customer with things they want. The example from the text of Nicole Snow needing to set up her supply chain for her business is one of want fulfillment. Nicole reached out for information through social media. She needed help, she got it from FedEx through social media. Her methods were “shaped by culture and individual personality.”   
  
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. In FedEx’s case, the very founding of the company illustrates demands. Fred Smith observed that there were many companies that were paying tons of money to get parts to remote locations through any means possible. He speculated that such companies would be willing to pay a premium over standard shipping (a reduction in their current costs) to get the product where it needed to be on time. Given that FedEx experienced success from the beginning illustrates that he was right. The companies had the buying power to fulfill their needs/wants.*

1-19 Describe FedEx in terms of the value it provides customers. How does FedEx engage customers?   
*Value = benefits – costs.*

* *Benefits – overnight delivery, same-day delivery, service from and to just about any location in the world, solid reliability, accurate tracking, multiple channels of communication.*
* *Costs – price to ship the package, effort to ready the package, time to get it to a FedEx location.*

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

1-20 Evaluate FedEx’s performance relative to customer expectations. What is the outcome of this process?

*This question references the concept of customer satisfaction. Customers are satisfied when perceived outcomes match expectations. FedEx set the bar high from the beginning with “When it absolutely, positively, has to be there overnight.” They raised that bar even higher by providing customers with instant access to tracking. But it isn’t about just getting the package there. It must arrive safely, undamaged, in the hands of the person or representative targeted. If the outcome is anything less than what is promised, customers are not satisfied. By and large, FedEx delivers on its promises and customer expectations are met or exceeded. The “Chinks in the Armor” section of the case provides rare examples of when customer expectations are not met.*

1-21 Which of the five marketing management orientations best applies to FedEx?

*FedEx’s “purple promise” to make every customer experience outstanding best fits into the marketing concept orientation. This is clearly not a company that is focused on a sales effort to push its products, nor does it assume that service performance will bring customers in automatically. There is no evidence that the company has a strong societal component to its mission or business strategy. Thus, the marketing concept works best.*

1-22 With increased competition today, how can FedEx continue to be competitive?

*The basis of FedEx’s business plan is set—reliable and affordable overnight delivery service. But now there are many companies offering the same service (USPS, UPS, DHL, etc.). FedEx’s focus on the customer experience takes its services to a high level. But again, UPS has the same approach. FedEx must continue to identify needs that customers have that it can fulfill by expanding its services. The example given in the case of FedEx’s supply chain services in relation to the Darn Good Yarn company is one example. By taking on more and more of the logistics and distribution needs of businesses, FedEx can find ways to set itself apart from the competition while better meeting customer needs and remaining profitable.*

**Teaching Suggestions**

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

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

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

1-23 Discuss trends impacting marketing and the implications of these trends on

how marketers deliver value to customers. (AACSB: Communication)

1-24 When implementing customer relationship management, why might a business

desire fewer customers over more customers? Shouldn't the focus of marketing

be to acquire as many customers as possible? (AACSB: Communication;

Reflective Thinking)

**ADDITIONAL PROJECTS, ASSIGNMENTS, AND EXAMPLES**

**Projects**

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

**Small Group Assignments**

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

Each group should then share its findings with the class.

1. Form students into groups of three to five. Each group should read Real Marketing 1.1: “JetBlue: Delighting Customers and Bringing Humanity Bank to Air Travel.” Each group should then answer the following questions and share their findings with the class. (Objective 3)
   1. In an age of crowded airplanes and fees for everything from bags to food, what is it about the JetBlue customer service philosophy that still wins over travelers every time?
   2. What does JetBlue’s legendary customer service begin with? What are the most important steps in ensuring that the company on its promise delivers every time?
   3. 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**

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

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

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

**Think-Pair-Share**

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

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

**Outside Examples**

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

Take a look at Sea Ray boats ([www.searay.com](http://www.searay.com)). Answer the following questions. (Objective 2)

1. What needs, wants, and/or demands is Sea Ray attempting to fill?
2. Describe their marketing offers.
3. Describe the relationships they have with their customers.
4. What are their markets?

*Possible Solution:*

1. Sea Ray is primarily appealing to the wants. *Wants* are the form human needs take as they are shaped by culture and individual personality. They are providing products that allow people the opportunity to escape their everyday lives and existences. These are not traditional needs they are appealing to. No one *needs* a boat to sustain their existence. Remember, human *needs* are states of felt deprivation.
2. *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.
3. Through a review of the Web site, you will realize that Sea Ray makes a strong effort to maintain close relationships with their customers. The annual AquaPalooza is one good example of Sea Ray’s relationship-building efforts.
4. Sea Ray’s markets are quite varied. Depending on the size and type of boat, their markets cover from the casual family weekend boater to the successful business or corporate type looking for a crewed yacht.
5. One of the great new “marketplaces” of our time is eBay. Spend some time on the eBay Web site ([www.ebay.com](http://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)
   1. How is eBay providing value to its customers?
   2. Describe the relationship they have with their customers.
   3. What are their markets?

*Possible Solution:*

* 1. 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.
  2. 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.
  3. Their markets are diverse. By a casual perusal of sellers, you will find that their markets cover the range from everyday individuals looking to unload an old pair of jeans to large bookstores selling hundreds of items a day (such as vjbooks [[www.vjbooks.com](http://www.vjbooks.com)]).