CHAPTER 1

An Overview of Strategic Marketing

# Teaching Resources Quick Reference Guide

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Note: Additional resources may be found on the accompanying student and instructor websites at www.cengagebrain.com.

Purpose and Perspective

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

**LECTURE OUTLINE**

1. **Defining Marketing**
2. **Marketing** is the process of creating, distributing, promoting, and pricing goods, services, and ideas to facilitate satisfying exchange relationships with customers and to develop and maintain favorable relationships with stakeholders in a dynamic environment. This definition is consistent with the American Marketing Association definition of marketing.
3. Marketing Focuses on Customers
4. As the purchasers of the products that organizations develop, promote, distribute, and price, **customers** are the focal point of all marketing activities.
5. The essence of marketing is to develop satisfying exchanges from which both customers and marketers benefit. Both customer and marketer expect to gain something of value from the exchange.
6. Organizations generally focus their marketing efforts on a specific group of customers, or **target market**.
7. **Marketing Deals with Products, Distribution, Promotion, and Price**
8. Marketing is more than simply advertising or selling a product; it involves developing and managing a product, making the product available in the right place and at a price acceptable to buyers, and communicating information to help customers determine if the product will satisfy their needs.
   1. These activities—product, distribution, promotion, and pricing—are known as the **marketing mix**because marketers decide what type of each element to use and in what amounts.
   2. Marketers must aim to create and maintain the right mix of elements to satisfy customers in the target market.
   3. Marketers must collect detailed and up-to-date information on their target market, consumer preferences, and competitors in order to develop the marketing mix.
9. The Product Variable
10. The product variable of the marketing mix deals with researching customers’ needs and wants and designing a product that satisfies them.
11. A**product**can be a good, a service, or an idea.
    1. Good—a physical entity that you can touch
    2. Service—the application of human and mechanical efforts to people or objects to provide intangible benefits to customers
    3. Idea—concept, philosophy, image, or issue
12. The product variable includes the creation or modification of brand names and packaging. It may also include decisions regarding warranty and repair services.
13. Product variable decisions and activities directly impact the creation of products that meet customers’ needs and wants.
14. The Distribution Variable
15. Distribution helps a marketing manager make products available in the quantities desired to as many target market customers as possible.
16. Must keep total inventory, transportation, and storage costs as low as possible.
17. Must also select and motivate intermediaries, establish inventory control procedures and manage transportation and storage.
18. The Internet has dramatically impacted distribution, making it faster and more wide-spread.
19. The Promotion Variable
20. The promotion variable relates to activities used to inform individuals or groups about an organization and its products. It can be aimed at increasing public awareness of an organization and new or existing products.
21. Promotional activities can:
22. Educate customers about product features
23. Urge people to take a stance on a political or social issue
24. Sustain interest in established products
25. The Price Variable
26. The price variable relates to decisions and actions associated with establishing pricing objectives and policies and determining product prices.
27. Prices a critical component of the marketing mix because customers are concerned about the value obtained in an exchange.
28. Price is a competitive tool but can lead to intense price competition.
29. Marketing mix variables are often viewed as controllable because they can be modified; however, economic conditions, competitive structure, or government regulations may limit a marketing manager’s influence.
30. **Marketing Creates Value**
31. **Value**is a customer’s subjective assessment of benefits relative to costs in determining the worth of a product (customer value = customer benefits – customer costs).
32. Customer benefits include anything a buyer receives in an exchange.
33. Customer costs include anything a buyer must give up to obtain the benefits provided by the product. Costs include the monetary price of the product as well as less obvious nonmonetary costs, such as time and effort.
34. The process people use to determine value is not scientific.
35. In developing marketing activities, it is important to recognize that customers receive benefits based on their experiences.
36. The marketing mix, especially promotional activities and extra services or features, can be used to enhance perceptions of value.
37. Marketing Builds Relationships with Customers and Other Stakeholders

. Individuals and organizations engage in marketing to facilitate **exchanges**—the provision or transfer of goods, services, or ideas in return for something of value.

. Four conditions must exist for an exchange to occur:

1. Two or more individuals, groups, or organizations must participate, and each must possess something of value desired by the other party.
2. The exchange should provide a benefit or satisfaction to both parties involved in the transaction.
3. Each party must have confidence in the promise of the “something of value” held by the other.
4. To build trust, the parties to the exchange must meet expectations.

. An exchange will not necessarily take place just because these conditions exist; marketing activities can occur even without an actual transaction or sale. (Figure 1.2 depicts the exchange process).

. Marketing activities should attempt to create and maintain satisfying exchange relationships.

. Marketers are also concerned with building relationships with relevant **stakeholders** who have a “stake,” or claim, in some aspect of a company’s products, operations, markets, industry, and outcomes; these may include customers, employees, investors and shareholders, suppliers, governments, communities, and many others.

1. **Marketing Occurs in a Dynamic Environment**
   * + 1. The **marketing environment**, which includes competitive, economic, legal, regulatory, technological, and sociocultural forces, surrounds the customer and affects the marketing mix. The effects of these forces can be difficult to predict.
       2. The forces of the marketing environment affect marketers’ abilities to facilitate exchanges in three ways:
2. They affect customers’ lifestyles, standards of living, and preferences and needs for products.
3. They help determine whether and how a marketing manager can perform certain marketing activities.
4. They affect a marketing manager’s decisions and actions by influencing buyers’ reactions to the organization’s marketing mix.
   * + 1. Marketing environment forces can fluctuate quickly and dramatically.
   1. Changes in the marketing environment produce uncertainty for marketers and at times hurt marketing efforts, but they also create opportunities. Marketers who are alert can adjust and capitalize on opportunities provided by change.
   2. Marketing mix elements—product, distribution, promotion, and price—are factors over which an organization has control; the forces of the environment, however, are subject to far less control.
5. **Understanding the Marketing Concept**

. According to the **marketing concept**, an organization should try to provide products that satisfy customers’ needs through a coordinated set of activities that also allows the organization to achieve its goals.

1. Customer satisfaction is the major focus of the marketing concept.
2. An organization should focus on customer analysis, competitor analysis, and integration of the organization’s resources to provide customer value and satisfaction, as well as long-term profits.
3. The organization must continue to alter, adapt, and develop products to keep pace with customers’ changing desires and preferences.

. The marketing concept stresses that marketing begins and ends with customers. There is a positive correlation between customer satisfaction and shareholder value.

. The marketing concept is not:

1. A second definition of marketing. It is a management philosophy guiding an organization’s overall activities
2. A philanthropic philosophy aimed at helping customers at the expense of the organization

4. It is important for marketers to consider the long-term needs of society.

. Evolution of the Marketing Concept

1. The Production Orientation

1. The Industrial Revolution took place in the second half of the 19th century in the United States.
2. As a result of new technology and new ways of using labor, products entered the marketplace and consumer demand was strong.

2. The Sales Orientation

1. During the first half of the twentieth century, competition increased and businesspeople viewed sales as the major means of increasing profits.
2. During this era, the major marketing activities were personal selling, advertising, and distribution.

3. The Market Orientation

1. By the early 1950s, some businesspeople recognized they must produce what consumers want, rather than make products and try to persuade customers that they need what is produced.
2. A **market orientation**requires the “organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it.”
3. Today, businesses want to satisfy customers and build meaningful, long-term buyer-seller relationships.

C. Implementing the Marketing Concept

1. To implement the marketing concept, a market-oriented organization must accept some general conditions and recognize and deal with several problems.
2. Management must establish an information system to discover customers’ real needs and then use the information to create satisfying products. Information systems can be expensive and time-consuming.
3. A company must also coordinate all its activities. This may require restructuring internal operations, including production, marketing, and other business functions.
4. Requires the firm to adapt to a changing external environment and predict major changes.
5. **Customer Relationship Management**

. **Customer relationship management (CRM)** focuses on using information about customers to create marketing strategies that develop and sustain desirable customer relationships.

1. Achieving the full profit potential of each customer relationship should be the fundamental goal of every marketing strategy.

2. At the most basic level, profits can be obtained through relationships in the following ways:

1. By acquiring new customers
2. By enhancing the profitability of existing customers
3. By extending the duration of customer relationships

3. Implementing the marketing concept means optimizing the exchange relationship—the relationship between a company’s financial investment in customer relationships and the return generated by customers responding to that investment.

. **Relationship marketing**refers to “long-term, mutually beneficial arrangements in which both the buyer and seller focus on value enhancement through the creation of more satisfying exchanges.”

. Continually deepens the buyer’s trust in the company, and as the customer’s confidence grows and this increases the organization’s understanding of the customer’s needs.

. Relationship marketing strives to build satisfying exchange relationships between buyers and sellers by gathering useful data at all customer-contact points and analyzing that data to better understand customers’ needs, desires, and habits.

3. Marketers are increasingly turning to marketing research and information technology to improve CRM.

4. By increasing customer value over time, organizations try to retain and increase long-term profitability through customer loyalty.

5. Through the use of Internet-based marketing strategies (e-marketing), companies can personalize customer relationships on a nearly one-on-one basis.

C. Customer Lifetime Value

1. Managing customer relationships requires identifying patterns of buying behavior and using that information to focus on the most promising and profitable customers.
   1. **Customer lifetime value (CLV)** predicts the net value (profit or loss) for the future relationship with a customer.
   2. A customer’s value over a lifetime represents an intangible asset to a marketer that can be augmented by addressing the customer’s varying needs and preferences at different stages in his or her relationship with the firm.
   3. When marketers focus on customers chosen for their lifetime value, they earn higher profits in future periods than when they focus on customers selected for other reasons.
2. The ability to identify individual customers allows marketers to shift their focus from targeting groups of similar customers to increasing their share of an individual customer’s purchases.
3. Focusing on share of customer requires recognizing that all customers have different needs and that not all customers weigh the value of a company equally.
4. The concept of CLV may include not only an individual’s tendency to engage in purchases but also his or her strong word-of-mouth communication about the company’s products.
5. CLV is a key measurement that forecasts a customer’s lifetime economic contribution based on continued relationship marketing efforts.
6. It can be calculated by taking the sum of the customer’s present value contributions to profit margins over a specific time frame.
7. CLV can help marketers determine how best to allocate resources to marketing strategies to sustain that customer over a lifetime.
8. **The Importance of Marketing in Our Global Economy**
9. Marketing Costs Consume a Sizable Portion of Buyers’ Dollars

. About one-half of a buyer’s dollars goes to the costs of marketing.

. It is important to know how this money is used.

1. Marketing Is Used in Nonprofit Organizations

. Marketing is also important in organizations working to achieve goals other than ordinary business objectives such as profit.

. Government agencies engage in marketing activities to fulfill missions and goals.

. In the private sector, nonprofit organizations also employ marketing activities to create, distribute, promote, and even price programs that benefit particular segments of society.

1. Marketing Is Important to Business and the Economy

. Businesses must engage in marketing to survive and grow, and marketing activities are needed to reach customers and provide products.

. Marketing activities help produce profits which are essential to the survival of individual businesses, help create a successful economy and contribute to the well-being of society.

1. Marketing Fuels Our Global Economy

. Marketing is necessary to advance a global economy.

. Advances in technology, falling political and economic barriers, and the universal desire for a higher standard of living, have made international marketing commonplace while stimulating global economic growth.

1. Marketing Knowledge Enhances Consumer Awareness

. Marketing improves quality of life for customers.

1. Studying marketing allows us to understand the importance of marketing to customers, organizations, and our economy and make better purchasing decisions.
2. Marketing Connects People through Technology

. Technology helps marketers understand and satisfy more customers than ever before.

. The Internet allows marketers to disseminate information about products and interact with target markets.

1. Socially Responsible Marketing Can Promote the Welfare of Customers and Stakeholders

. The success of our economic system depends on marketers whose values promote trust and cooperative relationships in which customers are treated with respect.

. **Green marketing**is a strategic process involving stakeholder assessment to create long-term relationships with customers while maintaining, supporting, and enhancing the natural environment.

1. By addressing concern about the impact of marketing on society, a firm can protect the interests of the general public and the natural environment.
2. Marketing Offers Many Exciting Career Prospects

. Around 25 to 33 percent of all civilian workers in the United States perform marketing activities.

. Marketing knowledge and skills are valuable assets no matter what the field.

**DISCUSSION STARTERS**

**Discussion Starter 1: Customer Service**

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

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

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

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

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

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

**Discussion Starter 2: The Marketing Mix**

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

If a firm is market oriented, it will want to meet the needs of its target market. Although customers do not like price increases, they are more likely to accept gradual rate changes. Netflix decided to raise prices rapidly—nearly doubling them without warning customers. Because the higher prices changed customers’ perceptions of the value of Netflix’s services, the company lost over 805,000 subscribers after their rate hikes.

Planning to break the company into Netflix and Qwikster also changed the product element. Netflix was successful because customers enjoyed the integration of mailed discs and digital streaming. The decision to split into two separate companies created two separate products, which was another unwanted change for customers. Netflix eventually decided not to split the company, although it kept the higher rates.

Netflix is still working to rebuild its relationships with customers because of its changes to the marketing mix. In addition to dropping their subscriptions, the company’s unsatisfied customers posted thousands of comments on the Netflix blog. It was clear that Netflix did not anticipate the strong backlash from its customers.

ASK: *What could Netflix have done differently to keep customers satisfied? Will customers ever approve of price increases?*

Students should have a lot of ideas to answer this question. As consumers, they probably disapprove of the rate increases and how Netflix interacted with its customers. However, it is important for students to begin to think like business people and decide how they would have handled changing the marketing mix. Netflix obviously felt that the rate hikes were necessary for the success of the company, and it was willing to risk strong customer reactions. Students may suggest that Netflix should have raised prices more slowly and completed more consumer testing of the Netflix/Qwikster proposition. They may also argue that the company should have revealed both decisions at once and allowed customers to opt in to new services.

**Discussion Starter 3: The Exchange**

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

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

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

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

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

**Discussion Starter 4: Socially Responsible Marketing**

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

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

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

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

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

## Class Exercises

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

*The* **marketing concept***,* a firm’s **market orientation***,* and**customer relationship management** all revolve around putting the customer at the center of strategic marketing. The illustrations on pages 1 and 5 depict this customer-centric viewpoint. With the customer at the center, the heart of strategic marketing revolves around providing outstanding customer service. Every beginning student in marketing will have experience with both superior and inferior customer service.

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

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

Addendum: To underscore the logic behind the power of negative customer testimonials, you can introduce the Rule of 66. On average, when a customer has a particularly bad experience, they will tell on average 11 people, and those 11 people will tell an additional 5 people each. Thus 11 time 5 equals 55 and plus those original 11 people who were told the original bad experience make 66 people. For more information on the Rule of 66, go to [http://therebelnetworker.com/negative-word-of-mouth-is-it-now-exponentia](http://therebelnetworker.com/negative-word-of-mouth-is-it-now-exponential/).

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

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

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

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

Crocs, Inc. was founded in 2002 and has achieved success by creating a unique type of shoe made out of foam and offered in a variety of colors. Although the shoe design was often perceived as ugly, it attracted customers because of its unique nature and comfortable qualities. However, after early success, Croc began experiencing dwindling sales because it only offered one type of shoe. Croc began to expand into other product lines such as fashionable flats, wedges, sneakers, and other products that offered the same comfort level.

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

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

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

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

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

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

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

Answers to Developing your marketing plan

The information obtained from these questions should assist you in developing various aspects of your marketing plan found in the *Interactive Marketing Plan* exercise at [**www.cengagebrain.com**](http://www.cengagebrain.com)**.**

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

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

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

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

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

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

# Answers to Discussion and Review Questions

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

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

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

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

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

The marketing mix is the combination of activities that are planned, organized, implemented, and controlled to meet the needs of customers within the target market. These activities are product, distribution, promotion, and price. They are called *variables* because marketing managers decide what type of each element to use and to what degree.

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

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

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

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

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

The marketing environment, which involves uncontrollable factors that exist outside of the marketing mix, includes competitive, economic, political, legal and regulatory, technological, and socio-cultural forces. These forces can have a swift and strong effect on an organization, but marketers have little control over them. Marketers must be aware of environmental forces, adapt to them, and capitalize on the opportunities they provide.

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

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

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

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

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

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

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

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

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

# Comments on the Cases

Video Case 1.1: Cruising to Success: The Tale of New Belgium Brewing

**Summary**

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

**Questions for Discussion**

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

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

To ensure customer satisfaction, New Belgium focuses on creating quality products. The company engages in market research when creating its beers. It continually creates new products to keep customers engaged and excited about the brand. Even the company’s focus on sustainability reflects what is important to their customers. However, New Belgium’s corporate social responsibility activities are not just philanthropic – they are strategic. Because New Belgium beers provide more value, customers are willing to pay premium prices, which leads to higher profits for the company and its impressive 15 percent growth rate.

1. **What has Kim Jordan done to create success at New Belgium?**

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

1. **How does New Belgium’s focus on sustainability as a core value contribute to its corporate culture and success?**

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

case 1.2: Campbell’s Wants to Show You the Value of Soup

**Summary**

This case focuses on how consumers perceive the value of Campbell’s Soup and how the company uses marketing to increase the value of its products. Because value is a subjective assessment of a product’s worth, marketers can change variables in the marketing mix to increase a product’s value. For several years, Campbell’s has been promoting the health benefits of its soups, but now the company is shifting its marketing strategy to focus on taste.

**Questions for Discussion**

* + 1. **Evaluate Campbell’s success in implementing the marketing concept.**

Student answers will likely focus on the changes Campbell’s is making to its marketing strategy. If a company effectively implements the marketing concept, it will provide products that satisfy customers’ needs through a coordinated set of activities that also allow the organization to achieve its goals. In the past, Campbell’s marketing activities were not attracting customers. While discounting the soups may have made them more affordable, it also reduced consumer perceptions of their quality, which may have conflicted with its advertised nutritional benefits. Campbell’s may have thought it was addressing consumer needs, but this was not reflected by its condensed soup sales.

Campbell’s performed extensive marketing research that culminated in changing its iconic labels and adopting a new advertising slogan. The company decided to address different consumer needs—taste and excitement—with the goal of improving customer satisfaction. Campbell’s also decided to stop discounting the soups in order to improve consumer’s perceptions of quality. Students may conduct outside research to see if this new marketing strategy has improved Campbell’s soup sales.

* + 1. **How would you define Campbell’s target market for soup?**

The target market is a specific group of customers that a company wishes to attract through its marketing efforts. In the past, Campbell’s targeted consumers looking for an inexpensive and healthy meal. The company discounted the prices of its soups and lowered their sodium content. However, under the new marketing strategy, the target market has changed to consumers looking for a tasty option. Campbell’s developed new flavors and is now marketing to younger consumers with its iPad applications and soup pouches.

* + 1. **How is Campbell’s trying to increase the customer’s perceived value of its soup?**

Campbell’s is responding to decreasing sales (a form of consumer feedback) by changing its marketing strategy. First, the company adjusted the distribution and promotion variable of its marketing mix by changing its iconic labels and adopting a new slogan. Then, because Campbell’s attempts to increase sales by emphasizing its soup’s nutrition failed, Campbell’s is now focusing on what it believes consumers really want – taste. The company has also stopped discounting the price of its soups in order to increase their perceived quality. Campbell’s hopes that by increasing the benefits of it soups, consumers will perceive that its soups have more value and sales will increase. Students may want to discuss how effective these changes will be.