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 **LEARNING OBJECTIVES (LO)**

After reading this chapter students should be able to:

**LO 1-1:** Define marketing and identify the diverse factors that influence marketing actions.

**LO 1-2:** Explain how marketing discovers and satisfies consumer needs.

**LO 1-3:** Distinguish between marketing mix factors and environmental forces.

**LO 1-4:** Explain how organizations build strong customer relationships and customer value through marketing.

**LO 1-5:** Describe how today’s customer relationship era differs from prior eras.

**KEY TERMS**

|  |  |
| --- | --- |
| customer experience  | marketing concept  |
| customer relationship management (CRM)  | marketing mix  |
| customer value  | marketing program  |
| customer value proposition  | organizational buyers  |
| environmental forces  | product  |
| exchange  | relationship marketing  |
| market  | societal marketing concept  |
| market orientation  | target market  |
| market segments  | ultimate consumers  |
| marketing  | utility  |

**LECTURE NOTES**

**AT CHOBANI, MARKETING IS “NOTHING BUT GOOD!”**

 • Consumer food tastes have been changing to more healthful, nutritious, organic products.

 • Hamdi Ulukaya, a Turkish immigrant:

 **a.** Observed that American-style yogurt was full of sugar and preservatives, unlike typical Greek yogurt he had eaten growing up.

 **b.** Called it Chobani, which means “shepherd” in Turkish.

 **A. Understanding Consumer’ Food Values**

 • Chobani Greek Yogurt is higher in protein, lower in sugar, and thicker and creamier than typical American yogurt.

 • Timing was perfect – shift in demand for healthier and simpler products. Millennials increasingly influenced by concern for wellness – “Nothing but Good.”

 **B. Reaching Customers**

 • Little money for traditional advertising.

 **a.** Relied on word-of-mouth early on.

 **b.** Sponsored the 2012 and 2014 U.S Olympic and Paralympic Teams.

 **c.** Aired its “Proudly with You” TV spot during the 2012 Opening Ceremonies.

**[*Video1-1: Chobani Ad*]**

 **d.** Developed a social media presence, including over 800,000 Facebook fans.

 **e.** Created a YouTube channel that features “Just Add Good” recipes.

 **f.** Distribution in major grocery chains with placement of product in main dairy case, not specialty or health food sections.

 **C. Chobani Today**

 • Recently, Chobani launched these new products:

 **a.** Chobani Kids and Chobani Tots Greek yogurt pouches, Chobani Greek Yogurt Oats – Ancient Grain Blend, and Chobani Flip creations

 • In 2012, Chobani opened Chobani SoHo in a New York City neighborhood in order to stay in touch with consumer interests. New ideas are continually tested on the menu; feedback has been useful.

 • Chobani has 40% market share in Greek yogurt segment; this segment is nearly half of the $8 billion yogurt market.

 **D. Chobani, Marketing, and You**

 • Hamdi Ulukaya faces competition from Yoplait, Dannon, and Kraft.

 • Like Chobani, understanding marketing will help your career.

**I. WHAT IS MARKETING? [LO1]**

 • You’re already a marketing expert because you do many marketing activities every day, such as shopping for products.

 • However, you may not have much experience developing products to reach different groups of people or segments.

 • Marketing isn’t always easy to do—thousands of new offerings fail each year.

**[*ICA 1-1: Designing a Candy Bar*]**

**[Figure 1-1]: The See-If-You’re-Really-A-Marketing-Expert Test**

Test your marketing expertise by answering the following questions:

 **1.** What is the name of Pepsi’s most recent entry into the mid-calorie market for cola flavored soft drinks? (a) Pepsi XL, (b) Pepsi Edge, (c) Pepsi Next, (d) Pepsi True.

**Answer: Pepsi True** (p. 11).

 **2.** True or False: The 60-year lifetime value of a loyal Kleenex customer is $994.

**Answer: True** (p. 12).

 **3.** To be socially responsible, 3M put what recycled material into its very successful ScotchBrite® Never Rust™ soap pads? (*a*) aluminum cans, (*b*) plastic bottles, (*c*) Agave plant leaves.

**Answer:** **(*c*) Agave plant leaves** (p. 17).

 **A. Marketing and Your Career**

 • Marketing affects all individuals, corporations, industries, and countries.

 • You will learn and “do” marketing:

 **a.** How it affects our lives through its many applications.

 **b.** How it will make you a better consumer and a more informed citizen.

 • Hopefully, you will find marketing exciting and maybe find a career in the field!

 **a.** Doing sales and marketing can be satisfying and rewarding.

 **b.** Small businesses are the source of most new jobs, including marketing.

 **c.** Being an entrepreneur can be exciting and profitable!

 • In 2004, 19-year-old Harvard sophomore Mark Zuckerberg started a small web service business called [Thefacebook.com](http://www.Thefacebook.com).

 **a.** Signed up 900 students in the first four days after launch.

 **b.** By the second week, there were almost 5,000 members, and today there are 1.4 billion members throughout the world.

 • However, over half of new businesses fail within the first five years!

**B. Marketing: Delivering Value to Customers [LO 1-1]**

 • The American Marketing Association (AMA) represents those involved in the development and practice of marketing worldwide. It defines marketing as “the activity set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”

 • To serve both buyers and sellers, marketing seeks to:

 **a.** Discover the needs and wants of prospective customers.

 **b.** Satisfy these needs and wants.

 • Prospective customers include:

 **a.** Individuals buying for themselves and their households.

 **b.** Organizations that buy for their own use or for resale.

 • **Exchange**:

 **a.** Is the trade of things of value between a buyer and a seller so that each is better off after the trade.

 **b.** Is the key to discovering and satisfying consumer needs and wants.

 **C. The Diverse Factors Influencing Marketing Actions**

 • **[Figure 1-2]** A variety of other people, groups, and forces interact with marketing to shape the nature of its actions. These include:

 **a.** *The organization itself*, whose mission and objectives determine:

 • What business it is in and…

 • What goals it seeks.

 **b.** *Management*, which is responsible for establishing these goals.

 **c.** *The marketing department*:

 • Works with a network of other departments.

 • Develops customer-satisfying products so the organization can survive and prosper.

 • Facilitates relationships, partnerships, and alliances with customers, shareholders, suppliers, and other organizations.

 • Environmental forces:

 **a.** Shape an organization’s marketing actions.

 **b.** Include social, economic, technological, competitive, and regulatory forces.

 • Marketing is affected by and impacts society.

 • The organization must strike a balance among competing interests of:

 **a.** Customers (low price; high quality; value).

 **b.** Suppliers (high price).

 **c.** Employees (high salaries and wages; benefits).

 **d.** Shareholders (dividends).

 **D. What is Needed for Marketing to Occur**

Four factors are required for marketing to occur:

 • *Two or more parties with unsatisfied needs*. A consumer who wants something, and a seller who wants to sell something.

 • *A desire and ability to satisfy these needs*.

 **a.** A consumer that can afford the time and money to purchase an offering.

 **b.** A seller that has the offering available for purchase.

 • *A way for the parties to communicate*. The consumer learns about the product (that it exists) and where to get it.

 • *Something to exchange*. For a transaction to occur between a buyer and a seller:

 **a.** Money or something else of value must be exchanged.

 **b.** Each has satisfied each other’s unmet needs:

 • The consumer—hunger.

 • The seller—money, so it can remain in business.

**LEARNING REVIEW**

 **1-1.** **What is marketing?**

Answer: Marketing is the activity for creating, communicating, delivering, and exchanging offerings that benefit its customers, the organization, its stakeholders, and society at large*.*

 **1-2.** **Marketing focuses on \_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_ consumer needs.**

Answer: discovering; satisfying

 **1-3.** **What four factors are needed for marketing to occur?**

Answer: The four factors are: (1) two or more parties (individuals or organizations) with unsatisfied needs; (2) a desire and ability on their part to have their needs satisfied; (3) a way for the parties to communicate; and (4) something to exchange.

**II. HOW MARKETING DISCOVERS AND
SATISFIES CONSUMER NEEDS [LO 1-2]**

Discovering and satisfying consumer needs is critical to marketing.

 **A. Discovering Consumer Needs**

 • Marketing’s first objective: discover the needs of prospective consumers. Marketers use surveys, concept tests, crowdsourcing, and other tactics to better understand consumer ideas.

 • Consumers may not always know or be able to describe what they need or want. (Ex: Personal computers, smartphones, electric cars, etc.) Effective marketing research can help.

 **B. The Challenge: Meeting Consumer Needs with New Products**

 • Experts estimate that it takes 3,000 raw ideas to generate one commercial success. Of the estimated 33,000 new products introduced worldwide each month, roughly 40% will fail.

 • Key principles for new product launches:

 **a.** Focus on the consumer benefit.

 **b.** Learn from past mistakes.

• Solutions to preventing product failures:

1. Find out what consumers need and want.
2. Produce what they need and want.
3. Don’t produce what they don’t need or want.

 • What are the potential benefits and “showstoppers” (factors that might doom the offering) for the following products:

 **a.** *Apple Newton*

 • Benefits: Revolutionary personal digital assistant.

 • Showstopper: Before its time.

**[*Video 1-2: StuffDot Strategies Video*]**

 **b.** *StuffDOT*

 • Benefits: Rewards consumers for online shopping and sharing.

 • Showstoppers: Changing consumers shopping habits.

**[*Video 1-3: Pepsi True Ad*]**

 **c.** *Pepsi True*.

 • Benefits: Reduced calories, same flavor of Pepsi-Cola.

 • Showstopper: Past transition sodas (regular to diet) have failed.

 • Firms spend billions of dollars on marketing and technical research to reduce new-product failures.

 **1.** **Consumer Needs and Consumer Wants**.

1. Should marketers try to satisfy consumer needs or consumer wants? Both!

• Debates center around:

 **–** Definitions of needs and wants.

 **–** The amount of freedom of choice given to prospective customers to make their own buying decisions.

 • A *need* occurs when a person feels physiologically deprived of basic necessities, such as food, clothing, and shelter.

 • A *want* is a felt need that is shaped by a person’s knowledge, culture, and personality.

 • Marketing:

 **–** Does not create the need for a product but…

 **–** Does shape a person’s wants by creating an awareness of good products at convenient locations.

 **b.** Does marketing persuade consumers to buy the “wrong” products?

 • Marketing does try to influence what consumers buy.

 • When should the government and society step in to protect consumers?

 **–** There are no clear-cut answers, which is why legal and ethical issues are central to marketing.

* Psychologists and economists debate the exact meanings of *need* and *want.*

 **c.** **[Figure 1-3]** Marketers carefully study prospective customers to understand:

 • What they need and want.

 • The forces that shape these needs and wants.

 **2.** **What a Market Is**.

 **a.** Potential consumers make up a **market,** which is people with both the desire and the ability to buy a specific offering.

 **b.** All markets are ultimately people.

 **c.** People who are aware of their unmet needs may have a desire for a product.

 **d.** People must also have the ability—the authority, time, and money—to buy.

 **e.** People can “buy” an idea that leads to an action.

 **C. Satisfying Consumer Needs**

 • An organization does not have the resources to satisfy the needs of all consumers.

 • It focuses on the needs of its **target market**—one or more specific groups of potential consumers toward which an organization directs its marketing program.

**[*ICA 1-2: What Makes a Better Mousetrap?*]**

 **1.** **The Four Ps: Controllable Marketing Mix Factors**. **[LO 1-3]**

After selecting its target market consumers, the firm must take steps to satisfy their needs.

 **a.** A marketing department must develop a complete marketing program to reach its target market.

 **b.** To do this, it uses “the four Ps”—a shorthand reference for:

 • *Product*. A good, service, or idea (offering) to satisfy consumers’ needs.

 • *Price*. What is exchanged for the product.

 • *Promotion*. A means of communication between the seller and the buyer.

 • *Place*. A means of getting the product to the consumer.

 **c.** These are the elements of the **marketing mix**, which are:

 • The marketing manager’s controllable factors—product, price, promotion, and place that…

 • Can be used to solve a marketing problem.

 • The marketing mix elements are called *controllable factors* because they are under the control of the marketing department in an organization.

 **d.** An effective marketing mix conveys to potential buyers a **customer value proposition**, which is the cluster of benefits that an organization promises customers to satisfy their needs.

 **2.** **The Uncontrollable, Environmental Forces**.

 **a.** **Environmental forces** are the uncontrollable forces that affect a marketing decision, which consist of:

 • *Social forces*. What consumers themselves want and need.

 • *Economic forces*. Whether the economy is expanding or contracting.

 • *Technological forces*. Changing technology.

 • *Competitive forces*. Actions competitors take.

 • *Regulatory forces*. Government restrictions.

 **b.** These five forces may expand or restrict an organization’s marketing opportunities.

 **c.** Marketers can affect some of these forces, such as technology or competition, and achieve breakthroughs.

**III. THE MARKETING PROGRAM:
HOW CUSTOMER RELATIONSHIPS ARE BUILT [LO 1-4]**

A marketing program connects the organization with its customers.

 **A. Relationship Marketing: Easy to Understand, Hard to Do**

 • Intense competition in global markets has caused many U.S. firms to focus on customer value.

 • The essence of successful marketing is to provide unique value to gain loyal customers.

 **a.** What is new is a more careful attempt at understanding how a firm’s customers perceive value.

 **b.** The firm must then actually create and deliver that value to them.

 • **Customer value**:

 **a.** Is the unique combination of benefits received by targeted buyers.

 **b.** Includes, at a specific price:

 • Quality. • On-time delivery.

 • Convenience. • Before-sale & after-sale service.

 • Firms calculate the dollar value of a loyal, satisfied customer. Example:
Kleenex = $994 [Figure 1-1, question 2].

 • Firms cannot succeed by being all things to all people. Instead, they:

 **a.** Must build long-term relationships with customers to…

 **b.** Provide unique value to them.

 • Three strategies used to deliver customer value include:

 **a.** *Best price*: Target—its brand promise is to “Expect More. Pay Less.”

 **b.** *Best product*: Starbucks—stresses quality coffee that is ethically delivered.

 **c.** *Best service*: Nordstrom—works to “deliver the best possible shopping experience.”

 • **Relationship marketing**:

 **a.** Links the organization to its individual customers, employees, suppliers, and other partners for their mutual long-term benefits.

 **b.** Involves a personal, ongoing relationship between the organization and its individual customers that begins before and continues after the sale.

 • Information technology, along with other cutting-edge processes, better enables companies to form relationships with customers.

 **a.** Done through:

 • “Internet of everything” helps create detailed databases about product usage.

 • “Data analytics” offers insights into how products create value for customers.

 **B. The Marketing Program and Market Segments**

 • Product concepts are converted into a tangible **marketing program**—a plan that:

 **a.** Integrates the marketing mix to…

 **b.** Provide a good, service, or idea to prospective buyers.

 • These products can then be targeted at **market segments**, which are the relatively homogeneous groups of prospective buyers that:

 **a.** Have common needs and…

 **b.** Will respond similarly to a marketing action.

 • Figure 1-3 shows that organizations must continually and effectively develop new offerings that satisfy consumer needs, which can further stimulate this process.

**LEARNING REVIEW**

 **1-4.** **An organization can’t satisfy the needs of all consumers, so it must focus on one or more subgroups, which are its \_\_\_\_\_\_\_\_\_\_.**

Answer: target market

 **1-5.** **What are the four marketing mix elements that make up the organization’s marketing program?**

Answer: product, price, promotion, place

 **1-6.** **What are environmental forces?**

Answer: Environmental forces are the uncontrollable forces that affect a marketing decision, which consist of social, economic, technological, competitive, and regulatory forces.

 **C. 3M’s Strategy and Marketing Program to Help Students Study**

 • 3M’s David Windorski:

 **a.** Conducted research to understand how college students *really* study.

 **b.** Invented several 3M Post-it® brand products and wanted to add a new item.

 • Windorski worked with a team of college students to:

 **a.** Observe and question college students about their studying, such as how they:

 • Used their textbooks. • Wrote term papers.

 • Took notes. • Reviewed for exams.

 **b.** They often observed students highlight a passage and mark a page in their textbooks with a Post-it® Note or Post-it® Flag.

 **c.** Windorski realized he could help students study by:

 • Marrying a Post-it® Note or Post-it® Flag with a colored highlighter to…

 • Merging the functions of both into one product.

 **1.** **Moving from Ideas to a Marketable Highlighter Product**.

 **a.** After many models, Windorski concluded he had to:

 • Build a highlighter that would dispense 3M Post-it® Flags because…

 • The Post-it® Notes were too large to put inside the barrel of a highlighter.

 **b.** The initial highlighter product with Post-it® Flags inside were produced and given to students—and also office workers—to get their reactions.

 **c.** A suggestion from users quickly emerged:

 • The product needed a convenient, reliable cover to protect the Post-it® Flags when it isn’t being used.

 • Windorski added a rotating cover for the Post-it® Flags in the highlighter.

 • The result: The Post-it® Flag Highlighter was born!

 **2.** **Adding the Post-it® Flag Pen**.

 **a.** Windorski considered other related products.

 **b.** Windorski observed that many office workers need immediate access to
Post-it® Flags while writing longhand with pens.

 **c.** Marketing research among office workers refined the design and showed the existence of a sizable market for a 3M Post-it® Flag Pen.

 **d.** Marketing research also confirmed that college students would be a secondary market for a 3M Post-it® Flag Pen.

**[*Video 1-4: 3M Flag Highlighters Ad*]**

 **3.** **A Marketing Program for the Post-it® Flag Highlighter and Pen**.

 **a.** [**Figure 1-4]** shows the strategies for each marketing mix element in 3M’s marketing program to college students and office workers for the Post-it®
Flag Highlighter and the Post-it® Flag Pen.

 **b.** Comparing the marketing program for each product:

 • *Post-it® Flag Highlighter* (shown in the orange column).

 **–** The target market is mainly college students.

 **–** To build student awareness, 3M:

 **\*** Used a mix of print ads in college newspapers and a TV ad.

 **\*** Relied on student word-of-mouth advertising.

 **–** Gaining distribution in college bookstores was critical and would:

 **\*** Result in a reasonable retail price to students.

 **\*** Provide 3M and its distributors with an acceptable profit.

• *Post-it® Flag Pen* (shown in the green column).

* The primary target market consists of office workers.
* The secondary target market consists of students.

 **–** Post-it® Flag Pens:

 **\*** Are mainly business products bought by an organization’s purchasing department.

 **\*** Are stocked as office supplies for employees to use.

• The marketing program for *Post-it® Flag Pens* emphasize gaining distribution in outlets used by purchasing department managers.

 **c.** The Post-it® Flag Highlighters and Post-it® Flag Pens were so successful that Windorski and his team received a prestigious award from 3M.

**d.** In 2008, Windorski was invited to appear on *The Oprah Winfrey Show*:

 • She personally thanked him for the Post-it® Flag Highlighter because…

 • The product changed the way she read and evaluated books that she recommended for her book club.

1. **Extending the Product Line**.

 **a.** The success of the Post-it® Flag Highlighter and Post-it® Flag Pen:

 • Led Windorski to create the second generation of the Post-it® Flag Highlighters and Pens…

 • *Without* the rotating cover that makes it easier to insert replacement flags.

1. The success of the second generation of products has led to a family of related products (i.e. product line extensions).j

**IV. HOW MARKETING BECAME SO IMPORTANT [LO 1-5]**

Marketing has become a driving force in the modern global economy.

 **A. Evolution of the Market Orientation**

**[Figure 1-5]** Many manufacturing organizations have experienced four distinct stages in the life of their firms:

 **1.** **Production Era** (until the 1920s).

 **a.** Goods were scarce and buyers would accept virtually any goods that were produced.

 **2.** **Sales Era** (from the 1920s to the 1960s).

 **a.** Firms could produce more goods than their buyers could consume and competition grew. Firms hired salespeople to find new buyers for its products.

 **3.** **Marketing Concept Era** (from the late 1950s).

 **a.** The **marketing concept** is the idea that an organization should:

 • Strive to satisfy the needs of consumers while also trying to achieve the organization’s goals.

 **b.** General Electric:

 • Probably launched the marketing concept in its 1952 annual report that …

 • Advocated marketing “at the beginning rather than the end of the production cycle,” integrating marketing into each phase of business.

 **4.** C**ustomer Relationship Era** (from the 1980s to today).

 **a.** An organization that has a **market orientation** focuses its efforts on:

 • Continuously collecting information about customers’ needs.

 • Sharing this information across departments.

 • Using it to create customer value.

* The result is today’s *customer relationship era*, in which firms continuously seek to satisfy the high expectations of customers.

**B. Focusing on Customer Relationship Management**

* Social networking is a recent focus of the customer relationship era.

 • Consists of using social media websites to develop relationships.

 • Examples: Facebook, Twitter, and YouTube.

 • This relationship strategy is still evolving.

 **a.** The focus on customers has led to **customer relationship management****(CRM),** which is the process of:

 • Identifying prospective buyers.

 • Understanding them intimately.

 • Developing favorable long-term perceptions of the organization and its offerings so that buyers will choose them in the marketplace.

 **b.** This process requires:

 • The commitment of managers and employees throughout the organization.

 • A growing application of information, communication, and Internet technologies.

 **c.** The foundation of CRM is **customer experience**, which is:

 • The internal response that customers have to all aspects of an organization and its offering.

 • This internal response includes:

* Direct customer contacts (buying, obtaining, and using the offering).
* Indirect contacts (word-of-mouth and news reports).

**d**. Trader Joe’s:

• Ranked America’s favorite supermarket chain for two consecutive years.

• Has 415 stores in 35 states.

• Has unique customer experience and customer loyalty.

• Offers its own brands at low prices.

• Offers unusual, affordable products not available from other retailers.

• Provides employee “engagement” customer service.

 **i.** Sometimes there is a “disconnect” between what firms *think they provide* vs. what customers *say they receive*.

 **C. Ethics and Social Responsibility in Marketing: Balancing the Interests of Different Groups**

Today, the standards of marketing practice have shifted from an emphasis on producers’ interests to consumers’ interests.

 **1.** **Ethics**.

 **a.** Existing laws and regulations don’t address many marketing issues.

 **b.** Organizations have developed codes of ethics to guide marketers.

 **2.** **Social Responsibility**.

 **a.** Is the idea that organizations are accountable to a larger society.

 **b.** The **societal marketing concept**:

 • Is the view that organizations should satisfy the needs of consumers in a way that provides for society’s well-being.

 • Example: ScotchBrite® NeverRust™ soap pads from 3M—which are:

 **–** Made from recycled agave plant fibers that remain after plants are harvested for tequila production.

 **–** Outlasts 30 rolls of paper towels.

* [Figure 1-1, question 3].

 **D. The Breadth and Depth of Marketing**

Marketing affects every person and organization.

 **1.** **Who Markets?**

 **a.** Every organization markets: for profit business firms and nonprofits.

 **b.** Places, special causes, and individuals also use marketing.

 **2.** **What is Marketed?**

 **a.** *Goods*. Physical objects, such as toothpaste, cameras, or computers.

 **b.** *Services*. Intangible items, such as airline trips, financial advice, or art museums.

 **c.** *Ideas*. Thoughts about concepts, actions, or causes.

 **d.** All three of the above are considered **products**, which:

 • Consist of a bundle of tangible and intangible attributes that…

 • Satisfy consumers’ needs and…

 • Are received in exchange for money or something else of value.

**[*Video 1-5: Hermitage Tour Video*]**

 **e.** Services like art museums rely more on effective marketing.

 **f.** Ideas are often marketed by nonprofit organizations or government agencies.

 **3.** **Who Buys and Uses What Is Marketed?** Two groups do:

1. **Ultimate consumers** are the people who use the products and services purchased for a household.
2. **Organizational buyers** are those manufacturers, wholesalers, retailers, and government agencies that buy products and services for their own use or for resale.
3. Both ultimate consumers and organizational buyers may also be called *consumers*, *buyers*, and *customers*.

 **4.** **Who Benefits?**  Three specific groups benefit:

 **a.** *Consumers who buy*.

 • Competition ensures that consumers can find value from the best products, the lowest prices, or exceptional service in the marketplace.

 • Provides jobs to raise the standard of living for a country’s citizens.

 **b.** *Organizations that sell*. Effective marketing actions reward organizations that serve consumers.

 **c.** *Society as a whole*. Marketing raises the standard of living for a country’s citizens by:

 • Enhancing competition. • Lowering prices.

 • Improving product quality. • Providing jobs.

 **5.** **How Do Consumers Benefit?** Marketing creates **utility**, the benefits or customer value received by users of the product. Four different utilities are created:

 **a.** *Form utility*. Producing the product or service.

 **b.** *Place utility*. Having the offering available where needed.

 **c.** *Time utility*. Having the product or service available when needed.

 **d.** *Possession utility*. Making an item easy to purchase.

**LEARNING REVIEW**

 **1-7.** **What are the two key characteristics of the marketing concept?**

Answer: An organization should (1) strive to satisfy the needs of consumers (2) while also trying to achieve the organization’s goals.

 **1-8.** **What is the difference between ultimate consumers and organizational buyers?**

Answer: Ultimate consumers are the people who use the products and services purchased for a household. Organizational buyers are those manufacturers, wholesalers, retailers, and government agencies that buy products and services for their own use or for resale.

**APPLYING MARKETING KNOWLEDGE**

 **1.** **What consumer wants (or benefits) are met by the following products or services?
(*a*) 3M Post-it® Flag Highlighter, (*b*) Nike running shoes, (*c*) Hertz Rent-A-Car,
and (*d*) television home shopping programs.**

Answers:Consumer wants or benefits met by each of four products or services include:

 a. **3M Post-it® Flag Highlighter**. Enabling college students to study more effectively.

 b. **Nike running shoes**. Safety enhanced by a running tread; cushioning for the foot; status.

 c. **Hertz Rent-A-Car**. Time saved for business or vacation travelers who may fly to a destination and need local transportation without being able to use local buses or rail transit.

 d. **Television home shopping programs**. A variety of hard and soft goods; low prices; convenience of shopping from home; delivery to any location.

 **2.** **Each of the four products, services, or programs in question 1 has substitutes. Respective examples are (*a*) a Bic® highlighter, (*b*) regular tennis shoes,
(*c*) taking a bus, and (*d*) a department store. What consumer benefits might these substitutes have in each case that some consumers might value more highly than those products mentioned in question 1?**

Answers:Consumer wants or benefits that these four substitute products might provide include:

 a. **A Bic® highlighter**. Low cost; more colors; Seal Guard that prevents “dry out;” rubberized grip; more and brighter fluorescent ink.

 b. **Regular tennis shoes**. Low cost; possibility of the shoes being used for another sport.

 c. **Taking a bus**. Low cost; avoiding the need to find parking for a car; avoiding inconvenience of picking up and returning the rental car and the accompanying paperwork.

 d. **A department store**. More help from sales clerks in making a purchase decision; greater likelihood of accepting returns of unacceptable merchandise; servicing of the product sold.

 **3.** **What are the characteristics (e.g., age, income, education) of the target market customers for the following products or services? (*a*) *National Geographic* magazine, (*b*) Chobani Greek yogurt, (*c*) New York Giants football team, and (*d*) Facebook.**

Answers:The demographic characteristics of the target market for each product or service are:

 a. ***National Geographic* magazine**. Older age group; high income; highly educated.

 b. **Chobani Greek yogurt**. Health-conscious women under 40 years old—for themselves and their children; middle income; middle to upper levels of education.

 c. **New York Giants football team**. New York City metropolitan area (includes northern New Jersey and southwestern Connecticut); most age, income, and education groups.

 d. **Facebook**. Initially, college-aged students 18 to 24 years old; now, most age groups; mid- to upper-income groups (need a PC, smartphone, or tablet device to use); middle to upper levels of education.

 **4.** **A college in a metropolitan area wishes to increase its evening-school offerings of business-related courses such as marketing, accounting, finance, and management. Who are the target market customers (students) for these courses?**

Answer:Target market customers or students for business-related courses offered by a metropolitan-area college at night include both those pursuing a degree and those not pursuing a formal degree.

 a. Students pursuing a degree might seek degree-related courses that could aid them in acquiring or earning an Associate’s degree, a Bachelor’s degree, or an MBA degree.

 b. By contrast, many prospective students in these courses may be more interested in particular subject areas that can assist them in their job rather than in degree credits. For example, engineering personnel might want introductory courses in marketing or finance or accounting to familiarize them with principles from these courses that might apply to their job. Owners of small businesses or fledgling entrepreneurs might seek work-related courses that enable them to develop a business plan, design an accounting/record-keeping system, or write more effective advertising copy. Often students not pursuing a degree may be awarded a “certificate” for completing a specific sequence of courses.

 **5.** **What actions involving the four marketing mix elements might be used to reach the target market in question 4?**

Answers:Marketing mix actions to reach these target market customers include:

 a. **Product**. The content of each degree program, certificate program, or course offered to target market customers.

 b. **Price**. The tuition or charge for taking the course.

 c. **Promotion**. Course catalogs, direct mail informational brochures, posters, and ads run in local newspapers or on local radio stations are examples of the kind of promotional activities a college often undertakes.

 d. **Place**. Includes the place and time at which the course is offered. Increasingly, colleges and universities are taking their courses to the location of their students rather than asking students to come to the campus itself. Also, online delivery of courses is becoming more commonplace.

 **6.** **What environmental forces (uncontrollable variables) must the college in question 4 consider in designing its marketing program?**

Answers:Environmental forces or uncontrollable variables for the college to consider are:

 a. **Social forces**. Formal college degrees are required for an increasing number of jobs, so colleges must recognize this in designing their courses. In addition, some employers require a certain number of work-related course units every year to have their employees maintain skills. Colleges often try to design curricula to reflect this.

 b. **Economic forces**. These include the price of the course and its potential benefits to the students, either in terms of leading to a degree or providing work-related benefits. Also, other considerations include economic trends, such as tuition inflation, student loan availability, and student employment prospects and compensation after graduation.

 c. **Technological forces**. Many colleges are offering both credit and noncredit courses online or through television—either on cable channels available to the public or through programs transmitted directly to employees of specific companies. An increasing number of courses take the form of computer-related work, which affects curriculum design decisions. In addition, the use of tablet devices like the iPad to deliver educational courses and content may become more popular in the near future.

 d. **Competitive forces**. The college must recognize a number of ways for students to get roughly equivalent courses: those offered by other colleges or universities in the area, courses offered internally by large employers, courses offered by professional associations, and courses offered by correspondence or online distance learning.

 e. **Regulatory forces**. Degree courses must often meet standards imposed by outside groups, such as those standards established by the Association to Advance Collegiate Schools of Business for Bachelor and Masters degree programs in business.

 **7.** **Does a firm have the right to “create” wants and try to persuade consumers to buy products and services they didn’t know about earlier? What are examples of “good” and “bad” want creation? Who should decide what is good and bad?**

Answers:

 a. **Does a firm have the right to “create” wants and try to persuade consumers to buy products and services they didn’t know about earlier?** Yes, a firm has the right to create wants in an attempt to persuade consumers to buy products they didn’t know about in the past; new medicines to treat those having high blood pressure or heart attacks are good examples.

 b. **What are examples of “good” and “bad” want creation?** The conflict is over “good” and “bad” want creation. In a free society where we value free choice by the individual, it is difficult to condemn “bad” candy bars and soft drinks over “good” apples and orange juice if the individual’s choice only affects him or her.

 c. **Who should decide what is good and bad?** Our society says that what is “good” and “bad” is up to the individual unless there are major costs to society as a whole in letting the individual have free choice. Thus, in the case of products like firearms and drugs, society determines what is “good” and “bad” and sets rules or laws controlling their use.

**BUILDING YOUR MARKETING PLAN**

**If your instructor assigns a marketing plan for your class, don’t make a face and complain about the work—for two special reasons. First, you will get insights into trying to actually “do marketing” that often go beyond what you can get by simply reading the textbook. Second, thousands of graduating students every year get their first job by showing prospective employers a “portfolio” of samples of their written work from college—often a marketing plan if they have one. This can work for you.**

**This “Building Your Marketing Plan” section at the end of each chapter suggests ways to improve and focus your marketing plan. You will use the sample marketing plan in Appendix A (following Chapter 2) as a guide, and this section after each chapter will help you apply those Appendix A ideas to your own marketing plan.**

**The first step in writing a good marketing plan is to have a business or product that enthuses you and for which you can get detailed information, so you can avoid glittering generalities. We offer these additional bits of advice in selecting a topic:**

 **a.** ***Do* pick a topic that has personal interest for you—a family business, a business, product, or service you or a friend might want to launch, or a student organization needing marketing help.**

 **b.** ***Do not* pick a topic that is so large it can’t be covered adequately or so abstract it will lack specifics.**

 **1.** **Now to get you started on your marketing plan, list four or five possible topics and compare these with the criteria your instructor suggests and those shown above. Think hard, because your decision will be with you all term and may influence the quality of the resulting marketing plan you show to a prospective employer.**

In Question 1, a key factor students should consider in choosing a topic for their marketing plan is whether they can find enough useful information to provide the necessary detail in the completed plan. For example, a plan done for an existing family business builds on an immediate base of past revenues, marketing activities, etc. In contrast, a plan for a potential business a student is considering launching has no such base of information. While instructors must be sensitive to the different data collection problems each of these two marketing plans face, both must avoid the “glittering generalities” problem when submitted.

Here are examples of successful marketing plans students have submitted for our classes:

 • **Family business**. Sand and gravel business, small manufacturing shop, two-chair barber shop, summer resort.

 • **Local small business**. Garage, flower shop, corner grocery, interior-design decorating shop.

 • **Student organization or university activity**. Marketing club, campus blood drive, increasing attendance at college sporting events, student counseling center.

 • **Potential business**. Internet café, healthy-food restaurant, graphic design shop, motorcycle shop.

 • **Product**. Candy bar; dresses; canned food from special family recipes.

 • **Service**. Dog walking; house sitting; term paper/report typing.

Some MBA programs offer field project courses where teams of MBA students write marketing plans for technologies emerging from university laboratories or for large organizations introducing new products. These kinds of projects are too complex for undergraduates taking their first course in marketing.

 **2.** **When you have selected your marketing plan topic, whether the plan is for an actual business, a possible business, or a student organization, write the “company description” in your plan, as shown in Appendix A (following Chapter 2).**

In Question 2, if the company already exists, the company description highlights the recent history and recent successes of the organization. So, students should seek to:

 a. **Recent history**.

 1. Provide a brief introduction about when the organization was founded (if relevant), identify who the founders or key management personnel are that will assist you, and define what product or service is to be marketed.

 2. Discuss what is unique about the company and its offering(s) that sets it apart from competitors.

 b. **Recent successes**. Where possible, identify and briefly describe what recent activities or results show how the organization has been successful in terms of sales (dollars or units), market share, quality, new product introductions, and so on.

If the organization does not actually exist, students should seek to describe what is unique about it and its offerings that are likely to lead to its eventual success.

**Helping with Common Student Problems**

Enthusiastic students often pick marketing plan topics that are simply too grandiose to be completed in the time available—a new brand of car or a new airline to serve small U.S. cities. A subtler problem—alluded to above—is in picking a marketing plan topic that requires an inordinate amount of effort to obtain useful data. For this latter problem, when having students select a marketing plan topic, ask them to first write down 4 or 5 topic ideas and then 10 or 12 words for each topic about what key sources of information they need to obtain and where are they likely to obtain it.

**TEACHING NOTE FOR VIDEO CASE VC-1**

**Chobani: Making *Greek* Yogurt a Household Name**

**[*Video 1-6: Chobani Video Case*** ([kerin.tv/13e/v1-6](file:///C%3A%5CUsers%5Ccarley_bouwer%5CAppData%5CLocal%5CTemp%5CTemp1_Kerin%2013e%20IM%20%282%29.zip%5CIM%5Ckerin.tv%5C13e%5Cv1-6))**]**

**Synopsis**

**Show Slide 1-32**. Hamdi Ulukaya, a Turkish immigrant, bought an old Kraft yogurt plant in New Berlin, New York in 2005. After eighteen months of perfecting the recipe, he and his five-person team introduced Chobani Greek Yogurt in 2007. An authentic strained Greek Yogurt, Chobani is thicker, creamier, and is higher in protein than regular yogurts.

Starting with his new-product launch, Hamdi Ulukaya fought to gain distribution in the regular dairy cases of major supermarkets and grocery chains. He did not want to be confined to the specialty or health food sections of these chains or solely in smaller, niche stores because he wanted to reach the mass market of American consumers.

By 2013, Chobani had achieved over $1 billion in annual sales. Besides the U.S., its Greek Yogurt was distributed nationally in the United Kingdom and Australia. Since its founding, it has added additional product lines to reach more consumers: Chobani Champions line of yogurt for kids; Chobani Bite for a mindfully indulgent snack; and Chobani Flip with curated mix-ins for creative gourmands.

For his achievements, Ulukaya won the 2013 Ernst & Young *World* Entrepreneur of the Year award.

**Teaching Suggestions**

Before teaching the Chobani Greek Yogurt video case, consider asking a series of questions to determine student's consumption of yogurt and awareness and consumption of Chobani Greek Yogurt:

 1. How many of you eat yogurt in a typical month?

 2. How many cups of yogurt do you typically eat in a month? 0 cups? 1-5 cups? 6-10 cups? More than 10 cups?

 3. What kind of yogurt do you eat? A traditional yogurt? A Greek yogurt?

 4. How many of you have tried or eat Chobani Greek Yogurt?

 5. Among those of you that eat Chobani Greek Yogurt, what are the main reasons you buy and eat this yogurt? [NOTE: Consumers often divide into (1) healthy eating and (2) like-the-taste market segments.]

 6. Have you ever tried Chobani Bite? Chobani Flip?

This discussion enables students to have a better perspective when they study and discuss the Chobani video case and answer end-of-case questions.

**Answers to Questions**

 **1. From the information about Chobani in the case and at the start of the chapter,**
**(*a*) who did Hamdi Ulukaya identify as the target market for his first cups of Greek Yogurt and (*b*) what was his initial “4Ps” marketing strategy?**

Answers:

 a. **Target market for Chobani Greek Yogurt**. Hamdi Ulukaya saw his Chobani Greek Yogurt as appealing to *all* American consumers—the mass market—when he first introduced his Greek Yogurt in the United States. That is exactly the reason that he wanted distribution in the dairy cases of major U.S. grocery and supermarket chains, and *not* in their niche sections or in health food or specialty stores.

However, as the market for Greek yogurt has matured in the U.S., there are perhaps two main market segments that have emerged:

 • *Health-conscious segment*. Consumers in this segment like Greek yogurt because it contains more protein than regular yogurt, with little or no fat.

 • *Better-taste segment*. These consumers prefer Chobani Greek Yogurt’s taste to regular yogurts—a taste that prefers a less sweet and more sour yogurt with a rich, creamy texture.

Now, with the introduction of its Champions line of Greek Yogurts, Chobani is reaching the kids’ market segment. With its 2013 introduction of Chobani Bite in a smaller 3.5-ounce cup, Chobani is trying to reach a “snack” market segment. And with Chobani Flip, it is trying to reach an experimenting, gourmet market segment who add “mix-ins” to regular Chobani Greek Yogurt.

 b. **Chobani’s initial 4Ps marketing strategy**. Consists of the following marketing actions:

 • *Product strategy*. Offer a Greek Yogurt for a mass market that is healthier than competing U.S. yogurts and does not have artificial ingredients and preservatives.

 • *Price strategy*. Priced affordably at $1.29 for a single-serve cup that is accessible to all.

 • *Place strategy*. Place Chobani Greek Yogurt in the main dairy cases of major grocery and supermarket chains—*not* in their niche cases or only in specialty or gourmet stores.

 • *Promotion strategy*. Initially, develop word-of-mouth conversations by harnessing consumer love and giving away free samples because Chobani had almost no traditional advertising budget at the start. This slowly evolved into today’s powerful use of social media like Facebook and Twitter, and traditional TV advertising as promotion dollars became available.

 **2. (*a*) What marketing actions would you expect the companies selling Yoplait, Dannon, and PepsiCo yogurts to take in response to Chobani’s appearance and (*b*) how might Chobani respond?**

Answers:

 a. **Marketing** **actions of competitors**. Consists of the following actions:

 • *Lower prices*. To gain shelf space in grocery and supermarket chains, competitors like Yoplait, Dannon, and PepsiCo will reduce prices—even if they have to take temporary losses on units sold.

 • *Increase sales promotions*. To attract consumer attention, competitors will give discounts using consumer coupons and a substantial quantity of discounts to grocery and supermarket chains carrying their brands.

 • *Introduce copy-cat products*. To develop new competitive products quickly, competitors will learn lessons from Chobani’s successes and will introduce very similar products.

 b. **Chaobani’s response to these competitors**. Consists of the following responses:

 • *Introduce cutting-edge, trend-setting new products*. An example is Chobani Flip, a line that has a two-compartment package with interesting mix-ins to the Chobani Greek Yogurt in its second compartment.

 • *Launch high-level, differentiated promotions*. An example is Chobani’s sponsorship of the U.S. Olympic Teams.

 • *Run competitive sales promotions*. These would be directed at both consumers and grocery and supermarket chains.

 **3. What are (*a*) the advantages and** **(*b*) the disadvantages of Chobani’s Customer Loyalty Team that handles communications with customers—from phone calls and
e-mails to Facebook and Twitter messages?**

Answers:

 a. **Advantages of Chobani’s Customer Loyalty Team**. The overall advantage to Chobani lies in the Customer Loyalty Team’s effective implementation of its high-touch model of communication, online and offline. Its communication goal is to have every interaction with a customer provide a favorable experience. This is reflected in its personal handling of the thousands of phone calls and e-mails the company receives each month, including writing handwritten notes, which evokes great consumer loyalty to Chobani. The team’s highly-personal social media interactions on Facebook and Twitter help develop genuine relationships with consumers and build brand loyalty. In addition, a highly tuned in team monitoring consumer’s thoughts and engaging consumers through social media enables Chobani to gain immediate consumer feedback, insights, and ideas for new products.

 b. **Disadvantages of Chobani’s Customer Loyalty Team**. The main disadvantage is the cost of recruiting, training, and compensating the members of the Customer Loyalty Team. Also, as Chobani sales increase, the cost of interacting with additional thousands of loyal customers will increase, too. Adding expertise in additional social media—such as Instagram that it now uses—will also add costs. But today, Chobani clearly feels that advantages of its Customer Loyalty Team far outweigh its disadvantages and is crucial to maintaining personal connections with consumers.

 **4. As Chobani seeks to build its brand, it opened a unique retail store in New York City: Chobani SoHo. Why did Chobani do this?**

Answer:

Chobani SoHo offers innovative, carefully-curated yogurt creations that are served in beautiful glass jars. Consumers can select from a variety of creations starring Plain Chobani as the base, and adding ingredients such as Pistachio + Dark Chocolate and Cucumber + Olive Oil. Prices are higher than those of regular Chobani Greek Yogurt but are reasonable in order to appeal to creative consumers. There are three very important potential long-range advantages to Chobani SoHo:

 • Opportunity for testing new product ideas with various combinations of add-ins can be tested on consumers to determine if they might become a permanent flavor in the Chobani line, such as flavor pairings and savory ingredients.

 • Enabling the consumer to interact and connect with the brand in a physical way, beyond simply grabbing product from the store shelf, which deepens customer loyalty and recommendation.

 • Testing a concept for a unique retail yogurt outlet. As many specialized retail food and snack outlets have appeared, might it be possible to roll out Chobani SoHo-type outlets?

 **5. (*a*) What criteria might Chobani use when it seeks markets in new countries and**
**(*b*) what three or four countries meet these criteria?**

Answers:

 a. **Criteria to select new countries for Chobani to enter**. There are both non-marketing and marketing criteria in selecting new countries to enter:

 • Reliable source of a huge volume of high-quality milk.

 • Efficient distribution system with refrigerated trucks.

 • Retail outlets having refrigeration.

 • Strong consumer familiarity and liking for yogurt.

 • Limited competition from strong national brands.

 • Absence of corruption in launching and operating a new business.

 • Efficient national media to use in promotions.

 b. **Three or four countries that meet these criteria**. U.S. yogurt consumption today is about 11 to 12 pounds per person annually. In Europe, per capita consumption is about six times that. So it is especially appealing to look to countries in which per capita yogurt consumption is high and that a reliable source of high quality milk exists.

Criteria like these must be balanced against negative ones in the list above. For example, Yoplait yogurt is “the Yogurt of France,” and General Mills introduced it in the United States almost three decades ago. So competing with an established brand such as Yoplait in France could be a challenge for Chobani. Similarly, other factors like corruption could potentially inhibit entry into potentially large markets like Eastern European or Middle-Eastern countries.

Considering all these factors, one could make an educated determination that Chobani could potentially expand to countries in Western Europe like Germany or Spain or countries in Latin America like Mexico or Brazil, along with Asian markets.

**Epilogue**

In February 2014, Chobani aired its first Super Bowl ad to introduce a 100-calorie Greek yogurt that will use only natural sweeteners (stevia, which is the main ingredient in Truvía—see ICA 3-1). For many potential yogurt customers, 100-calories is an important psychological selling point.

Update: Greek yogurt now accounts for about one-third of the U.S. yogurt market according to a report by Bernstein Research and may reach 50 percent in a few years.[[1]](#footnote-1)

**TEACHING NOTE FOR APPENDIX D CASE D-1**

**3M’s Post-it® Flag Highlighter: Extending the Concept!**

**Synopsis**

3M relies on its inventors like David Windorski to convert their creative ideas to marketable products to keep it the world leader in technology involving adhesives. In Windorski’s case this involved combining the adhesive technology in Post-It**®** Flags with highlighters and pens to produce two revolutionary new 3M products.

Windorski did this by researching how college students study and take notes and the products they use. Using clay, wood and plastic mockups, Windorski developed several hundred highlighters-and-Post-It**®** Flag combinations that were used and then evaluated by actual college students. With the resulting design improvements, this became the 3M Post-It**®** Flag Highlighter, which has sold millions around the world. Windorski and his team were recognized with a 3M award for their successful invention.

**Teaching Suggestions**

The 3M Post-It**®** Flag Highlighter product and the video case have the advantage of involving an activity that every college student is intimately involved with—studying! But each student in your class may have a very different approach to how they study and what products (notebooks, pens, highlighters, Post-It**®** Notes, iPods, iPads, etc.) they use. So the instructor may want to ask these questions to lead off the video case discussion:

 1. Do you take written notes to summarize key points in the textbook or classroom lecture and discussion?

 2. Do you underline, highlight, or flag the key points you want to remember?

 3. When studying, have you ever used:

 • A highlighter (Accent, etc.).

 • A Post-It**®** Note.

 • A Post-It**®** Flag.

 • A Post-It**®** Flag Highlighter.

 4. In terms of the Post-It**®** Flag Highlighter, how many of you:

 • Have heard of it before this video case?

 • Have ever tried using one?

 • Use one now when you study?

 5. OPTIONAL: Pass out copies for each student, either in hard copy or electronically, of the “3M’s Post-it® Flag Highlighter: Extending the Concept!” Appendix D Case D-1.

**Answers to Questions**

 **1. (*a*) How did 3M’s David Windorski get ideas from college students to help him in designing the final commercial version of the Post-it® Flag Highlighter? (*b*) How were these ideas important to the success of the product?**

Answers:

David Windorski initially worked with a team of students to obtain ideas on how they study and how these might lead to ideas for new 3M products. Later marketing research involved getting information directly from students. The marketing research occurred both before and after working models—or prototypes—were developed as shown in the table below:

|  |  |  |
| --- | --- | --- |
| **When the Marketing Research Was Done** | **(*a*) How Windorski got ideas from the students, and fine-tuned his design** | **(*b*) How these were important to the success of the product** |
| **Before a working model was developed** | • Ask a team of students how they study, take notes, and prepare for exams. | • Identify products used in studying behavior, how they might be combined, and what might be missing. |
| • Have students dump contents of backpacks on table and discuss contents. | • Discover the better study aids, how they are used and why. |
| • Have students discuss their study habits in a focus group (behind-the-mirror observation). | • Get more understanding of study habits. |
| • Conduct individual interviews of students. | • Gain more in-depth understanding of study behavior. |
| **After a working model was developed** | • Send early working models of the product to several hundred students to use for a month. | • Obtain reactions and suggestions for product improvements using written questionnaires from the target market—college students. |

 **2.** **What (*a*) special advantages and (*b*) potential problems did 3M have in introducing a new highlighter-with-flags product for college students?**

Answers: For 3M to consider introducing a highlighter-with-flags product for students:

 a. **Special advantages**.

 • Well-known for related products such as Post-It**®** Flags and Notes.

 • World-class knowledge in adhesive technology.

 • 3M brand is well-known among retailers, wholesalers, distributors, and students.

 • An existing made-to-order distribution system for 3M’s Post-It**®** products in college bookstores, drug stores, mass merchandisers, office supply stores, etc.

 b. **Potential problems**.

 • No history of a writing or highlighter product for the collegiate market segment.

 • No manufacturing experience with highlighters and their liquids.

 • No certainty of having a technology that would link highlighters and Post-It**®** Flags.

 **3.** **Visit your college bookstore before you answer. (*a*) Where would you display the Post-it® Flag Highlighter in a college bookstore, and (*b*) how can the display increase student awareness of the product?**

Answers:

 a. **Display in a college bookstore**. 3M clearly wants to display its Post-It**®** Flag Highlighters as effectively as possible in college bookstores to increase student awareness of the product. But 3M probably already has several feet of display space in these college bookstores featuring various kinds of Post-It**®** Flags and Notes. So three alternatives have emerged to display Post-It**®** Flag Highlighters in college bookstores:

 • Adjacent to where other highlighters are displayed.

 • In the display of 3M’s other Post-It**®** products.

 • Both places.

Students might visit their bookstore to see which of these display alternatives are used—or if the Post-It**®** Flag Highlighters are not available for sale.

 b. **Student awareness generated by the display**. In new products, marketers often stress the importance of “trial” (getting the customer to buy and use the product the first time) and “repeat” (good experience with the initial use leading to buying the product again). As a company, 3M does relatively little advertising of its products to consumers. So making students aware of the product by seeing it stocked in college bookstores can significantly increase the “trial”—the initial purchase. Also, by using packaging that allows the Post-It**®** Flag Highlighters to be hung on a display facing potential buyers significantly increases the potential awareness compared to simply stacking them on the shelf. Question: How are they displayed in your college bookstore?

 **4. In what ways might 3M try to promote its Post-it® Flag Highlighter and make students more aware of the product?**

Answers:

Instructors can ask their marketing class for creative, inexpensive ways to advertise or promote the Post-It**®** Flag Highlighter to college students. Some ideas might involve:

 • Small ads in the college newspaper.

 • Post-It**®** Note ads on the front of the college newspaper featuring the Post-It**®** Flag Highlighter.

 • Free samples given to freshman during “freshman week,” or to student clubs, college newspaper reporters, etc.

But in fact, 3M has restricted promotion budgets—preferring to rely on its technologies to help sell its products—and students will rarely see specific campus promotions for the product. Instead, 3M prefers to rely on changes in its products and packaging to increase student awareness, trial, and repeat purchases. Examples include:

 • Changing the color of the body of the highlighter—the “Samba” Latin color palette being an example.

 • Having different packing options: singles, two-packs, and three-packs.

 • Changing the color of the liquid ink in the highlighter (yellow, green, blue, pink, orange, etc.).

 • Changing the color of the Post-It**®** Flags in the highlighter (red, green, etc.), sometimes matching the color of the flags to the liquid ink in the highlighter.

 **5. What are (*a*) the special opportunities and (*b*) potential challenges for 3M in taking its Post-it® Flag Highlighter into international markets? (*c*) On which countries should 3M focus its marketing efforts?**

Answers:

 a. **Special opportunities**.

 • Potential to increase sales revenues and profits.

 • Potential to reduce manufacturing costs per unit by having larger production runs.

 • Potential to continue to achieve strong support from its distributors in other countries through their seeing innovative additions to the 3M product line.

 b. **Potential challenges**.

 • Risk that college students in many countries do not use highlighters—especially since they often do not own their textbooks but must check out a textbook from the college library.

 • Extra costs because package must have words in local language.

 • Significant transportation and physical distribution costs from the manufacturer to distributors in each country.

 c. **Countries to focus on**. 3M should focus on countries with large numbers of college students having some discretionary income who are likely to own their own textbooks. This means mainly Western Europe, Latin America, Australia/New Zealand, and Japan.

**Epilogue**

On January 15, 2008, David Windorski and 3M’s Post-It**®** Flag Highlighter experienced a public relation department’s wildest dream: a five-minute appearance on the Oprah Winfrey Show!

**ICA 1-1: IN-CLASS ACTIVITY**

**Designing a Candy Bar[[2]](#footnote-2)**

**Learning Objectives**. To have students work in teams to: (1) define a target market for a candy bar and (2) develop a simple marketing program for it.

**Nature of the Activity**. To engage students actively in a realistic marketing task in their first class meeting and have them share their ideas with classmates.

**Definitions**. Because the class is not yet familiar with marketing terms, instructors may wish to define the following terms before starting the ICA:

 • Target market*:* One or more specific groups of potential consumers toward which an organization directs its marketing program.

 • Marketing mix: The marketing manager’s controllable factors—product, price, promotion, and place—that can be used to solve a marketing problem.

 • Points of difference: Those characteristics of a product that make it superior to competitive substitutes.

**Estimated Class Time and Teaching Suggestions**. About 20 minutes, taught in class in 4-person teams.

**Materials Needed**.

 • Samples of other candy bars that represent a variety of compositions (chocolate, caramel, peanuts, etc.) and forms (bar, drop, bundle, etc.), such as those marketed by Hershey’s, Mars, Nestlé, and Ghirardelli in the U.S. Purchase several of the following brands and items to distribute in class:

 – Hershey’s: Milk Chocolate Bar, Kisses, Milk Duds.

 – Mars: M&M’s, Snickers, Milky Way Bar, Dove.

 – Nestlé: Milk Chocolate Bar, Crunch Bar, Baby Ruth, Kit Kat.

 – Ghirardelli: Milk Chocolate Squares, Milk Chocolate Squares w/ Caramel.

 • Copies for each student, either in hard copy or electronically, of the “Designing a Candy Bar” handout.

**Steps to Teach this ICA**.

 1. OPTIONAL: Bookmark the following websites on your classroom computer:

 • Hershey’s: [www.hersheys.com](http://www.hersheys.com/pure-products.aspx). • Nestlé: [www.nestleusa.com](http://www.nestleusa.com/Brands/Chocolate.aspx).

 • Mars: [www.mars.com](http://www.mars.com). • Ghirardelli: [www.ghirardelli.com](http://www.ghirardelli.com/store/shop-products/collections/bars/milk-chocolate-with-caramel-on-the-go-bar-caddy.html).

 2. Form students into 4-person teams.

 3. Give the following mini-lecture about marketers and their responsibilities:

“All of you purchase products and services every day, ranging from necessities, such as food, clothing, and shelter, to discretionary items, such as candy, music, and education.

To offer these products and services, marketers must first understand your needs and wants. Then, they must:

 • Develop the features and benefits for the products and services that you desire.

 • Charge a price that you are able and willing to pay.

 • Communicate to you that the product or service exists.

 • Make it available at locations where you are likely to buy it.

 • Ensure that it is superior to similar offerings available from competitors.

 • Earn a profit for the organization.”

 4. Ask students the following questions about their candy purchasing behavior:

 • **Question 1: How many of you buy candy? Why?**

Answer: Students buy candy for a variety of reasons (taste, energy, holiday, etc.).

 • **Question 2: What candy brands have you bought within the past week?**

Answer: Students will have bought candy from Ghirardelli, Hershey’s, Mars, etc.

 5. Pass out the “Designing a Candy Bar” Handout to students.

 6. Pass around several candy bars as a reference to students.

 7. Bring up Ghiradelli’s Web site and give the following mini-lecture to students.

“The Ghirardelli Chocolate Company has produced and marketed premium chocolate products for over 150 years. Recently, Ghirardelli introduced its Ghirardelli Milk Chocolate with Caramel Filling Squares and its companion Ghirardelli® Milk Chocolate with Caramel On-The-Go Bar.

 9. Ask students the following questions about this candy bar:

 a. **Who is the target market?**

Answer: Women.

 b. **What are the key features or benefits of the Ghirardelli Milk Chocolate with Caramel Squares?**

Answer: Intense chocolate experience; aroma; luscious, creamy filling; silky smooth texture; a special reward; slow melting chocolate.

 c. **What would you charge for a bag of 12 of these ‘Squares’?**  **Why do you think Ghirardelli charges this prices?**

Answer: For the Ghirardelli Milk Chocolate with Caramel Squares, the retail price is about $4.25 for a bag of 12 “Squares.” Ghirardelli charges this price because it wants to convey an image of quality, prestige, etc. and the target market is willing and able to pay this price.

 d. **What advertising medium might Ghirardelli use to promote this product?**

Answer: To reach women most effectively, Ghirardelli should probably use TV rather than other media (radio, newspapers, magazines, Internet, social, etc.).

 e. **Where do you think consumers would buy this product?**

Answer: Grocery stores, mass merchandisers (Walmart, Target, etc.), drug stores (Walgreens, etc.), and nontraditional outlets such as bookstores, coffee shops, etc.

 f. **How is the Ghirardelli candy bar different from those already on the market?**

Answer: Unique shape, rich taste, high quality chocolate.

 10. **Show Slide 1-40**. Give the following instructions to complete this ICA:

“For the next 10 minutes, your team will design a candy bar based on your personal experiences as candy bar consumers and your new role as potential marketers. When designing your candy bar, be as creative as you can. However, the candy bar you design must answer the following questions, as shown in the handout:”

 a. **To whom will your candy bar be sold?** The answer to this question will specify the characteristics (age, gender, income, health-consciousness, etc.) of your target market segments. Provide a rationale for the market segments you choose.

 b. **What is the product?** The answer to this question will specify the features, such as the ingredients, form, size, packaging, etc. and benefits of the candy bar you think are important to consumers. Provide a rationale for the product you create.

 c. **How much will consumers pay for it?** The answer to this question will specify the price paid for the quantity received by consumers. Provide a rationale for the price you want to charge.

 d. **How will consumers find out about it?** The answer to this question will specify the advertising methods and message you will use to communicate to consumers about the candy bar and the kinds of inducements (coupons, samples, etc.) you will offer them to try it. Provide a rationale for the promotions you want to use.

 e. **Where will consumers buy it?** The answer to this question will specify the types of retail outlets or “place” where consumers in your target market are likely to buy the candy bar. Provide a rationale for your distribution channels.

 f. **How is your candy bar different from those already on the market?** The answer to this question will specify the significant points of difference of your candy bar. Provide a rationale for its superiority.

 11. Have one student from each of two teams go to the board and write down the team’s answers to the six questions asked in the Designing a Candy Bar Handout.

 12. Have the class comment on the marketing programs that the two teams developed for their candy bars. Ask the following questions of the entire class about each of the two candy bars proposed by the two teams:

 a. T**arget market**. Is it attractive enough (large, growing, etc.) to warrant the expense of a marketing effort?

 b. **Product**. What features/benefits are important to prospective customers? Can they form the basis of a message that can be effectively communicated?

 c. **Price**. What is the price based on? Do you want to recover marketing costs quickly by charging a higher price or do you want to achieve larger sales earlier by charging a lower price?

 d. **Promotion**. What relatively inexpensive actions could you use to inform and induce prospective customers to try your product?

 e. **Place/Distribution**. What traditional outlets will you use? Will you sell your product over the Internet? Why?

 f. **Points of difference**. Does your product provide overall customer value?

**Marketing Lessons**. This ICA introduces students to the essential marketing concepts that marketing and product managers deal with on a daily basis. Students should conclude that when developing a marketing program for a product, marketers must: (1) select a market segment to target; (2) specify the marketing mix designed to reach it; and (3) identify the offering’s significant points of difference.

**DESIGNING A CANDY BAR HANDOUT**

|  |  |
| --- | --- |
| **MARKETING PROGRAM AND POINTS OF DIFFERENCE** | YOUR MARKETING ACTIONS |
| **What is it?(Product)****Specify features, benefits, form, size, etc. and why** |  |
| **How much will consumers pay for it?(Price)****Specify costand why** |  |
| **How will consumers find out about it?****(Promotion)****Specify methods to inform and generate trial and why** |  |
| **Where will consumers buy it?****(Place)****Specify types of retailers and why** |  |
| **How is it different from others?****(Points of Difference)****Specify why it is superior to competitors’ offerings** |  |

**ICA 1-2: IN-CLASS ACTIVITY**

**What Makes a Better Mousetrap?[[3]](#footnote-3)**

**Learning Objectives**. To have students (1) discover the importance of “points of difference” in meeting consumer wants and needs and (2) see how they vary by market segment.

**Nature of the Activity**.To have students do in-class “marketing research” on what features consumers look for in a mousetrap to help discover why a “better mousetrap” failed more than three decades ago.

**Definitions**. Because the class is not yet familiar with marketing terms, instructors may wish to define the following terms before starting the ICA:

 • Customer value: The unique combination of benefits received by targeted buyers that includes quality, convenience, on-time delivery, and both before-sale and after-sale service at a specific price.

 • Points of difference: Those characteristics of a product that make it superior to competitive substitutes.

**Estimated Class Time and Teaching Suggestions**. About20 minutes, taught in class in 4-person teams.

**Materials Needed**. Copies for each student, either in hard copy or electronically, of the:

 • “Why Did the New Plastic Mousetrap Fail to Meet Sales Expectations?” handout.

 • “Which of the Markets (A, B, C, or D) was the Largest for Mousetraps 25 years ago?” handout.

**Steps to Teach this ICA**.

 1. OPTIONAL: Bookmark the Victor® Pest ([www.victorpest.com](http://www.victorpest.com)) web pages for the Metal Bait Pedal ([www.victorpest.com/store/mouse-control/bm154](http://www.victorpest.com/store/mouse-control/bm154)) and Live Catch ([www.victorpest.com/store/mouse-control/m007](http://www.victorpest.com/store/mouse-control/m007)) mousetraps on your classroom computer.

 2. Form students into 4-person teams.

 3. Pass out copies of the following handouts to each student:

 • Why Did the New Plastic Mousetrap Fail to Meet Sales Expectations? Handout.

 • Which of the Markets (A, B, C, or D) was the Largest for Mousetraps 25 years ago? Handout.

 4. **Show Slide 1-42**: Ralph Waldo Emerson Quote and give the following mini-lecture:

“If a man...makes a better mousetrap, the world will beat a path to his door.”
—Ralph Waldo Emerson

Let’s excuse Mr. Emerson for his “sexist” statement, which was written over a century ago! But let’s see if he was right!

Over 25 years ago, Dick Woolworth, president of the Woodstream Corp., decided to take Emerson’s adage to heart. Woodstream’s product was a 100 year-old wooden mousetrap that sold under the Victor® brand name in which peanut butter or cheese was placed on the metal bait pedal connected to the spring-loaded snap trap bar.”

 5. **Show Slide 1-43**. Click on the “Video” Internet icon to play a short YouTube video from Victorpest about its mousetraps [TRT = 1:57]. OPTIONAL: Click on the “Metal Bait Pedal” and “Live Catch” Internet icons to go to the respective Victorpest web pages for a brief description of these mousetraps.

 6. Continue with the following mini-lecture:

“Woolworth decided that what the company needed to do was to build ‘a better mousetrap and wait for the world to beat a path to its door.’ He asked his engineers and scientists to study the eating, sleeping, and crawling habits of mice. They did and came up with a better mousetrap—one made of plastic.”

[NOTE: The Live Catch mousetrap being shown was NOT this plastic trap but is used here FOR EDUCATIONAL PURPOSES ONLY.]

“If we compare the new versus the old, the original Victor® Metal Bait Pedal trap sold in a package of 2 for 15 cents and was moderately efficient. The plastic trap sold individually for 25 cents and was very efficient. Thus, if 100 mice stepped on the old wooden trap, assume that 50 got caught (50% efficiency) while with the new plastic trap, assume that 90 got caught (90% efficiency). Woodstream introduced the new plastic trap in stores across the country. Suppose that the following problem emerged: Sales of the new better, plastic mousetrap did not meet sales expectations! Why do you suppose this happened?”

 7. **Show Slide 1-44**: Why Did the New Plastic Mousetrap Fail to Meet Sales Expectations?

 8. Ask students to answer the following questions:

 • **Question 1: What triggers the decision to buy a mousetrap?**

Answer: Seeing nibbled boxes of cereal or mouse droppings on the floor triggers the “buy” decision.

 • **Question 2: Who in the family makes the decision to buy?**

Answer: The decision maker is the person most bothered by the mouse, often the “Mom” of 25 years ago, when this case occurs.

 • **Question 3: Who actually buys the mousetrap?**

Answer: The purchaser is the person asked to “get rid of the problem,” often the “Dad” of 25 years ago, when the case occurred.

 • **Question 4: Where does the person buy the mousetrap?**

Answer: Mousetraps might be purchased in hardware stores (Ace), supermarkets (Safeway), mass-merchandisers (Walmart, Target), home improvement stores (Home Depot), or the Internet (BE Atlas). This points out the need for different outlets for different buyers in the family, or different market segments.

 • **Question 5: Who in the family uses the mousetrap and how do they use it?**

Answer: This is the key question and should turn up two distinct market segments: (1) the “disposers,” who dispose of the dead mouse and the trap by throwing both of them into the trash, and (2) the “reusers,” who throw the dead mouse into the trash but reuse the trap.

 • **Question 6: What features do users want in a mousetrap?**

Answer: The “disposer” market segment wants a cheap and relatively efficient way to handle its mouse problem. So the important “points of difference” in its buying decision are low-cost and disposability. The “reuser” segment wants greater efficiency in resolving its persistent mouse problem and may be willing to pay more for a trap as a result.

The key message: What potential buyers see as “better” is more important than what the scientists and engineers designing the product see as “better.”

 • **Question 7: Why did sales of the “better” plastic mousetrap not meet sales expectations?** [The Live Catch mousetrap is used for educational purposes only.]

Answer: Have students suggest their answers and write them down on the board.

 8. **Show Slide 1-45**: Mousetrap Market Segments and state the following:

“Thirty years ago, “efficiency” (the key ‘point of difference’ or benefit) of the plastic trap was not an important feature to most buyers. The “disposer” segment was especially reluctant to throw the dead mouse and the 25-cent plastic trap into the trash, but not at all hesitant to throw away the 7.5-cent wooden trap. If the wooden trap missed the mouse, these users just reset it. So the wooden trap provided greater *customer value* for most buyers. And because the largest market segments were
‘A’ and ‘C’ in the table above, the new ‘better’ plastic traps gathered dust on retail shelves across the country. The plastic traps also had a very practical problem: disposing of a live mouse can be tricky (if the lid opened, the mouse may jump out) or time consuming (need to find a place far away from home to release the mouse).” [NOTE: Slide 1-45 is really a “market-product grid” that will be introduced in Chapter 9. However, this tool can help in this ICA since it allows students to answer the question: “What do we sell to whom?”]

**Marketing Lessons**. Customers define what a “better” product is and not the seller or its engineers! So, in a sense, Mr. Emerson was wrong! Key features or “points of difference” in the product provide “customer value” to users or market segments. These “points of difference” must be important to consumers and communicated to them in terms of: (1) benefits to customers, (2) advantages relative to substitute products from competitors, and (3) features, which are given to the firm’s R&D engineers.

 **WHY DID THE NEW PLASTIC MOUSETRAP
FAIL TO MEET SALES EXPECTATIONS?**

|  |  |
| --- | --- |
| **OLD WOODEN TRAP****Wood****2 for 15¢****50% efficiency** | **NEW PLASTIC TRAP****Plastic****25¢ each****90% efficiency** |

**Some Key Marketing Questions**

**1. What triggers the decision to buy a mousetrap?**

**2. Who in the family makes the decision to buy?**

**3. Who actually buys the mousetrap?**

**4. Where does the person buy the mousetrap?**

**5. Who in the family uses the mousetrap and how do they use it?**

**6. What features do users want in a mousetrap?**

**7. Why did the “better” plastic mousetrap not meet sales expectations?**

**WHICH OF THE MARKETS (A, B, C, OR D) WAS THE
LARGEST FOR MOUSETRAPS 25 YEARS AGO?**

|  |  |
| --- | --- |
| **Market Segment** | Product: Kind of Mousetrap |
| **Wooden Trap** | **Plastic Trap** |
| “Disposers” | **A** | **B** |
| **“Reusers”** | **C** | **D** |

1. Candice Choi, “Chobani to Debut at Super Bowl in Major Ad Push,” *StarTribune*, December 9, 2013. See <http://www.startribune.com/business/235026491.html>. [↑](#footnote-ref-1)
2. The author wishes to thank Dr. Richard Beltramini, who inspired this ICA when the author had him for a marketing principles course. [↑](#footnote-ref-2)
3. The authors wish to thank Karolyn Warfel and Betsy Boyer of the Woodstream Corp. who assisted in the development of this ICA. [↑](#footnote-ref-3)