

# Instructor's Manual

## Principles of Marketing European Edition

**Seventh Edition**

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# Introduction

Welcome to the seventh edition of *Principles of Marketing*. This textbook and the accompanying Instructor's Manual provide you with a comprehensive set of teaching and learning tools to help organise your daily classroom activities.

As marketing educators, we appreciate the complex, real-time demands that you face each day in class. Your time is a valuable and limited commodity. That's why this manual has been designed to enable you to plan lectures, discussions, visual presentations, online exercises and written assignments in a coordinated and efficient manner, without having to re-invent them all for yourself.

The seventh edition textbook and Instructor's Manual have been completely updated with fresh perspectives, lessons and activities that reflect the best new knowledge from industry professionals and academic experts. Inside, you'll find many real-life examples that we believe will be practical and relevant to you and your students.

We hope that you enjoy using this Instructor's Manual as much as we enjoyed writing it.

## I. How to Prepare for the Course

You can make your introductory marketing course much more relevant and exciting by integrating a generous supply of 'real world' examples of companies, events, people and places. This textbook also provides you with up-to-date discussion on current marketing issues, trends and challenges. Additionally, the Instructor's Manual encourages you and your students to research many current companies and their cutting-edge and effective marketing strategies in the form of very diverse sources of preparation and information (activities, discussion, projects, videos, websites, end-of-chapter review and questions).

In conjunction with learning about and researching up-to-date marketing examples, your students should be inspired to think intensely about, and creatively design and revise, marketing strategy. As you prepare for and get through your introductory marketing course, the textbook, and the Instructor's Manual challenge your students to analyse and recommend various elements that influence and define marketing strategy.

Marketing is all around us – it's exciting, pervasive, inspiring, fresh, intense, creative, cutting-edge, challenging – and it profoundly affects our lives. This textbook treats it as such, and we encourage you to make your course equally exciting and inspirational!

## II. Who Is Your Audience?

Depending on your institution's curriculum requirements for business/marketing, you could have students from any year in your class. Some may be of traditional student age, while others may be mature students. Regardless of their age or academic year, what is typical of the first-time student in an introduction to marketing course is the naïve association of marketing with selling and advertising or commercials. This uninformed perspective provides an exciting platform of discovery and inspiration for you as the instructor. By the end of the course, your students should recognise how incredibly challenging it is for companies to successfully market

their products. Marketing is fun and exciting to study in the classroom, but it is also arguably the biggest challenge that companies face.

### III. New Features of the Textbook and Instructor's Manual

We've thoroughly revised the seventh edition of *Principles of Marketing* to reflect the major trends and forces impacting marketing in this era of customer value and relationships. Here are just some of the major and continuing changes you'll find in this edition.

- Throughout the seventh edition, you will find revised coverage of the rapidly **changing nature of customer relationships** with companies and brands. Today's marketers aim to create deep consumer involvement and a sense of community surrounding a brand – to make the brand a meaningful part of consumers' conversations and their lives. Today's new relationship-building tools include everything from websites, blogs, in-person events and video sharing to online communities and social networks such as Facebook, YouTube, Twitter, or a company's own social networking sites.
- The seventh edition contains new material on the continuing trend towards two-way interactions between customers and brands, including such topics as **customer-managed relationships, crowd sourcing, and consumer-generated marketing**. Today's customers are giving as much as they get in the form of two-way relationships (Chapter 1), a more active role in providing customer insights (Chapter 4), crowd sourcing and shaping new products (Chapter 9), consumer-generated marketing content (Chapters 1, 14 and 15), developing or passing along brand messages (Chapters 1 and 15), interacting in customer communities (Chapters 5, 15 and 17), and other developments.
- This edition provides revised and expanded discussions of new **marketing technologies**, from 'Web 3.0' in Chapter 1 to neuromarketing in Chapter 4 and the dazzling new digital marketing and online technologies in Chapters 1, 17 and throughout.
- New material throughout the seventh edition highlights the increasing importance of **sustainable marketing**. The discussion begins in Chapter 1 and ends in Chapter 20, which pulls marketing together under a sustainable marketing framework. In between, frequent discussions and examples show how sustainable marketing calls for socially and environmentally responsible actions that meet both the immediate and the future needs of customers, companies, and society as a whole.
- The seventh edition continues its emphasis on **measuring and managing return on marketing**, including many new end-of-chapter financial and quantitative marketing exercises that let students apply analytical thinking to relevant concepts in each chapter and link chapter concepts to the text's innovative and comprehensive *Appendix 2: Marketing by the numbers*.
- The seventh edition provides revised and expanded coverage of the developments in the fast-changing areas of **integrated marketing communications and direct and online marketing**. It tells how marketers are blending the new digital and direct technologies with traditional media to create more targeted, personal, and interactive customer relationships. No other text provides more current or encompassing coverage of these exciting developments.

- Restructured **pricing** chapters (Chapters 10 and 11) provide improved coverage of pricing strategies and tactics in an uncertain economy. And a reorganised products, services and brands chapter (Chapter 8) helps to promote the text's coverage of **services marketing** and better applies the branding strategy discussions that follow to both products and services.
- The seventh edition continues to improve on its **innovative learning design**. The text's active and integrative presentation includes learning enhancements such as annotated chapter-opening stories, chapter-opening objectives outlines and explanatory author comments on major chapter sections and figures. The chapter-opening layout helps to preview and position the chapter and its key concepts. Figures annotated with author comments help students to simplify and organise chapter material. End-of-chapter features help to summarise important chapter concepts and highlight important themes, such as marketing and the economy, marketing technology, ethics, and financial marketing analysis. In all, the innovative learning design facilitates student understanding and eases learning.

#### **IV. Content Overview: Description of Instructor's Manual Components**

The Instructor's Manual includes the following features:

- *Chapter Overview*: The Chapter Overview summarises each chapter of the textbook and is consistent with the chapter summary in the book.
- *Chapter Objectives*: Each chapter's objectives are listed as they appear in the textbook.
- *Chapter Outline*: This teaching outline is mapped to the textbook topics and provides a snapshot of the chapter and its resources.
- *End-of-Chapter Answer Guide*: This section includes answers to all end-of-chapter questions in the book. This includes discussion questions, objective-based questions, application questions, as well as case studies. The answers should be taken as suggestions, discussion motivators, or instructional in nature, and you may find your students come up with equally valid, or even better, answers than we have provided here.
- *Additional Projects, Assignments and Examples*: This section offers suggestions for student projects and assignments (individual and group assigned), as well as outside examples.
- *Student Projects*: This section includes a number of additional projects of various length and complexity that instructors may use in their courses.
- *Assignments*: This section is broken into three parts – *Small Group Assignments*, *Individual Assignments* and *Think–Pair–Share*. The assignments are designed to help students contemplate and practice the material covered in the text.
- *Outside Examples*: This section provides additional information about companies and their business practices.

## V. Learning Resources

Apart from everything mentioned above, the textbook provides you and your students with the following additional learning resources:

- *Chapter Preview*. As part of a new, more active and integrative chapter-opening design, a brief section at the beginning of each chapter previews chapter concepts, links them with previous chapter concepts and introduces the chapter-opening story.
- *Chapter-Opening Marketing Stories*. Each chapter begins with an engaging, deeply developed, illustrated and annotated marketing story that introduces the chapter material and sparks student interest.
- *Objectives Outline*. This chapter-opening feature provides a helpful preview outline of chapter contents and learning objectives.
- *Author Comments and Figure Annotations*. Throughout the chapter, author comments ease and enhance student learning by introducing and explaining major chapter sections and organising figures.
- *Reviewing the Objectives and Key Terms*. A summary at the end of each chapter reviews major chapter concepts, chapter objectives and key terms.
- *Discussing and Critical-Thinking Exercises*. Each chapter contains a set of discussion questions and application exercises covering major chapter concepts.
- *Online, Mobile and Social Media marketing*. Application exercises at the end of each chapter provide discussion of important and emerging marketing technologies in this digital age.
- *Marketing Ethics*. Situation descriptions and questions highlight important issues in marketing ethics at the end of each chapter.
- *Marketing by the Numbers*. An exercise at the end of each chapter lets students apply analytical and financial thinking to relevant chapter concepts and links the chapter to Appendix 2: Marketing by the numbers.
- *Company Cases*. All new or revised company cases for class or written discussion are provided at the end of each chapter. These cases challenge students to apply marketing principles to real companies in real situations.
- *Video Cases*. Short cases and discussion questions appear at the end of every chapter, to be used with the set of 4–6 minute videos that accompany this edition.
- *Marketing Plan Appendix*. Appendix 1 contains a sample marketing plan that helps students to apply important marketing planning concepts.
- *Marketing by the Numbers Appendix*. Appendix 2 provides students with a comprehensive introduction to the marketing financial analysis that helps to guide, assess and support marketing decisions.

## **PART 1**

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# **Defining marketing and the marketing process**



# Marketing: creating customer value and engagement

## Marketing Starter

### Mini: Marketing Master?

## Synopsis

Designed by Sir Alec Issigonis, two models of Mini zoomed into production in the UK in 1959, the Morris Mini Minor and the Austin Seven. The Mini, representing a breakthrough in small car design offered consumers something different. Priced at £496 the car was affordable, economical to run and with a 34 bhp engine, practical and agile to drive. Mini became the choice of brand for housewives running family errands. In 1961, a collaboration with John Cooper of F1 fame resulted in the release of the Mini Cooper. The Mini became fashionable. Its brand personality was stylish, sporty, fun-loving and cheeky. Volkswagen, Ford and Renault responded to Mini's success by launching their own small cars into the UK market, the Mini success story was over. However, in 2001 after BMW acquired Mini the first BMW Mini was launched. Customers were able to customise and personalise their vehicle; an offering they valued. Mini's customer service was also taken seriously as Mini salespeople were awarded bonuses based on customer satisfaction. Doing things differently became Mini's trademark; they continue to innovate and develop and launched a New Mini in 2014, adding to the portfolio with SUV crossover Countryman, Convertible and Coupe models.

## Discussion objective

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

## Starting the discussion

To start the discussion, ask the class, 'Has anyone here purchased a Mini'? On the basis of the show of hands, ask for students to share their experience.

Be prepared to pull up the home page at the Mini website (<http://www.mini.co.uk/>). The home page really focuses on the customisation element of Mini and what the customer values most. It actively engages the customer and creates desire.

Be familiar with this website so that you can move purposefully to keep the discussion moving. But let the class discussion guide the parts of the site that you explore, taking you deeper into the Mini experience, the Awards that have been won and other components linked to the page. Start with the first question below, and then ask other questions as the discussion allows. Throughout the discussion, keep your objective firmly in mind: to emphasise that good marketing is all about creating value for customers and managing customer relationships in order to capture value from customers in return. The final question leads the class into Chapter 1 and the discussion for the day. Have fun with this one!

## Discussion questions

1. The very first marketing story in the text is about Mini. Let's take a quick look at the home page on the company's website and see what we can glean about the company and how it operates. Just looking at this Web page, what stands out about Mini?
2. How has what we are seeing at this site contributed to Mini's performance? Has Mini been successful? Why? (As pointed out in the Mini story, thanks in large part to its obsession with customer satisfaction and customer experience, the company has grown profitably. Thus, by creating value for customers, Mini has captured value from customers in return.)
3. Why did the authors choose Mini as the very first company to highlight in Chapter 1 and in the entire text? How does this opening story relate to the major points made in the rest of the chapter? (This question should lead naturally into major Chapter 1 concepts: What is marketing and what is the marketing process? What is customer-driven marketing and why are customer value, satisfaction and relationships so important?)

## Chapter overview

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

## Chapter objectives

1. Define marketing and outline the steps in the marketing process.
2. Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.
3. Identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.

4. Discuss customer relationship management and identify strategies *for* creating value for customers and capturing value *from* customers in return.
5. Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

## Chapter outline

p. 2	<p><b>INTRODUCTION</b></p> <p>Mini is one of the UK's best known car brands. The company has a passion for creating customer value and relationships.</p> <p>The company relies on excellent customer service and word of mouth.</p> <p>Mini is obsessed with its customer focus, from the CEO to the customer server. A relationship-based culture permeates the entire organisation.</p> <p>Mini has set new standards in the industry, leading the way for a new type of consumer-focused company.</p>	p. 3
<ul style="list-style-type: none"> <li>• <b>Opening vignette questions</b> <ol style="list-style-type: none"> <li>1. Many companies claim to be obsessed with customer service. What sets Mini apart from the others?</li> <li>2. Do you believe that customers really want long-term relationships with a company, rather than short-term bargains? Why or why not?</li> <li>3. What if a close competitor came along, offering comparable items, deep discounts and excellent service? Do you think most Mini customers would remain loyal to them? Defend your answer.</li> </ol> </li> </ul>		
p. 4	<p><b>WHAT IS MARKETING?</b></p> <p>A simple definition of marketing is <i>managing profitable customer relationships</i>.</p> <p>Marketing must both attract new customers and grow the current customers.</p> <p>Every organisation must perform marketing functions, not-just-for-profit companies.</p> <p>Non-profits (colleges, hospitals, churches, etc.) also must perform marketing.</p>	
p. 5	<p><b>Marketing defined</b></p>	

<p>PPT 1-3</p>	<p>Most people think of marketing as selling and advertising – ‘telling and selling’.</p> <p>Marketing must focus on satisfying customer needs.</p> <p>We define <b>marketing</b> as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.</p>	<p>Key term: Marketing</p>
<ul style="list-style-type: none"> <li>• <b>Assignments, resources</b> Use <i>Discussion question 1-1</i> here Use <i>Critical-thinking exercise 1-6</i> here</li> <li>• <b>Troubleshooting tip</b> For most students, this will be their first introduction to marketing and all its ramifications. To most of them, marketing is nothing more than selling and/or advertising, and this gets reinforced daily when they see ‘marketing’ job ads that are really sales positions. It helps to get students talking about what marketing is, and to give examples of what they think is really good marketing. Try to bring in contemporary examples that the students can relate to.</li> </ul>		
<p>p. 5 PPT 1-4</p>	<p><b>The marketing process</b></p> <p>Figure 1.1 shows the five-step marketing process.</p> <ol style="list-style-type: none"> <li>1. Understand the marketplace and customer needs and wants.</li> <li>2. Design a customer-driven marketing strategy.</li> <li>3. Construct a marketing programme that delivers superior value.</li> <li>4. Build profitable relationships and create customer delight.</li> <li>5. Capture value from customers to create profits and customer quality.</li> </ol> <p>In the first four steps, companies work to understand consumers, create customer value and build strong customer relationships.</p> <p>In the final step, companies reap the rewards of creating superior customer value. By creating value <i>for</i> consumers, they in turn capture value <i>from</i> consumers in the form of sales, profits and long-term customer equity.</p>	<p>Chapter objective 1 p. 6 Figure 1.1: The marketing process: creating and capturing customer value</p>
<ul style="list-style-type: none"> <li>• <b>Assignments, resources</b> Use <i>Think-pair-share 1</i> here</li> </ul>		



<p>p. 8 PPT 1-8</p>	<p>Dissatisfied customers switch to competitors and disparage the product to others.</p> <p>Customer value and customer satisfaction are key building blocks for developing and managing customer relationships.</p> <p><b>Exchanges and relationships</b></p> <p><b>Exchange</b> is the act of obtaining a desired object from someone by offering something in return.</p> <p>Marketing consists of actions taken to build and maintain desirable <i>exchange relationships</i> with target audiences.</p>	<p>p. 8 Key term: Exchange</p>
<p>p. 8 PPT 1-9</p>	<p><b>Markets</b></p> <p>A <b>market</b> is the set of actual and potential buyers of a product.</p> <p>Marketing means managing markets to bring about profitable customer relationships.</p> <p>Figure 1.2 shows the main elements in a modern marketing system.</p>	<p>p. 8 Key term: Market</p> <p>p. 8 Figure 1.2: A modern marketing system</p>
<p>• <b>Assignments, resources</b></p> <p>Use <i>Outside examples 1</i> and <i>2</i> here</p>		
<p>p. 9 PPT 1-10</p>	<p><b>DESIGNING A CUSTOMER VALUE-DRIVEN MARKETING STRATEGY</b></p> <p><b>Marketing management</b> is defined as the art and science of choosing target markets and building profitable relationships with them.</p> <p>The marketing manager must answer two important questions:</p> <ol style="list-style-type: none"> <li>1. What customers will we serve (what's our target market)?</li> <li>2. How can we serve these customers best (what's our value proposition)?</li> </ol>	<p>Chapter objective 3</p> <p>p. 9 Key term: Marketing management</p>
<p>• <b>Assignments, resources</b></p> <p>Use <i>Discussion question 1-3</i> here</p>		
<p>p. 9 PPT 1-11</p>	<p><b>Selecting customers to serve</b></p> <p>A company must decide <i>whom</i> it will serve.</p> <p>It does this by dividing the market into segments of customers (<i>market segmentation</i>) and selecting which segments it will go after (<i>target marketing</i>).</p>	

	<p>Marketing managers know they cannot serve all customers. By trying to do so, they end up not serving any well.</p> <p>Marketing managers must decide which customers they want to target and on which level, timing, and nature of their demand.</p>	
	<ul style="list-style-type: none"> <li>• <b>Assignments, resources</b> Use <i>Critical-thinking exercise 1-7</i> here Use <i>Think-pair-share 3</i> here</li> <li>• <b>Troubleshooting tip</b> The concept of not serving all customers may be confusing to students. Most of them have not yet encountered anything like it. The light bulb seems to go on, although, when you talk about how crowded National Parks get, and the efforts made to have people visit them during off-peak travel times. Having students come up with their own examples will increase the level of understanding.</li> </ul>	
<p>p. 9 PPT 1-12</p> <p>p. 10 PPT 1-13</p> <p>PPT 1-14</p> <p>PPT 1-15</p>	<p>Marketing management is <i>customer management</i> and <i>demand management</i>.</p> <p><b>Choosing a value proposition</b></p> <p>A company's <i>value proposition</i> is the set of benefits or values it promises to deliver to consumers to satisfy their needs. (BMW promises 'the ultimate driving machine'.)</p> <p>Such value propositions <i>differentiate</i> one brand from another.</p> <p><b>Marketing management orientations</b></p> <p>Marketing management wants to design strategies that will build profitable relationships with target consumers. But what <i>philosophy</i> should guide these marketing strategies?</p> <p>There are five alternative concepts under which organisations design and carry out their marketing strategies:</p> <p><b>The production concept</b></p> <p>The <b>production concept</b> holds that consumers will favour products that are available and highly affordable.</p> <p>Management should focus on improving production and distribution efficiency.</p> <p><b>The product concept</b></p> <p>The <b>product concept</b> holds that consumers will favour products that offer the most in quality, performance and innovative features.</p> <p>Under this concept, marketing strategy focuses on making continuous product improvements.</p>	<p>pp. 10, 11 Key terms: Production concept, Product concept, Selling concept, Marketing concept</p>

<p>PPT 1-16</p>	<p><b>The selling concept</b></p> <p>The <b>selling concept</b> holds that consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort.</p> <p>The concept is typically practiced with unsought goods – those that buyers do not normally think of buying, such as insurance or blood donations.</p> <p>These industries must be good at tracking down prospects and selling them on product benefits.</p>	<p>p. 11 Figure 1.3: Selling and marketing concepts contrasted</p>
<p>PPT 1-17</p>	<p><b>The marketing concept</b></p> <p>The <b>marketing concept</b> holds that achieving organisational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do.</p> <p>Under the marketing concept, customer focus and value are the <i>paths</i> to sales and profits.</p> <p>Rather than a 'make and sell' philosophy, it is a customer-centred 'sense and respond' philosophy.</p> <p>The job is not to find the right customers for your product but to find the right products for your customers.</p> <p><i>Customer-driven</i> companies research current customers deeply to learn about their desires, gather new product and service ideas and test proposed product improvements.</p> <p><i>Customer-driven</i> marketing is understanding customer needs even better than customers themselves do and creating products and services that meet existing and latent needs.</p>	
<p>PPT 1-18</p>	<p><b>The societal marketing concept</b></p> <p>The <b>societal marketing concept</b> questions whether the pure marketing concept overlooks possible conflicts between consumer <i>short-run wants</i> and consumer <i>long-run welfare</i>.</p>	<p>p. 11 Key term: Societal marketing concept</p>
<p>PPT 1-19</p>	<p>The societal marketing concept holds that marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's and <i>society's</i> well-being.</p>	<p>p. 12 Figure 1.4: Three considerations underlying the societal marketing concept</p>



<ul style="list-style-type: none"> <li>• <b>Assignments, resources</b>                      Use <i>Discussion question 1-4</i> here                      Use <i>Additional project 2</i> here                      Use <i>Focus on ethics</i> here</li> <li>• <b>Troubleshooting tip</b>                      Societal marketing is also something that can be a little unclear to students. Why should fast food chains, for instance, be responsible for the nation's obesity (just one very topical discussion point)? Understanding how one should balance the need for profits with what some might consider being 'soft' issues can be difficult at times. And that can be made even more difficult among the politically-astute students, as they can easily lead the class into a left versus right discussion on individual versus corporate versus governmental responsibility. Try not to let that happen, instead focusing on how companies can actually increase their revenue and profits by showing that they care about their customers and their communities. Newman's Own is a brand that could be discussed, as most profits are donated to charities, and they have moved strongly into ensuring a sustainable environment.</li> </ul>		
p. 13	<p><b>PREPARING AN INTEGRATED MARKETING PLAN AND PROGRAMME</b></p> <p>The company's marketing strategy outlines which customers the company will serve and how it will create value for these customers.</p> <p>Next, the marketer develops an integrated marketing programme that will actually deliver the intended value to target customers.</p>	
PPT 1-20	<p>The marketing programme consists of the firm's <i>marketing mix</i>, the set of marketing tools the firm uses to implement its marketing strategy.</p> <p>The marketing mix tools are classified into the <i>four Ps</i> of marketing: product, price, place and promotion.</p> <p>The firm blends all of these marketing mix tools into a comprehensive <i>integrated marketing programme</i> that communicates and delivers the intended value to chosen customers.</p>	
<ul style="list-style-type: none"> <li>• <b>Resources, applications</b>                      Use <i>Online, mobile and social media marketing</i> here</li> </ul>		

p. 13	<b>BUILDING CUSTOMER RELATIONSHIPS</b>	Chapter objective 4
PPT 1–21	<p><b>Customer relationship management</b></p> <p><i>Customer relationship management</i> is the most important concept of modern marketing.</p> <p><b>Customer relationship management</b> is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.</p> <p>It deals with all aspects of acquiring, keeping and growing customers.</p> <p><b><i>Relationship building blocks: customer value and satisfaction</i></b></p> <p>The key to building lasting customer relationships is to create superior customer value and satisfaction.</p>	p. 13 Key terms: Customer relationship management, Customer-perceived value
PPT 1–22	<p><b>Customer value</b></p> <p><b>Customer-perceived value</b> is the customer's evaluation of the difference between all the benefits and all the costs of a market offering relative to those of competing offers.</p> <p>Customers often do not judge values and costs 'accurately' or 'objectively'.</p> <p>Instead, customers act on perceived value.</p> <p><b>Customer satisfaction</b></p> <p><b>Customer satisfaction</b> depends on the product's perceived performance relative to a buyer's expectations.</p> <p>If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted.</p> <p>Although the customer-centred firm seeks to deliver high customer satisfaction relative to competitors, it does not attempt to <i>maximise</i> customer satisfaction.</p> <p>A company can always increase customer satisfaction by lowering its price or increasing its services. But this may result in lower profits.</p> <p>The purpose of marketing is to generate customer-value profitably.</p>	p. 14 Key term: Customer satisfaction
p. 15	<b>Customer relationship levels and tools</b>	
PPT 1–23	Companies can build customer relationships at many levels.	

	<p>At one extreme, a company with many low-margin customers may seek to develop <i>basic relationships</i> with them.</p> <p>At the other extreme, in markets with few customers and high margins, sellers want to create <i>full partnerships</i> with customers.</p> <p>Many companies offer <i>frequency marketing programmes</i> that reward customers who buy frequently or in large amounts.</p> <p>Companies sponsor <i>club marketing programmes</i> that offer members special benefits and create member communities.</p>	
<p>p. 35</p> <p>PPT 1–24</p>	<p><b>The changing nature of customer relationships</b></p> <p>Yesterday's big companies focused on mass marketing to all customers at arm's length.</p> <p>Today's companies are building deeper, more direct and more lasting relationships with carefully selected customers.</p> <p><b>Relating with more carefully selected customers</b></p> <p>Called <i>selective relationship management</i>, many companies now use customer profitability analysis to weed out losing customers and to target winning ones for pampering.</p> <p><b>Relating more deeply and interactively</b></p> <p>Today's marketers are incorporating interactive approaches that help build targeted, two-way customer relationships.</p> <p><b>Two-way customer relationships.</b> New technologies have profoundly changed the way people relate to one another.</p> <p>This changing communications environment also affects how companies and brands relate to customers.</p> <p>Increasingly, marketers are using new communications approaches in building closer customer relationships.</p> <p>Consumers have more information about brands than ever before.</p> <p>The marketing world is now embracing <b>customer-managed relationships</b>.</p> <p>Companies can no longer rely on marketing by <i>intrusion</i>.</p> <p>Companies must practice marketing by <i>attraction</i> – creating market offerings and messages that <i>involve</i> consumers rather than interrupt them.</p> <p><b>Consumer-generated marketing</b> has become a significant marketing force. Here, consumers themselves are playing a bigger role in shaping their own brand experiences and those of others.</p>	<p>p. 16</p> <p>Key term: Customer-managed relationships</p> <p>p. 17</p> <p>Key term: Consumer-generated marketing</p>



	<p>create not just customer satisfaction, but customer delight.</p> <p>This means that companies must aim high in building customer relationships.</p> <p>Customer delight creates an emotional relationship with a product or service, not just a rational preference.</p> <p>Companies are realising that losing a customer means losing more than a single sale. It means losing <b>customer lifetime value</b>.</p>	<p>p. 19 Key term: Customer lifetime value</p>
<p>• <b>Resources, applications</b></p> <p>Use <i>Marketing by the numbers</i> here</p> <p>Use <i>Individual assignment 1</i> here</p>		
<p>p. 19 PPT 1–30</p>	<p><b>Growing share of customer</b></p> <p><b>Share of customer</b> is defined as the share the company gets of customers purchasing in their product categories (thus, banks want to increase ‘share of wallet’).</p> <p><b>Building customer equity</b></p> <p>Companies want not only to create profitable customers, but also to ‘own’ them for life, capture their customer lifetime value and earn a greater share of their purchases.</p>	<p>p. 19 Key term: Share of customer</p>
<p>PPT 1–31</p>	<p><b>What is customer equity?</b></p> <p><b>Customer equity</b> is the total combined customer lifetime values of all of the company’s current and potential customers.</p> <p>Clearly, the more loyal the firm’s profitable customers, the higher the firm’s customer equity.</p> <p>Customer equity may be a better measure of a firm’s performance than current sales or market share.</p> <p><b>Building the right relationships with the right customers</b></p> <p>Not all customers, not even all loyal customers, are good investments.</p> <p>Figure 1.5 classifies customers into one of four relationship groups, according to their profitability and projected loyalty.</p> <p>‘Strangers’ show low potential profitability and little projected loyalty. The relationship management strategy for these customers is simple: Don’t invest anything in them.</p>	<p>p. 20 Key term: Customer equity</p>

<p>p. 21</p>	<p>‘Butterflies’ are potentially profitable but not loyal. The company should use promotional blitzes to attract them, create satisfying and profitable transactions with them and then cease investing in them until the next time around.</p> <p>‘True friends’ are both profitable and loyal. There is a strong fit between their needs and the company’s offerings. The firm wants to make continuous relationship investments to delight these customers and retain and grow them.</p> <p>‘Barnacles’ are highly loyal but not very profitable. There is a limited fit between their needs and the company’s offerings.</p> <p>Important point: different types of customers require different relationship management strategies.</p> <p>The goal is to build the <i>right relationships</i> with the <i>right customers</i>.</p>	
<p>PPT 1–33</p>	<p><b>THE CHANGING MARKETING LANDSCAPE</b></p> <p>This section explores five major developments: uncertain economic environment, the digital age, rapid globalisation, the call for more ethics and social responsibility and the growth in not-for-profit marketing.</p> <p><b>The uncertain economic environment</b></p> <p>The Great Recession caused many consumers to rethink their spending priorities and cut back on their buying.</p> <p>Companies in all industries have aligned their marketing strategies with these new economic realities, stressing value above all.</p> <p>Wealthy consumers have joined the trend towards frugality. Even luxury brands are stressing value.</p> <p>A recession creates winners and losers, just like a boom. A troubled economy can present companies with opportunities as well as threats.</p>	<p>Chapter objective 5</p>
<p>PPT 1–34</p>	<p><b>The digital age: online, mobile and social media marketing</b></p> <p>The digital age has spawned a dazzling set of new customer relationship-building tools, from websites, online ads and videos, mobile ads and apps, and blogs to online communities and the major social media, such as Twitter, Facebook, YouTube, Instagram and Pinterest.</p> <p><i>The new marketing</i> is <b>customer-engagement marketing</b> – fostering direct and continuous customer involvement in</p>	<p>p. 16 Key term: Customer-engagement marketing</p>

	<p>shaping brand conversations, brand experiences, and brand community.</p> <p>Many Europeans keep in touch with friends on social networking sites such as Facebook and LinkedIn.</p> <p>Web 3.0 connects people through blogs, social networking sites and video sharing sites.</p> <p>Online marketing is now the fastest growing form of marketing.</p> <p>In addition to the 'click-only' dot-coms, most traditional 'brick-and-mortar' companies have now become 'click-and-mortar' companies.</p> <p>Most European online users now use the Internet to shop.</p>	
<ul style="list-style-type: none"> <li>• <b>Resources, applications</b> Use <i>Discussion question 6</i> here</li> <li>• <b>Troubleshooting tip</b> Traditional-age undergraduates have spent their entire lives with technology, and so some of them can actually snicker when the discussion turns to how technology has changed business in general and marketing more specifically. A discussion of the difficulties of connecting to consumers without the Internet is warranted. How would the students approach a one-on-one relationship with millions of customers if they didn't have e-mail or the Internet or blast faxes?</li> </ul>		
<p>p. 25</p>	<p><b>Rapid globalisation</b></p> <p>Marketers are now connected <i>globally</i> with their customers and marketing partners.</p> <p>Almost every company, large or small, is touched in some way by global competition.</p> <p>American firms have been challenged at home by the skilful marketing of European and Asian multinationals.</p> <p>McDonald's now serves 60 million customers daily in 32,000 restaurants worldwide – some 66 per cent of its revenues come from outside the United States.</p> <p>Today, companies are buying more supplies and components abroad.</p>	
<p>p. 25</p>	<p><b>SUSTAINABLE MARKETING – THE CALL FOR MORE ENVIRONMENTAL AND SOCIAL</b></p>	





Marketing, more than any other business function, deals with customers. Although we will soon explore more-detailed definitions of marketing, perhaps the simplest definition is this one: *Marketing is engaging customers and managing profitable customer relationships*. The two-fold goal of marketing is to attract new customers by promising superior value and to keep and grow current customers by delivering satisfaction. Marketing myopia is the mistake of paying more attention to the specific products a company offers than to the benefits and experiences produced by these products.

**1-2 Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts. (AACSB: Communication)**

As a first step, marketers need to understand customer needs and wants and the marketplace in which they operate. We examine five core customer and marketplace concepts: (1) *needs, wants, and demands*; (2) *market offerings (products, services and experiences)*; (3) *value and satisfaction*; (4) *exchanges and relationships*; and (5) *markets*.

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

To design a customer-driven marketing strategy, the marketing manager must answer two important questions: what customers will we serve (what's our target market)? And how can we serve these customers best (what's our value proposition)? The company must first decide who it will serve – that is, the target market. It does this by dividing the market into segments of customers (market segmentation) and selecting which segments it will go after (target marketing). Some people think of marketing management as finding as many customers as possible and increasing demand. But marketing managers know that they cannot serve all customers in every way. By trying to serve all customers, they may not serve any customers well. Instead, the company wants to select only customers that it can serve well and profitably. Ultimately, marketing managers must decide which customers they want to target and on the level, timing and nature of their demand. Simply put, marketing management is customer management and demand management. The company must also decide how it will serve targeted customers – how it will differentiate and position itself in the marketplace. A company's value proposition is the set of benefits or values it promises to deliver to consumers to satisfy their needs. The five alternative concepts under which organisations design and carry out their marketing strategies are: the production, product, selling, marketing and societal marketing concepts. The production concept holds that consumers will favour products that are available and highly affordable. Therefore, management should focus on improving production and distribution efficiency. The product concept holds that consumers will favour products that offer the most in quality, performance and innovative features. Under this concept, marketing strategy focuses on making continuous product improvements. The selling concept holds that consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort. The marketing concept holds that achieving organisational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do. Under the marketing concept, customer focus and value are the paths to sales and profits. Instead of a product-centred 'make and sell' philosophy, the marketing concept is a customer-centred 'sense and respond' philosophy. The societal marketing concept questions whether the pure marketing concept overlooks possible conflicts between consumer short-run wants and consumer long-run welfare. The societal marketing concept holds that marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's and the society's well-being.

**1-4 What is customer-engagement marketing? Describe an example of a brand that engages customers well. (AACSB: Communication; Reflective thinking)**

The new marketing is **customer-engagement marketing** – fostering direct and continuous customer involvement in shaping brand conversations, brand experiences and brand community. Customer-engagement marketing goes beyond just selling a brand to consumers. Its goal is to make the brand a meaningful part of consumers' conversations and lives. Students may want to describe Apple's marketing of the iPhone and iPad. Many will agree that Apple is following the marketing concept because the product is wildly successful, so it must be satisfying consumers' needs. However, some will argue that it is following the product concept in that Apple sometimes appears to have a 'build it and they will buy it mentality'. Requiring that consumers must use AT&T for service and to purchase music and applications from Apple's resources instead of the providers of their choice indicates that Apple may not be following the marketing concept. A few students might mention the societal marketing concept because the iPad is an e-reader, eliminating the need for printed books.

**1-5 When implementing customer relationship management, why might a business desire fewer customers over more customers? Shouldn't the focus of marketing be to acquire as many customers as possible? (AACSB: Communication; Reflective thinking)**

Share of customer is the share a business gets of the customer's purchasing in their product categories. For example, consumers purchase financial services from banks and other financial institutions such as insurance companies. Many insurance companies now offer banking and investment services to capture a greater share of an individual consumer's purchases of these offerings. Increasing share of customer is one way to increase a customer's lifetime value – the value to a company of a satisfied, loyal customer over his or her lifetime. To increase share of customer, firms can offer greater variety to current customers or create programmes to cross-sell and up-sell in order to market more products and services to existing customers. Customer equity is the total combined customer lifetime values of all of the company's current and potential customers. Clearly, the more loyal the firm's profitable customers, the higher the firm's customer equity. Customer equity may be a better measure of a firm's performance than current sales or market share. Whereas sales and market share reflect the past, customer equity suggests the future.

Understanding these concepts is important for marketers because developing marketing activities that create value for customers should, ultimately, create value in return, in the form of current and future sales, market share and profits. By creating superior customer value, the firm creates highly satisfied customers who stay loyal and buy more. This, in turn, means greater long-run returns for the firm.

### ***Critical-thinking exercises***

**1-6 Go to a company's, organisation's, or specific brand's website that has a link to Facebook, Google+, YouTube, Twitter and/or Pinterest. Click on the links and describe how that company is using social media to market its products. Evaluate its effectiveness in creating customer engagement. (AACSB: Communication; Use of IT; Reflective thinking)**

The output of this exercise is vast; encourage good evaluation of the company's activities in social media. What's working, what's not so good? Why do the students think this is so? What would they recommend to the company to improve customer engagement?

- 1-7 Search the Internet for salary information regarding jobs in marketing from a website such as [www.simplyhired.com/a/salary/search/q-marketing](http://www.simplyhired.com/a/salary/search/q-marketing) or a similar site. What is the national average salary for five different jobs in marketing? How do the averages compare in different areas of the country? Write a brief report on your findings. (AACSB: Communication; Use of IT; Reflective thinking)**

Students should look for different jobs at different levels and perhaps with different responsibilities; for example, marketing assistant, marketing executive, marketing manager and marketing director. Then they could look for jobs with specialisms such as digital marketers, brand marketers or product managers. This task allows them to appreciate the breadth and depth of jobs available in marketing.

### ***Online, mobile and social media marketing: Xbox One***

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

- 1-8 Debate whether these new features in game consoles are enough to survive against the growth of smartphone and tablet apps that offer free or inexpensive games. (AACSB: Communication; Reflective thinking)**

Students may come up with thoughts such as the benefits of being able to interact with other players online and playing on a large screen. Xboxes have their place, as do other consoles; but the limitation of the new Xbox One in terms of not being able to play new games on it, is a negative point. Ask the students what they think about this. Smartphones and tablets are less inclusive in terms of gaming devices.

- 1-9 Brainstorm three new game console features incorporating digital, mobile or social media technology to encourage consumer interaction and engagement with gaming. (AACSB: Communication; Reflective thinking)**

The students will probably know more than the instructor in this exercise. Encourage them to really think outside the box!

### ***Marketing ethics: extreme baby monitoring***

Every parent's fear when they put an infant to sleep is Sudden Infant Death Syndrome (SIDS) – the sudden unexplainable death of an otherwise healthy baby. In Europe thousands of infants die

each year of SIDS; a leading cause of infant death. For around €199, parents can buy monitors that track babies' vital signs, such as respiration, heart rate, skin temperature, sleeping position and quality of sleep. The Mimo Smart Baby Monitor is a cute clip-on turtle that attaches to a special organic cotton onesie, and the Owlet Baby Monitor is a smart sock that looks like a little toeless boot. If parents don't want to attach these devices on their little ones, they can opt for the SafeToSleep Breathing Monitor sheet with a built in monitor. All of these devices stream data to parents' smartphones. Manufacturers of these devices promote them to parents for 'your baby's health' or 'gives you that extra assurance' to protect against SIDS. However, several government agencies agree that these devices cannot protect a baby from SIDS. But fear sells, and most of these manufacturers cannot keep up with the demand for their products.

**1-10 Is it right for marketers to play on parents' fear to sell products that experts conclude are not necessary or effective? (AACSB: Communication; Ethical reasoning; Reflective thinking)**

Students' responses will vary. One argument for continuing to sell this product is that consumer demand exists. Students may argue that a company will not and should not put itself out of business. Consumers willingly enter into the exchange relationship when they purchase the monitors, so an argument can be made that marketers should continue to satisfy their needs and desires for this product.

**1-11 Discuss other examples of marketers using emotion to sell products. Are they ethical? (AACSB: Communication; Ethical reasoning)**

There are numerous examples of marketers using emotion to sell products, such as insurance products, vitamins and beauty products. In terms of ethicity, marketers can argue that individuals have their own free will and that they are not forced to purchase products. Conversely, it could be argued that introducing emotion in marketing communications engages the customer at a deeper, more cerebral level and that this could elicit feelings of guilt at not purchasing the product; so is this blackmail? Encourage a deeper discussion around what the students purchase and if any of their purchasing decisions are made because they emotionally engage with the product.

**Marketing by the numbers: consumers rule!**

Marketing is expensive! Do you want customers to order your product by phone? That will cost you €5–€10 per order. Do you want a sales representative calling on customers? That is about €70 per sales call, and that is if the rep does not have to get on an aeroplane and stay in a hotel, which can be very costly considering some companies have thousands of sales reps calling on thousands of customers. What about the €1 off coupon for Tropicana orange juice that you found in the Sunday newspaper. It costs Tropicana more than a €1 when you redeem it at the store. These are all examples of costs of distributing products to buyers, and the costs of all the employees working in marketing.

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

Students' responses will vary depending on the company selected. For consistency across students, instructors may want to assign specific companies from databases that may be

available online or through the school library. It would be interesting to have different students research competing companies in an industry, such as Walmart and Target, to compare results.

- 2. Search the Internet for salary information regarding jobs in marketing. Use [www.marketingjobs.brandrepublic.com](http://www.marketingjobs.brandrepublic.com) or a similar website. What is the average for five different jobs in marketing? How do the averages compare between countries? Write a brief report on your findings. (AACSB: Communication; Use of IT; Reflective thinking)**

Students' responses will vary. Some other salary sites are:

[www.simplyhired.com/a/salary/search/q-marketing](http://www.simplyhired.com/a/salary/search/q-marketing)

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

[http://marketinghire.salary.com/salarywizard/layoutscripts/swzl\\_newsearch.asp](http://marketinghire.salary.com/salarywizard/layoutscripts/swzl_newsearch.asp)

## **Company case**

### ***Pegasus Airlines: delighting a new type of travelling customer***

#### **Synopsis**

Pegasus was created in 1989 as a charter airline partnered with Aer Lingus to create all-inclusive holidays. As of 2010, Pegasus has a fleet of 27 Boeing planes with a further 24 on order. Pegasus Airlines flies from Istanbul's second main hub, Sabiha Gökçen International Airport. Its on-time departure rate is 93 per cent, which is well above the European average of 81 per cent, demonstrating the importance the company attaches to customer service. Pegasus has developed a specific customer satisfaction guarantee policy that provides customers with (i) in the case of a delay greater than 3 hours, a refund of the ticket and (ii) in the case of a delay greater than 5 hours, a refund and a free ticket. Pegasus also offers a customer service experience at the airport it provides exclusive allotments for the first 72 hours of parking with a valet parking option, VIP and Business Class lounges, car rental and many hotel partners where customers can get some discount. It is a personal culture that gives Pegasus' customer service an edge. Pegasus' employees work as a team with their goal being a common understanding of the airline's long-term objective to provide a democratic environment in which everyone shares their ideas freely. Training, as well as continuous development is provided to ensure regular career progression and high levels of motivation through a solid performance system and regular personal feedback. Early in the process, Pegasus selects the people who best exhibit these values while directing the right person to the right department at the right time. The last tenet of Pegasus' customer-service strategy lies in the regularly scheduled and innovative destinations it offers. Since 2005, Pegasus has shown that a low-cost airline can deliver low fares, excellent service and steady profits. It has demonstrated that even in the airline business, entry barriers can be lowered and a powerful brand can be created. Pegasus embodies success in four marketing cornerstones: (i) it ensures successful service through safety, training and its devoted employees, (ii) it employs creative communication with its customers, (iii) it offers great destinations and easy access to international hubs and (iv) it uses efficient management techniques, delivering low prices with a high-quality service experience.

## Teaching objectives

The teaching objectives for this case are to:

1. Introduce students to the concept of customer-value creation and its central role in marketing.
2. To provide working examples of needs, wants and demands.
3. Allow students to analyse JetBlue's product offering in depth.
4. Introduce the concepts involved in customer relationship management.

## Questions for discussion

- 1. Give examples of needs, wants and demands that Pegasus customers demonstrate, differentiating these three concepts. What are the implications of each for Pegasus' practices?**

Needs – Could be discussed in terms of Maslow types of needs like safety and affection. But likely the most core need here is long distance transportation from point A to point B.

Wants – Are shaped by culture and personality. Customers can fly any airline. But they want to be treated with kindness and respect. They want comfort in flight. They want to be on time. Given the choice, they want an assortment of tasty snacks and a selection of media at their seat.

Demands – The interesting thing about this case is that all the extras that Pegasus delivers do not cost more. In fact, in many cases, they cost less. Thus, the wants kind of automatically translate into demands. This isn't a case where people are willing to pay a certain amount in order to get the amenities. They may actually save money and still get all the good stuff.

- 2. Describe in detail all the facets of Pegasus' product. What is being exchanged in a Pegasus transaction?**

People are exchanging money, the time and effort to book a flight, and the opportunity to travel with some other airline for all the facets of Pegasus' market offering. Thus, Pegasus' combination of products, services and experiences can be listed. These include all the features and services on the flights and in the terminals. But this also includes the customer service that people find (phone reps that treat you like a good neighbour, gate reps that are cheerful and accommodating, flight attendants that dole out the goodies without begging). All this gets wrapped up in an experience that is stress-free and leaves the customer feeling pampered.

- 3. Which of the five marketing management concepts best applies to Pegasus?**

The marketing concept is clearly established. Pegasus does an amazing job of identifying customer needs and wants and then delivering them better than the competition can. However, there may be some who argue that Pegasus exhibits the societal marketing concept. There is some evidence that Pegasus' approach to treating customers is in society's best interest, in that it may just transform the entire industry. Then, all travellers are better off. However, there is little

said in this case about efforts on behalf of Pegasus that typically characterise the societal marketing concept.

#### **4. What value does Pegasus create for its customers?**

This should be discussed in terms of the 'value = benefits – costs' equation outlined in the text. The benefits/features and costs of Pegasus have already been outlined above. What should be noted here is that because Pegasus delivers MORE benefits than other airlines at prices that are as low or lower, Pegasus delivers greater customer value. Therefore, it seems that most customers, given the choice, would choose Pegasus as long as it is available for the route they need to travel. One thing that is not discussed in this case that makes a difference to many air travellers is airline membership reward programmes (frequent flyers). No information is given as to how Pegasus provides such benefits. This is a benefit that many will put a high value on, given that they get free travel or upgrades from such programmes. Especially, if they accumulate points from business travel that they can redeem for personal travel, then such programmes provide a monetary incentive. Such incentives go a long way towards balancing out the value of good snacks and LCD entertainment. This is a good comparison to make to illustrate how value differs across customer segments.

#### **5. Is Pegasus likely to continue being successful in building customer relationships? Why or why not?**

Corporate culture is on Pegasus' side. The company certainly has the infrastructure to continue to provide the service and benefits that have created such strong customer relationships. The only issue in question is whether or not Pegasus' can continue to afford to provide all the niceties at low prices. Thus, from a competitive standpoint, there is no reason that Pegasus should not be able to continue to deliver.

### **Teaching suggestions**

Pegasus has a great website (<http://www.flypgs.com/>) that illustrates the full Pegasus customer experience. In conjunction with the discussion questions, use this website to illustrate the full spectrum of customer benefits that Pegasus delivers.

This case also works well with the marketing strategy chapter (Chapter 2), the consumer behaviour chapter (Chapter 5), and the product and services marketing chapter (Chapter 8).

## **ADDITIONAL PROJECTS, ASSIGNMENTS AND EXAMPLES**

### ***Projects***

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

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

### **Small group assignments**

1. Form students into groups of three to five. Each group should read the opening vignette to the chapter on Mini. Each group should answer the following question. (Objective 2)
  - a. Do you believe that customers really want long-term relationships with a company, rather than short-term bargains? Why or why not?
2. Each group should then share its findings with the class.

### **Individual assignments**

1. Companies are realising that losing a customer means more than losing a single sale. It means losing a stream of revenue from that customer over their lifetime. (Objective 4). Is it possible to take his idea of 'the customer is always right' too far so that it becomes a negative on the company? Why or why not?
2. Marketing activities by not-for-profit organisations have increased substantially in recent years. Organisations such as hospitals and churches now spend significant monies to get their individual messages out and draw in new customers, clients, members, etc. Discuss whether or not you consider this a good long-term strategy to grow the organisation. (Objective 5)

### **Think-pair-share**

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

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

### **Outside examples**

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

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

- a. What needs, wants and/or demands is Sea Ray attempting to fill?



- b. Describe their marketing offers.
- c. Describe the relationships they have with their customers.
- d. What are their markets?

*Possible solution:*

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

*Possible solution:*

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