

CHAPTER 1

An Overview of Strategic Marketing**TEACHING RESOURCES QUICK REFERENCE GUIDE**

Resource	Location
Key Terms	IRM, p. 1
Side-By-Side Comparison of the Major Topics and Learning Objectives	IRM, p. 1
What's New in This Chapter	IRM, p. 2
Purpose and Perspective	IRM, p. 2
Lecture Outline	IRM, p. 3
Discussion Starters	IRM, p. 10
Class Exercises	IRM, p. 12
Answers to Discussion and Review Questions	IRM, p. 14
Comments on the Cases	IRM, p. 16
Video Case 1.1	IRM, p. 16
Case 1.2	IRM, p. 17
MindTap Updates	IRM, p. 18
Examination Questions: Essay	Cognero
Examination Questions: Multiple-Choice	Cognero
Examination Questions: True-False	Cognero
PowerPoint Slides	Instructor's website

KEY TERMS

customer lifetime value (CLV)	market orientation	product
customer relationship management (CRM)	marketing	relationship marketing
customers	marketing concept	stakeholders
exchanges	marketing environment	target market
green marketing	marketing mix	value

SIDE-BY-SIDE COMPARISON OF THE MAJOR TOPICS AND LEARNING OBJECTIVES

A-Head	Learning Objective
1-1 Defining Marketing	1-1 Define marketing.
1-2 Marketing Deals with Products, Distribution, Promotion, and Price	1-2 Explain the different variables of the marketing mix.
1-3 Marketing Creates Value	1-3 Describe how marketing creates value.
1-4 Marketing Occurs in a Dynamic Environment	1-4 Briefly describe the marketing environment.
1-5 Understanding the Marketing Concept	1-5 Summarize the marketing concept.
1-6 Customer Relationship Management	1-6 Identify the importance of building customer

	relationships.
1-7 The Importance of Marketing in Our Global Economy	1-7 Explain why marketing is important to our global economy.

WHAT'S NEW IN THIS CHAPTER

- A new Marketing Insights feature explores how Amazon satisfies customer needs and how the company can create more value for its customers
- New data on Hispanic consumers
- New content on supply-chain management
- New content in The Promotion Variable section about how promotion is more than just advertising
- New content on drones in Understanding the Marketing Concept section
- A new Disruptive Marketing boxed feature highlights Zappos' customer relationship management strategy
- A new Snapshot features top marketing challenges
- A new Entrepreneurship in Marketing boxed feature shares the story of Blue Bottle Coffee
- New Video Case 1.1 shares Apple's new retail store concepts and explores the impact they will have on retailing
- New Case 1.2 explores TOMS' social entrepreneurship

PURPOSE AND PERSPECTIVE

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

LECTURE OUTLINE

I. Defining Marketing

- A. **Marketing** is the process of creating, distributing, promoting, and pricing goods, services, and ideas to facilitate satisfying exchange relationships with customers and to develop and maintain favorable relationships with stakeholders in a dynamic environment.
- B. This definition is consistent with the American Marketing Association definition of marketing which 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.”
 - 1. The essence of marketing is to develop satisfying exchanges from which both customers and marketers benefit. Both customer and marketer expect to gain something of value from the exchange.
- C. The marketing mix variables are often viewed as controllable because they can be modified.
 - 1. However, competitive forces, economic conditions, political forces, laws and regulations, technology, and sociocultural forces shape the decision-making environment for controllable variables.
- D. Marketing Focuses on Customers
 - 1. As the purchasers of the products that organizations develop, promote, distribute, and price, **customers** are the focal point of all marketing activities.
 - 2. The essence of marketing is to develop satisfying exchanges from which both customers and marketers benefit. Both customer and marketer expect to gain something of value from the exchange.
 - 3. Organizations generally focus their marketing efforts on a specific group of customers, or **target market**.
 - a. Marketing managers may define a target market as a vast number of people or a relatively small group.

II. Marketing Deals with Products, Distribution, Promotion, and Price

- A. Marketing is more than simply advertising or selling a product; it involves developing and managing a product, making the product available in the right place and at a price acceptable to buyers, and communicating information to help customers determine if the product will satisfy their needs.
 - 1. These activities—product, distribution, promotion, and pricing—are known as the **marketing mix** because marketers decide what type of each element to use and in what amounts.
 - 2. Marketers must aim to create and maintain the right mix of elements to satisfy customers in the target market.
 - 3. Marketers must collect detailed and up-to-date information on their target market, consumer preferences, and competitors in order to develop the marketing mix.
 - a. Such information might include data about the age, income, ethnicity, gender, and educational level of people in the target market, their preferences for product features, their attitudes toward competitors’ products, and the frequency with which they use the product.
- B. The Product Variable

1. The product variable of the marketing mix deals with researching customers' needs and wants and designing a product that satisfies them.
 2. A **product** can be a good, a service, or an idea.
 - a. Good—a physical entity that you can touch
 - b. Service—the application of human and mechanical efforts to people or objects to provide intangible benefits to customers
 - c. Idea—concept, philosophy, image, or issue
 3. The product variable includes the creation or modification of brand names and packaging. It may also include decisions regarding warranty and repair services.
 4. Product variable decisions and activities directly impact the creation of products that meet customers' needs and wants.
- C. The Distribution Variable
1. Distribution helps a marketing manager make products available in the quantities desired to as many target market customers as possible.
 2. Must keep total inventory, transportation, and storage costs as low as possible.
 3. Must also select and motivate intermediaries, establish inventory control procedures, and manage transportation and storage.
 4. Supply chain management involves maintaining a flow of products through physical distribution activities including: acquiring resources, inventory, and the interlinked networks that make products available to customers through purchasing, logistics, and operations.
- D. The Promotion Variable
1. The promotion variable relates to activities used to inform individuals or groups about an organization and its products. It can be aimed at increasing public awareness of an organization and new or existing products.
 2. Promotion is more than just advertising. It includes personal selling, sales promotions, and publicity.
 3. Promotional activities can:
 - a. Educate customers about product features
 - b. Urge people to take a stance on a political or social issue
 - c. Sustain interest in established products
- E. The Price Variable
1. The price variable relates to decisions and actions associated with establishing pricing objectives and policies and determining product prices.
 2. Price is a critical component of the marketing mix because customers are concerned about the value obtained in an exchange.
 3. Price is a competitive tool but can lead to intense price competition.
 4. Marketing mix variables are often viewed as controllable because they can be modified; however, economic conditions, competitive structure, or government regulations may limit a marketing manager's influence.

III. Marketing Creates Value

- A. **Value** is a customer's subjective assessment of benefits relative to costs in determining the worth of a product (customer value = customer benefits – customer costs).
1. Customer benefits include anything a buyer receives in an exchange.
 2. Customer costs include anything a buyer must give up to obtain the benefits provided by the product. Costs include the monetary price of the product as well as less obvious nonmonetary costs, such as time and effort.
 3. The process people use to determine value may vary widely.
 4. In developing marketing activities, it is important to recognize that customers receive benefits based on their experiences.
 5. The marketing mix, especially promotional activities and extra services or features, can be used to enhance perceptions of value.
- B. Marketing Builds Relationships with Customers and Other Stakeholders
1. Individuals and organizations engage in marketing to facilitate **exchanges**—the provision or transfer of goods, services, or ideas in return for something of value.
 2. Four conditions must exist for an exchange to occur:
 - a. Two or more individuals, groups, or organizations must participate, and each must possess something of value desired by the other party.
 - b. The exchange should provide a benefit or satisfaction to both parties involved in the transaction.
 - c. Each party must have confidence in the promise of the “something of value” held by the other.
 - d. To build trust, the parties to the exchange must meet expectations.
 3. An exchange will not necessarily take place just because these conditions exist; marketing activities can occur even without an actual transaction or sale. (Figure 1.2 depicts the exchange process).
 4. Marketing activities should attempt to create and maintain satisfying exchange relationships.
 - a. To maintain an exchange relationship, buyers must be satisfied with the good, service, or idea obtained, and sellers must be satisfied with the financial reward or something else of value received.
 5. Marketers are also concerned with building relationships with relevant **stakeholders** who have a “stake,” or claim, in some aspect of a company's products, operations, markets, industry, and outcomes; these may include customers, employees, investors and shareholders, suppliers, governments, communities, competitors, and many others.

IV. Marketing Occurs in a Dynamic Environment

- A. The **marketing environment**, which includes competitive, economic, political, legal and regulatory, technological, and sociocultural forces that surround the customer and affect the marketing mix. The effects of these forces can be difficult to predict.
- B. The forces of the marketing environment affect marketers' abilities to facilitate exchanges in three ways:
1. They affect customers' lifestyles, standards of living, and preferences and needs for products.

2. They help determine whether and how a marketing manager can perform certain marketing activities.
 3. They affect a marketing manager's decisions and actions by influencing buyers' reactions to the organization's marketing mix.
- C. Marketing environment forces can fluctuate quickly and dramatically.
1. Changes in the marketing environment produce uncertainty for marketers and at times hurt marketing efforts, but they also create opportunities. Marketers who are alert can adjust and capitalize on opportunities provided by change.
 2. Marketing mix elements—product, distribution, promotion, and price—are factors over which an organization has control; the forces of the environment, however, are subject to far less control.

V. Understanding the Marketing Concept

- A. According to the **marketing concept**, an organization should try to provide products that satisfy customers' needs through a coordinated set of activities that also allows the organization to achieve its goals.
1. Customer satisfaction is the major focus of the marketing concept.
 - a. An organization should focus on customer analysis, competitor analysis, and integration of the organization's resources to provide customer value and satisfaction, as well as long-term profits.
 - b. The organization must continue to alter, adapt, and develop products to keep pace with customers' changing desires and preferences.
 1. The marketing concept stresses that marketing begins and ends with customers. There is a positive correlation between customer satisfaction and shareholder value.
 2. The marketing concept is not:
 - a. A second definition of marketing. It is a management philosophy guiding an organization's overall activities
 4. Marketing is a strategic concept to achieve objectives.
 - a. A firm that adopts the marketing concept must satisfy not only its customers' objectives but also its own, or it will not stay in business long.
 - b. The marketing concept stresses that an organization can best achieve these objectives by being customer oriented.
 5. It is important for marketers to consider the long-term needs of society.
- B. Evolution of the Marketing Concept
1. There have always been companies that embraced the marketing concept, but the evolution of marketing has gone through three major time periods.
 2. The Production Orientation
 - a. The Industrial Revolution took place in the second half of the 19th century in the United States.
 - b. As a result of new technology and new ways of using labor, products entered the marketplace and consumer demand was strong.

3. The Sales Orientation
 - a. During the first half of the twentieth century, competition increased, and businesspeople viewed sales as the major means of increasing profits.
 - b. During this era, the major marketing activities were personal selling, advertising, and distribution.
 4. The Market Orientation
 - a. By the early 1950s, some businesspeople recognized they must produce what consumers want, rather than make products and try to persuade customers that they need what is produced.
 - b. A **market orientation** requires the “organizationwide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organizationwide responsiveness to it.”
 - c. A market orientation should recognize the need to create specific types of value-creating capabilities that enhance organizational performance.
 - d. A market orientation involves being responsive to ever-changing customer needs and wants.
- C. Implementing the Marketing Concept
1. To implement the marketing concept, a market-oriented organization must accept some general conditions and recognize and deal with several problems.
 2. Management must establish an information system to discover customers’ real needs and then use the information to create satisfying products. Information systems can be expensive and time-consuming.
 3. A company must also coordinate all its activities. This may require restructuring internal operations, including production, marketing, and other business functions.
 - a. Requires the firm to adapt to a changing external environment and predict major changes.

VI. Customer Relationship Management

- D. **Customer relationship management (CRM)** focuses on using information about customers to create marketing strategies that develop and sustain desirable customer relationships.
1. Achieving the full profit potential of each customer relationship should be the fundamental goal of every marketing strategy.
 2. At the most basic level, profits can be obtained through relationships in the following ways:
 - a. By acquiring new customers
 - b. By enhancing the profitability of existing customers
 - c. By extending the duration of customer relationships
 3. Implementing the marketing concept means optimizing the exchange relationship—the relationship between a company’s financial investment in customer relationships and the return generated by customers responding to that investment.

- E. **Relationship marketing** refers to “long-term, mutually beneficial arrangements in which both the buyer and seller focus on value enhancement through the creation of more satisfying exchanges.”
1. Continually deepens the buyer’s trust in the company, and as the customer’s confidence grows, this increases the organization’s understanding of the customer’s needs.
 2. Relationship marketing strives to build satisfying exchange relationships between buyers and sellers by gathering useful data at all customer-contact points and analyzing that data to better understand customers’ needs, desires, and habits.
 3. Marketers are increasingly turning to marketing research and information technology to improve CRM.
 4. By increasing customer value over time, organizations try to retain and increase long-term profitability through customer loyalty.
 5. Through the use of e-marketing strategies, companies can personalize customer relationships on a nearly one-on-one basis.
- C. **Customer Lifetime Value**
1. Managing customer relationships requires identifying patterns of buying behavior and using that information to focus on the most promising and profitable customers.
 - a. **Customer lifetime value (CLV)** predicts the net value (profit or loss) for the future relationship with a customer.
 - b. A customer’s value over a lifetime represents an intangible asset to a marketer that can be augmented by addressing the customer’s varying needs and preferences at different stages in his or her relationship with the firm.
 - c. When marketers focus on customers chosen for their lifetime value, they earn higher profits in future periods than when they focus on customers selected for other reasons.
 2. The ability to identify individual customers allows marketers to shift their focus from targeting groups of similar customers to increasing their share of an individual customer’s purchases.
 - a. Focusing on share of customer requires recognizing that all customers have different needs and that not all customers weigh the value of a company equally.
 - b. The concept of CLV may include not only an individual’s tendency to engage in purchases but also his or her strong word-of-mouth communication about the company’s products.
 3. CLV is a key measurement that forecasts a customer’s lifetime economic contribution based on continued relationship marketing efforts.
 - a. It can be calculated by taking the sum of the customer’s present value contributions to profit margins over a specific time frame.
 - b. CLV can help marketers determine how best to allocate resources to marketing strategies to sustain that customer over a lifetime.

VII. The Importance of Marketing in Our Global Economy

A. Marketing Costs Consume a Sizable Portion of Buyers’ Dollars

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

2. It is important to know how this money is used.
- B. Marketing Is Used in Nonprofit Organizations
1. Marketing is also important in organizations working to achieve goals other than ordinary business objectives such as profit.
 2. Government agencies engage in marketing activities to fulfill missions and goals.
 3. In the private sector, nonprofit organizations also employ marketing activities to create, distribute, promote, and even price programs that benefit particular segments of society.
- C. Marketing Is Important to Businesses and the Economy
1. Businesses must engage in marketing to survive and grow, and marketing activities are needed to reach customers and provide products.
 2. Marketing activities help produce profits that are essential to the survival of individual businesses, help create a successful economy, and contribute to the well-being of society.
- D. Marketing Fuels Our Global Economy
1. Marketing is necessary to advance a global economy.
 2. Advances in technology, falling political and economic barriers, and the universal desire for a higher standard of living have made international marketing commonplace while stimulating global economic growth.
- E. Marketing Knowledge Enhances Consumer Awareness
1. Marketing improves quality of life for customers.
 2. Understanding how marketing activities work helps us to be better consumers and increases our ability to maximize value from our purchases.
- F. Marketing Connects People through Technology
1. Technology helps marketers understand and satisfy more customers than ever before.
 2. The internet allows marketers to disseminate information about products and interact with target markets.
- G. Socially Responsible Marketing Can Promote the Welfare of Customers and Stakeholders
1. The success of our economic system depends on marketers whose values promote trust and cooperative relationships in which customers are treated with respect.
 2. **Green marketing** is a strategic process involving stakeholder assessment to create meaningful long-term relationships with customers while maintaining, supporting, and enhancing the natural environment.
 2. By addressing concerns about the impact of marketing on society, a firm can protect the interests of the general public and the natural environment.
- H. Marketing Offers Many Exciting Career Prospects
1. Marketing positions are among the most secure positions because of the need to manage customer relationships.
 2. Marketing knowledge and skills are valuable assets no matter what the field.

DISCUSSION STARTERS

Discussion Starter 1: Customer Service

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

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

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

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

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

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

Discussion Starter 2: The Marketing Mix

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

If a firm is market oriented, it will want to meet the needs of its target market. Although customers do not like price increases, they are more likely to accept gradual rate changes. Turing, a pharmaceutical firm, received major backlash from both consumers and regulators after its CEO raised the price of the drug Daraprim by over 5,000 percent. The pill's price increased from \$13.50 a pill to \$750. Turing attempted to pacify critics by offering large-scale price reductions to hospitals and smaller bottles of the drug. The CEO of Turing was eventually arrested on an unrelated charge. Rising prices at other drug companies have sparked frustration with the industry.

Diet Pepsi also made the decision to change its product by replacing aspartame with sucralose. The move was in response to consumers' growing distrust of aspartame. Initial reaction to the reformulated Diet Pepsi was negative. Similar reactions occurred when Coca-Cola introduced New Coke, prompting it to pull the product. Most of the time, changes to beloved products initiate consumer backlash, at least in the beginning. This requires marketers to carefully consider changes to products, prices, and other elements of the marketing mix.

ASK: *What can the pharmaceutical industry do differently to keep customers satisfied? Will customers ever approve of price increases?*

Students should have a lot of ideas to answer this question. As consumers, they probably disapprove of price increases for drugs, especially drugs that are necessary for survival. However, it is important for students to begin to think like business people and decide how they would handle changing the marketing mix. Pharmaceutical firms argue that research and development as well as innovation necessitate higher costs for certain drugs. Students may suggest that drug firms should raise prices more slowly. They may also argue that the pharmaceutical firms should reveal the reasoning behind decisions. For those drugs

where the price must be increased dramatically, offering hospitals discounts and finding other methods to keep the costs affordable would be ways to help stem the tide of criticism. Transparency with consumers and regulators is key to maintaining trust.

Discussion Starter 3: The Exchange

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

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

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

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

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

Discussion Starter 4: Socially Responsible Marketing

ASK: How do you feel marketing benefits society?

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

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

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

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

CLASS EXERCISES

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

The **marketing concept**, a firm's **market orientation**, and **customer relationship management** all revolve around putting the customer at the center of strategic marketing. With the customer at the center, the heart of strategic marketing revolves around providing outstanding customer service. Every beginning student in marketing will have experience with both superior and inferior customer service.

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

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

Addendum: To underscore the logic behind the power of negative customer testimonials, you can introduce the Rule of 66. On average, when a customer has a particularly bad experience, they will tell on average 11 people, and those 11 people will tell an additional 5 people each. Thus 11 times 5 equals 55 and adding those 11 people who were told the original bad experience makes 66 people.

Class Exercise 2: Chinese Brands and Brand Image

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

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

Class Exercise 3: Crocs—Designed for Success

Crocs, Inc. was founded in 2002 and achieved success by creating a unique type of shoe made out of foam and offered in a variety of colors. Although the shoe design was often perceived as ugly, it attracted customers because of its unique nature and comfortable qualities. However, after early success, Croc began experiencing dwindling sales because it only offered one type of shoe. Crocs began to expand into other product lines such as fashionable flats, wedges, sneakers, and other products that offered the same comfort level. Yet sales continued to dwindle. In 2015 the toddler son of Prince William and Kate Middleton was seen sporting crocs, causing a large spike in sales. New leadership at the firm will attempt to increase the hype behind crocs once more.

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

Class Exercise 4: The Target Market Is You

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

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

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

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

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

ANSWERS TO DISCUSSION AND REVIEW QUESTIONS

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

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

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

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

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

The marketing mix includes product, distribution, promotion, and price. They are called *variables* because marketing managers decide what type of each element to use and to what degree.

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

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

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

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

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

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

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

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

8. How can an organization implement the marketing concept?

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

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

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

10. Why is marketing important in our society? Why should you study marketing?

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

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

COMMENTS ON THE CASES

VIDEO CASE 1.1: APPLE INC.: THE FUTURE OF RETAILING, EDUCATION AND ENTERTAINMENT

Summary

This case illustrates how Apple's market orientation has helped solidify it as a leader and innovator in the consumer electronics industry. Since its founding, Apple has created products that are forward-thinking and intuitive to use. The products quickly gained loyal users and customers became evangelists for the brand.

Apple is innovative not only in their product offerings, but also in their approach to retail. Clean, sleek retail stores display the company products while employees offer expertise in all things Apple. The company's new flagship store in San Francisco innovates the traditional retail model even further. With enough space to hold workshops and musical performances, Apple looks to educate and entertain. Apple hopes the new store will become a place for customers to relax and hang out on the weekends.

Questions for Discussion

1. How has a market orientation contributed to Apple's success?

A market orientation requires the "organizationwide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organizationwide response to it." Apple focuses on creating innovative products with features that keep customers excited about the brand. As a result, customers became evangelists for the brand—lauding the company's products to family and friends. The company recently released a smart home speaker and is working on a self-driving car. In addition, in-store "geniuses" that can help customers with their products add value.

2. Describe how Apple embraces the marketing concept.

Apple considers its customers and other stakeholders at every level of its marketing activities, which has led to the company's popularity and success. Students may cite examples related to each part of the marketing mix, so make sure they focus on how the marketing mix contributes to customer satisfaction and the marketing concept.

The new retail location will offer not only product specialists, but creative pros available to help with music and design questions. The large, second floor space will host musical performances and talks by photographers and app developers. The continuity, or compatibility, of Apple products which make it simple for users to sync pictures, access iCloud, share music, and more add value for customers.

3. How would you describe Apple's strategy in the highly competitive consumer electronics industry?

Apple is known as a leader in the highly competitive consumer electronics industry. Apple's strategy, coordinating all of its activities, allows the company to predict changes and adapt. Apple's ability to anticipate and fulfill customer needs the company to create products that become the industry standard. Apple also uses its own retail stores, with sleek presentation, and product experts to reach customers and add value to their experience.

CASE 1.2: TOMS: PURCHASE ONE AND GIVE ONE

Summary

This case focuses on how social entrepreneur, Blake Mycoskie developed an innovative company, TOMS, which pioneered the One for One® model. For every pair of shoes sold, TOMS donates a pair to someone in need. An encourager of this model, Mycoskie inspired other social entrepreneurs to adopt similar models. Today, Mycoskie funds other social entrepreneurship firms with similar missions.

TOMS has expanded their One for One® model to include TOMS glasses and TOMS Roasting Co. coffee. Mycoskie's lofty mission to be "the most influential, inspirational company in the world" led him to sell half of his business to Bain Capital in 2014. This allows Mycoskie to focus on leadership while Jim Alling, CEO, can improve stability and strategic thinking. Mycoskie likes to focus on the "why" of the business—why he began the company in 2006 and why the company is still in business today. Mycoskie's addition of glasses and coffee to the TOMS product line isn't to compete with big chains or industry leaders, but to engage with customers and help more people.

Questions for Discussion

1. How has TOMS implemented the marketing concept?

The marketing concept is a managerial philosophy that an organization should try to satisfy customers' needs through a coordinated set of activities that also allows the organization to achieve its goals. TOMS offers fashionable products that, when purchased, help someone in need. The company also educates the public about the importance of its mission. By promoting the One Day Without Shoes campaign, TOMS can bring awareness to the struggles children in developing countries face on a daily basis. It is the support of customers that has allowed TOMS to be a successful company.

2. Describe the benefits and value that TOMS provides to consumers and other stakeholders.

TOMS' One for One® model allows customers to feel good about the products they are purchasing. Not only do they purchase a product they like, but they give back to someone in need. Additionally, customers are willing to pay a higher price for this benefit and TOMS does not have to solicit donations. Further, TOMS has recently launched shoe manufacturing operations in Haiti, Ethiopia, India and Kenya, staffed by local citizens. This step helps to provide workers with a way to earn income and directly impact their community.

3. Explain how for-profit and nonprofit organizations can have an integrated marketing strategy.

For-profit and nonprofit organizations can have an integrated marketing strategy by being consistent with the messages they share with consumers and stakeholders. For example, TOMS regularly advertises its One to One® mission, includes it on all promotional materials and packages and educates the public on the need to help others.

MINDTAP UPDATES

- A brand-new activity, a self-assessment, falls at the top of each chapter and is meant to serve as a pre-reading activity to introduce students to the chapter materials without having prior knowledge of the content. These self-assessments help students engage students by helping them make personal connections to the content presented in the chapter. Students are able to see how their responses compare to others (anonymously) in their class, school and across the country.
 - Regarding the Chapter 1 Self-Assessment: it focuses on student perceptions of the field of marketing. An instructor may wish to use this exercise at the beginning of the course and at the end of the course as a pre and post measure of changes in student perceptions of marketing.
- The Concept Checks have been removed from the eBook and have been placed in the learning path as a cumulative Concept Check quiz for all of the learning objectives for each chapter.
- Each chapter contains a video quiz where students watch a video about a real company and answer some questions that appear at various stopping points throughout the video. There are 8 new video quizzes and 12 have been picked up from the previous edition.
- The YouTube Marketing Lab series is available on the Instructor Companion Site and contains some new videos and worksheets with questions.
- There are new and revised questions available for the Adaptive Test Prep assignment. These correspond to the same difficulty as the new questions that were added to the Test Bank.
 - Adaptive Test Prep can be found by accessing it through the MindApp dock or from the learning path, “Study Tools” folder in each chapter, they are labelled “Test Your Knowledge.”
- Each chapter has a brand-new PowerPoint that has been updated with the new edition content. The PowerPoints are no longer available in the “Study Tools” folder, but are instead still accessible from the Companion Sites, but also at the end of the main learning path.
- The “You Make the Decision” activities have been updated with all new videos, the content remains the same.
- The Group Projects and Role Play Activities powered by YouSeeU are accessible from the app dock under the YouSeeU app.
- “In the News” has been removed from the “Study Tools” folder and has been placed at the end of the main learning path and redirects to the main page of the KnowNOW! Blog for Principles of Marketing.