



# Instructor's Manual

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# CONTENTS

## Part 1

### An introduction to marketing

- 1: An overview of marketing
- 2: The marketing environment

## Part 2

### Customer information

- 3: Consumer decision making
- 4: Business decision making
- 5: Segmenting and targeting markets
- 6: Marketing information, decision systems and marketing research

## Part 3

### Managing the marketing mix

- 7: Goods and services
- 8: Branding and packaging
- 9: Developing and managing products
- 10: Marketing channels and logistics decisions
- 11: Integrated marketing communication (IMC)
- 12: Promotions mix
- 13: Pricing

## Part 4

### The world of marketing

- 14: Global marketing
- 15: Marketing strategy



# Chapter 1 – An overview of marketing

## Contents

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- Learning objectives
- Learning objectives matrix
- Class activity
- Video activities
- Discussion questions and solutions
- Watch it – video case study featuring marketing in the real world
- Questions and exercises

## Learning objectives

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### 1 Define the term *marketing*

*The ultimate goal of all marketing activity is to facilitate mutually satisfying exchanges between parties. Marketing activities include the conception, pricing, promotion and distribution of ideas, goods and services.*

#### What is marketing?

- Discuss the two facets of marketing:
  - Marketing is a philosophy, attitude, perspective or management orientation that stresses customer satisfaction.
  - Marketing is the process that applies the philosophy, attitude, perspective or management orientation.
- Discuss the importance of customers, testing and research, and the four Ps (price, promotion, place and product).
- Marketing is not the same as selling or advertising.
- Marketing includes selling, advertising, making products available in stores, arranging displays, maintaining inventories and much more.
- Just how important and pervasive is marketing in the world of business? Point out to your students that the second section (out of three) in the daily *The Wall Street Journal* is entitled 'Marketplace' and that each day the entire section covers various aspects of marketing. The broad scope of the term *marketing* may surprise many of your students.
- The American Marketing Association (AMA) definition of marketing:
  - 'Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational goals.'
  - 'There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available ...'

Peter F Drucker, 1973, *Management: tasks, responsibilities, practices*,  
New York: Harper & Row, pp. 64–65.

## 2 Explain the marketing exchange conditions and their influence on marketing

*Marketing exchange is the cornerstone of any marketing activity. To understand marketing exchange is to understand the process of exchanging things of value, whether they are money or goods and services.*

### Marketing exchange

The concept of exchange means that people give up something in order to receive something that they would rather have.

The usual medium of exchange is money. Exchange can also be fostered through the barter or trade of goods or services.

Five conditions must be satisfied for an exchange to take place.

- 1 There must be at least two parties.
- 2 Each party must have something of value that the other party wants.
- 3 Each party must be able to communicate with the other party and deliver the goods or services sought by the other party.
- 4 Each party must be free to accept or reject the other's offer.
- 5 Each party must want to deal with the other party.

Exchange may not take place even if all of these conditions exist, but these conditions are necessary for exchange to be possible.

Marketing can occur even if exchange does not take place. This is an important concept for students to grasp. Marketing makes exchange possible but does not guarantee it.

## 3 Explain the five competing business orientations that impact on marketing strategy

*The five business orientations are:*

- 1 *Production orientation focuses on the internal capabilities of the firm.*
- 2 *Sales orientation focuses on aggressive sales techniques.*
- 3 *Marketing orientation focuses consumer decision making.*
- 4 *Relationship marketing orientation focuses on the value of the repeat sale rather than on making a sale that meets the needs and wants of the marketplace.*
- 5 *Societal marketing orientation focuses on meeting the needs, wants and objectives of customers and organisations while meeting individuals' and society's long-term best interests.*

### Marketing orientations

Over the years a number of different marketing orientations have developed to suit the environment within which they operate. In this text we discuss five orientations: *production, sales, marketing, relationship* and *societal*.

The purpose of discussing the concept of orientation here is to open students to the idea that marketing is not just selling and marketing – though managers do frequently opt for the sales orientation. This is consistent with the text's philosophy of teaching marketing based on students' experiences and building on their knowledge rather than giving them a set of perspectives and rules that are foreign to them.

### *Sales and marketing orientations*

**Sales orientation** is the inward focus of the personnel, with the key driver being sales of the organisation's products. Historically, this was often made possible through the use of the competitive advantage gained via technology, innovation and economies of scale.

Today, however, these tools are no longer as viable in terms of competitive advantage and thus the newer **marketing orientation** has been adopted by many organisations. Marketing orientation tends to be outward focused, and it achieves competitive advantage by meeting customers' needs and enhancing customer value while maintaining organisational viability.

### Customer value

The concept of customer value is the ratio of benefits to the thing that must be forgone to obtain the desired benefits.

The following short exercise will help students understand the idea of customer value. Ask the class to discuss how a student might spend \$50. They would need to identify:

- what the student would like to get
- the implications for getting those products
- how to identify the options
- the cost of the decision.

Customer-value organisations focus on five strategies.

- 1 Offer products that perform.
- 2 Give consumers more than they expect.
- 3 Avoid unrealistic pricing.
- 4 Provide buyers with facts.
- 5 Offer organisation-wide commitment in service and after-sales support.

### Customer satisfaction

Customer satisfaction is achieved when the product has met or exceeded the customer's expectations.

Organisations' drive to ensure customer satisfaction stems from the culture of the organisation and its ability to develop and foster genuine relationships with customers. Four key areas for the organisation are:

- 1 customer-oriented personnel
- 2 training
- 3 empowerment
- 4 teamwork.

## 4 Describe the marketing process

*The marketing process includes understanding the organisation's mission and the role that marketing plays in fulfilling that mission, setting market objectives, scanning the environment, developing a marketing strategy by selecting a target market strategy, developing and implementing a marketing mix, implementing the strategy, designing performance measures, and evaluating marketing efforts and making changes if needed. The marketing mix combines product, distribution (place), promotion and pricing strategies in a way that creates exchanges satisfying to individual organisational objectives.*

### The marketing process

The marketing process involves:

- 1 gathering, analysing and interpreting information about the environment
- 2 understanding the organisation's mission and the role that marketing plays in fulfilling this vision

- 3 finding out what benefits people want the organisation to deliver and the wants they wish the organisation to satisfy
- 4 developing a marketing strategy to satisfy the desires of selected target markets by deciding exactly which wants, and whose wants, the organisation will try to satisfy
- 5 looking at the impact on marketing when dealing with international and global markets
- 6 understanding the organisation's mission and the role that marketing plays in fulfilling this vision, implementing the strategy and periodically evaluating marketing efforts and making changes if needed.

## 5 Give several reasons for studying marketing

*First, marketing affects the allocation of goods and services that influence a nation's economy and standard of living. Second, an understanding of marketing is crucial to understanding most businesses. Third, career opportunities in marketing are diverse, profitable and expected to increase significantly during the coming decade. Fourth, understanding marketing makes consumers more informed.*

### Why study marketing?

#### ***Marketing plays an important role in society***

Marketing provides a delivery system for a complex standard of living. The number of transactions needed every day in order to feed, clothe and shelter an entire national population is enormous and requires a sophisticated exchange mechanism.

#### ***Marketing is important to businesses***

Marketing provides the following vital business activities:

- assesses the wants and satisfactions of present and potential customers
- designs and manages product offerings
- determines prices and pricing policies
- develops distribution strategies
- communicates with present and potential customers.

A survey of major corporations asked what their top planning challenge is for the future. The firms responded that it is developing, improving and implementing competitive marketing strategies.

#### ***Marketing offers outstanding career opportunities***

About a quarter of the workforce performs marketing activities.

Marketing offers career opportunities in areas such as professional selling, marketing research, advertising, retail buying, distribution management, product management, product development and wholesaling.

#### ***Marketing is important to you***

As consumers of goods and services, we participate in the marketing process every day.

Approximately half of everything we spend goes to pay marketing costs such as market research, product research and development, packaging, transportation, storage, advertising and sales-force expenses.



## Looking ahead

The marketing process for the text is broken into four parts as depicted below.

The structure of the book helps students form a base from their current experience and relate that experience to the development of their marketing knowledge.

### ***The structure of the book***

#### **An introduction to marketing**

What is marketing

*Chapter 1 – An overview of marketing*

*Chapter 2 – The marketing environment*

#### **Customer information**

How organisations gather and use information about their customers and how it relate to their customers

*Chapter 3 – Consumer decision making*

*Chapter 4 – Business decision making*

*Chapter 5 – Segmenting and targeting markets*

*Chapter 6 – Market information, decision systems and marketing research*

#### **Managing the marketing mix**

How organisations manage the various marketing activities to maximise their ability to appeal to customers

*Chapter 7 – Goods and services*

*Chapter 8 – Branding and packaging*

*Chapter 9 – Developing and managing products*

*Chapter 10 – Marketing channels and logistics decisions*

*Chapter 11 – Integrated marketing communication (IMC)*

*Chapter 12 – Promotions mix*

*Chapter 13 – Pricing*

#### **The world of marketing**

Other factors that influence both the customer and organisation's marketing effort

*Chapter 14 – Global marketing*

*Chapter 15 – Marketing strategy*

### ***Class discussion and ethical issues***

Discussion of ethical issues in marketing is critical to the marketing development of students.

Ethical issues in general are discussed in the PowerPoint slides, followed by ethical issues specific to each of the four Ps of the marketing mix.

## Chapter 1: Learning objective matrix

Learning objectives	PP slides	Discussion questions	Class activities
1 Define the term <i>marketing</i>	5	1	
2 Explain the marketing exchange conditions and their influence on marketing	6		
3 Explain the five competing business orientations that impact on marketing strategy	7–17		5
4 Describe the marketing process	18–23		
5 Give several reasons for studying marketing	24–25	2	
Ethical issues	n/a		

## Class activity

### Marketing is not just advertising

The objective of this exercise is to get students to think about what may be involved in marketing a product. They should construct plans that list the major variables in the marketing mix. This activity will emphasise that marketing is not just advertising.

First, ask students to assume that they have just purchased a tennis racquet factory that has been shut down for the last few years. The automated equipment and computer system are in excellent shape and the personnel needed to run the factory are readily available. But before jumping into production, what questions need to be asked and answered? What plans need to be made? Which of these plans concern marketing?

The following suggested questions should be brought up after the students suggest theirs. All these questions are about marketing issues.

- 1 What are the needs of tennis players? Do they need more or different styles of tennis racquets?
- 2 How many different categories of tennis players are there? What kind of racquet does each category need? (Handles, sizes, shapes, weights and prices are factors.)
- 3 Which category of player is the firm's target market?
- 4 Estimate how many people are in this chosen category. How many of them will be playing over the next five years? How often will they buy a new racquet?
- 5 When will these customers buy? (Are there seasons or trends?)
- 6 Where are these customers located? Where do they shop for tennis racquets?
- 7 What price are these customers willing to pay? Does this price leave a profit for the company?
- 8 How will the company communicate with potential customers? What type of promotion will reach them?
- 9 How will the racquets be packaged? What type of warranty will they carry? How will the firm provide customer service?
- 10 How many other companies are making racquets? What kinds of racquets do competitors offer? How are they priced?
- 11 What is the industry as a whole projected to do in the next five to ten years?

All these questions must be answered before beginning production. As the students should now see, marketing strategy drives the business.

## Video activities

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This video introduces the concept of marketing and the goal of identifying the needs of the customer using the four Ps.

[www.youtube.com/watch?v=DSYUf4Xc3DY](http://www.youtube.com/watch?v=DSYUf4Xc3DY)

This video presents a cross-section of marketing theory and application. It introduces some concepts that may gain traction from this format.

[www.youtube.com/watch?v=EnbHtOAtqRU](http://www.youtube.com/watch?v=EnbHtOAtqRU)

## Discussion questions and solutions

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- 1 Your company's CEO has decided to restructure the organisation and become more market oriented. She is going to announce the changes at an upcoming meeting. She has asked you to prepare a short speech outlining the general reasons for the new company orientation.

Although students' answers will vary, they should address some of these points. By adopting a marketing orientation, such an organisation will become more outwardly focused on customers. This will help the company be more innovative and solution oriented. A marketing orientation will also help build long-term customer relationships. The firm will better serve its customers by becoming more aware of their concerns.

- 2 Have students create small groups with three or four members. Suppose you and your colleagues all work for an up-and-coming gourmet coffee company that has several stores across Australia and New Zealand, mostly in large cities. Your team has been assigned the task of assessing whether the company should begin marketing on the Internet. Each member has been assigned to visit three or four Internet sites for ideas. Some possibilities are:

- Peninsula Surf at [www.peninsulasurf.com.au](http://www.peninsulasurf.com.au)
- babyhugs at [www.babyhugs.com.au](http://www.babyhugs.com.au)
- Subway at [www.subway.com.au](http://www.subway.com.au)
- Kia at [www.kia.com.au](http://www.kia.com.au).

Teams will respond differently depending on the sites visited. Students should consider who the site is targeted towards, the communication used, the type of information and interactivity.

## Watch it

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### Method – Live clean

Method, a cleaning products company with an innovative branding concept, was conceived by housemates Eric Ryan and Adam Lowry during their drive to a ski lodge. Eric had been thinking of ways to introduce design to cleaning products and began talking about his vision to Adam. A chemical engineer from Stanford University with a degree in environmental science, Adam was the perfect sounding board. He soon realised that he could use his expertise to create naturally derived, biodegradable formulas for the beautiful products Eric has in mind.

These teaching notes combine activities that you can assign students to prepare before class, that you can do in class before or while watching the video and that you can assign students to complete as assignments after watching the video in class.

During the viewing portion of the teaching notes, stop the video periodically where appropriate to ask students questions or to perform the activities listed on the grid. You may even want to give the students the questions before starting the video and have them think about the answer while viewing the segment. That way, students will be engaged in active viewing rather than passive viewing.

<b>PRE-CLASS PREP FOR YOU:</b>	<b>PRE-CLASS PREP FOR YOUR STUDENTS:</b>
<p>Preview the Method – Live Clean video segment for Chapter 1. This exercise reviews concepts for LO1–LO3.</p> <p>Review your lesson plan.</p> <p>Make sure you have all of the equipment needed to show the video to the class, including the DVD and a way to project the video.</p>	<p>Have students familiarise themselves with the following terms and concepts: <i>marketing, production orientation, marketing concept, market orientation and societal marketing orientation.</i></p> <p>Review the Method website (<a href="http://www.methodhome.com">www.methodhome.com</a>) with the terms and concepts in mind.</p>
<b>VIDEO REVIEW EXERCISE</b>	
<b>Warm-up</b>	Begin by asking students, ‘What is marketing?’
<b>In-class preview</b>	<p>Segue into a discussion of the marketing concept and the four marketing management philosophies.</p> <p>Write the four marketing philosophies on the board.</p> <p>Take an informal class poll to see which model resonates most with students.</p> <p>While writing it on the board, ask students, ‘What does a firm need to succeed in competitive markets?’</p> <p>While listening to students’ insights, write the following points on the board.</p> <ul style="list-style-type: none"> <li>• a clear understanding of what customers want</li> <li>• focus to produce what the customer wants, rather than on what management thinks should be produced</li> </ul> <p>Write the Viewing questions on the board or prompt students to think about them as they watch the video.</p>
<b>Viewing (solutions below)</b>	<ol style="list-style-type: none"> <li>1 Is Method best described as having a market orientation or a societal marketing orientation?</li> <li>2 How does Method implement its marketing concept?</li> </ol>
<b>Follow-up</b>	<p>Send students back to Method’s website (<a href="http://www.methodhome.com">www.methodhome.com</a>), and have students write a brief paragraph about how the company uses its website to implement its marketing concept.</p> <p>Have students break into groups of up to four students and have each group brainstorm a marketing concept for one product. They should include their intended customer and marketing philosophy.</p> <p>Outside of class, have students individually create a marketing concept for one product. Have them compose a brief paragraph discussing how they found out what the customer wanted, to be handed in later.</p>

### **Solutions for Watch it questions**

- 1 Is Method best described as having a market orientation or a societal marketing orientation?

Method would be best described as having a societal marketing orientation because it takes the basic market orientation focus (i.e. what do customers want and need?) and adds an societal, environmental focus (i.e. how can we benefit society?).

- 2 How does Method implement its marketing concept?

Method implements its marketing concept by satisfying its customers' needs and desires and, in turn, finding a market niche for its products. The company does this by recognising that its customer demographic wants household or personal cleaning products that are attractive, efficacious and safe, and it is willing to pay more for a premium product that delivers on that promise.

## **Questions and exercises**

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### **REVIEW QUESTION**

- 1 Give an example of a company that successfully follows a production orientation. Why might a production orientation make a firm in that particular industry successful?

A mature product, such as a small no-frills calculator, is sold basically on price. A production orientation of lowest cost would work for this. In addition, a production orientation may work in a developing country where consumers have fewer options.

### **APPLICATION QUESTIONS**

- 1 Your company president has decided to restructure the firm to become more market oriented. She is going to announce the changes at an upcoming meeting. Prepare a short speech for the president that outlines the general reasons for the new company orientation.

Students' answers should focus on customer wants and needs, distinguishing the company's products and services from competitors' offerings, and the integration of all organisational activities to satisfy customer wants and needs. The latter point justifies the need for the restructuring. The speech can also address some of the following topics: management's commitment to the new market orientation, the necessity of competitive intelligence and the importance of interfunctional coordination in satisfying customer wants and needs.

- 2 Donald E Petersen, former chairman of the Ford Motor Company, remarked, 'If we aren't customer-driven, our cars won't be either'. Explain how this statement reflects the marketing concept.

Although students' answers will vary, they should note that the marketing concept focuses on satisfying customer needs while meeting organisational objectives. Most prosperous firms, including Ford, have adopted this management philosophy because experience has taught them that customer satisfaction is crucial to their success.

- 3 A friend of yours agrees with the adage, 'People don't know what they want – they only want what they know'. Write your friend a letter expressing the extent to which you think marketers shape consumer wants.

Although students' answers will vary, they should emphasise that marketers cannot create demand or make people buy things that they don't want or need. Marketing does, however, inform, persuade and remind people about the availability, features, advantages and benefits associated with new and existing products. One important task of marketing is to introduce people to products that they otherwise might not know about.

- 4 Your local supermarket uses the slogan is 'It's your store'. However, when you asked one of the stock people to help you find a bag of chips, he told you it was not his job and that you should look a little harder. On your way out, you noticed a sign with an address for complaints. Draft a letter explaining why the supermarket's slogan will never be credible unless its employees carry it out.

Students' answers will vary widely, but they should explain that the marketing orientation, the concern for customers, must extend to every member of the organisation. This is very important when customers have actual contact with front-line employees.

- 5 How does Philip Morris handle the sensitive issues associated with marketing tobacco? What kind of information does its website ([http://www.pmi.com/marketpages/pages/market\\_en\\_au.aspx](http://www.pmi.com/marketpages/pages/market_en_au.aspx)) provide about smoking and its negative effects on health? How do you think Philip Morris is able to justify such marketing tactics? After checking around the site, do you think its approach makes the company more or less trustworthy?

Students' answers will vary.

- 6 Write a letter to a friend or family member explaining why you think that a course in marketing will help you in your career in a field other than marketing.

Students' answers will vary, but they should include a discussion of market orientation's importance to a firm's success and the role of employees in the delivery of customer value.

## APPLICATION EXERCISE

Understanding the differences among the various marketing management philosophies is the starting point for understanding the fundamentals of marketing. From reading the chapter, you may be convinced that the market orientation is the most appealing philosophy and the one best suited to creating a competitive advantage. However, not all companies use the market orientation, and even companies that follow it may not execute well in all areas.

### Activities

- 1 Visit your local grocery store and go through the cereal, snack food and dental hygiene aisles. Go up and down each aisle slowly. Notice how many different products are available and how they are organised on the shelves.
- 2 Count the varieties of products in each product category. For example, how many different kinds of cereal are on the shelves? How many different sizes? Do the same for snack food and toothpaste.
- 3 Now try to find a type of product in the grocery store that does not exhibit such variety. There may not be many. Why do you think there are enough kinds of cereals to fill an entire aisle (and then some), but only a few different types of peanut butter? Can this difference be explained in terms of marketing management philosophy (peanut butter manufacturers do not follow the marketing concept) or by something else entirely?



- 4 Have you ever wanted to see a particular kind of cereal or snack food on the shelf? Think of product varieties (like grapefruit-flavoured toothpaste or peanut butter-covered popcorn) that you have never seen on the shelf but would be interested in trying if someone would make it. Write a letter or send an email to an appropriate company, and suggest that it add your concept to its current product line.

**Purpose:** The purpose of this application is to introduce students to the marketing concept. This exercise sends students to the supermarket to evaluate the range of products and product categories and to draw conclusions about the marketing orientations of particular brands/companies based on what they find.

**Setting it up:** You may want to assign this to pairs of students. That way they can discuss their observations as they move through the store. There is no single solution for this application.

## ETHICS EXERCISE

In today's business environment, ethics are extremely important. In recent years, there have been numerous scandals and trials resulting from a lack of ethical judgement. For this reason, we are including an ethical exercise in every chapter. A brief scenario will present you with a situation in which the right thing to do may not be crystal clear, and you will need to decide the ethical way out of the dilemma. To help you with these decisions, we will often refer you back to the AMA's Statement of Ethics, found online at [www.marketingpower.com](http://www.marketingpower.com). This will give you a resource for the exercise and will also help reinforce the ethical standards that marketers should uphold.

Rani Pharmaceuticals is the maker of several popular drugs used to treat high blood pressure and arthritis. Over time, the company has developed a positive relationship with many of the patients who use its medications through a quarterly newsletter that offers all the latest information on new medical research findings and general health and fitness articles. The company has just been acquired by a group of investors who also own Soothing Waters Hot Tubs and Spas. The marketing director for Soothing Waters would like to use Rani's mailing list for a direct-mail promotion.

### 1 What should Rani Pharmaceuticals do?

In order to avoid the semblance of impropriety, it might be better for the marketing director of Soothing Waters to ask Rani to include an information piece about the hot tubs in the quarterly newsletter. The article could include a bounce-back card on which the patient could indicate his or her interest in receiving more information about the hot tubs directly from Soothing Waters. Although it is not unethical per se for a company to leverage its customer information across the organisation, a company should always be mindful of how its customers will perceive this.

### 2 Do you think it is ethical to use customer information across multiple divisions of the same company? Explain.

This is a situation to be handled with caution. Rani should not simply hand over customer information. Although it is not unethical per se for a company to leverage its customer information across the organisation, it could jeopardise the positive relationship that Rani has developed with its customers. One solution may be to include a note in the newsletter about Soothing Waters so customers can request more information.