

## Chapter 1

# MARKETING: CREATING CUSTOMER VALUE AND ENGAGEMENT

## MARKETING STARTER: CHAPTER 1

### Emirates' Customer Value-Driven Marketing: Engaging Customers and Building Brand Community

---

#### Synopsis

Founded in 1985, the Emirates Group operates across six continents and 144 cities. It is the largest international airline in the world.

Emirates set out to be an innovative, modern, and customer-oriented provider of high-quality air travel services.

Through the years, it has successfully and continuously created a customer-focused value proposition by offering a combination of products, services, information, and experiences customized for its market demographics for each of its destinations. Examples are the ICE system and the Skywards Program, which have allowed Emirates to deliver its value proposition to its customers and support its mission statement of committing to high standards.

As competitors continued to discount air fares to loss-making levels, Emirates maintained fares while managing healthy yields supported by excellent load factors.

The company was able to do this because of its customer-value driven marketing approach and its service proposition, for which customers continue to be willing to pay a premium.

Beyond the functional benefit of air travel, Emirates marketed its services as “The Emirates Experience,” a genuine passion for comfort and attention to detail. Customers didn’t just fly Emirates; they experienced it.

In these digital times, Emirates is forging a new kind of customer relationship, a deeper, more personal, more engaging one. Emirates uses online, mobile, and social media to connect with its customers and creates brand “tribes”—large groups of highly engaged users—with the help of social media platforms such as Facebook, Twitter, Instagram, YouTube, and Pinterest.

The company’s “Hello Tomorrow” campaign, launched in 2012 in over 80 markets, presented Emirates’ new mindset, which celebrates global travel, conveying its commitment to connect with people and help them realize their potential through travel.

The “Hello Tomorrow” campaign reached 43 million viewers across 85 countries. Emirates’ consideration jumped from 38 percent to 69 percent among viewers and an impressive 84 percent of them reportedly believe Emirates was a brand that sought to connect the world and “create a brighter future.”

Emirates has become the world’s most valuable airline brand with an estimated value of \$6.6 billion, according to the 2015 Brand Finance Global 500 report. Through its campaigns, Emirates has demonstrated commitment, authenticity, relevance, and differentiation, and has successfully changed the way it reaches out to its customers by moving away from the product and creating a discourse of global customer engagement.

---

#### Discussion Objective

An active 10-minute discussion of the Emirates story will help link students to key foundational marketing concepts. Emirates 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.

## Starting the Discussion

To start the discussion, ask the class who has flown Emirates before. Based on the show of hands, ask for students to share their experience with the brand. What attracted them to Emirates? What is it about the customer experience that is so enticing?

Next, pull up Emirates' Facebook pages. Working with students, search for a few specific sports pages that interest them. Click on articles and links to further explore. Together, note the variety of approaches Emirates takes and the focus on customers. Investigate Emirates' other social media feeds, including the company's Web site, Twitter, Snapchat, and YouTube. In what ways does Emirates' obsession with customer service show through in every way?

You should be familiar with these Web sites in advance so that you can move purposefully to keep the discussion moving. But let the class discussion interactively guide the sites that you explore, taking you deeper into each 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 emphasize 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 first marketing story in the text is about Emirates. Let's take a quick look at the "About Emirates" link at the bottom of the Emirates home page and see what we can learn about the company and how it operates. Just looking at this Web page, what stands out about Emirates? Go to Emirates' other social media outlets to reinforce the idea that everything points to Emirates' obsession with its customers—it's all about connecting the company and the customers.
2. How has what we are seeing on these sites contributed to Emirates' performance? How has Emirates been successful? (As indicated in the Emirates story, the company has grown astronomically in market share and strength of customer relationships, due largely to its obsession with customer satisfaction and customer experience. Thus, by creating value for customers, Emirates has captured value from customers in return.)
3. Why did the authors choose Emirates as the very first company to highlight in the first chapter of the 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? Why are customer value, customer satisfaction, and customer relationships so important?)

## CHAPTER OVERVIEW

Use Power Point Slide 1-1 Here

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 programs, 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

Use Power Point Slides 1-2 here

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 value-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>p. 26</p>	<p><b>INTRODUCTION</b></p> <p>When you think of air travel in the Middle East, chances are good that you think first of Emirates. The flight experience features an array of product offerings such as its onboard ICE system as well as exclusive lounges for its clientele.</p> <p>From the start, Emirates has grown steadily and strongly. As competitors continued to discount air fares close to loss levels, Emirates maintained fares while managing healthy yields.</p> <p>To its core, the company is relentlessly customer driven, for which customers continue to be willing to pay a premium.</p> <p>Emirates' social media marketing makes the brand experience special by focusing on building relationships and connections.</p> <p>Emirates' successfully concentrates on delivering customer value through its efforts to develop special and deep experiences.</p>	<p>p. 27 Photo: Emirates aircraft</p>
	<p>➤ <b>Opening Vignette Questions</b></p> <ol style="list-style-type: none"> <li>1. Many companies claim to be obsessed with customer service. What sets Emirates apart from the others?</li> <li>2. In your opinion, is it possible to spend heavily on media advertising and also successfully market through digital and social media? Explain.</li> <li>3. Do you believe that customers really want long-term relationships with a company and other customers? If so, how does Emirates build these relationships?</li> <li>4. What if a close online competitor came along, offering comparable items and service? Do you think most Emirates customers would remain</li> </ol>	









	<p>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 the level, timing, and nature of their demand.</p>	
	<ul style="list-style-type: none"> <li>➤ <b>Assignments, Resources</b> Use <i>Discussion Question 1-3</i> here Use <i>Critical Thinking Exercise 1-6</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. However, the light bulb seems to go on with a discussion of crowded national parks 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. 35 PPT 1-14</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>p. 35 Photo: Hyatt Regency</p>
<p>p. 35 PPT 1-15</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 organizations design and carry out their marketing strategies.</p> <p><b><i>The Production Concept</i></b></p>	<p>p. 35</p>



<p>p. 35</p>	<p>The <b>production concept</b> holds that consumers will favor products that are available and highly affordable.</p> <p>Management should focus on improving production and distribution efficiency.</p> <p><b><i>The Product Concept</i></b></p> <p>The <b>product concept</b> holds that consumers will favor 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><b><i>The Selling Concept</i></b></p> <p>The <b>selling concept</b> holds that consumers will not buy enough of the firm’s products unless the firm 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><b><i>The Marketing Concept</i></b></p> <p>The <b>marketing concept</b> holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors.</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-centered “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</p>	<p>Key Terms: Production concept, Product concept</p> <p>p. 36 Key Term: Selling concept</p> <p>p. 36 Key Term: Marketing concept</p>
--------------	--	---





<p>p. 38 PPT 1-19</p>	<p><b>Discuss customer relationship management and identify strategies for creating value <i>for</i> customers and capturing value <i>from</i> customers in return.</b></p>	<p>Learning Objective 4</p>
<p>PPT 1-20</p>	<p><b>ENGAGING CUSTOMERS AND MANAGING CUSTOMER RELATIONSHIPS</b></p> <p><b>Customer Relationship Management</b></p> <p><i>Customer relationship management</i> is perhaps 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>p. 38 Key Term: Customer relationship management</p>
<p>PPT 1-21</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><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>p. 38 Key Term: Customer-perceived value</p>
<p>p. 39</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-centered firm seeks to deliver high customer satisfaction relative to competitors, it does not attempt to <i>maximize</i> customer satisfaction.</p>	<p>p. 39 Key Term: Customer satisfaction</p> <p>p. 39 Photo: Steinway piano</p>

<p>p. 40</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><b><i>Customer Relationship Levels and Tools</i></b></p> <p>Companies can build customer relationships at many levels.</p> <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 programs</i> that reward customers who buy often or in large quantities.</p> <p>Companies sponsor <i>club marketing programs</i> that offer members special benefits and create member communities. (For example, Harley-Davidson sponsors the Harley Owners Group [H.O.G.] )</p>	<p>p. 39 Photo: L.L.Bean</p> <p>p. 39 Photo: JetBlue</p>
<p>p. 41</p> <p>PPT 1-22</p>	<p><b>Customer Engagement and Today’s Digital and Social Media</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>The new marketing is <b>customer-engagement marketing</b>, fostering direct and continuous customer involvement in shaping brand conversations, brand experiences, and brand community. It involves using a rich mix of online, mobile, and social media marketing that promotes engagement and conversation.</p> <p>Customer-engagement marketing goes beyond just selling a brand to consumers. Its goal is to make the brand a</p>	<p>p. 41 Photo: Customer engagement marketing</p>

<p>p. 42 PPT 1-23</p>	<p>meaningful part of consumers’ conversations and lives.</p> <p>The burgeoning Internet and social media have given a huge boost to customer-engagement marketing.</p> <p>Today’s consumers are better informed, more connected, and more empowered than ever before. Newly empowered consumers have more information about brands, and they have a wealth of digital platforms for airing and sharing their brand views with others.</p> <p>The marketing world is now embracing <i>customer-managed relationships</i>.</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>As consumers become more connected and empowered, and as the boom in digital and social media technologies continues, consumer brand engagement, whether invited or not, will be an important marketing force. Brands must embrace this trend or risk being left behind.</p>	<p>p. 41 Key Term: Customer-engagement marketing</p> <p>p.42 Key Term: Consumer-generated marketing</p> <p>p. 43 Photo: Mountain Dew</p>
	<p>➤ <b>Resources, Applications</b></p> <p>Use <i>Real Marketing 1.1</i> and <i>1.2</i> here</p> <p>Use <i>Video Case</i> here</p> <p>Use <i>Small Group Assignment 1</i> and <i>2</i> here</p> <p>Use <i>Additional Project 3</i> here</p> <p>Use <i>Think-Pair-Share 4</i> here</p>	
<p>p. 43 PPT 1-24</p>	<p><b>Partner Relationship Management</b></p> <p>Today’s marketers know they must work closely with others inside and outside the company to jointly bring more value to customers.</p> <p>Today, firms are linking all departments in the cause of creating customer value. In today’s connected world, every functional area in the organization can interact with</p>	<p>p. 43 Key Term: Partner relationship management</p>

	<p>customers.</p> <p>Rather than assigning only sales and marketing people to customers, firms are forming cross-functional customer teams.</p> <p>Marketing channels consist of distributors, retailers, and others who connect the company to its buyers.</p> <p>The <i>supply chain</i> describes a longer channel, stretching from raw materials to components to final products that are carried to final buyers.</p> <p>Through <i>supply chain management</i>, many companies today are strengthening their connections with partners all along the supply chain.</p>	
p. 44	<p><b>CAPTURING VALUE FROM CUSTOMERS</b></p> <p>The first four steps in the marketing process involve building customer relationships. The final step involves capturing value in return.</p> <p>By creating superior customer value, the firm creates highly satisfied customers who stay loyal and buy more.</p>	
p. 44	<p><b>Creating Customer Loyalty and Retention</b></p> <p>The aim of customer relationship management (CRM) is to create both customer satisfaction and 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 realizing that losing a customer means losing more than a single sale. It means losing <b>customer lifetime value</b>.</p>	<p>p. 44 Photo: Stew Leonard</p> <p>p. 44 Key Term: Customer lifetime value</p>
PPT 1-25	<p>➤ <b>Resources, Applications</b> Use <i>Marketing by the Numbers</i> here Use <i>Individual Assignment 1</i> here</p>	

<p>p. 44 PPT 1-26</p>	<p><b>Growing Share of Customer</b></p> <p><b>Share of customer</b> is defined as the portion of the customer’s purchasing that a company gets in its product categories. Thus, banks want to increase “share of wallet.”</p> <p>To increase share of customer, firms can offer greater variety to current customers.</p> <p>Or, they can create programs to cross-sell and up-sell to market more products and services to existing customers.</p>	<p>p. 46 Key Term: Share of customer</p>
<p>p. 45 PPT 1-27</p>	<p><b>Building Customer Equity</b></p> <p>Companies want not only to create profitable customers, but to “own” them for life, capture their customer lifetime value, and earn a greater share of their purchases.</p> <p><i>What Is Customer Equity?</i></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. Whereas sales and market share reflect the past, customer equity suggests the future.</p>	<p>p. 45 Key Term: Customer equity</p> <p>p. 45 Photo: Cadillac</p>
<p>p. 46</p>	<p><b><i>Building the Right Relationships with the Right Customers</i></b></p> <p>Companies should manage customer equity carefully. They should view customers as assets that need to be managed and maximized. But not all customers, not even loyal customers, are good investments. Surprisingly, some loyal customers can be unprofitable, and some disloyal customers can be profitable. Which customers should the company acquire and retain?</p> <p>The company can classify customers by potential profitability and manage relationships with them accordingly.</p>	



<p>PPT 1-28</p>	<p><b>Figure 1.5</b> classifies customers into one of four relationship groups, according to their profitability and projected loyalty. Each group requires a different relationship management strategy.</p> <p><b>Strangers</b> show low potential profitability and little projected loyalty. There is little fit between the company’s offerings and their needs. The relationship management strategy for these customers is simple: Don’t invest anything in them; make money on every transaction.</p> <p><b>Butterflies</b> are potentially profitable but not loyal. There is a good fit between the company’s offerings and their needs. However, efforts to convert butterflies into loyal customers are rarely successful. Instead, the firm should create satisfying and profitable transactions with them, capturing as much of their business as possible in the short time during which they buy from the company. Then, it should move on and cease investing in them until the next time around.</p> <p><b>True friends</b> 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 nurture, retain, and grow them. It wants to turn true friends into <i>true believers</i>, who come back regularly and tell others about their good experiences with the company.</p> <p><b>Barnacles</b> are highly loyal but not very profitable. There is a limited fit between their needs and the company’s offerings. Barnacles are perhaps the most problematic customers. The company might be able to improve their profitability by selling them more, raising their fees, or reducing service to them. However, if they cannot be made profitable, they should be “fired.”</p> <p>The point here is an important one: Different types of customers require different engagement and relationship management strategies. The goal is to build the <i>right relationships</i> with the <i>right customers</i>.</p> <p><b>Review Learning Objective 4: Discuss customer relationship management and identify strategies for creating value <i>for</i> customers and capturing value <i>from</i></b></p>	<p>p. 46 Figure 1.5: Customer Relationship Groups</p>
-----------------	--	---

<p>PPT 1-29</p> <p>p. 46</p> <p>p. 46 PPT 1-30</p> <p>p. 47</p>	<p><b>customers in return.</b></p> <p><b>Describe the major trends and forces that are changing the marketing landscape in this age of relationships.</b></p> <p><b>THE CHANGING MARKETING LANDSCAPE</b></p> <p>This section explores five major developments: the digital age, the changing economic environment, the growth of not-for-profit marketing, rapid globalization, and the call for more ethics and social responsibility.</p> <p><b>The Digital Age: Online, Mobile, and Social Media Marketing</b></p> <p>The explosive growth in digital technology has fundamentally changed the way we live—how we communicate, share information, access entertainment, and shop.</p> <p>An estimated 3.3 billion people—46 percent of the world’s population—are now online.</p> <p>Nearly two-thirds of all American adults own smartphones; these numbers will only grow as digital technology rockets into the future.</p> <p>Most consumers are totally smitten with all things digital. According to one study, nearly three-fourths of Americans keep their mobile phone next to them when they sleep—they say it’s the first thing they touch when they get up in the morning and the last thing they touch at night.</p> <p>Digital and social media marketing involves using digital marketing tools such as Web sites, social media, mobile ads and apps, online video, e-mail, blogs, and other digital platforms that engage consumers anywhere, anytime via their computers, smartphones, tablets, internet-ready TVs, and other digital devices.</p> <p>These days, it seems that every company is reaching out to customers with multiple websites, newsy Tweets and Facebook pages, viral ads and videos posted on YouTube, rich-media e-mails, and mobile apps that solve consumer problems and help them shop.</p> <p>At the most basic level, marketers set up company and</p>	<p>Learning Objective 5</p> <p>p. 47 Photo: Petco, social media marketing</p> <p>p. 47 Key Term: Digital and social media marketing</p>
---	---	---

	<p>brand websites that provide information and promote the company’s products. Many of these sites also serve as online brand communities, where customers can congregate and exchange brand-related interests and information.</p> <p><b>Social Media Marketing</b></p> <p>Social media provide exciting opportunities to extend customer engagement and get people talking about a brand.</p> <p><b>Mobile Marketing</b></p> <p>Mobile marketing is perhaps the fastest-growing digital marketing platform.</p>	<p>p. 50</p> <p>p. 49 Photo: NASA, Social media marketing</p> <p>p. 50 Photo: Redbox</p>
	<ul style="list-style-type: none"> <li>➤ <b>Resources, Applications</b> Use <i>Discussion Question 1-4</i> and <i>1-5</i> here Use <i>Critical Thinking 1-7</i> here Use <i>Online, Mobile, and Social Media Marketing</i> here Use <i>Video Case</i> here</li> <li>➤ <b>Troubleshooting Tip</b> Traditional-age undergraduates have spent their entire lives with technology, so some of them may 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, the Internet, or tweets?</li> </ul>	
<p>p. 50</p> <p>p. 51</p>	<p><b>The Changing Economic Environment</b></p> <p>The Great Recession of 2008 to 2009 and its aftermath hit American consumers hard. After two decades of overspending, new economic realities forced consumers to bring their consumption back in line with their incomes and rethink their buying priorities.</p> <p><b>The Growth of Not-for-Profit Marketing</b></p> <p>In recent years, marketing has also become a major part of</p>	<p>p. 51 Photo: St. Jude</p>

<p>PPT 1-31</p>	<p>the strategies of many not-for-profit organizations, such as colleges, hospitals, museums, zoos, symphony orchestras, foundations, and even churches. The nation’s not-for-profits face stiff competition for support and membership. Sound marketing can help them attract membership, funds, and support. For example, not-for-profit St. Jude Children’s Research Hospital has a special mission: “Finding cures. Saving children.”</p>	<p>Children’s Research Hospital</p>
<p>p. 52</p>	<p><b>Rapid Globalization</b></p> <p>As they are redefining their customer relationships, marketers are also taking a fresh look at the ways in which they relate with the broader world around them. Today, almost every company, large or small, is touched in some way by global competition.</p>	
<p>p. 53</p>	<p><b>Sustainable Marketing—The Call for More Environmental and Social Responsibility</b></p> <p>Marketers are reexamining their relationships with social values and responsibilities and with the very earth that sustains us. As the worldwide consumerism and environmentalism movements mature, today’s marketers are being called on to develop <i>sustainable marketing</i>.</p>	<p>p. 53 Photo: Ben &amp; Jerry’s</p>
<p>PPT 1-32 p. 53</p>	<p><b>Review Learning Objective 5:</b> Describe the major trends and forces that are changing the marketing landscape in this age of relationships.</p> <p><b>SO, WHAT IS MARKETING? PULLING IT ALL TOGETHER</b></p> <p>Marketing is the process of building profitable customer relationships by creating value for customers and capturing value in return.</p> <p>The first four steps in the marketing process create value <i>for</i> customers.</p> <p>The final step in the process allows the company to capture value <i>from</i> customers.</p> <p>When building customer and partner relationships, companies must harness marketing technology, take advantage of global opportunities, and act in an ethical and</p>	<p>p. 54 Figure 1.6: An Expanded Model of the Marketing Process</p>

	socially responsible way.  Figure 1.6 provides a road map to future chapters of this text.	
	<ul style="list-style-type: none"> <li>➤ <b>Resources, Applications</b></li> <li>Use <i>Critical Thinking 1-8</i> here</li> <li>Use <i>Marketing Ethics</i> here</li> <li>Use <i>Individual Assignment 2</i> here</li> <li>Use <i>Company Case</i> here</li> </ul>	

## END OF CHAPTER MATERIAL

### Discussion Questions

- ★1-1 Define *marketing* and outline the steps in the marketing process. (AACSB: Communication)

*Answer:* Student answers will vary based on their personal response. Refer to the MyLab for an opportunity to assign this question, and all starred MyLab questions, to a student discussion board.

- 1-2 What is marketing myopia? What are the short- and long-term implications for business in this situation? (AACSB: Communication; Reflective Thinking)

*Answer:*

Marketing myopia occurs when a business only focuses on existing customer wants and loses sight of underlying consumer needs. This means that the business will not be prepared when customers want change. The business will fail to respond in the short term, but they may be able to recover in the longer term.

- ★1-3 Describe the five different competing marketing orientations that a business organization can adopt to drive its marketing strategy. (AACSB: Communication; Reflective Thinking)

*Answer:* Marketing management can adopt one of the five different competing marketing orientations. The production concept holds that management's task is to improve production efficiency and bring down prices. The product concept holds that consumers favor products that offer the most in quality, performance, and innovative features; thus, little promotional effort is required. The selling concept holds that consumers will not buy enough of an organization's products unless it undertakes a large-scale selling and promotion effort. The marketing concept holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do. The societal marketing concept holds that generating customer satisfaction and long-run societal well-being through sustainable marketing

strategies is key to both achieving the company's goals and fulfilling its responsibilities..

- 1-4 Discuss the concept of customer relationship management. Why is it essential that a business incorporates this in its operations? (AACSB: Communication; Reflective Thinking)

*Answer:*

Customer relationship marketing is the term used to describe the process of building and maintaining a long-term, profitable relationship with customers. This is achieved by delivering superior value and customer satisfaction. It is the key driver in customer retention.

- ★ 1-5 Why is marketing as important for non-profit organizations as profit-driven ones? (AACSB: Communication; Reflective Thinking)

*Answer:* Non-profit organizations will often operate in an environment as competitive as commercial businesses. They need to raise funds, ensure they are noticed, and attract followers and support, and influence decision-makers. They use very similar techniques and approaches as conventional businesses.

### **Critical Thinking Exercises**

- 1-6 Select an FTSE 100 company. How much did the company spend on marketing activities in the most recent year for which data are available? What percentage of sales does marketing expenditure represent for the company? Have these expenditures increased or decreased over the past five years? Write a brief report of your findings. (AACSB: Communication; Analytic Reasoning)

*Answer:* Student answers will vary. The full listing is on the site <http://www.londonstockexchange.com/exchange/prices-and-markets/stocks/indices/constituents-indices.html>. This provides a comprehensive up-to-date list of the companies. The companies will have their full annual reports featured on their websites and it should be a relatively straightforward task to extract the necessary data.

- ★ 1-7 Some believe that social marketing is primarily effective only for bigger companies with the time and capacity to manage and update their media content. Choose a local business and evaluate its effectiveness in creating customer engagement. Is the content up-to-date and relevant? How does it manage its content? (AACSB: Communication; Use of IT; Reflective Thinking)

*Answer:* Refer to the MyLab for answers to this and all starred MyLab questions.

- 1-8 Use the Internet to search for salary information regarding jobs in marketing in your country or region. 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)

*Answer:* Each country or region should have online agencies offering jobs in the industry. The data will be different from region to region, as will the salary scales. Similar jobs may be listed with radically different job titles.

## **APPLICATIONS AND CASES**

### **Online, Mobile, and Social Media Marketing: The ALS Ice Bucket Challenge**

In the summer of 2014, people with connections to ALS (Lou Gehrig's disease) raised awareness of the condition by urging people to post videos of themselves dumping buckets of ice water over their heads and challenge others to do the same. The efforts raised millions of dollars in online donations to the ALS Association for enhanced research and patient services. This real-time marketing campaign generated 17 million videos uploaded to social media platforms from 159 countries. Celebrities posting videos included Will Smith, Bill Gates, Oprah Winfrey, and Mark Zuckerberg. The Ice Bucket Challenge generated 70 billion video views while raising \$220 million. The best part? Zero dollars were spent to promote the Ice Bucket Challenge, yet 440 million people saw it. The ALS Association has now turned the wildly successful challenge into an annual social media campaign, bringing back the original Ice Bucket Challenge #EveryAugustUntilACure. For more information, visit [www.alsa.org/fight-als/ice-bucket-challenge](http://www.alsa.org/fight-als/ice-bucket-challenge).

1-9 Real-time marketing is a shift for traditional marketers who can now digitally link brands to important moments in customers' lives. Explain how real-time marketing was used in the Ice Bucket Challenge. Why was this campaign successful? (AACSB: Communication; Reflective Thinking)

*Answer:* The Ice Bucket Challenge became an extremely successful example of a viral campaign. It fed on itself as more and more people, especially celebrities, posted videos and challenged others to take the challenge. It became a "social event" to which many people could relate, even if they were unfamiliar with ALS. It worked because it was fun, harmless, genuine, and provided a feel-good benefit at little cost to participants.

1-10 Create a real-time marketing campaign for a product or service of your choice to create customer engagement using online, mobile, and social media. How would you measure the success of your campaign? (AACSB: Communication; Reflective Thinking)

*Answer:* Student answers will vary. Focus should include timeliness, genuineness, and relevance to the customers. Will success be measured by increased sales, increased awareness and knowledge of the product or service, or some other measure?

### **Marketing Ethics: Exaggeration and High Pressure**

It is a great temptation for manufacturers to exaggerate the benefits of their products on the packaging. Sometimes, the claims are overstated. Businesses want to make bold claims to help them sell more products. Some of the claims are morally wrong, other times they are just "advertising puff." Other times, a business might resort to high-pressurized sale techniques. In

other cases they might focus on vulnerable customer groups. Businesses need to make a profit, but is it wrong to try any means to achieve this? Legally, yes it is.

1-11 How would a business begin to frame an ethical marketing process as a template for their activities now and in the future? (AACSB: Communication; Ethical Reasoning)

*Answer:* They should begin by defining what they consider to be ethical. They then need to decide how ethical marketing will be implemented. The next step is to consider which areas of operations are affected by ethical marketing (whether it is just a single operation or the whole value chain). The process should also involve an analysis of the costs and a comparison with the likely benefits; this will inform them about how wise it is to pursue this course of action.

1-12 What is likely to motivate a business to adopt ethical marketing? (AACSB: Communication; Ethical Reasoning)

*Answer:* Although some businesses adopt an ethical marketing approach because the founders or owners believe in it themselves, in many other cases it is because their customers expect them to operate in an ethical manner. Consumers will tend to buy products and services on the basis that they are being offered by a business that has an ethical strategy that matches their expectations.

### **Marketing by the Numbers: Be on the First Page**

The Internet has become a vital marketing medium, and pay-per-click is one of the many ways for a business to attract traffic. It is risky, and a business can spend a lot of money, get a lot of visits, but end up with very few actual sales. Search engines allow businesses to buy listings in their search results; they appear next to the non-paid organic search results. These spots are sold by auction. If the business bids the most, they get a chance, but only the chance to be ranked first.

1-13 If you bid \$1.25 on a key word related to your product and 14,000 people click on your PPC, how much will the search engine charge you? (AACSB: Communication; Analytical Reasoning)

*Answer:*

This is a simple calculation. It requires the student to multiply \$1.25 by 14,000, which is \$17,500.

1-14 PPC can be expensive, so why is it popular as a marketing method? (AACSB: Communication; Reflective Thinking)

*Answer:*

In theory, if the business spends enough to get the top placement, then enough potential



customers will see the business first, click through, and make a purchase. It is fast too; within minutes of opening an account, the clicks will start coming through. It is also adaptable, more so than most other forms of marketing, and it is possible to adjust the PPC campaign if it is not working well. It can also offer great value, as some niche keywords are not in high demand from competing businesses. It can be a very focused marketing method.

## Company Case Notes

### Argos: Creating Customer Value amidst Change and Turbulence

#### Synopsis

The track record of Argos as a leading catalog retailer in the United Kingdom is well acknowledged in the country. It is especially noted for its consistent focus on the satisfaction of the needs and wants of its target customers. Its acquisition by Sainsbury's toward the end of 2016 is considered a huge development in the retail sector. With this £1.4 billion deal, the focus of the new management is strictly focused on maintaining and strengthening what Argos has been noted for over the years—creating customer value profitably. So, as was the case before the acquisition, Argos is still dedicated to giving its customers efficiency and effectiveness in service, including fast-track same-day delivery, a wide range of seasoned products, special promotional offers, and the 21st century digital experience. Argos is also committed to the needs of stakeholders in society besides their customers, as evident in its various activities toward preserving societal welfare.

#### Teaching Objectives

The teaching objectives for this case are to:

1. Explain customer-value creation as the core focus of marketing
2. Introduce students to the link between a company's commitment to superior customer value and customers' satisfaction in the marketplace
3. Illustrate a firm's marketing management orientation among various competing alternatives
4. Explain how a firm embraces the changing marketing landscape in a complex marketing environment
5. Explain the importance of customer relationship management in a firm's profitability and overall business success

#### Discussion Questions

1-18 1. To what extent do you think the acquisition of Argos by Sainsbury's resulted in delivering superior value to the customers.

*The acquisition has resulted in delivering superior value to customers thanks to the continuity of the customer-focused approach adopted by Argos and the efforts made by new management to strengthen this approach in various ways, including establishing more Argos outlets to make shopping easier for customers and locating*

*the new Argos outlets within Sainsbury's stores to give customers a one-stop shopping experience.*

1-19 2. How is the concept of share of customer illustrated in the case study?

*While there is evidence that the company meets the needs and wants of the target customers efficiently and effectively better than competitors, it goes further by addressing the long-run interest of consumers and society. Examples include*

- *Improving local communities*
- *Reducing the amount of resources used in its operations and the CO<sub>2</sub> emissions it produces.*
- *Using a catalog that is 100% recyclable,*
- *Using paper obtained from sustainably managed forests*
- *Encouraging customers to recycle old catalogs in their possession*
- *Recycling 91 percent of waste from the business*
- *Reducing its carbon footprint by 9 percent, ensuring a 35 percent reduction in waste sent to landfill, and setting a goal to reduce its CO<sub>2</sub> emission per sq. ft. by 40 percent by the year 2020.*

*Giving to charities*

1-20 3. To what extent would you agree with the claim that Argos's marketing management orientation is a marketing concept? Justify your standpoint with relevant points from the case study.

*In May 2016, a BBC report said that Argos had cited safety concerns and recalled its Mama and Papa car seat models designed for children. Argos not only apologized for the development but also offered its customers a full refund of the payment made concerning these transactions. This is a good example of how good customer relationships can be maintained in the marketplace.*

1-21 4. What are the key actions taken by Argos which show that the organization is following the changing marketing landscape?

**Digital marketing:** *It has transformed itself into a "click and collect" business. The organization is the first retailer in the United Kingdom to make over £1 billion through mobile payments. Its hefty catalogues are being replaced by iPad style terminals to facilitate order processing.*

**Sustainable marketing:** *It has reduced its CO<sub>2</sub> emissions as well as the amount of resources used in its operations, uses a catalog that is 100% recyclable, uses paper obtained from sustainably managed forests, encourage customers to recycle old catalogs, recycled 91 percent of waste from the business, and reduced the waste sent to landfill by 35 percent.*

1-22 5. In view of the stiff competition in the UK retail sector, suggest various ways by which Argos could continue to provide better value to its customers?

*This is an open question that allows students to demonstrate their knowledge of various points associated with creating customer value. These can be simply discussed in relation with the elements of the marketing mix. It could create better value in its market offerings by providing what the target markets need to outperform the competitors. A deeper level of*

*discussion of this question could be taken to cover the extended marketing mix elements: process, people, and physical evidence.*

## **Teaching Suggestions**

A discussion based on this case is optimal when the concepts of needs/wants/desires, customer value, customer satisfaction, and marketing management orientations have been discussed. After these concepts have been covered, ask students to consider the classic scenario of making a choice as to which fast-food option they might choose for a given meal. What did that situation feel like? Is that decision only based on how certain food items taste? Or, is it based on far more than that? Ask how many students like Chick-fil-A and why.

This case also works well with the marketing environment chapter (Chapter 3), the marketing channels chapter (Chapter 12), and the competitive advantage chapter (Chapter 18).

Go to **mymkmlab.com** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

1-23 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?

1-24 Compare and contrast needs wants, and demands. Which one(s) can marketers influence?

## **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 organizations 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 Emirates. Each group should answer the following questions. (Objective 2)

- a. How does Emirates succeed in developing unique customer experiences? Which chapter marketing objectives does this help the company to achieve?
- b. Based on your study of Emirates, do you believe that customers really want long-term relationships with a company? Why or why not?

Each group should then share its findings with the class.

2. Form students into groups of three to five. Each group should read Real Marketing 1.1: “Buffalo Wild Wings: Fueling the Sports Fan Experience.” Each group should then answer the following questions and share their findings with the class. (Objective 3)
  - a. With plenty of casual-dining choices available, what is it about the Buffalo Wild Wings customer service philosophy that wins over diners every time?
  - b. What does Buffalo Wild Wings’ legendary customer service begin with? What are the most important steps in ensuring that the company delivers on its promise every time?
  - c. Discuss the connection between selecting and training the right employees, and consistently delivering outstanding customer service.

Each group should then share its findings with the class.

## Individual Assignments

1. Companies are realizing that losing a customer means more than losing a single sale. It means losing a stream of revenue from that customer over their lifetime. Reread the story of Stew Leonard (under Creating Customer Loyalty and Retention). (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 organizations have increased substantially in recent years. Organizations 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 organization. Does the condition of the economy affect your thinking? (Objective 5)

## Think-Pair-Share

Consider the following questions, formulate answers, 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 Target’s 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 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 Web site, you will realize that Sea Ray makes a strong effort to maintain close relationships with their customers. The annual AquaPalooza is an 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 range from the casual family weekend boater to the successful businessperson looking for a crewed yacht.
2. One of the great new "marketplaces" of our time is eBay. Spend some time on the eBay Web site ([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. 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)]).