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| <p>PPT 1-37 p. 28</p> | <p>Review Learning Objective 5: Describe the major trends and forces that are changing the marketing landscape in this age of relationships.</p> <p>SO, WHAT IS MARKETING? PULLING IT ALL TOGETHER</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 socially responsible way.</p> <p>Figure 1.6 provides a road map to future chapters of this text.</p> <p>Developing Skills for your Career</p> <p>The content and exercises in this book will help you sharpen critical thinking, problem-solving, and persuasive communication skills; learn about technology and marketing analytics; understand the importance of collaboration, teamwork, business ethics, and social responsibility.</p> | <p>p. 29 Figure 1.6: An Expanded Model of the Marketing Process</p> |
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END OF CHAPTER MATERIAL

Discussion and Critical Thinking

Discussion Questions

- 1-1. What is marketing, and what is the goal of the marketing process? (AACSB: Written and Oral Communication)

Answer:

Marketing is the set of strategies and activities that companies use to acquire and engage customers, build strong customer relationships, and create superior customer value so they can capture value from customers in return.

The goal of the five-step marketing process is creating and capturing customer value. In the first four steps, companies work to create customer value by: (1) understanding the marketplace and customer needs and wants, (2) designing a customer value-driven marketing strategy, (3) constructing an integrated marketing mix that delivers superior value, and (4) engaging customers, building profitable relationships, and creating customer delight. In the last step, companies reap the rewards of creating superior customer value by (5) capturing value from customers to create profits and customer equity.

- 1-2. What are the five marketing orientations, and what do marketing managers prioritize when operating under each? (AACSB: Written and Oral Communication)

Answer:

1. The production concept: Consumers will favor products that are available and highly affordable; focus on improving production and distribution efficiency
2. The product concept: Consumers will favor products that are available and highly affordable; focus on improving production and distribution efficiency
3. The selling concept: Consumers will not buy enough of the firm's products unless the firm undertakes a large-scale selling and promotion effort; focus on prospecting and aggressive selling
4. The marketing concept: Achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfaction better than competitors do; focus on customers and creating value for them
5. The societal marketing concept: Marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's and society's well-being; focus on consumers' wants, the company's requirements, consumers' long-run interests, and society's long-run interests

- 1-3. Marketers calculate and track customer-centered metrics to assess their performance, such as customer lifetime value customer equity. How are these two measures related? (AACSB: Written and Oral Communication; Reflective Thinking)

Answer:

Customer lifetime value is the value of the entire stream of purchases a customer makes over a lifetime of patronage. Customer equity is a forward-looking measure of the total combined customer lifetime values of all of the company's current and potential customers. It is, essentially, a measure of the future value of the company's current customer base. The more loyal the firm's profitable customers, the higher its customer equity.

- 1-4. What are the two important questions a marketing manager must answer to design a customer value-driven marketing strategy? Briefly describe why the answer to each question is important. (AACSB: Written and Oral Communication; Reflective Thinking)

Answer:

The two questions a marketing manager must answer to design a winning marketing strategy are (1) What customers will we serve? (What is our target market?) and (2) How can we serve these customers best? (What is our value proposition?)

The first question relates to the decision about who the company will serve, which typically involves segmenting the market (market segmentation) and selecting the segments to pursue (target marketing). The company wants to select customers it can serve well and profitably. The second question relates to the decision about how the company will serve targeted customers. The company will differentiate (differentiation) its offerings and position itself in the marketplace (positioning). Its value proposition is the set of beliefs or values it promises to deliver to satisfy customer needs.

- 1-5. What is consumer-generated marketing? What are the challenges associated with consumer-generated marketing? (AACSB: Written and Oral Communication; Reflective Thinking)

Answer:

A growing part of the new customer dialogue is consumer-generated marketing, by which consumers themselves are playing a bigger role in shaping their own brand experiences and those of others. This might happen through uninvited or invited consumer-to-consumer exchanges in blogs, video-sharing sites, and other digital forums. It can be costly and time-consuming. Examples in the text include the #MyOreoCreation contest, the My Starbucks Idea site, and #MakingArtWithHeinz. Encourage students to find their own recent examples.

- 1-6. What is customer brand advocacy? Why is it important to brand managers? (AACSB: Written and Oral Communication; Reflective Thinking)

Answer:

Customer brand advocacy occurs when satisfied customers initiate favorable interactions with others about a brand. Brands with strong relationships with customers benefit by retaining the existing customer, which is usually less expensive than attracting a new customer. Brands also benefit when the customers help inform others about the brand's positive attributes and why they have favorable attitudes toward the brand. Customers often believe information that comes from other customers.

Critical Thinking Exercises

- 1-7. Visit www.lego.com and discuss how well LEGO balances the three considerations underlying the societal marketing concept. To what extent has LEGO embodied the societal marketing concept? (AACSB Written and Oral Communication; Analytical Thinking)

Answer:

Although student answers will vary, there are many examples of LEGO embodying the societal marketing concept. By visiting various tabs at www.lego.com, students can explore

the world of LEGO and appreciate its adherence to the societal marketing concept. LEGO provides value to consumers through its dedication to the fascination, interest, and diversity of its customers. LEGO's profitability is fueled by product innovation. LEGO's concern for human welfare is demonstrated through its myriad sustainability programs focused on children (for example, Build the Change and Re: Code), environment (Replay and developing sustainable materials), and people (promoting a family-friendly workplace, and a diverse and inclusive LEGO group).

- 1-8. Consider the four customer relationship groups in Figure 1.5. Realizing that no group will be 100 percent satisfied, one can assume that some groups are likely to be more satisfied than others. As a marketing manager for Chase banking services (see www.chase.com), which groups would you aim to satisfy and profit from in the short run and, separately, in the long run, and why? What would your relationship management strategy be for each group in Figure 1.5? (AACSB: Written and Oral Communication; Reflective Thinking)

Answer:

Figure 1.5 in the chapter separates customer relationship groups into *strangers* (low potential profitability and little projected loyalty), *butterflies* (potentially profitably but not loyal), *true friends* (profitable and loyal), and *barnacles* (not profitable but very loyal). It suggests different relationship management strategies for each group.

Customer satisfaction depends on Chase's perceived performance relative to a buyer's expectations. When Chase fails to meet customers' expectations, they are dissatisfied. When Chase performs as expected, customers are satisfied. When Chase exceeds expectations, customers are highly satisfied or delighted. Chase should aim to delight customers by promising only what it can deliver and then delivering more than it promises. Because there is a low fit between what strangers need and want and what Chase offers, Chase should not invest in them and should aim to make money on every transaction from them. This explains why Chase may charge noncustomers for basic transactions, such as cashing checks or having large bills broken down. When there is a good fit between what Chase offers and what butterflies need and want, at least in the short term, Chase should create satisfying and profitable transactions in the short time they are interested and then move on and cease investing in these butterflies until they demonstrate interest again. This is likely the case if there is a Chase bank near campus. The students are expected to be customers for the duration of college but may leave afterward. Barnacles are highly loyal but not very profitable because there is a limited fit between their needs and the company's offerings. Chase marketing managers should creatively develop marketing mixes that are profitable if possible. These customers may have modest accounts and be uninterested in credit and investing offerings Chase provides, but they are still loyal. The most desirable group is true friends because there is a strong fit between their needs and what Chase offers. Chase wants to make continuous relationship investments to delight these customers and engage, nurture, retain, and grow them. These customers likely have large and active accounts and use multiple products from Chase, such as checking and savings accounts, credit lines, and investments.

In the short run, Chase should expect to be able to satisfy everyone except strangers. However, they may only be able to profit from butterflies and true friends in the short run.

In the long run, they should be able to satisfy true friends and barnacles. However, only true friends are expected to be profitable in the long run, as barnacles may never be profitable and strangers will never be satisfied with the offering.

- 1-9. Visit www.starbucks.com. Scroll to the bottom of the page and notice how Starbucks is currently connecting with customers via social media platforms (such as Pinterest and Instagram) and through its proprietary app. Click on one or more of the platform icons to view ways in which Starbucks is building and maintaining customer linkages while illustrating customer value and providing information about the brand. Evaluate Starbucks's effectiveness in creating customer engagement through its consumer touchpoints. Is the Starbucks brand message consistent across platforms? (AACSB: Communication; Reflective Thinking)

Answer:

Student responses will depend on the social media channels they review. For example, a recent visit to Starbucks's Instagram page showed it had more than 17.4 million followers. It responds to individual comments from consumers, which increases consumer engagement. It features curated products from the stores (for example, drinks and music) and grocery retailers (for example, homebrew) as well as playlists that are consonant with the retail atmosphere, which further enhances customer engagement. Starbucks also utilizes its app to help customers engage with the brand through easy ordering, payments options, and gamified rewards. Although each platform has its own function, the message appears to be consistent across the website, social media, and app.

Applications and Cases

Digital Marketing Fionamania

Fiona, a hippopotamus who was born prematurely and survived, lives in the Cincinnati Zoo's Africa exhibit. Fiona became a star when the zoo's communication director and her team started posting every move she made from the day she was born. She became a symbol of resilience and positivity, earning millions of fans and engaging the not-for-profit zoo's visitors and potential donors. Videos of Fiona twirling around the internet gain millions of views and followers across social media, including Twitter, Instagram, and TikTok. She has inspired a children's book, beer, and ice cream flavors. She even had a reality show on Facebook (four seasons, 27 episodes, and 3.5 million followers). People are heavily invested in Fiona's story.

- 1-10. Go to the Cincinnati Zoo's Instagram or TikTok (@cincinnati_zoo) and find posts that feature Fiona the hippo. How does the zoo's communications team engage with Fiona's fans? What benefit does the zoo receive from Fionamania? (AACSB: Written and Oral Communication; Reflective Thinking)

Answer:

The Instagram and TikTok pages include features that highlight Fiona's history and capitalize on emotions from Fiona's team and from user-generated content. Fiona is

featured in popular trends on each platform (for example, Fiona understood the assignment: www.tiktok.com/@cincinnati_zoo/video/7023392298788490501?is_from_webapp=1&sender_device=pc&web_id=6892101327480948229).

The zoo's communications team engages with Fiona fans by posting messages for Fiona, for the team that cares for her, and for each other. Fans ask for new or updated content and express how much they care about Fiona.

The zoo receives many benefits from Fionamania. Fiona's popularity brings people to social media where other cute animals are featured along with Fiona. In this way, Fiona acts as a mascot for the other zoo residents. Rico the porcupine eats corn

(www.tiktok.com/@cincinnati_zoo/video/7050962470554356998?is_from_webapp=1&sender_device=pc&web_id=6892101327480948229), penguins parade around the grounds

(www.tiktok.com/@cincinnati_zoo/video/7053103503232765189?is_from_webapp=1&sender_device=pc&web_id=6892101327480948229), and various animals play in snow

(www.tiktok.com/@cincinnati_zoo/video/7039435432068861230?is_from_webapp=1&sender_device=pc&web_id=6892101327480948229). In all, Fionamania benefits the zoo by attracting virtual visitors, live visitors, and charitable support from donors and volunteers.

- 1-11. What can other not-for-profit marketers learn from the Cincinnati Zoo's use of social media to generate interest in Fiona? How does it fit with the Cincinnati Zoo's overall social media strategy? (AACSB: Written and Oral Communication; Reflective Thinking)

Answer:

Student responses will vary. Since the not-for-profit space is competitive, other marketers in this space might use storytelling or mythology to make the cause resonate with the potential donor or customer. They may also choose to highlight an individual beneficiary and corresponding struggle or triumph. Fiona is one of the animals featured on the Cincinnati Zoo's IG page; other animals are also featured, and the zoo is doing less live streaming of Fiona than it used to when she was more popular. The user comments reflect a desire for updated content. The lesson for marketers is if an audience is engaged, you should be prepared to keep up your end of the conversation.

Marketing Ethics

Patagonia—Saving Our Home Planet

Companies are increasingly building social and environmental responsibility into their company value and mission statements. More than 500 American companies have signed the UN Global Compact, a commitment to standards that improve human rights, protect the environment, and advance societal goals. Since 1974 outdoor clothing and gear company Patagonia has grown its business profitably while advocating for public lands, environmental activism, and sustainable supply chains. The brand seems to use a "5 Ps" marketing mix: product, price, place, promotion, and *purpose*. Its founding mission was to "build the best product, cause no unnecessary harm, and use business to inspire and implement solutions to the environmental crisis." This changed in 2018 to "Patagonia is in business to save our home planet." To ensure movement toward this mission, the company prepared for a full year in advance of publicly announcing the shift. Patagonia recently announced that it would give the \$10 million it gained from a federal tax cut to fight for environmental causes that were threatened by the tax cut, including regenerative

agriculture, politics, and protected lands. Patagonia has also used its brand marketing to endorse specific political candidates who support sound environmental policies.

1-12. In the former and current mission statements, Patagonia emphasizes a focus on counteracting the causes of global warming. Such a stance is uncommon for businesses. How might Patagonia's updated mission statement affect its reputation among consumers who rely on the brand to make and market the best products? (AACSB: Written and Oral Communication; Ethical Understanding and Reasoning)

Answer:

Patagonia's stances on corporate social responsibility (CSR) attracts consumers and employees that share the company's values, resulting in substantial increases in sales. Patagonia's business and social goals align with the values of its customers: people who enjoy outdoor recreation. However, the desire to build the best products, which aligns with the marketing management orientation called product orientation, is no longer the first part of its mission. Prioritizing the planet may lead to higher production costs associated with raw materials, such as what would happen if Patagonia used regenerative agriculture to grow cotton for its clothing. The brand wants to use a process that does not use chemicals and takes carbon out of the air, which is a higher priority for the firm than profits. These additional costs may be passed on to customers, which may in turn affect the perceived value associated with the products.

1-13. How should a public firm that wants to engage in corporate social responsibility in a way that might sacrifice short-term profitability explain this decision to shareholders? (AACSB: Written and Oral Communication; Ethical Understanding and Reasoning)

Answer:

A public firm could point to the recent study that suggests that although leaders at companies that are committed to CSR are making choices that put social responsibility before profits, those firms have higher profit margins, valuation, and more stable returns on assets but lower risk. However, if the firm is going to engage in CSR, it should do so in an authentic and meaningful way that relates to the firm's values and aligns with its marketing strategy. Failure to engage in aligned CSR could backfire, resulting in lost customers, decreased reputation, and lower market share.

Marketing by the Numbers

Gillette Trying to Shave Off Competition

The Global Grooming division of Procter & Gamble, which includes Gillette, is experiencing challenges from consumer trends and direct-to-consumer subscription-based competitors. Gillette and close competitor Schick (an Edgewell brand) have focused on product innovation and higher prices. In 2022, Gillette was the number-one razor brand even though it had experienced years of market share erosion. Gillette continued to innovate and sought to expand its reach by putting more emphasis on grooming tools, purchasing the Bevel brand, which targets Black men, and attempting to acquire a razor startup that sells blades and body-care products to

young women. Still, Gillette faces threats posed by the continuing consumer trend of “beardedness,” such as the “scruff” or “stubble” look associated with the more casual workplace. It also faces threats from high growth direct-to-consumer subscription razors like Dollar Shave Club, Billie, Harry’s, and conservatively aligned (U.S. politics) Jeremy’s Razors. As a result, Gillette’s market share dropped from 70 percent in 2010 to only about 50 percent in 2022. To protect its market leader position, Gillette periodically cuts prices on its razors.

1-14. Assuming a contribution margin of 75 percent and current sales of \$1.6 billion, what sales would be necessary to break even (that is, maintain the current total contribution) on an 8 percent across-the-board price reduction? Refer to Financial Analysis of Marketing Tactics: Price Decrease in Appendix 2: Marketing by the Numbers to learn how to perform this analysis. (AACSB: Written and Oral Communication; Analytical Thinking)

Answer:

Decreasing prices by 8 percent, that means the contribution margin will decrease because costs do not change with a price reduction. Therefore, to determine sales necessary to maintain the current total contribution in terms of absolute dollars, we must first determine the current total contribution:

$$\begin{aligned} \text{Current total contribution} &= \text{contribution margin} \times \text{sales} \\ &= 0.75 \times \$1.6 \text{ billion} = \$1.2 \text{ billion} \end{aligned}$$

Though we do not know individual prices, we can base our analyses on 100 percent or price equals \$1.00. Because we know the contribution margin is 75 percent, the unit contribution margin will equal \$0.75 per unit, and unit variable costs will equal \$0.25 per unit if price equals \$1.00 per unit. Thus, we can see the effect on unit contribution margin and contribution margin percentage when price is decreased 8 percent to \$0.92 per unit ($\$1.00 \times (1 - 0.08) = \0.92):

| | Old | New (reduced 7%) |
|----------------------------|-----------------|--------------------------------|
| Price | \$1.00 per unit | \$0.92 per unit |
| – Unit variable costs | \$0.25 per unit | \$0.25 per unit |
| = unit contribution margin | \$0.75 per unit | \$0.67 per unit |
| Contribution margin (%) | 75% (given) | $\$0.67/\$0.92 = 0.728$ or 73% |

As can be seen, an 8 percent reduction in price resulted in a decrease of the contribution margin from 75 percent to 67 percent. To determine the level of sales necessary to break even on this price reduction, we calculate the level of sales that must be attained at the new, lower contribution margin to achieve the original total contribution of \$1.2 billion:

$$\text{New contribution margin} \times \text{new sales level} = \text{original total contribution}$$

$$\text{So,} \quad \text{New sales level} = \frac{\text{original total contribution (\$)}}{\text{new contribution margin (\%)}} = \frac{\$1,200,000,000}{.728} = \$1,910,828,025.48$$

1-15. What absolute increase and percentage increase in sales does this represent? (AACSB: Written and Oral Communication; Analytical Thinking)

Answer:

The absolute increase in sales to break even on an 8 percent reduction in price equals \$310,828,025.48 (i.e., \$1,910,828,025.48 – \$1,600,000,000).

So,

$$\% \text{ change in sales} = \frac{\text{sales}_{\text{new}} - \text{sales}_{\text{old}}}{\text{sales}_{\text{old}}} = \frac{\$310,828,025.48}{\$1,600,000,000} = 0.19 \Rightarrow 19\% \text{ increase}$$

Company Case

The Walt Disney World Resort: Making Magical Moments

Synopsis

The Walt Disney World Resort in Florida is the world's number one tourist attraction. What brings so many people to Disney World? A true fantasyland—more than 40 square miles (as big as San Francisco) brimming with thrill-a-minute attractions at multiple theme parks, it doesn't disappoint. But the real "Disney Magic" lies in how the resort turns park visits into carefully orchestrated customer experiences that make dreams come true. From the details of specific attractions to unsurpassed customer service to systems designed to create engagement between the massive resort and each of the hundreds of thousands of daily visitors, Walt Disney World is constantly innovating to keep the Disney magic flowing.

Teaching Objectives

The teaching objectives for this case are to:

1. Introduce students to the concept of customer perceived value and its central role in marketing.
2. Understand the differences between needs, wants, and demands.
3. Consider the business model for a company and how it fits into marketing management orientations.
4. Introduce the concepts involved in customer relationship management.

Questions for Discussion

1-16. Describe the Walt Disney World experience based on the concepts of needs, wants, and demands, differentiating the three.

Answer:

Needs. In the most basic sense, WDW fulfills the need of entertainment but that is a pretty generic need that can be fulfilled in many different ways. Given that WDW's market offering is so vast and incorporates so many different activities and a commitment of at least a full day to 10 days or more, it is clear that WDW also fulfills other needs such as belonging and love needs, oriented toward friendships or intimate connections.

Wants. Wants fulfill a consumer need, but in a specific way that isn't necessary for the fulfillment of that need. Thus, while a person can satisfy their entertainment needs in a variety of different ways, consumers demonstrate a want in this area each time they choose an entertainment vehicle or brand. In the case of patrons visiting WDW, the expression is a desire to be engulfed in a magical fantasy world that facilitates social interaction and bonding.

Demands. You need reliable transportation. You want a high-performing luxury sport sedan. A BMW M5 satisfies both the need and the want. But any given customer may not have the "buying power" to get their wants fulfilled. The concept of "demands" as defined in this chapter is very related to the more general concept of "demand." In other words, the fact that WDW has achieved the status of the number 1 tourist attraction in the world indicates the extent to which large amounts of customers support their wants with their buying power. WDW has had its ups and downs in terms of park visitorship. Thus, the same concept can be explored to explain why that is.

- 1-17. What does Walt Disney World teach us about the internal culture, people, and processes that must be in place for an organization to create and deliver great customer experiences?

Answer:

Walt Disney was considered a creative visionary. From the beginning, he designed Disneyland in California to provide visitors with the illusion of being in a fantasy situation. He was a stickler for design and detail. But one person cannot execute such a plan. It relies not just on the design of the facilities and systems, but in the people who execute the services. Thus, it is critical that the creator instill the same vision in all who work for the organization. That is where culture and processes come in. Hire the right people, teach them the "Disney way," and put processes in place to minimize the possibility of failure. For example, all WDW employees are cross-trained to do multiple things. Custodians and street sweepers are also expected and trained to interact with and even entertain visitors.

Some might point out that culture, people, and processes are critical for a service organization that operates on such a large scale. But to deliver a certain kind of customer experience, they are just as important for the small proprietor.

- 1-18. How do customer expectations influence Disney World's approach to creating great customer value and experiences? How can Disney manage those customer expectations?

Answer:

Satisfying and delighting customers is a function of expectations. If a person's expectations are met, the customer is satisfied. If the person's expectations are surpassed, they are delighted. But the challenge that every service organization faces is that as they deliver service that surpasses expectations, that not only delights customers but also raises expectations. That which delights customers in one visit will then be expected on return visits.

There are many things that are constant at WDW. But this also explains why WDW is constantly innovating, to continue to provide customers with "more." Adding new attractions is one way to do that. But attractions alone aren't enough. Each has to be even more grand than the last. Guardians of the Galaxy—Cosmic Rewind is a great example of this. It isn't just a roller coaster. It isn't just a themed ride. It is an immersive experience where waiting in line is as important as the ride itself. Genie+, MagicBands, and MyDisneyExperience apps are all examples of how WDW created and improved upon systems to make each person's visit more pleasurable.

- 1-19 How can the Walt Disney World Resort better meet the challenges it faces in delivering its famous customer experience? Come up with some original and innovative ideas.

Answer:

In some respects, this is a follow-up to question 1-18. That which delights now also raises expectations and may not delight in the future. It is important that Disney constantly reveal new and more innovative attractions and components to the customer experience, but it is also important that it pace things properly. Unveiling too many things at one time is not only costly, but it packs a current punch only to leave people wanting more for next time. But unveiling things little by little has a more constant effect of providing delightful experiences with each visit.

WDW is also faced with maintaining its delivery in the face of numerous external challenges. For example, weather, economic challenges, and even extreme situations like the COVID-19 pandemic create external challenges to operating and delivering customer value.

- 1-20. *Small group exercise:* Choose any industry—healthcare, transportation, education, dining, or any other. Apply the learnings from Walt Disney World to come up with specific, innovative ideas to create fantastic experiences in your chosen industry. Present your ideas.

Answer:

Group recommendations will vary. But students should be encouraged to consider the information about WDW's strategy as revealed in questions 1-4, as well as the other information contained in the case.

Teaching Suggestions

A discussion based on this case is optimal for the concepts of needs/wants/desires, customer value, and customer satisfaction. After these concepts have been covered, ask students to consider the classic scenario of making a choice for a family vacation. What does that situation feel like? What factors go into that decision? Then ask what the attitudes are as well as the specific reasons.

This case has been designed to be used with Chapter 1, Marketing: Creating Customer Value and Engagement. This case also works well with Chapter 3, Analyzing the Marketing Environment, and Chapter 5, Consumer Markets and Buyer Behavior.