Chapter 1: Why Marketing Matters to You

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Students should use this Learning Worksheet to prepare for class discussion and take notes.

chapter FORECAST

This chapter explores the importance of marketing to businesses of all sizes, to nonprofit organizations, and to individuals. It examines what marketing is, how it is affected by global forces, and the importance of corporate social responsibility and ethics in this dynamic field. You will see that marketing matters to each of us, regardless of background, college major, or future plans.

learning objectives

**LO 1-1** Describe a marketer’s role in creating, communicating, and delivering value.

**LO 1-2** Differentiate among the various eras in the history of marketing.

**LO 1-3** Distinguish between consumer needs and consumer wants.

**LO 1-4** Explain the four elements in the marketing mix.

**LO 1-5** Discuss the importance of globalization in the field of marketing.

**LO 1-6** Explain the role of analytics in marketing.

**LO 1-7** Demonstrate the relationship between ethical business practices and marketplace success.

**LO 1-8** Analyze the functions of marketing beyond the for-profit firm.

Key terms

brand

customer value

ethics

exchange

global marketing

logistics

marketing

marketing analytics

marketing concept

marketing mix

needs

place (distribution)

price

product

production orientation

promotion

relationship marketing

sales orientation

social media

supply chain

wants

THOUGHT-PROVOKING ACTIVITY

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| Set 1: What are the three marketing philosophies/orientations? Provide one example of a product or service in each. |
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| Set 2: What are the 4 Ps? Provide an example for each. |
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content outline

The following section provides the flow of information using the LEARNING OBJECTIVES as a guide, FIGURES as a visual to elaborate on key areas, and KEY TERMS learners will need to take away from the course, and creates an opportunity for you to take LECTURE NOTES.

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| **EXECUTIVE PERSPECTIVE NOTES**  Steve DeVore, *Senior Vice President and General Manager*, Twin Oaks Integrated Marketing |
| How is marketing relevant in his role?  How is value communicated through his personal brand? |

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| **THINK LIKE A MARKETER**  How have organizations created value for its customers? |
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| **THINK LIKE A MARKETER**  Once value is created, how do you communicate it? |
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| **THINK LIKE A MARKETER**  Why is it important to communicate value? |
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**LO-1 The Value of Marketing**

Marketing, by definition and application – An organizational function and set of processes that consists of 3 components:

* Creating value
  + Perceived benefits known as customer value
    - Monetary and nonmonetary
      * Examples:
      * Make a home safe (ADT)
      * Save money (GEICO)
      * Make life easier (iPhone)
    - Key ingredient is providing consumers with benefits that meet their needs and wants, and satisfy demand
      * Over 80% of all new products fail
* Communicating value – marketing itself; what the product is and the value the customers can expect
* Delivering value
  + Supply chain – set of three or more companies linked by one or more of the upstream and downstream flows of products, services, finances, and information from source to customer
  + Logistics – flow of goods, information, and services between the point of origin and final customer

…Providing value to customers and managing customer relationships in ways that benefit the organization and its employees, customers, investors, and society as a whole

**LO-2 History of Marketing**

* Production Orientation
  + Prior to the 1920s
  + Efficient processes and production to create quality products and reduce unit costs
  + *Build and they will come*
  + Just because you can?
  + Mid-1920s – growth and production outpaced consumer demand, and effective sales forces were needed (new strategy)

Henry Ford’s production line innovation and success manufacturing the Model A automobile represents perhaps the height of the production orientation, during which firms believed that quality products would sell themselves.

* Sales Orientation
  + Especially important during Great Depression to WW2 – customers didn’t have much money and firms competed for their dollars
  + Personal selling and advertising to persuade
  + Hire aggressive salespeople
* Marketing Concept
  + Era of expansion beginning in the 1950s; limited supply of products now flooded the market and increased demand
  + Company-wide effort to satisfy customer needs
  + Continues to evolve, especially with technology
  + Customer orientation – everyone in a firm should assess and satisfy customer needs (company-wide effort)
  + Relationship marketing – attracting, maintaining, and enhancing customer relationships
* The Future of Marketing
  + It is exciting to think how marketing will develop in the years ahead
  + Technology changes – affects the business world and firms evolve
  + Firms will need to explore new models that address what customers want and how they prefer to receive information
    - 2013 – # of Americans who pay for TV service through cable, satellite, or fiber optics declined by over a quarter of a million
    - # of Americans using the Internet or online streaming services (Netflix or Hulu) is at an all-time high
    - Newspaper circulation has decreased significantly in the past decade
    - Amount of news consumers get through social media platforms (Facebook and Twitter) is at an all-time high
  + In the coming years, marketers will no longer automatically think of TV, newspaper, or magazine advertising as the first choice for reaching customers

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| **Figure 1.1 *Social Media as a Pathway to News: Facebook Leads the Way* INSIGHT QUESTIONS** |
| Why do you think Facebook is the top-ranking social networking site for receiving news? |
| (Answer: open ended, student answers will vary; for example, it appeals to multiple demographics and has been around the longest of the most used platforms) |
| Do you think this percentage will change in the next three years? How so? |
| (Answer: open ended, student answers will vary; social media is constantly evolving so as long as the platform also evolves and consumers use it a go-to source, anything is possible) |
| How does this relate to how and where you receive news? |
| (Answer: open ended, student answers will vary; simply liking a local, national, or global news page can add it in the social feed, which makes information more easily available) |

**LO-3 Needs versus Wants**

* Marketing’s role is to match your need with a want
* Value is created when consumer wants and needs are satisfied through exchange relationships
  + Exchange:
    - Trade things of value so that each is better off/satisfied
    - Conditions of an exchange: at least two parties, something that might be of value, capable of communication and delivery, free to accept or reject, wants to deal with the other part
  + Needs:
    - States of felt deprivation (food, shelter, clothing, transportation, safety)
    - Marketers do not create needs – they are a basic part of our human makeup
  + Wants:
    - Take shape by personality, culture, and buying situation, and are influenced by family, job, and background
  + Satisfying needs and wants can be challenging for firms that do not fully appreciate the difference between the two
* The distinction of needs and wants is important, and there is often a gray area. When a firm understands the difference, it can effectively target a message that meets the customer’s needs and wants, and convinces the consumer that their product is better than the competition.
* Marketers seek to convince customers that the firm’s offering will meet their needs and wants better than the competition

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| **THINK LIKE A MARKETER**  What do marketers do with value? |
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* Most people need transportation of one kind or another; it’s marketing’s job to satisfy that need in a way that also meets the customer’s wants, perhaps for a luxury car.

To avoid potential problems for the firm, evaluating customer needs and wants must be done through an ethical framework.

* Ex: buying a house that you want, but is more than you can afford.

**LO-4 The Marketing Mix: The Four Ps (product, price, place, promotion)**

The marketing mix represents everything that a firm can do to influence demand for its good, service, or idea.

With which “P” do we start? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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| **Figure 1.2 *The Marketing Mix and Decisions That Affect It* INSIGHT QUESTIONS** |
| Why must the marketing mix begin with decisions made relating to the product? |
| (Answer: All other pieces of the marketing mix cannot be determined until the product is determined.) |
| What are the key areas of consideration for determining the product? |
| (Answer: what the product is, its features, and whether it is new or revamped) |
| What are the key areas of consideration for determining the price? |
| (Answer: what price should be charged domestically and internationally, and potential discounts) |
| What are the key areas of consideration for determining the place? |
| (Answer: suppliers, delivery, inventory) |
| What are the key areas of consideration for determining the promotion? |
| (Answer: where to advertise, use of sales promotion, hiring salespeople, and how the public perceives the product) |

**The Marketing Mix and Decisions That Affect It**

* Key areas of consideration for determining product – specific combination of goods, services, or ideas that the firm offers to consumers
* What the product is
* Its features
* How long has my product existed?
* New? Or revamped?
* Key areas of consideration for determining promotion – all the activities that communicate the value of a product and persuade customers to buy it
* Where to advertise
* Use of sales promotion
* Hiring salespeople
* How the public perceives the product
* Advertising, public relations, personal selling and sales promotion are effectively integrated to communicate value
* Whole promotional strategy is better than the sum of its parts (Gestalt Theory)
* Examples:
  + Seen TV commercials for car insurance, resorts, or another product (advertising)
  + Used a coupon to purchase something (sales promotion)
  + Talked with a sales person (personal selling)
  + Attended an event sponsored by a company (public relations)
* Key areas of consideration for determining price – the amount of something—money, time, or effort—that a buyer exchanges with a seller to obtain a product
* At what price should I sell my product?
* Should I offer customers a discount?
* Should I price my product differently in another country?
* Domestic versus international prices
* Relates the value consumers place on a product
* Typically the easiest element to change and therefore is a powerful tool if wanting to quickly adjust market share or revenue
* Not the right price? Consumers will find a substitute

New technology like smartphone barcode scanners makes pricing a more complicated and influential component of the marketing mix because consumers can quickly compare prices from firm to firm and from store to store.

**Revenue Example**

REVENUE = The price of a product **x** The number of units sold

* If the price is too high ($65.99), fewer units will sell
* If the price is too low ($12.99), more units will sell… but there could still be an overall reduction in revenue if the money earned from the additional units sold isn’t enough to offset the lowest price

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| **THINK LIKE A MARKETER**  How does McDonald’s sell sausage McGriddles for $1? |
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* Key areas of consideration for determining place – includes the activities the firm undertakes to make its product available to potential customers (also known as distribution)
* Suppliers
* Delivery
* Inventory
* Making a product available to consumers when and where they want to purchase/consume it without difficulty

**Social Media**

A group of Internet-based applications that allow the creation of and exchange of user-generated content.

* Goal: create content that attracts attention and encourages readers to share the content with social networks
* A company that uses social media hopes its message resonates because it comes from a trusted, third party source.
* Driven by: word of mouth, resulting in free media rather than paid media
* Easily accessible to anyone with Internet access
* Minimal in cost compared to its alternatives: easily fits into the budget
* Marketers expect the use of social media to continue to explode

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| **CONNECT BACK: Reference Connect Application Exercise 1-1** |
| How did Domino’s Pizza use social media to better reach its customer? |
| (Answer: The company became the first major restaurant chain to use Twitter as an ongoing way for customers to place and complete an order. Domino's customers were able to order a pizza by simply tweeting the pizza emoji to @Dominos.) |
| Did this give them competitive advantage? |
| (Answer: open ended, student answers will vary; innovation is always an opportunity for competitive advantage) |

**Trends Affecting Marketing**

* Expanding reach to international consumers means marketers will face new challenges that result from global competition.
* Meanwhile, consumers seek out firms that emphasize social responsibility and ethical practices.

**LO-5 Global Marketing**

* Broad focus = Global Marketing
* Global forces impact every marketing decision
  + Supply chains can be disrupted (development and delivery affected, too)
  + Connected global economy (globalization) → ripple effect
* Facts:
  + 11.7 million jobs in the U.S. are supported by exports
  + In 2014, U.S. exports were worth more than $2.35 trillion
  + U.S. is world’s leading exporter of beef, wheat, corn, and copyrighted material
  + Exports account for 13% of total U.S. economy
* Globalization
  + Different reactions from different people, positive and negative perspectives
  + International trade agreements (NAFTA – relaxing trade restrictions between U.S., Canada, and Mexico)
    - * Easier for companies to move jobs to lower wage areas on the continent
      * EFFECT: endangering local job prospects and threatening community existence
* Global vision needed to proactively recognize and respond to international marketing opportunities
* Less than 5% of the world’s population lives in the Unites States
  + Opportunity to sell beyond the states with access to billions of customers
  + Global marketing – consciously addressing customers, markets, and competition throughout the world
  + Brand – name, term, symbol, design, or any combination of these that identifies and differentiates a firm’s products through advertising and social media
    - Make pricing decisions based on economic and competitive factors in each region the firm does business

Coca-Cola has demonstrated a commitment to using each of the four Ps—product, price, place, and promotion—to drive global success with over 40% of the firm’s sales coming from international markets.

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| **Marketing Analytics INSIGHT QUESTIONS** |
| Firms that want to market on a global scale must pay close attention to whether the benefits exceed the costs. Why is this so? |
| (Answer: open ended, student answers will vary; for example, if the benefits can generate a consumer following, create interest, and generate revenue, globalization may be ideal for growth and expansion) |
| What kinds of things should a firm look at in the data? |
| (Answer: open ended, student answers will vary; sales over time periods, marketing return on investment, spikes in unusual areas, correlating factors) |

**LO-6 Marketing Analytics**

* Marketing analytics is the practice of measuring, managing, and analyzing market performance
* Processes and technologies that enable marketers to evaluate the success of marketing initiatives by measuring performance using business metrics
* Can be used for making better decisions, like justifying advertising dollars
* The percentage of marketing budgets allocated for marketing analytics is expected to almost double in the next three years

**LO-7 Ethics in Marketing**

* Key component of a successful marketing approach
  + Ethics – moral standards expected by society
  + Marketers must understand the norms and values expected of them
    - This reflects their company, profession, and themselves (WANT to be seen as ethical)

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| **Figure 1.3 *American Marketing Association Code of Ethics* INSIGHT QUESTIONS** |
| Justly balancing the needs of the buyer with the interests of the seller relates to which ethical value? |
| (Answer: fairness) |
| What does it mean to be transparent? |
| (Answer: to create a spirit of openness in marketing operations) |
| Contributing to the overall betterment of marketing and its reputation is part of which ethical value? |
| (Answer: citizenship) |

**The Impact of Ethics on Business**

* + Relationship between ethical business practices and marketplace success
    - Serious consequences (Enron, WorldCom, Arthur Anderson, AIG)
    - Effects more than the company – can cause harm to society as a whole
    - Can generate profits, even during a recession

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| **Figure 1.4 *Performance Comparison of the World’s Most Ethical Companies and the MSCI All Country World Index* INSIGHT QUESTIONS** |
| Were the world’s most ethical firms still profitable with positive and negative economic circumstances? |
| (Answer: yes) |
| What, specifically, do think are the contributing factors to the most ethical firms making positive returns even in times of a recession? |
| (Answer: open ended, student answers will vary; for example, being an organization that consumers can depend on creates value in their mindset) |

**Ethical Decision Making Framework**

* Systematic framework to solving ethical problem
* The ethical choice is not always clear
* Systematic framework incorporates the following steps:
  + Determine the facts in an unbiased manner
  + Identify the ethical issue at hand
  + Identify the stakeholders affected by the decision
  + Consider all available alternatives
  + Consider how the decision will affect the stakeholders
  + Discuss the pending decision with the stakeholders
  + Make the decision
  + Monitor and assess the quality of the decision
* Marketers may confront decisions that will boost short-term sales at the expense of the long-term reputation of the company
* Some common ethical questions that marketers may face with each element of the marketing mix in a career include:
  + Product
    - What default privacy settings should be built into a website?
    - What safety risks, especially for children and the elderly, might a product pose?
    - Should environmentally friendly packaging be used even if it costs more?
  + Place
    - Should jobs be outsourced to other members of the supply chain?
    - Are the relationships between wholesalers and retailers inappropriate?
    - What opportunities for personal gain might tempt a firm’s suppliers?
  + Price
    - Should the firm charge customers different prices based on their ability to pay?
    - Should the firm increase prices due to a lack of local competition?
    - Should the firm lower prices on soft drinks and fast food to attract a greater customer following, even if those products present potential health risks?
  + Promotion
    - Does the advertising message represent the product’s benefits honestly?
    - Does the promotion strategy incorporate violence, sex, or profanity that may be inappropriate for some members of society?
    - Does the advertising message attack competing products rather than highlight the benefits of the firm’s product?

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| **THINK LIKE A MARKETER**  Think of the ethical questions you will encounter in your job. What are they? |
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| **Figure 1.5** *Ethical Decision-Making Framework* **INSIGHT QUESTIONS** |
| Despite the positive impact ethical decision making can have on a firm, is the ethical choice always clear? |
| (Answer: no, and there may be many personal and professional factors to consider) |
| Which step do you think is most important? |
| (Answer: open ended, student answers will vary) |

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| **CONNECT BACK: Reference Connect Application Exercise 1-2** |
| Which area did you have the hardest time relating to an actual scenario? |
| (Answer: open ended, student answers will vary) |
| What are the potential risks of not selecting an ethical approach to business and marketing decisions? |
| (Answer: open ended, student answers will vary; for example, consumer buy-in and support can be negatively affected) |

**LO-8 Marketing for Nonprofit Organizations**

* Nonprofit organizations are those whose motive is something other than making a profit for owners
* Nonprofits employ about 11 million people
* Represent the third-largest employment sector in the U.S.
* Economic turmoil of the recession meant increased competition for support, membership, and donations
* Successful marketing helps nonprofits attract membership and much-needed funds

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| **TODAY’S PROFESSIONAL NOTES**  Jodie Cherry, *SR Specialist–Talent Acquisition, Human Resources*, ALSAC / St. Jude Children's Research Hospital |
| What makes her a “connector”? |

**Marketing Yourself**

* Your ability to market yourself will be critical to your success after you leave college
* Don’t look at the information this book provides as a collection of random concepts that you can forget about once your final exam is taken
* Instead, think about how it will help you position yourself relative to others competing for the same job

marketing plan exercise

As a professional in any field, it is important to have a comprehensive understanding of what a marketing plan is and why it is there. A marketing plan is an action-oriented document or playbook that guides the analysis, implementation, and control of all marketing activities. Throughout this book, you will develop a professional marketing plan. The twist is that your marketing plan will focus on how to market yourself to achieve your career goals.

Many businesses fail to execute on their marketing plans because they did not spend adequate time clearly identifying what they wanted or expected to do. As a first step in developing your personal marketing plan, you will need to identify the specific objectives that you want to achieve. In developing these objectives, you should ask yourself several questions, such as:

* Do I want to attend graduate school? If so, where and what program?
* Where do I want to work?
* Where do I want to live?
* What kind of life do I want to have?
* How much will I need to earn to have that life?

Such questions will help students focus on what specific things they need to do to achieve their goals. The more clearly they define their objectives, the more likely they are to realize them.

**Student Task:** First, have students clearly define who they are and summarize a few major things that make them - them. Next, have them respond to the above questions by outlining their future objectives. Students should think about both their personal and professional goals.

**Instruct students to insert their responses to the above in Chapter 1’s section of the Personal Marketing Plan.**

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| **Respond to the question: *Tell me about yourself.*** | |
| **Chapter 1** | **MARKETING STRATEGY**  Future Objectives |