Chapter 1 Overview of Marketing

TOOLS FOR INSTRUCTORS

* Brief chapter outline
* Learning objectives
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BRIEF CHAPTER OUTLINE

* What is marketing?
* How do marketing firms become more value driven?
* Why is marketing important?
* Summing up
* End of chapter learning aids
* Chapter Case Study: Airbnb—Unleashing the Value of Sharing

LEARNING OBJECTIVES

LO1.1 Define the role of marketing in organisations.

LO1.2 Explain the concept of value in marketing.

LO1.3 Understand why marketing is important, both within and outside the firm.

CHAPTER OVERVIEW (SUMMING UP)

LO1.1 Define the role of marketing in organisations.

Marketing is the activity, set of institutions, and processes for creating, capturing, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. Marketing strives to create value in many ways. If marketers are to succeed, their customers must believe that the firm’s products and services are valuable; that is, they are worth more to the customers than they cost. Another important and closely related marketing role is to capture value of a product or service based on potential buyers’ beliefs about its value. Marketers also enhance the value of products and services through various forms of communication, such as advertising and personal selling. Through communications, marketers educate and inform customers about the benefits of their products and services and thereby increase their perceived value. Marketers facilitate the delivery of value by making sure the right products and services are available when, where, and in the quantities their customers want. Better marketers are not concerned about just one transaction with their customers. They recognise the value of loyal customers and strive to develop long-term relationships with them.

LO1.2 Explain the concept of value in marketing.

Value represents the relationship of benefits to costs. Firms can improve their value by increasing benefits, reducing costs, or both. The best firms integrate a value orientation into everything they do. If an activity doesn’t increase benefits or reduce costs, it probably shouldn’t occur. Firms become value driven by finding out as much as they can about their customers and those customers’ needs and wants. They share this information with their partners, both up and down the supply chain, so the entire chain collectively can focus on the customer. The key to true value-based marketing is the ability to design goods and services that achieve precisely the right balance between benefits and costs. Value-based marketers aren’t necessarily worried about how much money they will make on the next sale. Instead, they are concerned with developing a lasting relationship with their customers so those customers return again and again.

LO1.3 Understand why marketing is important, both within and outside the firm.

Successful firms integrate marketing throughout their organisations so that marketing activities coordinate with other functional areas such as product design, production, logistics, and human resources, enabling firms to get the right product to the right customers at the right time. Marketing helps facilitate the smooth flow of goods through the supply chain, all the way from raw materials to the consumer. From a personal perspective, the marketing function facilitates your buying process and can support your career goals. Marketing also can be important for society through its embrace of solid, ethical business practices. Firms 'do the right thing' when they sponsor charitable events,

seek to reduce environmental impacts, and avoid unethical practices; such efforts endear the firm to customers. Finally, marketing is a cornerstone of entrepreneurialism. Not only have many great companies been founded by outstanding marketers, but an entrepreneurial spirit pervades the marketing decisions of firms of all sizes.

EXTENDED CHAPTER OUTLINE WITH TEACHING TIPS

1. WHAT IS MARKETING?

## Marketing is about satisfying customer needs and wants.

## Marketing entails an exchange.

## Marketing requires product, price, place, and promotion decisions.

### Product: Creating value

### Price: Capturing value

### Place: Delivering the value proposition

### Promotion: Communicating the value proposition

## Marketing can be performed by both individuals and organisations.

## Marketing impacts various stakeholders.

## Marketing helps create value.

### Production-oriented era

### Sales-oriented era

### Market-oriented era

### Value-based marketing era

CHECK YOURSELF

Several questions are offered for students to check their understanding of core concepts.

**What is the definition of marketing?**

*Answer:* Marketing is the activity, set of institutions, and processes for creating, capturing, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Marketing is about satisfying \_\_\_\_\_ *and* \_\_\_\_\_.

*Answer:* Marketing is about satisfying customers’ needs and wants.

What are the four components of the marketing mix?

*Answer*: The four components of the marketing mix are product, place, price, and promotion.

**Who can perform marketing?**

*Answer*: Both individuals and organisations can perform marketing as marketing can entail B2C, B2B and C2C.

**What are the various eras of marketing?**

*Answer*: The eras of marketing include the production era, sales era, market era, and value-based era.

# HOW DO MARKETING FIRMS BECOME MORE VALUE DRIVEN?

## How firms compete on the basis of value

## How do firms become value driven?

### Sharing information

### Balancing benefits with costs

### Building relationships with customers

## Connecting with customers using social and mobile media

CHECK YOURSELF

Several questions are offered for students to check their understanding of core concepts.

Does providing ‘good value’ mean selling at a low price?

*Answer*: Value-based marketing isn’t just about low prices; it is also about creating strong products and services.

**What are the benefits of long-term relationships with customers?**

*Answer*: A relational orientation is based on the philosophy that buyers and sellers should develop a long-term relationship for the benefit of both parties.

**How are marketers connecting with customers using social and mobile media?**

*Answer*: Marketers are steadily embracing new technologies, such as social and mobile media, to allow them to connect better with their customers and thereby serve their needs more effectively.

1. WHY IS MARKETING IMPORTANT?

## Marketing expands a firm’s global presence.

## Marketing is pervasive across the supply chain.

## Marketing enriches society.

## Marketing can be entrepreneurial.

CHECK YOURSELF

Several questions are offered for students to check their understanding of core concepts.

**List five functions that illustrate the importance of marketing.**

*Answer*: Figure 1.6 reveals some of the factors related to the importance of marketing. These include expanding global presence, stretching throughout the organisation, working throughout the supply chain, making life easier and enriching society.

**A firm doing the right thing emphasi**s**es the importance of marketing to \_\_\_\_\_.**

*Answer*: A firm doing the right thing emphasises the importance of marketing to **society.**

ANSWERS TO END OF CHAPTER LEARNING AIDS

Marketing Applications

1. Do you know the difference between needs and wants? When companies that sell frozen desserts develop their marketing strategy, do they concentrate on satisfying their customers’ needs or wants? What about a utility company, such as the local power company? A humanitarian agency, such as Doctors without Borders?

*Needs are essential items that individuals cannot live without. These necessities include shelter, health care, food and basic transportation. Wants are products that customers would like to have and view as improving their quality of life, such as* *name brand clothing, computers and luxury vehicles.*

*This question is intended to make students think about the difference between customer needs and wants, as well as how companies might address one or both. It also challenges students to explore whether different types of companies address the needs and wants of consumers differently. Companies that sell frozen desserts are probably concentrating on satisfying customers’ wants, as their products are considered 'treats'. Firms also must respond to competitors’ offerings. An electricity company might have a strong imperative to satisfy customers’ needs for reliable electricity but not focus as much on customer wants because it faces little market competition. Student responses should reflect an awareness of considering both consumers*' *wants and needs. Humanitarian agencies, such as Doctors without Borders, are satisfying customers’ needs, especially their basic needs for health care and medicine.*

**2. People can apply marketing principles to finding a job. If the person looking for a job is the product, describe the other three Ps.**

*Students should define the remaining Ps in the marketing mix and better define the product P. In addition, answers should consider how a person seeking employment can offer value to a potential employer and how employers might add value to prospective employees. Responses should answer the following questions.*

* *What employer needs and wants can the applicant offer to fulfill (product)?*
* *What will it cost the potential employer to hire the applicant (price)?*
* *How will the employer promote the job to the pool of possible applicants (promotion)?*
* *Where and when will the job be available (place)?*

**3. Mercedes-Benz manufactures the Smart Car, which sells for around $20****000, and the SL 65 AMG 2-door Roadster for almost $500****000. Is Mercedes providing the target markets for these cars with good value? Explain why.**

*Mercedes-Benz is providing value for its customers by offering different products to different target markets. Value is created when the benefits of owning a product exceed the costs of the product. For some customers, a $*20 *000* car *might be exactly the product that they need. Customers of this car might prefer the small size and great* petrol consumption *for city driving. For other customers, the benefits of the SL 65 AMG 2-door Roadster,* such as *its style and prestige, might outweigh the hefty price tag.*

**4. Assume you have been hired into the marketing department of a major consumer products manufacturer, such as Nike. You are having lunch with some new colleagues in other departments—finance, manufacturing, and logistics. They are arguing that the company could save millions of dollars if it just got rid of the marketing department. Develop an argument that would persuade them otherwise.**

*This scenario forces students to think about the purpose and value of marketing in an organisational context and allows for a variety of justifications. For example, a student could use an internal or external perspective and argue that finance, manufacturing, and logistics tend to worry less about the customer and more about internal processes, whereas the marketing and sales functions constantly focus outward on the customers the company serves. Using this argument, the student might question whether other departments are willing or prepared to take on customer relations and develop an understanding of how and why customers buy the company’s product or service.*

*Another argument might simply demand how customers will even know about the company’s products if the marketing department doesn’t broadcast their features, benefits, and value outward.*

5. Why do marketers like P&G find it important to embrace societal needs and ethical business practices? Provide an example of a societal need or ethical business practice that P&G is addressing.

*This question centres on the role of social and ethical issues in a marketing context. Students might mention efforts such as keeping the environment clean and offering fair wages to workers. For example, Proctor and Gamble has recently embraced more sustainable manufacturing practices, by reducing its non-renewable energy consumption and revising some of its packaging strategies, such as the new Pantene Nature Fusion, made of plant-based plastic.*

Quiz Yourself

**1. The ‘Got Milk’ advertising campaign was designed to help market a(n):**

**a. individual**

**b. firm**

**c. industry**

**d. organisation**

*The ‘Got Milk’ advertising campaign is designed to help the entire dairy industry. This ad focuses on the dairy industry rather than a specific product or brand.*

**2. Henry Ford's statement, 'Customers can have any colour they want so long as it's black', typified the \_\_\_\_\_\_\_\_\_\_\_\_ era of marketing.**

**a. production**

**b. sales**

**c. marketing**

**d. value-based marketing**

*Henry Ford’s statement is an example of the production era of marketing where companies worked to achieve economies of scale rather than make products more targeted to customers’ specific needs and wants.*

Net Savvy

1. **Visit Apple (**[**www.apple.com**](http://www.apple.com)**/au). What value does Apple provide customers? What are the advantages of using Apple to buy music or to rent/buy videos?**

*Most students should be familiar with Apple products and services. Students might suggest that Apple provides value because of the convenience and ease of use of its products. Apple may also provide value because of the compatibility of all of its products and services. Some of the advantages of using Apple to buy music or to rent/buy videos are the ease of use, broad selection and newness of the music and movies.*

1. **Go to** [**Facebook.com**](http://www.Facebook.com)**/facebook/info and** [**newsroom.fb.com**](http://www.newsroom.fb.com)**. What is Facebook’s mission? How could a marketer use Facebook? What other social media tools could they use? What are the drawbacks a marketer might face when using Facebook and other social media tools?**

*Mission: Facebook's mission is to give people the power to share and make the world more open and connected.*

*For the aggressive guerrilla marketer, Facebook offers a variety of viral channels to get the word out and creatively reach target audiences. For marketers with a budget, Facebook offers both integrated and self-serve solutions to reach broader slices of the Facebook audience. For marketers who can harness technical resources, the Facebook Platform offers the most powerful way to create engaging connections with your target audience on Facebook.*[[1]](#footnote-1)

Chapter Case Study

*Airbnb—Unleashing the Value of Sharing*

1. **What do you understand by the *'*Sharing Economy*'*? How is this economy different from traditional economies?**

*Answer:* This relates to the growth of online communities organised around the sharing of content and information, and the way in which new business ventures like Airbnb capitalise on such communities. It differs from traditional economies in that there is a significant shift in power from the marketer to the consumer. In the sharing economy, consumers determine the success of a company through word of mouth, reviews and the sharing of experiences.

1. **How does AirBnB manage its value offerings? Discuss the details of the AirBnB service and what makes it distinct from other accommodation providers.**

*Answer:* AirBnB provides a peer-to-peer accommodation platform that is larger than any other accommodation provider. It also offers unique experiences through a diverse user base, with accommodation options ranging from boats, to castles, private islands, igloos, tree houses, lofts or a simple townhouse. Users experience value from the uniqueness of the service, along with the personal connections made through the nature of accommodation sharing. The site also provides augmented features like extensive neighbourhood guides, and the company’s presence on major social media platforms provides access to compelling video content that customers experience as 'value adding'.

1. **Visit the AirBnB website. What has changed since the writing of this article? Are there any additional features that are now a part of the value proposition? What is the overall user experience on the website?**

*Answer:* Answers will vary depending on the development of the company and the website.

ADDITIONAL TEACHING TIPS

In this chapter, the goal is to provide an overview of marketing and encourage students to think about the specific aspects of the marketing mix.

*Place* is one of the most difficult concepts for students because it is largely invisible to them as consumers. They touch hard goods, experience services, view and hear promotions and pay for what they buy, but it can seem that products appear almost magically. One recent trend among environmentally-conscious consumers is to seek out products produced within a 100 km radius of their home. Buying these products reduces costs and detrimental environmental effects by reducing emissions associated with transportation and storage. Students should visit local grocery markets, identify goods, and investigate how far the products travelled (and by what means) to reach the store’s shelves. From this experience a rich discussion of both distribution decisions and marketing’s impact on society can evolve.

To make the *eras of marketing* clear to students, divide the class into groups with each group assigned to a specific era. Ask the students to identify a business that adheres to their assigned era in terms of its business philosophy and approach. They should present the business to the class with evidence of the business’s philosophy. Each brief presentation should include an assessment of whether the orientation is appropriate to the business given its competitive environment, target audience, and positioning strategy and if not, what orientation would be best.

LECTURE TIPS AND AIDS

Pre-class student assignments

1. Experiencing Value

As consumers, we are always out to experience value in one way or another. Value can be described in the sense of getting 'a good deal' on a purchase, or it can be an instance in which you received exceptional and unexpectedly good customer service.

Identify an instance in which you experienced value in a particularly strong way. From a marketing perspective, what was it that actually took place behind the scenes? In other words, do you think that the value experience you had was the result of accident or of the marketing efforts of the company itself? Justify your answer.

1. **Industry Stakeholders in Marketing**

The ‘Got Milk’ marketing campaign was designed to promote the dairy industry. Find another example of a marketing campaign that is aimed at supporting a particular industry. What did the campaign consist of (was it only an ad on TV, or were there other promotional activities involved)? Do you believe the marketing campaign was successful?

*In-class activities and discussions*

1. **Stuck in the sales era**

The so-called sales era in the history of marketing (1920s─1950s) was characterised by intense personal selling, heavy advertising, and a philosophy of persuading customers to purchase the company’s products, rather than offer what customers wanted. According to some, there are companies that are still stuck in the sales era mentality. These companies, rather than offer products that customers genuinely want, try to sell their existing products through intense promotion (usually advertising), and personal selling.

* Can you think of companies that are still heavily dependent on the persuasion strategy to get customers? Provide some examples.
* What types of products typically fall into this category? Are they products for which consumers have a genuine need, or are they want-based products and services?

*Suggested answer* Some unsought kinds of products, like life insurance, can be said to still exist in a sales oriented paradigm. The focus here is on selling, and life insurance companies rely heavily on persuasion tactics through personal selling (often via telemarketing), and advertisements tend to be longer in order to cement a point about the need for life insurance products. Other products, like the ones we often see on TV shopping networks, can also be said to be 'unsought' and require heavy doses of persuasion and personal selling in order to sell. The companies behind these products are less interested in what customers want, and more interested in selling existing products.

1. **Design a great product**

Think of a need that exists in the marketplace. Now imagine you had start-up capital of $1 million, and you had to come up with a product that would be highly profitable and at the same time add value to consumers and society at large. What kind of product would you design (it can be anything: a tangible good or a service). Describe how it would create value for customers, and also what benefits it would have for society at large. Finally, what methods would you use to market the product once it had been designed?

Critical thinking

### **According to most marketing textbooks, marketing is all about value creation. But despite the claims of value creation for a range of stakeholders, the marketing profession consistently scores poorly in public opinion in terms of benefit to society. Professions that are typically thought to genuinely add value to society include doctors and school teachers. Advertisers and used car sales people score the lowest. Discuss why, despite its best intentions, marketing still suffers from a bad reputation in the general public.**

*Suggested answer:* Answers should tap in to ethical issues of the marketing profession. Students might mention telemarketers and the pervasiveness of advertising. They may comment on the fact that marketing sometimes involves deception and false (or at least exaggerated) promises conveyed in promotional messages. They may also tap into how consumerism is fuelling increased personal debt in most Western countries, as marketing is often blamed for overconsumption and an emphasis on short-term gratification. This question should lead to interesting debates about the notion of value creation.

### **Marketing in the Future. If we are currently in the era of value-based marketing, what trends do you think lie ahead in terms of the evolution of marketing? How do you think marketing will change in the next century? Will it become even more customer-centred or will it perhaps revert to old forms of sales and production oriented strategies? Discuss and justify your prognosis.**

*Suggested answer:* This question is designed to get students to think critically about the future of marketing. Some analysts have forecast that marketing will go through a customisation revolution, where every exchange is carefully tailored to the specific needs and wants of the customers. Others might suggest that marketing will become more traditional, as customer preferences change and consumers tire of having everything customised. Some interesting thoughts on the future of consumer culture will follow from this critical question.

INTERNATIONAL CONTENT

Remember to review the *International Content: Newsletter for* *Instructors* online. Each newsletter contains more than ten article abstracts on hot topics from Dhruv Grewal and Michael Levy’s US edition of *Marketing*, plus a selection of current commercials and videos for you to use in class. The newsletter also includes a guide that explains where the articles, commercials, and videos best fit in your marketing course.

1. Justin Smith, 'The Facebook Marketing Bible: 24 Ways to Market Your Brand, Company, Product, or Service Inside Facebook,' *Inside Network, Inc.*, 9 December 2007. [↑](#footnote-ref-1)