

CHAPTER 1

CONTEMPORARY MARKETING

Learning Objectives

- LO1: Define the term *marketing*.
- LO2: Describe the importance of marketing in organizations.
- LO3: Describe how marketing has evolved to become the driving force of business growth.
- LO4: Explain the fundamental process of marketing practised by organizations today.
- LO5: Explain the concept of the *marketing mix*.
- LO6: Explain how an organization maximizes the value of its customers.
- LO7: Identify fundamental methods for measuring the effectiveness of marketing activities.
- LO8: Explain how ethical considerations impact marketing strategies.

CHAPTER SUMMARY

LO1 Define the term *marketing*.

Marketing is defined as an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

LO2 Describe the importance of marketing in organizations today.

Marketing is a vital business function, as it is the means by which an organization connects with customers. In terms of implementation, marketing is divided into two key areas. First, marketing attracts customers and encourages them to buy a good or service for the first time. Second, marketing programs encourage customer satisfaction and loyalty to maximize the lifetime value of customers.

LO3 Describe how marketing has evolved to become the driving force of business growth.

The nature of marketing practice has evolved. It has moved from a production orientation to a sales orientation to a true marketing orientation. Contemporary marketing methods now revolve around social responsibility practices and new social media technologies.

The manner in which an organization reaches and influences potential customers continues to change how marketing is practised.

LO4 Explain the fundamental process of marketing practised by organizations today.

Marketing can be described as a process that involves several key steps: assessing customer needs, identifying and selecting target markets, developing the marketing strategy by using elements of the marketing mix, developing customer relationship management programs that encourage loyalty, and finally, evaluating marketing mix and customer relationship management strategies for effectiveness. An organization devises independent marketing plans for each of its products. All products contribute to an organization's success in terms of sales, profit, and customer satisfaction.

LO5 Explain the concept of the *marketing mix*.

The marketing mix is comprised of four distinct components: product, price, distribution, and marketing communications. When devising a marketing strategy, decisions are made on each of these components. Although each component is separate in nature, it is the collective impact of all four variables that will ultimately influence a customer to buy a product.

LO6 Explain how an organization maximizes the value of its customers.

To get full value from existing customers, marketing managers devise loyalty programs and use technologies to plan and implement customer relationship management programs. Loyalty programs offer customers incentives to maintain a good relationship. Customer relationship management programs consider the individual needs and behaviours of their customers. Information about customers is harnessed in a database that marketing managers access and analyze. Marketing today—and in the future—will depend upon how well an organization manages the relationship between itself and its customers. Technology is the driving force behind customer relationship management programs.

LO7 Identify fundamental methods for measuring the effectiveness of marketing activities.

Marketing activity is planned on an annual basis. The plans are evaluated at predetermined intervals during the year to determine if the plan will meet its stated objectives. Objectives are typically stated in terms of sales revenue, profit, and market share. The reviewing manager will assess the effectiveness of the marketing activities (how the marketing mix is utilized), and if necessary make adjustments to the plan. Economic and competitive forces may also affect the direction a revised plan takes.

LO8 Explain how ethical considerations impact marketing strategies.

It's important for businesses today to lead the way in terms of ethical and moral conduct. Both the Canadian Marketing Association (CMA) and American Marketing Association (AMA) have standards that marketing organizations should follow. These standards

embrace characteristics such as honesty, responsibility, fairness, respect, transparency, and citizenship. On a broader scale, businesses are encouraged to operate in a sustainable manner so that they contribute to the well-being of society now and in the future.

In the age of heightened consumer awareness, there is increased expectation placed on companies to operate in an ethical manner. An organization must resist the temptation to mislead or misrepresent its actions to make itself look better than it is. A truly responsible organization must react to this awareness and consider the interests of customers, shareholders, communities, and the environment in everything it does. A positive imprint is good for society and good for business.

CLASSROOM MANAGEMENT STRATEGIES

Here are some ideas to encourage discussion and participation by class members:

1. Review the introduction to the chapter discussing Coca-Cola Life and other social responsibility initiatives. Discuss the notions of transparency and social responsibility. What effects could a campaign like this have on a brand's **public image**?
2. Discuss what **marketing** is and what it is not. Ask students to brainstorm a list of other terms that come to mind when they think of marketing. Try to balance any negative images with positive images (e.g., unethical practices with socially responsible practices).
3. Survey the bags, caps, and clothing in the room for **brand** names. What's going on? Ask students why they are promoting brand names. How do they justify their choices and why do they feel a premium price is worth it?
3. Ask students for their interpretation of what the **marketing concept** is. In doing so, have them present a few practices of a particular company that supports their position on how they apply the marketing concept.
4. Generate some discussion about **ethical practices** and **social responsibility**. Get students to identify companies who they think have a good record or bad record in this area. What do they know of these companies? How do the companies share this info?
5. Identify a few popular brands and ask the students to identify what they think are the most important components of their **marketing mix**. Have the students defend their position and indicate if they missed anything.
6. Ask the students to show their **loyalty cards** (from their wallet or purse). Have they thought of these cards as "relationship building" tools—tools that get them to remain loyal and buy more product? This should lead to a discussion of **customer relationship marketing**.

ANSWERS TO EXPERIENCE MARKETING

Campbell's Soup

Students may have ideas for new condensed soup products that will take advantage of changing taste trends. New ways to distribute the product to customers could be explored. In marketing communications, students could offer ideas for message content and also how social media could be used more effectively. Special promotional pricing could be explored.

Students need to organize their brand research based on the individual elements of the marketing mix before any general conclusions can be made.

ANSWERS TO END-OF-CHAPTER QUESTIONS

Review Questions

1. What is the basic premise on which contemporary marketing is built? (LO1)

Marketing is essentially a way of thinking that places the customer front and centre in the business planning process. For an organization to be successful today, its planning must identify needs and then deliver a set of satisfactions (a marketing strategy) that satisfies those needs. Furthermore, a successful organization will develop strategies that are better than the competition and consider the broader concerns of society.

2. Briefly explain the significance of marketing in business organizations today. (LO2)

The significance of marketing to a business organization is that effective marketing enables a company to adapt to a changing environment and ensure its sustainability.

3. Identify the essential characteristics of successful marketing organizations. (LO2)

The essential characteristics of successful marketing organizations include popular products, strong customer service, substantial community involvement, a large number of locations (if retail), an efficient business system to deliver products, and consistent delivery of brand promise.

4. Briefly compare the operating philosophies of companies that have the following: a production orientation, a selling orientation, a marketing orientation, a socially responsible marketing orientation, a social media marketing orientation. (LO3)

A company with a production orientation pays little attention to customer needs. They produce and market what they are capable of. A company with a selling orientation believes that the more it sells, the more it will make in profit. There is some recognition of customer needs. A company with a marketing orientation places the customer first. It develops products and marketing strategies that will meet the needs of the customer specifically and society generally. A company with a social media marketing orientation integrates the use of social media into its marketing communications programs.

5. Briefly explain the term *marketing concept*, and provide an illustration of how it is applied. (LO3)

The marketing concept stresses consumer satisfaction; the consumer is front and centre in all decisions related to marketing strategy. Organizations today must deliver satisfaction better than competitors (be one step ahead) and conduct their activities in the best interests of consumers and society, or they will face rejection from consumers who are more demanding in their expectations of companies. Businesses today are showing a stronger sense of social responsibility as they are anticipating and responding to social problems. Canadian Tire is an example of a company that embraces the marketing concept in its consistency of product offerings, service, brand awareness, and customer loyalty program.

6. What is content marketing? Briefly explain. (LO3)

Content marketing is the creation of content by a company designed to be viewed and shared on social media networks to acquire consumers.

7. Identify the essential steps in the marketing process. (LO4)

The essential steps in the marketing process are assessing customer needs, identifying and selecting a target market, developing a strategic marketing plan, developing a customer relationship management program, and finally evaluation and control.

8. When a company “assesses customer needs,” it conducts a market analysis and consumer analysis. Briefly describe what is involved in each area. (LO4)

A market analysis involves an assessment of market demand, sales volume potential, production capabilities, and the availability of resources necessary to produce and market a product. A consumer analysis is an assessment of demographic changes and behaviour changes within society. Keeping track of changes in the market and among consumers is crucial to the profitability of an organization.

9. What is a target market? (LO4)

A target market is a group of customers that share something in common (e.g., age, income, place of residence, hobby, interest, or activity). The similarity of consumers means (in theory) that they should respond to a similar type of marketing strategy.

10. Identify and briefly describe the four key elements of the marketing mix. (LO5)

The four key elements of the marketing mix are product, price, distribution, and marketing communications.

11. What does “product differentiation” refer to? Provide two examples of brands in two different markets that are clearly differentiated from their competitors. (LO5)

Product differentiation refers to a unique product attribute that clearly separates one brand from another. That attribute should be important to buyers. For example, Volvo differentiates itself from other automobiles based on safety. The Gillette Fusion razor offers five blades for a clean, comfortable shave. The unique attribute is usually the focus of a brand’s marketing communications strategy.

12. What are the key components of the marketing communications mix? (LO5)

The key elements of the marketing communications mix are media advertising, direct response communications, sales promotion, personal selling, experiential marketing, and public relations.

13. What is customer relationship management and what role does it play in contemporary marketing? (LO6)

Customer relationship management involves strategies to optimize profitability, revenue, customer retention, and customer satisfaction. It is a process that involves establishing long-term relationships with customers. CRM plays a vital role in an organization since it offers a means to maximize the value of a customer. From a database management system, an organization can analyze the purchase history of its customers and devise new strategies to secure additional business from present customers.

14. What is the fundamental difference between a loyalty program and a customer relationship management program? (LO6)

A loyalty program rewards frequent purchases, whereas a customer relationship management program does this but also collects data that can be used to enhance the relationship through customization of offers and services.

15. Identify key criteria commonly used to evaluate the success of a marketing plan. (LO7)

The key criteria commonly used to evaluate the success of a marketing plan are sales revenue, profit, and market share objectives.

16. Briefly explain how ethical considerations influence the development of contemporary marketing programs. (LO8)

Business ethics must be considered to ensure marketing is honest, fair, responsible, respectful, and transparent. Companies balance profit with concern for the environment and society. Examples include bottled water companies using recycled plastics to produce their bottles and Walmart moving to the use of solar and geothermal energy in its stores.

Discussion and Application Questions

1. How do colleges and universities implement the marketing concept? Cite some examples of marketing activities at your college or university.

Answers to this question will vary and depend upon the extent of marketing orientation at a particular college or university. Some common examples of the marketing concept include offering courses at non-traditional times (e.g., evenings and weekends) to accommodate part-time learners and offering new delivery methods for courses (e.g., distance learning programs and Internet-based delivery of courses). With less funding from governments, colleges and universities are also implementing retention programs to maintain their student population. The goal is to attract new students and then provide the education and services they need upon arrival to ensure success. Partnerships are also being formed with private enterprise, particularly in the areas of technology.

2. Investigate further the topic of socially responsible marketing. Provide some examples of what Canadian companies are doing to fulfill the mandate called for when marketing in a socially responsible manner.

Answers to this question will vary. Students will discover all kinds of examples of socially responsible marketing, giving them an appreciation of the role and importance of this form of marketing.

3. What elements of the marketing mix are most important to each of the following companies or brands?

a) Michelin Tires—Product is vital to the success of Michelin Tires. In a crowded market place Michelin must demonstrate superior performance and quality of its product. If it offers reliability and dependability (its product characteristics), it is likely to get repeat business from satisfied customers.

b) Toronto Raptors—Product and marketing communications are important to the Raptors. The team must continue to sign proven players and young stars to show the public it is serious about building a winning team. If it does not do this, attendance will drop off. The Blue Jays sold out when they were winning championships, but now they play to a half-full stadium. Certain elements of marketing communications will help the Raptors in the long term (e.g., sales promotions to attract new customers). Ticket prices for basketball games are very high. Price sensitivity among middle-income consumers could have a negative effect on attendance at games.

c) Canadian Tire—Location, a distribution strategy, is important to Canadian Tire. Since Canadian Tire has a wide range of competitors (department stores, hardware stores, etc.), being conveniently located in a local market is an asset. As well, Canadian Tire must give the customer valid reasons to shop at their stores. Therefore, communications via advertising are important. In terms of product, Canadian Tire is building bigger and better

stores and offering a wider selection of brand name products. Canadian Tire has to keep pace with U.S. retailers that have entered Canada.

4. Select a brand or company and conduct some research to determine the nature and extent of the brand's [company's] social media marketing activities. Should the brand be doing more in this area of marketing?

Students are very familiar with social media and will easily be able to evaluate a brand's (company's) social media activities. They should also be able to suggest ways that the company could integrate more social media into their marketing communications programs. Types of social media promotions that could be considered include banner advertising, fan pages, friend referrals, and company blogs. Students should search beyond Facebook and Twitter to consider Instagram, Pinterest, Google+, and other emerging platforms.

ADDITIONAL ASSIGNMENTS

1. Have students visit www.interbrand.com to view the list of "Best Global Brands." Assign each student a brand (or have them select their favourite, or one that corresponds to their initials). Considering their assigned brand, have students present on the essential characteristics of successful marketing organizations (popular products, strong customer service, substantial community involvement, a large number of locations (if retail), an efficient business system to deliver products, and consistent delivery of brand promise). Where do these brands fall within these criteria? What are their strengths based on these criteria and where is there potential room for improvement?

2. Students could conduct some secondary research to determine the activities of environmentally conscious or socially responsible business organizations (what they are doing and why they are doing it). Small in-class presentations and discussion could follow. This could be locally based as compared to the large companies profiled in the textbook.

3. Students could visit or interview a local independent retailer, manufacturer, or service organization and report back to the class on how that organization has adopted the marketing concept or how it has embraced social responsibility marketing.

4. Have students identify what they judge to be successful new products (e.g., products that have been successfully launched in the past year). Encourage discussion of what marketing variables have contributed to the success of the product.

5. Have students visit some local market businesses to determine the extent and nature of the customer relationship management programs they may offer. The students should file a brief report. Some students could report their findings in a brief presentation to the class.

6. Students can choose a brand and research how the company has used social media as a part of its marketing communications strategy. Students should compare whether a consistent strategy is used across platforms and search beyond Facebook and Twitter to review companies that are popular on Instagram, Pinterest, and Google+.