

Chapter 1

What Is Marketing?

What Marketing Is Not

LO 1.1 Describe some common misconceptions about marketing.

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Philosophy of Marketing

LO 1.3 Discuss, with examples, the philosophy of marketing.

How Marketing Has Changed over Time

LO 1.4 Outline the evolution of marketing thought and practice.

Chapter Introduction

This chapter introduces students to marketing. The chapter first examines some common misconceptions about marketing in LO 1.1 and then presents a proper definition in LO 1.2. The philosophy and thinking that drives marketing and marketers is discussed in LO 1.3. Finally, an examination of the evolution of marketing thought and practice to the present time closes the chapter and completes the preparation of students for further detailed study of marketing topics.

Industry Expert Video Karolina Zarychta, Wiley

Please note: Video Questions do not appear in the ebook and are designed to give instructors a few options for quick quizzing and starting points for discussing the videos with their students. Correct answers to multiple choice questions are bolded.

Multiple-choice Questions

1. Karolina compares marketing to:
 - a. life
 - b. throwing a party**
 - c. prepping for an exam
 - d. researching and interviewing for a job
2. Among the many changes that have occurred in marketing over the last 10 years is:
 - a. growth in the number of ways to connect with the target customers**
 - b. growth in the number of ways to advertise
 - c. the increased importance of doing focus groups and surveys
 - d. the increased importance of direct mail campaigns.
3. Among the misconceptions people have about what marketing is, is the idea that:
 - a. marketing is less important today than it was 10 years ago
 - b. marketing is less important than product innovation
 - c. marketing is just one thing**

- d. marketing and advertising are interchangeable.
- 4. One piece of advice Karolina has for someone pursuing a career in marketing is:
 - a. expect to work in a team
 - b. expect to start at a relatively low salary
 - c. expect to change jobs rather frequently early in one's career.
 - d. expect to learn as you go.**

Discussion Questions

1. Karolina describes marketing as being like throwing a party. What is another analogy that you can suggest to describe marketing.
2. Karolina says that marketing is both virtual and experiential. Explain what that means, giving some concrete examples.
3. Describe the process for determining the target customers for a product.

What Marketing Is Not

LO 1.1 Describe some common misconceptions about marketing.

Some students might begin their studies with preconceived bias or incomplete understanding of the nature of marketing and marketers. For example, some might believe that marketing means "sales" or "advertising" and nothing more. It is important to set the stage for how students will approach the study of marketing and provide the proper foundation and background.

Several misconceptions are presented.

Misconception #1: Marketing Is Common Sense

Common sense statement #1: Lower price is always better.

Reality: In some cases, higher price is actually better.

Common sense statement #2: Better service leads to higher profits.

Reality: Better service is only more valuable if customers are willing to pay more for it.

Common sense statement #3: More is better.

Reality: Too many options can lower sales.

What is referred to as "common sense thinking" is really "common beliefs" held by many people about marketing. Review each common sense statement with the class. Ask for a show of hands of how many students believe there is some truth to each statement. Ask why they think this statement is a popular belief.

Misconception #2: Marketing Is Equivalent to Sales or Advertising

Ask students to name one function or activity that best describes marketing. Sales and advertising will likely be the most common response. If you then ask students why the results point to sales and advertising more than other functions, their responses will likely center on familiarity with these function which opens the discussion to the introduction to some of the other functions like distribution and product development.

Misconception #3: Marketing Makes People Buy Things They Don't Need

Ask students, with a show of hands, if they have ever bought something they didn't need. Ask some students to explain the circumstances and work to develop the concepts of "needs" and "wants." Ask students why they needed or just wanted specific things that

they bought and how they came to the decision to actually make the purchase. Did the sales person influence their thinking? Was the item on sale?

Misconception #4: Marketing Is an Art, and You Either Have the Gift or You Don't

Ask students where creative skills are most useful in marketing? Advertising? Product conceptualization and design? Discuss whether idea generation is a gift or can be learned—especially in an environment where creative thinking is the norm in a marketing department or firm.

Misconception #5: Marketing Does Not Involve Numbers

This misconception provides an opportunity to discuss the mathematics that students are likely to deal with in the course and in their marketing career. Sales reports and the various ratios marketers are likely to deal with can be introduced. Ask students why reports of profit margins and sales per square foot would be useful to marketers.

Author RoundTable Video 1.1

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Multiple choice Questions

1. Dan Padgett opens by discussing misconceptions about marketing. Which of the following is one of the misconceptions he mentions?
 - a. Marketing is mathematical.
 - b. Marketing is a process.
 - c. Marketing requires a large staff.
 - d. Marketing is about getting sales.**
2. Jasmine Bina feels that marketing:
 - a. is an art that you can develop over time.
 - b. is something you either have or don't have the instinct for.
 - c. is a process of finding value by measuring and evaluating.**
 - d. has been greatly expanded by the many ways of disseminating information about one's product.
3. Dan Padgett says that marketing majors often have the misconception that:
 - a. marketing is about identifying unique features and benefits of one's product.
 - b. marketing is non-mathematical.**
 - c. marketing is one of the easier business disciplines.
 - d. marketing positions offer more job opportunities.
4. The value of using metrics, according to Jasmine Bina, is that:
 - a. a marketer can learn a great deal by measuring and testing.**
 - b. it can replace brainstorming.

- c. using metrics saves time.
- d. using metrics allows one to have a smaller marketing staff.

Discussion Questions

1. What are two or three of the perceptions of marketing that you currently have.
2. Realizing that you are just starting the course, what are some of the things you might measure in order to learn more about launching a new product (for example, the size of the market for your product)?
3. What do the authors mean when they say that marketing is perceived to be an art?

1.1 Concept Check

Question 1: What are some key arguments that marketing is more than just common sense?

Answer 1: Each of the examples in the text shows that common sense thinking is not always correct. In each case common sense thinking led to improper marketing decisions. For example, "lower price is always better" proved to be wrong. In some cases sales increased when the selling price was raised. Ask students for another example of "common sense " thinking that is not always correct. This discussion presents the opportunity to discuss the need for marketing research to guide decisions.

Question 2: How would you respond to someone who said that marketing is just sales?

Answer 2: The textbook uses this idea to introduce the four pillars of marketing - product, price, place, and promotion. Use this opportunity to develop a broader appreciation of what marketers' work entails - beyond simple selling a product or service. Ask students to describe the 4Ps for Apple's iPhone. Discuss how other marketing activities make the "selling" easier. Ask students if they think consumers buy just one main feature provided by the iPhone, like the video camera?

Question 3: Can marketing make people buy something they don't need? Use the distinction between needs and wants to support your answer.

Answer 3: Consumer decision making is complex. Wants and needs need to be explained. Generally speaking, consumers do not buy products and services they do not need or want. Marketing can influence a consumer's choice of car if the consumer has made the decision to buy a car. Ask students to explain how car companies influence car buyers? Ask students which factors - price, style, brand etc. - they think would most likely influence a buyer shopping around for a new car?

Question 4: A friend tells you that he intends to major in marketing because unlike other business majors like finance or accounting, marketing doesn't require any math. How do you respond?

Answer 4: Although most common marketing math involves only addition, subtraction, multiplication, and division, marketers need to feel comfortable dealing with numbers. Ask students where math is likely to come up in marketing work - spreadsheet sales reports and analysis, for example.

Marketing Defined

LO 1.2 Provide an accurate definition of marketing.

After discussing some popular misconceptions about marketing in LO 1, students are presented with the proper definition of marketing and some key concepts including - the exchange process with customers, markets, marketing plan, and the target market.

Marketing Is Managing Exchanges with Customers

The textbook defines marketing as "managing exchanges with customers". Ask students to list some of the specific exchanges that take place between marketers and customers. Begin with the exchange of money for the product or service sold. Then develop the discussion about other exchanges - for example when an advertisement provides product information that might help the customer make a more informed purchase decision in exchange for a positive customer attitude toward the brand or company as a whole.

Discuss the importance of the marketing plan which includes goals, activities needed to achieve goals, a timeline and budget for included activities, and measures to evaluate the activities. Discuss how the marketing plan can act as a control document for managing the exchange process with customers.

What Does Managing Exchanges with Customers Include?

This section takes students through an example of what a marketing manager would typically be expected to deal with. In this case, a meeting is to take place where marketers will discuss a variety of questions related to the sale of gelato. The textbook begins with the important definition of the target market. Discuss each item and ask students what their suggestions would be if they were the marketer at that meeting.

1. You will need to decide with whom you try to exchange.
2. You will need to decide what you will offer to exchange.
3. You will need to determine what you want in return from your customers for the gelato.
4. You will need to decide how customers will buy from you, including where, when, and how customers will exchange with you.
5. You will need to decide how to influence the customers to exchange with you.

Author RoundTable Video 1.2

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Multiple-Choice Questions

1. Marketing is:
 - a. an important activity that is carried out after a product is launched.
 - b. a set of activities designed to increase the probability of an exchange between a customer and a business.**
 - c. a set of skills that a person possesses with or without training.
 - d. a subset of product development.
2. The exchange is:
 - a. both sides getting something they value.**
 - b. returning a product in order to get a different product.
 - c. a unique kind of market.
 - d. a brainstorming session in which everyone involved shares their ideas.
3. The role of marketing is to:
 - a. produce advertising that is better than the competitors'
 - b. direct the development of new products.
 - c. maximize the perceived value of a product or service to the customer.**
 - d. look at what has been done in the past and try to update it.
4. Marketers today:
 - a. are younger than ever before
 - b. work harder than ever
 - c. have difficulty finding jobs.
 - d. do much more research than they did in the past.**

Discussion Questions

1. How would you define marketing?
2. Explain in your own words what is meant by “exchange” when it refers to the relationship between a producer and the customer.
3. What kind of research might a marketer do to learn more about a given market?

1.2 Concept Check

Question 1: Define marketing in a single sentence.

Answer 1: The text provides a simple working definition of marketing to be the management of exchanges with customers. This question provides the opportunity for discussion of the complexity of marketing—the definition that the American Marketing Association provides is “...the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large”—and what marketing DOES involve: multiple parties; an exchange of some sort (goods, services); and offerings,

communication, and lastly, delivery.

Question 2: What are the basic requirements for an exchange to take place?

Answer 2: For an exchange to take place, multiple parties must come together in some way, and must both have something of value to the other. Typically this is money (customer has, profit-oriented company wants) and a service or product (profit-oriented company has, customer wants). Discussion can also take place around exchanges that do not include money and goods/services: a volunteer donating time or labor to a nonprofit group, often in exchange for a feeling of good will or philanthropy.

Question 3: What is a target market and why is this concept important to marketers?

Answer 3: A target market is the primary group of customers that a company/producer wishes to exchange with. By accurately identifying the target market for a product, marketers can then tailor communications with the market, thus increasing the chance for a valuable exchange for both parties. Discussion can include asking students to identify companies or products that have successfully identified and market to their target market, as well as an example of a company that perhaps missed the mark in some way.

Philosophy of Marketing

LO 1.3 Discuss, with examples, the philosophy of marketing.

Perceived Value

At the heart of marketing philosophy is an understanding that marketers have to manage perceived value—different customers have different perceptions of value. Ask the class if they would be willing to pay more for gelato than the equivalent amount of ice cream? Does the word "gelato" mean something special to them when compared to "ice cream"? Use other examples where perceptions of value may be different—a coffee from Dunkin Donuts and one from Starbucks.

This leads to a the important marketing concept of the "value proposition"—the combination of benefits specific to a product. What is the value proposition being offered to a target market at Starbucks? Answer: premium quality coffee, service, atmosphere, status, Wi-Fi, etc. Ask the class what they consider the value proposition is for some product they bought recently.

The Role of Marketing Research

In this segment, students are introduced to the importance and value of marketing research—measuring the outcomes of specific marketing activities against goals. By testing ideas, marketers learn how well their approach is working and thereby mitigating risk of failures in the future. Ask the class how they would test for the some marketing decisions taken for the gelato case. For example, suppose the marketers believed that their gelato would be perceived by customers at twice the price of equivalent servings of ice cream. How would they test this theory? Some might suggest a survey or a trial run in some retailer to empirically learn the customers' perceived value.

Author RoundTable Video 1.3

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Multiple-Choice Questions

1. Which classic example of a product failure does Dan Padgett use?
 - a. Ford Edsel
 - b. Apple Lisa.
 - c. New Coke.**
 - d. Rolex watches.
2. In Dublin, Ireland, Uber is:
 - a. outlawed because it is too successful.
 - b. competing with a consortium of other taxi companies.**

- c. much less successful than it is here in the U.S.
 - d. much more expensive to use than traditional taxis.
3. Dollar Shave Club is successful mainly because:
- a. the products are so much better than those you can find in a traditional store.
 - b. the products are much less expensive than those you can find in a traditional store.**
 - c. the advertising is more effective than that of competing companies.
 - d. they offer regular sales.
4. Uber's success can be attributed to their:
- a. use of highly qualified drivers.
 - b. having a fleet of luxury cars.
 - c. identifying and addressing pain points of traditional taxi services.**
 - d. offers of amenities like cold drinks, healthy snacks, and in-car entertainment.

Discussion Questions

1. What are some of the ways mentioned by the authors that Uber or Dollar Shave Club used market research to drive their successful marketing plan?
2. What are the pain points of traditional taxi services that Uber addresses?
3. Briefly describe the method used by Dollar Shave Club to gain information about their target market.

1.3 Concept Check

Question 1: What is perceived value and how is it important to marketers?

Answer 1: Perceived value is perceived benefits in relation to perceived costs associated with an exchange (goods, services, etc.). Perceived value is important to marketers because they are responsible for affecting the perceived benefits of an exchange and making sure that customers believe that they are getting more benefit than they are paying. Marketers manage this by finding the right group of customers (the target market) and maximizing the perceived value relative to that group.

Question 2: What does it mean to suggest that good marketers are like “naïve scientists”?

Answer 2: A naïve scientist has a general idea of what might work, based on experience or theory, and is able to test out that idea and determine if the outcome is desirable. Based on this, the idea can be altered or improved upon. Ask students for examples of the this concept in real life.

Question 3: Is marketing more art or science? Explain.

Answer 3: Student responses can vary based on point of view. For responses indicating that marketing is more art than science, references to creativity, perception, communication, etc. may be applicable. In terms of marketing being more science than art, references to methodology, theory, and ways to measure outcome, value, etc., can be

made. Ask students to debate their point of view.

How Marketing Has Changed over Time

LO 1.4 Outline the evolution of marketing thought and practice.

This segment looks at the evolution of business and the emergence of marketing as an important tool. The stages of evolution are referred to as "marketing orientations" and are presented in Table 1.1.

TABLE 1.1 Timeline of Marketing Orientations

Marketing Orientation	Timeline	Sector of Economy Dominating	Notes
Simple trade/bartering	Pre 1850	Agriculture	• Focus on transaction
Production Orientation	1850–1920	Industrialization	• Focus on production efficiency and availability with low cost • Distribution is key
Sales Orientation	1890–1970	Industrialization	• Focus on aggressive selling • Customers need persuading
Market Orientation	1950–2000	Services	• Customer is "king/queen" • Satisfying needs for profit • Focus on customer relationship
Social Orientation	2000–current	Information/Technology	• Focus on social networks • Social responsibility • Sustainability

Ask students how these "marketing orientations" reflected the types of businesses and economic conditions of the times. How were customers different during those time periods? Focus discussions on the "social orientation" of today and the buzzwords of social networks, social responsibility, and sustainability. As students which companies and products reflect the "social" marketing orientation and which they think do so poorly. For example, students might select Tesla as a good example and Dunkin' as a poor one.

Author RoundTable Video 1.4

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Multiple-Choice Questions

1. A major game changer in modern marketing, according to the authors, is:
 - a. highly publicized product failures like New Coke.
 - b. impact of social media**
 - c. the growth of small businesses
 - d. growth of television advertising.
2. One of the ways social media platforms like Facebook has changed the way marketing is done is:
 - a. marketers are able to gather much more information about individuals.**
 - b. users enjoy clicking on ads, which are cheaper to produce on these platforms.
 - c. new information is available every day.

- d. users enjoy communicating with their friends.
- 3. Consumers are more willing to share personal information if, in return, they can get:
 - a. discounts.
 - b. more information about companies.
 - c. access to more contacts.
 - d. customized information about products.**
- 4. One of the biggest changes in marketing with the advent of social media platforms is:
 - a. greater use of these platforms in marketing.
 - b. the ability to do micro-targeting.**
 - c. more new products are available.
 - d. less market research is needed.

Discussion Questions

1. Name three of the game-changing events that Dan Padgett mentions at the beginning of the video. Can you think of others?
2. Do you agree that consumers are more willing to share personal information if they get customized ads, products, and news about products in which they are interested? Why or why not?
3. What is meant by the term “micro-targeting”?

1.4 Concept Check

Question 1: How does an economy evolve over time? What are the main stages in development?

Answer 1: In terms of the economy of the United States, its evolution is largely centered on the particular emphasis of the times: agricultural, industry, service. Pre-1850, the US economy was mostly rooted in agriculture; however between 1850 and the mid-1940s, a focus on industry developed. After WWII, the service industry developed, and through present day, the service economy remains a mainstay.

Question 2: What are the different marketing orientations?

Answer 2: The different marketing orientations are: simple trade/bartering, production, sales, market, and social. Refer to Table 1.1 for further discussion and examples of the dominant economic sector that corresponds with these orientations.

Question 3: Are the different marketing orientations unique to the U.S. economy or can they be applied to global business markets? Explain.

Answer 3: While a case can be made that the different marketing orientations are specific to the economy of the U.S., it's more likely that these general orientations can be loosely applied to the global market, especially within First World countries with capitalist economies. Discussion around this topic can be engaging for students depending on their experience and world view.

Application Questions

1. What is the purpose of a marketing plan and what should be included for a plan to be effective?

Answer: A marketing plan identifies marketing goals, activities and dependencies needed to achieve those goals, timelines and budgets for included activities, and defines metrics that will be used to evaluate the activities.

2. Think of product you are familiar with and imagine you have an idea for a better version of the product. How would you go about testing whether your product might be successful or not?

Answer: Student answers will vary but should include defining the target market, researching demand, researching the wants and needs of potential customers and compiling feedback from prior customers/users.

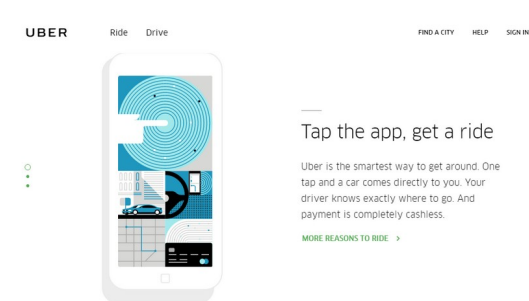
3. Think of a product you know about that failed. Provide a marketing explanation for why the product failed.

Answer: Student answers will vary but should answer why the product failed to meet customer needs and should focus on how demand shifted from said product.

4. What is the value proposition for Uber? How does it compare to the value proposition of a taxi or limousine service?

Answer: The official value proposition from Uber is as follows:

Uber – The Smartest Way to Get Around



This value proposition promises a superior experience when compared to traditional taxis and convenience for customers.

5. Describe how the U.S. economy has changed over time in regards to different sectors

of the economy. How did the shift in importance of different sectors affect marketing practice?

Answer: The US moved from an emphasis on agriculture to industrialization to services. Marketing Orientations shifted from simple trade and bartering to a product orientation to a sales orientation to a market orientation to a social orientation.

6. Companies can have different marketing orientations, as described in the chapter. Provide an example of a company applying each marketing orientation.

Answer: Student answers will vary but should include the following marketing orientations:

- Trade/Bartering
- Product Orientation
- Sales Orientation
- Market Orientation
- Social Orientation

Discussion Questions

1. Many people criticize marketing, arguing that marketing influences customers to buy things they really don't need. Marketers argue customers have choices and choose what they want that provides them the most perceived value. Choose a side to this debate and defend your position based on how you think marketing impacts society. Is marketing good or bad for society as a whole?

Answer: Student answers will vary.

An argument that marketing is good for society is as follows: Marketing cannot make people buy something against their will. Marketers try to influence wants, but customers ultimately decide if something is worth buying or not. Marketing informs customers of their options and helps manage customer expectations. Informed customers make better decisions. Business benefits from marketing and that financial gain affects society in positive ways.

An argument that marketing is bad for society is as follows: Marketing influences customers to buy things they really don't need. Too many resources are spent trying to influence human behavior and marketers can brainwash or dupe consumers limiting their autonomy.

2. How does the marketing philosophy differ from other academic areas you have studied? Can you explain the likely reason for the differences in how the different areas see the world?

Answer: Student answers will vary. Here are a couple of sample answers

- Marketing differs from chemistry in that chemistry is a science with one objective correct answer. Marketing is equal parts art and science and there can be many correct choices in marketing.
- Marketing differs from history in that marketing is forward facing while history looks to the past.
- Marketing differs from accounting in that marketing focuses on consumer behaviors and how to influence those behaviors while accounting focuses on business outcomes and how to report these findings.

3. Do products have intrinsic value or is value created? For example, consider this question, “Is a diamond or a bottle of water more valuable?”

Answer: Student answers will vary.

4. Do you think that all companies should be socially responsible? Why or why not?

Answer: Student answers will vary. Arguments in favor of social responsibility include the benefits to society and can lead to increased sales and profits as well as attracting better employees who care about social issues. Arguments against social responsibility include that people need to provide for themselves and not expect corporations to and that social responsibility can put a strain on a companies resources and earnings.

5. Should companies, government, or nobody be responsible for determining what will be sold to customers?

Answer: Student answers will vary.

Running Case This Bar Saves Lives (TBSL) Video

Please note: Video Questions do not appear in the ebook and are designed to give instructors a few options for quick quizzing and starting points for discussing the videos with their students. Correct answers to multiple choice questions are bolded.

Multiple-Choice Questions

1. The motivator for the startup of This Bar Saves Lives was:
 - a. a new energy bar company CEO wanted to address a social need.
 - b. the CEO saw a television ad about hungry children and wanted to do something to help.
 - c. the CEOs trip to Africa.**
 - d. a college friend suggested that the CEO adopt a social issue as part of the marketing campaign for the new company.
2. When the company founders started developing their product, which company did they look at for ideas of how to be successful?
 - a. Ben & Jerry's
 - b. Newman's Own**
 - c. Tom's Shoes
 - d. Warby Parker glasses
3. Who came up with the idea of naming the snack bar This Bar Saves Lives?
 - a. Ryan
 - b. the Director of Marketing
 - c. Ryan's oldest child
 - d. Ryan's wife**
4. The idea of creating a new line of food bars came about because:
 - a. it is a low-cost type of product to produce.
 - b. it matched the food aid objective—to provide a nutritional food packet for each item sold.**
 - c. the founders were working for a competitor and wanted to develop their own product
 - d. one of the co-founders is a chef.

Discussion Questions

1. What is your reaction the name of the company and product: This Bar Saves Lives?
2. How did the company founders decide on developing a food bar?
3. What kind of research did the founders do as they were developing their food bars?