**CHAPTER 11: CUSTOMER-DRIVEN MARKETING**

**Chapter Overview**

Marketing is the link between the organization and the people who buy and use its goods and services. It is the way organizations determine buyer needs and inform potential customers that their firms can meet those needs by supplying a quality product at a reasonable price. And it is the path to developing loyal, long-term customers.

This chapter begins with an examination of the marketing concept and the way businesspeople develop a marketing strategy. We then turn to marketing research techniques, leading to an explanation of how businesses apply data to market segmentation and understanding customer behavior. The chapter closes with a detailed look at the important role customer relationships play in today’s highly competitive business world.

**Glossary of Key Terms**

**Affinity program:** marketing effort sponsored by an organization that solicits involvement by individuals who share common interests and activities

**Business intelligence:** activities and technologies for gathering, storing, and analyzing data to make better competitive decisions

**Business (B2B) product:** good or service purchased to be used, either directly or indirectly, in the production of other goods for resale

**Cause marketing:** marketing that promotes a cause or social issue, such as preventing child abuse, anti-littering efforts, and stop-smoking campaigns

**Cobranding:** a cooperative arrangement in which two or more businesses team up to closely link their names on a single product

**Comarketing:** cooperative arrangement in which two businesses jointly market each other’s products

**Consumer behavior:** actions of ultimate consumers directly involved in obtaining, consuming, and disposing of products and the decision processes that precede and follow these actions

**Consumer (B2C) product:** good or service that is purchased by end users

**Data mining:** computer searches of customer data to detect patterns and relationships

**Data warehouse:** customer database that allows managers to combine data from several different organizational functions

**Demographic segmentation:** dividing markets on the basis of various demographic or socioeconomic characteristics such as gender, age, income, occupation, household size, stage in family life cycle, education, or ethnic group

**End-use segmentation:** marketing strategy that focuses on the precise way a B2B purchaser will use a product

**Event marketing:** marketing or sponsoring short-term events such as athletic competitions and cultural and charitable performances

**Exchange process:** activity in which two or more parties give something of value to each other to satisfy perceived needs

**Frequency marketing:** marketing initiative that rewards frequent purchases with cash, rebates, merchandise, or other premiums

**Geographical segmentation:** dividing an overall market into homogeneous groups on the basis of their locations

**Lifetime value of a customer:** revenues and intangible benefits (referrals and customer feedback) from a customer over the life of the relationship, minus the amount the company must spend to acquire and serve that customer

**Market segmentation:** process of dividing a total market into several relatively homogeneous groups

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

**Marketing concept:** companywide consumer orientation to promote long-run success

**Marketing mix:** blending of the four elements of marketing strategy—product, distribution, promotion, and pricing—to satisfy chosen customer segments

**Marketing research:** collecting and evaluating information to support marketing decision making

**Organization marketing:** marketing strategy that influences consumers to accept the goals of, receive the services of, or contribute in some way to an organization

**Person marketing:** use of efforts designed to attract the attention, interest, and preference of a target market toward a person

**Place marketing:** attempt to attract people to a particular area, such as a city, state, or nation

**Product-related segmentation:** dividing consumer markets into groups based on benefits sought by buyers, usage rates, and loyalty levels

**Psychographic segmentation:** dividing consumer markets into groups with similar attitudes, values, and lifestyles

**Relationship** **marketing:** developing and maintaining long-term, cost-effective exchange relationships with partners

**Target market:** group of people toward whom an organization markets its goods, services, or ideas with a strategy designed to satisfy their specific needs and preferences

**Utility:** power of a good or service to satisfy a want or need

**Learning Objective 1: Define marketing.**

*Utility is the ability of a good or service to satisfy the wants and needs of customers. The production function creates form utility by converting inputs to finished goods and services. Marketing creates time, place, and ownership utility by making the product available when and where consumers want to buy and by arranging for orderly transfers of ownership.*

**Annotated Lecture Outline**

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| **Opening Vignette:**  **Walmart Introduces “Great for You”**  WalMart recently joined the crusade for health eating while saving consumers roughly $1billion per year. Customers will start seeing bright green and white “Great for You” stickers on healthy items including brown rice, skim milk, fresh fruits and vegetables, and eggs. Overall, about 20% of packaged goods sold at WalMart will carry the label. WalMart has also made efforts to lower the prices on over 350 healthier foods that they carry, such as low-fat peanut butter and fat-free salad dressings. They have also worked with suppliers to cut the amount of sugars and trans fat in their prepared products. While some refer to this as a “buy me” scheme, others praise WalMart for targeting the obesity epidemic. |  |
| **WHAT IS MARKETING?** | PowerPoint Slide 3 |
| 1. *Marketing* is the activity, set of instructions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. |  |
| * 1. The best marketing not only gives consumers what they want, but anticipates their needs before they surface. | *Lecture Enhancer:* Can you think of a company that does this particularly well? |
| * 1. Marketing creates a link in consumers’ minds between the new need and the fulfillment of that need by the marketers’ products. |  |

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| * 1. The marketing process includes researching the potential market for a product; producing a quality product; and promoting, pricing, and distributing it. | *Lecture Enhancer: Which of these steps seems to be the most important? Why?* |
| 1. In an *exchange process,* two or more parties give something of value to each other to satisfy perceived needs. |  |
| * 1. An exchange would not occur if a person didn’t have the desire and didn’t recognize the ways to obtain it. |  |
| * 1. Because of marketing, the buyer’s need or desire is identified, and the seller’s business is successful. |  |
| 1. **How Marketing Creates Utility** | PowerPoint Slide 4 |
| * 1. *Utility* refers to the ability of a good or service to satisfy the wants or needs of consumers. |  |
| * 1. Types of utility: |  |
| * + 1. *Form utility:* a want or need is satisfied by converting raw materials into finished products |  |
| * + 1. *Time utility:* a want or need is satisfied by making a product or service available when consumers want to purchase it |  |
| * + 1. *Place utility:* a want or need is satisfied by having a product or service available in a location convenient for customers | **Hit & Miss**  **Ethnic Cuisine Goes Mobile** |
| * + 1. *Ownership utility:* a want or need is satisfied by transferring goods or services in an orderly way from the seller to the buyer |  |

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**Hit & Miss:**

**Ethnic Cuisine Goes Mobile**

**Summary**

The food truck phenomenon in the United States keep growing, with 3 million food trucks and 5 million carts currently in service. These mobile eateries provide customers with an exciting alternative to fast food with the same cheaper prices and quicker service. Nearly half of Americans ages 18-30 visit a food truck weekly for ethnic cuisine choices ranging from Thai and Salvadoran to Korean and Jamaican. Social media sites like Facebook and Twitter have provided food truck operators new outlets for marketing opportunities.

**Questions for Critical Thinking**

**1. One big growth area for food trucks is converting people reluctant to buy food from a truck. How can operators overcome this reluctance?**

*Food truck operators could start advertising their food trucks on commercials. They can also ensure that they guarantee the same level of freshness and food quality for their food truck menu as they do at their physical locations.*

1. **Some truck operators are only test-marketing before expanding to brick-and-mortar eateries or supermarket distribution. List some pros and cons of this strategy.**

*This strategy could be beneficial to truck operators because it could give them a sense of whether customers enjoy their dishes, while the mobility would allow them to experiment with location to see where customers particularly enjoy their food. On the other hand, however, a food truck does not allow an operator to showcase all of their dishes to customers since the operators have limited staff, cooking space, and preparation time. Also, even if the food from a food truck is well-received by customers, the customers aren’t exposed to factors like the wait staff or the restaurant’s ambience, which are factors that could make or break restaurants.*

Assessment Check Answers

**1.1 What is utility?**

*Utility is the ability of a good or service to satisfy the wants and needs of customers.*

**1.2 Identify ways in which marketing creates utility.**

*Marketing creates time utility by making a good or service available when customers want to purchase it, place utility by making the product available in a convenient location, and ownership utility by transferring the product from the buyer to the seller.*

**Learning Objective 2: Discuss the evolution of the marketing concept.**

*The marketing concept refers to a companywide customer orientation with the objective of achieving long-run success. This concept is essential in today’s marketplace, which is primarily a buyer’s market, meaning buyers can choose from an abundance of goods and services. Marketing now centers on the satisfaction of customers and building long-term relationships with those customers.*

**Annotated Lecture Outline**

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| **EVOLUTION OF THE MARKETING CONCEPT** | PowerPoint Slide 5  Figure 11.1 Four Eras in the History of Marketing |
| 1. Over time marketing evolved through four eras: |  |
| * 1. *Production era*: Businesses stressed efficiency in producing quality products. |  |
| * 1. *Sales era*: Businesses assumed that customers would buy as a result of an energetic sales effort. |  |
| * 1. *Marketing era*: Businesses adopted a consumer orientation. |  |
| * 1. *Relationship era:* Businesses emphasize customer satisfaction and long-term relationships. | *Lecture Enhancer:* *Can you envision how marketing might further evolve in the 21st century?* |
| 1. **Emergence of the Marketing Concept** | PowerPoint Slide 6 |
| * 1. *Marketing concept* refers to a companywide customer orientation to promote long-run success. |  |

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| * 1. A firm starts with analysis of customers’ needs and works backward to offer products that fulfill them. | *Lecture Enhancer: Can you think of an example where a firm created a need for its product or service?* |
| * 1. Explained by shift from *sellers’* market in which goods and services are  scarce to *buyers’* market in  which they are relatively plentiful. |  |
| * + 1. A buyer’s market forces companies to satisfy customers rather than just producing and selling goods and services. | *Class Activity: Discuss how the success of book readers (such as iPod, Nook, and Kindle) and iTunes affected Blockbuster, Barnes & Noble, and Virgin Records.* |
| * + 1. Today, much competition among firms centers on the effort to satisfy customers. |  |

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Assessment Check Answers

**2.1 What is the marketing concept?**

*The marketing concept is a companywide customer orientation with the objective of achieving long-run success. According to the marketing concept, success begins with the customer.*

**2.2 How is the marketing concept tied to the relationship era of marketing?**

*Most marketing now centers on the satisfaction of customers and building long-term relationships with them, rather than simply producing and selling goods and services.*

**Learning Objective 3: Describe not-for-profit marketing and nontraditional marketing.** *Not-for-profit organizations must engage in marketing just as for-profit firms do. Not-for-profit organizations operate in both the public and private sectors, and use marketing to obtain volunteers and donations, make people aware of their existence, achieve certain goals for society, and so on. Not-for-profit organizations may engage in several types of nontraditional marketing—person, place, event, cause, or organization marketing. They may rely on one type or a combination.*

**Annotated Lecture Outline**

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| **NOT-FOR-PROFIT AND NONTRADITIONAL MARKETING** |  |
| 1. **Not-for-Profit Marketing** | PowerPoint Slide 7 |
| * 1. About 20 million not-for-profit organizations operate around the globe. |  |
| * 1. About 1.6 million not-for-profits in the U.S. employ more than 13 million workers. |  |
| * 1. They employ marketing tools to reach audiences, secure funding, and accomplish their missions. |  |
| * 1. Marketing is important to not-for-profits because they compete for dollars from individuals, foundations, and corporations. | *Class Activity:*  *Ask students to name not-for-profit organizations in the local community they think have used effective marketing*. |
| * 1. Not-for-profits often partner with a profit-seeking company to promote a message. |  |

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| 1. **Nontraditional Marketing** | PowerPoint Slide 8 |
| * 1. Not-for-profit organizations often engage in one or more of five major categories of nontraditional marketing: | Figure 11.2 Categories of Nontraditional Marketing  *Lecture Enhancer:*  *Choose one of the categories and think of products or services that might be marketed by using the selected method.* |
| * + 1. ***Person Marketing***: efforts designed to attract the attention, interest, and preference of a target market toward a person |  |
| * + 1. ***Place Marketing***: attempts to attract people to a particular area, such as a city, state, or nation |  |
| * + 1. ***Event Marketing***: marketing or sponsoring short-term events such as athletic competitions and cultural and charitable performances |  |
| * + 1. ***Cause Marketing***: marketing that promotes a cause or social issue, such as preventing child abuse, anti-littering efforts, and stop-smoking campaigns |  |
| * + 1. ***Organization Marketing***: influences consumers to accept the goals of, receive the services of, or contribute in some way to an organization |  |

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| * 1. Through each of these types of marketing, an organization seeks to connect with the audience that is most likely to offer time, money, or other resources. | **Going Green:**  **The Tap Project** |

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**Going Green:**

**The Tap Project**

**Summary**

During the UN’s World Water Week, top restaurants in New York City asked their patrons to donate one dollar or more for a glass of tap water to UNICEF’s Tap Project, which hopes to reduce the number of people who lack access to safe drinking water. Since then, the Tap Project has raised almost $1.5 million in the United States. In a recent year, 21 agencies produced advertisements for the Tap Project that ran in 19 cities, in addition to efforts nationwide and on the Internet. For the most recent World Water Week, the Tap Project established a presence on Facebook and Twitter as well as an online radio station. However, only five cities—Chicago, Los Angeles, New York, Seattle, and Washington, D.C.—and 8 advertising agencies were involved.

**Questions for Critical Thinking**

**1. What types of nontraditional marketing does the Tap Project engage in?**

*The Tap Project engages in event marketing, cause marketing, and organization marketing.*

**2. As the story mentions, the Tap Project now faces competition from other water charities. What would you suggest to help the Tap Project “stand out from the crowd”?**

*Rather than solely relying on Internet-based advertising through social media sites and online radio, the Tap Project could expand awareness of its World Water Week event by advertising on both television and in newspapers during the few weeks leading up to the event.*

Assessment Check Answers

**3.1 Why do not-for-profit organizations engage in marketing?**

*Not-for-profit organizations use marketing to attract volunteers and donors, communicate their message, and achieve their societal goals.*

**3.2 What are the five types of nontraditional marketing used by not-for-profit organizations?**

*The five types of nontraditional marketing are person, place, event, cause, and organization marketing.*

**Learning Objective 4: Outline the basic steps in developing a marketing strategy.**

*All organizations develop marketing strategies to reach customers. This process involves analyzing the overall market, selecting a target market, and developing a marketing mix that blends elements related to product, distribution, promotion, and pricing decisions.*

**Annotated Lecture Outline**

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| **DEVELOPING A MARKETING STRATEGY** | PowerPoint Slide 9 |
| * 1. First, study and analyze potential target markets and choose among them. |  |
| * 1. Second, create a marketing mix to satisfy the chosen market. | Figure 11.3Target Market and Marketing Mix within the Marketing Environment |
| * 1. Marketers must consider the impact of environmental factors on their decisions. | **Solving an Ethical Controversy: When Free Credit Reports Aren’t Free** |
| * 1. A marketing plan is a key component of a firm’s overall business plan and includes the target market, sales and revenue goals, the marketing budget, and the timing. |  |
| 1. **Selecting a Target Market** | PowerPoint Slide 10 |
| * 1. Markets are classified by the type of product: |  |
| * + 1. *Consumer products* (B2C products) are goods and services purchased by end users (e.g., haircut). |  |
| * + 1. *Business products* (B2B products) are goods or services purchased to be used, either directly or indirectly, in the production of other goods for resale (e.g., computer). |  |
| * 1. A *target market* is the group of people toward whom an organization markets its goods, services, or ideas with a strategy designed to satisfy their specific needs and preferences. |  |
| * 1. The *marketing mix* is the blending of the four elements of marketing strategy—product, distribution, promotion, and pricing—to satisfy chosen customer segments. | PowerPoint Slide 11 |
| * 1. Successful marketing depends on the unique combination of these strategies: | *Lecture Enhancer: Which of these strategies seems to be the most crucial? What might happen if a firm were to ignore one of these strategies?* |
| * 1. *Product strategy*: involves the nature of the product and its package design, brand name, trademark, product image, customer service, and other elements |  |
| * 1. *Distribution strategy*: ensures that customers receive their purchases in the proper quantities at the right times and locations |  |
| * 1. *Promotional strategy*: blends advertising, personal selling, sales promotion, and public relations to achieve its goals of informing persuading, and influencing purchase decisions |  |
| * 1. *Pricing strategy:* sets profitable and justifiable prices for the  firm’s product offerings, subject to government scrutiny |  |
| 1. **Developing a Marketing Mix for International Markets** | PowerPoint Slide 12 |
| a. In order to market a good or service in a foreign market, a firm must decide between *standardization* and *adaptation.* |  |
| b. *Standardization* means offering the same marketing mix in every market. | *Lecture Enhancer:* *Provide an example of a product or service that has used standardization.* |
| i. Advantages: lower costs and reliable marketing performance |  |
| ii. Works best with B2B goods (e.g. steel) |  |
| c. *Adaptation* means developing a unique mix to fit each market. | *Lecture Enhancer:* *Provide an example of a product or service that has used adaptation.* |

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| * + 1. Advantages: lets marketers vary their marketing mix to suit local competitive conditions, consumer preferences, and government regulations | *Class Activity:*  *What challenges exist for Starbucks to enter and successfully sell coffee in China? Ask students their ideas for tactics to overcome these challenges.* |
| * + 1. *Mass customization* allows a firm to mass-produce goods and services and still add unique features to individual or small groups of orders. |  |

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Assessment Check Answers

**4.1 Distinguish between consumer products and business products.**

*Business products are goods and services purchased to be used, either directly or indirectly, in the production of other goods for resale. Consumer products are purchased by end users.*

**4.2 What are the steps in developing a marketing strategy?**

*The steps in developing a marketing strategy are to analyze the overall market, select a target market, and develop a marketing mix.*

**Learning Objective 5: Describe marketing research.***Marketing research is the information-gathering function that links marketers to the marketplace. It provides valuable information about potential target markets. Firms may generate internal data or gather external data. They may use secondary data or conduct research to obtain primary data. Data mining, which involves computer searches through customer data to detect patterns or relationships, is one helpful tool in forecasting various trends such as sales revenues and consumer behavior.*

**Annotated Lecture Outline**

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| **MARKETING RESEARCH** | PowerPoint Slide 13 |
| * 1. *Marketing research* is the process of collecting and evaluating information to support marketing decision making. |  |
| * 1. It provides data about target markets that help decision makers design an effective marketing mix. |  |
| 1. **Obtaining Marketing Research Data** | *Lecture Enhancer: Which type of data do you think is more reliable? Why?* |
| * 1. *Internal data* come from within the firm (e.g., financial records such as unpaid bills and sales). | *Class Activity:*  *Lead a class discussion on how students might collect primary and secondary data to research a potential pet grooming service in the community.* |
| * 1. *External data* come from other sources. |  |
| * + 1. *Secondary data*: published data from trade associations, advertising agencies, marketing research firms, and other sources |  |
| * + 1. It’s low cost and easy to obtain. |  |
| * + 1. Federal, state, and local government publications are excellent data sources and most are available online. |  |
| * + 1. *Primary data* is information collected first-hand through observation or surveys. |  |
| * + 1. In observational studies, marketers view the actions of consumers directly or through mechanical devices. |  |
| * + 1. For more information, marketers conduct surveys by phone, in person, online, or in focus groups. |  |
| * + 1. A *focus group* gathers 8 to 12 people in person or online to discuss a topic, product, or brand. | *Lecture Enhancer: What are some potential problems with data obtained through a focus group?* |
| 1. **Applying Marketing Research Data** |  |
| * 1. As accuracy of research information increases, so does the effectiveness of marketing strategies. |  |
| * 1. *Business intelligence* uses various activities and technologies to gather, store, and analyze data to make better competitive decisions. |  |
| 1. **Data Mining** |  |
| * 1. *Data mining* is the task of using computer-based technology to evaluate consumer data in a database and identify useful trends. | *Lecture Enhancer: Provide examples of typical methods used to mine data from consumers.* |
| * 1. *Data warehouses* are sophisticated customer databases that allow managers to combine data from several different organizational functions. | *Lecture Enhancer: What are some potential dangers presented by data warehouses?* |
| * + 1. Companies collect publicly available personal information from social networking sites and other forums and then sell this information to entities such as airlines and credit card companies. |  |
| * + 1. Such information can include everything from blogging or posting habits to credit ratings. |  |

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

Assessment Check Answers

**5.1 What is the difference between primary data and secondary data?**

*Secondary data are previously published facts that are inexpensive to retrieve and easy to obtain. Primary data are collected firsthand through observation or surveys.*

**5.2 What is data mining?**

*Data mining involves computer searches through customer data in order to evaluate the data and identify useful trends.*

**Learning Objective 6: Discuss market segmentation.** *Consumer markets can be divided according to four criteria: geographical factors; demographic characteristics, such as age and family size; psychographic variables, which involve behavioral and lifestyle profiles; and product-related variables, such as the benefits consumers seek when buying a product or the degree of brand loyalty they feel toward it. Business markets are segmented according to three criteria: geographical characteristics, customer-based specifications for products, and end-user applications.*

**Annotated Lecture Outline**

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| **MARKET SEGMENTATION** | PowerPoint Slide 14 |
| * 1. *Market segmentation* is the process of dividing a total market into several relatively homogeneous groups. |  |
| * 1. Segmentation isolates traits that distinguish a group of customers from the overall market. |  |
| * + 1. Criteria for a segment: measurable, accessible for communication, and large enough to offer profit potential. | Table 11.1  Criteria for Market Segmentation |
| * + 1. Once firms identify a market segment, they can create a marketing strategy. | *Lecture Enhancer: Name some market segments that have newly emerged within the past 10 years.* |
| 1. **How Market Segmentation Works** | PowerPoint Slide 15 |
| * 1. Depending on whether their firms offer consumer or business products, marketers segment their target markets differently. | Figure 11.4 Methods of Segmenting Consumer and Business Markets |

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| * 1. Four common bases for segmenting consumer markets are: geographical, demographic, psychographic, and product-related segmentation. |  |
| * 1. Three criteria for segmenting business markets are: customer-based segmentation, end-use segmentation, and geographical segmentation. |  |
| 1. **Segmenting Consumer Markets** | PowerPoint Slide 16  *Lecture Enhancer: What are the advantages and disadvantages of each method of segmentation?* |
| * 1. ***Geographical Segmentation*** divides consumer markets into homogenous groups based on their locations. | *Class Activity*  *Discuss food preferences by geographic region of the United States.* |
| * + 1. Geographic location provides some indication of needs. |  |
| * + 1. It also considers size and characteristics of the population, such as age, ethnicity, and income level. |  |
| * 1. ***Demographic Segmentation*** divides markets on the basis of various demographic or socioeconomic characteristics such as gender, age, income, occupation, household size, stage in family life cycle, education, or ethnic group. | Figure 11.5 Common Demographic Measures |
| * + 1. Gender is no longer a simple way to define markets for certain products (e.g., women buy tools; men buy skin care products). |  |

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| * + 1. Purchasing power based on gender has shifted; women control about 80 percent of the $5 trillion spent each year. |  |
| * + 1. Age is the most volatile factor in segmentation due to the rapid aging of our population and the growing teen market. |  |
| * + 1. Marketers must learn where people live, how old they are, what language they speak, and how much income they have. | Hit & Miss  **Redbox Teams with Verizon to Offer Streaming** |
| * + 1. Marketers avoid stereotyping by breaking large groups into smaller segments. | *Class Activity:*  *Ask students what type of businesses might segment products or services using religion as a key segmentation criterion.* |
| * 1. ***Psychographic Segmentation*** divides consumer markets into groups with similar attitudes, values, and lifestyles. | *Lecture Enhancer: Provide a specific example of a psychographic segment.* |
| * + 1. *AIO statements* are verbal descriptions of various attitudes, interests, and opinions. | *Class Activity:*  *Ask students how they would market dating services such as eHarmony.com.* |
| * + 1. *Blogs* help marketers learn more about consumers’ lifestyles. |  |
| * + 1. Psychographic segmentation relies on the research of sociologists and psychologists. |  |
| * 1. ***Product-Related Segmentation*** divides markets into groups based on benefits sought by buyers, usage rates, and loyalty levels. |  |

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| * + 1. *Benefits sought* refers to the attributes that people seek in a good or service and the benefits they expect to receive from it. |  |
| * + 1. *Product usage rate* defines such categories as heavy users, medium users, and light users. |  |
| * + 1. The *80/20 principle*: 80 percent of revenue comes from 20 percent of customers. |  |
| * + 1. *Brand loyalty* focuses on the degree to which consumers recognize, prefer, and insist on a  particular brand. | *Lecture Enhancer: What methods might be used to obtain information about customer purchasing habits?* |
| * + 1. Marketers define groups of consumers with similar degrees of brand loyalty and then give away premiums. |  |
| 1. **Segmenting Business Markets** | PowerPoint Slide 17 |
| * 1. *Geographical segmentation* is similar in business and consumer markets. | *Class Activity:*  *Lead a discussion of why colleges and office chairs would likely be treated as two segments by furniture manufacturers.* |
| * 1. *Demographic,* or *customer-based, segmentation* begins with a good or service design intended to suit a specific organizational market. |  |

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| * + 1. *North American Industry Classification System* *(NAICS)* is used by member nations of [NAFTA](http://en.wikipedia.org/wiki/North_American_Free_Trade_Agreement). |  |
| * + 1. It divides industries in categories and further subdivides the categories into segments. |  |
| * 1. *End-use segmentation* focuses on the exact way B2B purchasers will use a product. |  |
| * + 1. It resembles benefits-sought segmentation for consumer markets. |  |
| * + 1. Helps small and midsize companies target specific end-user markets rather than competing directly with large firms for wider customer groups. |  |

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Hit & Miss:**

**Redbox Teams with Verizon to Offer Streaming**

**Summary**

Redbox continues to stay above competition while addressing customer needs. While competitors like Netflix try to shift customer interest from DVD rentals to streaming, Redbox provides a new video streaming partnership with Verizon while still offering DVD rentals at their 35,400 kiosks. Streaming capabilities will be available to customers nationwide on top of Verizon’s 110 million customers alone. Redbox and Verizon envision that the 60 million homes with Internet-enabled televisions will become Redbox streaming customers.Currently, Redbox serves roughly 30 million DVD and game renters compared to Netflix’s 25 million users.

**Questions for Critical Thinking**

1. **Coinstar recently acquired Blockbuster assets including 9,000 additional rental kiosks because the company thinks there is still a bright future in renting DVDs to consumers. Do you agree? Why or why not?**

*Answers will vary, but it can be argued that there is still a future for DVD rentals because not everybody will have streaming capabilities, and customers do not need an Internet connection to view DVDs.*

1. **Redbox counts on Verizon to negotiate successfully with Hollywood for more video content. How will Verizon profit from the partnership?**

*Verizon will benefit from this partnership because Redbox will inform customers of special opportunities and features provided through streaming capabilities, and customers that want streaming capabilities will be directed to Verizon in order to obtain Internet-enabled television.*

Assessment Check Answers

**6.1 What is the most common form of segmentation for consumer markets?**

*Demographics is the most commonly used consumer market segmentation method.*

**6.2 What are the three approaches to product-related segmentation?**

*The three approaches to product-related segmentation are by benefits sought, product usage rate, and brand loyalty.*

**6.3 What is end-use segmentation in the B2B market?**

*End-use segmentation focuses on the precise way a B2B purchaser will use a product.*

**Learning Objective 7: Summarize consumer behavior.**

*Consumer behavior refers to the actions of ultimate consumers with direct effects on obtaining, consuming, and disposing of products, as well as the decision processes that precede and follow these actions. Personal influences on consumer behavior include an individual’s needs and motives, perceptions, attitudes, learned experiences, and self-concept. The interpersonal determinants include cultural influences, social influences, and family influences. A number of people within a firm may participate in business purchase decisions, so business buyers must consider a variety of organizational influences in addition to their own preferences.*

**Annotated Lecture Outline**

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| **CONSUMER BEHAVIOR** | PowerPoint Slide 18 |
| 1. **Determinants of Consumer Behavior** |  |
| * 1. *Consumer behavior* refers to actions of ultimate consumers directly involved in obtaining, consuming, and disposing of products and the decision processes that precede and follow these actions. |  |
| * + 1. Personal factors: needs and motives, perceptions, attitudes, learned experiences, and self-concept |  |
| * + 1. Interpersonal factors: cultural, social, and family influences |  |
| * 1. External events can influence consumer behavior. | *Class Activity:*  *Ask students how the recession altered their shopping habits.* |
| **2. Determinants of Business Buying Behavior** |  |
| * 1. Business buyers face a variety of organizational influences in addition to their own preferences. |  |

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| **3. Steps in the Consumer Behavior Process** | PowerPoint Slide 19 |
| 1. Consumer decision making follows a sequential process, with interpersonal and personal influences affecting every step: | Figure 11.6 Steps in the Consumer Behavior Process  *Lecture Enhancer: Can you think of a situation in which a consumer might skip one or more of these steps? Why?* |
| * + 1. Consumer recognizes a problem or opportunity. |  |
| * + 1. Consumer seeks information about the intended purchase. |  |
| * + 1. Consumer evaluates alternatives. |  |
| * + 1. Consumer reaches a decision. |  |
| * + 1. Consumer completes the transaction. |  |
| * + 1. Later, the consumer evaluates the experience. |  |

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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Assessment Check Answers

**7.1 Define consumer behavior**.

*Consumer behavior refers to the actions of ultimate consumers directly involved in obtaining, consuming, and disposing of products, along with the decision processes surrounding these actions.*

**7.2 What are some determinants of consumer behavior?**

*Determinants of consumer behavior include both personal influences and interpersonal influences. Personal influences include an individual’s needs and motives; perceptions, attitudes, experiences; and self-concept. Interpersonal influences include cultural, social, and family influences.*

**Learning Objective 8: Discuss relationship marketing.**

*Relationship marketing is an organization’s attempt to develop long-term, cost-effective links with individual customers for mutual benefit. Good relationships with customers can be a vital strategic weapon for a firm. By identifying current purchasers and maintaining a positive relationship with them, an organization can efficiently target its best customers, fulfill their needs, and create loyalty. Information technologies, frequency and affinity programs, and one-on-one efforts all help build relationships with customers.*

**Annotated Lecture Outline**

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| **RELATIONSHIP MARKETING** | PowerPoint Slide 20 |
| * 1. In today’s hypercompetitive era, businesses need to find new ways of relating to customers if they hope to maintain long-term success. |  |
| * 1. *Relationship marketing* refers to developing and maintaining long-term, cost-effective exchange relationships with partners. |  |
| * 1. Customers enter into a relationship with a firm only if there is some benefit to them. | *Lecture Enhancer: Provide examples of how modern banking uses relationship marketing to gain customers.* |
| * 1. As the intensity of commitment increases, so does the likelihood of a business continuing a long-term relationship with its customers. |  |
| 1. **Benefits of Relationship Marketing** | PowerPoint Slide 21 |
| * 1. Businesses are rewarded with lower costs and higher profits when they forge relationships with vendors and customers. |  |

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| * 1. Efficient targeting of best customers increases the *lifetime value of a customer*, the revenues and intangible benefits from the customer over the life of the relationship, minus the cost to acquire and serve that customer. | Business Etiquette:  Calming the Angry Customer |
| * 1. Businesses also benefit from strong relationships with other companies; partners combine capabilities and resources to accomplish goals. |  |
| 1. **Tools for Nurturing Customer Relationships** | PowerPoint Slide 22 |
| * 1. Most relationship-oriented businesses quickly discover that some customers generate more profitable business than others. |  |
| * + 1. Frequent customers have a higher lifetime value, so businesses allocate resources accordingly. | *Lecture Enhancer: Provide examples of ways in which frequent customers are rewarded by different businesses.* |
| * + 1. A firm may customize goods or services for high-value customers. |  |
| * + 1. It may work to increase repeat sales of stock products to less-valuable customers. |  |
| * 1. **Frequency Marketing and Affinity Marketing Programs** |  |
| * + 1. A *frequency marketing program* rewards frequent purchases with cash, rebates, merchandise, or other premiums. |  |

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| * + 1. An *affinity marketing program* is a marketing effort sponsored by an organization that solicits involvement by individuals who share common interests and activities. |  |
| * + 1. *Comarketing* is a cooperative arrangement in which two businesses jointly market each other’s products. |  |
| * + 1. Cobranding is a cooperative arrangement in which two or more businesses team up to closely link their names on a single product. |  |
| * 1. **One-on-One Marketing** | PowerPoint Slide 23 |
| * + 1. *One-on-one marketing* refers to customizing products and marketing and rapidly delivering goods. |  |
| * + 1. Computer databases provide strong support for effective relationship marketing. |  |
| * + 1. *Customer relationship management (CRM)* helps firms gather, sort, and interpret customer data as well as track sales and monitor suppliers. |  |

**Notes:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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Assessment Check Answers

**8.1 What is the lifetime value of a customer?**

*The lifetime value of a customer incorporates the revenues and intangible benefits from the customer over the life of the relationship with a firm, minus the amount the company must spend to acquire and serve the customer.*

**8.2 Discuss the increasing importance of one-on-one marketing efforts.**

*One-on-one marketing is increasing in importance as consumers demand more customization in goods and services. It is also increasingly dependent on technology such as computer-aided design and manufacturing (CAD/CAM). The Internet also offers a way for businesses to connect with customers in a direct and personal manner.***Answers to Review Questions**

**1. Define the four different types of utility and explain how marketing contributes to the creation of utility. Then choose one of the following companies and describe how it creates each type of utility with its goods or services.**

* *Form utility is created by converting raw materials into finished products. Then the marketing function takes over to satisfy a number of customer needs.*
* *Time utility is created by making a product or service available when consumers want to purchase it.*
* *Place utility is created by making it available in locations convenient for consumers.*
* *Ownership utility is created by arranging for it to be transferred in an orderly way from seller to buyer.*

*A firm’s production function creates form utility by converting raw materials into finished goods and services, but its marketing function creates time, place, and ownership utility.*

1. Taco Bell

Form*—converts raw materials (food ingredients) into finished product (taccos).* Time*—sets hours at most convenient or peak times.* Place*—opens stores where they’re easy to find, near major intersections, with ample parking.* Ownership*—ease of transactions allows customers to purchase their food quickly for consumption.*

1. Polo Ralph Lauren

Form—*converts raw materials (cloth) into finished goods (clothes).* Time*—designs clothing for each season.* Place*—markets specific clothing lines to be worn in specific geographical locations.* Ownership*—ease of transactions allows consumers fast purchases.*

1. Miami Dolphins

Form*—converts raw materials (football players) into finished product (Superbowl-bound football players).* Time*—has hours during before and during football season for training.* Place*—training fields.* Ownership*—ease of transactions allows football fans to purchase football game tickets and watch the players perform in football games..*

1. Supercuts hair salons

Form*—converts skills (cosmeticians) into finished service (hairdo).* Time*—sets hours during most convenient or peak times, with longer hours on weekends or in summer.* Place*—opens centers on main streets, in locations that are easy to find and enter, where customer traffic is most likely.* Ownership*—ease of transactions allows consumers fast purchases.*

e. Adobe Systems

Form*—converts knowledge into finished service (software).* Time—*available for use 24/7.* Place*—available for purchase and use anywhere with Internet access.* Ownership*—ease of transactions allows consumers fast purchases.*

**2. Describe the shift from a seller’s market to a buyer’s market. Why was this move important to marketers?**

*Marketplace success begins with the customer. This realization caused a shift from a seller’s market—one with a shortage of goods and services that focused on moving its products—to a buyer’s market, or one with an abundance of goods and services that focused on satisfying customers*. *This realization was important to marketers because the marketplace has a huge number of firms offering millions of products and services, and only a customer orientation leads to long-term profit (defined by marketing concept).*

**3. Describe how an organization might combine person marketing and event marketing. Give an example.**

* *Person marketing is the use of efforts designed to attract the attention, interest, and preference of a target market toward a person.*
* *Event marketing refers to marketing or sponsoring short-term events, such as athletic competitions and cultural and charitable performances.*

*The two could easily be combined by having a celebrity like Jimmy Buffet appear at a fund-raising concert.*

**4. Describe how an organization might combine cause marketing and organization marketing. Give an example.**

* *Cause marketing promotes a cause or social issue, such as preventing child abuse, anti-littering efforts, and stop-smoking campaigns.*
* *Organization marketing influences consumers to accept the goals of, receive the services of, or contribute in some way to an organization.*

*An example would be the annual World Water Week benefitting the Tap Project, which seeks to increase global access to clean water.*

**5. Identify each of the following as a consumer product or a business product, or classify it as both:**

1. cup of coffee—*consumer*
2. iPad—*consumer*
3. gasoline—*both*
4. boat trailer—*consumer*
5. hand sanitizer—*both*
6. Post-Its—*consumer*

**6. Identify and describe the four strategies that blend to create a marketing mix.**

* *Product strategy: includes decisions about package design, brand names, trademarks, warranties, product image, new-product development, and customer service*
* *Distribution strategy: ensures that customers receive their purchases in the proper quantities at the right times and locations*
* *Promotional strategy: blends advertising, personal selling, sales promotion, and public relations to achieve its goals of informing, persuading, and influencing purchase decisions*
* *Pricing strategy: sets profitable and justifiable prices for the firm’s product offerings*

**7. What is a target market? Why is target market selection usually the first step in the development of a marketing strategy?**

*A target market is a group of potential customers with certain needs and wants that a firm centers on when directing its marketing efforts. The first step is to study and analyze potential target markets and choose from them so that all efforts can be focused toward a certain group of people with specific characteristics or similarities. The target market then allows the firm to focus its strategies and design products and services to satisfy the specific preferences of certain consumers.*

**8. Identify the two strategies that a firm could use to develop a marketing mix for international markets. What are the advantages and disadvantages of each?**

*The two strategies that a firm could use to develop a marketing mix are* standardization*, offering the same marketing mix in every market, and* adaptation*, developing a unique mix to fit each market. The advantages of standardizing the marketing mix include reliable marketing performance and low costs. This approach works best with B2B goods, such as steel, chemicals, and aircraft, which require little sensitivity to a nation’s culture.*

Adaptation*, on the other hand, lets marketers vary their marketing mix to suit local competitive conditions, consumer preferences, and government regulations. Consumer tastes are often shaped by local cultures. Because consumer products generally tend to be more culture-dependent than business products, they more often require adaptation.*

**9. Describe the types of data that someone who is thinking of starting an accounting practice might choose to gather. How might this businessperson use the data in making the startup decision?**

*They might gather the following:*

* *Internal data from inside existing or competing firms (financial records, bills, inventory levels, profitability statements)*
* *External data from outside sources (published trade journals or associations, ad agencies, audience surveys, or subscription services).*
* *Primary data gathered firsthand (market surveys or potential customer base or target markets, analysis of location and traffic patterns)*
* *Secondary data from publications (government statistics, census data, local pamphlets and maps, info from local business groups, info on not-for-profit or association Web sites)*

*Internal data from competing firms would pinpoint current market trends and the nature and amount of competition. External data and secondary data could be analyzed to provide a wealth of information about demographic markets, consumer preferences, census information, and local tastes and cultures. Primary data might be gathered by observation to get a “gut feeling” about a location, setting, traffic patterns, or potential customers. All this information could be used to understand the options, determine the ideal target market, and choose the best ways to reach this group.*

**10. Explain each of the methods used to segment consumer and business markets. Which methods do you think would be most effective for each of the following and why? (Note that a combination of methods might be applicable.)**

* *To segment a* consumer market, *the following methods are used:* geographical, demographic, psychographic, and product-related.
* *To segment a* business market, *the following methods are used:* customer-based, end-use, and geographical.

1. supermarket featuring organic foods – *geographical, demographic, psychographic*
2. hair-care products – *demographic, psychographic, product-related*
3. tour bus company – *demographic, geographical, psychographic*
4. line of baby food – *demographic, psychographic, product-related*
5. pet insurance – *demographic, customer-based*
6. dry cleaner – *geographical*

**11. What are the three major determinants of consumer behavior?**

**Give an example of how each one might influence a person’s purchasing decision.**

* ***Personal influences****: individual factors such as needs and motives, perceptions, attitudes, learned experiences, and self-concept (examples: self-image, status, tendency to save or spend, medical needs, nutrition info, diet fads)*
* ***Interpersonal influences****: broad factors such as cultural, social, and family influences (examples: family values, religious beliefs, ethnic tastes)*
* ***External events:*** *outside factors such as natural disasters, severe weather, or economic recession (example: oil spill causes consumers to rethink buying Gulf seafood)*

**12. What are the benefits of relationship marketing? Describe how frequency and affinity programs work toward building relationships.**

*Relationship marketing develops and maintains long-term, cost-effective exchanges with “partners”—customers, suppliers, and employees. It leads to customer satisfaction and long-term loyalty, gives customers preferential treatment, leads to a larger customer base through referrals, and often reduces a firm’s production and advertising costs.*

*Firms build and protect customer relationships using frequency and affinity programs. Frequency**programs reward purchasers with cash, rebates, merchandise, or premiums. They offer personalization and customization. For instance, airlines, hotel groups, restaurants, and retailers offer frequency programs. Affinity programs build emotional links with customers. An affinity program is a marketing effort sponsored by an organization that solicits involvement by individuals who share common interests and activities.*

**Projects and Teamwork Applications**

1. Ask students what type of product or service they chose to explore and the ads they created that illustrate time, place, and form utility in its delivery of the product to the customer. Did the ad succeed in creating utility? Why or why not?

2. Have students talk about the not-for-profit group they chose to explore. Have them share their outlined ideas for a fund-raising event. Which type of nontraditional marketing did they use? How did it fit the personality and values of the organization?

3. Ask students to suggest ways to classify a firm’s goods and services as both business and consumer products. Have them work in pairs and outline a marketing strategy for attracting the opposite classification of the customer *listed in parentheses*.

4. Have students share their lists of reasons why they were satisfied or not in the situations they recalled. What made them satisfied? Was it a concrete reason or more of an overall feeling? What made them dissatisfied? When they weren’t satisfied, was it the fault of the seller?

5. First, have students explain the ideas of comarketing and cobranding. Then, have students work in small groups and choose two firms with goods and/or services that would work well together for comarketing or cobranding. Have students create marketing campaigns for the product or service. Ask the class to evaluate the success of the campaign.

Web Assignments

1. **Demographic trends.** The *Statistical Abstract of the United States* is an excellent source of demographic and economic data about the United States. Visit the Web site listed below and click on “population.” In terms of age and race, what does the U.S. population currently look like? What will the U.S. population look like in the decades to come? <http://www.census.gov/compendia/statab/>
2. **Market segmentation.** Go to the Web site of Canon USA and review the company’s array of product offerings. Prepare a brief report on how Canon segments its markets.  
   <http://www.usa.canon.com/home>
3. **Customer loyalty programs.** Airlines and hotel chains have extensive customer loyalty programs. Pick an airline and hotel chain and print out information on the firm’s customer loyalty program. (Two examples are listed below.) Bring the material to class to participate in a discussion on this topic.  
   <http://www.southwest.com/rapid_rewards/>  
   <http://www.marriott.com/rewards/rewards-program.mi>

*Note: Internet Web addresses change frequently. If you don’t find the exact sites listed, you may need to access the organization’s home page and search from there or use a search engine such as Bing or Google*.

## Case 11.1

**Advertising on Facebook: Unlimited Potential?**

**Answers to Questions for Critical Thinking:**

1. **Why do advertisers continue to post ads on Facebook, even though the click-through response rate is so low?**

*Advertisers likely continue to post ads on Facebook because regardless of current response rates, the potential for exponentially increased ad viewership is still very high as Facebook users continue to add “fans” to their own pages and sign on as “fans” to others’ pages.*

1. **How does Web advertising affect consumer behavior? Does it help build customer relationships or not?**

*The Internet still must rely on effective content, message, audience targeting, and delivery to affect consumer behavior. In these respects, the Internet is similar to other modes of communication such as print, radio, and television. However, the Internet does have several advantages over other modes. One unique advantage of the Internet is the ability for consumers to interact with the web site(s). This can provide fertile ground for identifying the unique consumer needs and wants of each consumer with an individual profile. That profile can be improved over time based on actual consumer choices and decisions. Amazon is perhaps the best example of tailoring a Web site to its consumers. As browsers peruse their favorite Web sites for varying music, books, or other goods, their individual “clicks” enable Amazon to focus on that consumer. When the consumer revisits, Amazon can offer similar books or music that the consumer may like or not. As consumers select more and make actual purchases, a rich database of targeted information is created. iTunes and many other Web sites employ similar technology.*

*Speed, coupled with software tools such as shopper-friendly “checkout baskets,” is also an advantage of the Internet. Prompts and checkout baskets may provide an impetus for increasing spending by increasing impulsive behavior. A consumer may visit iTunes with the intent of purchasing one song, but the prompts and ease of completing a transaction increase the chances that the consumer will buy more.*

Case 11.2

**Arthritis Foundation Takes Aim at Pain**

**Answers to Questions for Critical Thinking**

**King says of her spokesperson role, “I’m a little chubby, I think people are going to relate.” Do you agree? Why or why not?***Answers will vary, but it can be argued that King’s appearance and the fact that she used to be a professional athlete will make her more relatable to the average American because it will show that everyone, even celebrities, have health concerns as they grow older.*

1. **One critic called the campaign “too rational. Most effective ads are emotional.” Do you agree? Why or why not?**

*Answers will vary, but it can be argued that a more rational commercial could be beneficial because it shows that something as easy as walking or engaging in some other form of enjoyable exercises consistently can help prevent symptoms of progressing arthritis. Others, however, can argue that more emotional commercials get more attention because viewers could see how serious and painful the conditions of arthritis can be, which could urge them to take more action to prevent it.*

**CHAPTER 11: COLLABORATIVE LEARNING EXERCISES**

# **1 – Definition of Marketing**

Learning Objective: 1

Purpose:

To help students understand the concept and impact of marketing on a personal level

Background:

The formal definition of marketing is rather abstract, which makes it somewhat difficult for many students to grasp. This quick, discussion-based exercise helps students understand the impact of marketing on a more concrete, personal level that should lead to a better understanding of the formal definition.

Relationship to text:

Learning Objective 1 – What Is Marketing?

Estimated Class Time:

Less than 10 minutes

Preparation/Materials:

None needed

Exercise:

Ask your class how many of them ate the last meal (breakfast, lunch, or dinner) depending on the time of your class. Then, call on individual students to share what they ate. Be sure to ask specific questions regarding the marketing mix. For example, why did you choose that cereal? Who bought the bacon & eggs? From what store were these items purchased? Why did you go to Starbucks? Where did you first hear of that pancake house? With your guidance, they will quickly see the impact of product, price, distribution, and promotion on their day-to-day lives, which will help them internalize the broader meaning of marketing.

## 2 – Relationship Marketing

Learning Objective: 8

Purpose:

To trigger student thinking about how to use relationship marketing

Background:

In an increasingly competitive business environment, successful marketers find innovative ways to build relationships with their customers, which can build customer loyalty and provide the basis for a competitive edge. This exercise is designed to help students begin thinking about how to use relationship marketing without undermining profitability.

Relationship to Text:

Learning Objective 8 – Relationship Marketing

Estimated Class Time:

About 15 minutes

Preparation/Materials:

None needed

Exercise:\*

Ask your students to share examples of businesses they know that use relationship marketing. Encourage them to consider both small and large businesses, such as local buy-10-get-one-free programs and national airline frequent flyer programs.

Divide your class into groups of 5 to 7 students, and direct them to develop ideas on how each of the following businesses could increase its relationship marketing without significantly eroding profits. Who should be the target customers for each of these benefits? Should they be offered to all customers? Why or why not?

* Tanning salon
* Online apparel retailer
* Supermarket
* Bank
* Doctor’s office
* Auto insurance company
* Nightclub

Encourage them to be creative. Give them about 10 minutes. After you call time, ask each group to share its favorite concept. You’ll likely get some terrific ideas.

\* Source: Sharon H. Layoff, Ph.D., Associate Professor, Elementary Reading and Bilingual Education, California State University, Los Angeles

## 3 - Marketing Research

Learning Objective: 5

Purpose:

To introduce marketing research through hands-on experience

Background:

Marketing research is the foundation of successful marketing, yet many students find the topic somewhat dry. This exercise is designed to introduce marketing research in a way that sparks student interest while covering the basic concepts.

Relationship to Text:

Learning Objective 5 – Marketing Research

Estimated Class Time:

About 25 minutes

Preparation/Materials:

You’ll need to buy one package each of 4–5 different brands of chocolate chip cookies. Look for a variety of sizes and types, but beyond that, whatever is on sale will work. Put each type of cookie in a generic bag, and mark the bags Cookie A, B, etc. You’ll also need either napkins or paper plates, and a gallon or two of milk and paper cups.

Exercise:\*

Announce that your class will be doing research on chocolate chip cookies. Working in small groups, their job is to develop and implement a research methodology to determine which cookie brand is the “chippiest,” which is the tastiest, and which is the overall best. They will need to report to the class their results, their methodology, and their level of certainty. Divide them into groups, and give them about 15 minutes to work.

When the groups report to the class, write the results in a matrix on the board. Don’t tell them how the letters correspond to actual brands until the whole class is finished.

Group discussion questions: Which factors were hardest to determine? Which were the easiest? Which answers were subjective, and which were objective? Why weren’t all their answers the same? How could a marketer for one of the manufacturers use this information? Encourage them to consider issues such as target market (are college students really an important target market for chocolate chip cookies?) and sample size (do the results from just one class project extend to the larger population?). When you do share the actual brands, ask them if there were any surprises. Why?

\* Source: Sharon H. Layoff, Ph.D., Associate Professor, Elementary Reading and Bilingual Education, California State University, Los Angeles

**4 – Marketing Research**

Learning Objective: 5

Purpose:

To demonstrate a useful marketing research technique

Background:

While gathering information through traditional marketing research methods (surveys, focus groups, etc.) can produce excellent results, using projective techniques can yield insights that respondents may find tough to articulate directly. This exercise is designed to give your students experience with a specific projective research method.

Relationship to Text:

Learning Objective 5 – Marketing Research

Estimated Class Time:

About 10 minutes

Preparation/Materials:

You’ll need to have either dry erase markers or pieces of chalk for five people.

Exercise:

Ask your students to brainstorm a list of 5–10 different cars that they know and like. Then, request five volunteers and invite them to the board. Ask each one to choose a car from the list, and then to draw a picture of how that car would look if it were a person (assure them that stick figures are fine). Ask them also to complete either a speech or a thought bubble. (For example, a classic VW beetle might be a young male “granola” type person, with a speech bubble that says “Groovy!”)

When the drawings are complete, ask the volunteers to briefly describe their person’s appearance, character traits, profession, and lifestyle. (For example, is the person uptight, friendly, geeky, handsome, or smooth? Does he or she live in a modest home, share an apartment with friends, or own a mansion?)

After the presentations, ask the class to analyze the results. How would this information be helpful to market researchers?

## 5 - Consumer Behavior

Learning Objective: 7

Purpose:

To illustrate the close links between consumer behavior and its determinants

Background:

The study of consumer behavior suggests that many of our purchases reflect recognizable elements of who we are in terms of gender, personality, individual style, hobbies, etc. This exercise is designed to highlight those links.

Relationship to Text:

Learning Objective 7 – Determinants of Consumer Behavior

Estimated Class Time:

About 10 minutes

Preparation/Materials:

Each student will need paper and pen/pencil.

Exercise:

Direct your students to think for a moment or two about goods or services that they particularly enjoy in any category from shoes, to bands, to cars, to restaurants. Ask them to write down their five favorites, including the brand name (e.g. Nike running shoes, Lucky brand blue jeans), but not to write their own names.

Collect the papers, leaf through them, and choose 5–7 papers that include an assortment of high-profile brands. Read the papers aloud to your class, and after each one, ask your class to describe the student who wrote it. (You may want to warn the students in advance not to identify themselves until the rest of the class has a chance to guess.) Usually the writers of the papers choose to identify themselves, and—with some notable exceptions—the profiles guessed by the class, based on the product choices, are astonishingly accurate.

Follow-up discussion is often spontaneous, but if it is not, you may want to ask how marketers can capitalize on the links between who people are and what they choose to purchase.

## 6 - Consumer Decision Making

Learning Objective: 7

Purpose:

To help students understand the consumer decision-making process

Background:

Understanding consumer decision making helps marketers target their efforts more efficiently and effectively, providing the potential for a strong competitive advantage. This exercise is designed to demonstrate the steps in the decision-making process across a range of product categories.

Relationship to Text:

Learning Objective 7 – Consumer Behavior

Estimated Class Time:

About 20 minutes

Preparation/Materials:

None needed

Exercise:

Divide your students into groups of 5 to 7 people, and direct each group to describe the steps in the consumer decision-making process for each of the following items:

* A pair of dress shoes
* A restaurant for a dinner date
* A computer
* A pair of jeans
* A graduate school
* A soda
* A dentist

Ask them to also give at least one example of how the marketer could favorably impact the consumer decision each step of the way.

Assign one item per group for presentation purposes, and ask the others to contribute additional thoughts right after the brief presentation. (Hint: Don’t tell them in advance which groups will need to present which items.)

As they share their results, encourage them to consider the differences between high-involvement and low-involvement decisions, internal versus external information search, researching on their own versus asking the opinions of others. How do these variables impact consumer decision making? How does knowing the decision-making process increase marketing effectiveness?

## 7 – Developing a Marketing Strategy

Learning Objective: 4

Purpose:

To help students understand the basic steps in creating a marketing strategy

Background:

Creating an effective marketing strategy is crucial to the success of a product or service. This exercise is designed to help students understand the process involved in creating an effective marketing strategy.

Relationship to Text:

Learning Objective 4 – Developing a Marketing Strategy

Estimated Class Time:

About 20 minutes

Preparation/Materials:

Small Post-It Note pads

Pens

Exercise:

Organize the class into groups of 3 to 5 students. Provide each student with a small Post-It Note pad (these can be collected afterwards; or students can use their notebooks if pads aren’t available) and a pen if needed.

Instruct the groups that their task is to develop a marketing strategy for a business idea that you provide (dog-grooming business, landscaping business, day care center, home-run bakery, etc.). Assign a different business idea to each group.

Allow about 5 minutes for individuals to record their own ideas on their pads before discussing them with their group members. When individuals are finished, students will discuss their idea(s) with the group and explain why it is important. Each idea should be “stuck” onto an adjacent wall or whiteboard. Then each group should prioritize and agree on the ones they think are most crucial and place them on the board in sequential order.

Upon conclusion (the noise in the room will signal that the ideas are slowing down), each group should have one person share its agreed-upon marketing strategy with the entire class.