

CHAPTER 1: MARKETING'S VALUE TO CONSUMERS, FIRMS, AND SOCIETY

CHAPTER 1 – COMMENTS ON USE OF ETHICAL DILEMMA QUESTIONS WITH THIS CHAPTER

Situation: *What would you do?* A customer purchases a GE Profile refrigerator that comes with a one-year warranty on parts and labor. The salesperson suggests that the customer consider the store's three-year extended service plan to cover any problems with the refrigerator. The customer replies, "I'm getting a GE Profile because it's a reputable brand—and I have read these extended warranties aren't necessary." Fourteen months later, the customer returns to the store and complains that the ice maker on the refrigerator doesn't work right—and argues "the store needs to make it right." *If you were the store manager, what would you say? Would your response be any different if you knew that the customer was going to post a negative review on the company website?*

Some students may have encountered a situation like this – either as a consumer or as an employee working in a retail store. And, even if a student has not had a warranty expire right before something bad happens to the product, it is likely that in purchasing an electronic product the student has had to decide whether to buy an extended warranty.

While stores (or their suppliers) often have policies about how to handle needed repairs or similar problems that come in shortly after a warranty expires, a store manager may be empowered to make exceptions.

This situation allows for discussion of a variety of topics. One concerns the extent to which customers are responsible for the choices they make. The customer was offered the extended warranty – and made the decision, on her own, to not purchase it. The customer also decided to purchase the GE rather than some other brand that might have had a longer manufacturer's warranty. The store might be able to get GE to honor the warranty, but we don't know here if that is possible or if the store manager would want to try. Manufacturers worry that retailers sometimes misrepresent *when* problems with a product occurred to "give customers a break" or pass an out-of-warranty problem back to the manufacturer.

The manager might want to consider how her response may affect the store's reputation (effects that may be greatly magnified by the threat of posting online). The discussion could also reference the marketing concept – where the foundations of profit and customer satisfaction may be seen as at odds in this situation.

One aspect of this situation that may be worth additional consideration: some well-known companies, intentionally place relatively short warranty periods on their products, even though their products may be priced at a premium relative to other brands. Other firms, might offer a longer warranty on the same type product. Students may think about this situation differently if they realize that the combination of GE's powerful brand name and shorter warranty period gives retailers a greater opportunity to sell the extended warranty and make extra profit on the sale. For this reason, the retailer (or salespeople who work on commission) may have extra incentive to "push" the GE brand. The retailer likes the chance to "bundle" the sale of the popular-brand product and the warranty. It becomes an ethical balancing act for the salesperson to say, "This is a great brand," but in the next breath to say "but you should protect yourself with a longer warranty because repairs can be very expensive." *Consumer Reports* and most other consumer organizations advise against buying extended service agreements on just about any product—because they are not a good value. Most problems arise within the warranty period anyway. Some students may argue that it is not ethical to sell service agreements. If other students don't counter-argue, it may be useful to ask whether consumers are required to buy the agreement and, further, whether it's ok to let consumers (who don't want the risk) decide if it's worth the price.

CHAPTER 1 – COMMENTS ON USE OF MARKETING ANALYTICS IN ACTION

QUESTIONS IN THIS CHAPTER

The Marketing Analytics in Action (MAiA) exercises were designed to expose students to basic (and sometimes more advanced) analytics used by marketing managers today. This exercise looks at important introductory concepts: revenue, cost, and price.

Marketing Analytics in Action 1: REVENUE, COST, PROFIT

To help answer these questions, an instructor might show a simple spreadsheet like the one below:

	<u>Last year</u>	<u>This year</u>
Price	\$20	\$30
x Quantity sold	<u>250</u>	<u>200</u>
equals Revenue	\$5,000	\$6,000

Shirt cost	\$12	\$15
x quantity purchased	<u>250</u>	<u>200</u>
Cost	\$3,000	\$3,000

Revenue	\$5,000	\$6,000
minus Cost	<u>\$3,000</u>	<u>\$3,000</u>
equals Profit	\$2,000	\$3,000

1. \$2,000
2. \$3,000
3. This question is designed to get students thinking about marketing strategy and options. In the scenario, Julie makes a higher quality product and sells it for a higher price. Students might suggest selling multiple versions of the shirt, a lower quality (and lower priced version), or simply raising prices without raising quality. They might also raise issues around promotion (increased advertising or a sale price) or distribution (selling the shirts through different channels).

CHAPTER 1 – COMMENTS ON MARKETING FOR A BETTER WORLD (#M4BW)

This chapter includes the following photos and examples of how marketing can contribute to a better world:

Photos:

- Adidas partnered with nonprofit Parley to make running shoes made from ocean plastics
- United Nation's World Food Programme (WFP) smartphone app to raise money for hungry children
- Ben & Jerry's "How We Do Business" screenshot
- United Nation's Sustainable Development Goals

Section:

- Can Marketing Help Create a Better World? This section provides examples of how marketing can be used to make a better world and provides examples of how specific companies are using marketing to create a better world.

CHAPTER 1 – COMMENTS ON QUESTIONS AND PROBLEMS

- 1- 1. This chapter opener case lets students know how pervasive marketing is in their lives. The case also foreshadows a number of different concepts from the chapter. Some of these are listed below, but students may find others in an abstract assignment like this:
- Innovation – Nike running shoes initially and more recently its Flyknit shoes and Nike+ apps
 - Pure subsistence economy – example of rural Africa
 - Economic system – rural Africa,
 - Triple bottom line – Nike's responses to child labor suggest concerns about community as well as its efforts at sustainability
 - A marketing orientation is reflected in many of Nike's behaviors
 - Your students will identify more.
- 1-2. Recall that the marketing concept suggests that firms aim all efforts at satisfying customers at a profit. The success of Air Jordan turned profitability around and suggest customers are highly satisfied. Its innovation efforts suggest that computer programmers and engineers are also focused on customers.
- 1- 3. This is really just a contemporary variation on the "better mousetrap" line of thought – framed in the context of an important new technology. Even so, it deals with the question of whether it is "enough" just to develop a good new product that serves an important need. It is certainly possible that web-surfing consumers – on their own initiative – are able to use the Internet to find out about an important new product and then could go further and get all of the information about it that they might need. But, as a practical matter, that was also true for most new products before the Internet existed. The problem is that with millions of pages of material on the Internet, few consumers are likely to stumble across information that they need. There are software tools that make it efficient to find information that they know they want, but if they don't know they want it, they won't look.
- 1- 4. The macro view of marketing is concerned with how a whole marketing system works, while the micro view of marketing is concerned with how individual firms do and/or should operate. In a market-directed economy, the actions of individual firms *and* consumers pretty much determine how the macro system works. But it is possible for others, including the government, to modify the macro-marketing system. It is important to see that individual business firms are only part of the macro-marketing system, and that their role and apparent efficiency may be affected by others – including consumers and the government (i.e., consumers acting through representatives).
- 1- 5. See section "Macro-Marketing" in the text.
- 1- 6. In a command economy, government officials decide what and how much is to be produced and distributed by whom, when, and to whom. In a market-directed economy, on the other hand, producers and consumers make their own economic decisions. That is, the producers decide what they are going to offer, and consumers decide, independently, which of all of the offerings they will accept. In other words, the economy is directed by the "market mechanism" that relies on many micro level decisions by individual producers and consumers. Each decision may be small, but together they determine the macro level decisions for the whole economy.
- 1-7. Students will give many different examples here. The basic point is that a market-directed system encourages innovation because there is incentive (profit) to find a better way to meet

customers' needs. Competition is also a related issue. As one new idea is developed and proves to be a success, competing firms tend to adapt or copy it. Thus, there is constant pressure on firms to find new and better ways to do things – because yesterday's breakthroughs and successes become today's "old" product.

- 1-8. In the text, the marketing concept is defined in the section "What Does the Marketing Concept Mean." A firm must have some objective to guide its efforts – and a profit orientation provides such an objective. But the marketing concept says that an organization should have more than just profit as its objective. It should attempt to satisfy some customers *and* make a profit. Profit can be seen not only as an objective, but also as a constraint if one really gets carried away with the marketing concept. If a marketing manager really wanted to satisfy some customers very well, he could design a very pleasing marketing mix for them that might include *free* products or services!! Adding profit in the definition, however, would preclude such a move. In other words, the marketing concept insists on some balance between fully satisfying some target customers and meeting a firm's own objectives.
- 1-9. This question is intended to deepen the students' understanding of the marketing concept. Applying it to the local situation can be illuminating, especially if there has been much discussion of the role of the student in college affairs. Substantial change might be indicated in some circumstances. At the same time, it should be seen that "all" students' views (not just those of the few self-appointed "spokespersons") should be considered. Further, this may be a place to bring in the customer value concept with consideration of benefits and costs. Both long- and short-run implications of the students' welfare and the institutions' welfare should be considered. By considering the problem of balancing conflicting long- and short-run objectives of different groups, they may come to see that applying the marketing concept is not easy – and they may better understand why it is not as widely accepted (or at least well implemented) as they might expect. What they see locally is probably typical of most institutions – academic, government, and business.
- 1-10. This question is intended to give students an understanding of real-world companies that use a triple bottom line, what contributions they make to help people and the planet, and how those contributions might affect their profits. An example is Patagonia; they focus on the planet by making fleece out of recycled plastic bottles and using organic cotton as well as donating 1% of their sales to environmental causes; they focus on people by offering paid paternal leave, covering 100% of employee health insurance costs, and letting employees set their own schedules. Profit-wise, despite facing early bankruptcy, the company is now debt-free and has steadily increased its profits and revenues. This question can be used as a discussion point for students' interactions with these companies and how they think not just focusing on profits affect a company.
- 1-11. Students will come up with a variety of benefits and costs associated with the products for this question. At this point in their thinking about customer value, it is probably less important that they be detailed or exhaustive in coming up with examples than it is that they grasp the concept that each product (actually, each marketing mix) may have a variety of different benefits and costs. A class discussion is likely to highlight some cases when one student sees something as a benefit, but a different student argues that it is not so much a benefit as it is a cost if it is missing (e.g., good gas mileage may be a benefit of a car, or it may represent a cost if it is missing). The fact that different customers may "frame" benefits and costs in different ways is not an important distinction in the literature on customer value. On the other hand, it can be useful to know when this sort of difference occurs because it is at least indirectly related to customer expectations.
- a) Wrist watch: Benefits: accuracy, attractiveness, durability, warranty, and status. Costs: the opposite of any of the above, as well as factors such as hard to service, lack of warranty, price paid, or missing a needed battery.
 - b) Weight-loss diet supplement: Benefits: more self-esteem, more energy, greater sex

appeal, convenient to prepare or consume. Costs: any unfavorable side effects (nervousness, high blood pressure, nausea, etc.), difficult or inconvenient to obtain, high price.

- c) Cruise on a luxury liner: Benefits: excitement, variety, relaxation, pleasure, social interactions. Costs: boredom, fear (say, of a fire or of the boat sinking), sea-sickness, expense.
- d) Checking account from a bank: Benefits: convenience, record of spending (and in some cases cancelled checks), ability to obtain cash. Costs: monthly fees, check fees, fees for bounced checks, record keeping hassles, inconvenience of going to bank, some businesses do not accept checks, time to show identification.

- 1-12. This exercise is designed to help students see how marketing principles can apply beyond the typical products. It also allows them to develop a deeper understanding of the concepts of value, costs, and benefits that are covered in this chapter. Students may come across any range of benefits they can provide for a prospective employer — from broad ideas like problem solving or new ideas, to something very specific — such as completing tax forms, building websites, and making sales calls. Costs include the more obvious salary, wages, and benefits — but also include training. An employee who frequently arrives late or often misses work provides lower benefits, but also increases costs when other employees must be added to make up for the lost productivity. Obviously, value involves increasing the benefits an employee delivers and lowering the costs. Students probably would rather deliver more benefits than work for lower pay.

Interestingly, much of this can also be tied to the chapter's coverage of the marketing concept. You could point out to students that all the benefits they provide to an employer ultimately result in better serving customers (sometimes indirectly).

- 1-13. Student answers will vary significantly here. The purpose of the question is to prompt students to think more deeply about the difference between buyer-seller exchange and the opportunities that exist for more enduring relationships, especially when a customer is likely to have the same need (or a similar need) again in the future.

One good way to prompt discussion of this question is to ask students to write down a couple of the most important things that the seller could do to strengthen the relationship. Next, call on a few students to explain the relationship they had in mind. Then, ask a few students to read their suggestions without going into much detail on the particulars of the purchase situation. The interesting thing here is that the recommendations about what the seller could do often apply across many different types of selling situations. It is valuable for students to see that there are indeed "general lessons" that arise from thinking about how to better satisfy customers.

- 1-14. High performance cars are fun, and their popularity is enduring. At the same time, as accident statistics show, people driving high performance cars are more likely to be in accidents. High performance cars also tend to use more fuel and to spew more fumes into the atmosphere. These side effects influence consumers who are not interested in owning or driving a high performance car. Over time there has been discussion of regulations to limit the top speed or horsepower of cars offered for sale. After all, the speed limit is still 55 on most highways, but in many places, it is 65 or even 75. Ultimately, there seems to be very little popular support for the idea of limiting the choices that individual consumers can make in this product area.

Nuclear power is an emotional issue. Many people object to the use of nuclear power because of the risks involved. As the Three Mile Island incident and similar accidents show, the risks are real. Yet, in some areas, there are no cost-effective alternatives to nuclear power. Thus, using other sources of power might sometimes force people who do object to the risk of nuclear power to pay a higher price for energy. Here, what different individuals want may vary,

yet in the event of an accident, everyone might be affected.

Many consumers like the convenience of bank credit cards. They don't like to carry cash, but want to be able to make purchases when the need arises. On the other hand, critics argue that "instant credit" encourages many people (especially the poor) to spend money they don't have. Some economists also argue that "too-easy" credit has had serious economic effects because many Americans do not save as they once did. Another issue here is the cost of providing credit services. Banks take a percent of the revenue from credit card purchases – and there is a cost of "bad debt" that is included in the cost of using cards. Some critics argue that all consumers (not just those who use credit cards) have to pay higher prices because of this. Of course, some firms offer two prices – one for credit card purchases and one for cash.

For a number of people, the use of pesticides represents a dilemma. On the one hand, the use of pesticides improves the quantity and quality of agricultural yields and thus increases the availability and reduces the cost of many types of farm products. This presumably increases the quality of life and leaves more time/money for purchases that are not necessities. On the other hand, there are some undesirable side effects related to the use of pesticides. For example, run-off of pesticides from fields into lakes, streams, and rivers (or into groundwater in other ways) has the potential to contaminate drinking water. Some people think that the use of pesticides leaves toxic residue in or on crops, and that there is a serious hazard, over time, of eating food that has been treated with pesticides. Other critics argue that the use of pesticides results in the development of more robust (mutated) strains of insects – ones that require even stronger pesticides because they become resilient to current products in use. In highly developed economies, where, in general, people are adequately fed, it is understandable that much attention might be focused on higher order needs related to the use or misuse of pesticides. However, in third-world agricultural economies where production and distribution of food are still major problems, there is not likely to be much attention to – or concern about – the potential negative effects of pesticides. In that context, the benefits seem to clearly outweigh the costs. In other words, how one views a micro-macro dilemma may depend in large part on the severity of the different needs that might be involved, and the likelihood of the negative outcomes that might occur.

- 1-15. This question gives students an opportunity to think about whether companies make the world a better place and how they could make the world a better place – and how that impacts profits. An instructor using this as a discussion question or written assignment might want to focus students on the definition of "better world" noted in the chapter:

Our definition follows our discussion of the marketing concept, social responsibility, and marketing ethics. We believe a better world is one where: (1) buyers and sellers make better decisions, are healthier, and through their consumption choices (or decision not to consume) experience a better quality of life; (2) buyers and sellers make decisions that have less adverse impacts on others; and (3) marketing strategy decisions address some of the world's most challenging problems—including hunger, poverty, and climate change.

CHAPTER 1 – COMMENTS ON USE OF MARKETING PLANNING FOR HILLSIDE VETERINARY CLINIC QUESTIONS WITH THIS CHAPTER

Note: The Marketing Planning for Hillside Veterinary Clinic questions begin in Chapter 2

CHAPTER 1 – COMMENTS ON USE OF SUGGESTED CASES WITH THIS CHAPTER

Case 1: McDonald's "Seniors" Restaurant

This case can be used to illustrate what marketing and business are all about – anticipating the material in Chapter 2 (on market-oriented strategy planning) without introducing the technical words that are discussed there and in subsequent chapters. Here, the emphasis can be on the problem of developing a compatible marketing program that includes a marketing plan (strategies) for different customer groups at different times of the day. Many people feel that a firm should have only one strategy and it is desirable to get rid of this idea as quickly as possible. This case can also be used to show that business can have a "social" dimension. And in this case, the McDonald's manager and personnel are concerned about their customers and have visited some "seniors" in the hospital. Now they are considering offering bingo. We also recommend that you review the longer teaching note for this case in Part V of this manual. The teaching note in Part V provides a more general discussion of the case, whereas these comments show how the case applies to this chapter. Both notes together provide a better background for a case discussion and may offer ideas for using the case across multiple chapters.

Case 2: Guadalupe Natural Foods, Inc.

This case can be used to illustrate a production-oriented company. It also shows the need for target marketing to escape from the low profits that usually result from selling "commodities" against many other production-oriented competitors who are doing the same thing. We also recommend that you review the longer teaching note for this case in Part V of this manual. The teaching note in Part V provides a more general discussion of the case, whereas these comments show how the case applies to this chapter. Both notes together provide a better background for a case discussion and may offer ideas for using the case across multiple chapters.

Case 16: Montana Company

This case can be used here to discuss the strategy decision areas in Place (see section "Marketing Strategy Planning Decisions for Place"). For this chapter, the discussion can focus on what needs to be done in the channels and what types of channels are needed (and why) in these product-markets. Here, indirect channels are being used because of each producer's narrow product line and small size. This case can also be used to illustrate the concept of adjusting discrepancies of assortment as well as achieving ideal market exposure. We also recommend that you review the longer teaching note for this case in Part V of this manual. The teaching note in Part V provides a more general discussion of the case, whereas these comments show how the case applies to this chapter. Both notes together provide a better background for a case discussion and may offer ideas for using the case across multiple chapters.

Case 35: The Norbank Baseball Club

This case study gives students the opportunity to explore a scenario facing some colleges and universities as well as professional sports teams (new team names include the Cleveland Guardians and Washington Commanders which replaced Native American team names after some controversy). With respect to Chapter 1, this case allows an instructor to discuss purpose-orientation, marketing orientation, and marketing ethics in a context that many students will be familiar with. We also recommend that you review the longer teaching note for this case in Part V of this manual. The teaching note in Part V provides a more general discussion of the case, whereas these comments show how the case applies to this particular chapter. Both notes together provide a better background for a case discussion and may offer ideas for using the case across multiple chapters.

COMMENTS ON MARKETING ANALYTICS: DATA TO KNOWLEDGE

PROBLEM 1: REVENUE, COST, AND PROFIT RELATIONSHIPS

This is a simple "practice" problem to introduce students to the software, to sensitivity analysis, and to revenue, cost, and profit relationships – a recurring theme in later problems.

The spreadsheet for this problem involves only a few rows. The focus of the questions is on making certain that the student knows how to "read" the spreadsheet. The various questions involved also lead the student through the steps of using the various features in the software.

The software is easy to use – and most students will "get up to speed" with it very quickly. But, for some students, working with the software will be their first experience with computers, with spreadsheet concepts, and more generally in working with marketing numbers. These students may have concerns about their own ability to handle such material. Working this problem will help these students develop confidence – as well as a base of skills to build upon in later problems.

If the instructor decides not to schedule this "practice" problem as a required first assignment, it might be good to encourage students – especially those who do not have previous experience with computers or spreadsheets – to spend a few minutes with this problem before moving on to the substantive problems that follow. The focus of later problems is on the marketing concepts related to a manager's decisions. It is important for students to see that the software is just a tool to facilitate the marketing analysis – that "getting the numbers" is not an end in itself. This practice problem will help to cultivate this point of view.

NOTE: As a general convention, when reviewing the spreadsheets for these problems, cells that the students may modify in the tool are denoted with an asterisk (*) as can be seen in the initial spreadsheet below.

This is the initial spreadsheet for this problem:

SpreadSheet		
	Calendar	Notebook
Selling Price	\$5.00*	\$2.00*
Quantity Sold	2,700*	6,000*
Revenue (Price x Quantity)	\$13,500.00	\$12,000.00
Total Cost	\$11,500.00	\$9,000.00*
Profit or Loss (Revenue - Total Cost)	\$2,000.00	\$3,000.00

Answers to Marketing Analytics Problem 1:

- This question just encourages the student to study the spreadsheet layout and understand the numbers on the screen. The answer, as can be seen from the initial spreadsheet display above, is (E) – \$13,500.00.
- If Quantity Sold remains 2,700 and the price of calendars is increased to \$6.00, then the Profit from Calendars will be (C) – \$4,700.00.

This question encourages students to do their own "checking" of numbers from the spreadsheet. The objective here is not just to get them to do arithmetic, but rather to make them realize that in this spreadsheet (and all the others that follow!), that they can "follow" how the numbers on the spreadsheet are computed by studying the labels on the spreadsheet – and in the event of any remaining uncertainty by doing a few simple calculations themselves – as a check. You may want to emphasize this point – as it will help eliminate uncertainty later when they get to more detailed problems. If they see from the start that they can always study the "flow" of the spreadsheet display and figure out how numbers are being calculated, it will be less confusing for them. With very few exceptions (noted in this manual), the calculations on the spreadsheet are very straightforward. The spreadsheets are set up so that the "intermediate" steps in calculations are easy to follow. This helps the student develop skill in seeing how to organize and analyze problems.

The spreadsheet from which the answers for this problem are reported will look like this:

SpreadSheet		
	Calendar	Notebook
Selling Price	\$6.00*	\$2.00*
Quantity Sold	2,700*	6,000*
Revenue (Price x Quantity)	\$16,200.00	\$12,000.00
Total Cost	\$11,500.00	\$9,000.00*
Profit or Loss (Revenue - Total Cost)	\$4,700.00	\$3,000.00

The calculations are straightforward:

Revenue = Price x Quantity = \$6.00 x 2,700 units = \$16,200

Total cost = \$11,500 (directly from the problem description and the spreadsheet)

Profit = Revenue - Total Cost = \$16,200 - \$11,500 = \$4,700.

- c. This question introduces students to the consequences of changes to the marketing mix. Any changes may create multiple effects. In this example, increasing the price will naturally increase profit per unit sold but, if the calendars are priced too high, more students will choose to buy the product from alternative vendors or forego purchase altogether.

By changing the Selling Price in the spreadsheet to \$6.00 and then adjusting the Quantity Sold to different values, students will find that (D) – 1917 units is the correct answer. Any quantity below this amount will result in a loss.

- d. This question simply introduces students to the concept of "What If?" analysis. The What If table they create for this result is given below. You may want to encourage students to create this table using a spreadsheet program rather than doing it by hand to learn how to create and manipulate spreadsheets to assist with "What If" analysis.

–“What If” Table		
-Notebook- Selling Price	-Notebook- Revenue	-Notebook- Profit or loss
\$1.60	\$9,600.00	\$600.00
\$1.68	\$10,080.00	\$1,080.00
\$1.76	\$10,560.00	\$1,560.00
\$1.84	\$11,040.00	\$2,040.00
\$1.92	\$11,520.00	\$2,520.00
\$2.00	\$12,000.00	\$3,000.00
\$2.08	\$12,480.00	\$3,480.00
\$2.16	\$12,960.00	\$3,960.00
\$2.24	\$13,440.00	\$4,440.00
\$2.32	\$13,920.00	\$4,920.00
\$2.40	\$14,400.00	\$5,400.00

The correct answers for this question and the next are bolded in the table. The correct answer for this question is (E) – \$2.40. Profit reaches \$5,400 at a price of \$2.40.

- e. Using the table provided for the previous answer we can see that Profit will be \$1,080.00 when the price is \$1.68. This corresponds with answer (B).

MARKETING ANALYTICS DISCUSSION

This section is included to facilitate discussion about various topics introduced in each exercise. Rather than asking students to find a set answer, the questions are designed to encourage the students to evaluate alternatives and explore trade-offs.

This first discussion provides an opportunity for the instructor to introduce many of the topics that will be covered later in the course. For instance, pricing could be established based on costs, based on competitive or substitute prices, based on desired profit thresholds, or on many other factors. Introducing these concepts to students early can help facilitate learning later in the course.

CHAPTER 1 – SUMMARY OF CONNECT INTERACTIVE EXERCISES AND APPLICATION-BASED ACTIVITIES

Connect Interactive Exercises:

Question 1: Universal Functions of Marketing

Question Type: Click and Drag

Learning Objectives: 1.3

Topic: Macro-marketing

AACSB: Technology

Bloom's: Apply

Question 2: Five Stages of Marketing Evolution

Question Type: Timeline

Learning Objectives: 1.1, 1.4

Topic: Evolution of marketing

AACSB: Reflective thinking

Bloom's: Understand

Question 3: Production and Marketing Orientation

Question Type: Click and Drag

Learning Objectives: 1.1, 1.4, 1.5

Topic: What does the marketing concept mean?

AACSB: Reflective thinking

Bloom's: Understand

Question 4: Value Creation Through the Marketing Mix (iSeelt! Video)

Question Type: Video case

Learning Objectives: 1.6

AACSB: Reflecting thinking, analytic

Bloom's: Apply, understand

Question 5: Ethical Marketing (iSeelt! Video)

Question Type: Video case

Learning Objectives: 1.7

AACSB: Reflecting thinking, ethics

Bloom's: Apply, understand, evaluate

Question 6: Revenue, Cost, and Profit

Question Type: Marketing analytic, spreadsheet

Learning Objectives: 1.1, 1.3, 1.5

AACSB: Apply, analytic, technology

Bloom's: Apply, evaluate

Question 7: Can Marketing Help Create a Better World?

Question Type: Click and Drag

Learning Objectives: 1.7

AACSB: Knowledge, application

Bloom's: Understand, apply

Question 8: Corporate Social Responsibility

Question Type: iSeelt! Video with Multiple Choice

Learning Objectives: 1.7

AACSB: Reflective thinking, ethics,

Bloom's: Apply

Application-Based Activity

Title: Marketing Ethics and Social Responsibility: Bohrd's Boards

Type: Role-Playing

Bloom's: Apply

Description: Play the role of a marketing consultant. Joe Bohrd was a celebrity surfer who has transitioned to making high performance, environmentally-friendly surfboards. You will need to navigate several issues regarding ethics and social responsibility as he tries to grow his business.

CHAPTER 2: MARKETING STRATEGY PLANNING

CHAPTER 2 – COMMENTS ON USE OF ETHICAL DILEMMA QUESTIONS WITH THIS CHAPTER

Situation: *What would do you do?* You are the marketing manager for Jones Department Stores, a 125-store chain in the northwestern United States. Your company used an outside developer to write the store's smartphone app. The developer just added some new location-based features. For example, a customer can enter their "favorite Jones store" location into the app. When customers shop at the store, they can open the app to find a map of the store's layout. The store can also deliver coupons to customers while they shop in the store (the app knows they are there). The developer also points out another feature. He tells you that another major retailer shows customers different prices on the app—depending on whether the customer is in the store or not. So, for example, the app might show the price of a particular sweater as \$79 while in the store (matching the price tag in the store). But, when a customer who is not in the store looks at the same sweater on the app, the price would be lower—say \$59. This other retailer found that in-store customers are much less price sensitive than online shoppers. Online shoppers can click somewhere else and buy—so Jones could offer more discounts to online shoppers compared to those in the store. Because the app knows when a customer is in the store, higher prices can be shown there. When the customer is using the app away from the store, lower prices could be shown. Jones can decide which products have lower online prices and how much to discount the price. *This helps the store maximize profits; "Why give customers a discount if they are willing to pay full price?" Would you recommend including this feature on the new version of the app? How would customers paying the higher price feel if they found out other customers paid lower prices? Explain.*

Behavioral targeting is a controversial practice. Many privacy advocates are concerned about the implications of behavioral targeting. The question also introduces the students to price discrimination. Usually, we find student less concerned about invasions of their privacy and more concerned about "unfair" pricing. If a discussion trends in these directions, you might ask students whether they think "ladies night" pricing at a bar or "student discounts" are "fair"? You might also ask how they would feel if they walked into a bookstore and the salesperson came up and suggested books by authors they had read before. Does the online context make it more acceptable to them?

CHAPTER 2 – COMMENTS ON USE OF MARKETING ANALYTICS IN ACTION QUESTIONS WITH THIS CHAPTER

The Marketing Analytics in Action (MAiA) exercises were designed to expose students to basic (and sometimes more advanced) analytics used by marketing managers today. This exercise extends the chapter's discussion of customer lifetime value by demonstrating how it is calculated. This exercise may require a bit more explanation by the instructor—as the analytics are more complicated. We think most students will be comfortable with the simple formula—and will not need to derive the formula.

Marketing Analytics in Action 2: CUSTOMER LIFETIME VALUE

An instructor may want to create a simple spreadsheet like the one shown below to demonstrate how to calculate these answers:

	Current	Question 1	Question 2
M (Profit/customer/year)	\$250	\$250	\$300
R (Retention rate)	60%	70%	60%
AC (Acquisition cost)	\$125	\$125	\$125
Customer lifetime value	\$250	\$458	\$325

1. \$458 – these numbers were designed to demonstrate to students the power of customer retention on customer lifetime value.
2. \$325 – in discussion, an instructor might ask if raising prices might impact any other numbers in the equation. It makes sense that retention rate might fall as more price sensitive customers chose to drink coffee at home or patronize another coffee shop – perhaps plugging lower numbers into retention rate might demonstrate such a tradeoff. Local Joe’s might also find that some of the “regular” customers would visit less often – maybe offsetting his desired higher margin per customer.
3. This question is designed to get students thinking. At this stage in the class, students may not know how far to take this or be comfortable making assumptions. Yet these are important skills for marketing managers. Instructors are encouraged to discuss this question in class. So, for example, ask students what might happen if Local Joe’s was more aggressive in advertising and had higher acquisition costs? One potential downside is that new customers are less of a fit for Local Joe’s and have a lower retention rate. Lower prices could encourage a higher retention rate and maybe higher profits per customer per year.

The goal with this exercise is to get students thinking about the options and how they might be entered into a spreadsheet. Instructors should remind students that this type of data analytics – based on assumptions – is not precise but will often provide some directional insight.

CHAPTER 2 – COMMENTS ON MARKETING FOR A BETTER WORLD (#M4BW)

This chapter includes the following photos and examples of how marketing can contribute to a better world:

Photo:

- Everlane.com has a commitment to “Exceptional Quality. Ethical Factories. Radical Transparency.”

Section:

- International markets can be opportunities for making a better world
 - This section describes how Danone produces more nutritious cheese in Brazil and Norwegian fertilizer maker Yara helps small farmers in Tanzania produce more crops.

CHAPTER 2 – COMMENTS ON QUESTIONS AND PROBLEMS

- 2-1. This chapter opener case uses Lemonade Insurance to introduce a wide range of concepts from the chapter. Some of these are listed below, but students may find others in an abstract assignment like this:
- Marketing strategy – targets millennials with the 4 Ps
 - Target market – millennials
 - Price - low – typically \$5-\$7/month for a renter's policy

- Promotion – digital advertising on Facebook and Google
 - Publicity – gets positive word of mouth about its Giveback Program
 - Place – smartphone app
 - Product development – Smartphone apps; internet
 - Product development – different insurance policies
 - Evaluating opportunities – the third and fourth paragraphs describe how the founders saw a need in the market and what they did to differentiate themselves
 - Your students will identify more.
- 2-2. The case opener suggests that Lemonade Insurance has already pursued some new opportunities. What follows are some potential examples:
- Market penetration – offer different insurance to their current customers
 - Market development – offer insurance products that attract people besides millennials
 - Product development – the company has already engaged in product development by adding pet, auto and homeowners' insurance. It might also add dental or vision insurance for examples of other new products.
 - Diversification – develop other apps for their customers – possibly investing, fitness, or real estate.
- 2- 3. A marketing strategy includes the selection of a target market *and* the development of a marketing mix. Therefore, a marketing mix is only part of a marketing strategy.
- 2- 4. Target marketing involves consciously picking some target (which might be the "mass market"), while mass marketing is not focused on some specific customers. The managers just naively assume that "everyone" or at least enough "someones" will buy to make the business successful. A meaningful example for students might be contrasting the operation of some fast-food franchises that have developed good strategies with a locally owned restaurant that is just serving "food," apparently to "everyone," and not doing very well. Local examples with which the student has had some experience are usually better than discussing the strategies of large companies that are managed from remote cities.
- 2- 5. The target customer is placed in the center of the four Ps because the customer should be the focal point of all marketing efforts and really, all business efforts. Without potential customers – and eventually satisfied customers – there is not much point in any company effort. Almost any product (for example ball point pens or sports shirts) might be used to illustrate the way that products can and should be designed with the customer in mind, made conveniently available, promoted to these potential customers, and priced attractively or competitively – again with the customer in mind. The interrelatedness of the decisions (as shaped by the needs and attitudes of the various potential customers) should be noted.
- 2- 6. It is important for a firm to have a clearly defined target market even if a company sells its products only from a website. This question is designed to prompt students to think about the idea of the website in the context of the marketing mix. The fact that the firm is distributing to customers "direct" via its website (rather than through wholesalers or retailers) is certainly an important decision in the marketing mix context, but the fact that the website is available to customers from all over the world doesn't mean that the firm's offering will be attractive to customers regardless of geographic location. The marketer still needs to think about the benefits its product offers relative to the needs of some set of customers, what competitors offer those customers, when and how the product is going to get to the customer's place, what communications (promotion, customer service, etc.) the customers will need, what price is appropriate, and the like. There is intense competition for attention and business on the Internet, and just "building a better mousetrap" (if the firm has in fact done that...whether it is the product offering OR the website itself!) is not any sort of assurance that it will attract, satisfy, and retain customers. A firm that has a specific target market will be able to fine tune

- its message and the rest of the marketing mix to the needs of the target customers; that increases the odds that it can offer them superior customer value.
- 2- 7. This question basically serves as a review of the text discussion in the section, “Developing Marketing Mixes for Target Markets.”
- 2- 8. Strategy decisions are concerned with "grand plans," while operational decisions are concerned with more detailed decisions – which are made within the framework of the strategy. A local retailer might include as part of his strategy an intention to price his whole line to meet his major competitors' price levels. Regular operational decisions will have to be made with respect to which products' prices to change in order to appear to remain competitive with competitors who are varying prices on different items at the same time. This continual adjusting of prices might be extremely important to his long-run success, yet should be seen as operational decision-making, given his strategy pricing decision.
- 2- 9. This question provides students with an opportunity to demonstrate their level of comfort with this concept. This chapter provides the following definition: “the expected earnings stream (profitability) of a firm's current and prospective customers over some period of time.” Students will find a way to put this definition in their own words. The emphasis should be on three elements: 1) profitability, 2) current and prospective customers, and 3) current and future profits. The implications of this approach are important because it provides a financial goal for marketing managers. The approach also emphasizes the need for a marketing manager to both *retain* current customers and *acquire* new ones. Thus, a marketing program will usually have some efforts directed at retaining and growing current customers (one or more target markets) and acquiring new customers (other target markets).
- 2- 10. This question helps students consider the variations in marketing strategy when the objective is customer acquisition as opposed to retention or enhancing sales. So, for example, with a company selling oral health care products, acquisition might consider discounts and price promotions to encourage a customer to first use the product. It might also work through dentists for their recommendations. Having a high-quality product that does what it says will lead to customers satisfaction and customer retention. Finally, enhancing sales comes when users of a particular brand of toothbrush also use its brand of mouthwash and/or toothpaste. Bundled packages or coupons on one product for the other might help with that. Similar strategies might also be employed by a ride-hailing service like Lyft or Uber, although the app's knowledge of the consumer's location may make it easier for promotions to target customers when the service would be useful (for example, sending discount notifications to customers at an airport).
- 2- 11. A *strategy* is a "big picture" of what a firm will do in some market. A *marketing plan* includes a strategy and the time-related details for carrying out the strategy. And a *marketing program* is a blend of all of the firm's marketing plans. A department store might have a strategy for how to handle each of its departments and expect its department managers to develop marketing plans for each department – perhaps month by month for the next year or even up to five years. A marketing program would be the blending of all the marketing plans into one workable program. Developing the program might require some adjusting of the plans of some departments – in order to make effective use of all of the firm's resources but not exceed them.
- 2-12. This question is designed to get the students thinking about the various target markets for a particular product – and the many factors that ought to be considered. If the instructor is familiar with the development of a new marketing strategy, it probably will be preferable to substitute this product for one of those suggested – in order to give the students a better "feel" for reality.

This exercise can easily lead into an interesting discussion of marketing strategy planning and all the problems that can arise (but the instructor must guard against it degenerating into just a "bull" session). The general approach will be illustrated below for the new toothbrush.

The students must be led to see that there are many different potential target markets before going on to the development of one whole strategy. It might help to begin by trying to determine the degree of interest of some target consumers in toothbrushes in general – and the extent of interest they might have in the particular kind of product being considered. Using the marketing strategy diagram in Exhibit 2-9 as a framework – to begin to segment the "toothbrush market" – you could lead them to ask questions such as: What do consumers look for in toothbrushes? Why do they buy them? Where do they buy them? How much do they pay for them? Who buys them? All these questions should be raised by the students. Obviously, no one answer can be developed in the classroom for all these questions (there are many target markets), but some tentative conclusions might be advanced – some consumers are worried about their gums, not just their teeth, some people don't seem to think about brushes at all, some want a brush that's easy to pack for travel, etc.

The next step would be to analyze the product in the light of the consumers' image of toothbrushes and the ritual of tooth brushing. If this product seems to have any possibilities for satisfying the needs of some consumers, then the other three *Ps* – Place, Promotion, and Price – will have to be considered. *Where* consumers traditionally buy toothbrushes may have a bearing on where they will have to be distributed. If the same types of places are chosen, a great deal of promotion may not be necessary. However, if an entirely new set of places is chosen, promotion may become more expensive. If the consumer is not particularly enthused about new products of this type, even if they are superior, then the latitude on pricing may be rather narrow. The marketing executive's job would be to weigh the four *Ps* in light of consumer analysis in order to come up with a satisfactory marketing strategy.

At this time, a well-organized discussion of all these points probably should not be expected of the students, but it is surprising what they can do. In the following pages, some examples of students' work are presented to give you an idea of the caliber of work that can be expected this early in the course.

- A. The marketing problems I believe I would face if I were to develop a new design for a toothbrush:

Concerning the consumer:

1. Characteristics of buyers and users
2. Size of purchase
3. Unfavorable attitudes of buyers of brand
4. Class of buyers
5. Number of competitors and brands
6. Differentiation of own brand from leaders

Concerning the product:

1. Quality
2. Models and sizes
3. Attractiveness
4. Shape, material, design, color, and copy

Concerning the place:

1. Number of wholesalers and retailers

2. Degree of aggressive retailer cooperation

Concerning the price:

1. Factory price
2. Wholesalers' and retailers' price
3. Discounts, allowances, and deals
4. Price support

Concerning the promotion:

1. Selling
2. Advertising
3. Sales promotion

- B. The first thing we have to do in setting up the marketing strategy is to determine the target market. The target for a new spinning reel would, most naturally, be the sport fisherman. Since the consumer is of such great importance in the selection of a strategy, he should be considered first and foremost. To begin with, sport fishermen can be from any social or financial class. This fact in itself presents somewhat of a problem. The reel has to be such that it will appeal to the majority of the people from these different groups.

Next, we have to determine just how we are going to design this item to accomplish this. We have to make the reel so it has all the qualities we want, and price it so it can be sold in the volume necessary to make a profit. We have to decide whether we are going to make all the component parts ourselves or if we are going to do any subcontracting. These and many more considerations must be made in this connection.

Determining places of distribution to the customer is also very important. With an article such as a fishing reel, the best markets would no doubt be in or near river towns, fishing resorts, lakes, or oceans. Along the same lines, you must determine how you are going to work the distribution end of your business, whether you are going to use wholesale outlets, brokers, franchised dealers, etc.

The price of the reel now has to be set so that it will move fairly fast on the market. Competition will, of course, affect pricing. . You must also take into account the distributors and sales force and whether you are going to pay them a high commission.

Since this is a new product, promotion is going to be of major importance in establishing good markets. You will have to concern yourself with advertising, sales promotions, and training salespeople among other things. I think these would be the greatest problem areas you would encounter.

- C. *Target market:* College students for spring break might be one customer group and a target market.

Product: The product would include the swimming pool, beach, hotel rooms, restaurants, and the various services offered. It could also include the resort's brand new.

Place: This would be the location itself as well as decisions about the number of locations.

Price: The price would have to be lower than average, given the target market is cheap college students.

Promotion: They might advertise on college campuses or even recruit college students to sell the resort on campus. They could also use advertising on social media.

- D. The new type of industrial stapling machine causes students considerable trouble as few of them have had much industrial experience. This provides another opportunity to emphasize the need for careful customer analysis.

For class discussion, it is useful to segment the stapling machine market into at least two parts – thus requiring two sets of answers. The two basic markets are for office use and for plant use (fastening boxes or assembling wood or metal pieces).

You might show that reaching office managers, production managers, purchasing agents, and even top executives in businesses where fastening is especially important affects the Place and Promotion variables. The problems of marketing industrial products should only be raised here, as they are treated extensively in the rest of the text. By the end of the book, the students will be able to handle such a problem very nicely. It might be fruitful at this time, however, to get the students to notice that industrial marketing would probably be more economically-oriented than final consumer marketing.

- 2-13. This is an integrative question. As indicated in the section, "What Does the Marketing Concept Mean" (in Chapter 1) all functional areas are dependent upon a firm's market-oriented plans. A market-oriented plan starts with customers and then expects the rest of the firm to arrange its affairs accordingly. Therefore, an example from any functional area would be appropriate here.
- 2-14. An "attractive" opportunity for a firm is one that the firm has some chance of doing something about – given its resources and objectives. A "breakthrough" opportunity is an attractive opportunity that will enable the innovators to develop hard-to-copy marketing mixes that will be very profitable for a long time.

Students will give a wide variety of examples here. They are often better at identifying "attractive" opportunities than "breakthrough" opportunities. In particular, it is not unusual for students to think that just about everything is "hard to copy." Discussion of this question is a good way to highlight the importance of analyzing the current competitive environment and/or what is likely to happen with it in the future. This discussion can be used to foreshadow a similar discussion in Chapter 3, as well as introducing the concepts of product life cycles, which are developed more fully in Chapter 9.

- 2-15. By defining a market in terms of a market's needs, it is usually possible to see subsets that are not completely satisfied with the present offerings. Students should be able to come up with examples – if nothing else, examples of needs that they personally have that are not completely satisfied. Suggestions from the class can be pursued to see whether each "opportunity" is likely to be large enough to be profitable to some firm, though the focus here is simply to get students to see that there are opportunities all around them. .
- 2-16. The basic logic for thinking of the marketing strategy planning process as a narrowing down process is to be certain that the marketing manager considers the various alternative opportunities that might be available before putting all of his or her energy, and the firm's investment, into a single strategy. There are usually more possible opportunities, each requiring different strategies (potential target markets and variations on the marketing mix),

- than the firm can actually pursue. The choice that is made may set the firm's course for some time to come, so it's important to focus on the strategy that has the greatest chance of success, rather than the one that at first glance appears to be OK.
- 2-17. The major differences among the opportunities are related to whether the firm uses its present products or new products while pursuing present markets or new markets. Note: The student's examples should describe what a firm is or was doing before moving on to a new opportunity. In other words, what would be a diversification for one firm might be simply market penetration for a firm that was already in that market.
- 2-18. Familiarity with the firm's current market would probably reduce the cost and risk. The farther a firm moves from its present activities, the less it is likely to know about the market and its problems. "The grass is not always greener on the other side of the fence."
- 2-19. The text provides a discussion of reasons that international opportunities should be considered. Student answers will usually incorporate the reasons given in the text, including:
- (a) it's now becoming easier and cheaper to deal with customers in international markets, because of advances in communications and transportation;
 - (b) people in a foreign market may have needs that the firm could meet, and the people may have the money they need to be customers;
 - (c) serving larger, international markets may result in additional competitive advantages, such as greater economies of scale in production, shared expertise, etc.
 - (d) the product life cycle may be at an earlier stage in an international market, which effectively gives the firm the chance to "turn back the clock" to a stage where there is greater growth in sales and profits;
 - (e) the foreign market may offer more favorable trends with respect to the marketing environments, including the competitive environment, the legal/political environment, the economic/technological environment, and the socio-cultural environment. For example, income and population growth has subsided in the U.S.; as a result, some consumer products firms' growth will need to come from overseas markets.

CHAPTER 2 – COMMENTS ON USE OF MARKETING PLANNING FOR HILLSIDE VETERINARY CLINIC QUESTIONS WITH THIS CHAPTER

Appendix D (the Appendices follow Chapter 19) includes a sample marketing plan for Hillside Veterinary Clinic. Skim through the different sections of the marketing plan. Look closely at the "Marketing Strategy" section.

- a. *What is the target market for this marketing plan?*
- b. *What is the strategy Hillside Veterinary Clinic intends to use?*
- c. *What are your initial reactions to this strategy? Do you think it will be successful? Why or why not?*

At this point in the introductory marketing class, students need to learn about the different parts of a marketing plan at a very basic level. This helps them get an appreciation for the various elements of marketing. Often students walk into this class thinking that marketing is "easy" or "obvious." The marketing plan shows them the amount of analysis that goes into creating a marketing strategy – even for a small business.

The first question simply requires that the student recognizes the target market. The HVC marketing plan identifies two target markets: 1) Pet owners with small animals living within 10 miles of Wellington, Colorado, who are not currently customers of HVC, and 2) Pet owners with small animals living within 10 miles of Wellington, Colorado, who are currently customers of HVC.

In class discussion, the instructor may ask why HVC has chosen these target markets. Veterinarians often specialize in small animals (cats, dogs, etc.) or large animals (cows, horses, etc.). Other vets may choose to specialize in exotic small animals (monkeys, chinchillas, ferrets, etc.). The marketing strategy process planning model might be referenced. Competitors in the area specialize in large animals – which typically involve house (or ranch or farm) calls. A company factor is Doctor Hardy's likely training in small animals – and perhaps her innate interests. Also, there are many consumers in the fast-growing area that are likely to have small animals – making for a ready market.

As a transition to the second question, the instructor might ask the class, "Why does the marketing plan differentiate between current customers and non-customers of HVC?" This allows for a discussion of the two different targets. The former are already familiar with HVC and have an established relationship. The marketing strategy for this group includes tactics that serve to remind customers and introduce them to new products and services offered by the clinic. On the other hand, non-customers may not be aware of HVC – so tactics here try to increase awareness and encourage customers to try the clinic.

The last question is designed to get students to evaluate a marketing strategy. There is no correct answer here, and certainly most introductory marketing students will not be able to offer a detailed critique. But the instructor can encourage students to judge the likely effectiveness in light of the situation analysis.

CHAPTER 2 – COMMENTS ON USE OF SUGGESTED CASES WITH THIS CHAPTER

Case 3: COLORADO United Soccer Academy

This case can be used to introduce the marketing strategy planning process and customer equity – both of which are discussed throughout the rest of the book. The COLORADO United Soccer Academy case provides an early opportunity to use both of these frameworks. The marketing strategy planning process in Exhibit 2-9 might be shown on the board and used to help guide discussion. In fact, the shortage of information on competitors – at least in the short case – becomes more obvious when this framework is shown. There is a need to match the company strengths with customer needs. A S.W.O.T. analysis might be done to help students understand these concepts.

The options clearly address some of the alternative growth methods suggested in the section "Recognizing Customer Lifetime Value and Customer Equity" in the text – acquisition of new customers, retention of current customers, and increasing purchases by current customers. To dramatize the effects of customer retention, ask your students what percentage of its customers COLORADO United Soccer Academy is likely to retain each year. Despite kids moving, changing interests, and growing too old for training, the current retention rate of 80% is really quite high. This means that of the 600 customers COLORADO United Soccer Academy currently serves, it needs to attract 120 new customers each year just to stay even – and COLORADO United Soccer Academy wants to double in size. If COLORADO United Soccer Academy can increase customer retention by 10%, this means the company keeps 60 more customers. But is that even possible? COLORADO United Soccer Academy may have no ability to control families moving from the area, kids changing interests, and aging of its customer base. This means that some customer acquisition efforts will be a necessary part of its strategy. Further, if COLORADO United Soccer Academy can get 25% of its customers to take one additional program per year, then sales should increase by about 25%. These numbers – or variations that you might create – help to dramatize the different customer equity options in the COLORADO United Soccer Academy case. We also recommend that you review the longer teaching note for this case in Part V of this manual. The teaching note in Part V provides a more general discussion of the case, whereas these comments show how the case applies to this particular chapter. Both notes together provide a better background for a case discussion and may offer ideas for using the case across multiple chapters.

Case 4: Petosega Tech Support

This case can be used to illustrate ideas related to marketing strategy planning, including S.W.O.T. analysis. A young woman decides to go into business (doing computer service work) in a small town where she is in direct competition with another established competitor who has a strong reputation and a loyal following (and it's a firm with which she had a summer job before going into military service). Her choice of this business opportunity is influenced heavily by where she wants to live and what she has done in the past. It is of course reasonable to use these as criteria in evaluating opportunities and screening alternatives, but she doesn't develop the elements of her marketing mix very carefully. Instead she seems to expect that the community will somehow see the wisdom of bringing business to her. Students will have empathy for her situation, but she is nevertheless in a tough situation because it doesn't appear that she has any particular competitor advantage. Equally important, she really has not done anything in developing her marketing mix to try to get an advantage. We also recommend that you review the longer teaching note for this case in Part V of this manual. The teaching note in Part V provides a more general discussion of the case, whereas these comments show how the case applies to this particular chapter. Both notes together provide a better background for a case discussion and may offer ideas for using the case across multiple chapters.

Case 5: Resin Valleys

Used in this chapter, this case also illustrates a production-oriented company that has ignored potential customers' needs and the uncontrollable environment. It is easy to show the need for target marketing in this case. We also recommend that you review the longer teaching note for this case in Part V of this manual. The teaching note in Part V provides a more general discussion of the case, whereas these comments show how the case applies to this particular chapter. Both notes together provide a better background for a case discussion and may offer ideas for using the case across multiple chapters.

Case 12: PersonalHealth.com—Custom Vitamins

This case can be used as an opportunity to introduce students to a relatively straightforward financial analysis involving some topics related to customer equity. We also recommend that you review the longer teaching note for this case in Part V of this manual. The teaching note in Part V provides a more general discussion of the case, whereas these comments show how the case applies to this particular chapter. Both notes together provide a better background for a case discussion and may offer ideas for using the case across multiple chapters. We also recommend that you review the longer teaching note for this case in Part V of this manual. The teaching note in Part V provides a more general discussion of the case, whereas these comments show how the case applies to this particular chapter. Both notes together provide a better background for a case discussion and may offer ideas for using the case across multiple chapters.

Case 17: WaterWiser, Inc.

This case summarizes the marketing strategy of WaterWiser, Inc. a small growing firm. At this point in the course, this case might provide an opportunity for students to show their understanding of the elements in the marketing strategy process planning model (Exhibit 2-9). An instructor could break students out into small groups and project Exhibit 2-9 (PowerPoint) on the screen. I would suggest walking through a discussion in parts. First, have students could then analyze the case and offer examples of context, customers, company, and competitors. An instructor could put these four headings on the board and get

the students to offer examples of each. Then, have the students pull together a SWOT analysis from these factors. Next, have students discuss segmentation and targeting and positioning and differentiation among themselves before having a broader class discussion. Finally, repeat the process for marketing strategy (target and 4 Ps). The process allows instructors and students to be sure they understand each part of that model. We also recommend that you review the longer teaching note for this case in Part V of this manual. The teaching note in Part V provides a more general discussion of the case, whereas these comments show how the case applies to this particular chapter. Both notes together provide a better background for a case discussion and may offer ideas for using the case across multiple chapters.

Case 40: Potbelly Sandwich

This case summarizes the marketing strategy of Potbelly Sandwich Works, Inc. along the 4Ps and features interviews with Bryant Keil, Chairman and CEO of the company. Chicago-based Potbelly Sandwich Works, Inc. is a chain of sandwich shops that competes in the Quick Serve segment of the restaurant industry. Billed as a unique and “quirky” sandwich joint, Potbelly has strong appeal to young urban professionals. The case covers each of the 4 Ps, which are introduced in this chapter. We also recommend that you review the longer teaching note for this case in Part V of this manual. The teaching note in Part V provides a more general discussion of the case, whereas these comments show how the case applies to this particular chapter. Both notes together provide a better background for a case discussion and may offer ideas for using the case across multiple chapters.

DISCUSSION OF MARKETING ANALYTICS: DATA TO KNOWLEDGE, PROBLEM 2: TARGET MARKETING

In this problem, the student evaluates the profitability of a target marketing approach compared to a mass marketing approach. The spreadsheet for the problem focuses student attention on the size of the segments, the “share” that a firm wins in that market, costs of blending a marketing mix to reach the market, and revenue and profit relationships.

The initial spreadsheet for the problem appears below:

NOTE: As a general convention, when reviewing the spreadsheets for these problems, cells that the students may modify in the tool are denoted with an asterisk (*) as can be seen in the initial spreadsheet below.

Spreadsheet		
	Targeting	Mass Marketing
PRODUCT: Production Cost per Unit	\$8.00*	\$7.50*
PLACE: Distribution Cost per Unit Sold	\$2.00*	\$2.50*
PROMOTION: Total Promotion Cost	\$12,000.00*	\$60,000.00*
PRICE: Selling Price per Unit	\$16.00*	\$14.00*
Overhead Costs	\$10,000.00*	\$20,000.00*
Number of People in the Market	25,000*	275,000*
Percent of People Who Will Buy	80.00%*	40.00%*
Firm's Percent (share) of Purchases	50.00%*	20.00%*
Quantity Sold (Units)	10,000	22,000
Total Revenue (Price times Quantity)	\$160,000.00	\$308,000.00
Total Cost (Sum of Above Costs)	\$122,000.00	\$300,000.00
Total Profit (Revenue minus Costs)	\$38,000.00	\$8,000.00

Answers to Marketing Analytics Problem 2:

- a. The correct answer is C. Although higher sales volume does result in lower production costs (answer B), the need to sell the product in more locations **increases** the distribution cost rather than decreasing the distribution cost. This concept is discussed in more detail in Chapter 10 when tradeoffs between intensive, selective, and exclusive distribution are discussed.
- b. If the target marketer could reduce distribution cost by \$.25 per unit, from \$2.00 to \$1.75, total profit would increase by \$2,500.00 – from \$38,000.00 to \$40,500.00. The point here is that reducing the cost of any element of the marketing mix – if it still meets the needs of target customers – will help to improve profits. The spreadsheet for this analysis is shown below:

Spreadsheet		
	Targeting	Mass Marketing
PRODUCT: Production Cost per Unit	\$8.00*	\$7.50*
PLACE: Distribution Cost per Unit Sold	\$1.75*	\$2.50*
PROMOTION: Total Promotion Cost	\$12,000.00*	\$60,000.00*
PRICE: Selling Price per Unit	\$16.00*	\$14.00*
Overhead Costs	\$10,000.00*	\$20,000.00*
Number of People in the Market	25,000*	275,000*
Percent of People Who Will Buy	80.00%*	40.00%*
Firm's Percent (share) of Purchases	50.00%*	20.00%*
Quantity Sold (Units)	10,000	22,000
Total Revenue (Price times Quantity)	\$160,000.00	\$308,000.00
Total Cost (Sum of Above Costs)	\$119,500.00	\$300,000.00
Total Profit (Revenue minus Costs)	\$40,500.00	\$8,000.00

- c. If the target marketer can increase his share of the market from 50 percent to 60 percent, his profit will increase to \$53,000.00 (Answer D). The spreadsheet for this analysis is shown below.

Spreadsheet		
	Targeting	Mass Marketing
PRODUCT: Production Cost per Unit	\$8.00*	\$7.50*
PLACE: Distribution Cost per Unit Sold	\$1.75*	\$2.50*
PROMOTION: Total Promotion Cost	\$12,000.00*	\$60,000.00*
PRICE: Selling Price per Unit	\$16.00*	\$14.00*
Overhead Costs	\$10,000.00*	\$20,000.00*
Number of People in the Market	25,000*	27,5000*
Percent of People Who Will Buy	80.00%*	40.00%*
Firm's Percent (share) of Purchases	60.00%*	20.00%*
Quantity Sold (Units)	12,000	22,000
Total Revenue (Price times Quantity)	\$192,000.00	\$308,000.00
Total Cost (Sum of Above Costs)	\$139,000.00	\$300,000.00
Total Profit (Revenue minus Costs)	\$53,000.00	\$8,000.00

- d. Using the spreadsheet above we can see that Total Revenue would increase to \$192,000.00 (Answer B).
- e. This question is designed to start teaching students about the underlying relationships between cost, revenue, and profit. It also provides a very light introduction into the concepts of fixed and variable expenses. The correct answer is B. Total Cost does not equal Total Production Cost plus Total Distribution Cost. Those variable costs are both components of the Total Cost but you must also include fixed costs such as Overhead Costs and Total Promotion Costs.

MARKETING ANALYTICS DISCUSSION

Going through this exercise, students should learn that while mass marketing provides the potential to reach more customers and achieve higher revenue, the costs associated with the effort usually overshadow the gains. The target marketer who can really fine-tune his marketing mix to the needs of the target market can increase his share of the business from that target market, and his profitability. The exercise shows that it is often better to get a larger share of a smaller target market than to use a perhaps very expensive marketing mix to inefficiently compete for a small share of a larger "mass market."

CHAPTER 2 – SUMMARY OF CONNECT INTERACTIVE EXERCISES AND APPLICATION-BASED ACTIVITIES

Connect Interactive Exercises

Question 1: Target Marketing and the 4 Ps at Campbell's Soup

Question Type: Click and Drag

Learning Objectives: 2.3, 2.4

Topic: Developing marketing mixes for target markets

AACSB: Reflective thinking

Bloom's: Understand, apply

Question 2: The Marketing Strategy Process Planning Model

Question Type: Click and Drag

Learning Objectives: 2.7

Topic: Marketing strategy planning process highlights opportunities

AACSB: Reflective thinking

Bloom's: Remember, understand, apply

Question 3: Marketing Strategy Opportunities at Olive Garden Restaurant

Question Type: Decision Generator

Learning Objectives: 2.3, 2.4

Topic: Marketing mix

AACSB: Reflective thinking

Bloom's: Remember, understand, apply

Question 4: The Marketing Plan (iSeelt! Video)

Question Type: Video Case

Learning Objectives: 2.5

Topic: The Marketing Plan Is a Guide to Implementation and Control

AACSB: Analytic, reflective thinking

Bloom's: Remember, understand, apply

Question 5: Target Marketing

Question Type: Marketing Analytics

Learning Objectives: 3.3

Topic: Target marketing

AACSB: Analytic, technology

Bloom's: Remember, understand, apply

Question 6: Strategic Planning at Lemonade

Question Type: Case Analysis with multiple choice question

Learning Objectives: 2.2, 2.4, 2.6, 2.8

AACSB: Reflective thinking, analytical

Bloom's: Remember, understand, apply

Application-Based Activities

Title: Market Growth Strategies: The Better Bean

Type: Role-Playing

Bloom's: Apply

Description: Play the role of the owner of The Better Bean, a coffee shop that opened three years ago. Your goal is to increase profit enough to hire another part-time employee.

Title: Marketing Metrics

Type: Mini Sims

Bloom's: Apply

Description: Analyze and apply marketing metrics to achieve a high market share of the School Children market segment.

Title: Planning and the Marketing Mix

Type: Mini Sims

Bloom's: Apply

Description: Create channel, advertising, and pricing plans for backpack to ensure a profitable market launch.

CHAPTER 3: EVALUATING OPPORTUNITIES IN THE CHANGING MARKETING ENVIRONMENT

CHAPTER 3 – COMMENTS ON USE OF ETHICAL DILEMMA QUESTIONS WITH THIS CHAPTER

Situation: *What would you do?* You are a salesperson for a company that manufactures industrial lighting used in factories and warehouses. During a recent sales call on one of your customers, ABC Supply, an ABC engineer tells you that ABC is testing a competitor's top secret new product. The competitor is making light bulbs with artificial intelligence and motion detectors to track employees throughout a large facility. The engineer shows you a box full of the light bulbs. When the engineer leaves the room, you have the opportunity, without anyone seeing or knowing, to put one of the bulbs in your briefcase. Your company promotes getting competitive information any way possible and gives bonuses for competitive information like this. Based on what you have heard, this "sample" might be worth \$1,000. *Would you take one of the light bulbs? What do you think of this company's "bonus" policy and attitude?*

This scenario describes a general situation that might occur to a student. Often salespeople stumble upon information or samples of competitors' products before they reach the market. Many companies encourage salespeople to report back on competitive activities they observe in the field. The AMA's Statement of Ethics (Exhibit 1-7) suggests that marketers should not encourage others to engage in unethical behavior. This example is in the more egregious end, literally stealing from the customer. Most students find this a bit too much. But would it be appropriate for the salesperson to ask the customer if he could have one? What if the customer offered it? Would that change the ethics of the situation? This can lead to an interesting "Where do you draw the line? And why?" discussion.

CHAPTER 3 – COMMENTS ON USE OF MARKETING ANALYTICS IN ACTION QUESTIONS WITH THIS CHAPTER

The Marketing Analytics in Action (MAiA) exercises were designed to expose students to basic (and sometimes more advanced) analytics used by marketing managers today. This exercise shows how a marketing manager might use market share for insights.

Marketing Analytics in Action 3: MARKET SHARE

1. These numbers provide several key insights:
 - In the U.S. and Japan, Apple's iPhone has a large share of the market.
 - In Japan, Apple's iPhone is showing negative growth from 2020 to 2021.
 - In China, Apple's iPhone has a more modest share of the market.
 - In China, Apple's iPhone is showing strong growth from 2020 to 2021.
 - In Mexico, Apple's iPhone has a small share of the market.
 - In Mexico, Apple's iPhone is showing modest growth from 2020 to 2021.
2. The stark differences in sales performance across these four markets suggests the marketing manager must dig deeper to understand what it is about these markets that shows success and potential trouble. It might help to know about competitive activity across the various markets – for example has Samsung been more aggressive? In China for example, upstart smartphone makers like Huawei offer higher quality at much lower prices as compared to Apple. Students might also speculate on whether consumers are more or less price sensitive in these markets. Typically, Japanese customers are not as price sensitive – though they may be more price sensitive in China. Demographic data from later in the chapter (see Exhibit 3-6) can be used to make further speculations.