

1 CREATING CUSTOMER RELATIONSHIPS AND VALUE THROUGH MARKETING

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POWERPOINT RESOURCES TO USE WITH LECTURES

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LEARNING OBJECTIVES (LO)

After reading this chapter students should be able to:

LO 1-1: Define marketing and identify the diverse factors that influence marketing actions.

LO 1-2: Explain how marketing discovers and satisfies consumer needs.

LO 1-3: Distinguish between marketing mix factors and environmental forces.

LO 1-4: Explain how organizations build strong customer relationships and customer value through marketing.

LO 1-5: Describe the characteristics of market orientation.

KEY TERMS

customer experience	marketing mix
customer relationship management (CRM)	marketing program
customer value	organizational buyers
environmental forces	product
exchange	relationship marketing
market	societal marketing concept
market orientation	target market
market segments	ultimate consumers
marketing	utility
marketing concept	

LECTURE NOTES

BOMBAS: MARKETING WITH A MISSION!

- Bombas' website proclaims: "One purchased = One donated." For every clothing item you purchase, a clothing item of the same kind is donated.
- Company is known for comfortable socks, underwear, and T-shirts.
- Annual sales are more than \$250 million and the company has donated more than 100 million clothing items.

A. Creating Better Socks

- Researching the sock market:
 - a. Customers were in "replenishment mode"—buying socks to replace old ones. Conclusion: Better socks would attract more customers and therefore donate more socks.
 - b. Years of research and testing prototypes of new socks to develop "the most comfortable socks in the history of feet."
 - c. Result: Socks with a seamless toe, cushioned footbed, an arch support, elastic construction, and blister tabs. Plus the donated socks were designed for the homeless population and are dark-colored and antimicrobial-treated.

B. Building a Brand with a Purpose

- Combination of social mission and exceptional product was the company's platform.
 - a. Bombas is Latin for bumblebee. Bees live and work together to make the world better.
 - b. Logo includes bee—"Bee Better" as the motto for approaching every day.
 - c. Company raised money in IndieGoGo, created a consumer website to sell products, and relied heavily on word of mouth.
 - d. Shark Tank appearance fueled additional funding and reached a national audience.
 - e. Advertised using podcasts, video ads, Facebook, Instagram, and YouTube.

[Video 1-1: Bombas Video]

C. Bombas Today

- Recently published an Impact Report that explains “when our customers make a purchase, they spark a donation, helping to keep Giving Partners stocked with plenty of items to distribute to those who need them.”
- Expanded distribution through retail partners such as Nordstrom, Dick’s Sporting Goods, Scheels, Amazon, and Saks Fifth Avenue stores.
- In addition, Bombas recently expanded into the United Kingdom.
- An expanded product line that includes T-shirts, underwear, and slippers and is looking at potential new products.
- Bombas has B-Corp certification for meeting high standards of social and environmental performance, transparency, and accountability to balance profit and purpose.
- Expects to become a billion-dollar brand in the next 5 to 10 years.

D. Bombas Marketing, and You

- Will Bombas’ success continue, particularly with competitors using similar models including altruism?

I. WHAT IS MARKETING? [LO 1-1]

- You’re already a marketing expert because you do many marketing activities every day, such as shopping for products.
- However, you may not have much experience developing products to reach different groups of people or segments.
- Marketing isn’t always easy to do—thousands of new offerings fail each year, though not always due to marketing.
- Test your marketing expertise by answering the questions in Figure 1–1. You’ll find the answers within the next several pages.

[ICA 1-1: Designing a Candy Bar]

A. Marketing and Your Career

- Marketing affects all individuals, corporations, industries, and countries.
- You will learn and “do” marketing:
 - a. How it affects our lives through its many applications.
 - b. How it will make you a better consumer and a more informed citizen.

- Hopefully, you will find marketing exciting and maybe find a career in the field!
 - a. Doing sales and marketing can be satisfying and rewarding.
 - b. Small businesses are the source of most new jobs, including marketing.
 - c. Being an entrepreneur can be exciting and profitable!
- Elon Musk started and sold Zip2 software company, then started another business that became PayPal. When PayPal was purchased by eBay, Musk founded Space X, which develops and manufactures space launch vehicles.
 - a. Today, Musk runs Tesla and SolarCity, a solar power company.
 - b. Musk also started a high-speed transportation system called Hyperloop, a not-for-profit AI company called OpenAI, a neurotechnology company called Neuralink, and a tunnel construction firm called The Boring Company. And, Musk recently purchased Twitter, renaming it to “X.”

B. Marketing: Delivering Value to Customers [LO 1-1]

- The American Marketing Association (AMA) represents those involved in the development and practice of marketing worldwide. It defines **marketing** as “the activity set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”
- To serve both buyers and sellers, marketing seeks to:
 - a. Discover the needs and wants of prospective customers.
 - b. Satisfy these needs and wants.
- Prospective customers include:
 - a. Individuals buying for themselves and their households.
 - b. Organizations that buy for their own use or for resale.
- **Exchange:**
 - a. Is the trade of things of value between a buyer and a seller so that each is better off after the trade.
 - b. Is the key to discovering and satisfying consumer needs and wants.

C. The Diverse Elements Influencing Marketing Actions

- **[Figure 1–2]** A variety of other people, groups, and forces interact with marketing to shape the nature of its actions. These include:
 - a. *The organization itself*, whose mission and objectives determine:
 - What business it is in and . . .
 - What goals it seeks.
 - b. *Management*, which is responsible for establishing these goals.
 - c. *The marketing department*:
 - Works with a network of other departments.
 - Develops customer-satisfying products so the organization can survive and prosper.
 - Facilitates relationships, partnerships, and alliances with customers, shareholders, suppliers, and other organizations.
 - Environmental forces:
 - a. Shape an organization's marketing actions.
 - b. Include social, economic, technological, competitive, and regulatory forces.
- Marketing is affected by and impacts society.
- The organization must strike a balance among competing interests of:
 - a. Customers (low price; high quality; value).
 - b. Suppliers (high price).
 - c. Employees (high salaries and wages; benefits).
 - d. Shareholders (dividends).

D. What Is Needed for Marketing to Occur

Four factors are required for marketing to occur:

- *Two or more parties with unsatisfied needs.* A consumer who wants something, and a seller who wants to sell something.
- *A desire and ability to satisfy these needs.*
 - a. A consumer who can afford the time and money to purchase an offering.
 - b. A seller who has the offering available for purchase.

- *A way for the parties to communicate.* The consumer learns about the product (that it exists) and where to get it.
- *Something to exchange.* For a transaction to occur between a buyer and a seller:
 - a. Money or something else of value must be exchanged.
 - b. Each has satisfied each other's unmet needs:
- The consumer—hunger.
- The seller—money, so it can remain in business.

LEARNING REVIEW

1-1. What is marketing?

Answer: Marketing is the activity for creating, communicating, delivering, and exchanging offerings that benefit its customers, the organization, its stakeholders, and society at large.

1-2. Marketing focuses on _____ and _____ consumer needs.

Answer: discovering; satisfying

1-3. What four factors are needed for marketing to occur?

Answer: The four factors are (1) two or more parties (individuals or organizations) with unsatisfied needs; (2) a desire and ability on their part to have their needs satisfied; (3) a way for the parties to communicate; and (4) something to exchange.

II. HOW MARKETING DISCOVERS AND SATISFIES CONSUMER NEEDS [LO 1-2]

Discovering and satisfying consumer needs is critical to marketing.

A. Discovering Consumer Needs

- Marketing's first objective: discover the needs of prospective consumers. Marketers use surveys, concept tests, crowdsourcing, and other tactics to better understand consumer ideas.
- Ex: Ideas submitted to LEGO that receive 10,000 votes from site visitors are considered for possible addition.
- Consumers may not always know or be able to describe what they need or want. Ex: Personal computers, smartphones, electric cars, and so on. Effective marketing research can help.

B. The Challenge: Meeting Consumer Needs with New Products

- Experts estimate that it takes 3,000 raw ideas to generate one commercial success. Of the estimated 38,000 new products introduced worldwide each month, roughly 40 percent will fail.
- Key principles for new-product launches:
 - a. Focus on the consumer benefit.
 - b. Learn from past mistakes.
- Solutions to preventing product failures:
 - a. Find out what consumers need and want.
 - b. Produce what they need and want.
 - c. Don't produce what they don't need or want.
- What are the potential benefits and “showstoppers” (factors that might doom the offering) for the following products:
 - a. Smart Glasses: *Google Glass (wearable computer)*.
 - Benefits: Glasses with Internet, camera, phone, speaker, microphone, touch pad, and heads-up display.
 - Showstopper: \$1,500 price, “nerdy” looking, privacy right concerns. They were reintroduced as Enterprise Edition but have finally been canceled.
 - Other brands such as Ray-Ban, NuEyes, Lenovo, and Bose are offering new models to the marketplace.

[Video 1-2: Ray-Ban Stores Smart Glasses Video]

- b. *Zevia No-Sugar Soda*.
 - Benefits: Less sugar and new products which are made with artificial sweetener aspartame.
 - Showstoppers: A zero-calorie, sugar-free, gluten-free, vegan soft drink that is sweetened only with stevia, a potential showstopper.

[Video 1-3: Zevia Ad]

- c. *Stitch Fix Subscription (clothing and accessories from top brands)*.

- Benefits: Expert stylists and clothing fix technology to build a personalized wardrobe.
- Showstopper: Growing competition; 400 to 600 subscription box services in U.S.; consumers may tire of receiving new products each month.
- Firms spend billions of dollars on marketing and technical research to reduce new-product failures.

1. Consumer Needs and Consumer Wants.

a. Should marketers try to satisfy consumer needs or consumer wants? Both!

- Debates center around:
 - Definitions of needs and wants.
 - The amount of freedom of choice given to prospective customers to make their own buying decisions.
- A *need* occurs when a person feels physiologically deprived of basic necessities, such as food, clothing, and shelter.
- A *want* is a felt need that is shaped by a person's knowledge, culture, and personality.
- Marketing:
 - Does not create the need for a product but . . .
 - Does shape a person's wants by creating an awareness of good products at convenient locations.

b. Does marketing persuade consumers to buy the “wrong” products?

- Marketing does try to influence what consumers buy.
- When should the government and society step in to protect consumers?
 - There are no clear-cut answers, which is why legal and ethical issues are central to marketing.
 - Psychologists and economists debate the exact meanings of *need* and *want*.

c. [Figure 1–3] Marketers carefully study prospective customers to understand:

- What they need and want.
- The forces that shape these needs and wants.

2. What a Market Is.

- a. Potential consumers make up a **market**, which is people with both the desire and the ability to buy a specific offering.
- b. All markets are ultimately people.
- c. People who are aware of their unmet needs may have a desire for a product.
- d. People must also have the ability—the authority, time, and money—to buy.
- e. People can “buy” an idea that leads to an action.

C. Satisfying Consumer Needs [LO 1-3]

- An organization does not have the resources to satisfy the needs of all consumers.
- It focuses on the needs of its **target market**—one or more specific groups of potential consumers toward which an organization directs its marketing program.

[ICA 1-2: What Makes a Better Mousetrap?]

1. The Four Ps: Controllable Marketing Mix Factors.

After selecting its target market consumers, the firm must take steps to satisfy their needs.

- a. A marketing department must develop a complete marketing program to reach its target market.
- b. To do this, it uses “the four Ps”—a shorthand reference for:
 - *Product*. A good, service, or idea (offering) to satisfy consumers’ needs.
 - *Price*. What is exchanged for the product.
 - *Promotion*. A means of communication between the seller and the buyer.
 - *Place*. A means of getting the product to the consumer.
- c. These are the elements of the **marketing mix**, which are:
 - The marketing manager’s controllable factors—product, price, promotion, and place that . . .
 - Can be used to solve a marketing problem.
 - The marketing mix elements are called *controllable factors* because they are under the control of the marketing department in an organization.

2. The Uncontrollable, Environmental Forces.

- a. **Environmental forces** are the uncontrollable forces that affect a marketing decision, which consist of:
 - *Social forces*. What consumers themselves want and need.
 - *Economic forces*. Whether the economy is expanding or contracting.
 - *Technological forces*. Changing technology.
 - *Competitive forces*. Actions competitors take.
 - *Regulatory forces*. Government restrictions.
- b. These five forces may expand or restrict an organization's marketing opportunities.
- c. The recent COVID-19 pandemic challenged firms to modify marketing mix with new purchase and delivery options. It also restricted in-store traffic.
- d. Marketers can affect some of these forces, such as technology or competition, and achieve breakthroughs.

III. THE MARKETING PROGRAM: HOW CUSTOMER RELATIONSHIPS ARE BUILT [LO 1-4]

A marketing program connects the organization with its customers.

A. Relationship Marketing: Easy to Understand, Hard to Do

- Intense competition in global markets has caused many U.S. firms to focus on customer value.
- The essence of successful marketing is to provide unique value to gain loyal customers.
 - a. What is new is a more careful attempt at understanding how a firm's customers perceive value.
 - b. The firm must then actually create and deliver that value to them.
- **Customer value:**
 - a. Is the unique combination of benefits received by targeted buyers.
 - b. Includes, at a specific price:
 - Quality
 - Convenience
 - On-time delivery

- Before-sale and after-sale service
- Firms calculate the dollar value of a loyal, satisfied customer.
- Ex: Auto collision repair centers estimate loyal customers average \$2,350/repair, return eight times, and provide 50 referrals over 65 years = value of \$147,000!
- Firms cannot succeed by being all things to all people. Instead, they:
 - a. Must build long-term relationships with customers to . . .
 - b. Provide unique value to them.
- Three strategies used to deliver customer value include:
 - a. *Best price*: Target—its brand promise is to “Expect More. Pay Less.”
 - b. *Best product*: Starbucks—stresses quality coffee that is ethically delivered.
 - c. *Best service*: Nordstrom—works to “deliver the best possible shopping experience.”
- **Relationship marketing**:
 - a. Links the organization to its individual customers, employees, suppliers, and other partners for their mutual long-term benefits.
 - b. Involves a personal, ongoing relationship between the organization and its individual customers that begins before and continues after the sale.
- Information technology, along with other cutting-edge processes, better enables companies to form relationships with customers.
 - a. Done through:
 - “Internet of Everything” helps create detailed databases about product usage.
 - “Data analytics” offers insights into how products create value for customers.

B. The Marketing Program and Market Segments

- Product concepts are converted into a tangible **marketing program**—a plan that:
 - a. Integrates the marketing mix to . . .
 - b. Provide a good, service, or idea to prospective buyers.
- These products can then be targeted at **market segments**, which are the relatively homogeneous groups of prospective buyers that:
 - a. Have common needs and . . .
 - b. Will respond similarly to a marketing action.
- Figure 1–3 shows that organizations must continually and effectively develop new offerings that satisfy consumer needs, which can further stimulate this process.

LEARNING REVIEW

- 1-4. An organization can't satisfy the needs of all consumers, so it must focus on one or more subgroups, which are its _____.**

Answer: target market

- 1-5. What are the four marketing mix elements that make up the organization's marketing program?**

Answer: product, price, promotion, place

- 1-6. What are environmental forces?**

Answer: Environmental forces are the uncontrollable forces that affect a marketing decision, which consist of social, economic, technological, competitive, and regulatory forces.

C. 3M's Strategy and Marketing Program to Help Students Study

- 3M's David Windorski:
 - a. Conducted research to understand how college students *really* study.
 - b. Invented several 3M Post-it® brand products and wanted to add a new item.
- Windorski worked with a team of college students to:
 - a. Observe and question college students about their studying, such as how they:
 - Used their textbooks.
 - Took notes.
 - Wrote term papers.
 - Reviewed for exams.
 - b. They often observed students highlight a passage and mark a page in their textbooks with a Post-it® Note or Post-it® Flag.
 - c. Windorski realized he could help students study by:
 - Marrying a Post-it® Note or Post-it® Flag with a colored highlighter to . . .
 - Merging the functions of both into one product.

1. Moving from Ideas to a Marketable Highlighter Product.

- a. After many models, Windorski concluded he had to:
 - Build a highlighter that would dispense 3M Post-it® Flags because . . .
 - The Post-it® Notes were too large to put inside the barrel of a highlighter.
- b. The initial highlighter product with Post-it® Flags inside was produced and given to students—and also office workers—to get their reactions.
- c. A suggestion from users quickly emerged:
 - The product needed a convenient, reliable cover to protect the Post-it® Flags when it isn't being used.
 - Windorski added a rotating cover for the Post-it® Flags in the highlighter.
 - The result: The Post-it® Flag Highlighter was born!

[Video 1-4: 3M Post-it® Flag Highlighter Ad]

2. A Marketing Program for the Post-it® Flag Highlighter and Post-it® Flag Pen.

- a. [Figure 1–4] shows the strategies for each marketing mix element in 3M's marketing program to college students and office workers for the Post-it® Flag Highlighter and the Post-it® Flag Pen.
- b. Comparing the marketing program for each product:
 - *Post-it® Flag Highlighter* (shown in the orange column).
 - The target market is mainly college students.
 - To build student awareness, 3M:
 - * Used a mix of print ads in college newspapers and a TV ad.
 - * Relied on student word-of-mouth advertising.
 - Gaining distribution in college bookstores was critical and would:
 - * Result in a reasonable retail price to students.
 - * Provide 3M and its distributors with an acceptable profit.
 - *Post-it® Flag Pen* (shown in the green column).
 - The primary target market consists of office workers.
 - The secondary target market consists of students.
 - Post-it® Flag Pens:
 - * Are mainly business products bought by an organization's purchasing department.
 - * Are stocked as office supplies for employees to use.
 - The marketing program for *Post-it® Flag Pens* emphasizes gaining distribution in outlets used by purchasing department managers.

- c. The Post-it® Flag Highlighters and Post-it® Flag Pens were so successful that Windorski and his team received a prestigious award from 3M.
3. The success of the second generation of products has led to a family of related products (i.e., product line extensions).

IV. HOW MARKETING BECAME SO IMPORTANT [LO 1-5]

Marketing has become a driving force in the modern global economy.

A. Evolution toward a Market Orientation

[Figure 1–5] Many manufacturing organizations have experienced four distinct stages in the life of their firms:

1. The production era: Covers the early years up to the 1920s. Goods were comparatively scarce and buyers would make do with what was available.
2. The sales era: From 1920s to 1960s, manufacturers produced more goods than buyers could consume. Competition grew and firms hired salespeople to find buyers.
3. The marketing concept era: Beginning in the late 1950s, marketing became the motivating force among many U.S. firms.
 - a. The **marketing concept** is the idea that an organization should:
 - Strive to satisfy the needs of consumers while also trying to achieve the organization’s goals.
 - b. General Electric:
 - Probably launched the marketing concept in its 1952 annual report that . . .
 - Advocated marketing “at the beginning rather than the end of the production cycle,” integrating marketing into each phase of business.
 - Firms such as Amazon, Charles Schwab, Kaiser Permanente, and LG put huge efforts into implementing the marketing concept, giving their firms a **market orientation**—focusing efforts on (1) continuously collecting information about customer needs, (2) sharing information across departments, and (3) using it to create customer value.
4. The customer relationship era: Started in 1980s and continues today. New technologies such as AI, natural language processing, robotics, augmented reality, and virtual reality often increase value for consumers.

B. Focusing on Customer Relationship Management

- Digital marketing is a recent focus of the customer relationship era.
 - Develop relationships through apps and social media websites.
 - Ex: Facebook, X, and YouTube.
 - This relationship strategy is still evolving.
- a. The focus on customers has led to **customer relationship management (CRM)**, which is the process of:
 - Identifying prospective buyers.
 - Understanding them intimately.
 - Developing favorable long-term perceptions of the organization and its offerings so that buyers will choose them in the marketplace.
 - b. This process requires:
 - The commitment of managers and employees throughout the organization.
 - A growing application of information, communication, and Internet technologies.
 - c. The foundation of CRM is **customer experience**, which is:
 - The internal response that customers have to all aspects of an organization and its offering.
 - This internal response includes:
 - Direct customer contacts (buying, obtaining, and using the offering).
 - Indirect contacts (word of mouth and news reports).
 - d. Trader Joe's is consistently ranked as one of America's favorite supermarket chains. What makes the customer experience unique?
 - Setting low prices using its own brands.
 - Offering unusual, affordable products not offered by other retailers.
 - Providing employee "engagement" to actively help customers.

C. Ethics and Social Responsibility in Marketing: Balancing the Interests of Different Groups

Today, the standards of marketing practice have shifted from an emphasis on producers' interests to consumers' interests.

1. Ethics.

- a. Existing laws and regulations don't address many marketing issues.
- b. Organizations have developed codes of ethics to guide marketers.

2. Social Responsibility.

- a. Is the idea that organizations are accountable to a larger society.
- b. The **societal marketing concept**:
 - Is the view that organizations should satisfy the needs of consumers in a way that provides for society's well-being.

D. The Breadth and Depth of Marketing

Marketing affects every person and organization.

1. Who Markets?

- a. Every organization markets: for-profit business firms and nonprofits.
- b. Places, special causes, and individuals also use marketing.

2. What Is Marketed?

- a. *Goods*. Physical objects, such as toothpaste, smartphones, or automobiles.
- b. *Services*. Intangible items, such as airline trips, financial advice, or art museums.
- c. *Ideas*. Thoughts about concepts, actions, or causes.
- d. All three of the above are considered **products**, which:
 - Consist of a bundle of tangible and intangible attributes that . . .
 - Satisfy consumers' needs and . . .
 - Are received in exchange for money or something else of value.

[Video 1-5: The Hermitage Museum Video Tour]

- e. Services like art museums rely more on effective marketing.
- f. Ideas are often marketed by nonprofit organizations or government agencies.

3. Who Buys and Uses What Is Marketed?

Two groups do:

- a. **Ultimate consumers** are the people who use the products and services purchased for a household.
- b. **Organizational buyers** are those manufacturers, wholesalers, retailers, and government agencies that buy products and services for their own use or for resale.
- c. Both ultimate consumers and organizational buyers may also be called *consumers*, *buyers*, and *customers*.

4. Who Benefits?

Three specific groups benefit:

- a. *Consumers who buy.*
 - Competition ensures that consumers can find value from the best products, the lowest prices, or exceptional service in the marketplace.
 - Provides jobs to raise the standard of living for a country's citizens.
- b. *Organizations that sell.* Effective marketing actions reward organizations that serve consumers. However, competition creates problems for ineffective competitors, including retailers (WeWork, Rite Aid, Revlon, Cineworld, Payless ShoeSource, Sears, and more) that have filed for bankruptcy.
- c. *Society as a whole.* Marketing raises the standard of living for a country's citizens by:
 - Enhancing competition.
 - Lowering prices.
 - Improving product quality.
 - Providing jobs.

5. How Do Consumers Benefit?

Marketing creates **utility**, the benefits or customer value received by users of the product. Four different utilities are created:

- a. *Form utility.* Producing the product or service.
- b. *Place utility.* Having the offering available where needed.
- c. *Time utility.* Having the product or service available when needed.
- d. *Possession utility.* Making an item easy to purchase.

LEARNING REVIEW

1-7. What are the two key characteristics of the marketing concept?

Answer: An organization should (1) strive to satisfy the needs of consumers (2) while also trying to achieve the organization's goals.

1-8. What is the difference between ultimate consumers and organizational buyers?

Answer: Ultimate consumers are the people who use the products and services purchased for a household. Organizational buyers are those manufacturers, wholesalers, retailers, and government agencies that buy products and services for their own use or for resale.

APPLYING MARKETING KNOWLEDGE

1. What consumer wants (or benefits) are met by the following products or services? (a) 3M Post-it® Flag Highlighter, (b) Nike running shoes, (c) Enterprise Rent-A-Car, and (d) Amazon online shopping.

Answers: Consumer wants or benefits met by each of four products or services include:

- a. **3M Post-it® Flag Highlighter.** Enabling college students to study more effectively.
- b. **Nike running shoes.** Safety enhanced by a running tread; cushioning for the foot; status.
- c. **Enterprise Rent-A-Car.** Time saved for business or vacation travelers who may fly to a destination and need local transportation without being able to use local buses or rail transit.
- d. **Amazon online shopping.** A variety of hard and soft goods; low prices; convenience of shopping from home; delivery to any location.

2. Each of the four products, services, or programs in question 1 has substitutes. Respective examples are (a) a Bic® highlighter, (b) Adidas tennis shoes, (c) an Uber or Lyft ride, and (d) a department store. What consumer benefits might these substitutes have in each case that some consumers might value more highly than those mentioned in question 1?

Answers: Consumer wants or benefits that these four substitute products might provide include:

- a. **A Bic® highlighter.** Low cost; more colors; Seal Guard that prevents “dry out”; rubberized grip; more and brighter fluorescent ink.
- b. **Adidas tennis shoes.** Low cost; possibility of the shoes being used for another sport.
- c. **Uber or Lyft ride.** Low cost; avoiding the need to find parking for a car; avoiding inconvenience of picking up and returning the rental car and the accompanying paperwork.
- d. **A department store.** More help from salesclerks in making a purchase decision; greater likelihood of accepting returns of unacceptable merchandise; servicing of the product sold.

3. What are the characteristics (EX: age, income, education) of the target market customers for the following products or services? (a) Apple Watch, (b) Chobani Greek Yogurt, (c) New York Giants football team, and (d) Facebook.

Answers: The demographic characteristics of the target market for each product or service are:

- a. **Apple Watch.** 20- to 45-year-old consumers; mid to high income; upper levels of education; and a fitness orientation.
 - b. **Chobani Greek Yogurt.** Health-conscious women under 40 years old—for themselves and their children; middle income; middle to upper levels of education.
 - c. **New York Giants football team.** New York City metropolitan area (includes northern New Jersey and southwestern Connecticut); most age, income, and education groups.
 - d. **Facebook.** Initially, college-aged students 18 to 24 years old; now, most age groups; mid- to upper-income groups (need a PC, smartphone, or tablet device to use); middle to upper levels of education.
4. **A college in a metropolitan area wishes to increase its evening offerings of business-related courses such as marketing, accounting, finance, and management. Who are the target market customers (students) for these courses?**

Answer: Target market customers or students for business-related courses offered by a metropolitan-area college at night include both those pursuing a degree and those not pursuing a formal degree.

- a. Students pursuing a degree might seek degree-related courses that could aid them in acquiring or earning an associate's degree, a bachelor's degree, or an MBA degree.
 - b. By contrast, many prospective students in these courses may be more interested in particular subject areas that can assist them in their job rather than in degree credits. For example, engineering personnel might want introductory courses in marketing or finance or accounting to familiarize them with principles from these courses that might apply to their job. Owners of small businesses or fledgling entrepreneurs might seek work-related courses that enable them to develop a business plan, design an accounting/recordkeeping system, or write more effective advertising copy. Often students not pursuing a degree may be awarded a "certificate" for completing a specific sequence of courses.
5. **What actions involving the four marketing mix elements might be used to reach the target market in question 4?**

Answers: Marketing mix actions to reach these target market customers include:

- a. **Product.** The content of each degree program, certificate program, or course offered to target market customers.
- b. **Price.** The tuition or charge for taking the course.
- c. **Promotion.** Course catalogs, direct-mail informational brochures, posters, and ads run in local newspapers or on local radio stations are examples of the kind of promotional activities a college often undertakes.
- d. **Place.** Includes the place and time at which the course is offered. Increasingly, colleges and universities are taking their courses to the location of their students rather than asking

students to come to the campus itself. Also, online delivery of courses is becoming more commonplace.

6. What environmental forces (uncontrollable variables) must the college in question 4 consider in designing its marketing program?

Answers: Environmental forces or uncontrollable variables for the college to consider are:

- a. **Social forces.** Formal college degrees are required for an increasing number of jobs, so colleges must recognize this in designing their courses. In addition, some employers require a certain number of work-related course units every year to have their employees maintain skills. Colleges often try to design curricula to reflect this.
- b. **Economic forces.** These include the price of the course and its potential benefits to the students, either in terms of leading to a degree or providing work-related benefits. Also, other considerations include economic trends, such as tuition inflation, student loan availability, and student employment prospects and compensation after graduation.
- c. **Technological forces.** Many colleges are offering both credit and noncredit courses online or through television—either on cable channels available to the public or through programs transmitted directly to employees of specific companies. An increasing number of courses take the form of computer-related work, which affects curriculum design decisions. In addition, the use of tablet devices like the iPad to deliver educational courses and content may become more popular in the near future.
- d. **Competitive forces.** The college must recognize a number of ways for students to get roughly equivalent courses: those offered by other colleges or universities in the area, courses offered internally by large employers, courses offered by professional associations, and courses offered by correspondence or online distance learning.
- e. **Regulatory forces.** Degree courses must often meet standards imposed by outside groups, such as those standards established by the Association to Advance Collegiate Schools of Business for bachelor's and master's degree programs in business.

7. Does a firm have the right to “create” wants and try to persuade consumers to buy goods and services they didn’t know about earlier? What are examples of “good” and “bad” want creation? Who should decide what is good and bad?

Answers:

- a. **Does a firm have the right to “create” wants and try to persuade consumers to buy goods and services they didn’t know about earlier?** Yes, a firm has the right to create wants in an attempt to persuade consumers to buy products they didn’t know about in the past; new medicines to treat those having high blood pressure or heart attacks are good examples.
- b. **What are examples of “good” and “bad” want creation?** The conflict is over “good” and “bad” want creation. In a free society where we value free choice by the individual, it

is difficult to condemn “bad” candy bars and soft drinks over “good” apples and orange juice if the individual’s choice only affects them.

- c. **Who should decide what is good and bad?** Our society says that what is “good” and “bad” is up to the individual unless there are major costs to society as a whole in letting the individual have free choice. Thus, in the case of products like firearms and drugs, society determines what is “good” and “bad” and sets rules or laws controlling their use.

BUILDING YOUR MARKETING PLAN

If your instructor assigns a marketing plan for your class, we hope you will be excited—for two special reasons. First, you will get insights into trying to actually “do marketing” that often go beyond what you can get by simply reading the textbook. Second, thousands of graduating students every year get their first job by showing prospective employers a “portfolio” of samples of their written work from college—often a marketing plan if they have one. This can work for you.

This “Building Your Marketing Plan” section at the end of each chapter suggests ways to improve and focus your marketing plan. You will use the sample marketing plan in Appendix A (following Chapter 2) as a guide, and this section after each chapter will help you apply those Appendix A ideas to your own marketing plan.

The first step in writing a good marketing plan is to have a business or product that enthuses you and for which you can get detailed information, so you can avoid glittering generalities. We offer these additional bits of advice in selecting a topic:

- a. *Do* pick a topic that has personal interest for you—a family business; a business, product, or service you or a friend might want to launch; or a student organization that needs marketing help.
 - b. *Do not* pick a topic that is so large it can’t be covered adequately or so abstract it will lack specifics.
1. **Now to get you started on your marketing plan, list four or five possible topics and compare these with the criteria your instructor suggests and those shown earlier. Think hard, because your decision will be with you all term and may influence the quality of the resulting marketing plan you show to a prospective employer.**

In question 1, a key factor students should consider in choosing a topic for their marketing plan is whether they can find enough useful information to provide the necessary detail in the completed plan. For example, a plan done for an existing family business builds on an immediate base of past revenues, marketing activities, and so on. In contrast, a plan for a potential business a student is considering launching has no such base of information. While instructors must be sensitive to the different data collection problems each of these two marketing plans face, both must avoid the “glittering generalities” problem when submitted.

Here are examples of successful marketing plans students have submitted for our classes:

- **Family business.** Sand and gravel business, small manufacturing shop, two-chair barber shop, summer resort.
- **Local small business.** Garage, flower shop, corner grocery, interior-design decorating shop.
- **Student organization or university activity.** Marketing club, campus blood drive, increasing attendance at college sporting events, student counseling center.

- **Potential business.** Internet café, healthy-food restaurant, graphic design shop, motorcycle shop.
- **Product.** Candy bar, dresses, canned food from special family recipes.
- **Service.** Dog walking, house sitting, term paper/report typing.

Some MBA programs offer field project courses where teams of MBA students write marketing plans for technologies emerging from university laboratories or for large organizations introducing new products. These kinds of projects are too complex for undergraduates taking their first course in marketing.

2. When you have selected your marketing plan topic, whether the plan is for an actual business, a possible business, or a student organization, write the “company description” in your plan, as shown in Appendix A (following Chapter 2).

In question 2, if the company already exists, the company description highlights the recent history and recent successes of the organization. So, students should seek to find:

a. Recent history.

1. Provide a brief introduction about when the organization was founded (if relevant), identify who the founders or key management personnel are that will assist you, and define what product or service is to be marketed.
2. Discuss what is unique about the company and its offering(s) that sets it apart from competitors.

b. Recent successes. Where possible, identify and briefly describe what recent activities or results show how the organization has been successful in terms of sales (dollars or units), market share, quality, new-product introductions, and so on.

If the organization does not actually exist, students should seek to describe what is unique about it and its offerings that are likely to lead to its eventual success.

Helping with Common Student Problems

Enthusiastic students often pick marketing plan topics that are simply too grandiose to be completed in the time available—a new brand of car or a new airline to serve small U.S. cities. A subtler problem—alluded to earlier—is in picking a marketing plan topic that requires an inordinate amount of effort to obtain useful data. For this latter problem, when having students select a marketing plan topic, ask them to first write down four or five topic ideas and then 10 or 12 words for each topic about what key sources of information they need to obtain and where are they likely to obtain it.

TEACHING NOTE FOR VIDEO CASE [VC-1]

Bombas: Creating Socks with a Purpose! **[Video 1-6: Bombas Video Case (kerin.tv/mkt/v1-6)]**

Synopsis

Randy Goldberg and David Heath were co-workers at a media start-up when they learned that socks are the most-requested items at homeless shelters. They decided to start a company to solve the problem based on the buy-one-give-one model developed by Toms Shoes and the direct-to-consumer model developed by Warby Parker.

The two entrepreneurs named the company Bombas after the Latin word for bumblebee because bees work together to build a better environment. They selected “Bee Better” as their motto to communicate their social mission—to give away a pair of socks for every pair purchased.

Randy and David spent several years designing a sock with innovative elements such as a seamless toe, honeycomb arch support, and stay-up functionality to create the “most comfortable socks in the history of feet.” The company received its first funding in 2013 when it raised almost \$150,000 on the crowdfunding website IndieGoGo. In 2014, Randy and David were invited to appear on *Shark Tank* where they received an offer from investor Daymond John.

Today, the company has more than \$250 million and more than 100 million clothing items have been donated.

Teaching Suggestions

Before teaching the Bombas video case, consider asking a series of questions to determine students’ familiarity with socks and their impression of the buy-one-give-one business model:

1. How many of you have purchased socks? What are common reasons to purchase socks? Do you typically buy them to replace lost or worn-out socks or do you buy them for other reasons?
2. Do you view socks as a commodity (EX: tube socks) or as a premium product (EX: specialty socks for events and holidays)?
3. How important is comfort? Are features such as a seamless toe, arch support, stay-up functionality, creative designs, and different fabrics important?
4. Do you order your socks online or purchase them in a store?
5. Have any of you purchased Bombas brand of socks? Among those of you who have purchased Bombas socks (or T-shirts) how important was (a) comfort and (b) the social mission of giving away a pair of socks to the homeless?

6. How important is the one-for-one giving model to you as a consumer? Have you made purchases from other one-for-one companies such as Toms (shoes), Warby Parker (eyeglasses), Bixbee (backpacks), Smile Squared (toothbrushes), Soapbox (soap), and BetterWorldBooks (books)?
7. This discussion enables students to have a better perspective when they study and discuss the Bombas video case and answer end-of-case questions.

Answers to Video Case Questions

1. How did Bombas's founders Randy Goldberg and David Heath create customer value when they started their apparel company by selling socks?

Answer:

Bombas creates value for its customers in several ways. First, Randy and David spent several years designing a comfortable sock. They added features such as a y-stitched heel which stays in place, honeycomb arch support, a seamless toe, and a blister tab to create value for customers. They also used the buy-one-give-one offer to create value for consumers who want to know that their purchases are helping address a social issue and helping to make the world a better place. Finally, the direct-to-consumer sales model offered value through the convenience of online shopping and delivery.

2. How did Goldberg and Heath raise money to start the company?

Answers:

Goldberg and Heath utilized three sources of money as a start-up:

- *Crowdfunding Website*. Goldberg and Heath launched Bombas on the crowdfunding platform IndieGoGo with the hope of raising \$15,000. Within a month they had raised \$150,000.
- *Friends and Family*. The following year the co-founders raised \$1 million from friends and family.
- *Shark Tank*. The entrepreneurs also made an appearance on ABC's Shark Tank and sold a 17.5 percent stake in the company for \$200,000 to investor Daymond John.

3. What are the key elements of Bombas' "four Ps" marketing strategy?

Answers:

Bombas's four Ps marketing strategy consists of the following marketing actions:

- *Product strategy*. Bombas product strategy was to create the perfect sock. Each sock features key elements such as a y-stitched heel, a honeycomb arch support, a seamless toe, a blister tab, and stay-up technology. Bombas also offers a *100% Happiness Guarantee*, and customer support through its Customer Happiness Team.

- *Price strategy.* Bombas uses premium pricing for its socks. First-time customers, however, can receive a 20 percent discount, and all customers typically receive a reduced price when they purchase a 4-, 6-, 8-, or 12-pack of socks.
 - *Place strategy.* Goldberg and Heath modeled their distribution strategy on the direct-to-consumer approach used by Warby Parker with eyewear. Bombas also sells its socks through partners such as Nordstrom, Dick’s Sporting Goods, Scheels, and Athleta. The company does not currently have its own retail stores.
 - *Promotion strategy.* When Bombas first started it relied on word of mouth, exposure from the crowdfunding platform, and some social media ads. Today the company utilizes social media, traditional advertising, and special promotion partnerships. Campaigns include “The Most Comfortable Sock in the History of Feet,” and “The Greatest Sock Never Sold.” NOTE: The Bombas YouTube channel has many of the video ads.
- 4. How has the combination of the Bombas social mission, its “Bee Better” motto, the direct-to-consumer sales model, its Customer Happiness Team, and its promotional activities contributed to Bombas’s success?**

Answer:

Bombas is a company with a unique combination of many marketing activities. The starting point is the balance between the social mission of donating socks to homeless shelters and the offering of high-quality premium socks. According to the Bombas website “When we say Bee Better, we mean it as a mantra, a way of approaching every day. It’s a reminder to push yourself harder to be better. A reminder that these socks are engineered and designed with thought to be better. A reminder that you helped someone in need with your purchase.” In addition, Bombas’s promotional activities emphasize the mission, product, and mantra, and the Customer Happiness Team ensures customer satisfaction, to contribute to the continued success of the company.

5. Describe possible future marketing actions Bombas should consider.

Answers:

Bombas could consider a variety of new actions in the future. In fact, the founders think Bombas “could easily be a billion-dollar brand in revenue in the next 5 to 10 years.” Some possible actions include:

- *Expand the Product Line.* Bombas might consider expanding its sock line to include additional specialty offerings. In addition, Bombas recently added T-shirts to its product line and could consider additional types of shirts. What other products would fit the mission? Hats? Underwear? Hoodies?
- *Expand Distribution.* Bombas currently utilizes an online model and offers its products through wholesale partners (EX: Nordstrom and Dick’s Sporting Goods). Bombas could consider new partners and possibly opening its own stores.

- *International Markets.* Currently Bombas ships to Australia, Canada, and the United Kingdom for a flat rate. They could consider shipping to other countries or finding additional channels of distribution outside the United States.

Epilogue

Bombas continues to support activities that are a match with its mission-based origin. For example, the company recently partnered with the United Way to distribute socks through its giving program, and with Youth Services System to distribute socks to youth in YSS emergency shelters. In addition, Bombas teamed up with Taboola to promote its Pride collection, which was inspired by the LGBTQ community. The company and its founders have been featured on NBC Today, Bloomberg TV, and in INC Magazine. During the COVID-19 pandemic, Bombas adjusted to the new remote workforce with a “socks are the new shoes” perspective. They also donated 50,000 pairs of socks to frontline medical workers!

Sources: John Lynch, “Bombas Socks Donates to Youth Service System,” June 23, 2020, wtrf.com; Nicole Walton, “Bombas Donates Socks to United Way of Marquette County,” July 14, 2020, wnmufm.org; “How Bombas Is Amplifying Its 2020 Pride Collection,” *Retail Info Systems*, June 24, 2020; Sarah Berger, “Daymond John-Backed Start-Up Bombas Is Reinventing the Sock—And It’s Bringing in \$100 Million a Year,” *CNBC Make It*, April 24, 2019; Melody Hahm, “Bombas CEO: We Could Easily Be a Billion-Dollar Brand in the Next 5 Years,” *Yahoo Finance*, April 26, 2019; and Anna Hensel, “How Bombas Is Growing Its Wholesale Business,” *Modern Retail*, February 20, 2020.

ICA 1-1: IN-CLASS ACTIVITY

Designing a Candy Bar¹

Learning Objectives. To have students work in teams to: (1) define a target market for a candy bar and (2) develop a simple marketing program for it.

Nature of the Activity. To engage students actively in a realistic marketing task in their first class meeting and have them share their ideas with classmates.

Definitions. Because the class is not yet familiar with marketing terms, instructors may wish to define the following terms before starting the ICA:

- **Target market:** One or more specific groups of potential consumers toward which an organization directs its marketing program.
- **Marketing mix:** The marketing manager's controllable factors—product, price, promotion, and place—that can be used to solve a marketing problem.
- **Points of difference:** Those characteristics of a product that make it superior to competitive substitutes.

Estimated Class Time and Teaching Suggestions. About 20 minutes, taught in class in four-person teams.

Materials Needed.

- Samples of other candy bars that represent a variety of compositions (chocolate, caramel, peanuts, etc.) and forms (bar, drop, bundle, etc.), such as those marketed by Hershey's, Mars, Nestlé, and Ghirardelli in the United States. Purchase several of the following brands and items to distribute in class:
 - Hershey's: Milk Chocolate Bar, Kisses, Milk Duds.
 - Mars: M&M's, Snickers, Milky Way Bar, Dove.
 - Nestlé: Milk Chocolate Bar, Crunch Bar, Baby Ruth, Kit Kat.
 - Ghirardelli: Milk Chocolate Squares, Milk Chocolate Squares w/Caramel.
- Copies for each student, either in hard copy or electronically, of the “Designing a Candy Bar” Handout.

Steps to Teach This ICA.

1. OPTIONAL: Bookmark the following websites on your classroom computer:

- Hershey's: hersheys.com.
- Mars: mars.com.
- Nestlé: nestleusa.com.
- Ghirardelli: ghirardelli.com.

2. Form four-student teams.

3. Give the following mini lecture about marketers and their responsibilities:

¹ The author wishes to thank Dr. Richard Beltramini, who inspired this ICA when the author had him for a marketing principles course.

All of you purchase products and services every day, ranging from necessities, such as food, clothing, and shelter, to discretionary items, such as candy, music, and education.

To offer these products and services, marketers must first understand your needs and wants. Then, they must:

- Develop the features and benefits for the products and services that you desire.
- Charge a price that you are able and willing to pay.
- Communicate to you that the product or service exists.
- Make it available at locations where you are likely to buy it.
- Ensure that it is superior to similar offerings available from competitors.
- Earn a profit for the organization.

4. Ask students the following questions about their candy purchasing behavior:

- **Question 1: How many of you buy candy? Why?**

Answer: Students buy candy for a variety of reasons (taste, energy, holiday, etc.).

- **Question 2: What candy brands have you bought within the past week?**

Answer: Students will have bought candy from Ghirardelli, Hershey's, Mars, and so on.

5. Pass out the “Designing a Candy Bar” Handout to students.

6. Pass around several candy bars as a reference to students.

7. Bring up Ghirardelli's website and give the following mini lecture to students.

The Ghirardelli Chocolate Company has produced and marketed premium chocolate products for over 150 years. Recently, Ghirardelli introduced its Ghirardelli Milk Chocolate with Caramel Filling Squares and its companion Ghirardelli® Milk Chocolate with Caramel On-The-Go Bar.

8. Ask students the following questions about this candy bar:

- a. **Who is the target market?**

Answer: Women.

- b. **What are the key features or benefits of the Ghirardelli Milk Chocolate with Caramel Squares?**

Answer: Intense chocolate experience; aroma; luscious, creamy filling; silky smooth texture; a special reward; slow melting chocolate.

- c. **What would you charge for a bag of 12 of these “Squares”? Why do you think Ghirardelli charges this price?**

Answer: For the Ghirardelli Milk Chocolate with Caramel Squares, the retail price is about \$4.25 for a bag of 12 “Squares.” Ghirardelli charges this price because it wants to convey an image of quality, prestige, and so on, and the target market is willing and able to pay this price.

- d. **What advertising medium might Ghirardelli use to promote this product?**

Answer: To reach women most effectively, Ghirardelli should probably use television rather than other media (radio, newspapers, magazines, Internet, social, etc.).

- e. **Where do you think consumers would buy this product?**

Answer: Grocery stores, mass merchandisers (Walmart, Target, etc.), drug stores (Walgreens, etc.), and nontraditional outlets such as bookstores and coffee shops.

- f. **How is the Ghirardelli candy bar different from those already on the market?**

Answer: Unique shape, rich taste, high-quality chocolate.

9. Give the following instructions to complete this ICA:

“For the next 10 minutes, your team will design a candy bar based on your personal experiences as candy bar consumers and your new role as potential marketers. When designing your candy bar, be as creative as you can. However, the candy bar you design must answer the following questions, as shown in the handout”:

- a. **To whom will your candy bar be sold?** The answer to this question will specify the characteristics (age, gender, income, health-consciousness, etc.) of your target market segments. Provide a rationale for the market segments you choose.
- b. **What is the product?** The answer to this question will specify the features, such as the ingredients, form, size, and packaging, and benefits of the candy bar you think are important to consumers. Provide a rationale for the product you create.
- c. **How much will consumers pay for it?** The answer to this question will specify the price paid for the quantity received by consumers. Provide a rationale for the price you want to charge.
- d. **How will consumers find out about it?** The answer to this question will specify the advertising methods and message you will use to communicate to consumers about the candy bar and the kinds of inducements (coupons, samples, etc.) you will offer them to try it. Provide a rationale for the promotions you want to use.
- e. **Where will consumers buy it?** The answer to this question will specify the types of retail outlets or “place” where consumers in your target market are likely to buy the candy bar. Provide a rationale for your distribution channels.

- f. **How is your candy bar different from those already on the market?** The answer to this question will specify the significant points of difference of your candy bar. Provide a rationale for its superiority.
10. Have one student from each of two teams go to the board and write down the team's answers to the six questions asked in the Designing a Candy Bar Handout.
11. Have the class comment on the marketing programs that the two teams developed for their candy bars. Ask the following questions of the entire class about each of the two candy bars proposed by the two teams:
- a. **Target market.** Is it attractive enough (large, growing, etc.) to warrant the expense of a marketing effort?
 - b. **Product.** What features/benefits are important to prospective customers? Can they form the basis of a message that can be effectively communicated?
 - c. **Price.** What is the price based on? Do you want to recover marketing costs quickly by charging a higher price or do you want to achieve larger sales earlier by charging a lower price?
 - d. **Promotion.** What relatively inexpensive actions could you use to inform and induce prospective customers to try your product?
 - e. **Place/Distribution.** What traditional outlets will you use? Will you sell your product over the Internet? Why?
 - f. **Points of difference.** Does your product provide overall customer value?

Marketing Lessons. This ICA introduces students to the essential marketing concepts that marketing and product managers deal with on a daily basis. Students should conclude that when developing a marketing program for a product, marketers must: (1) select a market segment to target; (2) specify the marketing mix designed to reach it; and (3) identify the offering's significant points of difference.

DESIGNING A CANDY BAR HANDOUT

MARKETING PROGRAM AND POINTS OF DIFFERENCE	YOUR MARKETING ACTIONS
What is it? (Product) Specify features, benefits, form, size, and so on and why	
How much will consumers pay for it? (Price) Specify cost and why	
How will consumers find out about it? (Promotion) Specify methods to inform and generate trial and why	
Where will consumers buy it? (Place) Specify types of retailers and why	
How is it different from others? (Points of Difference) Specify why it is superior to competitors' offerings	

ICA 1-2: IN-CLASS ACTIVITY

What Makes a Better Mousetrap?²

Learning Objectives. To have students (1) discover the importance of “points of difference” in meeting consumer wants and needs and (2) see how they vary by market segment.

Nature of the Activity. To have students do in-class “marketing research” on what features consumers look for in a mousetrap to help discover why a “better mousetrap” failed more than three decades ago.

Definitions. Because the class is not yet familiar with marketing terms, instructors may wish to define the following terms before starting the ICA:

- Customer value: The unique combination of benefits received by targeted buyers that includes quality, convenience, on-time delivery, and both before-sale and after-sale service at a specific price.
- Points of difference: Those characteristics of a product that make it superior to competitive substitutes.

Estimated Class Time and Teaching Suggestions. About 20 minutes, taught in class in four-person teams.

Materials Needed. Copies for each student, either in hard copy or electronically, of the:

- “Why did the new plastic mousetrap fail to meet sales expectations?” Handout.
- “Which of the markets (A, B, C, or D) was the largest for mousetraps 25 years ago?” Handout.

Steps to Teach This ICA.

1. OPTIONAL: Bookmark the Victor® Pest (victorpest.com) web pages for the Victor Power-Kill mouse trap (victorpest.com/victor-power-kill-mouse-trap-cm142) and Live Catch (victorpest.com/victor-live-catch-mouse-trap-cm337) mousetraps on your classroom computer.
2. Form students into four-person teams.
3. Pass out copies of the following handouts to each student:
 - Why did the new plastic mousetrap fail to meet sales expectations? Handout.
 - Which of the markets (A, B, C, or D) was the largest for mousetraps 25 years ago? Handout.

² The authors wish to thank Karolyn Warfel and Betsy Boyer of the Woodstream Corp. who assisted in the development of this ICA.

4. Ralph Waldo Emerson Quote and give the following mini lecture:

“If a man . . . makes a better mousetrap, the world will beat a path to his door.”—Ralph Waldo Emerson.

Let’s excuse Mr. Emerson for his “sexist” statement, which was written over a century ago! But let’s see if he was right!

Over 25 years ago, Dick Woolworth, president of the Woodstream Corp., decided to take Emerson’s adage to heart. Woodstream’s product was a 100-year-old wooden mousetrap that sold under the Victor® brand name in which peanut butter or cheese was placed on the metal bait pedal connected to the spring-loaded snap trap bar.

5. Click on the “Victor Pest Video” Internet icon to play a short YouTube video from Victor Pest about its mousetraps [TRT = 1:56]. OPTIONAL: Click on the “Metal Bait Pedal” and “Live Catch” Internet icons to go to the respective Victor Pest web pages for a brief description of these mousetraps.
6. Continue with the following mini lecture:

Woolworth decided that what the company needed to do was to build “a better mousetrap and wait for the world to beat a path to its door.” He asked his engineers and scientists to study the eating, sleeping, and crawling habits of mice. They did and came up with a better mousetrap—one made of plastic.

[NOTE: The Live Catch mousetrap being shown was NOT this plastic trap but is used here FOR EDUCATIONAL PURPOSES ONLY.]

If we compare the new versus the old, the original Victor® Metal Bait Pedal trap sold in a package of two for 15 cents and was moderately efficient. The plastic trap sold individually for 25 cents and was very efficient. Thus, if 100 mice stepped on the old wooden trap, assume that 50 got caught (50 percent efficiency) while with the new plastic trap, assume that 90 got caught (90 percent efficiency). Woodstream introduced the new plastic trap in stores across the country. Suppose that the following problem emerged: Sales of the new better, plastic mousetrap did not meet sales expectations! Why do you suppose this happened?”

7. Why did the new plastic mousetrap fail to meet sales expectations?
8. Ask students to answer the following questions:

•**Question 1: What triggers the decision to buy a mousetrap?**

Answer: Seeing nibbled boxes of cereal or mouse droppings on the floor triggers the “buy” decision.

• **Question 2: Who in the family makes the decision to buy?**

Answer: The decision maker is the person most bothered by the mouse, often the “Mom” of 25 years ago, when this case occurs.

- **Question 3: Who actually buys the mousetrap?**

Answer: The purchaser is the person asked to “get rid of the problem,” often the “Dad” of 25 years ago, when the case occurred.

- **Question 4: Where does the person buy the mousetrap?**

Answer: Mousetraps might be purchased in hardware stores (Ace), supermarkets (Safeway), mass-merchandisers (Walmart, Target), home improvement stores (The Home Depot), or the Internet (BE Atlas). This points out the need for different outlets for different buyers in the family, or different market segments.

- **Question 5: Who in the family uses the mousetrap and how do they use it?**

Answer: This is the key question and should turn up two distinct market segments: (1) the “disposers,” who dispose of the dead mouse and the trap by throwing both of them into the trash, and (2) the “reusers,” who throw the dead mouse into the trash but reuse the trap.

- **Question 6: What features do users want in a mousetrap?**

Answer: The “disposer” market segment wants a cheap and relatively efficient way to handle its mouse problem. So the important “points of difference” in its buying decision are low cost and disposability. The “reuser” segment wants greater efficiency in resolving its persistent mouse problem and may be willing to pay more for a trap as a result.

The key message: What potential buyers see as “better” is more important than what the scientists and engineers designing the product see as “better.”

- **Question 7: Why did sales of the “better” plastic mousetrap not meet sales expectations?** [The Live Catch mousetrap is used for educational purposes only.]

Answer: Have students suggest their answers and write them down on the board.

9. Mousetrap Market Segments and state the following:

Thirty years ago, “efficiency” (the key “point of difference” or benefit) of the plastic trap was not an important feature to most buyers. The “disposer” segment was especially reluctant to throw the dead mouse and the 25-cent plastic trap into the trash, but not at all hesitant to throw away the 7.5-cent wooden trap. If the wooden trap missed the mouse, these users just reset it. So the wooden trap provided greater *customer value* for most buyers. And because the largest market segments were “A” and “C” in the table below, the new “better” plastic traps gathered dust on retail shelves across the country. The plastic traps also had a very practical problem: disposing of a live mouse can be tricky (if the lid opened, the mouse may jump out) or time-consuming (need to find a place far away from home to release the mouse).

[NOTE: Slides 1 to 34 are really a “market-product grid” that will be introduced in Chapter 9. However, this tool can help in this ICA since it allows students to answer the question: “What do we sell to whom?”]

Marketing Lessons. Customers define what a “better” product is and not the seller or its engineers! So, in a sense, Mr. Emerson was wrong! Key features or “points of difference” in the product provide “customer value” to users or market segments. These “points of difference” must be important to consumers and communicated to them in terms of (1) benefits to customers, (2) advantages relative to substitute products from competitors, and (3) features, which are given to the firm’s R&D engineers.

WHY DID THE NEW PLASTIC MOUSETRAP FAIL TO MEET SALES EXPECTATIONS?

<u>OLD WOODEN TRAP</u>	<u>NEW PLASTIC TRAP</u>
Wood	Plastic
2 for 15¢	25¢ each
50 percent efficiency	90 percent efficiency

Some Key Marketing Questions

1. What triggers the decision to buy a mousetrap?
2. Who in the family makes the decision to buy?
3. Who actually buys the mousetrap?
4. Where does the person buy the mousetrap?
5. Who in the family uses the mousetrap and how do they use it?
6. What features do users want in a mousetrap?
7. Why did the “better” plastic mousetrap not meet sales expectations?

**WHICH OF THE MARKETS (A, B, C, OR D) WAS THE
LARGEST FOR MOUSETRAPS 25 YEARS AGO?**

Market Segment	Product: Kind of Mousetrap	
	Wooden Trap	Plastic Trap
“Disposers”	A	B
“Reusers”	C	D

CONNECT EXERCISES

Exercise 1: Customer Value and Relationship Strategies

Activity Summary: This grouping activity helps students identify how firms create customer value in a competitive marketplace. Three value-creation strategies are presented to the student: best service, best price, and best product. After reading a description of Spirit Airlines', 6PM's, Rolls-Royce's, Rolex', Chick-fil-A's, and Zappos' strategies, students match each strategy to best service, best price, or best product.

Tagging (Topic, Learning Objectives, AACSB, Bloom's, Difficulty)

Topic: Product Value Creation

Learning Objective: LO 01-04 Explain how organizations build strong customer relationships and customer value through marketing.

AACSB: Analytical Thinking

Bloom's: Analyze

Difficulty Level: 2 Medium

Follow-Up Activity: Instructors could build on the examples of value creation presented in the text by creating three master lists on the board: best service, best price, and best product. Students can take turns adding firms to the lists until there are examples across multiple industries. Instructors could enhance the discussion by asking the class to vote on which firm is the "best" example listed under the strategy, providing a rationale for their selection.

Exercise 2: Four Ps of Marketing

Activity Summary: This grouping activity provides students with an opportunity to classify marketing tactics as one of the four Ps. There are four examples of each marketing tactic which are described to the students as they mouse over the tactic's name. The product examples include a new app, a starter home, a college lecture, and a Republican candidate, price examples include tuition, interest, exchange, and rent, place examples include [Walmart.com](https://www.walmart.com), home party, Coca-Cola vending machine, and Target, and promotion examples include word of mouth, flyer, Insta ads, and magazine advertisement.

Tagging (Topic, Learning Objectives, AACSB, Bloom's, Difficulty)

Topic: The Four Ps

Learning Objective: LO 01-03 Distinguish between marketing mix factors and environmental forces.

AACSB: Analytical Thinking

Bloom's: Analyze

Difficulty Level: 2 Medium

Follow-Up Activity: The instructor could describe an unmet need for a target market to the class and challenge the students to develop the controllable marketing mix factors (four Ps) that would satisfy the unmet need. This activity could be completed in a workgroup or individually. Alternatively, students could be challenged to identify their own unmet needs as part of the activity.

Exercise 3: The Marketing Program: How Customer Relationships Are Built

Activity Summary: This labeling activity has the students identify the marketing mix factors that would be used in the rental car industry for two different target markets: the business traveler segment and the leisure traveler segment. Students create a marketing mix for each segment by dragging the element to the correct market. The activity demonstrates how firms can create value differently for different target markets.

Tagging (Topic, Learning Objectives, AACSB, Bloom's, Difficulty)

Topic: Target Markets

Learning Objectives: LO 01-02 Explain how marketing discovers and satisfies consumer needs.

LO 01-03 Distinguish between marketing mix factors and environmental forces.

LO 01-04 Explain how organizations build strong customer relationships and customer value through marketing.

AACSB: Knowledge Application

Bloom's: Analyze

Difficulty Level: 2 Medium

Follow-Up Activity: The instructor can challenge students to identify additional examples of products that have unique marketing mixes for their different segments. After these products are identified, instructors can have students describe the marketing tactics utilized for the various segments. To extend the discussion, the instructor can ask students to explain how each marketing mix element creates value for the target markets.

Exercise 4: iSeeit! Video Case: Value Creation through the Marketing Mix

Activity Summary: In this straightforward whiteboard animation video, the customer value concept is explained using a coffee shop example. After watching the 3-minute video, students are asked three questions related to the marketing mix, customer value proposition, and market segmentation.

Tagging (Topic, Learning Objectives, AACSB, Bloom's, Difficulty)

Topics: The Four Ps, Product Value Creation, Market Segmentation

Learning Objectives: LO 01-02 Explain how marketing discovers and satisfies consumer needs.

LO 01-03 Distinguish between marketing mix factors and environmental forces.

LO 01-04 Explain how organizations build strong customer relationships and customer value through marketing.

AACSB: Knowledge Application

Bloom's: Apply

Difficulty Level: 2 Medium

Follow-Up Activity: Instructors could ask students to develop and present a marketing mix for the coffee shop if baby boomers were the target audience. Begin the discussion by introducing the baby boomer market to the students by providing a brief audience profile or by utilizing a YouTube video on the Boomer market.

Exercise 5: Video Case: Bombas: Creating Socks with a Purpose!

Activity Summary: In this 7-minute video, students learn the history of Bombas, a company that was able to create customer value while giving back to the community. To do so, the owner entrepreneurs combined the consumer's need for a great-fitting, high-quality sock with the societal need for sock donations at homeless shelters. This resulted in a marketing mix for Bombas which created both ultimate customer value and societal impact. After watching the video, students answer five multiple-choice questions related to the four Ps and customer value creation.

Tagging (Topic, Learning Objectives, AACSB, Bloom's, Difficulty)

Topics: The Four Ps, Product Value Creation

Learning Objectives: LO 01-03 Distinguish between marketing mix factors and environmental forces.

LO 01-04 Explain how organizations build strong customer relationships and customer value through marketing.

AACSB: Knowledge Application

Bloom's: Understand

Difficulty Level: 2 Medium

Follow-Up Activity: After students submit the assignment, divide the class into groups and have them visit the Bombas website, bombas.com. While on the website, have each group complete a table wherein they identify the elements of the marketing mix and come up with a new, creative idea for Bombas to extend its mix. After the groups have completed their table, share the ideas with the class and vote on which of the ideas was the best for each of the marketing mix elements.

Marketing Mix Element	Current Example	New Idea
Product		
Price		
Promotion		
Place		

Exercise 6: What Is Marketed?

Activity Summary: This grouping activity asks students to understand the differences between the three types of products; goods, services, and ideas. Students are provided with two examples of each which must be dropped on the correct drop zone. Wilson football and Greenies dog treats are examples of goods, Massage Envy and H&R Block are examples of services, and Buckle Up America and Save the Whales are examples of ideas.

Tagging (Topic, Learning Objectives, AACSB, Bloom's, Difficulty)

Topic: Product Value Creation

Learning Objective: LO 01-05 Describe the characteristics of market orientation.

AACSB: Knowledge Application

Bloom's: Understand

Difficulty Level: 1 Easy

Follow-Up Activity: The instructor can challenge students to identify additional examples of products across the three categories; goods, services, and ideas. To gamify the activity, instructors can have students work in teams of three to four for 5 minutes to come up with as many ideas in each category. Next have students count and report the number of goods, services, and ideas, identifying a winner for each of the three categories. Instructors can also have student groups compare their lists to identify the most unique example for each category.