Chapter 01
Marketing in Today's Business Milieu

LEARNING OBJECTIVES

LO 1-1 Identify typical misconceptions about marketing, why they persist, and the resulting challenges for marketing management.

LO 1-2 Define what marketing and marketing management really are and how they contribute to a firm's success.

LO 1-3 Appreciate how marketing has evolved from its early roots to be practiced as it is today.

LO 1-4 Recognize the impact of key change drivers on the future of marketing.

CHAPTER OUTLINE

I. WELCOME TO MARKETING MANAGEMENT

II. MARKETING MISCONCEPTIONS

- A. Behind the Misconceptions
  - 1. Marketing Is Highly Visible by Nature
  - 2. Marketing Is More Than Buzzwords
- B. Beyond the Misconceptions and Toward the *Reality* of Modern Marketing

III. DEFINING MARKETING

- A. Value and Exchange Are Core Marketing Concepts
- B. A New Agenda for Marketing

IV. MARKETING'S ROOTS AND EVOLUTION

- A. Pre-Industrial Revolution
- B. Focus on Production and Products
- C. Focus on Selling
- D. Advent of the Marketing Concept
  - 1. The Marketing Mix

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E. Post-Marketing Concept Approaches

1. Differentiation Orientation
2. Market Orientation
3. Relationship Orientation
4. One-to-One Marketing

V. CHANGE DRIVERS IMPACTING THE FUTURE OF MARKETING

A. Shift to Product Glut and Customer Shortage

B. Shift in Information Power from Marketer to Customer

C. Shift in Generational Values and Preferences

D. Shift to Distinguishing Marketing (Big M) from marketing (little m)

1. Marketing (Big M)
2. marketing (little m)

E. Shift to Justifying the Relevance and Payback of the Marketing Investment

VI. YOUR MARKETING MANAGEMENT JOURNEY BEGINS

VII. SUMMARY

KEY TERMS

marketing management The leading and managing of the facets of marketing to improve individual, unit, and organizational performance.

marketing's stakeholders Any person or entity inside or outside a firm with whom marketing interacts, impacts, and is impacted by.

societal marketing The concept that, at the broadest level, members of society at large can be viewed as a stakeholder for marketing.

sustainability The practicing of business that meet humanity's needs without harming future generations.

value A ratio of the bundle of benefits a customer receives from an offering compared to the costs incurred by the customer in acquiring that bundle of benefits.

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exchange The giving up of something of value for something desired.

production orientation The maximization of production capacity through improvements in products and production activities without much regard for what is going on in the marketplace.

sales orientation The increase of sales and consequently production capacity utilization by having salespeople "push" product into the hands of customers.

marketing concept Business philosophy that emphasizes an organization-wide customer orientation with the objective of achieving long-run profits.

marketing mix (4Ps of marketing) Product, price, place, and promotion—the fundamental elements that comprise the marketer's tool kit that can be developed in unique combinations to set the product or brand apart from the competition.

offering A product or service that delivers value to satisfy a need or want.

solution A bundle of benefits from an offering that solves a problem or fills a need of a customer.

differentiation Communicating and delivering value in different ways to different customer groups.

customer orientation Placing the customer at the core of all aspects of the enterprise.

market orientation The implementation of the marketing concept, based on the understanding of customers and competitors.

relationship orientation Investing in keeping and cultivating profitable current customers instead of constantly having to invest in gaining new ones.

one-to-one marketing Directing energy and resources into establishing a learning relationship with each customer and connecting that knowledge with the firm's production and service capabilities to fulfill that customer's needs in as custom a manner as possible.

mass customization Combining flexible manufacturing with flexible marketing to greatly enhance customer choice.

Marketing (Big M) The dimension of marketing that focuses on external forces that affect the organization and serves as the driver of business strategy.

strategic marketing The long-term, firm-level commitment to investing in marketing—supported at the highest organization level—for the purpose of enhancing organizational performance.

market creation Approaches that drive the market toward fulfilling a whole new set of needs that customers did not realize was possible or feasible before.

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marketing (little m) The dimension of marketing that focuses on the functional or operational level of the organization.

tactical marketing Marketing activities that take place at the functional or operational level of a firm.

marketing metrics Tools and processes designed to identify, track, evaluate, and provide key benchmarks for improvement of marketing activities.

marketing analytics The practice of measuring, managing, and analyzing marketing performance to maximize marketing effectiveness and optimize return on marketing investment (ROMI).

return on marketing investment (ROMI) What impact an investment in marketing has on a firm's success, especially financially.

APPLICATION QUESTIONS

1. Consider the various marketing misconceptions introduced in this chapter.

   a. Pick any two of the misconceptions and develop a specific example of each from your own experience with firms and brands.

      - *Catchy and entertaining advertisements — or perhaps the opposite, incessant and boring advertisements.*
      - *Pushy salespeople trying to persuade someone to buy it right now.*
      - *Famous brands and their celebrity spokespeople, such as Nike's athlete endorsers.*
      - *Product claims that turn out to be overstated or just plain false, causing doubt about the trustworthiness of a company.*
      - *Marketing departments "own" an organization's marketing initiative.*
      - *Marketing is all about advertising.*
      - *Marketing is all about selling.*
      - *Marketing is all fluff and no substance.*
      - *Marketing is inherently unethical and harmful to society.*

   b. How will it be beneficial for a new marketing manager to understand the misconceptions that exist about marketing?

      Effective marketing management isn't about buzzwords or quick fixes. In today's business milieu, marketing is a central function and set of processes essential to any enterprise. Moreover, leading and managing the facets of marketing in order to improve

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individual, unit, and organizational performance – marketing management – is a core business activity, worthy of any student's study and mastery.

c. Can you come up with some other marketing misconceptions of your own – ones that are not addressed in the chapter?

Student answers to this question will vary.

2. In this chapter we make a strong case for the relevance of Peter Drucker's key themes today, even though much of his writing was done decades ago. Do you agree that his message was ahead of its time and is still relevant? Why or why not? Assume you are the CEO of a firm that wants to practice a market orientation. How will Drucker's advice help you to accomplish this goal?

Peter Drucker's key themes included a business built around the customer with resources and processes aligned to maximize customer value. He also believed that marketing is the central core of the firm, and it should therefore be the concern and responsibility of the entire organization. This business philosophy was well ahead of its time.

Excerpts from Drucker's advice that would impact an executives' effort to enact a market orientation:

What the customer thinks he is buying, what he considers "value" is decisive—Because it is the [purpose of a business] to create a customer, [the] business enterprise has two – and only two – business functions: marketing and innovation.[1]

3. Put yourself in the role of a marketing manager – from this perspective, do you agree with the concepts of societal marketing and sustainability? Why or why not? How does a focus on sustainability affect the marketing manager's role and activities? Identify two organizations that you believe do a great job of paying attention to sustainability and present the evidence that leads you to this conclusion.

Marketing's stakeholders include any person or entity inside or outside a firm with whom marketing interacts, impacts, and is impacted by. At the broadest conceptual level, members of society at large can be viewed as a stakeholder for marketing – a concept called societal marketing.

Sustainability refers to business practices that meet humanity's needs without harming future generations.[2]

Sustainability practices have helped socially responsible organizations incorporate doing well by doing good into their overarching business models so that both the success of the firm and the success of society at large are sustained over the long term.

Example of an organization that is doing a great job of paying attention to sustainability:

Unilever:

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- *In Brazil, the company developed a partnership to create a green refinery, generating a supply chain of over 1 million tons of deforestation-free soybean oil, which is a key ingredient in many of its products.*
- *Unilever funds a floating hospital that offers free medical care in Bangladesh, a nation with just 20 doctors for every 10,000 people.*
- *In Ghana, it uses innovative technology to help maintain a deforestation-free supply of palm oil.*
- *In India, Unilever employees help thousands of women in remote villages start micro-enterprises.*
- *Responding to green activists, the company discloses how much carbon dioxide and hazardous waste its factories discharge around the world.*
- *In Germany, it launched the first laundry liquid in which the key cleaning ingredient is made with recycled carbon and packaged it in recyclable bottles made using 70% recycled plastic. Confirmed that by 2025, it will help collect and process more plastic packaging than it sells; and reduce by half its use of virgin plastic.*

4. Review the section on change drivers and select any two within the set that you want to focus on. Pick an organization of your choice and answer the following questions:

   a. In what ways do each of the change drivers impact the firm's ability to successfully do marketing?

   b. How is the firm responding to the change drivers in the way it approaches its business? What should it be doing that it is not doing at present?

   c. What role do you believe the marketing manager has in proactively preparing for these and future change drivers?

   Students will provide various answers. Here is information that should be used to inform their responses:

   Five key areas of shift, or change drivers, are:

   - *Shift to product glut and customer shortage.*
   - *Shift in information power from marketer to customer.*
   - *Shift in generational values and preferences.*
   - *Shift to distinguishing Marketing ("Big M") from marketing ("little m").*
   - *Shift to demanding return on marketing investment.*

5. In this chapter, you learned that harmonious performance of Marketing (big M) and marketing (little m) within a firm can lead to greater levels of success. Why is this true?

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What does it mean that these two need to be "harmonious?" What would be some likely negative consequences if they were out of sync?

Specific programs and tactics aimed at customers and other stakeholder groups tend to emanate from marketing (little m).[3] However, marketing (little m) always needs to be couched within the philosophy, culture, and strategies of the firm's Marketing (Big M). Based on these statements, those firms that are successful at accomplishing "little m" goals and objectives will inherently be well on their way to doing the same with "Big M" goals and objectives.

Marketing (Big M) and marketing (little m) should be quite naturally connected within a firm, as the latter tends to represent the day-to-day operationalization and implementation of the former. If they were to become out of sync, the consequences could lead to confusion within the firm (internal), confusion in the marketplace with customers (external), and possible underachievement in terms of overall strategy goals.

MANAGEMENT DECISION CASE

NFL Marketing Expands Its Reach

The National Football League (NFL) is one of the most recognized sports organizations in the world and continues to refine its marketing approach both on a strategic and functional level as a shift in generational values and preferences poses a challenge, as younger generations seem less interested in the NFL's product.

The case provides an opportunity to discuss characteristics of various generations and how the NFL and other organizations need to keep these traits in mind as they broaden their marketing strategies. In addition, the NFL is working to attract women, the Latino community, and younger fans with targeted programs, including strategies to meet younger fans "where they are"—on gaming platforms and social media.

Questions for Consideration

1. Based on the details presented in this case, is the NFL's "Big M" or "little m" more critical to its ongoing success? Support your answer with examples of each.

   The NFL is working to improve its marketing reach at both the strategic (Big M) and functional (little m) levels in a variety of ways. At the strategic level, the organization acknowledges it still has work to do to attract younger fans, Latino community members, and women. At the functional level (little m), the NFL needs to work on fine tuning its marketing mix to address how it will attract different constituencies not necessarily interested in football.

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2. Do you think the NFL's partnership with Roblox and other gaming platforms will be sufficient to entice younger generations to become NFL fans? Explain your reasoning.

   Student answers will vary. The NFL acknowledges it has work to do to "meet young fans where they are"—a strategy that should include sharing content on various social media platforms such as YouTube, Instagram, and TikTok and highlighting NFL players as individuals with different personalities.

3. Working with Amazon Web Services, the NFL is collecting a "goldmine of data" about its viewership. How can these data be used to expand the NFL's marketing reach? Provide several examples.

   Effective marketing metrics are tools and processes designed to identify, track, evaluate, and provide key benchmarks for improving marketing activities. Using the data collected by AWS allows the NFL to target specific groups and focus on messages that will attract these potentially new fans to the game of football.

4. In what ways can the NFL continue to leverage the ratings bump brought about by Taylor Swift and her loyal fan base?

   Student answers will vary, especially if the Taylor Swift/Travis Kelce relationship does not continue going forward. The NFL would be wise to "lean in" to the publicity and notoriety brought about by Taylor Swift and her interest in the game. With almost half of the NFL fan base made up by women, the marketing strategy should continue to reach out to females of all age groups.

SUGGESTED VIDEO

Making a Market: Vosges Haut-Chocolat (5:25 minutes)

Description: Vosges Haut-Chocolat is a chocolate brand seeking to make consumption of their chocolate a luxury experience which has grown along with the market for high-end chocolate. The video discusses how Vosges has created a cohesive marketing strategy focused on luxury and innovation.

1. Vosge has chosen a premium/luxury positioning strategy. What are the pros and cons of this marketing approach for Vosge?

   Through pricing, packaging, and store layout, Vosge signals that their product is something special. This approach can attract a class of customer who cares about status and peer acceptance and can afford to pay Vosge's premium prices, providing the company with higher per unit profits. It also has the benefit of creating differentiation for a product that has a short list of features that consumers may use to compare alternatives.

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A premium approach does, however, limit the number of prospective customers. The strategy also has additional costs (such as the lavishly appointed stores) that eat into the premium profits. A premium brand is also vulnerable to competition that can approach the market with a similar message, but a slightly lower price. Vosge may be aware of this as the video notes that they are pursuing a "downward stretch" of their brand through offering products at a lower price.

2. What aspects of Vosge's marketing strategy supports their experience/storytelling approach? What are the risks to this strategy as they expand their distribution network to non-company-owned stores?

   It appears that the company supports storytelling/experience building through their website, other forms of advertising, through very specific décor in their company-owned stores, through sampling, and through selection/training of personnel to be good storytellers. With the move to third-party distribution, a major part of this formula goes away or is at least eroded. Students should note here the loss of control that comes with the positive aspects of expanding the distribution approach. To maintain the premium image and the attachment of the experience idea to their product, Vosge will likely need to focus on (and invest more heavily in) the component of the marketing mix over which they have the greatest control: advertising.

3. Review the 4-step creative process that the CEO uses to develop a new product and the messaging to support it. How could this process be applied to other consumer products? Choose a product in a completely different industry and apply the process to develop a basic creative strategy.

   4 step creative process:

   1) *fall in love with beauty, curiosity, or a cause*

   2) *connect it to chocolate*

   3) *take action (most important)*

   4) *create the experience*

   While storytelling will not be appropriate for every product, there are simple stories that can be told about many products. Step 1 could be focused on a benefit of interest to the target market. In step 2, the fulfillment of that benefit is connected logically (or emotionally) to the product. Step 3 would involve many tactical marketing actions such as creating advertising copy or designing a store or store display. Step 4 would at least be a set of messaging used with various promotional tools and could also involve hiring and training specialized sales personnel.

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[1] Peter F. Drucker, *The Practice of Management*. New York: Harper and Row, 1954 pp. 37-38.
[2] John Grant, "Green Marketing," *Strategic Direction,* Vol. 24, Iss. 6, 2008 pp. 25-27.
[3] Marco Vriens, "Strategic Research Design," *Marketing Research,* Vol. 15, Iss. 4, 2003, p. 20.

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