

# Chapter 1

Marketing:  
Creating Satisfaction through  
Customer Relationships

# Chapter Objectives

1. Explain how marketing creates utility through the exchange process.
2. Contrast marketing activities during the four eras in the history of marketing.
3. Define the marketing concept and its relationship to marketing myopia.
4. Describe the characteristics of not-for-profit marketing.
5. Describe the five types of nontraditional marketing.
6. Outline the changes in the marketing environment due to technology.
7. Explain the shift from transaction-based marketing to relationship marketing.
8. Identify the universal functions of marketing.
9. Demonstrate the relationship between ethical business practices and marketplace success.



# **What is Marketing?**

# What is Marketing?

## Three Mistaken Views

### Marketing is Selling

No, because:

- Selling is part of Marketing
- Marketing starts long before the company has a product or service
- Marketing involves homework to assess needs, measure their extent, and determine if a profitable opportunity exists
- Selling only occurs only after a product is manufactured or a service is created
- Marketing continues throughout a product's life, finding new customers, improving product appeal and performance, and managing repeat sales

Philip Kotler "On Marketing"

# What is Marketing?

## Three Mistaken Views

### **Marketing is Advertising**

**No, because:**

- Advertising is part of Marketing
- Marketing starts long before the company places and ad or develops an advertising strategy
- Advertising becomes part of an over-all Marketing Plan
- Advertising only occurs only after a product is manufactured or a service is created

John Eichenberger “Personal Experience”

# What is Marketing?

## Three Mistaken Views

### Marketing is Mainly a Department

**No, because:**

- Yes, companies do have Marketing Departments, but,
- All departments should be at least customer oriented if not customer driven
- In highly competitive markets, all departments must focus on winning customer preference
- “Companies can’t give job security. Only customers can”  
– Jack Welch, General Electric CEO

Phillip Kotler “On Marketing”

# Four Types of Utility

<b>Type</b>	<b>Description</b>	<b>Examples</b>	<b>Organizational Function Responsible</b>
<b>Form</b>	Conversion of raw materials and components into finished goods and services	J.P. Morgan Chase checking account; Lincoln Navigator; Ramen Noodles (nutrition for students who are hungry, broke, and can't—or won't—cook)	<b>Production</b>
<b>Time</b>	Availability of goods and services when consumers want them	Digital photographs; LensCrafters eyeglass guarantee; UPS Next Day Air	<b>Marketing</b>
<b>Place</b>	Availability of goods and services at convenient locations	Soft-drink machines outside gas stations; on-site day care; banks in grocery stores	<b>Marketing</b>
<b>Ownership</b>	Ability to transfer title to goods or services from marketer to buyer	Retail sales (in exchange for currency or credit-card payment)	<b>Marketing</b>

# What is Marketing?

- Marketing creates utility through the exchange process
  - **Utility:** Want-satisfying power of a good or service
    - Form utility
    - Time utility
    - Place utility
    - Ownership utility



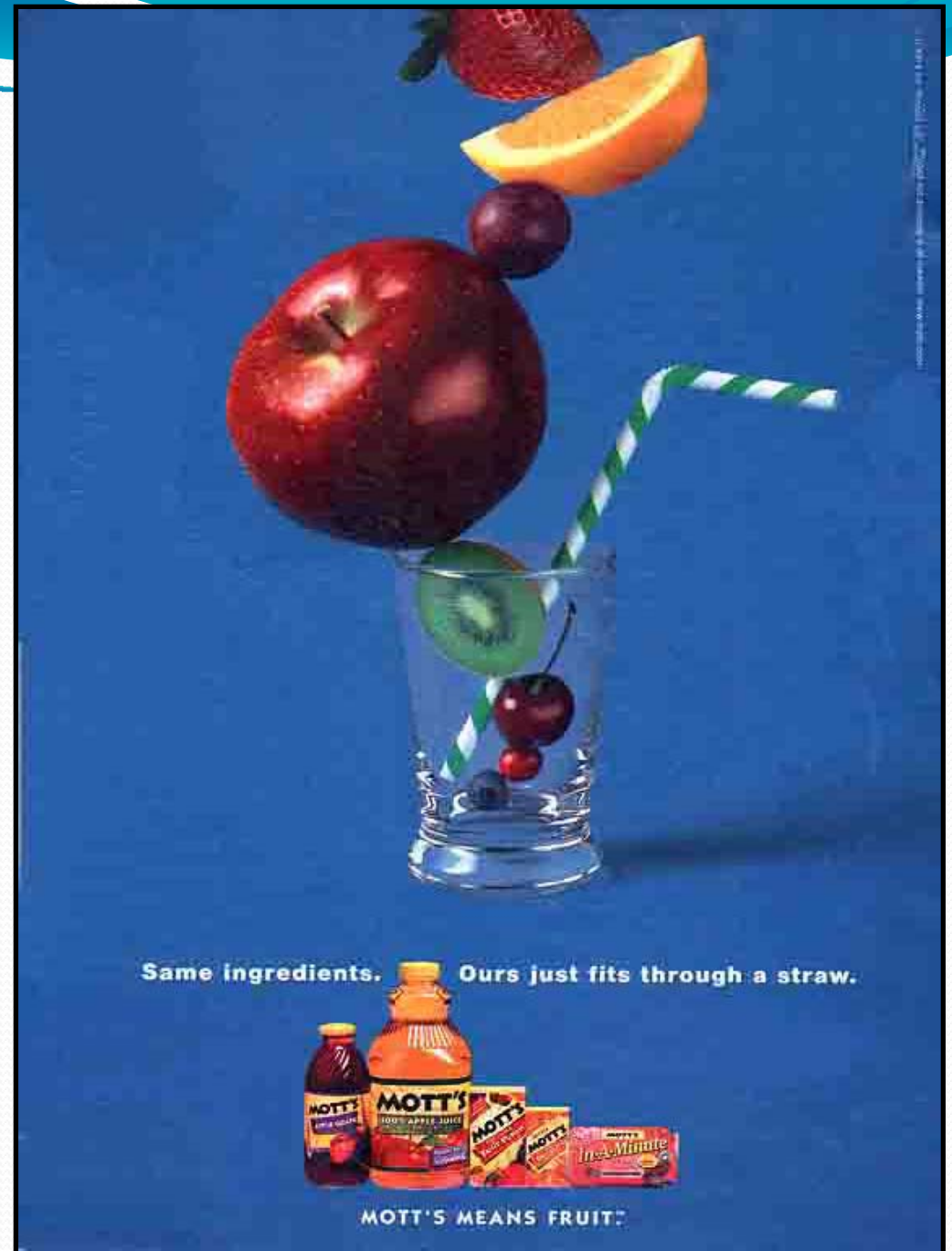
# What is Marketing?

Marketing is the art of finding, developing, and profiting from opportunities.

Philip Kotler, “On Marketing”

- **MOTTS**

- Ad Promotes the Creation of Form Utility. The copy reads: “Same ingredients. Ours just fits through a straw.” and “MOTTS MEANS FRUIT”





- **How to Create Customers**

- Identifying customer needs
- Designing goods and services that meet those needs
- Communicating information about those goods and services to prospective buyers
- Making the goods or services available at times and places that meet customers' needs
- Pricing goods and services to reflect costs, competition, and customers' ability to buy
- Providing for the necessary service and follow-up to ensure customer satisfaction after the purchase




- **A Definition of Marketing**


- ***Marketing:*** the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services, organizations, and events to create and maintain relationships that will satisfy individual and organizational objectives.

- **American Marketing Association's** new official definition of marketing released August 2004:

- Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

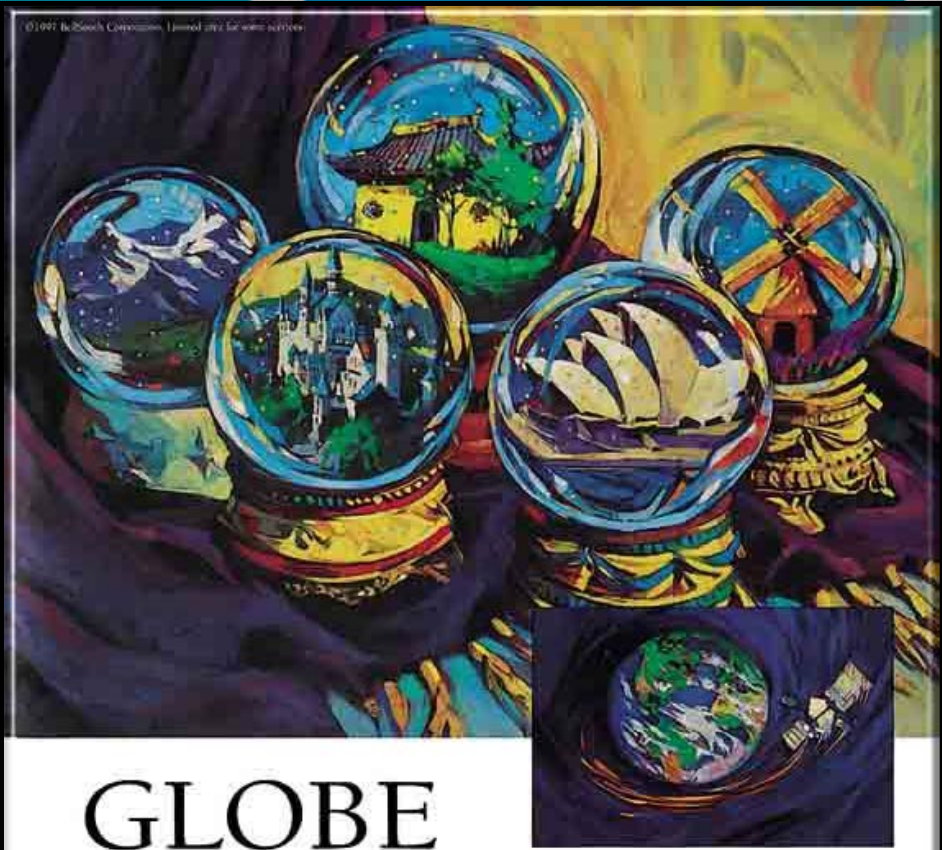


- 
- Both definitions also identify the marketing variables that together provide customer satisfaction through:
    - **Product**
    - **Price**
    - **Promotion**
    - **Place [Distribution]**

- 
- Creating customers that want to stay with you is all about identifying needs, providing goods and services that meet those needs, pricing, and follow-up service.
  - Can you think of examples?
  - How would you get customers to stay with you in your business?

## Today's Global Marketplace

- International agreements increase trade among nations
- Growth of electronic commerce and related computer technologies
- Interdependence of the world's economies
- “Countries like India are now able to compete for global knowledge like never before” *The World is Flat* by Thomas L. Friedman



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# GLOBE

The word globe can have many meanings, depending on how you see it. It can be a simple sphere. A ball. Or a planet. To BellSouth, it's the entire world. Our expertise starts at home, then spans the globe. With cellular service on five continents. Powerful networks for long distance in Australia. Wireless systems in Latin America, Europe and beyond. We're bringing together the world's most advanced technology. So you can launch your words to places all over the world.

*Because a word can have many meanings. But it means nothing until it's shared.*

**BELLSOUTH**<sup>®</sup>  
It's All Here.<sup>™</sup>  
[www.bellsouth.com/words](http://www.bellsouth.com/words)



- **EVIAN**

International Trade  
Involves Exporting  
*and* Importing

- This Evian ad, taken from a U.S. magazine, shows the U.S. Market is attractive to International Marketers like Evian of France
- [Is this still true?]



● **Figure 1.2**

- Marketing of Services: A Major Component of the Global Marketplace P.9

WHERE SOMERSET MAUGHAM FENNICED MANY A GREAT TALE.  
SATTLES, TRISHAW TO BEACH ROAD.  
SQ TO SINGAPORE, OUR HOME.

XX FLIGHTS WEEKLY  
1960  
NEW YORK  
HONOLULU  
SAN FRANCISCO  
LOS ANGELES

FRANKFURT    AMSTERDAM    HONG KONG    TAIPEI    SEOUL    TOKYO    BANGKOK    AND OVER 25 MAJOR CITIES

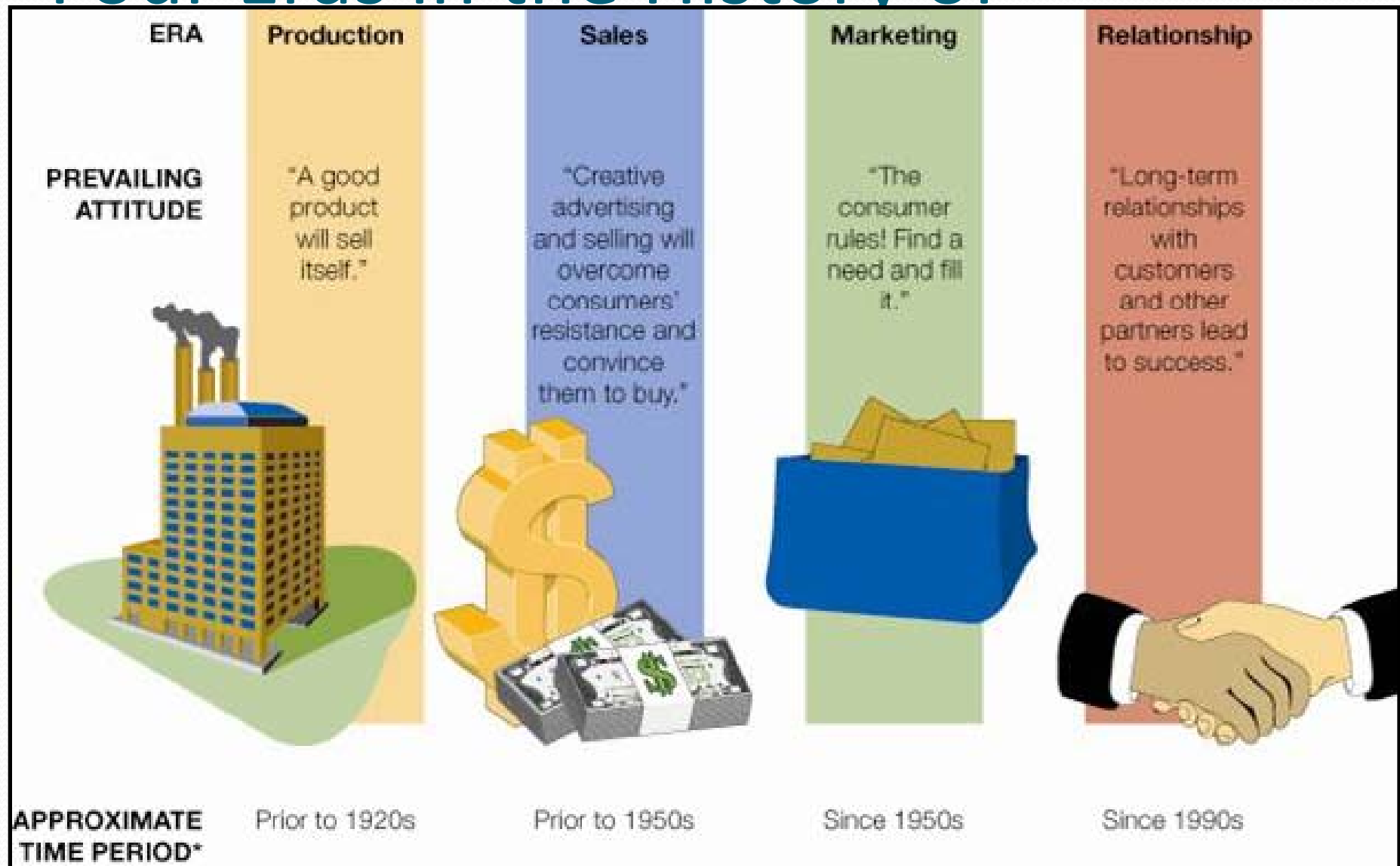
SINGAPORE AIRLINES

A member of the  
**SINGAPORE AIRLINES**

www.singaporeair.com

The advertisement features a photograph of two women in traditional patterned dresses standing in a bright, white interior space with large windows and lush greenery. In the background, a flight attendant in a white uniform is walking. The text is arranged in a clean, modern layout, with the Singapore Airlines logo and name at the bottom right.

# Four Eras in the History of





- **Production Era**

- Prior to 1920s
- **Production orientation**
- Business success often defined solely in terms of production victories

- **Sales Era**

- Prior to 1950s
- Customers resist nonessential goods and services
- Personal selling and advertising's task is to convince them to buy



- **Marketing Era**

- Since 1950s Marketing Concept Emerges
- Satisfying customer needs

- **Emergence of the Marketing Concept**

- Shift from seller's to buyer's market
- Company-wide consumer orientation
- Objective of achieving long-run success

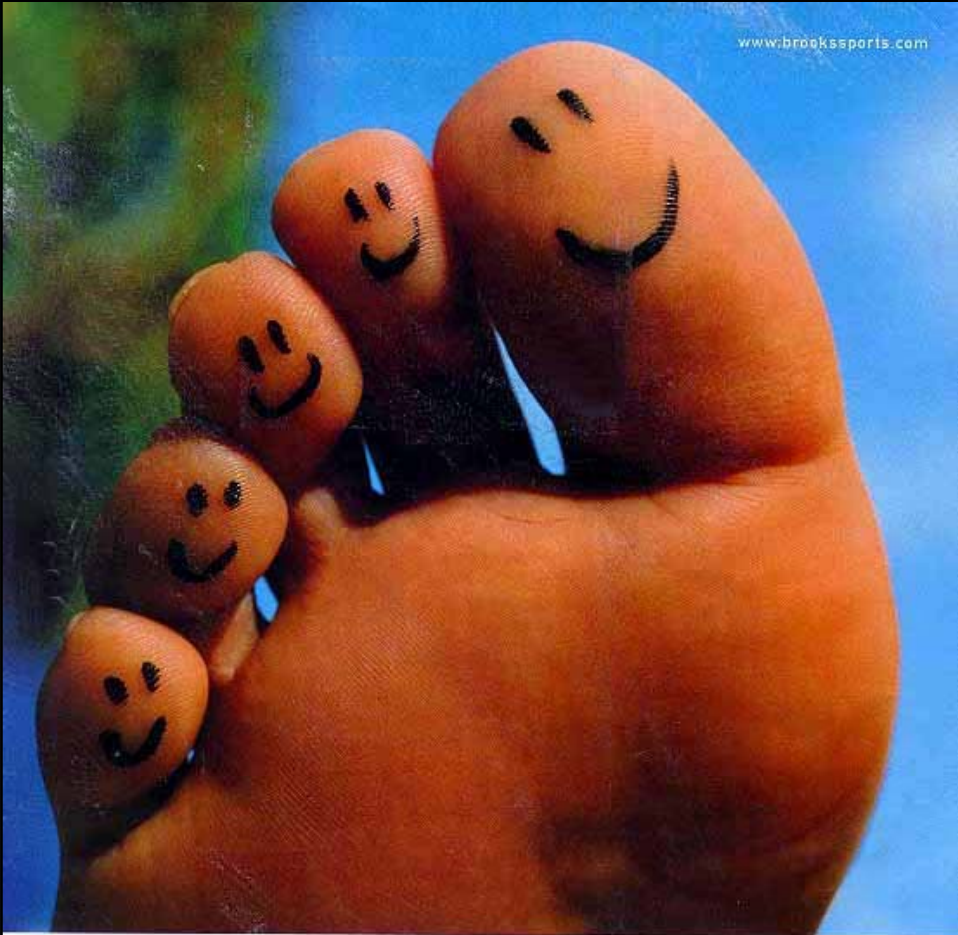


- **Relationship Era**


- Began in 1990s
- Carried customer orientation even further
- Focuses on establishing and maintaining relationships with both customers and suppliers
- Involves long-term, value-added relationships

## Converting Needs to Wants

- The *need* for a vacation becomes a *desire* to take Caribbean Holiday
- The *need* for fitness becomes a *desire* for exercise classes
- **Brooks** Focuses on the Benefit of Comfort in Marketing Its Running Shoes



www.brookssports.com



Men's  
Adrenaline GTS

If your feet aren't happy, you're not happy. If you're not happy, we're not happy. So what do we do? We simply make the most comfortable running shoes imaginable. And, well, everyone's happy. 1 (800) 2BROOKS

**BROOKS**  
Comfort. Performance. Guaranteed.

## Figure 1.4

- **Symantec: Fulfilling the Need for Privacy Protection**

The screenshot displays the Symantec website homepage with a yellow and white color scheme. At the top left is the Symantec logo. To the right are links for 'search', 'site index', and 'global sites...', along with language options: '日本', '대한민국', '台灣', and '中國'. A horizontal navigation bar contains links for 'products and services', 'purchase', 'support', 'security response', 'downloads', and 'about symantec'. The main banner features the text 'Global Security Solutions' over a background image of a person on a phone. To the right of the banner is a list of categories: 'Enterprise Solutions', 'Public Sector', 'Small Business', 'Home & Home Office', and 'Partners'. Below the banner are four content sections: 'Security Response USA' with 'Latest Threats' (W32.Gaobot.A15, AS.HW2004.Trojan) and 'Advisories' (Microsoft Windows HSC DVD Driver, Upgrade Code Execution Vulnerability); 'Announcements' with 'Symantec Selected Best Security Company' and 'Home and Home Office Resource Center'; 'Enterprise Products and Services' featuring 'Symantec AntiVirus™ Gateway Solution'; and 'Shop Home & Home Office' featuring 'Norton AntiVirus 2004'.



- Easier to use software moves computers into homes.
- **The Apple iMacs and now the iPod:**  
Converting needs to wants



The thrill of surfing.  
The agony of choosing a color.

Hop on an iMac and in just ten minutes you could be surfing the internet and e-mailing everyone and their brother. Now for the hard part: what color will it be? [www.apple.com](http://www.apple.com) Think different:

# Avoiding Marketing Myopia

- **Marketing Myopia** is management's failure to recognize the scope of its business.
  - To avoid marketing myopia, companies must broadly define organizational goals toward consumer needs
  - Focus on benefits

COMPANY	MYOPIC DESCRIPTION	MARKETING-ORIENTED DESCRIPTION
Cingular	"We are a telephone company."	"We are a communications company."
JetBlue Airways	"We are in the airline business."	"We are in the transportation business."
Morgan Stanley	"We are in the stock brokerage business."	"We are in the financial services business."
Sony	"We are in the video game business."	"We are in the entertainment business."

# Extending the Traditional Boundaries of Marketing

- **Marketing in not-for-profit organizations**
- **Characteristics of not-for-profit marketing**
  - The bottom line is not the main objective
  - Still need to generate revenue – need donors
  - May market both goods and services
  - Customer or service user may wield less control over the organizations destiny than customers of profits seeking firms
  - Resource contributor may interfere with the marketing program

# Nontraditional Marketing

- Person Marketing
- Place Marketing
- Cause Marketing
- Event Marketing
- Organization Marketing

**LOCATE YOUR  
BUSINESS IN ONE  
OF OUR TAX-FREE ZONES.  
BRING THE KIDS.**



Michigan has made more tax cuts during the last six years than any other state in the nation. And with 11 tax-free Renaissance Zones, Michigan merits a closer look. Michigan is also a great place to live, with more than 40 ski resorts and thousands of miles of groomed snowmobile and cross-country ski trails. Our business climate, tax-free zones and Great Lakes lifestyle make Michigan the perfect environment for business...and children. For more information, call 1-800-94NoTax or visit our web site, [www.mjc.state.mi.us](http://www.mjc.state.mi.us).

**MICHIGAN**  
GREAT LAKES. GREAT LOCATION.

# • Nontraditional Marketing

TYPE	BRIEF DESCRIPTION	EXAMPLES
Person marketing	Marketing efforts designed to cultivate the attention and preference of a target market toward a person	Celebrity Beyoncé Knowles Athlete LeBron James Political candidate Arnold Schwarzenegger
Place marketing	Marketing efforts designed to attract visitors to a particular area; improve consumer images of a city, state, or nation; and/or attract new business	Hawaii: The Islands of Aloha California: Find Yourself Here Tennessee: Sounds Good to Me
Cause marketing	Identification and marketing of a social issue, cause, or idea to selected target markets	"Reading Is Fundamental." "Friends don't let friends drive drunk." "Be a mentor."
Event marketing	Marketing of sporting, cultural, and charitable activities to selected target markets	NASCAR Pepsi 400 Susan G. Komen Race for the Cure
Organization marketing	Marketing efforts of mutual-benefit organizations, service organizations, and government organizations that seek to influence others to accept their goals, receive their services, or contribute to them in some way	United Way brings out the best in all of us. American Red Cross: Together, we can save a life. Sierra Club: Explore, enjoy, and protect the planet.

## Person Marketing

- Efforts to cultivate the attention, interest, and preferences of a target market toward a celebrity or authority figure



- **Place Marketing**
  - Attempt to attract people and organizations to a particular geographic area.

*It's not just about*  
*cutting loose.*

*It's about*  
*holding tight.*

**2 & 3 Day Bounce Tickets®**

With our Bounce Ticket®, visit Busch Gardens in the morning, Water Country in the afternoon and then finish off the evening at Busch Gardens or visit only one Park...your choice. The Bounce Ticket® allows you unlimited admission to Busch Gardens, Water Country USA or you can bounce between both! Ticket is valid the entire 2004 season!

**Busch GARDENS**  
WILLIAMSBURG, VA

**WATER COUNTRY USA**  
Williamsburg, VA

- **Cause Marketing**
  - Identification and marketing of a social issue, cause, or idea to selected target markets

This is my brother Omar.

He had a hole in his tummy.

A bullet hit him.

I saw red grass.

A gun was in the garage.

I didn't mean to shoot daddy's gun.

I didn't mean to shoot daddy's gun.



An unlocked gun could be the death of your family.  
Please lock up your gun.



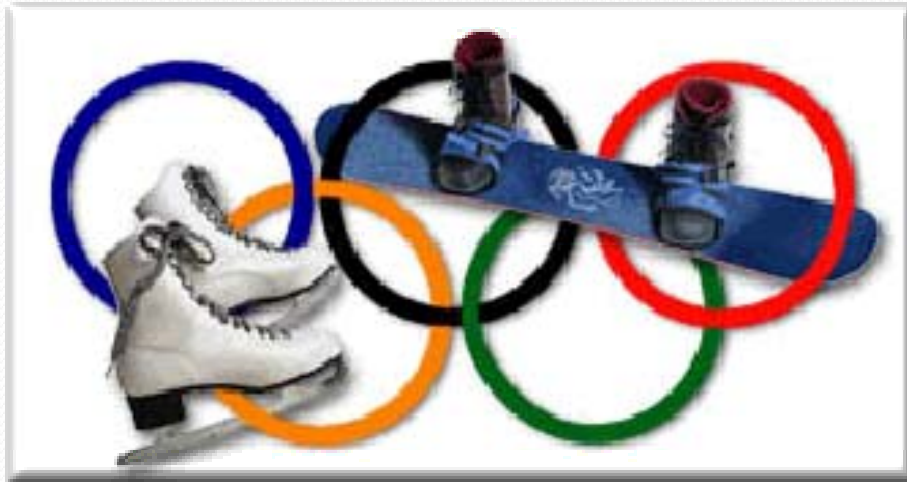
[www.unloadandlock.com](http://www.unloadandlock.com)

**NATIONAL CRIME  
PREVENTION COUNCIL**



## • **Event Marketing**

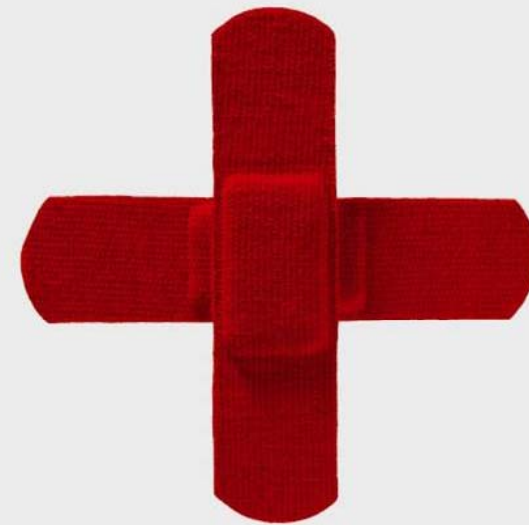
- The marketing of sporting, cultural, and charitable activities to selected target markets
- **Visa**, one of many sponsors of the Summer 2004 Olympic Games



- **Organization Marketing**
  - Involves attempts to influence others to accept the goals of, receive the services of, or contribute in some way to an organization.



*Together, we can save a life*



*Give blood.*

When we give blood, we help save lives, often the lives of people we might never even meet. It's one of the many simple actions we can take to help prepare ourselves and our communities for the unexpected, and it doesn't take much time. When we come together, we become part of something bigger than us all. To find out about the next blood drive in your area, contact the American Red Cross at 1-800-GIVE LIFE (1-800-488-3543)

TOGETHERWE [Give blood](#) | [Build a kit](#) | [Get trained](#) | [Volunteer](#) | [Make a plan](#) | [Can donate](#)

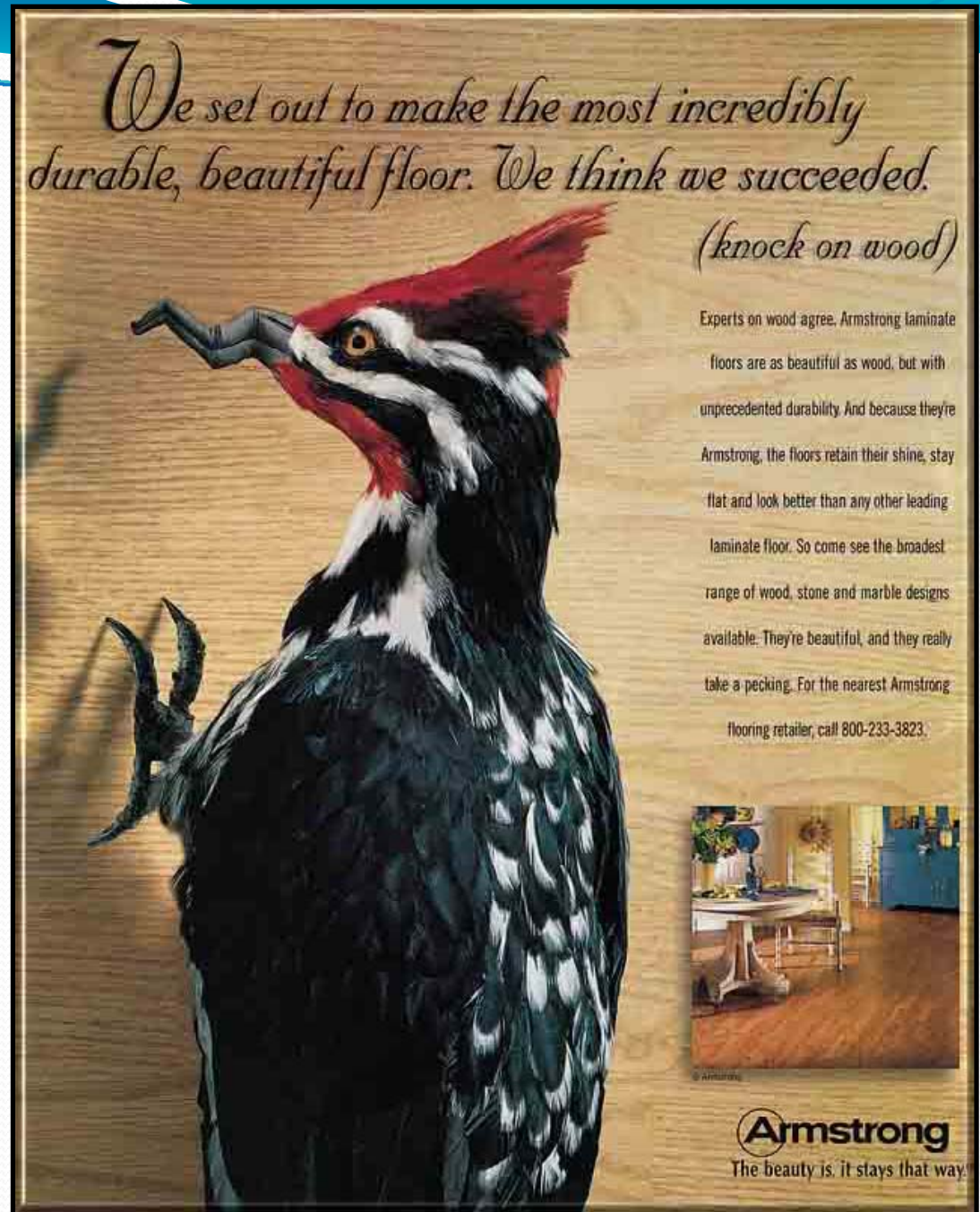


# Creativity and Critical Thinking

- Challenges presented by today's complex and technologically sophisticated marketing environment require critical-thinking skills and creativity from marketing professionals
- Critical Thinking refers to the process of determining the authenticity, accuracy, and worth of information, knowledge, claims and arguments
- Creativity helps to develop novel solutions to perceived marketing problems

## Creative communication of Armstrong Quality


- Critical-thinking skills used to develop **Rap Snacks** pp.21,22



*We set out to make the most incredibly durable, beautiful floor. We think we succeeded.*

*(knock on wood)*

Experts on wood agree. Armstrong laminate floors are as beautiful as wood, but with unprecedented durability. And because they're Armstrong, the floors retain their shine, stay flat and look better than any other leading laminate floor. So come see the broadest range of wood, stone and marble designs available. They're beautiful, and they really take a pecking. For the nearest Armstrong flooring retailer, call 800-233-3823.



**Armstrong**  
The beauty is, it stays that way.™

# The Technology Revolution in Marketing

- **Technology:** Application to business of knowledge based on scientific discoveries, inventions, and innovations
- **Technological advances** are revolutionizing marketing – WSJ articles
- **Interactive marketing:** refers to buyer-seller communications in which the customer controls the amount and type of information received from a marketer

- **The Internet** is an all-purpose global network composed of more than 50,000 different networks around the globe that allows those with access to a computer send and receive images and text anywhere
- **World Wide Web** is an interlinked collection of graphically rich resources within the larger Internet
- **Broadband technology** is extremely high speed, always-on Internet connection
- **Wireless Internet** connections for laptops and PDA's
- **Interactive Television Service (iTV)** allows consumers to interact with programs or commercials through their remote controls

## How Marketers Use the Web

- Interactive brochures
- Online newsletters
- Virtual storefronts
- Information clearinghouses
- Customer service tools
- What other ways can you think of?

What will your dream doll look like?  
You Decide!

Just go to [www.barbie.com](http://www.barbie.com) and click My Design™.

What color hair will she have? What color eyes? What about her hair style, her skin tone and what will she wear? What will her name be? Now, you decide. Just go on the Internet to My Design™ at [www.barbie.com](http://www.barbie.com). It's easy. It's fun. And with a grown-up's help you can order your doll and we'll ship it right to your door.\* Then you can show all your friends your dream doll.

[www.barbie.com](http://www.barbie.com)

\*Details on Barbie website. Each sold separately. Choices available at the time you order may vary from those shown. ©1999 Mattel, Inc. All Rights Reserved.

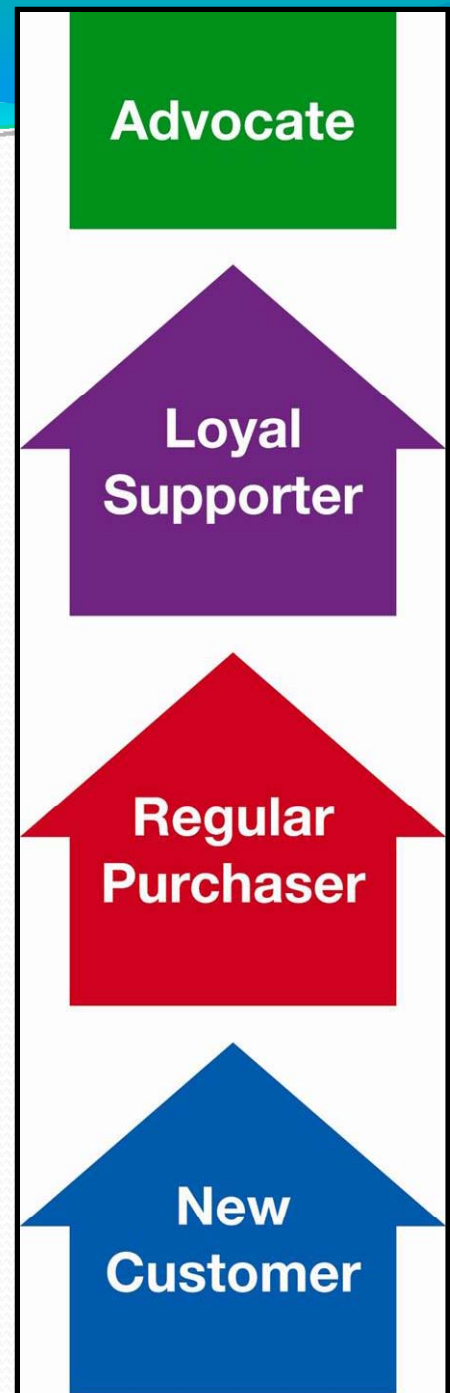
# Internet Questions – p.26

- What types of goods and services can be successfully marketed on the Web?
- What types of goods and services would not benefit from Web marketing?
- How secure do you feel the Web is for processing your order?
- How will the Internet affect traditional retail stores?

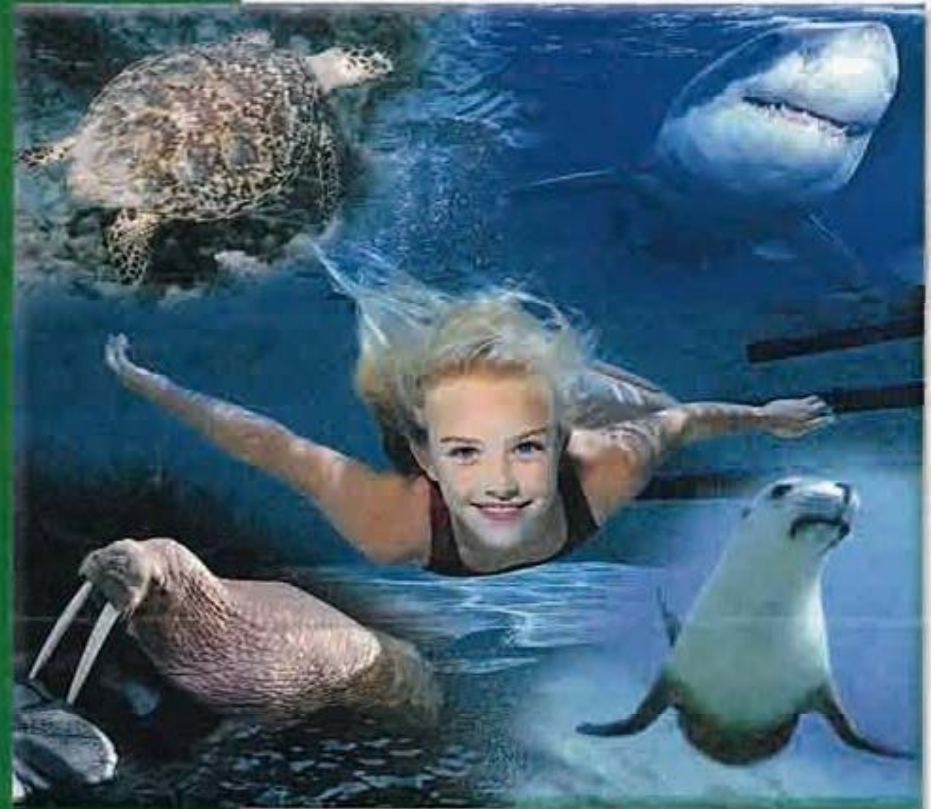


# From Transaction-Based Marketing to Relationship Marketing

- **Transaction-based marketing**  
(Simple exchanges)
- **Relationship marketing**
  - **Lifetime value of a customer**
  - **Converting new customers to advocates**



- **Holiday Inn** building a relationship beyond selling a place to sleep



Use your Visa® card to receive a kids' Activity Book with valuable coupons!



1-800-HOLIDAY

[www.holiday-inn.com](http://www.holiday-inn.com)

## Kids Eat Free, Stay Free, and Explore the Oceans Free.

This Summer at over 1,000 participating hotels, kids 12 and under eat free\* while kids 19 and under stay free\*\* Stay with us between May 28 and September 7, and your kids will discover the oceans with a free Holiday Inn® water bean bag animal. So don't just book a room. Book an adventure!



Or call your travel professional. Guests with hearing impairments please call 1-800-228-5544 (TDD only).

\*Kids 12 and under eat free when dining in the restaurant when you eat there and must be accompanied by an adult. Taxes and gratuity apply. \*\*Kids 13 and under stay free in general rooms. Maximum occupancy subject to local laws. Children 19 and under may qualify for rate, and adults must be registered guests. Limit 1 suite per dining table. Not available for group travel activities or breakfast rates. One water bean bag animal per stay while supplies last. 14 days' advance booking required. Maximum 1000 per hotel. Offer available at participating Holiday Inn® hotels in the U.S., Canada and Mexico. ©2006 Holiday Inn & Resorts, Inc. All rights reserved. Travel rules and restrictions apply to members.



- **One-to-One Marketing**

- Customized marketing program designed to build long-term relationships with individual customers.
- Identifying a firm's best customers and increasing their loyalty.

- **Sbarro Pizza** chain reaches teens with LidRock.

- **One-to-one Marketing:**  
Sip and Spin with personalized entertainment



## • Developing Partnerships and Strategic Alliances

- **Strategic Alliances:** partnerships between organizations that create competitive advantages

eat, drink, and be charitable

**AMERICAN EXPRESS**

The Official Card of Taste of the Nation®

**JENN-AIR**  
FOR THE LOVE OF COOKING™

The Official Kitchen Appliance of Taste of the Nation®

**TASTE OF THE NATION**

**SOS** A program of  
**SHARE OUR STRENGTH**  
*It Takes More Than Food to Fight Hunger*

To purchase tickets, visit [www.tasteofthenation.org](http://www.tasteofthenation.org)

100% of ticket sales benefits the fight to end hunger.

The advertisement features a central illustration of a chef and a woman in profile, with the chef holding a globe on a fork. The background is dark with a starry sky and a silhouette of a dog's head. The American Express logo is on the left, and the Jenn-Air logo is on the right. At the bottom, the 'Taste of the Nation' and 'SOS Share Our Strength' logos are prominently displayed, along with the event's website and a statement about ticket sales.

### 1. **Buying**

Ensuring product offerings are available in sufficient quantities to meet customer demands

### 2. **Selling**

Using advertising, personal selling, and sales promotion to match products to customer needs

### 5. **Standardizing and Grading**

Ensuring product offerings meet quality and quantity controls of size, weight, and other variables

### 6. **Financing**

Providing credit for channel members (wholesalers and retailers) and consumers

### 3. **Transporting**

Moving products from their point of production to locations convenient for purchasers

### 4. **Storing**

Warehousing products until needed for sale

### 7. **Risk Taking**

Dealing with uncertainty about future customer purchases

### 8. **Securing Marketing Information**

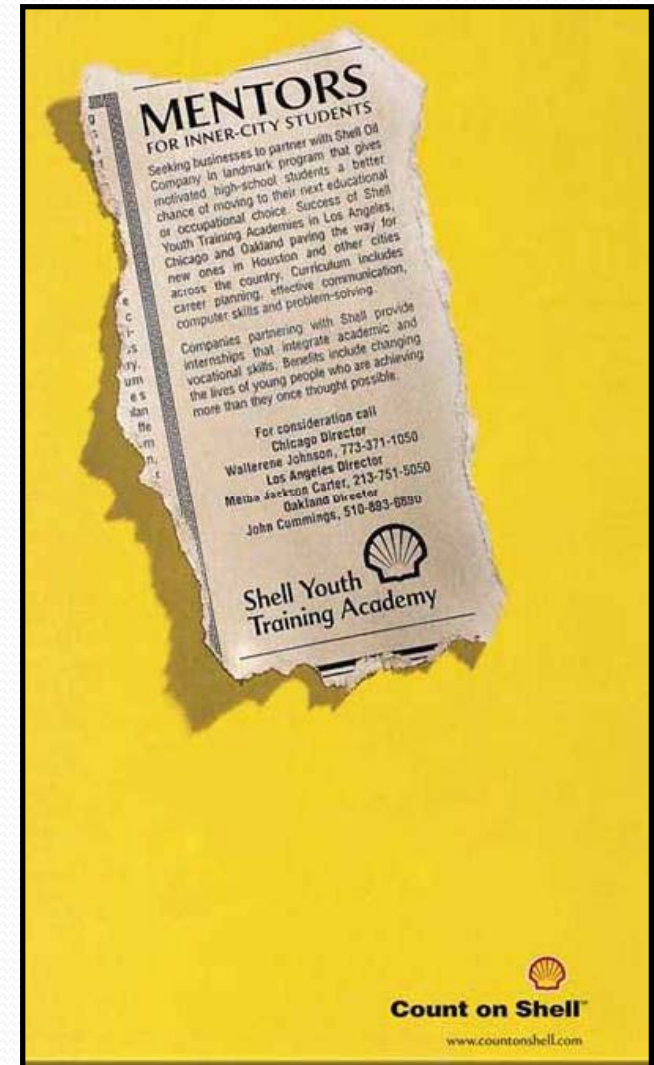
Collecting information about consumers, competitors, and channel members for use in making marketing decisions

# Ethics and Social Responsibility

- **Ethics** are the moral standards of behavior expected by a society.
- **Social Responsibility** involves marketing philosophies, policies, procedures, and actions whose primary objective is the enhancement of society.

# Ethics and Social Responsibility: Doing Well by Doing Good

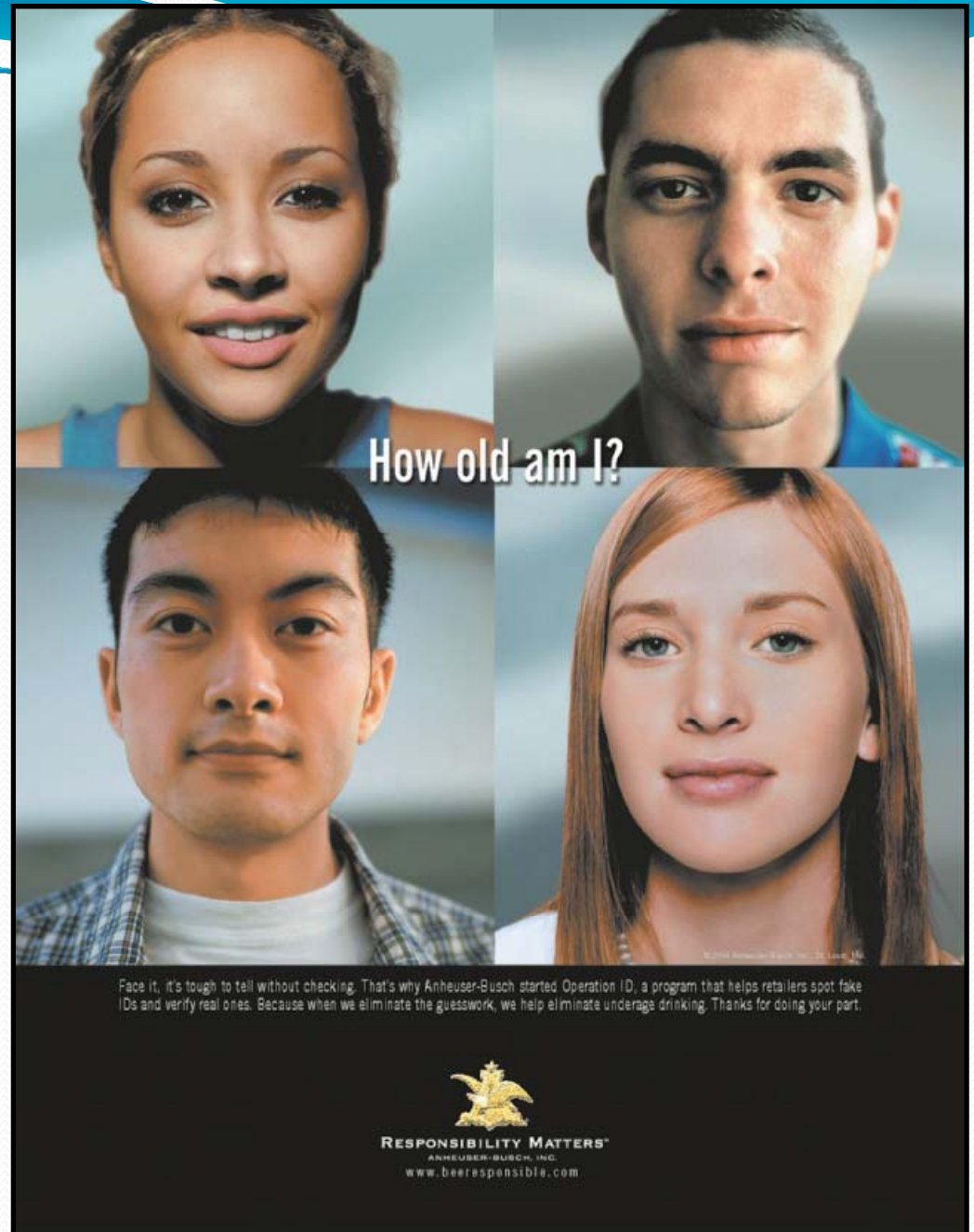
- Increased Employee Loyalty
- Better Public Image
- Market Place Success
- Improved Financial Performance
  - **Shell Oil** Promotional Message Recruiting Mentors for Inner City Youth





- **Figure 1.12**

- **Anheuser-Busch:**  
Persuasive message aimed at Reducing the incidence of underage drinking



# Ethics and Social Responsibility

- Some companies fall way short of their ethical and social responsibilities –
  - Enron
  - Tyco
- But most companies do follow ethical practices
  - Many offer ethics training to employees
  - Companies of all types sponsor community based programs

## Next Class

- January 17
- Chapters 2, 2A, Addendum 3, 22