Chapter 1

**MARKETING: CREATING AND CAPTURING CUSTOMER VALUE**

**MARKETING STARTER: CHAPTER 1**

# Amazon.com: Obsessed with Creating Customer Value and Relationships

### Synopsis

When you think of shopping online, chances are good that you think first of Amazon. The company sells everything from books, music, electronics, tools, house wares, apparel, and groceries to loose diamonds and Maine lobsters.

From the start, Amazon has grown explosively. Its annual sales have rocketed from a modest $150 million in 1997 to more than $48 billion today. What has made Amazon such an amazing success story? Founder and CEO Jeff Bezos put it in three simple words: “Obsess over customers.” To its core, the company is relentlessly customer driven.

Amazon wants to deliver a special experience to every customer. Most regulars feel a surprisingly strong relationship with the company, especially given the almost complete lack of actual human interaction.

Visitors to Amazon.com find a huge selection, good value, low prices, and convenience. But it’s the “discovery” factor that makes the buying experience really special. Amazon.com has become a kind of online community in which customers can browse for products, research purchase alternatives, share opinions and reviews with other visitors, and chat online with authors and experts.

Indeed, Amazon has become the poster child for companies that are obsessively and successfully focused on delivering customer value.

### Discussion Objective

An active 10-minute discussion of the Amazon.com story will help link students to key foundational marketing concepts. Amazon.com provides an excellent vehicle for introducing the overall marketing framework presented in Chapter 1 and throughout the text: Good marketing is all about creating value for customers and building strong customer relationships in order to capture value from customers in return. No company does that better than Amazon.com.

### Starting the Discussion

To start the discussion, ask the class, “Has anyone here purchased a product Amazon.com”? Based on the show of hands, ask for students to share their experience. Was this a random purchase or are they die-hard Amazon regulars? What is it about the customer experience that is so enticing?

Next, pull up the Amazon Web site. Working with students, search for a few random products that interest them. Click on products and delve a bit further into each page. Together, note how each product search becomes its own discovery process, complete with expert opinions, customer reviews, purchase alternatives, and even online chat with authors and experts. Be sure to review the “Get to Know Us” link at the bottom. In what ways does Amazon’s obsession with customer service show through in every feature and detail?

You should be familiar with this Web site in advance so that you can move purposefully to keep the discussion moving. But let the class discussion interactively guide the parts of the site that you explore, taking you deeper into each page. Start with the first question below, and then ask other questions as the discussion allows. Throughout the discussion, keep your objective firmly in mind: to emphasize that good marketing is all about creating value for customers and managing customer relationships in order to capture value from customers in return. The final question leads the class into Chapter 1 and the discussion for the day. Have fun with this one!

### Discussion Questions

1. The very first marketing story in the text is about Amazon.com. Let’s take a quick look at the “Get to Know Us,” “Make Money with Us,” and “Let us Help You” links at the bottom of the home page and see what we can glean about the company and how it operates. Just looking at this Web page, what stands out about Amazon.com? (The point: Everything on the site points to Amazon’s obsession with its customers.)
2. How has what we are seeing on this site contributed to Amazon’s performance? How has Amazon.com been successful? (As pointed out in the Amazon.com story, thanks in large part to its obsession with customer satisfaction and customer experience, the company has grown astronomically and profitably. Even in a slow retail economy, Amazon’s sales have soared in recent years. Thus, by creating value for customers, Amazon.com has captured value from customers in return.)
3. Why did the authors choose Amazon.com as the very first company to highlight in Chapter 1 and in the entire text? How does this opening story relate to the major points made in the rest of the chapter? (This question should lead naturally into major Chapter 1 concepts: What is marketing and what is the marketing process? What is customer-driven marketing and why are customer value, satisfaction, and relationships so important?)

Note: The video cases for Chapters 13 and 17 feature Amazon.com and may be helpful additions to this discussion.

## Chapter Overview

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In this chapter, we introduce the basic concepts of marketing. It starts with the question, “What is marketing”? Simply put, marketing is managing profitable customer relationships. The aim of marketing is to create value *for* customers and to capture value *from* customers in return. Next, the five steps in the marketing process are discussed—from understanding customer needs, to designing customer-driven marketing strategies and integrated marketing programs, to building customer relationships and capturing value for the firm. Finally, there is a discussion of the major trends and forces affecting marketing in this age of customer relationships.

## Chapter OBJECTIVES

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1. Define marketing and outline the steps in the marketing process.
2. Explain the importance of understanding customers and the marketplace, and identify the five core marketplace concepts.
3. Identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.
4. Discuss customer relationship management, and identify strategies for creating value *for* customers and capturing value *from* customers in return.
5. Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

## Chapter Outline

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| p. 2 | **INTRODUCTION**  When you think of shopping online, chances are good that you think first of Amazon. The company sells everything from books, music, and electronics to tools, house wares, and more.  From the start, Amazon has grown explosively. Its annual sales have rocketed from a modest $150 million in 1997 to more than $48 billion today.  To its core, the company is relentlessly customer driven. Amazon wants to deliver a special experience to every customer.  The Amazon “discovery” factor makes the buying experience special.  Amazon is obsessively and successfully focused on delivering customer value. | p. 3  Ad: Amazon |
|  | * **Opening Vignette Questions**  1. Many companies claim to be obsessed with customer service. What sets Amazon.com apart from the others? 2. In your opinion, is it wise to spend little on media advertising, and rely instead mostly on word of mouth? Explain. 3. Do you believe that customers really want long-term relationships with a company, rather than short-term bargains? If so, how does Amazon.com build these relationships? 4. What if a close online competitor came along, offering comparable items and service? Do you think most Amazon.com customers would remain loyal to them? Defend your answer. |  |
| p. 4  p. 5  PPT 1-3 | **WHAT IS MARKETING?**  A simple definition of marketing is *managing profitable customer relationships.*  Marketing must both attract new customers and grow the current customers.  Every organization must perform marketing functions, not just for-profit companies.  Nonprofits (colleges, hospitals, churches, etc.) also must perform marketing. Marketing Defined Most people think of marketing only as selling and advertising, or “telling and selling.”  Marketing must focus on *satisfying customer needs.*  We define **marketing** as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return. | p. 5  Key Term: Marketing |
|  | * **Assignments, Resources**   Use *Discussion Question 1* here  Use *Critical Thinking Exercise 1* here  Use *Web Resource 1* here   * **Troubleshooting Tip**   For most students, this will be their first introduction to marketing and all its ramifications. To most of them, marketing is nothing more than selling and/or advertising, and this gets reinforced daily when they see “marketing” job ads that are really sales positions. It helps to get students talking about what marketing is, and to give examples of what they think is really good marketing. Try to bring in contemporary examples that the students can relate to. |  |
| p. 5  PPT 1-4 | The Marketing Process Figure 1.1 shows the five-step marketing process.   1. Understand the marketplace and customer needs and wants. 2. Design a customer-driven marketing strategy. 3. Construct a marketing program that delivers superior value. 4. Build profitable relationships and create customer delight. 5. Capture value from customers to create profits and customer quality.   In the first four steps, companies work to understand consumers, create customer value, and build strong customer relationships.  In the final step, companies reap the rewards of creating superior customer value. By creating value *for* consumers, they in turn capture value *from* consumers in the form of sales, profits, and long-term customer equity. | Chapter Objective 1  p. 5  Figure 1.1: A Simple Model of the Marketing Process |
|  | * **Assignments, Resources**   Use *Think-Pair-Share 1* here |  |
| p. 6  PPT 1-5 | UNDERSTANDING THE MARKETPLACE AND CUSTOMER NEEDS  Five core customer and marketplace concepts are critical: (1) *needs, wants, and demands*; (2) *marketing offerings (products, services, and experiences)*; (3) *value and satisfaction*; (4) *exchanges and relationships*; and (5) *markets*.    Customer Needs, Wants, and Demands  The most basic concept underlying marketing is that of **human needs**.  Human **needs** are states of felt deprivation. They include *physical, social,* and *individual* needs. These needs were not created by marketers; they are a basic part of the human makeup.  **Wants** are the form human needs take as they are shaped by culture and individual personality. An American *needs* food but *wants* a Big Mac.  When backed by buying power, wants become **demands**.  The best marketing companies go to great lengths to learn and understand their customers’ needs, wants, and demands. | Chapter Objective 2  p. 6  Key Terms: Needs, Wants, Demands |
|  | * **Assignments, Resources**   Use *Discussion Question 2* here  Use *Additional Project 1* here  Use *Think-Pair-Share 2* here |  |
| p. 6  PPT 1-6 | Market Offerings—Products, Services, and Experiences  Needs and wants are fulfilled through **market offerings**—some combination of products, services, information, or experiences offered to a market to satisfy a need or want.  Market offerings include *products* and *services*—activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything.  **Marketing myopia** occurs when a company becomes so taken with their own products that they lose sight of underlying customer needs. | p. 6  Key Term: Market Offerings  p. 6  Ad: Pure Michigan  p. 7  Key Term: Marketing Myopia |
| p. 7  PPT 1-7  p. 7  PPT 1-8 | Customer Value and Satisfaction  Customers form expectations about the value and satisfaction that various market offerings will deliver and buy accordingly.  Satisfied customers buy again and tell others about their good experiences.  Dissatisfied customers switch to competitors and disparage the product to others.  Customer value and customer satisfaction are key building blocks for developing and managing customer relationships.    Exchanges and Relationships  **Exchange** is the act of obtaining a desired object from someone by offering something in return.  Marketing consists of actions taken to build and maintain desirable exchange *relationships* with target audiences. | p. 7  Key Term: Exchange |
| p. 7  PPT 1-9 | Markets  A **market** is the set of actual and potential buyers of a product.  Marketing means managing markets to bring about profitable customer relationships.  Figure 1.2 shows the main elements in a modern marketing system. | p. 7  Key Term: Market  p. 8  Figure 1.2: A Modern Marketing System |
|  | * **Assignments, Resources**   Use *Outside Example 1* and *2* here |  |
| p. 8  PPT 1-10 | **DESIGNING A CUSTOMER-DRIVEN MARKETING STRATEGY**  **Marketing management** is defined as the art and science of choosing target markets and building profitable relationships with them.  The marketing manager must answer two important questions:   1. What customers will we serve (what’s our target market)? 2. How can we serve these customers best (what’s our value proposition)? | Chapter Objective 3  p. 8  Key Term: Marketing Management |
|  | * **Assignments, Resources**   Use *Discussion Question 3* here |  |
| p. 9  PPT 1-11 | Selecting Customers to Serve  A company must first decide *whom* it will serve.  It does this by dividing the market into segments of customers (*market segmentation*) and selecting which segments it will go after (*target marketing*).  Marketing managers know they cannot serve all customers. By trying to do so, they end up not serving any well.  Marketing managers must decide which customers they want to target and on which level, timing, and nature of their demand. |  |
|  | * **Assignments, Resources**   Use *Critical Thinking Exercise 2* here  Use *Think-Pair-Share 3* here   * **Troubleshooting Tip**   The concept of not serving all customers may be confusing to students. Most of them have not yet encountered anything like it. The light bulb seems to go on, though, when you talk about how crowded National Parks get, and the efforts made to have people visit them during off-peak travel times. Having students come up with their own examples will increase the level of understanding. |  |
| p. 9  PPT 1-12  p. 9  PPT 1-13  PPT 1-14  PPT 1-15  PPT 1-16  PPT 1-17  PPT 1-18  PPT 1-19 | Marketing management is *customer management* and *demand management.*    Choosing a Value Proposition  A company’s *value proposition* is the set of benefits or values it promises to deliver to consumers to satisfy their needs. (BMW promises “the ultimate driving machine.”)  Such value propositions *differentiate* one brand from another.    Marketing Management Orientations  Marketing management wants to design strategies that will build profitable relationships with target consumers. But what *philosophy* should guide these marketing strategies?  There are five alternative concepts under which organizations design and carry out their marketing strategies:    The Production Concept  The **production concept** holds that consumers will favor products that are available and highly affordable.  Management should focus on improving production and distribution efficiency.    The Product Concept  The **product concept** holds that consumers will favor products that offer the most in quality, performance, and innovative features.  Under this concept, marketing strategy focuses on making continuous product improvements.    The Selling Concept  The **selling concept** holds that consumers will not buy enough of the firm’s products unless it undertakes a large-scale selling and promotion effort.  The concept is typically practiced with unsought goods—those that buyers do not normally think of buying, such as insurance or blood donations.  These industries must be good at tracking down prospects and selling them on product benefits.    The Marketing Concept  The **marketing concept** holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do.  Under the marketing concept, customer focus and value are the *paths* to sales and profits.  Rather than a “make and sell” philosophy, it is a customer-centered “sense and respond” philosophy.  The job is not to find the right customers for your product but to find the right products for your customers.  *Customer-driven* companies research current customers deeply to learn about their desires, gather new product and service ideas, and test proposed product improvements.  *Customer-driven* marketing is understanding customer needs even better than customers themselves do and creating products and services that meet existing and latent needs.    The Societal Marketing Concept  The **societal marketing concept** questions whether the pure marketing concept overlooks possible conflicts between consumer *short‑run wants* and consumer *long‑run welfare*.  The societal marketing concept holds that marketing strategy should deliver value to customers in a way that maintains or improves both the consumer’s and *society’s* well‑being. | p. 9  Ad: Vibram  pp. 9–10  Key Terms: Production Concept, Product Concept, Selling Concept, Marketing Concept  p. 10  Figure 1.3: The Selling and Marketing Concepts Contrasted  p. 11  Key Term: Societal Marketing Concept  p. 11  Photo: Customer-Driven Marketing, UPS  p. 12  Figure 1.4: Three Considerations Underlying the Societal Marketing Concept |
|  | * **Assignments, Resources**   Use *Additional Project 2* here  Use *Marketing Ethics* here  Use *Web Resource 2* here   * **Troubleshooting Tip**   Societal marketing is also something that can be a little unclear to students. Why should fast food chains, for instance, be responsible for the nation’s obesity (just one very topical discussion point)? Understanding how one should balance the need for profits with what some might consider being “soft” issues can be difficult at times. And that can be made even more difficult among the politically-astute students, as they can easily lead the class into a left versus right discussion on individual versus corporate versus governmental responsibility. Try not to let that happen, instead focusing on how companies can actually increase their revenue and profits by showing that they care about their customers and their communities. Newman’s Own is a brand that could be discussed, as most profits are donated to charities, and they have moved strongly into ensuring a sustainable environment. |  |
| p. 12  PPT 1-20 | **PREPARING AN INTEGRATED MARKETING PLAN AND PROGRAM**  The company’s marketing strategy outlines which customers the company will serve and how it will create value for these customers.  Next, the marketer develops an integrated marketing program that will actually deliver the intended value to target customers.  The marketing program consists of the firm’s *marketing mix*, the set of marketing tools the firm uses to implement its marketing strategy.  The marketing mix tools are classified into the *four Ps* of marketing: product, price, place, and promotion.  The firm blends all of these marketing mix tools into a comprehensive *integrated marketing program* that communicates and delivers the intended value to chosen customers. |  |
|  | * **Resources, Applications**   Use *Marketing Technology* here |  |
| p. 12  p. 12  PPT 1-21  PPT 1-22  p. 14  PPT 1-23 | BUILDING CUSTOMER RELATIONSHIPS  Customer Relationship Management  *Customer relationship management* is perhaps the most important concept of modern marketing.  **Customer relationship management** is the overall process of building and maintaining profitable customer relation­ships by delivering superior customer value and satisfaction.  It deals with all aspects of acquiring, keeping, and growing customers.  ***Relationship Building Blocks: Customer Value and Satisfaction***  The key to building lasting customer relationships is to create superior customer value and satisfaction.  Customer Value  **Customer-perceived value** is the customer’s evaluation of the difference between all the benefits and all the costs of a market offering relative to those of competing offers.  Customers often do not judge values and costs “accurately” or “objectively.”  Instead, customers act on perceived value.  Customer Satisfaction  **Customer satisfaction** depends on the product’s perceived performance relative to a buyer’s expectations.  If the product’s performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted.  Although the customer-centered firm seeks to deliver high customer satisfaction relative to competitors, it does not attempt to *maximize* customer satisfaction.  A company can always increase customer satisfaction by lowering its price or increasing its services. But this may result in lower profits.  The purpose of marketing is to generate customer value profitably.    Customer Relationship Levels and Tools  Companies can build customer relationships at many levels.  At one extreme, a company with many low-margin customers may seek to develop *basic relationships* with them.  At the other extreme, in markets with few customers and high margins, sellers want to create *full partnerships* with customers.  Many companies offer *frequency marketing programs* that reward customers who buy frequently or in large amounts.  Companies sponsor *club marketing programs* that offer members special benefits and create member communities. (For example, Harley-Davidson sponsors the Harley Owners Group [H.O.G.].) | Chapter Objective 4  p. 12  Key Term: Customer Relationship Management  p. 13  Key Term:  Customer-Perceived Value  p. 13  Key Term: Customer Satisfaction  p. 13  Photo: JetBlue  p. 14  Ad: Panera  p. 15  Photo: Nordstrom |
| p. 16  PPT 1-24  PPT 1-25 | The Changing Nature of Customer Relationships  Yesterday’s big companies focused on mass marketing to all customers at arm’s length.  Today’s companies are building deeper, more direct, and more lasting relationships with carefully selected customers.    Relating with More Carefully Selected Customers  Called *selective relationship management*, many companies now use customer profitability analysis to weed out losing customers and to target winning ones for pampering.  Relating More Deeply and Interactively  Today’s marketers are incorporating interactive approaches that help build targeted, two-way customer relationships.  **Two-Way Customer Relationships.** New technologies have profoundly changed the way people relate to one another.  This changing communications environment also affects how companies and brands relate to customers.  Increasingly, marketers are using new communications approaches in building closer customer relationships.  Consumers have more information about brands than ever before.  The marketing world is now embracing **customer-managed relationships.**  Companies can no longer rely on marketing by *intrusion*.  Companies must practice marketing by *attraction*—creating market offerings and messages that *involve* consumers rather than interrupt them.  **Consumer-generated marketing** has become a significant marketing force. Here, consumers themselves are playing a bigger role in shaping their own brand experiences and those of others. | p. 17  Photo: unprofitable customers  p. 17  Key Term: Customer-Managed Relationships  p. 18  Photo: Cold Stone Creamery  p. 18  Key Term: Consumer-Generated Marketing  p.19  Ad: H.J.Heinz |
|  | * Resources, Applications   Use *Critical Thinking Exercise 3* here  Use *Real Marketing 1.1* and *1.2* here  Use *Video Case* here  Use *Small Group Assignment 1* and *2* here  Use *Additional Project 3* here  Use *Think-Pair-Share 4* here  Use *Web Resource 3* here |  |
| p. 19  PPT 1-26  PPT 1-27  PPT 1-28 | Partner Relationship Management  Partners Inside the Company  Today’s marketers know they must work closely with others inside and outside the company to jointly bring more value to customers.  Today, firms are linking all departments in the cause of creating customer value.  Rather than assigning only sales and marketing people to customers, they are forming cross-functional customer teams.    Marketing Partners Outside the Firm  Marketing channels consist of distributors, retailers, and others who connect the company to its buyers.  The *supply chain* describes a longer channel, stretching from raw materials to components to final products that are carried to final buyers.  Through *supply chain management*, many companies today are strengthening their connections with partners all along the supply chain. | p. 19  Key Term: Partner Relationship Management |
| p. 19  PPT 1-29 | **CAPTURING VALUE FROM CUSTOMERS**  The first four steps in the marketing process involve building customer relationships. The final step involves capturing value in return.  By creating superior customer value, the firm creates highly satisfied customers who stay loyal and buy more.    Creating Customer Loyalty and Retention  The aim of customer relationship management (CRM) is to create not just customer satisfaction, but customer delight.  This means that companies must aim high in building customer relationships.  Customer delight creates an emotional relationship with a product or service, not just a rational preference.  Companies are realizing that losing a customer means losing more than a single sale. It means losing **customer lifetime value.** | p. 20  Photo: Stew Leonard  p. 20  Key Term: Customer Lifetime Value |
|  | * **Resources, Applications**   Use *Marketing by the Numbers* here  Use *Individual Assignment 1* here  Use *Web Resource 4* here |  |
| p. 20  PPT 1-30  PPT 1-31  PPT 1-32  p. 22  p. 23  PPT 1-33  PPT 1-34 | Growing Share of Customer    **S**hare of customer is defined as the share the company gets of customers purchasing in their product categories. (Thus, banks want to increase “share of wallet.”)    Building Customer Equity  Companies want not only to create profitable customers, but to “own” them for life, capture their customer lifetime value, and earn a greater share of their purchases.    What Is Customer Equity?  **Customer equity** is the total combined customer lifetime values of all of the company’s current and potential customers.  Clearly, the more loyal the firm’s profitable customers, the higher the firm’s customer equity.  Customer equity may be a better measure of a firm’s performance than current sales or market share.    Building the Right Relationships with the  Right Customers  Not all customers, not even all loyal customers, are good investments.  Figure 1.5 classifies customers into one of four relationship groups, according to their profitability and projected loyalty.  “Strangers” show low potential profitability and little projected loyalty. The relationship management strategy for these customers is simple: Don’t invest anything in them.  “Butterflies” are potentially profitable but not loyal. The company should use promotional blitzes to attract them, create satisfying and profitable transactions with them, and then cease investing in them until the next time around.  “True friends” are both profitable and loyal. There is a strong fit between their needs and the company’s offerings. The firm wants to make continuous relationship investments to delight these customers and retain and grow them.  “Barnacles” are highly loyal but not very profitable. There is a limited fit between their needs and the company’s offerings.  Important point: Different types of customer require different relationship management strategies.  The goal is to build the *right relationships* with the *right customers.*    THE CHANGING MARKETING LANDSCAPE  This section explores five major developments: the changing economic environment, the digital age, the growth of not-for-profit marketing, rapid globalization, and the call for more social responsibility.    The Changing Economic Environment  The Great Recession, which began in 2008, caused many consumers to rethink their spending priorities and cut back on their buying.  Companies in all industries have aligned their marketing strategies with these new economic realities, stressing *value* above all*.*  Wealthier consumers have joined the trend toward frugality. Even luxury brands are stressing value.  A recession creates winners and losers, just like a boom. A troubled economy can present companies with opportunities as well as threats.  The Digital Age  The recent technology boom has created a digital age. The most dramatic new technology is the **Internet**.  The digital age has provided marketers with new ways to learn about and track customers, and to create products and services tailored to individual needs.  Digital media has become a global phenomenon. The number of mobile phones worldwide now stands at almost 5.3 billion. Almost 78 percent of the U.S. adult population now has Internet access.  Of all adults with Internet access, 91 percent check their e-mail, 84 percent search for maps or driving directions, 76 percent get the news, 64 percent keep in touch with friends on social-networking sites such as Facebook and LinkedIn, and 61 percent do online banking.  Online marketing is now the fastest growing form of marketing.  In addition to the “click-only” dot-coms, most traditional “brick-and-mortar” companies have now become “click-and-mortar” companies.  More than 71 percent of American online users now use the Internet to shop. | p. 20  Key Term: Share of Customer  p. 21  Key Term: Customer Equity  p. 21  Ad: Cadillac  p. 22  Figure 1.5: Customer Relationship Groups  p. 23  Ad: Target  p. 24  Photo: Coupon-cutting  p. 25  Key Term: Internet  p. 25  Photo: Web 3.0 |
|  | * Resources, Applications   Use *Discussion Question 4* here  Use *Video Case* here   * Troubleshooting Tip   Traditional-age undergraduates have spent their entire lives with technology, and so some of them can actually snicker when the discussion turns to how technology has changed business in general and marketing more specifically. A discussion of the difficulties of connecting to consumers without the Internet is warranted. How would the students approach a one-on-one relationship with millions of customers if they didn’t have e-mail or the Internet or blast faxes? |  |
| p. 26  PPT 1-35  p. 26  p. 27  PPT 1-36 | The Growth of Not-for-Profit Marketing  In recent years, marketing has also become a major part of the strategies of many not-for-profit organizations, such as colleges, hospitals, museums, zoos, symphony orchestras, and even churches.  The nation’s nonprofits face stiff competition for support and membership. Sound marketing can help them to attract membership and support.  Government agencies have also shown an increased interest in marketing, including the U.S. military.  Rapid Globalization  Marketers are now connected *globally* with their customers and marketing partners.  Almost every company, large or small, is touched in some way by global competition.  American firms have been challenged at home by the skillful marketing of European and Asian multinationals.  McDonald’s now serves 60 million customers daily in 32,000 restaurants worldwide—some 66 percent of its revenues come from outside the United States.  Today, companies are buying more supplies and components abroad.    Sustainable Marketing—The Call for More Social Responsibility  Marketers are reexamining their relationships with social values and responsibilities and the very Earth that sustains us.  Corporate ethics and social responsibility have become hot topics for almost every business.  Forward-looking companies view socially responsible actions as an opportunity to do well by doing good.    **SO, WHAT IS MARKETING?**  **PULLING IT ALL TOGETHER**  Marketing is the process of building profitable customer relationships by creating value for customers and capturing value in return.  The first four steps in the marketing process create value *for* customers.  The final step in the process allows the company to capture value *from* customers.  When building customer and partner relationships, companies must harness marketing technology, take advantage of global opportunities, and act in an ethical and socially responsible way.  Figure 1.6 provides a road map to future chapters of this text. | p. 26  Ad: St. Jude’s  p. 27  Ad: Patagonia  p. 28  Figure 1.6: An Expanded Model of the Marketing Process |
|  | * Resources, Applications   Use *Individual Assignment 2* here  Use *Company Case* here |  |

**END OF CHAPTER MATERIAL**

**Discussion Questions**

1. Define marketing and outline the steps in the marketing process. (AASCB: Communication)

*Answer:*

***Marketing*** as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return. Figure 1.1 presents a simple, five-step model of the marketing process. In the first four steps, companies work to understand consumers, create customer value, and build strong customer relationships. In the final step, companies reap the rewards of creating superior customer value.

1. What is marketing myopia and how can it be avoided? (AACSB: Communication; Reflective Thinking)

*Answer:*

Many sellers make the mistake of paying more attention to the specific products they offer than to the benefits and experiences produced by these products. These sellers suffer from ***marketing myopia***. They are so taken with their products that they focus only on existing wants and lose sight of underlying customer needs. They forget that a product is only a tool to solve a consumer problem. Smart marketers look beyond the attributes of the products and services they sell. By orchestrating several services and products, they create *brand experiences* for consumers

1. What is customer-perceived value and what role does it play in customer satisfaction? (AACSB: Communication; Reflective Thinking)

*Answer:*

***Customer-perceived* value is t**he customer’s evaluation of the difference between all the benefits and all the costs of a market offering relative to those of competing offers. Importantly, customers often do not judge values and costs “accurately” or “objectively.” They act on *perceived* value. To some consumers, value might mean sensible products at affordable prices. To other consumers, however, value might mean paying more to get more.

***Customer satisfaction*** depends on the product’s perceived performance relative to a buyer’s expectations. If the product’s performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted. Outstanding marketing companies go out of their way to keep important customers satisfied. Most studies show that higher levels of customer satisfaction lead to greater customer loyalty, which in turn results in better company performance. Smart companies aim to delight customers by promising only what they can deliver and then delivering more than they promise. Delighted customers not only make repeat purchases but also become willing marketing partners and “customer evangelists” who spread the word about their good experiences to others.

1. Discuss trends impacting marketing and the implications of these trends on how marketers deliver value to customers. (AACSB: Communication)

*Answer:*

The major changes in the marketplace are: (1) the changing economic environment, (2) the digital age, (3) the growth of not-for-profit marketing, (4) rapid globalization, and (5) the call for more ethics and social responsibility. The Great Recession in 2008 in the United States caused many customers to rethink their spending priorities. In response, companies have aligned their marketing strategies with the new economic reality, emphasizing the *value* in their value propositions. The recent technology boom has created a digital age, which has had a major impact on the ways companies bring value to their customers. The digital age has provided marketers with exciting new ways to learn about and track customers and to create products and services tailored to individual customer needs. Marketing also has become a major part of the strategies of many not-for-profit organizations, such as colleges, hospitals, churches, and so on that provide value. Sound marketing can help them attract membership and support. In an increasingly smaller world, companies are now connected *globally* with their customers and marketing partners. Finally, as the worldwide consumerism and environmentalism movements mature, today’s marketers are being called to develop *sustainable marketing* practices. Corporate ethics and social responsibility have become hot topics for almost every business, and more forward-looking companies readily accept their responsibilities to the world around them.

**Critical Thinking Exercises**

1. Form a small group of three or four students. Discuss a need or want you have that is not adequately satisfied by any offerings currently in the marketplace. Think of a product or service that will satisfy that need or want. Describe how you will differentiate and position your offering in the marketplace and develop the marketing program for your offering. Present your ideas to the other groups. (AACSB: Communication; Reflective Thinking)

*Answer:*

Students’ responses will vary. Once they decide on an offering and to whom they will target it, they need to choose a value proposition. A brand’s *value proposition* is the set of benefits or values it promises to deliver to consumers to satisfy their needs. Value propositions differentiate one brand from another. They answer the customer’s question, “Why should I buy your brand rather than a competitor’s?” Companies must design strong value propositions that give them the greatest advantage in their target markets. The company’s marketing strategy outlines which customers it will serve and how it will create value for these customers. Next, the marketer develops an integrated marketing program that will actually deliver the intended value to target customers. The marketing program builds customer relationships by transforming the marketing strategy into action. It consists of the firm’s *marketing mix*, the set of marketing tools the firm uses to implement its marketing strategy.

1. Search the Internet for salary information regarding jobs in marketing from a Web site such as [www.simplyhired.com/a/salary/search/q-marketing](http://www.simplyhired.com/a/salary/search/q-marketing) or a similar site. What is the national average salary for five different jobs in marketing? How do the averages compare in different areas of the country? Write a brief report on your findings. (AACSB: Communication; Use of IT; Reflective Thinking)

*Answer:*

In 2012, the nationwide average salary for marketing jobs is $63,000 and range from $29,000 for marketing assistants to $179,000 for sales directors. In California, however, the average salary is $71,000 and salaries are $33,000 and $203,000 for assistants and sales directors, respectively. Some other salary sites are:

[www.cbsalary.com/salary\_calculator\_results.aspx?kw=Marketing&jn=jn009&ns=1&cbRecursionCnt=1&cbsid=2cb725a319c6405d9703c78489cb9fdf-333996312-wt-6](http://www.cbsalary.com/salary_calculator_results.aspx?kw=Marketing&jn=jn009&ns=1&cbRecursionCnt=1&cbsid=2cb725a319c6405d9703c78489cb9fdf-333996312-wt-6);

and <http://marketinghire.salary.com/salarywizard/layoutscripts/swzl_newsearch.asp>.

1. Interview someone who works in a marketing job and ask him or her the following questions:
2. What does your job entail?
3. How did you get to this point in your career? Is this what you thought you’d be doing when you grew up? What influenced you to get into this field?
4. What education is necessary for this job?
5. What advice can you give to college students?
6. Add one additional question that you create.

Write a brief report of the responses to your questions and explain why you would or would not be interested in working in this field. (AACSB: Communication; Reflective Thinking)

*Answer:*

Students’ responses will vary. This is an exercise that most students find interesting and insightful. Some may interview a family member or someone else they know and learn things they never knew about their careers. If possible, have students give an informal presentation to share what they learned with the other students in the class.

**Marketing Technology: Apple and Adobe—Flash Clash**

Apple’s iDevices are wildly popular, starting with the iPod followed by iPhones and iPads. But where’s the flash? Adobe Flash, that is. Adobe’s Flash, the long-standing multimedia platform behind approximately seventy-five percent of the animated and streaming audio and video on the Internet, is not supported by Apple’s devices. Many purchasers were disappointed after spending hundreds of dollars on sleek iPads only to realize they couldn’t play their favorite Internet game or watch that funny video on their device. And they still can’t, even with the second generation device, the iPad 3. It seems Apple’s late founder and CEO, Steve Jobs, didn’t like Flash and would not support it on Apple’s devices. Instead, app developers must conform to Apple’s operating system and existing applications on the Web must convert to HTML5 to play on an Apple product. Adobe’s co-founders claim Apple is “undermining the next chapter of the Web” and bloggers exclaim this is not just an “Adobe/Apple problem…but an Apple/World problem.”

1. Does Apple appear to embrace the marketing concept? (AACSB: Communication; Reflective Thinking)

*Answer:*

It appears the Apple is embracing the product concept more than the marketing concept. The ***product concept*** holds that consumers will favor products that offer the most in quality, performance, and innovative features. Under this concept, marketing strategy focuses on making continuous product improvements. The ***marketing concept*** holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do. Under the marketing concept, customer focus and value are the *paths* to sales and profits. Instead of a product-centered “make and sell” philosophy, the marketing concept is a customer-centered “sense and respond” philosophy. Apple should have “sensed” that consumers would want Flash software to take advantage of most applications on the Internet, but the company continues to refuse to include the ability to do that on its products.

1. Research the controversy surrounding this issue and debate whether Apple did the right thing for its customers by not including the ubiquitous Adobe Flash software on Apple’s products. (AACSB: Communication; Reflective Thinking)

*Answer:*

Students’ responses regarding whether or not Apple has its customers’ needs and wants at heart will be debatable. They will be able to find considerable information by Goggling “Apple and Flash.” In the controversy surround the exclusion of Flash on the iPad, Steve Jobs issued a letter explaining why Flash was not included in Apple products but some of the restrictions were relaxed, perhaps due to consumer and developer backlash. Jobs’ main complaints were that Flash did not perform well on mobile devices and that the software is proprietary and not open source, putting the company’s products in jeopardy of being controlled by a third party (ironic considering consumers can only purchase music and applications for iPods, iPhones, and iPads from Apple’s iTunes and App Store).

See the following sources for more information: “Apple’s iPad and the Flash Clash”:

<http://www.pcworld.com/article/188185/apples_ipad_and_the_flash_clash.html>;

Steve Jobs’ open letter “Thoughts on Flash”:

<http://www.apple.com/hotnews/thoughts-on-flash/>; and “Apple bows to pressure, makes nice with developers”:

<http://news.cnet.com/8301-13506_3-20015927-17.html?tag=mncol;txt>

**Marketing Ethics: Goodbye Big Gulp**

With two-thirds of adults and one-third of school-aged children in the United States overweight or obese, New York City mayor, Michael Bloomberg, is taking action against the soft drink industry. Mayor Bloomberg proposed a ban on big sugary drinks such as 7-11’s mammoth 32-ounce “Big Gulp.” The ban would put a 16-ounce cap on fountain and bottled drinks sold at restaurants, theaters, and sporting events. While it applies to drinks having more than 25 calories per 8-ounces, it does not apply to 100 percent juice or milk-based beverages. Establishments serving fountain drinks will see a significant revenue drop because these drinks are often marked up 10 to 15 times their cost. Many consumers oppose the ban because they perceive it as further encroachment of the “nanny state.” Mayor Bloomberg has already banned smoking in public parks and trans fats in restaurant foods, as well as requiring chain restaurants to include calorie information on menus. This leads many to ask, “What’s next?”

1. Is it fair to single out soda in such a ban? Debate this argument from all sides of this issue: government, soft drink marketers, and consumers. (AACSB: Communication; Reflective Thinking)

*Answer:*

Students’ responses will vary. Government’s concern has to do with the health risks associated with high sugar intake—type-2 diabetes, high blood pressure, and heart disease and stroke—which ends up costing all consumers as insurance rates increase and taxpayers as more and more healthcare will be provided by the government. Many consumers may support such a ban, but others see it as a restriction on their freedom of choice. They can choose not to purchase large-size soft drink and don’t want the government telling them what they can and cannot have. Finally, soft drink manufacturers and resellers will lose revenues and profits due to such as ban. Marketers are giving consumers what they want and making profits doing so.

1. Should marketers embrace the societal marketing concept with respect to foods or products that could be harmful to consumers? Discuss an example of a company embracing the societal marketing concept with respect to the obesity epidemic. (AACSB: Communication; Ethical Reasoning)

*Answer:*

Students’ opinions will vary. The ***societal marketing concept*** questions whether the pure marketing concept overlooks possible conflicts between consumer *short-run wants* and consumer *long-run welfare.* Is a firm that satisfies the immediate needs and wants of target markets always doing what’s best for its consumers in the long run? The societal marketing concept holds that marketing strategy should deliver value to customers in a way that maintains or improves both the consumer’s *and society’s* well-being.

One example of a company embracing the societal marketing concept is Disney. The company is eliminating ads for sugar-laden drinks, snacks, and candy on the Disney TV channels, radio station, and Web sites by 2015.

**Marketing by the Numbers: How Much Is Enough?**

Marketing is expensive! A 30-second advertising spot during the 2012 Super Bowl cost $3.5 million, and that doesn’t include the $500,000 or more to produce the commercial. Anheuser-Busch usually purchases multiple spots each year. Similarly, sponsoring one car during one NASCAR race costs $500,000. But Sprint, the sponsor of the popular Sprint Cup, pays much more than that. And what marketer sponsors only one car for only one race? Want customers to order your product by phone? That will cost you $8-$13 per order. Or how about a sales representative calling on customers? That costs about $100 per sales call, and that’s if the rep doesn’t have to get on an airplane and stay in a hotel, which can be very costly considering some companies have thousands of sales reps calling on thousands of customers. And what about the $1-off coupon for Tropicana orange juice that you got in the Sunday newspaper? It costs Tropicana more than a $1 when you redeem it at the store. These are all examples of just one marketing element—promotion. Marketing costs also include the costs of product research and development, the costs of distributing products to buyers, and the costs of all the employees working in marketing.

1. Describe trends in marketing expenditures. What factors are driving these trends? (AACSB Communication; Analytic Reasoning)

*Answer:*

Marketing budgets respond to environmental influences from forces such as the economy, regulation, and technology. A 2012 survey of CMO’s revealed decreased spending on traditional advertising spending but double-digit increases in Internet marketing spending (see [www.marketingcharts.com/direct/cmos-forecast-drop-in-traditional-ad-spend-amid-higher-budgets-21307/cmosurvey-marketing-spending-change-feb-2012jpg/](http://www.marketingcharts.com/direct/cmos-forecast-drop-in-traditional-ad-spend-amid-higher-budgets-21307/cmosurvey-marketing-spending-change-feb-2012jpg/)). Other surveys corroborate a shift from traditional to digital media (see [www.marketingcharts.com/direct/marketers-shifting-budgets-from-traditional-to-digital-media-21246/](http://www.marketingcharts.com/direct/marketers-shifting-budgets-from-traditional-to-digital-media-21246/)).

1. What percentage of sales should a business devote to marketing? Discuss the factors used in this decision. (AACSB: Communication; Analytic Reasoning)

*Answer:*

Many businesses ask “How much should I spend on marketing?” and the answer is not simple. A useful source with guidelines is can be found at <http://smallbusiness.chron.com/recommended-percentage-sales-marketing-budget-25023.html>. Factors to consider include benchmarks, volume of sales, new vs. existing products, and brand awareness. One study found that more than half of marketing budgets are under 4 percent of sales and only a small percentage (2 percent of businesses) spend above 20 percent of sales on marketing. One benchmark recommendation is between 1 percent and 10 percent of sales. Companies with higher sales volume typically spend a lower percentage of sales on marketing, even if the absolute amount spent on marketing is very high. Introducing new products requires more marketing, so companies in highly competitive environments where new product introductions are necessary will spend a higher percentage of sales on marketing. Finally, if a brand already enjoys high awareness, not as much marketing will be required compared to one that is trying to build brand awareness.

Students should be able to find other articles by searching “marketing as a percentage of sales” or “How much should I spend on marketing?” on the Internet. For example, [www.drewsmarketingminute.com/2011/09/how-much-should-you-spend-on-marketing.html](http://www.drewsmarketingminute.com/2011/09/how-much-should-you-spend-on-marketing.html) provides industry averages, such as retailers spend 4-10 percent of gross revenues, law firms 1-4 percent of gross revenues, up to 20 percent of net sales for pharmaceuticals, and so on.

**Company Case Notes**

In-N-Out Burger: Customer Value The Old-Fashioned Way

**Synopsis**

Most people have at least heard of In-N-Out. But what they may not realize is just how unique In-N-Out is. This burger chain that is now more than 60 years old has done something that few restaurants can claim. It has succeeded in opening almost 300 stores without changing a thing. Its dedication to a basic burger menu, fresh ingredients, clean stores, and friendly service have earned it a special place in the hearts of millions. While there are many who literally beg In-N-Out to bring its formula to their state and town, the company has stuck with its slow-growth strategy, opening only about 10 stores per year. This case illustrates just some of why the brand has developed such a loyal following.

**Teaching Objectives**

The teaching objectives for this case are to:

1. Introduce students to the concept of customer value creation and its central role in marketing.
2. To provide a case for the analysis of customer satisfaction.
3. Allow students to analyze a product offering in depth.
4. Introduce the concepts involved in customer relationship management.

**Discussion Questions**

1. Describe In-N-Out in terms of the value it provides for customers.   
   *To get to the heart of this question, students must go to the definition of* ***customer-perceived value*** *from the chapter. The response should be based on all benefits minus all costs. The benefit side (including features/attributes) should include all those things that draw customers in: an offering that never changes, fresh ingredients, food that is made-to-order, friendly and competent service, customization through the secret menu, and the cool factor that others simply don’t have. On the cost side, the price is certainly core to any response such as this. INO’s price is not rock bottom, but it is average for an offering of its kind. Other costs must be noted, such as waiting time, time and effort to go out of one’s way to get to an INO location, and even the lack of menu items other than the basic burger offering. However, it should also be noted that these so called costs are actually part of the allure that easily translate into benefits.*
2. Evaluate In-N-Out’s performance relative to customer expectations. What is the outcome of this process?   
   *This is a customer satisfaction question. The text defines this as “the extent to which perceived performance matches a buyer’s expectations.” It goes on to point out that exceeding expectations results in high levels of satisfaction, or “delight.” INO presents a very interesting case for discussion of these concepts. The generally accepted philosophy today’s highly competitive marketing environment is that merely satisfying customers (meeting expectations) is not sufficient to establish customer relationships and retain loyal customers. However, with INO, we have a case of a company that seems to do nothing but “meet expectations.” After all, it hasn’t changed anything in the more than 60 years it has been operating. Existing customers as well as new recruits know what it is and know what they can expect. And INO carries out its promise to perfection – nothing more, nothing less. And yet customers remain die-hard loyalists. Some might argue that this level of perfect execution in meeting expectations somehow produces emotions that are better described as “delight.” But by definition, that is not conceptually possible. Another possibility for the emotional outcomes of customers is that through a consistent meeting of expectations, INO produces other positive emotions in customers that have an equally, if not more, binding effect as does delight. “Trust” is one such emotion, but is not discussed in this text.*
3. Do you think In-N-Out should adopt a high-growth strategy? Why or why not?   
   *While there are certainly more INO restaurants today than ever before (and with the recent expansion into Texas, INO is now in five states), the company has stuck to a slow and steady growth strategy. Any discussion of this question should be based on whether or not a faster-growth strategy would change anything in terms of customer value. If INO could grow faster and keep everything the same, there would still be the issue of losing some of the “special” nature of the brand by virtue of the fact that it would be available in more places to more people. And while the impact of that on customer value is questionable, the rest of the assumption represents a big “if.” One of the biggest reasons that INO has retained a slow growth strategy is so that it can insure product and service quality. INO will not expand into new areas until it has distribution facilities in place that allow for the delivery of all the necessary fresh ingredients to each store. They will also not expand faster than their ability to properly train new employees and managers, an essential element for their formula. The only benefit for the company in expanding faster would be greater revenue growth. But as a privately held, family organization, that kind of growth simply isn’t necessary. With no public stock holders, as long as the owners are content with revenue growth, that’s all that matters.*
4. With so many customers drawn in to In-N-Out’s “no change” philosophy, why don’t more burger chains follow suit?   
   *Just about every chain of national fast food restaurants is hooked on the novelty of new offerings. If Wendy’s, Taco Bell, or McDonald’s ever stop producing new menu items, they will see a downturn in store traffic. The images of these other brands is not based on “the formula never changes.” As such, in order for any of the other brands to succeed on a strategy like the one that has made INO successful, it would have to change its brand image. And that would be very risky indeed. On the other hand, there are smaller, regional players that do operate based on a strategy that at the very least is closer to INO’s “no change” approach. But you’d be hard-pressed to find one that sticks so rigidly to the formula and has thrived on the level of INO.*

**Teaching Suggestions**

Start by asking how many students have ever experienced In-N-Out. Students that have been will provide a range of responses to their experiences. Many will echo the kind of positive evaluations described in the case. Some, however, might say that with all the hype, they had expected more and were disappointed. This should drive home that In-N-Out is not a gourmet offering. It isn’t high-end or fancy. Rather, it is a brand that has built itself on perfect execution of a rather basic formula. Perhaps this video clip of a patron at a recent store opening in Dallas will drive home just how passionate In-N-Out’s customers are; <http://www.youtube.com/watch?v=HgTVuwFRjXA>.

This case also works well with the marketing strategy chapter (Chapter 2), the consumer behavior chapter (Chapter 5), and the retailing chapter (Chapter 13).

**ADDITIONAL PROJECTS, ASSIGNMENTS, AND EXAMPLES**

**Projects**

1. Why is it important to truly understand the customer? Make a list of 10 “wants” that you have. What would have to occur to move each of these from “wants” to “needs”? (Objective 2)
2. Review the five alternative concepts under which organizations design and carry out their marketing strategies. Now, take a look at one of the automobile dealerships in your town. Which one of these five concepts do you believe they are typically employing? Why? (Objective 3)
3. Think of a product or retailer to which you are loyal. What has caused this loyalty? What could a competing product/retailer do to break this loyalty? (Objective 4)

**Small Group Assignments**

1. Form students into groups of three to five. Each group should read the opening vignette to the chapter on Amazon.com. Each group should answer the following questions. (Objective 2)
2. How does Amazon.com succeed in creating unique customer “discovery” experiences with each product search? Which chapter marketing objectives does this help the company to achieve?
3. Based on your study of Amazon.com, do you believe that customers really want long-term relationships with a company, rather than short-term bargains? Why or why not?

Each group should then share its findings with the class.

1. Form students into groups of three to five. Each group should read Real Marketing 1.1: “Nordstrom: Taking Care of Customers No Matter What it Takes.” Each group should then answer the following questions and share their findings with the class. (Objective 3)
   1. In an age of digital technology, what is it about the Nordstrom customer service philosophy that still wins over shoppers every time?
   2. What does Nordstrom’s legendary customer service begin with? What are the most important steps in ensuring that the company on its promise delivers every time?
   3. Discuss the connection between selecting and training the right employees, and consistently delivering outstanding customer service.

Each group should then share its findings with the class.

**Individual Assignments**

# Companies are realizing that losing a customer means more than losing a single sale. It means losing a stream of revenue from that customer over their lifetime. Reread the story of Stew Leonard (under Capturing Value from Customers, p. 20). (Objective 4)

# Is it possible to take his idea of “the customer is always right” too far so that it becomes a negative on the company? Why or why not?

2. Marketing activities by not-for-profit organizations have increased substantially in recent years. Organizations such as hospitals and churches now spend significant monies to get their individual messages out and draw in new customers, clients, members, etc. Discuss whether or not you consider this a good long-term strategy to grow the organization. (Objective 5)

**Think-Pair-Share**

Consider the following questions, formulate and answer, pair with the student on your right, share your thoughts with one another, and respond to questions from the instructor.

1. How is marketing different from selling? (Objective 1)
2. Do marketers create needs? (Objective 2)
3. What is Target’s value proposition? (Objective 2)
4. What are two companies with which you have an emotional bond? Describe that bond. (Objective 4)

**Outside Examples**

1. Five core customer and marketplace concepts are critical to success: (1) needs, wants, and demands; (2) marketing offers (products, services, and experiences); (3) value and satisfaction; (4) exchanges and relationships; and (5) markets.

Take a look at Sea Ray boats (Use *Web Resource 5* here). Answer the following questions. (Objective 2)

1. What needs, wants, and/or demands is Sea Ray attempting to fill?
2. Describe their marketing offers.
3. Describe the relationships they have with their customers.
4. What are their markets?

*Possible Solution:*

1. Sea Ray is primarily appealing to the wants. *Wants* are the form human needs take as they are shaped by culture and individual personality. They are providing products that allow people the opportunity to escape their everyday lives and existences. These are not traditional needs they are appealing to. No one *needs* a boat to sustain their existence. Remember, human *needs* are states of felt deprivation.
2. *Market offerings* are some combination of products, services, information, or experiences offered to a market to satisfy a need or want. Sea Ray provides a wide range of boats designed to (hopefully) satisfy the divergent wants of their target market.
3. Through a review of the Web site, you will realize that Sea Ray makes a strong effort to maintain close relationships with their customers. The annual AquaPalooza is one good example of Sea Ray’s relationship building efforts.
4. Sea Ray’s markets are quite varied. Depending on the size and type of boat, their markets cover from the casual family weekend boater to the successful business or corporate type looking for a crewed yacht.
5. One of the great new “marketplaces” of our time is eBay. Spend some time on the eBay Web site ([www.ebay.com](http://www.ebay.com)). Find a product that you are interested in and follow the bidding. How much would you be willing to pay? Consider the following questions. (Objective 2)
   1. How is eBay providing value to its customers?
   2. Describe the relationship they have with their customers.
   3. What are their markets?

*Possible Solution:*

* 1. A company’s *value proposition* is the set of benefits or values it promises to deliver to consumers to satisfy their needs. eBay provides value by providing its clients with an easy, safe, and exciting method by which to buy and sell merchandise.
  2. eBay takes great effort to maintain a close, almost personal relationship with their customers. They continually provide you with updates on items you are watching, selling, or bidding on. Additionally, they provide you with information about new or additional services that may be of interest to you, based on your previous history with them.
  3. Their markets are diverse. By a casual perusal of sellers, you will find that their markets cover the range from everyday individuals looking to unload an old pair of jeans to larges bookstores selling hundreds of items a day (such as vjbooks [[www.vjbooks.com](http://www.vjbooks.com)]).

**Web Resources**

1. <http://247.prenhall.com>

This is the link to the Prentice Hall support link.

2. [www.amazon.com](http://www.amazon.com)

This link provides you with an overview of the world-famous retailer.

3. [www.harley-davidson.com](http://www.harley-davidson.com)

This is the home page for Harley-Davidson. Here you will also find a discussion of H.O.G.

4. [www.stewleonards.com](http://www.stewleonards.com)

Read more about Stew Leonard’s legendary service here.

5. [www.searay.com](http://www.searay.com)

Here you will find all needed information pertaining to Sea Ray boats.