## Chapter Objectives

1. Define *marketing*, explain how it creates utility, and describe its role in the marketplace.
2. Contrast marketing activities during the four eras in the history of marketing.
3. Explain the importance of avoiding marketing myopia.
4. Describe the characteristics of not-for-profit marketing.
5. Identify and briefly explain each of the three types of nontraditional marketing.
6. Outline the importance of creativity, critical thinking, and the technology revolution in marketing.
7. Explain the shift from transaction-based marketing to relationship marketing.
8. Identify the universal functions of marketing.
WHAT IS MARKETING?

- Production and marketing together create utility.
- **Utility** The want-satisfying power of a good or service.

### Table 1.1 Four Types of Utility

<table>
<thead>
<tr>
<th>TYPE</th>
<th>DESCRIPTION</th>
<th>EXAMPLES</th>
<th>ORGANIZATIONAL FUNCTION RESPONSIBLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form</td>
<td>Conversion of raw materials and components into finished goods and services</td>
<td>Dinner at Wendy's; iPod; T-shirt from Urban Outfitters</td>
<td>Production*</td>
</tr>
<tr>
<td>Time</td>
<td>Availability of goods and services when consumers want them</td>
<td>Dental appointment; digital photographs; LensCrafters eyeglass guarantee; UPS Next Day Air</td>
<td>Marketing</td>
</tr>
<tr>
<td>Place</td>
<td>Availability of goods and services at convenient locations</td>
<td>Soft-drink machines outside gas stations; on-site day care; banks in grocery stores</td>
<td>Marketing</td>
</tr>
<tr>
<td>Ownership (possession)</td>
<td>Ability to transfer title to goods or services from marketer to buyer</td>
<td>Retail sales (in exchange for currency or credit card payment)</td>
<td>Marketing</td>
</tr>
</tbody>
</table>

*Marketing provides inputs related to consumer preferences, but creating form utility is the responsibility of the production function.
• Organizations create customers by:
  • Identifying needs in the marketplace.
  • Finding out which needs the organization can profitably serve.
  • Developing goods and services that appeal to potential buyers.

• Marketing specialists are responsible for:
  • Identifying customer needs.
  • Designing products that meet those needs.
  • Communicating information about those goods and services to prospective buyers.
  • Making the items available at the right times and places.
  • Pricing merchandise and services to reflect costs, competition, and customers’ ability to buy.
  • Providing the necessary service and follow-up to ensure customer satisfaction after the purchase.
A DEFINITION OF MARKETING

• **Marketing** Companywide ____________ orientation with the objective of achieving _____-run success.

• Involves:
  
  • ____________ customer needs.
  
  • Obtaining the information necessary for design and production that match buyer expectations.
  
  • Satisfying customer ____________.
  
  • ________ and ____________ relationships with customers and suppliers.
TODAYS GLOBAL MARKETPLACE

• Growing importance because of international agreements, growth of electronic business, and economic interdependence.

• Companies seek the most efficient manufacturing sites and most lucrative markets worldwide.

• United States’ size and affluence make it an attractive market for foreign companies.

  • In one recent year, China’s exports to the U.S. rose 30 percent.
FOUR ERAS IN THE HISTORY OF MARKETING

- **Exchange process** Activity in which _______ or more parties give something of value to each other to __________ perceived need.

PREVAILING ATTITUDE

**ERA**  | **Production**  | **Sales**  | **Marketing**  | **Relationship**
---|---|---|---|---
Prior to 1920s | “A good product will sell itself.” | “Creative advertising and selling will overcome consumers’ resistance and persuade them to buy.” | “The consumer rules! Find a need and fill it.” | “Long-term relationships with customers and other partners lead to success.”
Prior to 1950s | | | | |
Since 1950s | | | | |
Since 1990s | | | | |

*APPROXIMATE TIME PERIOD*
Emergence of the Marketing Concept

- Occurred during the shift from a sellers’ market to a buyer’s market after World War II.
- Created the need for greater **consumer orientation**.
  - Business philosophy incorporating the marketing concept that emphasizes first determining unmet consumer needs and then designing a system for satisfying them.
- **Marketing concept** Company-wide consumer orientation for achieving long-term success.
  - Example: **Apple** computer, which polls show “delivers great consumer experiences with outstanding design.”
- **Relationship marketing** Developing and maintaining of long-term, cost-effective relationships with individual customers, suppliers, employees, and other partners for mutual benefit.
CONVERTING NEEDS TO WANTS

• Effective marketing focuses on the benefits resulting from goods and services.
  • Example: Need for a pair of pants converted to a desire for jeans.

• Companies must pay attention to what consumers want.
  • Example: Demand for cell phones and wireless services.
  • Number of Wi-Fi Internet users grew 57 percent in a recent year.
AVOIDING MARKETING MYOPIA

• **Marketing myopia** Management’s failure to recognize the scope of its business.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>MYOPIC DESCRIPTION</th>
<th>COMPANY MOTTO—AVOIDING MYOPIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Electric</td>
<td>An appliance company</td>
<td>Imagination at Work</td>
</tr>
<tr>
<td>AT&amp;T</td>
<td>A phone company</td>
<td>Your World Delivered</td>
</tr>
<tr>
<td>Visa</td>
<td>A credit card company</td>
<td>Life Takes Visa</td>
</tr>
<tr>
<td>Michelin</td>
<td>A tire manufacturer</td>
<td>A Better Way Forward</td>
</tr>
<tr>
<td>Nokia</td>
<td>A cell phone manufacturer</td>
<td>Connecting People</td>
</tr>
<tr>
<td>Southwest Airlines</td>
<td>An airline</td>
<td>A Symbol of Freedom</td>
</tr>
</tbody>
</table>
EXPANDING THE TRADITIONAL BOUNDARIES OF MARKETING

MARKETING IN NOT-FOR-PROFIT ORGANIZATIONS

• 10 percent of U.S. population works or volunteers for a not-for-profit organization.

• Operate in public sector and private sector.

• Not-for-profits sometimes promote their messages through partnerships with commercial firms.
  • Example: America’s Second Harvest receiving assistance from food manufacturers and grocery stores.
CHARACTERISTICS OF NOT-FOR-PROFIT MARKETING

• Purpose is to generate revenue to support their causes.
• Must compete with other organizations for donors’ dollars.
• Must often market to multiple audiences.
  • Example: College or university targets prospective students, but also current students, parents, donors, alumni, faculty, government agencies, and others.
# NONTRADITIONAL MARKETING

## Table 1.3: Categories of Nontraditional Marketing

<table>
<thead>
<tr>
<th>TYPE</th>
<th>BRIEF DESCRIPTION</th>
<th>EXAMPLES</th>
</tr>
</thead>
</table>
| Person marketing      | Marketing efforts designed to cultivate the attention and preference of a target market toward a person. | Celebrity Toby Keith, country singer  
Athlete Peyton Manning, Indianapolis Colts’ quarterback  
Political candidate John McCain, U.S. Senator, Arizona |
| 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 | Las Vegas: What happens here, stays here.  
Texas: It’s like a whole other country.  
Toronto, Ontario: The world within a city. |
| Cause marketing       | Identification and marketing of a social issue, cause, or idea to selected target markets | “21 means 21”  
“Live strong” |
| Event marketing       | Marketing of sporting, cultural, and charitable activities to selected target markets | 2008 Beijing Summer Olympics  
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.  
The Nature Conservancy: Saving the last great places on Earth. |
CREATIVITY AND CRITICAL THINKING

• The challenges of the marketplace require _______ thinking and _______.

• Creativity produces _______ ideas or knowledge.
  • Example: George de Mestral inventing Velcro after noticing burrs that stuck to his wool socks.

• Critical thinking determines the __________, accuracy, and worth of information, knowledge, claims, and arguments.
  • Example: Microsoft forming an Internet research lab to develop and evaluate new products.
TECHNOLOGY REVOLUTION IN MARKETING

- Technology—The business application of knowledge based on scientific discoveries, inventions, and innovations.

- Communications technology has revolutionized the way we do business.
  - More than half of all U.S. households have at least one computer.
  - Internet sales in U.S. topped $143 billion in a recent year.

- Technology also opens new markets.

INTERACTIVE AND INTERNET MARKETING

- Interactive, customizable technology that gives users quick access to information.

- Interactive marketing—Customer controls amount and type of information received from a marketer.
BROADBAND

• An always-on Internet connection that runs at 200 kilobytes per second or higher.

• Makes online marketing faster and easier than previously.

• More than half of American households have a broadband connection.

• Broadband connections are growing worldwide.

WIRELESS

• 41 percent of U.S. Internet users are “wireless ready.”

• Mobile marketing—marketing messages transmitted via wireless technology—may be poised for growth.

• One research firm predicts the global mobile commerce market will soon reach $88 billion.
CHAPTER 1 Marketing: The Art and Science of Satisfying Customers

FROM TRANSACTION-BASED MARKETING TO RELATIONSHIP MARKETING

• View of marketing as ________-based is being replaced by a ______-term approach.

• Focus is on developing customers into ________, loyal customers.

• Over long-term, increases lifetime value of the customer.

• Goal is to move customer up the ________ ladder:
  • New customer
  • Regular purchaser
  • Loyal supporter
  • Advocate

• Repeat customers are a source of buzz marketing.
DEVELOPING PARTNERSHIPS AND STRATEGIC ALLIANCES

• Relationship marketing also applies to business-to-business relationships with suppliers, distributors, and other partners.

• **Strategic alliances** Partnerships in which two or more companies combine resources and capital to create competitive advantages in a new market.
  - Example: Yahoo! and TiVo blending some of their services.

• Not-for-profits often raise awareness and funds through strategic partnerships.
COSTS AND FUNCTIONS OF MARKETING

• Marketing costs are typically 40 to 60 percent of total product costs.

• Marketing performs eight universal functions:
  
  • Exchange functions—buying and selling
  
  • Physical distribution functions—transporting and storing
  
  • Facilitating functions—standardizing and grading, financing, risk taking, and securing marketing information.
CHAPTER 1 Marketing: The Art and Science of Satisfying Customers

1. Buying
Ensuring that 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

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

4. Storing
Warehousing products until needed for sale

5. Standardizing and Grading
Ensuring that 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

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: DOING WELL BY DOING GOOD

• Ethics—Moral standards of behavior expected in a society.

• Most businesspeople follow ethical practices.

• Social responsibility—Marketing philosophies, policies, procedures, and actions whose primary objective is to enhance society.
  • Often takes the form of philanthropy.

• Committee to Encourage Corporate Philanthropy gives awards annually to corporations that demonstrate a commitment to social responsibility.