

PART

1

Marketing and the Customer

An overview of a new view of marketing, one that is truly focused on understanding customers so that we can better meet their needs and earn their loyalty

The successful practice of marketing requires an appreciation of the changing environment. It also demands a detailed understanding of customers and what's important to them in their dealings with businesses.

Marketing is dynamic, challenging, and rewarding, and it's never dull! Welcome to the part of the organization where everything comes together — where ideas, planning, and execution get the acid test of the marketplace.

Chapter 1 explains the new view of marketing, how marketing continues to change and to focus more on the building of customer relationships. Chapter 2 discusses the internal and external environmental forces that shape a marketing program. Then, Chapter 3 explores customers — the focal point of marketing — and helps us better understand what makes them tick. Unless we understand our customers, we can't begin to satisfy them.

CHAPTER

1

What Marketing's All About

"What is marketing?" Chapter 1 answers this question — and the answer may surprise you. Marketing today is widely considered to encompass many tasks within a company or organization. It's more than advertising and setting prices. It's more than retail stores and catchy jingles. In fact, it's just about anything that contributes to satisfying customers. After studying this chapter, you should have an understanding of:

- The focus of marketing on customer satisfaction.
- The relationship between exchange and marketing.
- Marketing's emphasis on creating customer loyalty and relationships.
- How marketing applies to business and non-business situations.
- The factors that drive customer satisfaction.
- The difference between selling and marketing.
- The evolution of marketing thinking.
- The creation of value and the value proposition.
- The modern marketing concept.
- Marketing's role in the economy and in an individual organization.



It's Not About the Shoes!

It's Saturday afternoon and you and your friend Bob decide to go shopping for a new pair of running shoes. You and Bob meet at Second Cup for a quick coffee and then walk down the street to your first stop, Sports Champs, where you notice a display of New Balance running shoes just inside the door, with a sign announcing "20% OFF!"

As you walk toward the shoe department, you notice that the store is quite untidy, with boxes in the aisles and clothing hanging off racks. Bob comments that the rock music blaring from the speakers in the ceiling is so loud that it's almost impossible to carry on a conversation. When you reach the display of shoes, you are pleased to see a good selection and that all New Balance shoes are indeed on sale at 20 percent off. You and Bob select two models and you look for someone to serve you.

But, there's no help in sight. Although there aren't many customers in the store and you can see three employees in the distance, dressed in the store's distinctive red-striped uniforms with their names on the back, no

one shows any interest in serving you. In fact, they are gathered at the checkouts, apparently discussing something very important. Another employee walks by carrying an armload of jackets. When you ask if he's busy, he answers, "Yes!" and walks on. You approach the group at the checkouts and ask whether anyone is serving in the shoe department. One of the employees says, "That's Ted's department; he should be back soon." You and Bob wait, but Ted doesn't show. After 10 minutes, during which two other employees walk right by you, Bob says, "Let's get out of here."

Three blocks away, you walk into Blades & Boards. As you enter the store, you and Bob are approached by an employee who announces, "Hi! I'm Sandy. What can we do for you today?" You tell her that you are looking for running shoes and she leads you to the shoe department, where you notice that the selection is not as wide as it was at Sports Champs. They do carry New Balance shoes, but the prices are not reduced. Sandy asks what type of shoes you are looking for, and you explain that you have been running a lot lately and plan to run your first 10K road race next month. Sandy asks what size you wear and what price you are interested in paying; you tell her size 8 and approximately \$125.

Sandy disappears into the storeroom and emerges with three boxes of shoes: two pairs of Nike and one of Saucony. After trying on the three pairs, you go back to the display wall and take a closer look at the New Balance shoes. There's one model priced at \$119.95 that you looked at while waiting at Sports Champs, and you ask Sandy if she has your size in stock. She agrees that these shoes would be very suitable and again goes into the storeroom, emerging with the news that they have an $8\frac{1}{2}$, but no size 8.

Then, Sandy says "Rather than sell you a shoe that doesn't fit, let me call our other store in the Rosewood Mall to see if they have a size 8. If they have them, I'll get them sent over and you can come in and try them on; we're open tomorrow and I'll be here." She comes back in a couple of minutes to tell you that the size 8 New Balance shoes will be delivered that afternoon and that you can come back later tonight or tomorrow to try them on. Then she says, "By the way, there's a 10 percent discount for students at your school; couldn't help but notice your knapsack!"

At 2:30 Sunday afternoon, you walk out of Blades & Boards with your New Balance shoes, size 8.

What happened in this typical consumer experience that caused you to buy your new running shoes in one store rather than the other? And what does this have to do with marketing?

The answer is that this example is quite typical of situations that customers face every day. Some customer experiences are positive and others are negative; some are satisfying and others are not; some cause you to vow never to go back and others cause you to tell your friends about how well you were treated. This experience with two retail stores also illustrates how complex something as simple as buying a pair of running shoes can be. There are many factors involved and many things that contributed to your final decision to buy the shoes and how you felt afterward. This reflects the complexity of marketing and the importance of the customer's perspective in determining whether a company is successful.

Customer Satisfaction Is the Focus

marketing

A total system of business activities designed to plan, price, promote, and distribute need-satisfying products or services to target markets in order to achieve organizational objectives.

customer

An individual or organization that makes a purchase decision.

customer satisfaction

The degree to which a customer's experience with a product or organization meets or exceeds his or her expectations.

exchange

The voluntary act of providing a person or organization with something of value in order to acquire something else of value in return.

What is the focus of marketing today? What do we mean when we use the term **marketing**? To what aspects of a company's operations are we referring when we talk about marketing? Different people will have different views when they refer to marketing, and those views have changed over the years. We believe that *marketing* refers to just about anything that a company or other organization does that has an impact on the satisfaction of its **customers**. In other words, marketing is the most customer-focused part of a company and principally involves activities and programs that will contribute to high levels of **customer satisfaction**, through addressing customer needs and wants. In business, the objective of marketing is also to satisfy customer needs and wants at a profit.

Why are we interested in customer satisfaction as an objective of marketing and, indeed, of the company? It's really quite simple. Satisfied customers will buy more from us, they will come back again and again to do business with us, and they will often tell their friends and family members about us. A solid group of satisfied customers represents one of a company's most valuable assets — when one considers the potential lifetime value of loyal customers, it is obvious that these customers represent a stream of earnings that will last well into the future. Therefore, a marketing focus within a company today involves a long-term view. If we can satisfy a large percentage of customers, they will keep coming back again and again. They represent the future success of the business. Without them, we have to spend a great deal of time, energy, and money continually trying to attract new customers to replace those who are leaving.

How, then, can a company achieve long-term customer satisfaction? The most successful companies accomplish this by giving customers what they want, when they want it, for a price that the customers consider to be acceptable. The best companies make it easy for customers to deal with them and treat them pleasantly and politely. There is a process of **exchange** involved, but what is being exchanged is quite broad. The customer gives the company something and gets something of value in return. We need to consider precisely what this “something” is. It's not as simple as giving money to obtain a pair of jeans or a new tennis racquet. There's much more involved than that.

It's also very important to note that exchanges take place between many different groups and organizations and in different situations. So, marketing as we are discussing it does not apply only to businesses that are offering products and services to customers. There is an exchange involved when you buy a ticket to a concert, when you take a course at your school, when you donate to a charity, and when you visit a museum. In all cases, things are exchanged, some of them tangible, others intangible; sometimes involving the exchange of money, other times not. In all cases, the principles of marketing apply. Customers receive something of value in return for what they are giving. That perception of value is an individual thing and depends on the quality of the product and service, on how conveniently it is made available, on the time it takes to get it, on the price, and on many other factors. When customers perceive that they have received value, a feeling of satisfaction will be experienced, likely leading to a decision to buy, or donate, or visit that company or organization again.



Figure 1-1:

The Give and Get of Marketing



“give and get”

An illustration of the exchange process as both customer and company giving something and getting something in return.

expectations

What customers expect to encounter when dealing with a company or buying a product or service, based on past experience and desired outcomes.

value

The quantitative measure of the worth of a product to attract other products in exchange.

It might be useful to consider the exchange that is involved in marketing as an exercise in “give and get” — the customer gives something and gets something in return (see Figure 1-1). What is given and received contributes to the level of satisfaction enjoyed by the customer. It’s important to think very broadly about what is being exchanged, because this will help us understand that the scope of marketing itself is indeed very broad.

Think back to the example that opened this chapter. To buy your running shoes, you not only paid a certain price, you also invested time and effort. You had to make a certain commitment in order to obtain the shoes. You may have spent time planning the purchase by looking through magazines or talking with friends. Chances are you

have had experience buying sports gear and were familiar with many of the brand names available. You may even have owned a pair of New Balance shoes.

And what did you get for this commitment of time, energy, and money and for the application of your past experience and knowledge? It’s too simplistic to suggest that you got new shoes. You also got the time and attention of Sandy at Blades & Boards. You got the benefit of the selection that was available, the discount for students at your school, and the service involved in sending the running shoes over from the Rosewood Mall store. You received an implicit warranty that tells you that you can return the shoes if you have any problems with them. You also got a certain comfort level that goes with buying a recognized brand name like New Balance.

Now, where does customer satisfaction enter the picture? In simple terms, customers are satisfied as long as what they get is at least as great as what they have to give. Where *give* is perceived to be greater than *get*, the customer is generally dissatisfied. You were not satisfied with the service (or lack of service!) at Sports Champs, and you walked out. You were not prepared to give more of your time or make any further effort to get the shoes and the service that went along with them. On the other hand, you were satisfied at Blades & Boards because what Sandy was giving was greater than what you had to give. In fact, by acting as she did, Sandy reduced the time, commitment, and anxiety that you had to put into the exchange — not to mention the price of the shoes!

Two important concepts are evident in this early discussion about marketing. Sandy was successful in making the sale because she was able to exceed your **expectations** — you probably didn’t expect her to be so friendly and helpful, you didn’t expect her to call the Rosewood Mall store and to have the running shoes delivered, and you didn’t expect the discount of 10 percent. Customer expectations are very important in determining whether satisfaction results.

Then, we must consider the concept of **value**. This is a central concept in marketing, since customers want to receive value when they buy products or services. In fact, it’s value that leads to satisfaction. The greater the value that customers perceive they have received, the greater the satisfaction. You bought your shoes at Blades & Boards because you perceived that you were getting value. But, wait a minute! You could have saved 20 percent if you had bought them at Sports Champs — remember, all New Balance running shoes were on sale at a 20 percent discount *and* they had a wider range available.

What this tells us is an important lesson to be learned early: namely, that value is not only about price. Customers decide whether they are receiving value by taking into consideration (often subconsciously) all of the factors that are being exchanged: all of the “gives” and all of the “gets.” Value for money is only one kind of value. One of the most important roles of marketers is to add value for their customers. Those that succeed in creating greater perceived value are generally more successful.

What's Involved in Marketing?

marketer

Any person or organization that desires to make exchanges.

This book focuses on the activities carried out by individuals, businesses, and other organizations to bring about exchanges that are beneficial to both sides and to develop long-lasting customer relationships. Virtually all organizations are involved in marketing activities, although some have only recently “discovered” marketing and some still practise it more with a sales focus than with an emphasis on creating customer satisfaction and long-term customer relationships. **Marketers** may be business firms in the conventional sense of the word, or they may be non-business, or not-for-profit, organizations, such as hospitals, universities, Big Brothers Big Sisters, churches, police departments, or museums. Both groups — business and non-business — face the same marketing issues and challenges and make use of the same marketing principles and concepts.

Our perspective on marketing — applicable in businesses, not-for-profit organizations, and personal situations — is as follows:

Marketing is a total system of activities designed to plan, price, promote, and distribute need-satisfying products, services, and ideas to target markets in order to achieve the objectives of both the customer and the organization. It involves all aspects of how the organization interacts with the customer that have the potential to influence the customer's satisfaction with the organization and its value proposition.

This view of marketing has some significant implications when marketing is properly applied:

- It is a systems definition, which means that it should be understood and applied by everyone in an organization. Effective marketing demands an integrated view of the customer and of how value is created and customer satisfaction achieved.
- The entire system of activities must be customer-oriented and focus on the quality of the customer relationship — customers' needs and wants must be recognized and satisfied effectively. The ultimate objective of marketing is to achieve customer satisfaction.
- The marketing program starts with an idea for a product or service and does not end until the customer's needs and wants are satisfied, which may be some time after an exchange is made. This suggests that the process of customer satisfaction is an ongoing one and does not end with a sale.
- An organization's marketing program, generally termed the **marketing mix**, has traditionally been viewed in most organizations as consisting of four co-ordinated elements. These have been considered the essential components of what marketing is about. The four elements of the traditional marketing mix are:
 1. A product or service assortment.
 2. A pricing structure.
 3. Distribution systems and channels.
 4. Promotional activities.

marketing mix

A combination of the four elements — product, pricing structure, distribution system, and promotional activities — that comprise a company's marketing program. Many marketers now consider service and the “people” side of marketing to be a fifth component of the marketing mix, especially in the marketing of services.

Marketers have recently begun to express the view that although getting the components of the traditional marketing mix right is important or even necessary, this may not be sufficient to ensure high levels of customer satisfaction. In other words, as marketers have begun to pay more attention to the application of marketing to service organizations and to the development of long-term customer relationships, they have realized that other factors, such as how customers are treated and the physical facilities of the company, are important in influencing

customer satisfaction. Consequently, in recent years, marketers have begun to consider an expanded marketing mix, one that incorporates customer service, processes, and technology with which the customer comes into contact, and even the employees of the company.

Much of what contributes to customer satisfaction lies outside the traditional responsibilities of the marketing department. The expanded view of the marketing mix has created a situation in some organizations in which there is confusion about the boundaries of what marketing is. Where does marketing begin and end in the modern company and not-for-profit organization?

Traditionally, the role and responsibilities of marketing executives and the marketing department extended principally to the four elements of the marketing mix — product development, pricing, communications, and distribution, so those marketers engaged in activities that dealt largely with these four areas. Such a view was popular until quite recently and many organizations still operate this way. This is a limited view of marketing that is inconsistent with our view that the scope of marketing extends to many other things that have the potential to affect customer satisfaction.

Today, progressive organizations have adopted a much broader view of marketing. They realize that there is a great deal more to marketing than is suggested by the traditional marketing mix. In fact, it is increasingly accepted that a company could get the four elements of the marketing mix right and still lose a customer. In fact, we saw this in the example with which we opened this chapter. Sports Champs had the shoes you wanted in stock (product and distribution) at a price that you considered attractive. There appears to have been nothing wrong with its advertising or other forms of marketing communications. Yet, you walked out and bought your shoes elsewhere, mainly because of things that went wrong that lie outside what is generally considered to be part of the marketing mix.

Increasingly, we find companies and other organizations allocating responsibility for customer satisfaction to a number of departments. In what are now often referred to as *marketing-oriented* or *customer-focused organizations*, it is acknowledged that satisfying the customer is a responsibility that must extend outside the traditional boundaries of the marketing department. As a result, we now see evidence that responsibility for achieving customer satisfaction has been extended to include, for example, customer-service departments and cross-functional groups responsible for implementing **customer-relationship management** programs.



customer-relationship management

A strategic orientation of a company toward the development of positive, long-term relationships with customers.

Long-term focus: Build genuine customer loyalty

Next time you need hockey equipment, or tennis balls, or running shoes, where are you going to go? Chances are you'll go first to Blades & Boards. The actions of Sandy and the policies and procedures of Blades & Boards suggest that this company has a long-term perspective on marketing. It realizes that it needs more than a good variety of products and attractive prices to satisfy customers and to keep them coming back. It probably realizes that making you happy that Saturday afternoon involved more than selling you a pair of running shoes.

Successful marketers look beyond the sale and look for ways to satisfy their customers to such an extent that a sense of loyalty develops. The most successful companies have a solid corps of loyal customers who account for the bulk of their business and who act as unpaid spokespersons for the firm. They not only come back again and again, but they also spread positive word of mouth that recommends the company to others.

Such **customer loyalty** is created when companies take a long-term, broad view of marketing. They pay attention to all things that have the potential to influence customer satisfaction. They realize that making a sale is not enough. They know that they must not only offer their customers great products at attractive prices, do good advertising, and have a wide selection to choose from, but that how customers are treated and ultimately made to feel also has a considerable effect on whether they will buy and, more importantly, on whether they will come back again.



customer loyalty

A state achieved when a customer not only deals regularly with a company, but also feels an emotional attachment to it and recommends it to others.

customer relationship

Close association between company and customers, characterized by strong feelings of loyalty, trust, and commitment; the ultimate connection, based not only on quality of products and service, but also on how the company makes its customers feel.

drivers of customer satisfaction

Factors that contribute to customer satisfaction.

What these successful companies are doing is developing relationships with their customers that extend beyond the immediate transaction. Customer relationships have become the focus of many companies in recent years, as they have realized the costs and inefficiencies involved in high levels of customer turnover. If companies can succeed in having large numbers of customers come back willingly (or even enthusiastically!) again and again, they can be far more successful than companies that are constantly having to attract new customers to replace dissatisfied ones who leave to take their business elsewhere. The building of long-term **customer relationships** will be a central focus of this book.

What drives customer satisfaction?

Customer relationships begin with satisfied customers. If customers are satisfied when buying a certain brand of breakfast cereal or golf balls, chances are that they will buy that brand again. When satisfaction levels are high, there is little incentive to switch. But, the customer must be satisfied with all aspects of what is received from the company.

The example at the beginning of this chapter illustrates the five factors that contribute to customer satisfaction, which could be called the **drivers of customer satisfaction**¹ (see Figure 1-2). To be genuinely or completely satisfied, a customer must be satisfied at all five levels. At the bottom of the “cone” is the core of the offer to customers. The *core* is the basic product or service provided by the organization — in the chapter opener, the running shoes. Generally, we tend to think of tangible products as the core because they are easy to visualize, but a service may be the core offering. For an Internet radio station, for example, the core product is the selection of channels (musical genres) from which visitors can choose. For a hair salon, the core product is the haircut.

The second level in the drivers of customer satisfaction model is that of support services and systems. It includes such things, in our shoe-buying example, as the hours when the stores are open, store location, the variety of models and sizes of shoes available, whether the store accepts major credit cards, the availability of staff, and the level of service they provide. Failing to provide satisfactory support services can cause customers to be dissatisfied and not return.

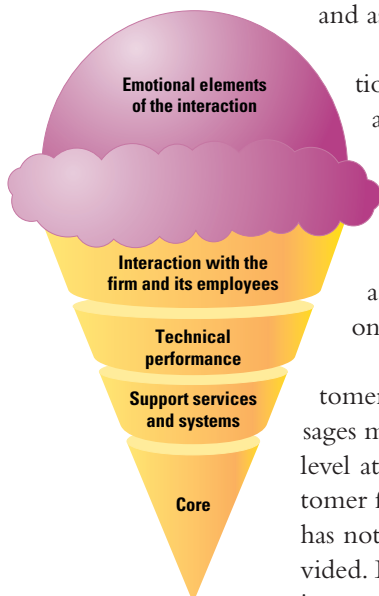
Moving farther up the “cone,” the third level involves technical performance, which determines whether the service provider gets the core product and support services right. The emphasis is on meeting the expectations of the customer. Does the store provide the product the customer needs and make it available conveniently and without hassle? Customer dissatisfaction will result from a failure to meet customer expectations that things will go smoothly and as promised.

The fourth level of the drivers of satisfaction model concerns the customer’s interaction with the company and its employees. This level can involve both face-to-face interaction and the connection that occurs over the telephone or through e-mail or the Internet. Satisfaction at this level is determined by whether the company makes it easy and pleasant for customers to do business with it. Are customers treated with respect? Is the staff efficient, pleasant, helpful, and courteous? Is the telephone system efficient and the Web site easy to navigate? Understanding this level indicates that a firm has thought beyond the provision of the core product and service and is focused on the delivery of service where it meets the customer.

Finally, marketers must think beyond the basic elements of the interaction with customers to consider the sometimes-subtle messages that firms send to customers. These messages may create either positive or negative feelings toward the company. Essentially, this final level at the top of the “cone” is concerned with emotional considerations — how the customer feels about dealing with the company. Often, a customer’s satisfaction or dissatisfaction has nothing to do with the quality of the core product or service, its price, or how it is provided. Business may be lost because a customer is ignored by employees, an e-mail question is not answered, or some other “little thing” goes wrong and may not even be noticed by staff.

Figure 1-2:

Factors that Drive Customer Satisfaction





It's really interesting to remember that, in the chapter-opener example, you bought your running shoes at Blades & Boards, even though the store initially did not have your size in stock, you paid more than you would have at Sports Champs, and you had to make a second trip back to the store to get them. How can that be? Both stores had the shoes that you eventually bought. What caused you to buy them at Blades & Boards?

If we think about the drivers of customer satisfaction, it's obvious that the difference between the two stores lies mainly in the top two levels of the “cone” — your interaction with employees and how you were made to feel. Think about how you were treated by Sandy at Blades & Boards as compared with how the employees at Sports Champs handled the situation. How did you feel when you and Bob walked out of Sports Champs, as compared with how you felt on Sunday afternoon when you picked up your new shoes from Sandy?

← BACKSPACE

1. What does marketing involve?
 2. When we say that a company has a marketing focus, what do we mean?
 3. What are the five drivers of customer satisfaction?
-

The Scope of Marketing

Our view of marketing, with its focus on the satisfaction of customer needs through a process of exchange, means that we will introduce certain concepts and terms that require some explanation and elaboration so we can be sure that our understanding of them is accurate from the beginning.

Marketers take the initiative in trying to stimulate and facilitate exchanges. They develop marketing plans and programs and implement them in order to create an exchange that can be satisfying to their customers. Marketers exist in all kinds of organizations and have the responsibility for creating customer satisfaction. Marketing, as we have observed, is not simply a business concept, but is used widely in virtually all organizations. Examples include Canadian Blood Services (www.bloodservices.ca) seeking the 245,000 donors it estimated would be needed for the peak summer months of 2002 with the help of billboard advertising and its “Roll up your sleeves, Canada” campaign. In addition to billboard advertising, television spots



[Canadian Blood Services](http://www.bloodservices.ca)

This not-for-profit organization is obviously into marketing.



MARKETING AT WORK

1-1: STRATEGY

The Osbournes Are a *@#*@ Sellout!

How do you market Ozzy, an aging, absent-minded, heavy metal legend from the seventies? You give him a reality-based television show that follows his domestic life as, for example, he struggles to understand how to use the television remote control. Other highlights include the legendary substance abuser lecturing his teenaged children on the evils of drugs. The show, and its profanity-spewing cast of characters, represent the first real hit for any of the almost 50 digital cable channels introduced in Canada in 2002. The TV antics of the Osbourne clan have received incredible exposure in the media across North America, thereby creating a draw to watch the show and the advertising between segments. This has resulted in a must-have show for advertisers. Blue-chip brands such as Molson and L'Oréal have signed on for the entire run of the show.

What many viewers do not consider is the role of television shows as products — products not just to be sold to you, but to companies that want to sell their products to you. In fact, viewers are a very important (and, therefore, valuable) component of the product being sold. Television shows are vehicles to sell advertising time on television channels. The fact that viewers are entertained is simply a by-product of the formula. Like all products, television shows must be designed for particular market segments. The show and the characters are all designed with that purpose in mind — to reflect the audience and important events/activities in their lives. In turn, advertisers choose shows whose viewers reflect their target segments.

Many viewers of *The Osbournes* aren't old enough to remember Ozzy's bizarre onstage antics, while those who do remember tune in to see what happens when a rock star ages. The show appeals to today's viewing tastes for reality-based story lines and shock value.



A show like *Friends*, on the other hand, was carefully conceived to attract a broad market segment of younger consumers by assembling a diverse set of seven acquaintances who were in their twenties, or perhaps hitting their thirties (who actually knew?), and wrote about their varied life experiences with different types of relationships, careers, and life-altering decisions. In doing so, the network attracted a very valuable age demographic — 18- to 49-year-olds. The guarantee of those viewers represented a very attractive value proposition to companies who target this group.

SOURCE: Adapted from Chris Powell, "The Osbournes Are a @#% Sellout," *Marketing Magazine*, May 13, 2002, p. 4.



featured action star Jackie Chan admitting to his lifelong fear of needles. When CHUM Television decided to spin off MuchMusic (www.muchmusic.com) into four separate music stations (MuchMusic, MuchMoreMusic, MuchVibe, MuchLoud), it was to better appeal to viewer (consumer) segments and hopefully attract more overall viewers. These are examples of marketers trying to communicate with potential customers.

market

People or organizations with needs or wants to satisfy, money to spend, and the willingness to spend it.

On the other side of the exchange is the **market**, made up of people or organizations to whom marketing programs are directed and who will play a key role in the acceptance or rejection of a marketer's offer. Markets are made up of customers — any people with whom a business or organizational marketer wants to do business. While we tend to use the term *customers* to describe the individuals and entities to which a marketing initiative is directed, this is in fact a general term that is applied to the market for products and services. Markets also include employees, clients, passengers, patrons, donors, students, taxpayers, and patients. Markets may also be other organizations. For example, there are many companies that never sell to end-consumers, but rather market to other businesses and organizations; this is the so-called *business-to-business* (B2B) *market*, as distinct from the *business-to-consumer* (B2C) *market*. Markets for companies today also involve customers located in other countries or who are reached through the Internet.

This B2B company provides logistics services to other businesses.



Okay, time for plan B!

PLAN A

- Research HS code and marking regulations. Forward info to vendor.
- Fax P.O. to vendor.
- Find a forwarder and make arrangements for air freight.
- Fill out Customs invoice and these other forms (if I remember how!)
- Find carrier to haul from airport to warehouse.
- Fax all this paperwork to everybody.
- Call Customs broker again – are we set up for pre-release?
- Call forwarder again – is shipment on schedule? Wish I could just check on-line...
- Let warehouse know it's coming. Make sure they call as soon as truck gets in!
- Fax all these orders to warehouse.
- Call warehouse – did the orders go out yet? Are we going to meet the deadline?
- Try to get some sleep tonight.
- Figure out what to do with returns...um, maybe there won't be any.

THERE HAS TO BE A BETTER WAY!

PLAN B

- Call PBB

PBB
Global Logistics
1-800-924-4466
info@pbb.com

www.pbb.com/planB

realizing new global opportunities for your business

decision-maker

The individual in a household or organization who has the responsibility of deciding what to buy.

consumer

An individual or organizational unit that uses or consumes a product or service.

purchaser

The person in the household or organization who actually makes the purchase of a product or service.

influencers

The people in a buying centre who set the specifications and aspects of buying decisions because of their technical expertise, financial position, or political power in the organization.

The people who make up a market play a number of roles. First, there is the **decision-maker**, the individual or organizational unit that has the authority to make the decision to buy something. Then there is the **consumer**, the one who actually uses or consumes the product or service. The **purchaser** is the person who actually makes the purchase. Finally, there are **influencers**, who affect the decisions of others because of their expertise, position, or power. These definitions are not simply semantic distinctions. These roles are very important in determining how marketers carry out their marketing programs, what information they direct to whom, and what

When each year equals seven, nothing equals Eukanuba® Senior. An aging dog doesn't have to act like one. Or feel like one. That's why there's Eukanuba Senior with the Vital Health System™. Only Eukanuba Senior has advanced scientific ingredients that meet the unique nutritional needs of your aging dog, so his vital systems stay in optimum condition. Eukanuba Senior includes ImmuneHealth™ antioxidants to promote a strong, healthy immune system, the Joint Management System™ with Glucosamine and Chondroitin Sulfate to help maintain healthy joints, and OmegaCare Plus™ to help maintain a lustrous coat. All to make sure your dog's best years are ahead of him. To learn more, call 1-888-382-3189 or visit us today at www.eukanuba.com.

Eukanuba® Dog Food
Best Ground Nutrition™



This consumer is neither decision-maker nor purchaser.



[Science Diet](http://www.sciencediet.com)
[Eagle Pack](http://www.eaglepack.com)
[Purina](http://www.purina.com)

needs and wants

The focus of a customer-oriented company wanting to satisfy these in order to achieve customer satisfaction.

owners can use the site to set up home pages for the family pet, while the Cat Chow page offers a “mentoring program” to help provide support to the feline family member’s nutritional, physical, and *emotional* needs. This example is unique in that the opinion of the actual *consumer* of this product is not targeted through marketing efforts. The cats and dogs that are the ultimate consumers get to voice their opinions only at the food dish.

In the case of the purchase of running shoes in the example that opened this chapter, you as an individual consumer played all three roles of decision-maker, consumer, and purchaser, as you were making the purchase of shoes for your own use. Your friend Bob played the role of influencer, and there may have been other influencers — friends with whom you discussed the purchase and others who may have recommended a particular brand of shoes.

Marketers, while keeping in mind the various roles played by people in the marketplace, must also remember that their principal task is to offer customers a product or service that will produce satisfaction. Marketing is a process of satisfying customer **needs and wants** through an exchange process. Technically, customer needs can be viewed in a strict physiological sense (related to food, clothing, and shelter) and everything else can be defined as a want. However, from a customer’s perspective, the distinction is not clear. For example, many people consider a television set or a computer to be a necessity. When we speak of customer

appeals are likely to work for different people in the process.

Let’s illustrate the roles that various individuals (and others) play in the exchange process. As a society, we have become more open to acknowledging or recognizing family pets as important members of our families, and pet food marketers have capitalized on this through appeals to influence our purchase decisions and build brand relationships. The marketing problem for this industry was: How should we market effectively to pet owners? Increased focus has been placed on premium food products with all-natural ingredients. Science Diet (www.sciencediet.com) sales representatives have been known to consume the product straight from the tin to illustrate how superior the product is. Distribution of the company’s Prescription Diet products is even restricted to veterinarians’ offices (influencers). Brands such as Eagle Pack (www.eaglepack.com) appeal to owners wanting to take an holistic approach to their pets’ health because the products contain certified organic chicken, dandelion, alfalfa, and apples, while the name of Purina’s Beneful suggests that its wholesome, natural ingredients are healthful, beneficial, and flavourful. Purina (www.purina.com) has also utilized the Internet to forge relationships with pet owners (decision-makers and purchasers). Dedicated dog

needs, we are actually extending our use of the term to include wants as well. Technically, it may be argued that most consumers really don't *need* a large percentage of the products and services that they buy, in the sense that they could continue to exist and get along very well without them. Therefore, we are often talking about wants, but we tend to refer to needs.

We also must remember that customer needs extend well beyond the actual product or service being offered. While we could debate whether you really *needed* those new running shoes or whether you and Bob really *needed* that cup of coffee at Second Cup, what we are saying is that you *want* to receive satisfaction when you engage in such exchanges. Here, we must return to a comment we made earlier: namely, that we should define what is being exchanged very broadly. So too, we must define customer needs very broadly. Customers shopping for running shoes (or any other product or service) not only need to find shoes that fit and that they like, but also need to find them conveniently located and reasonably priced. Customers also need to be treated politely and courteously by staff with whom they come into contact, and need to be made to feel good about their purchases. It is useful, in fact, to think about how customer needs exist at all five levels of the drivers of customer satisfaction model that we discussed earlier. If the needs that exist at each of these levels are addressed, chances are the customer will be satisfied and will be prepared to buy again and to tell others about the company.

Making the sale is only part of marketing success

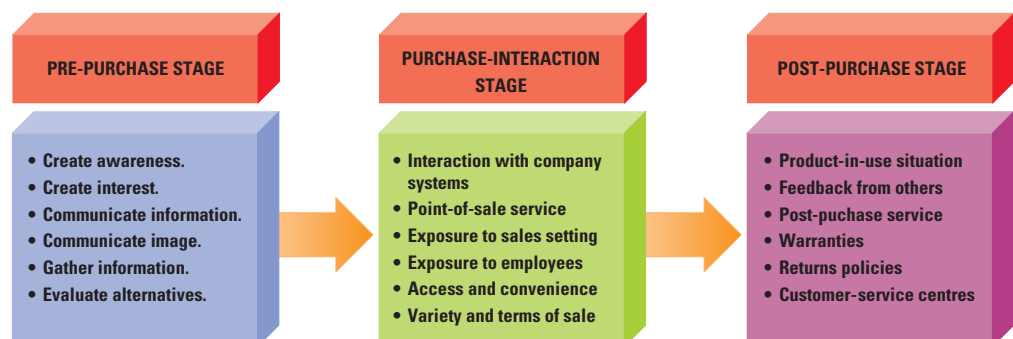
As many organizations that are engaged in marketing emerge from the historic focus on sales to a broader view of achieving long-term customer satisfaction, there has been growing acceptance of the fact that making a sale is only part of marketing. In fact, it may be argued that in certain circumstances, it may be better for the company and the customer if no sale is made! How can this be? How can we talk about marketing unless we sell something?

Remember that our objective is to achieve high levels of long-term customer satisfaction. Are there not situations where it is better to have customers delay a purchase or even go to a competitor, rather than sell them something that doesn't fit, is inappropriate, or isn't needed, or something with which they will obviously be dissatisfied in the future? This raises an obvious ethical issue relating to an allegation that is occasionally made about marketing: namely, that it may cause customers to buy things that they may not really need or may not be able to afford. We will return to this and other ethics topics in Chapter 16.

Much marketing attention is focused on the point of purchase, on that interaction between a company and its customers that centres on making the sale. The importance of marketing begins long before this. Later in this book, we will discuss the process of communicating with prospective customers. At that time, we will identify one of the principal roles of advertising — creating high levels of awareness of a company and its brands. Communications in particular is used to create an interest in products and brands on the part of customers that will hopefully lead them to try a product for the first time. Then, we want to encourage repeat buying and, ultimately, a sense of loyalty.

Figure 1-3:

Stages of Customer Interaction





WEAR OUT WARRANTY

FULL WARRANTY ON ALL CHILDREN'S APPAREL AND FOOTWEAR...FOR AS LONG AS THE CHILD FOR WHOM YOU BOUGHT THIS ITEM WEARS THIS SIZE. IF THE ITEM WEARS OUT, SEARS WILL, AT ITS OPTION, REPAIR OR REPLACE IT WITH THE IDENTICAL ITEM IN THE SAME SIZE, OR, IF UNAVAILABLE, A SIMILAR ITEM OF EQUAL VALUE IN THE SAME SIZE. EXCLUDES HOSIERY AND UNDERWEAR AND ITEMS SOLD IN OUR OUTLET STORES AND ONLINE AT SEARS OUTLET SITE. COVERS INFANTS TO SIZE 18 APPAREL AND FOOTWEAR UP TO SENIOR KIDS' SIZE 6, WITH PROOF OF PURCHASE.

NOTE: WARRANTY REPLACEMENTS/REPAIRS MAY BE HANDLED THROUGH YOUR NEAREST SEARS CATALOGUE LOCATION.



GARANTIE CONTRE L'USURE

GARANTIE COMPLETE SUR LES VÊTEMENTS ET CHAUSSURES D'ENFANT...SI UN VÊTEMENT OU DES CHAUSSURES SONT USÉS AVANT D'ÊTRE DEVENUS TROP PETITS POUR LE PREMIER ENFANT OU LES PORTER, SEARS, À SON CHOIX, REMPLACERA L'ARTICLE, LE REMPLACERA PAR UN ARTICLE IDENTIQUE DE MÊME TAILLE OU, SI CET ARTICLE N'EST PAS DISPONIBLE, LE REMPLACERA PAR UN ARTICLE SEMBLABLE DE MÊME TAILLE ET DE VALEUR ÉGALE. CETTE GARANTIE NE S'APPLIQUE PAS AUX CHAUSSURES ET COLLANTS, AUX SOUS-VÊTEMENTS OU AUX ARTICLES DE NOS MAGASINS DE LIQUIDATION ET, EN LIGNE, DU CENTRE D'AVANTAGE SEARS. CETTE GARANTIE EST VALABLE POUR LES VÊTEMENTS D'ENFANTS DE LA TAILLE NOUVEAU-NÉ À LA TAILLE 18, ET POUR LES CHAUSSURES D'ENFANTS, JUSQU'À LA PORTURE 6. PRIÈRE D'ACHAT RÉGULIÈRE.

NOTE: POUR CETTE GARANTIE, LES DEMANDES DE REMPLACEMENT/RÉPARATION SONT TRAITÉES À VOTRE POINT DE VENTE DU CATALOGUE SEARS.

Warranties such as this contribute to satisfying the customer after the sale.

product-in-use situation

The stage in the interaction when the customer has bought the product and is using it; evaluation of the success of the purchase takes place.

Much happens both before and after a sale to create satisfaction or dissatisfaction among customers and prospective customers. In fact, so much happens before a sale that a very large percentage of would-be customers never become customers. Think about situations when you really wanted to buy something. You had seen the advertising, found a certain product on the Internet, or you saw it while walking past a store in a shopping centre. You wanted the product, but you may have encountered a situation such as the one described in the chapter opener — you couldn't find someone to help you. Or you found the Web site so difficult to navigate that you gave up, or found after entering your order and other information, that the company does not ship its products to Canada. Or you got so frustrated after being kept on hold with a company's voice-mail system that you hung up.

Some companies make it very difficult for customers and would-be customers to deal with them, even though they have great products and services and through advertising have created an interest in their brands. Customers never buy something from such companies, because the companies have not paid sufficient attention to the second stage of the drivers of customer satisfaction model: support services and systems. They simply make it too difficult for customers to buy. What makes this particularly interesting is the fact that such customer dissatisfaction in many cases has nothing at all to do with the product or with the price being charged. In fact, customers are often prepared to pay *more* if they are simply treated well and the product is conveniently available.

Remember the purchase of your running shoes. Your final decision had very little to do with the shoes — you could have bought them in a number of different stores — or even with the price. Probably the most important factor that led you to buy them from Blades & Boards was Sandy and the way she treated you and handled the situation. Making things easy and pleasant for customers at the point of sale will often overcome other circumstances and result in a sale.

Much can go right or wrong at the point of sale, however. Regardless of whether the interaction with the customer takes place over the phone, via the Internet, or face to face, there are many opportunities to create customer satisfaction that will result in the sale being completed, or to dissatisfy customers so that they will abandon the attempt to buy. Much of the success of this interaction depends on how employees of the company interact with customers. An increasingly important aspect of that interaction is how the company has implemented customer-facing policies. While many customers appreciate the convenience of being able to deal with a bank, for example, through banking machines, the telephone, or the Internet, there are many others who want to deal with real people. They do not enjoy the impersonality of dealing with technology, and their long-term relationships with companies are weakened as a result. They are likely to leave in search of a company that will treat them like “a real person, rather than a number.”

What happens after the customer buys something? This has as much potential to create satisfaction or dissatisfaction as anything that happens before or during the purchase process. This often relates to the so-called **product-in-use situation**, when a customer may enjoy or be dissatisfied with a tangible product after it has been bought. The product may actually fail. Friends or family members may not like it. The customer may not know how to assemble it or even how to use it. And once it is ready to go, the opportunity to use the product may be limited, as, for example, when Web cameras were first introduced and few potential recipients had them attached to their computers. Much depends, of course, on the type of product purchased, but the point is that there is great potential for customer satisfaction or dissatisfaction after the sale.

What happens after the customer buys something? This has as much potential to create satisfaction or dissatisfaction as anything that happens before or during the purchase process. This often relates to the so-called **product-in-use situation**, when a customer may enjoy or be dissatisfied with a tangible product after it has been bought. The product may actually fail. Friends or family members may not like it. The customer may not know how to assemble it or even how to use it. And once it is ready to go, the opportunity to use the product may be limited, as, for example, when Web cameras were first introduced and few potential recipients had them attached to their computers. Much depends, of course, on the type of product purchased, but the point is that there is great potential for customer satisfaction or dissatisfaction after the sale.

As a result, we are seeing more and more companies paying greater attention to post-purchase service and the treatment of customers after the purchase. This includes increasing the flexibility of return and exchange policies. Increasingly, it is being recognized that it benefits the company to encourage the customer to return a product and/or complain if not completely satisfied. If you make it easy for your customers, they will return and purchase again, knowing the firm will stand behind its products. Wal-Mart allows customers to return merchandise to any of its stores, regardless of where it was purchased, and does not place a time limit on returns. Similarly, Sears makes it clear where it stands with its tag line “Satisfaction. Guaranteed.” As well, both retailers will replace any children’s clothing item if it wears out before the child outgrows it!

Firms are increasingly utilizing toll-free telephone numbers and Internet sites to provide post-sale support to answer questions, assist with assembly, and other customer requirements. Firms are offering guaranteed delivery times and faster service turnaround times, often involving on-site repairs or pick-up and delivery of the item. Such approaches are all about increasing the level of trust and reducing the feeling of risk involved in dealing with a particular company. Some companies are also using post-purchase opportunities to enhance relationships with their customers. General Motors dealers follow up with new car purchasers a couple of weeks after the purchase by sending a gift basket with a note of thanks and asking how everything is going with the new car.

Evolution of Marketing Thinking

The foundations of marketing were laid hundreds of years ago, when early settlers began trading among themselves and with various groups of Native peoples, thereby developing various exchange and barter relationships. However, it was not until the middle of the last century that marketing came to be recognized as a discipline within management and an important part of the organization of a company. We make specific reference to companies because the modern view of marketing grew out of businesses. The principles of marketing have in more recent years been applied to virtually every type of organization, including governments and cultural, charitable, and not-for-profit organizations.

Since then, marketing thinking has evolved through five successive stages of development or focus: a product focus, a sales focus, a new emphasis on the customer, a focus on service, and, most recently, on the development of customer relationships. These five stages reflect not only the development of the field over time, but also the state of mind of those who work in marketing. Although many firms have progressed to the third stage and beyond, the orientation of some firms and some individuals is still in the second or even the first stage, as shown in Figure 1-4.

Product-focus stage

Firms in the **product-focus stage**, typically manufacturers, place their emphasis on increasing output, while assuming that customers will seek out and buy reasonably priced and well-made products. Executives in production and engineering generally shape the firm’s strategy. The function of the sales department is simply to sell the company’s output at a price set by production and finance executives. The primary focus in business at this stage is to produce large

product-focus stage

The stage at which a company is focused mainly on producing high-quality products and services.

Figure 1-4:

Evolution of Marketing Thinking



quantities of goods and produce them efficiently. Finding customers is viewed as a relatively minor function. This focus on the production of physical goods was common during the first half of the twentieth century and into the 1950s, although some firms still think this way today: “If we make it, surely they will want to buy it.” Many companies still do not understand why customers don’t want to buy their perfectly good products. They don’t yet realize that a lot more than great products is involved in producing customer satisfaction and marketing success.

Sales-orientation stage

As the economy grew through the 1950s and into the 1960s, it became clear that the main problem was no longer to produce enough products, but rather to sell the output. Just making a better product brought no assurance of success. Firms started to realize that the sale of products required substantial promotional effort. Thus began a period — the **sales-orientation stage** — when selling activities and sales executives gained new respect and responsibility. It was also during this period that selling acquired much of its bad reputation, as “hard-sell” approaches and shady sales tactics evolved. The emphasis on sales is still a feature of the operations of many companies, particularly in a business-to-business context. In such sales-focused companies, the emphasis is on selling more products, moving the inventory, getting the stuff out the door. Employees are rewarded mainly through commissions and bonuses, based on how much they sell.

sales-orientation stage

The stage in the evolution of marketing management in which the emphasis is on selling whatever the organization produces.

Customer-interest stage

The pent-up demand for consumer goods that characterized the 1950s gave way to the need for companies to compete as they produced large quantities of goods, mainly as a result of new manufacturing technology and capacity. These early efforts to compete were characterized by the aggressive promotional and sales activities of the sales-orientation era. However, consumers became better educated and less willing to be persuaded, and they had greater variety from which to choose.

At roughly the same time, companies began to face increased competition, first from other local companies and then from national and, ultimately, international competitors. Competition became global and companies could no longer count on the patronage of their local clientele, who were now being exposed to marketing initiatives that originated in other countries. This combination of technology and global competition has, of course, been realized on the Internet, where companies now face competition from other organizations whose headquarters may be half a world away.

In this **customer-interest stage**, many businesses turn their attention beyond selling more products to addressing the customer’s needs. The advent of this stage marked a profound change in marketing, as the orientation turned away from marketing as something companies do to people to an emphasis on finding out what customers want and then providing them with it. This was a much more sophisticated perspective on marketing, one that was for the first time truly customer-focused. The objective of a company at this stage is to satisfy customers, to meet their needs.

In this third stage, firms begin to do more of what is now considered marketing, rather than selling. Tasks that were once associated with other business functions become the responsibility of the top marketing executive, typically the marketing manager or vice-president. For instance, inventory control, warehousing, and some aspects of product planning are turned over to marketing as a way of serving customers better. And marketing research becomes an essential tool in the marketing manager’s toolbox, providing important information on customer needs and behaviour.

customer-interest stage

A company realizes that satisfying its customers is critical to its success; generally involves trying to know customers better.

Customer-service stage

Not until the 1980s did marketing managers really turn their attention to the marketing of services. Until then, marketing had been focused largely on tangible products turned out by well-known manufacturing companies such as General Electric, Kraft Foods, and Bombardier. But, as services began to account for more of the total value of the Canadian economy, firms began to pay greater attention to marketing in industries such as financial services, transportation, and hospitality. Some companies don't sell tangible products; what they offer their customers is entirely intangible. There was increasing acceptance of the fact that services are inherently different from tangible products and that customers approach their purchases differently. There was also a realization in the **customer-service stage** of the fact that all businesses, and indeed all organizations, are in the service business, in that some forms of service accompany the sale of all products. Thus, the era of services in marketing was born, as companies began to ensure that the intangible side of what they offered contributed to customer satisfaction.

customer-service stage

A company at this stage places emphasis on providing excellent service to its customers, usually through improved systems and employee-customer interaction.

customer-relationship stage

A company actively tries to cultivate long-term relationships with its customers, based not only on great products, price, and service, but also on establishing an emotional connection.

lifetime value of customers

The value to a company of a customer over the lifetime of that customer's association with the firm; more than direct purchases.

Customer-relationship stage

Within the past 10 years, many companies have moved into yet another stage of the evolution of marketing thinking: the **customer-relationship stage**. The principal thrust of a company at this stage is to develop long-lasting relationships with customers, so that they will come back and buy from the company repeatedly and will recommend the company or brand to others. The objective is customer retention, based on the creation of long-term customer satisfaction. This seems to be such an obvious and sensible objective that you might well ask why companies took so long to get to this stage — in fact, it may be argued that many small, local businesses have been operating with this focus for years. They get to know their customers, treat them well, and are rewarded with repeat business. You can probably think of many small businesses that you and your family have been buying from for years, where you are well known to the owners and where you feel welcome or even “part of the family.”

Many large national and multinational companies have for many years been motivated by short-term success, however. It was not until very recently that large companies have been able to track the business they get and the profits they make from individual customers, and have thereby gained an appreciation for the **lifetime value of customers**. With advances in information systems and customer databases, many companies were able only in the past decade or so to calculate the value of a customer and to realize what they are losing when customers leave and take their business elsewhere. Now these companies can focus on customer retention, on keeping as well as attracting customers. An even more recent extension of this thinking has been directed at creating the most solid relationships possible with customers through the building of an emotional connection with them. Through the 1990s and into the first decade of this century, we have witnessed more and more acceptance of a customer-relationship approach to marketing.



1. What is the job of a marketer?
2. Beyond the actual product or service, what are some other customer needs?
3. What are the five successive stages through which marketing has evolved?

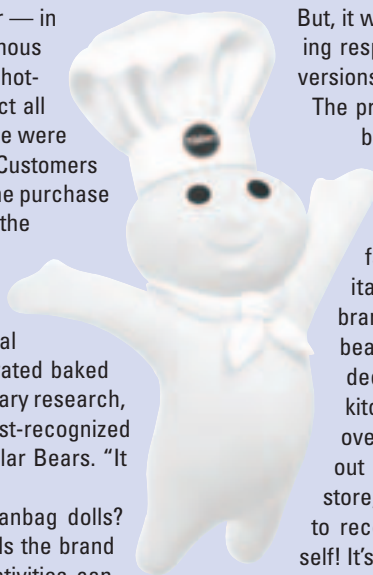


MARKETING AT WORK 1-2: RELATIONSHIPS

Pillsbury Hotcakes

The Pillsbury Doughboy® is as piping hot as ever — in fact, miniature beanbag toy versions of the famous character moved off grocery store shelves like hotcakes because consumers were eager to collect all three holiday versions of the little guy when these were introduced for a Christmas in-store promotion. Customers could purchase the beanbag doll for \$2.99 with the purchase of two refrigerated dough products. In fact, the company's toll-free number received hundreds of calls wanting to know where the toy could be found. "We've had a fantastic response from customers and retailers," reported Chantal Butler, marketing manager for Pillsbury refrigerated baked goods at General Mills in Toronto. Citing proprietary research, Butler said, "The Doughboy® is the second-most-recognized icon in North America," after the Coca-Cola Polar Bears. "It was crazy not to leverage it."

How do you market cookie dough with beanbag dolls? Why would Pillsbury sell toys? The process sells the brand and it sells a relationship, that's why! Such activities can enhance the value of the brand, as well as relationships with customer segments — young and old. The influence can reach across decision-makers, buyers, and influencers of such purchases. "Logistically, it was not simple. We were getting into selling toys, which is not our core competency," said Butler.



But, it would seem worth the effort. The outstanding response caused Pillsbury to introduce other versions of the toy.

The promotion is a mainstream extension to the brand-building and relationship enhancement found on the company's Web sites (www.pillsbury.com and www.doughboy.com). There, aside from recipes and family activities, visitors can also find a veritable cyberboutique dedicated to the brand's icon, with about 100 items for sale bearing the Doughboy's® image — holiday decorations, plush figures, toy trucks, and kitchen curtains. Of course, there are also oven mitts for taking your piping-hot cookies out of the oven. It's part nostalgia, part toy store, and part shrine. Visitors can even sign up to receive messages from the Doughboy® himself! It's all about creating new memories for those who remember the little guy from their own youth and building memories for younger cookie eaters who will ask for them today and buy them for their own kids years from now.

SOURCE: Adapted from Lesley Young, "Pillsbury Promo Pops Off the Shelf," *Marketing Magazine*, January 14, 2002, p.2.

It All Begins with Value

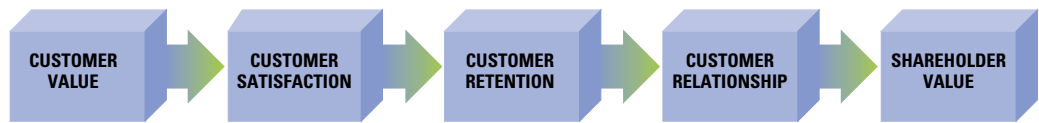
We made the observation earlier that marketing involves the exchange of things of value between two parties who might simplistically be described as a customer and a marketer. We have commented that unless customers perceive that they have received good value from the exchange, satisfaction will not result. Only through the ongoing provision of value to its customers can a company achieve high levels of customer satisfaction, retention, and loyalty.

It is important to note that value, like many other concepts that we will examine in marketing, is intangible and exists largely in the mind of the customer. Value is perceived by the individual customer; where one may perceive value, another may see little or no value and may be unwilling to buy.

If a company or organization succeeds in creating value for its customers, generally high levels of customer satisfaction will be the result. If the company persists in satisfying its customers, a large percentage of these customers will continue to buy its products and services — customer retention will result. If customers are retained over time, they become better known to the company and its employees, a rapport begins to develop, and the customers feel more comfortable dealing with the company — the emotional characteristics of customer relationships begin to show. Once a company has succeeded in creating solid, long-lasting relationships with a large percentage of its customers, it will achieve a state of ongoing profitability and value for its owners. Thus, the creation of shareholder value, a goal of companies the world over, begins with the creation of value for the customer.

Figure 1-5:

Customer Value Drives Shareholder Value



Value is, therefore, one of the most fundamental concepts in marketing. The essence of marketing is the creation of value for customers in order to produce high levels of satisfaction and to sustain that satisfaction over time. A central question in marketing deals with how to create value for customers.

The answer lies in the development of what is termed the company's **value proposition**, encompassing literally everything that the company offers its customers and prospective customers. It is important again to define the value proposition quite broadly. Rather than focus on the core product or service, as we discussed earlier, a company must include in its value proposition everything that it does that has the potential to satisfy or dissatisfy customers. Thus, the value proposition must include not only what is being sold to the customer, but also how the product or service will be made available, what price is to be charged, the processes that will be used to provide the product, the level of post-purchase service to be provided, and many other aspects of the total offer.

It is important, finally, not to confine our discussion of value to aspects of the proposition relating to price. The simplest view of value is often expressed as value for money: How much does the customer have to pay for what is received from the company? But much more than monetary considerations influences a customer's decision on whether what is being offered or has been received represents good value. Value involves more than tangibles and more than money.

Think about a situation that would cause you to conclude that you will never go back to a particular clothing or sporting goods store. We have all had such negative experiences. In fact, one such experience may have been illustrated in the example that opened this chapter. Now, complete the following sentence: "I'll never go back there; it's just not worth the ____." Chances are that you completed the sentence with words like "time," "hassle," "trouble," "aggravation," or "frustration." It is surprising how infrequently customers will mention price in such a situation.

There is, of course, a very close connection between the stage of marketing thinking that a company has reached and how it defines its value proposition. Those companies that still have a product focus are most likely to define their value proposition quite narrowly, limiting its scope principally to having great products. As companies move into progressively more advanced stages of marketing thinking, they begin to include a broader range of things in their definition of the value proposition, until ultimately they are focused on the development of solid, long-term relationships with their customers. At this point, they tend to define the value proposition as broadly as possible to include literally everything the organization does that has the potential to influence long-term customer satisfaction.

Customer-relationship thinking

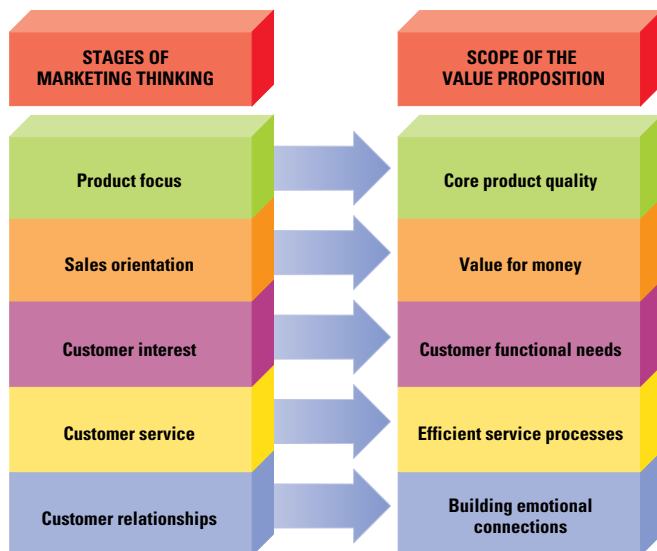
The modern customer-relationship view of marketing is characterized by four concepts that are generally absent at the earlier stages in the evolution of marketing thinking, and especially at the early product- and sales-focused

value proposition

The sum total of what the company offers the customer; much more than product and price.

Figure 1-6:

Marketing Thinking Drives the Value Proposition



stages. First, an emphasis on building customer relationships is necessarily a *long-term strategy*. The payback may not be realized for two or three years and will last well into the future, unlike the sales-focused view where the objective is to make the sale today or this week. Second, companies that are focused on developing relationships with customers accept that they must understand the *customer's view* of the relationship, rather than the company's. It is the customer who decides whether quality and value are being offered and whether a solid relationship exists. Third, such companies also accept that they must *define very broadly what they offer the customer*, to include not only the core products or services, but also the service provided and the emotional connection with the customer. Finally, companies operating at this stage of the evolution of marketing *rely on new types of measures* to gauge their success. Rather than measuring success in conventional, short-term, financial terms such as sales, profits, and market share, they assess their performance against measures such as customer satisfaction, loyalty levels, and the strength of their relationships with customers.

Many business firms and other organizations are still operating in the early stages in the evolution of marketing thinking. Some believe they have the best products (and they may have), and can't understand why customers don't buy from them regularly, even though their service is terrible. Still others are focused almost entirely on selling, setting sales quotas, and paying their salespeople a commission on the amount they sell.

Admittedly, many of the firms that remain in the early stages of marketing thinking are long-established companies that manufacture tangible products. They continue to do business as they have done for years. Others have accepted the validity of the modern marketing orientation but have difficulty implementing it, for at least two reasons. First, implementation requires accepting the notion that the needs and wants of customers, not the needs of the company and its management, must direct the organization. Second, moving into the customer-focused advanced stages of marketing thinking requires that managers change their notion of what they offer the customer. Success in marketing today is about more than the products and services that we sell. Modern marketing thinking demands that companies realize that how they treat customers, the level of service provided, and ultimately how the customer feels about the company may in fact be more important in influencing long-term satisfaction and repeat business than the products that the company sells and the prices charged for them.

Placing customers first and taking a long-term view of dealing with customers affects the way a company describes what it does. Table 1-1 shows how some well-known organizations might define their businesses under a product or sales orientation and how differently the businesses would be defined using a more up-to-date service or relationship orientation.

In some situations, an organization may feel it does not need to be customer-focused to prosper. A monopoly service provider, such as a provincial power utility, is virtually guaranteed to have customers, since most people are not in a position to generate their own electricity. Nevertheless, customer satisfaction should remain the primary concern. In recent years in the telecommunications industry, former monopolies such as Bell Canada have faced competition from companies such as AT&T Canada, Sprint Canada, and cable television operators. Canada has also recently seen some deregulation of electrical utility service, with new providers beginning to provide service in some provinces. Large monopoly service providers are facing new direct competition in a newly deregulated arena. Unless they prepare to develop service and customer-focused environments, they are likely to suffer huge losses in the open market.

Free or not-for-profit services also often feel that marketing is unnecessary or inappropriate. Organizations such as Planned Parenthood or Canadian Blood Services have missions to fulfil and groups to serve. Such organizations can achieve greater success by understanding the needs of those with whom they deal. Issues of relevance in these cases can include understanding the critical role of empathy and patience when dealing with clients, as well as the

TABLE 1-1 What Business Are You In?

Company	Production-Oriented Answer	Marketing-Oriented Answer
Bell Canada	We operate a telephone company.	We provide multiple forms of reliable, efficient, and inexpensive communications services.
Esso	We produce oil and gasoline products.	We provide various types of safe and cost-effective energy.
VISA Canada	We provide credit cards.	We facilitate the purchase of products and services and the transfer of funds.
Canadian National	We run a railway.	We offer a transportation and materials-handling system.
Levi Strauss	We make blue jeans.	We offer comfort, fashion, and durability in wearing apparel.
Kodak	We make cameras and film.	We help preserve beautiful memories.
Bombardier Inc.	We make airplanes.	We provide innovative ways of transporting people quickly and safely.
TELUS Mobility	We provide cellphones.	We enable people to communicate freely from practically anywhere in the world.
Pegasus Intelligence	We design cad/cam software.	We allow companies to reach a superior level in the optimization and business processes.
National Hockey League	We provide hockey games.	We create and promote events that are an excellent means of family entertainment.

importance of providers always conducting themselves with professionalism and providing assurance of confidentiality and privacy. Also, the timeliness, safety, and efficiency of service provision may be of concern to potential users.

BACKSPACE

1. The essence of marketing is the creation of _____ for customers.
 2. What four concepts characterize the customer-relationship view of marketing?
 3. What are the four elements of the traditional marketing mix?
-

Keeping As Well As Getting Customers

“four Rs” of marketing

Guideposts for the new way of thinking in marketing: customer retention, relationships, referrals, and recovery from negative experiences.

The recent focus of marketing on customer service and the creation of customer loyalty have brought about an important change in how marketers view their dealings with customers and prospective customers. In short, there has been a realization on the part of many marketing managers that the provision of the four elements of the conventional marketing mix — product, price, advertising and promotion, and distribution channels — is not sufficient to ensure customer satisfaction and repeat business. While we will devote a large portion of this book to coverage of these four components of the marketing mix, it is important to do so in the context of a new strategic view of marketing, one that focuses on all of the ways that companies create value for their customers, leading to customer satisfaction. We have labelled the components of our new strategic view the **“four Rs” of marketing** — retention, referrals, relationships, and recovery. These components

customer retention

The behavioural connection between regular customers and a company; characterized by repeat buying behaviour, but not yet a relationship because it may be lacking an emotional component.

share of wallet

The share of a customer's total spending in a product or service category that is given to a particular company or brand.

referral

The process of recommending a company or brand to others; positive word of mouth.

word of mouth

The process of customers discussing companies and brands with which they have come in contact; may be either positive or negative.

focus our thinking on what the new approach to marketing is designed to accomplish. They also serve to put into context how the elements of the traditional marketing mix should be applied. Marketers today realize that getting the four elements of the marketing mix right is not enough; each of these must be applied in the context of what it does to support the building of long-term relationships with customers.

Retention

Most successful marketers today have accepted the principle of **customer retention** — that long-term customers are more profitable and that organizations should pay at least as much attention to keeping existing customers as they do to trying to attract new ones. Recent studies have demonstrated quite clearly that customers become more profitable the longer they continue to do business with a firm. This is the case because satisfied, long-term customers spend a larger portion of their total expenditures (often referred to as **share of wallet**) with a firm to which they are loyal. These customers also cost less to serve, because they are generally more satisfied and don't need to be convinced to buy. They make fewer complaints and are less likely to quibble over price, often being prepared to pay more for good service. And they tell others how satisfied they are.

Referrals

This last point leads to the second of our four Rs, **referrals**. One of the greatest benefits of satisfying customers is that they will refer their friends and associates to the firm that is providing them with superior value. This is one of the most important benefits to be gained from satisfying customers. Through positive **word of mouth**, satisfied customers can

produce large volumes of new business. Conversely, a dissatisfied customer will either spread negative word of mouth or will simply never return. Companies that provide a high level of value to their customers always keep in mind the potential for existing customers to bring in new ones.

Again, consider your purchase of running shoes at the beginning of the chapter. If a friend sees your new purchase and mentions that she or he is in the market for a new pair of Vans or Skechers, what will you say? If you're really happy with your experience and your new footwear, you'll suggest that your friend should check out Blades & Boards and you'll explain why. That would be an example of positive word of mouth. Negative word of mouth would be if you advised your friends *not* to go to Sports Champs. Such informal communication between friends, family members, and co-workers can greatly affect the reputation of a firm.



He'll spread positive word of mouth about this video game.



VideoGameReview.com
GameZone Online

Some companies use word of mouth to introduce new products and generate interest. As a formal part of promoting a new video game, for example, the manufacturer will send copies to game critics who write for magazines, newspapers, or Web sites such as VideoGameReview.com (www.videogamereview.com) or GameZone Online (www.gamezone.com), where prospective users will read the reviews, discuss them in chat rooms, and hopefully go out and rent or buy the game as a result. Also, manufacturers often run local contests, giving away many of the new game consoles or cartridges as prizes to get the product in people's hands and start them talking about it to their friends — perhaps even submitting their own reviews to one of these many review sites.

Relationships

One of the most important developments in marketing in recent years has been the attention now being paid to the establishment of relationships between companies and their customers. This is an aspect of marketing that is gaining considerable attention and is linked very closely to the notion that long-term customer satisfaction is a direct result of the provision of superior customer value. The customers' definition of value very often extends to the establishment of a close relationship with a company — they come to value the relationship itself. However, the establishment of a long-term customer relationship is not a simple task and should be approached following much study of how the firm's customers define a relationship.

Many companies are now introducing relationship-marketing programs to try to get closer to their customers, so that they will feel more a part of the company. The most notable of these include examples like Saturn, the automaker, which holds picnics and barbeques for Saturn owners. The company also sponsors the construction of local community playgrounds, inviting Saturn owners to help in the day-long event. Other higher-end service providers deliver services that exceed customer expectations, providing memorable experiences that forge solid relationships.



[NAC: Live Rush](http://www.liverushnac.ca)

All types of organizations are seeking to develop reliable, mutually beneficial relationships. The National Arts Centre (NAC) discovered great success in 2002 with its Live Rush program (www.liverushnac.ca). Like other arts organizations concerned with the “greying” of the Canadian population, the NAC wanted not only to attract a younger demographic, but also to create customers for life. And the very young were targeted to publicize the 125 annual music, dance, theatre, and variety productions — high school and post-secondary students, in fact. Those who registered for the program could take advantage of “the cheapest date in town.” Unsold inventory to same-day performances was made available at what was sometimes one-tenth of the regular ticket cost. But it takes more than discount tickets to create relationships. Targeted direct and database marketing efforts went a long way in changing the perception of the “arts” as highbrow entertainment. Registration information assisted in the collection of much consumer information that could be used to build long-term relationships — hopefully, customers for life.²

service recovery

The process of correcting the situation when a customer is dissatisfied with service provided. A company may attempt to recover from a poor service experience by apologizing or by offering the customer a price reduction or other form of compensation.

Recovery

The final element in our four Rs of marketing relates to **service recovery** — what a company can do to recover customer satisfaction when something has gone wrong. Inevitably, customers will encounter problems and poor service when dealing with some companies. Even the most meticulous companies cannot completely avoid delivering poor service on occasion. The issue is: What can and should a company do when something goes wrong?

Certainly, the answer is not “Do nothing.” Particularly in service companies in recent years, managers have been paying increasing attention to the development of procedures to deal with service problems as they arise, with a view to solving customers’ problems before they decide to take their business elsewhere. Therefore, service recovery becomes an important component in a company’s program to establish and maintain customer relationships. Taking the necessary steps to deal with customers’ problems efficiently and effectively will lead to those customers being satisfied, even to the point that they will be more loyal than they would have been if the service problem had never occurred!

The Modern Marketing Concept

marketing concept

A philosophy of doing business that emphasizes customer orientation and co-ordination of marketing activities in order to achieve the organization’s performance objectives.

The evolution of marketing thinking from an emphasis on the product to a focus on customer relationships has led to successive steps in the development of a particular philosophy of doing business. Often referred to as the **marketing concept**, this philosophy emphasizes customer orientation and the co-ordination of marketing activities to achieve the mutual long-term objectives of the customer *and* the organization. Although customer satisfaction is important, this focus will work only if it is accomplished at the same time that the organization’s objectives are being met; in short, the company has to make a profit. Long-term customer satisfaction leads to the retention of customers and generates ongoing profits.³ Developing satisfied customers is therefore an important way to meet the organization’s performance objectives. By creating value for its customers, a company is creating long-term payback for its shareholders and securing the future of the company.

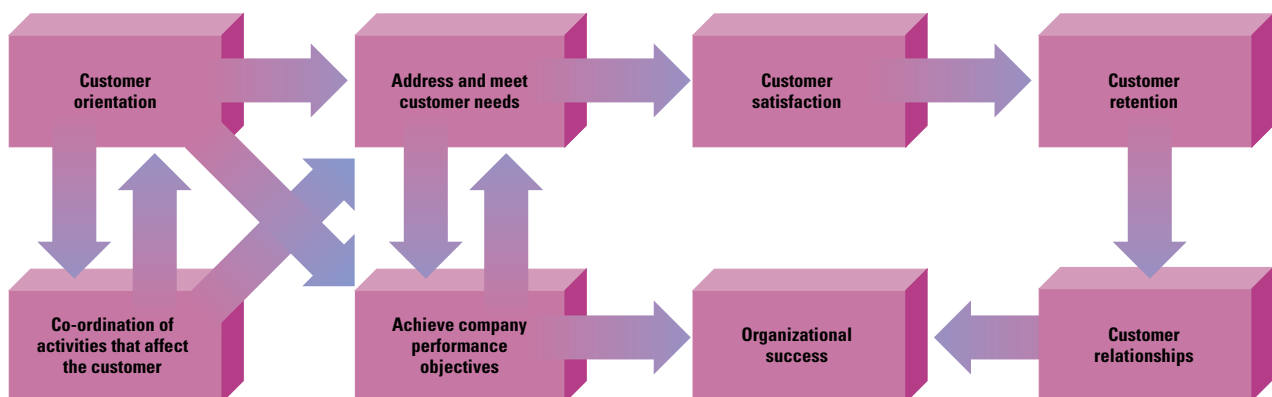
Nature and rationale

The marketing concept is based on four beliefs that are illustrated in Figure 1-7:

- All planning and operations should be focused on creating customer satisfaction. Every department and employee should contribute to the satisfaction of customers’ needs. The attitude should be that “everyone is in marketing,” because virtually everything that a company or organization does has the potential to affect the satisfaction of customers. Thus, the people who design and install the telephone system and the Web site are in marketing. The people who prepare and send out invoices are in marketing. So too are representatives of the human resources department, because they are responsible for putting the right employees in positions where they come into contact with customers.

Figure 1-7:

Components and Outcomes of the Marketing Concept



- All marketing activities in an organization should be co-ordinated. Marketing efforts (product and service planning, pricing, distribution, promotion, and customer service) should be designed and combined in a coherent, consistent way, and there should be one overall view of the importance of the customer. Responsibility for the marketing orientation of the company rests squarely on the shoulders of the chief executive officer (CEO) or president. This executive has the responsibility for creating the right culture within the company, one that ensures that customers are treated as the company's most important asset. Regardless of the department of the company in which employees work, they should be made aware of their roles in supporting a marketing orientation for the organization.
- Customer-oriented, co-ordinated marketing is essential to achieve the organization's performance objectives, while at the same time meeting the customer's needs. The primary objective for a business is typically to achieve profitability. In not-for-profit organizations, the objective might be to increase the number of people served or the variety of services offered. Since companies began to move into the service- and relationship-focused stages of marketing thinking, there has been a growing awareness that new and different measures of organizational performance are needed.
- Everything is focused on the long term and designed to create an emotional connection with the customer. Thus, an important component of the modern marketing concept relates to creating an environment and an experience for the customer that contributes to the building of a relationship. Concepts such as trust, communication, value, and quality are important parts of what building a relationship means. Thus, truly marketing-oriented organizations have a viewpoint that ensures that they act in an ethical and socially responsible manner, that they treat their employees and customers well, and that they generally behave as responsible members of the communities in which they operate.

Why Marketing Is Important

Marketing is important in a number of contexts: at the level of the national marketplace, at the level of the business or organization that practises marketing, and at the level of the customer.

Marketing in the marketplace

In the Canadian economy today, customers are probably better treated than at any time in the past. There is greater choice, a greater variety of products and services from which to choose, and higher levels of convenience and access to options than customers have ever had. This is a result of many factors, including competition from international competitors and through the Internet, and recent advances in technology that have enabled companies and other organizations to deliver higher-quality products and services more efficiently than in the past. But the current attractiveness of the marketplace is also a result of how businesses have responded to the challenges they have been facing. There is no doubt that companies are more marketing-oriented and customer-focused than at any time in the past, and customers are the beneficiaries of this. Canada is also one of the most marketing-friendly countries because, over the past 30 years or so, governments at all levels have put in place consumer protection legislation to ensure that companies act ethically and in the best interests of customers.

We can also get an idea of the importance of marketing in the Canadian economy by looking at how many people are employed in some way in marketing and at how much of

what we spend covers the cost of marketing — upward of one-third of the Canadian labour force is engaged in marketing activities. This figure includes employees in retailing, wholesaling, transportation, warehousing, and communications industries, as well as people who work in marketing departments in manufacturing, agriculture, mining, and service industries.

Marketing in companies and organizations

Marketing considerations should be an integral part of all planning, because the success of any business comes from satisfying the needs and wants of its customers. Although many activities are essential to a company's growth, marketing is the only activity that directly produces revenue.

During the 1990s, many not-for-profit organizations realized that they needed effective marketing programs to counteract difficult economic times, shrinking government subsidies, and a decrease in charitable contributions. Charities with decreasing donations, service clubs with declining memberships, and symphony orchestras playing to empty seats all began to understand that marketing was essential to help them turn their situations around. Today, political organizations, museums, and even churches — all organizations that formerly rejected any thought of marketing — are embracing it as a means of growth and, for some, survival.

Marketing and you

Why is marketing important for you and for the millions of other consumers in this country? Why should you study marketing? There are a number of reasons.

Marketing pervades our daily activities. Consider how many marketers view you as part of their market. With people like you in mind, firms such as Nike, Loblaw's, Air Canada, MuchMusic, and Tim Hortons have designed their products and services, set prices, created advertisements, and chosen the best methods of making their products and services available to you. They have devised customer-service strategies and developed programs to encourage you to come back and do business with them in the future. In response, you watch television commercials, buy various items from different retail stores or through the Internet, and sometimes complain about prices or the quality of service you receive. Marketing occupies a large part of your daily life. Studying marketing will make you a better-informed consumer. You'll understand more about what underlies a seller's pricing and how brand names are selected, as well as the roles of promotion and distribution.

Finally, marketing probably relates, directly or indirectly, to your career aspirations. If you are thinking about studying more marketing courses and considering employment in a marketing position, you can develop a feel for what marketers do. If you're planning a career in accounting, finance, or another business field, you can learn how marketing affects managerial decision-making in these areas. Finally, if you are thinking about a career in a non-business field, such as health care, government, music, theatre, or education, you will learn how to use marketing in these organizations. When you become serious about a job search, all of the marketing ideas and tools will be of great help to you in defining potential employer groups and their interests, and clarifying how you can present yourself to them.

An Integrated View of Marketing

This first chapter has presented a view of how marketing is addressed in modern businesses and organizations. A number of key points should be obvious from this early discussion of marketing. The first is that marketing has changed a lot over the past 50 years or so. This is because marketing is an extremely dynamic field — it is always changing, because customers are always changing. Marketing is all about satisfying customers, and these customers are influenced

by many trends and changes in their lives. This is what makes marketing one of the most exciting fields of study.

Marketing applies to all forms of organizations. It is not something that is done by businesses only. Rather, it has been embraced as an essential activity by arts and cultural organizations that are trying to build their base of patrons, by charities that want their messages to reach more donors, and by universities and colleges such as your own that want to attract more students. Marketing is not simply a business department or function. It is a way of viewing an organization and how it operates.

The second key point that should be reinforced is that marketing is an all-pervasive approach to doing business that is represented by an attitude or focus that should pervade all parts of an organization. It could even be said that marketing today is too important to be left to the marketing department.

The final key point that we would reiterate to end the chapter suggests that marketing must be integrated throughout an organization. Many concepts have to be reflected in the marketing thinking of the modern organization. Management in the modern marketing-oriented company understands that virtually everything that the company and its employees do must be oriented toward the creation of value and the development of a solid corps of loyal customers.



1. What are the four components of the new strategic view of marketing?
2. What is the marketing concept?
3. _____ are now much more important than goods as the object of a transaction.

Summary

The principal focus of marketing in most organizations today is the achievement of long-term customer satisfaction. This is accomplished through the provision by the company to its customers of something of value in exchange for something else of value. The end result, if marketing is practised well, is the creation of a base of loyal customers who not only continue to do business with the company, but also refer their friends and associates. Many will even develop an emotional attachment to the company, often referred to as a *customer relationship*.

All types of organizations engage in marketing. The things being marketed include tangible products, as well as services, ideas, people, and places. Marketing activities are targeted at groups of consumers that are termed *markets*, consisting of product purchasers and consumers, as well as the individuals and groups that influence the purchase decision.

In a business context, marketing is a total system of business activities designed to plan, price, promote, and distribute need-satisfying products to target markets in order to achieve consumer and organizational objectives. The main difference between marketing and selling is that, in selling, the emphasis is on the product; in marketing, the emphasis is on meeting customers' needs.

Marketing has evolved through five stages. It began with a production orientation, passed through a sales orientation, then through a stage focused on the customer, and then through one focused on service. The focus now is on customer relationships. In this fifth stage, a company's efforts are directed toward identifying and satisfying customers' needs in order to establish effective marketing relationships.

Many factors drive customer satisfaction. The most basic of these is the core product or service that is marketed by the firm, followed by various services and systems that the firm has in place and its ability to deliver these effectively and accurately. How the firm and its employees interact with customers also affects satisfaction. Ultimately, whether customers are satisfied depends on how they feel toward the company.

According to the modern marketing concept, a firm is best able to achieve its performance objectives by adopting a customer orientation and co-ordinating all of its marketing activities. A focus on the customer helps to build long-term relationships based on getting to know customers and understanding their needs in order to provide high levels of quality and service within a trusting and ethical framework.

Key Terms and Concepts

consumer 11	lifetime value of customers 17
customer 4	market 10
customer-interest stage 16	marketer 6
customer loyalty 7	marketing 4
customer-relationship management 7	marketing concept 24
customer relationship 8	marketing mix 6
customer-relationship stage 17	needs and wants 12
customer retention 22	product-focus stage 15
customer satisfaction 4	product-in-use situation 14
customer-service stage 17	purchaser 11
decision-maker 11	referral 22
drivers of customer satisfaction 8	sales-orientation stage 16
exchange 4	service recovery 23
expectations 5	share of wallet 22
“four Rs” of marketing 21	value 5
“give and get” 5	value proposition 19
influencers 11	word of mouth 22

Questions and Problems

1. Explain the concept of an exchange, including the conditions that must exist for an exchange to take place, and give an example of an exchange that does not involve money.
2. Name some retail stores that you frequently visit or some brands that you often buy. Are you loyal to these stores or brands? If so, why? If not, explain why you aren't.
3. Explain the five levels in the model of the drivers of customer satisfaction. Discuss how each level can influence the customer and generate satisfaction or dissatisfaction.
4. “The marketing concept does not imply that marketing executives will run the firm. The concept requires only that whoever is in top management be marketing-oriented.” Give examples of how a production manager, a vice-president of finance, or a personnel manager can be marketing-oriented.
5. For each of the following organizations, describe what is being marketed.
 - a. Toronto Maple Leafs.
 - b. Human Resources Development Canada.
 - c. www.monster.ca
 - d. Canadian Blood Services
6. One way of explaining the value provided by marketing is to consider how we would live if there were no marketing facilities. Describe some of the ways in which your daily activities would be affected if there were no retail stores or advertising.
7. Name two service firms that, in your opinion, do a good marketing job. Then name some that do a poor marketing job. Explain your reasoning in each case.
8. Explain why it is sometimes better for a business not to make a sale. Describe a situation in which a customer would walk out of a store empty-handed but feeling satisfied or pleased.
9. Why is it that getting the traditional marketing mix right may not be enough to ensure high levels of satisfaction?
10. Why should a company want to develop a relationship with a customer?

Hands-On Marketing

1. Select a restaurant, hotel, dry cleaner, or other service company near your school and think about how it operates. If possible, observe the operation and interview a manager and some customers to identify: (a) what is being exchanged; and (b) whether the company is production-, sales-, or customer-oriented.
2. Go to www.amazon.ca and examine the Web site to determine how Amazon adds value for the customer. How does the company use technology to improve customer satisfaction and build relationships with customers?

Back to the Top

Think about the customer experience described in the chapter opener and what went on: why you bought your shoes at one store rather than the other. Think also about the many factors that contributed to your decision — what it was that made you satisfied with your experience at

Blades & Boards and with your purchase. Why was Blades & Boards successful in selling you the shoes and Sports Champs was not? Now think about what this tells us about the scope of marketing. What can marketers learn from this everyday example?



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