

# Chapter 1

Marketing's  
Value to  
Consumers, Firms,  
and Society

# At the end of this presentation, you should be able to:

1. Know what marketing is and why you should learn about it.
2. Understand the difference between marketing and macro-marketing.
3. Know the marketing functions and why marketing specialists—including intermediaries and collaborators—develop to perform them.
4. Understand what a market-driven economy is and how it adjusts the macro-marketing system.

# At the end of this presentation, you should be able to:

5. Know what the marketing concept is—and how it should guide a firm or nonprofit organization.
6. Understand what customer value is and why it is important to customer satisfaction.
7. Know how social responsibility and marketing ethics relate to the marketing concept.
8. Understand the important new terms

# Marketing—What's It All About?

**More than Selling or Advertising**

**More than Selling and Advertising**



# Things a Firm Should Do in Producing a Bike



Analyze Needs

Predict Wants

Estimate Demand

Determine Where

Estimate Price

Decide Promotion

Estimate Competition

Provide Service

# Production vs. Marketing

## Marketing

Makes sure right goods & services are produced

## Production

- Making Goods
- Performing Services

**Creates Customer Satisfaction**



# Marketing Is Important to You



Important to every consumer!



Important to your job!  
(and your next job, too)



Affects innovation and  
standard of living

# Marketing Affects Innovation





# How Should We Define Marketing?

## Micro View

- Set of activities
- Performed by individual organizations

**and**

## Macro View

- Social process
- Matches supply with demand

# Identify Customer Needs

what's wrong?



# Marketing



# Building Customer Relationships

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It's not just a laptop. It's  
**knowing each pilot's  
 aircraft is fit to fly**  
 before an urgent mission.



As a part of the today's flight line maintenance team, you have to be at your best to ensure the aircraft are at their best. And that's why you need the fully rugged Panasonic Toughbook® 25. Able to withstand everything from drops, bumps, dust and moisture, it boasts a full magnesium alloy case, shock-mounted hard drive, 500 MB daylight-readable touchscreen and Intel® Centrino® Mobile Technology for exceptional mobile performance. With a team of pilots depending on you, you can't afford to settle for less. **Work anywhere. Risk nothing.**

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[panasonic.com/toughbook/federal](http://panasonic.com/toughbook/federal)

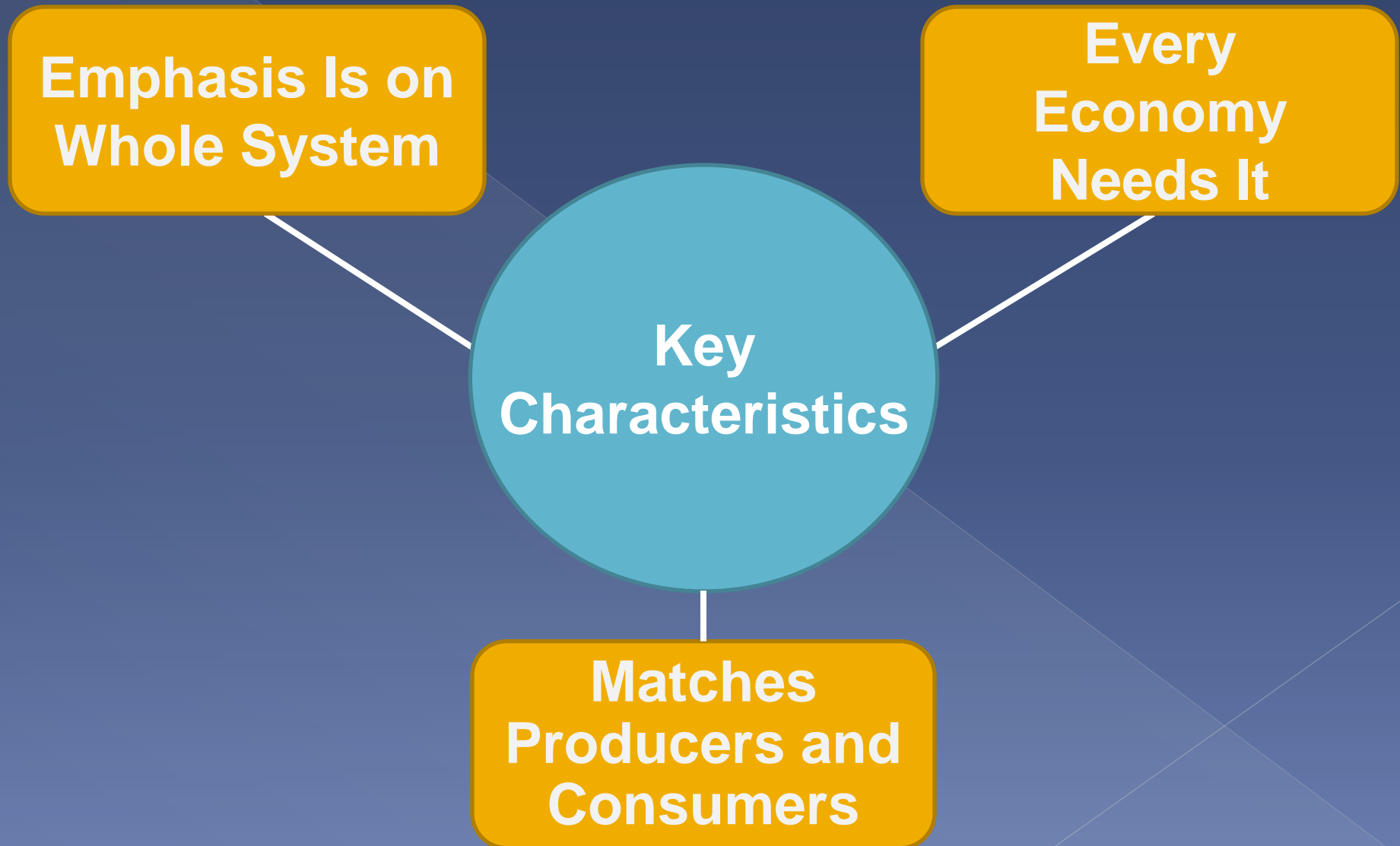
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# Macro-Marketing





# Separation Between Producers and Consumers

**Economies of Scale - Lower Unit Cost**

Unit  
Cost  
\$



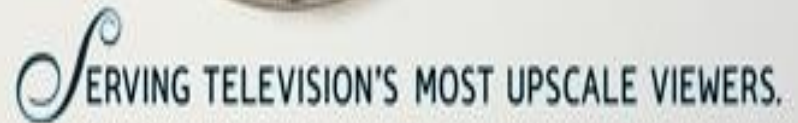
Output

**Marketing Bridges the Gap!**

**Producers**

**Marketing  
Functions**

**Consumers**



median household income of \$4,000. In addition, adults 25-54 with an income over \$25,000 view 17% higher in DMCV households than in other households. Television's most targeted adults, DMCV, is exclusively represented for advertising sales by DDM Television. For specific



For abstracts, contact Bob Snyder (770) 440-8514 or [rsnyder@isa.com](mailto:rsnyder@isa.com)



# Marketing Facilitates Production and Consumption (Exhibit 1-1)

## Production Sector

Marketing  
needed to  
overcome  
discrepancies  
and separations

Spatial Separation

Separation in Time

Separation of Information

Separation in Values

Separation of Ownership

Discrepancies of  
Assortment

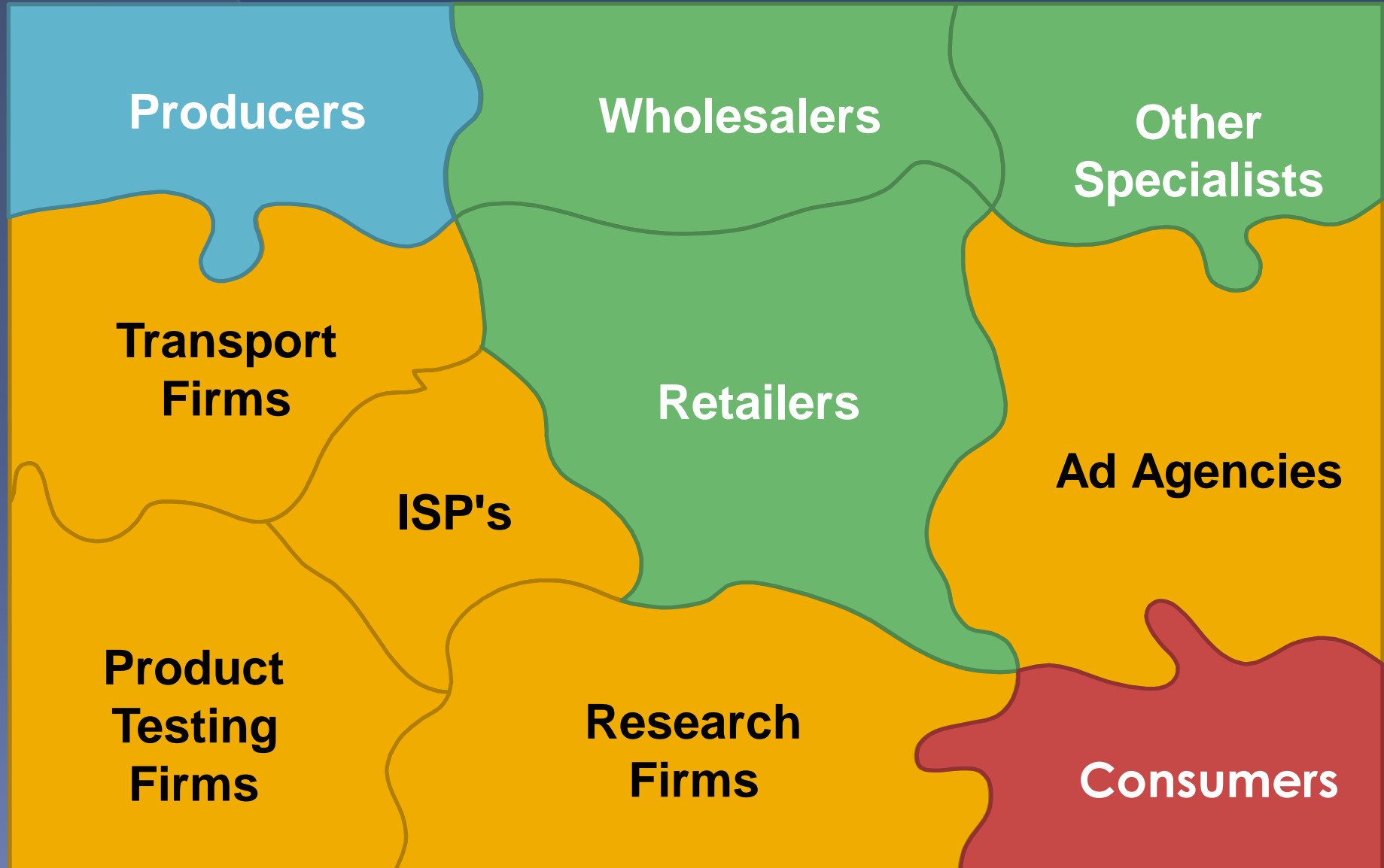
Discrepancies of Quantity

## Consumption Sector

# Universal Functions of Marketing



# Who Performs Marketing Functions?



# Economics Systems

## Command Economy

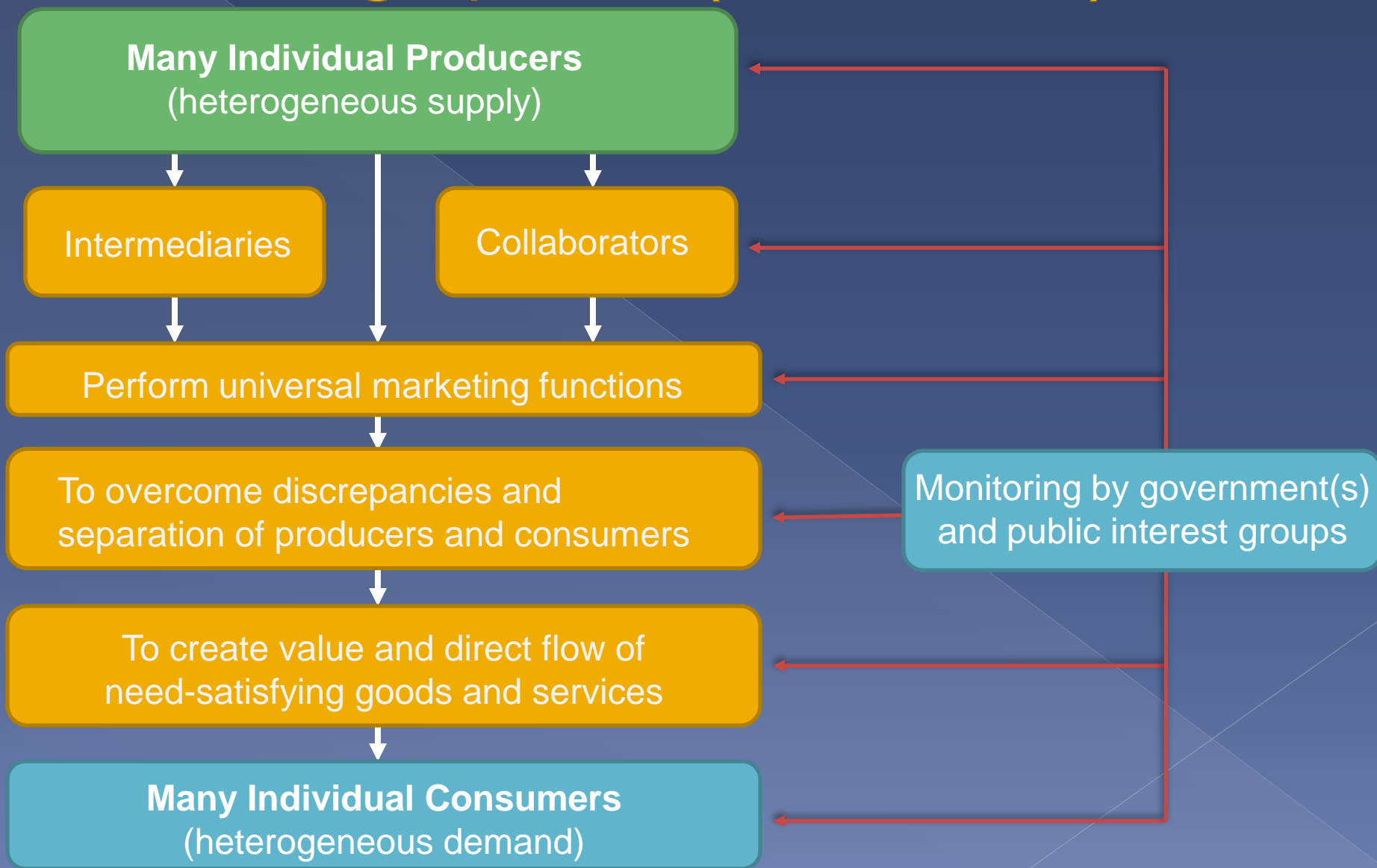
- Government officials decide
- May work well if:
  - Simple economy
  - Little Variety
  - Adverse Conditions

OR

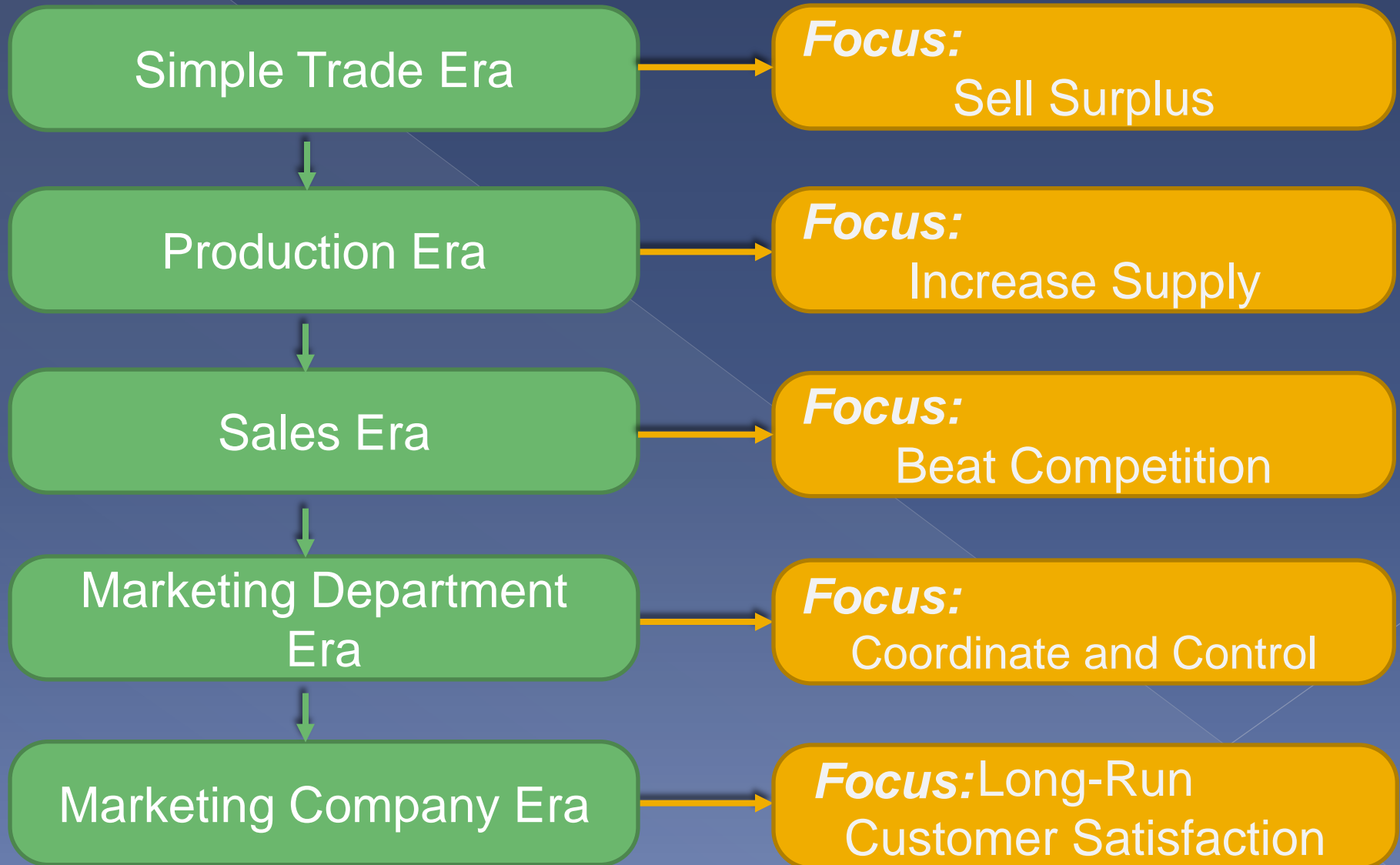
## Market-Directed Economy

- Adjusts itself
- Price is value measure
- Freedom of choice
- Government's role limited
- Public Interest Groups

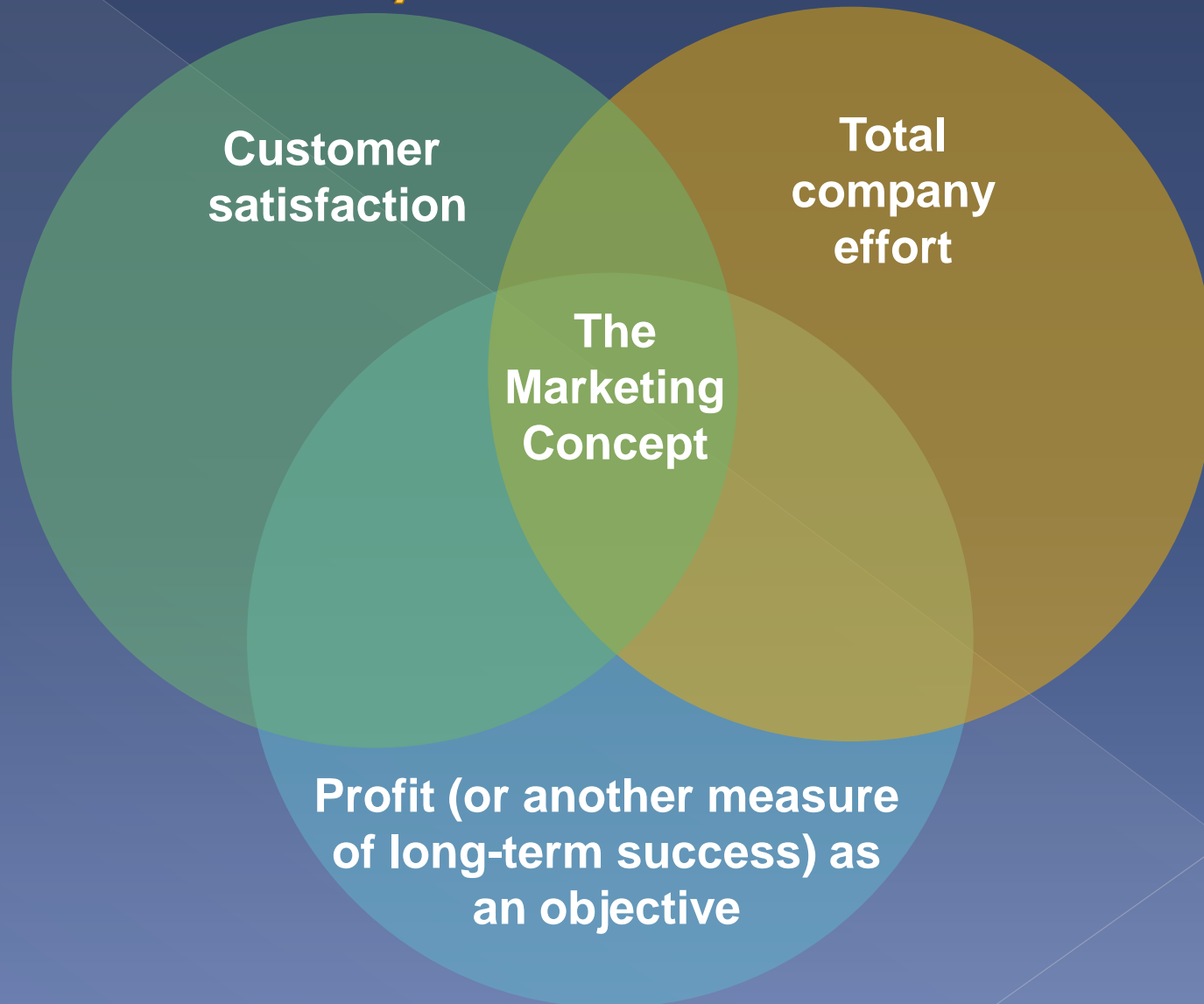
# Model of a Market-Directed Macro-Marketing System (Exhibit 1-2)



# Marketing's Role Has Changed a Lot Over the Years



# The Marketing Concept (Exhibit 1-3)



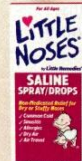


# Creating Customer Satisfaction

When it's your baby...  
there are no little coughs and colds,  
just Little Remedies®.

That's why Little Remedies® created a line of products just to relieve little coughs, colds, and fevers. Each one contains safe, effective, pediatrician recommended ingredients without additives. So you know they're getting everything they need and nothing they don't. And that makes you both feel better.

- ✓ No Alcohol
- ✓ No Artificial Dyes or Flavors
- ✓ No Saccharin
- ✓ No Pseudoephedrine



**Little Remedies®**  
Products

We Make It All Better!™

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

# Checking Your Knowledge

A store that is popular with newlyweds runs a wedding gift registry. Five minutes before closing time on a Sunday, a young couple enters the store and wants to register—a process that usually takes 30 minutes or more. A sales associate advises the couple to come back when they have more time, even though a recent memo from the store's regional manager specifically instructed store personnel to stay after closing time to help such customers. Which key element of the marketing concept is the main problem area in this situation?

- A. Customer need
- B. Total company effort
- C. Customer satisfaction
- D. Marketing orientation
- E. Product orientation

## Some Differences in Outlook between Adopters of the Marketing Concept... (Exhibit 1–4)

Topic	Marketing Orientation	Production Orientation
Attitudes toward customers	Customer needs determine company plans.	They should be glad we exist, trying to cut costs and bringing out better products.
Product offering	Company makes what it can sell.	Company sells what it can make.
Role of marketing research	To determine customer needs and how well company is satisfying them.	To determine customer reaction, if used at all.
Interest in innovation	Focus is on locating new opportunities.	Focus is on technology and cost cutting.

## Some Differences in Outlook between Adopters of the Marketing Concept... (Exhibit 1–4)

Topic	Marketing Orientation	Production Orientation
Customer service	Satisfy customers after the sale and they'll come back again.	An activity required to reduce consumer complaints.
Focus of advertising	Need-satisfying benefits of goods and services.	Product features and how products are made.
Relationship with customer	Customer satisfaction before and after sale leads to a profitable long-run relationship.	Relationship ends when a sale is made.
Costs	Eliminate costs that do not give value to customer.	Keep costs as low as possible.



# Adopting the Marketing Concept

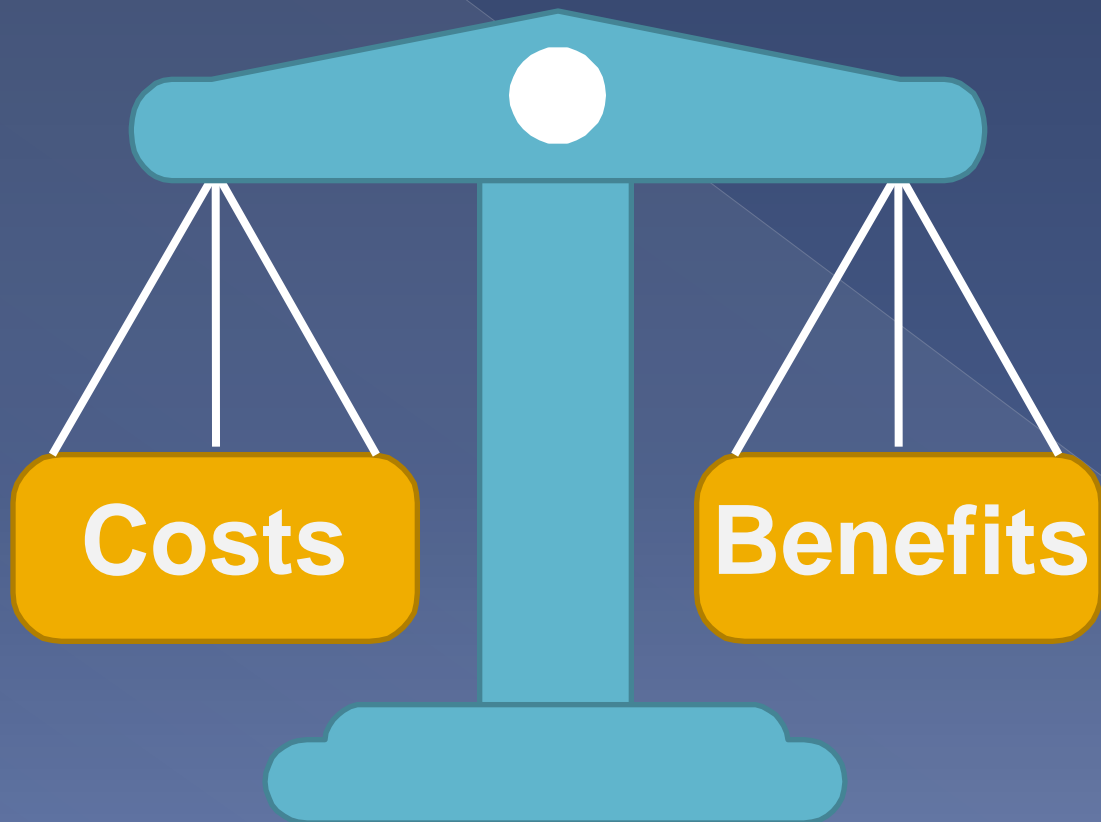


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# The Marketing Concept and Customer Value



Take Customer's Point of View

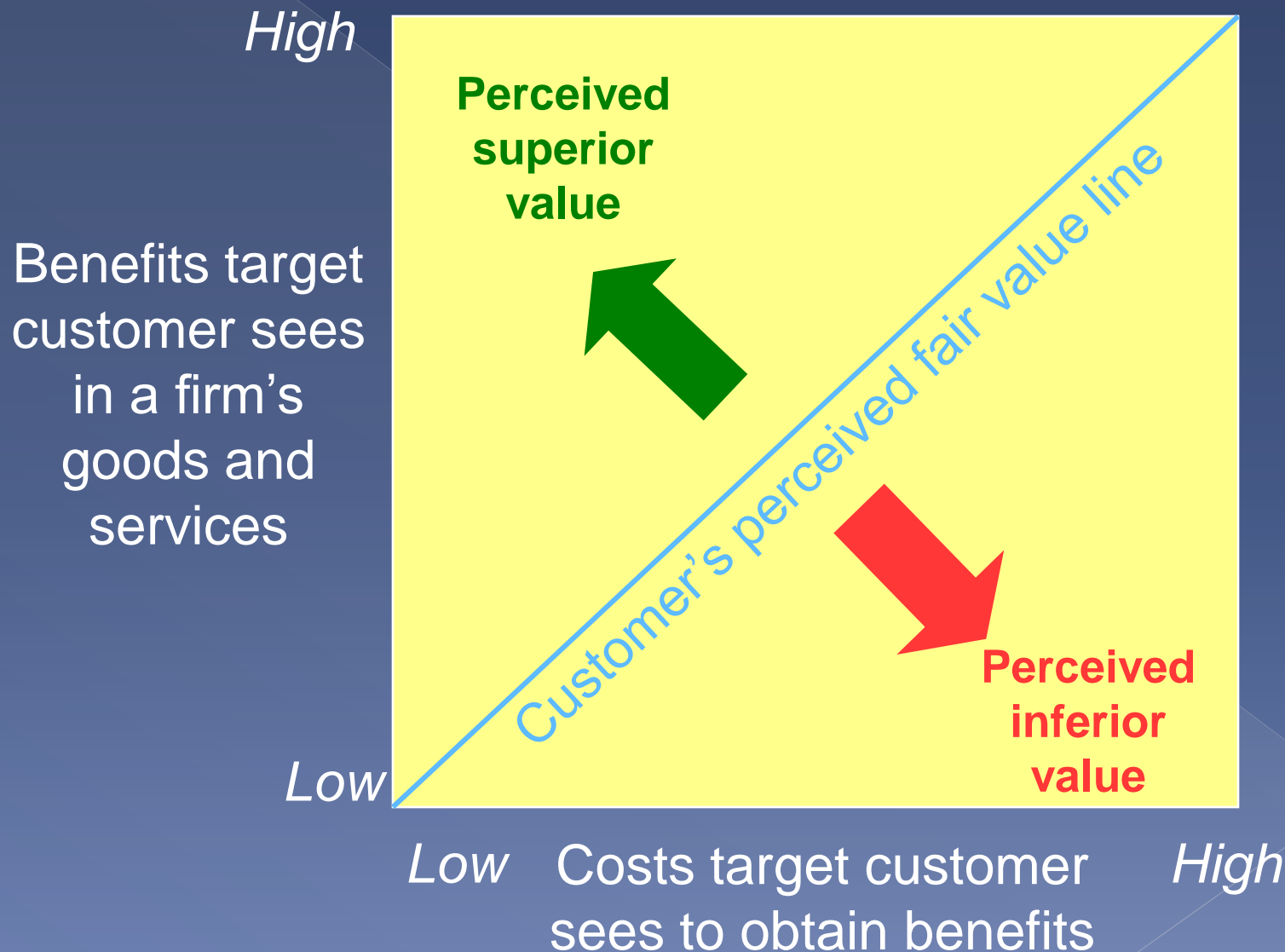
Customer Value Reflects Benefits and Costs

Customer May Not Dwell on Value

Where Does Competition Fit?

Customer Value Builds Relationships

# Costs, Benefits, and Customer Value (Exhibit 1-5)





# Interactive Exercise: Customer Value

## How to Determine Customer Value?

Customer value is the difference between:

- (a) the benefits a consumer perceives in a market offering, and
- (b) the cost of obtaining those benefits.

The following chart shows several brands of upright vacuum cleaners that have been tested by an independent laboratory.



# Checking Your Knowledge

Which of the following statements, made by marketing managers, illustrates an understanding of the concept of customer value?

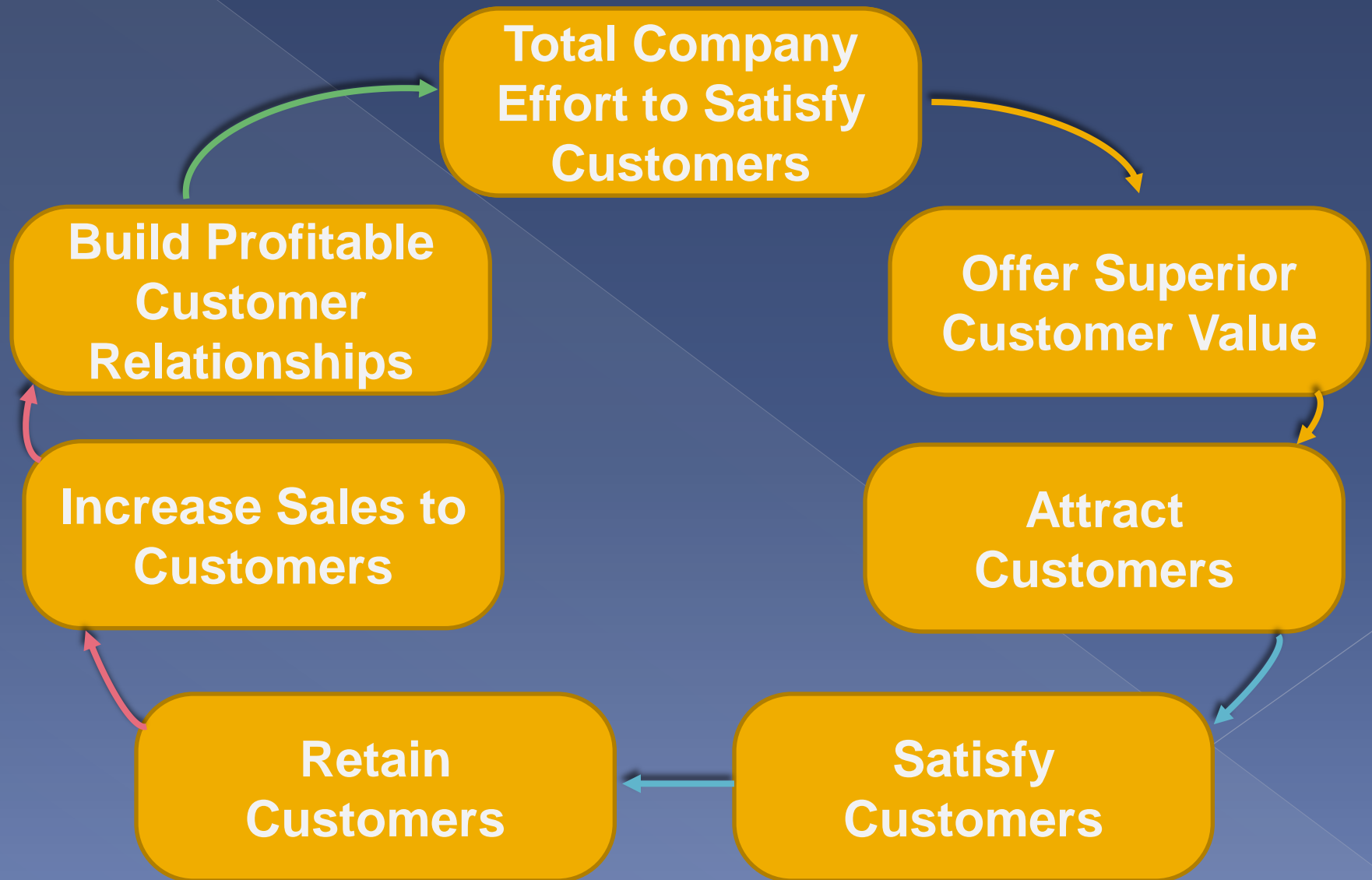
- A. “It’s more important to acquire new customers than to retain old ones.”
- B. “The only time it’s really necessary to demonstrate superior customer value is right before the actual sale.”
- C. “My main concern is with meeting this month’s sales quota—I’ll worry about relationship building later.”
- D. “I might think my product is a good value, but what really counts is if the customer thinks it’s a good value.”
- E. “Customer value really boils down to which product is the least expensive.”

# Checking Your Knowledge

A computer manufacturer is attempting to increase the customer value associated with purchases of its products. Which of the following might be a way to achieve this increase in value?

- A. Reduce price.
- B. Increase technical support for customers.
- C. Increase warranty coverage.
- D. Offer free shipping.
- E. Any of the above, depending on the needs of the target market.

# Putting It All Together (Exhibit 1-6)



# Government Marketing



In a country  
of 250  
million, is it *possible*  
to have a  
personal relationship  
with *everyone*?

Whether you want to talk with an audience on a nationwide scale, a microtarget of just hundreds, or anything in between, nothing can match the one-to-one communication power of Direct Mail.

Because Direct Mail lets you speak with each and every one of your best prospects. It lets you establish an ongoing dialogue with them. So you can communicate the very relevant, very individualized benefits of your brand.

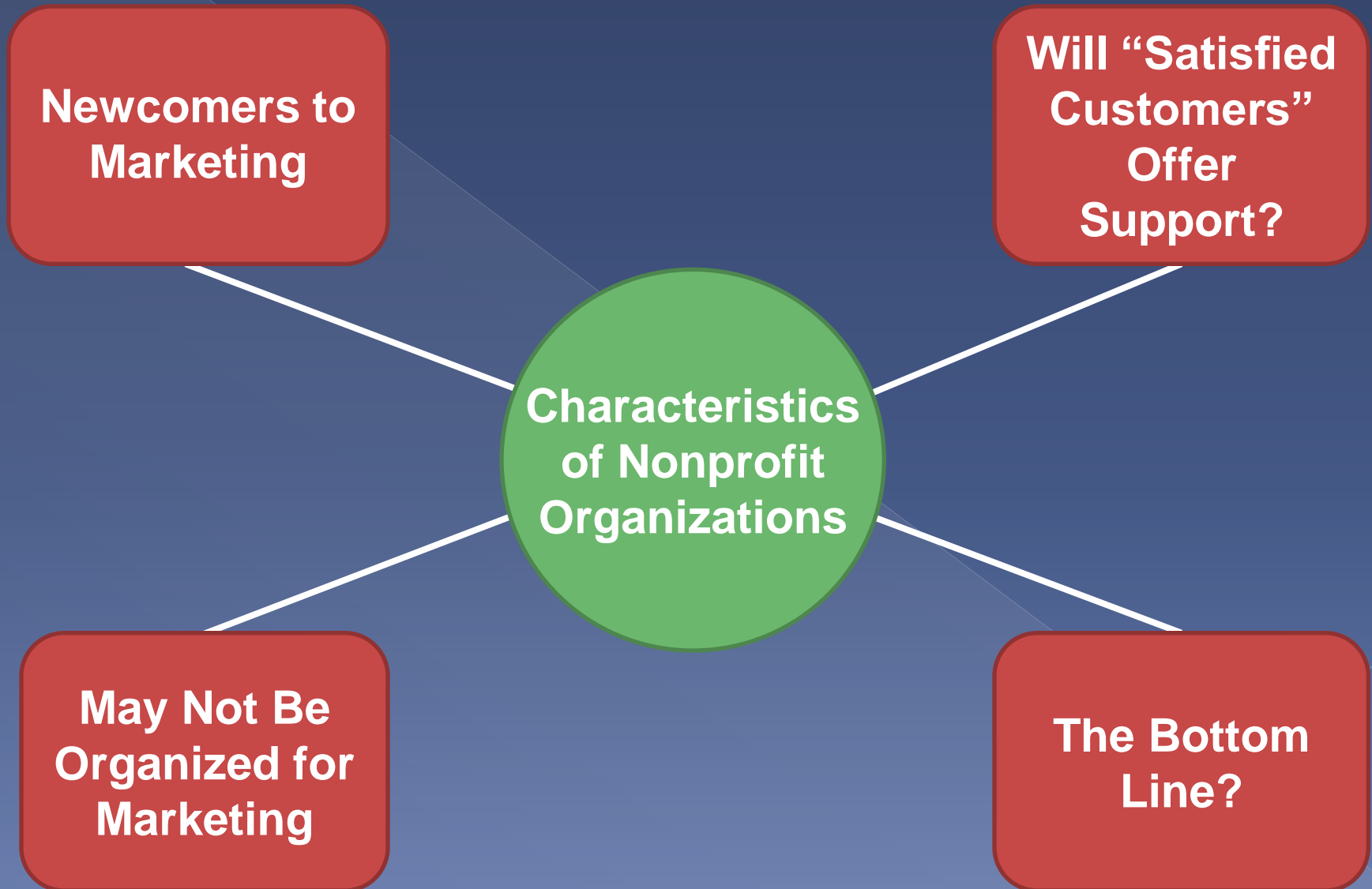
Your customers get to know you, and you can respond to their needs. This special relationship builds loyalty and repeat sales. Bottom line, your bottom line looks even better.

For a free kit on how Direct Mail can help build business, call 1-800-THE-USPS, ext. 2044.





# The Marketing Concept Applies in Nonprofit Organizations

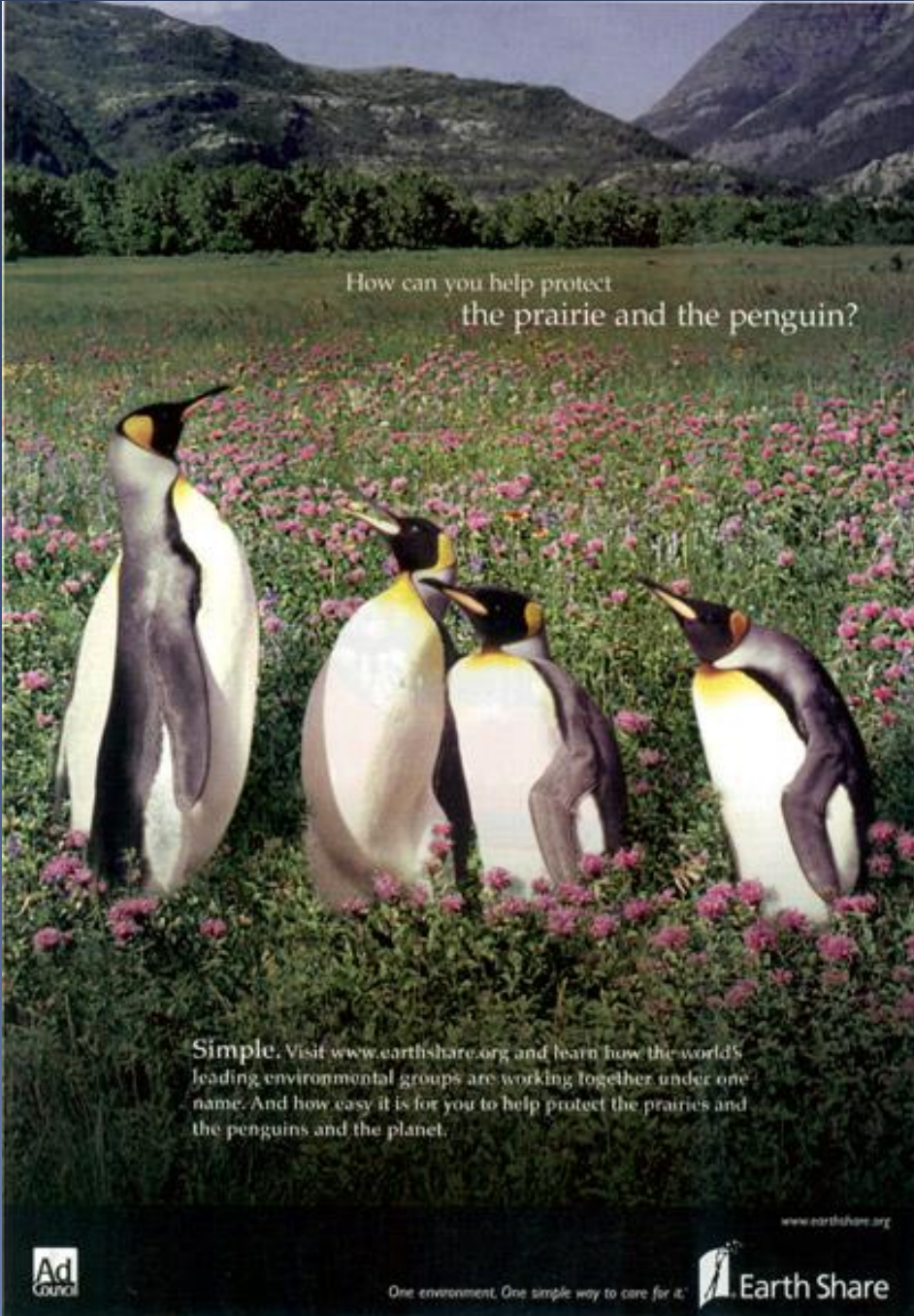


# Marketing Concept Used by Nonprofit Services





# The Micro-Macro Dilemma




How can you help protect  
the prairie and the penguin?

**Simple.** Visit [www.earthshare.org](http://www.earthshare.org) and learn how the world's leading environmental groups are working together under one name. And how easy it is for you to help protect the prairies and the penguins and the planet.

[www.earthshare.org](http://www.earthshare.org)

Ad  
Council

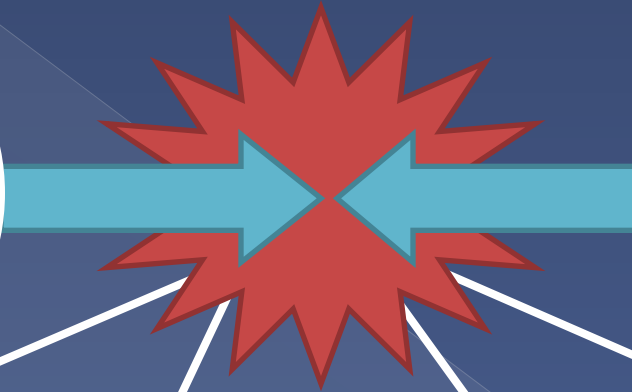
One environment. One simple way to care for it.  Earth Share

# The Marketing Concept, Social Responsibility, and Marketing Ethics

Group Needs



**Micro - Macro  
Dilemma**



Individual Needs



**Social  
Responsibility**

**Should All  
Consumer  
Needs Be  
Satisfied?**

**Do All  
Marketers Act  
Responsibly?**

**What if Profits  
Suffer?**

**The Marketing Concept Guides Ethics**

# Social Responsibility



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8. Understand the important new terms.

# Key Terms

1. production
2. customer satisfaction
3. innovation
4. marketing
5. pure subsistence economy
6. macro-marketing
7. economies of scale
8. universal functions of marketing
9. buying function
10. selling function
11. transporting function
12. storing function
13. standardization and grading
14. financing
15. risk taking
16. market information function
17. intermediary
18. collaborators
19. e-commerce
20. economic system



# Key Terms

- 21. command economy
- 22. market-directed economy
- 23. simple trade era
- 24. production era
- 25. sales era
- 26. marketing department era
- 27. marketing company era
- 28. marketing concept
- 29. production orientation
- 30. marketing orientation
- 31. triple bottom line
- 32. customer value
- 33. micro-macro dilemma
- 34. social responsibility
- 35. marketing ethics