Essentials of Marketing 17th edition Perreault Solutions Manual

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Study Guide
Chapter 1: Marketing's Value to Consumers, Firms, and Society

Chapter learning objectives

When you finish this chapter, 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.
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 (shown below).
    - production
    - customer satisfaction
    - innovation
    - marketing
    - pure subsistence economy
    - macro-marketing
    - economies of scale
    - universal functions of marketing
    - buying function
    - selling function
    - transporting function
    - storing function
    - standardization and grading
    - financing
    - risk taking
    - market information function
    - intermediary
    - collaborators
    - economic system
    - command economy
    - market-directed economy
    - simple trade era
    - production era
    - sales era
    - marketing department era
    - marketing company era
    - marketing concept
    - production orientation
    - marketing orientation
    - marketing metrics
    - triple bottom line
    - customer value
    - micro-macro dilemma
    - social responsibility
    - marketing ethics

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Outline of Chapter 1: MARKETING'S VALUE TO CONSUMERS, FIRMS, AND SOCIETY
(KEY TERMS shown in ALL CAPS)

LO 1.1: Know what marketing is and why you should learn about it.

MARKETING--WHAT'S IT ALL ABOUT?

- Marketing is more than selling or advertising
- How did all those bicycles get here?
  PRODUCTION--actually making goods or performing services.
  CUSTOMER SATISFACTION--the extent to which a firm fulfills a consumer's needs, desires, and expectations.

MARKETING IS IMPORTANT TO YOU

- Marketing is important to every consumer
- Marketing will be important to your job
- A marketing approach can help you get your next job
- Marketing affects innovation and standard of living
  INNOVATION--the development and spread of new ideas, goods, and services.

HOW SHOULD WE DEFINE MARKETING?

- There are micro and macro views of marketing
- Marketing defined
  MARKETING--the performance of activities that seek to accomplish an organization's objectives by anticipating customer or client needs and directing a flow of need-satisfying goods and services from producer to customer or client.
- Applies to profit and nonprofit organizations
- More than just persuading customers
- Begins with customer needs
- Does not do it alone
- Marketing involves exchanges
  PURE SUBSISTENCE ECONOMY—each family unit produces everything it consumes.
- Builds a relationship with the customer
- The focus of this text—management-oriented micro-marketing

What's Next: Marketing to developing countries' rural poor

LO 1.2: Understand the difference between marketing and macro-marketing.

MACRO-MARKETING

MACRO-MARKETING--a social process that directs an economy's flow of goods and services from producers to consumers in a way that effectively matches supply and demand and accomplishes the objectives of society.

- Emphasis is on whole system

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- Separation between producers and consumers
  (Exhibit 1-1) "Marketing Facilitates Production and Consumption"
  ECONOMIES OF SCALE--as a company produces larger numbers of a particular product, the cost of each unit of the product goes down.

LO 1.3: Know the marketing functions and why marketing specialists—including intermediaries and collaborators—develop to perform them.

- Marketing functions help narrow the gap
  UNIVERSAL FUNCTIONS OF MARKETING--buying, selling, transporting, storing, standardization and grading, financing, risk taking, and market information.
  BUYING FUNCTION--looking for and evaluating goods and services.
  SELLING FUNCTION--promoting the product.
  TRANSPORTING FUNCTION--the movement of goods from one place to another.
  STORING FUNCTION--holding goods until customers need them.
  STANDARDIZATION AND GRADING--sorting products according to size and quality.
  FINANCING--provides the necessary cash and credit to produce, transport, store, promote, sell, and buy products.
  RISK TAKING--bearing the uncertainties that are part of the marketing process.
  MARKET INFORMATION FUNCTION--the collection, analysis, and distribution of all the information needed to plan, carry out, and control marketing activities.
- Producers, consumers, and marketing specialists perform functions
  INTERMEDIARY--someone who specializes in trade rather than production.
  COLLABORATORS--firms that facilitate or provide one or more of the marketing functions other than buying or selling.
- Functions can be shifted and shared

LO 1.4: Understand what a market-driven economy is and how it adjusts the macro-marketing system.

THE ROLE OF MARKETING IN ECONOMIC SYSTEMS

ECONOMIC SYSTEM--the way an economy organizes to use scarce resources to produce goods and services and distribute them for consumption by various people and groups in the society.

- Government officials may make the decisions
  COMMAND ECONOMY--government officials decide what and how much is to be produced and distributed by whom, when, to whom, and why.
- A market-directed economy adjusts itself
  MARKET-DIRECTED ECONOMY--individual decisions of the many producers and consumers make the macro-level decisions for the whole economy.
- Prices customers pay determine a measure of value
- Customers use “voices” to gain power in the market
- Public interest groups

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- Government enforces the “rules of the game”
- Macro-marketing systems adjust over time

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

MARKETING'S ROLE HAS CHANGED A LOT OVER THE YEARS

"Stages of Marketing Evolution"

- Simple trade era to production era
  SIMPLE TRADE ERA--a time when families traded or sold their "surplus" output to local distributors, who resold the goods to other consumers or other distributors.
- From the production to the sales era
  PRODUCTION ERA--a time when a company focuses on production of a few specific products--perhaps because few of these products are available in the market.
  SALES ERA--a time when a company emphasizes selling because of increased competition.
- To the marketing department era
  MARKETING DEPARTMENT ERA--a time when all marketing activities are brought under the control of one department to improve short-run policy planning and to try to integrate the firm's activities.
- To the marketing company era
  MARKETING COMPANY ERA--a time when in addition to short-run marketing planning, marketing people develop long range plans--sometimes five or more years ahead--and the whole company effort is guided by the marketing concept.

LO 1.5: Know what the marketing concept is—and how it should guide a firm or nonprofit organization.

WHAT DOES THE MARKETING CONCEPT MEAN?

MARKETING CONCEPT--an organization aims all its efforts at satisfying its customers—at a profit.
PRODUCTION ORIENTATION--making whatever products are easy to produce and then trying to sell them.
MARKETING ORIENTATION--trying to carry out the marketing concept.

(Exhibit 1-3) "Organizations with a Marketing Orientation Carry Out the Marketing Concept"

- Customer satisfaction guides the whole system
- The whole company works together to satisfy customers
  MARKETING METRICS—which refer to numeric data that allow marketing managers to evaluate performance, often against a target or goal.
- Survival and success require a profit

Marketing Analytics in Action: **Revenue, Cost, Profit**

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- Many organizations go beyond profit
  TRIPLE BOTTOM LINE—measures an organization's economic, social, and environmental outcomes—as a measure of long-term success.
- Adoption of the marketing concept is not universal
  (Exhibit 1-4) "Some Differences in Outlook between Adopters of the Marketing Concept and the Typical Production-Oriented Managers"

LO 1.6: Understand what customer value is and why it is important to customer satisfaction.

THE MARKETING CONCEPT AND CUSTOMER VALUE

- Take the customer's point of view
- Customer value reflects benefits and costs

CUSTOMER VALUE--the difference between the benefits a customer sees from a market offering and the costs of obtaining those benefits.

(Exhibit 1-5) "Customer Value Equals Benefits Minus Costs"

- Customers may not think about it very much
- Where does competition fit?
- Build relationships with customer value
  (Exhibit 1-6) "Satisfying Customers with Superior Customer Value to Build Profitable Relationships"

- REI's value delivers satisfied customers—again and again

THE MARKETING CONCEPT APPLIES IN NONPROFIT ORGANIZATIONS

- Newcomers to marketing thinking
- Support may not come from satisfied "customers"
- What is the "bottom line"?
- May not be organized for marketing
  "Nonprofit Organizations and the Marketing Concept"

LO 1.7 Know how social responsibility and marketing ethics relate to the marketing concept.

THE MARKETING CONCEPT, SOCIAL RESPONSIBILITY, AND MARKETING ETHICS

- Society's needs must be considered
  MICRO-MACRO DILEMMA--what is "good" for some producers and consumers may not be good for society as a whole.
  SOCIAL RESPONSIBILITY--a firm's obligation to improve its positive effects on society and reduce its negative effects.
- Should all consumer needs be satisfied?
- What if it cuts into profits?
- The marketing concept guides marketing ethics

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MARKETING ETHICS—the moral standards that guide marketing decisions and actions.

(Exhibit 1-7) "Summary of American Marketing Association Statement of Ethics"

- Understand your own ethics

Ethical Dilemma

- Marketing has its critics

  (Exhibit 1-8) "Sample Criticisms of Marketing"

#M4BW: **Can Marketing Help Create a Better World?**

(Exhibit 1-9) Examples of Companies Using Marketing for a Better World (#M4BW)

CHAPTER 1: MARKETING'S VALUE TO CONSUMERS, FIRMS, AND SOCIETY

CHAPTER 1 – COMMENTS ON USE OF ETHICAL DILEMMA QUESTIONS WITH THIS CHAPTER

Situation: *What would you do?* A customer purchases a GE Profile refrigerator that comes with a one-year warranty on parts and labor. The salesperson suggests that the customer consider the store's three-year extended service plan to cover any problems with the refrigerator. The customer replies, "I'm getting a GE Profile because it's a reputable brand—and I have read these extended warranties aren't necessary." Fourteen months later, the customer returns to the store and complains that the ice maker on the refrigerator doesn't work right—and argues "the store needs to make it right." *If you were the store manager, what would you say? Would your response be any different if you knew that the customer was going to post a negative review on the company website?*

Some students may have encountered a situation like this – either as a consumer or as an employee working in a retail store. And, even if a student has not had a warranty expire right before something bad happens to the product, it is likely that in purchasing an electronic product the student has had to decide whether to buy an extended warranty.

While stores (or their suppliers) often have policies about how to handle needed repairs or similar problems that come in shortly after a warranty expires, a store manager may be empowered to make exceptions.

This situation allows for discussion of a variety of topics. One concerns the extent to which customers are responsible for the choices they make. The customer was offered the extended warranty – and made the decision, on her own, to not purchase it. The customer also decided to purchase the GE rather than some other brand that might have had a longer manufacturer's warranty. The store might be able to get GE to honor the warranty, but we don't know here if that is possible or if the store manager would want to try. Manufacturers worry that retailers sometimes misrepresent *when* problems with a product occurred to "give customers a break" or pass an out-of-warranty problem back to the manufacturer.

The manager might want to consider how her response may affect the store's reputation (effects that may be greatly magnified by the threat of posting online). The discussion could also reference the marketing concept – where the foundations of profit and customer satisfaction may be seen as at odds in this situation.

One aspect of this situation that may be worth additional consideration: some well-known companies, intentionally place relatively short warranty periods on their products, even though their products may be priced at a premium relative to other brands. Other firms, might offer a longer warranty on the same type product. Students may think about this situation differently if they realize that the combination of GE's powerful brand name and shorter warranty period gives retailers a greater opportunity to sell the extended warranty and make extra profit on the sale. For this reason, the retailer (or salespeople who work on commission) may have extra incentive to "push" the GE brand. The retailer likes the chance to "bundle" the sale of the popular-brand product and the warranty. It becomes an ethical balancing act for the salesperson to say, "This is a great brand," but in the next breath to say "but you should protect yourself with a longer warranty because repairs can be very expensive." *Consumer Reports* and most other consumer organizations advise against buying extended service agreements on just about any product—because they are not a good value. Most problems arise within the warranty period anyway. Some students may argue that it is not ethical to sell service agreements. If other students don't counter-argue, it may be useful to ask whether consumers are required to buy the agreement and, further, whether it's ok to let consumers (who don't want the risk) decide if it's worth the price.

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CHAPTER 1 – COMMENTS ON USE OF MARKETING ANALYTICS IN ACTION QUESTIONS IN THIS CHAPTER

The Marketing Analytics in Action (MAiA) exercises were designed to expose students to basic (and sometimes more advanced) analytics used by marketing managers today. This exercise looks at important introductory concepts: revenue, cost, and price.

Marketing Analytics in Action 1: REVENUE, COST, PROFIT

To help answer these questions, an instructor might show a simple spreadsheet like the one below:

	Last year	This year
Price	$20	$30
x Quantity sold	250	200
equals Revenue	$5,000	$6,000
Shirt cost	$12	$15
x quantity purchased	250	200
Cost	$3,000	$3,000
Revenue	$5,000	$6,000
minus Cost	$3,000	$3,000
equals Profit	$2,000	$3,000

1. $2,000
2. $3,000
3. This question is designed to get students thinking about marketing strategy and options. In the scenario, Julie makes a higher quality product and sells it for a higher price. Students might suggest selling multiple versions of the shirt, a lower quality (and lower priced version), or simply raising prices without raising quality. They might also raise issues around promotion (increased advertising or a sale price) or distribution (selling the shirts through different channels.

CHAPTER 1 – COMMENTS ON MARKETING FOR A BETTER WORLD (#M4BW)

This chapter includes the following photos and examples of how marketing can contribute to a better world:

Photos:

- United Nation's World Food Programme (WFP) smartphone app to raise money for hungry children
- Ben & Jerry's "How We Do Business" screenshot
- United Nation's Sustainable Development Goals

Section:

- Can Marketing Help Create a Better World? This section provides examples of how marketing can be used to make a better world and provides examples of how specific companies are using marketing to create a better world.

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CHAPTER 1 – COMMENTS ON QUESTIONS AND PROBLEMS

1- 1. This chapter opener case lets students know how pervasive marketing is in their lives. The case also foreshadows a number of different concepts from the chapter. Some of these are listed below, but students may find others in an abstract assignment like this:

- Innovation – Nike running shoes initially and more recently its Flyknit shoes and Nike+ apps
- Pure subsistence economy – example of rural Africa
- Economic system – rural Africa,
- Triple bottom line – Nike's responses to child labor suggest concerns about community as well as its efforts at sustainability
- A marketing orientation is reflected in many of Nike's behaviors
- Your students will identify more.

1-2. Recall that the marketing concept suggests that firms aim all efforts at satisfying customers at a profit. The success of Air Jordan turned profitability around and suggest customers are highly satisfied. Its innovation efforts suggest that computer programmers and engineers are also focused on customers.

1- 3. This is really just a contemporary variation on the "better mousetrap" line of thought – framed in the context of an important new technology. Even so, it deals with the question of whether it is "enough" just to develop a good new product that serves an important need. It is certainly possible that web-surfing consumers – on their own initiative – are able to use the Internet to find out about an important new product and then could go further and get all of the information about it that they might need. But, as a practical matter, that was also true for most new products before the Internet existed. The problem is that with millions of pages of material on the Internet, few consumers are likely to stumble across information that they need. There are software tools that make it efficient to find information that they know they want, but if they don't know they want it, they won't look.

1- 4. The macro view of marketing is concerned with how a whole marketing system works, while the micro view of marketing is concerned with how individual firms do and/or should operate. In a market-directed economy, the actions of individual firms *and* consumers pretty much determine how the macro system works. But it is possible for others, including the government, to modify the macro-marketing system. It is important to see that individual business firms are only part of the macro-marketing system, and that their role and apparent efficiency may be affected by others – including consumers and the government (i.e., consumers acting through representatives).

1- 5. Answers to this question will vary from student to student. The point of the question is to prompt the student to think more deeply about the concepts of separation of information and separation of time between consumers and producers. Take a look at Exhibit 1-1 in the text. Separation of time results because consumers may not want to consume goods at the time they are produced, and time may be required to transport goods from producer to consumer. Student responses about how these separations are overcome will usually focus on transporting, storing, and functions provided by intermediaries.

Separation of information occurs because producers do not know who needs what, where, when and at what price. Consumers do not know what is available from whom, where, when and at what price. For example, if you want to take a trip by plane you usually know where you want to go and when, but you typically have little idea about what airline, what flight, and at what cost.

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If the instructor wishes, this question can be used to preview the special problems that sometimes arise in "service" firms as they try to overcome these separations. For example, services are often consumed as they are produced – since services usually cannot be stored or transported. This means that the producer may need to overcome these possible separations by locating near customers. However, this may result in duplication of facilities, difficulties in achieving economies of scale, and problems in balancing supply and demand. These topics are developed in more detail in Chapter 8 of the text.

1- 6. See section “Macro-Marketing” in the text.

1- 7. In a command economy, government officials decide what and how much is to be produced and distributed by whom, when, and to whom. In a market-directed economy, on the other hand, producers and consumers make their own economic decisions. That is, the producers decide what they are going to offer, and consumers decide, independently, which of all of the offerings they will accept. In other words, the economy is directed by the "market mechanism" that relies on many micro level decisions by individual producers and consumers. Each decision may be small, but together they determine the macro level decisions for the whole economy.

1-8. Students will give many different examples here. The basic point is that a market-directed system encourages innovation because there is incentive (profit) to find a better way to meet customers' needs. Competition is also a related issue. As one new idea is developed and proves to be a success, competing firms tend to adapt or copy it. Thus, there is constant pressure on firms to find new and better ways to do things – because yesterday's breakthroughs and successes become today's "old" product.

1-9. In the text, the marketing concept is defined in the section “What Does the Marketing Concept Mean.” A firm must have some objective to guide its efforts – and a profit orientation provides such an objective. But the marketing concept says that an organization should have more than just profit as its objective. It should attempt to satisfy some customers *and* make a profit. Profit can be seen not only as an objective, but also as a constraint if one really gets carried away with the marketing concept. If a marketing manager really wanted to satisfy some customers very well, he could design a very pleasing marketing mix for them that might include *free* products or services!! Adding profit in the definition, however, would preclude such a move. In other words, the marketing concept insists on some balance between fully satisfying some target customers and meeting a firm's own objectives.

1-10. This question is intended to deepen the students' understanding of the marketing concept. Applying it to the local situation can be illuminating, especially if there has been much discussion of the role of the student in college affairs. Substantial change might be indicated in some circumstances. At the same time, it should be seen that "all" students' views (not just those of the few self-appointed "spokespersons") should be considered. Further, this may be a place to bring in the customer value concept with consideration of benefits and costs. Both long- and short-run implications of the students' welfare and the institutions' welfare should be considered. By considering the problem of balancing conflicting long- and short-run objectives of different groups, they may come to see that applying the marketing concept is not easy – and they may better understand why it is not as widely accepted (or at least well implemented) as they might expect. What they see locally is probably typical of most institutions – academic, government, and business.

1-11. Students will come up with a variety of benefits and costs associated with the products for this question. At this point in their thinking about customer value, it is probably less important that they be detailed or exhaustive in coming up with examples than it is that they grasp the concept that each product (actually, each marketing mix) may have a variety of different benefits and costs. A class discussion is likely to highlight some cases when one student sees

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something as a benefit, but a different student argues that it is not so much a benefit as it is a cost if it is missing (e.g., good gas mileage may be a benefit of a car, or it may represent a cost if it is missing). The fact that different customers may "frame" benefits and costs in different ways is not an important distinction in the literature on customer value. On the other hand, it can be useful to know when this sort of difference occurs because it is at least indirectly related to customer expectations.

a) Wrist watch: Benefits: accuracy, attractiveness, durability, warranty, and status. Costs: the opposite of any of the above, as well as factors such as hard to service, lack of warranty, price paid, or missing a needed battery.
b) Weight-loss diet supplement: Benefits: more self-esteem, more energy, greater sex appeal, convenient to prepare or consume. Costs: any unfavorable side effects (nervousness, high blood pressure, nausea, etc.), difficult or inconvenient to obtain, high price.
c) Cruise on a luxury liner: Benefits: excitement, variety, relaxation, pleasure, social interactions. Costs: boredom, fear (say, of a fire or of the boat sinking), sea-sickness, expense.
d) Checking account from a bank: Benefits: convenience, record of spending (and in some cases cancelled checks), ability to obtain cash. Costs: monthly fees, check fees, fees for bounced checks, record keeping hassles, inconvenience of going to bank, some businesses do not accept checks, time to show identification.

1-12. This exercise is designed to help students see how marketing principles can apply beyond the typical products. It also allows them to develop a deeper understanding of the concepts of value, costs, and benefits that are covered in this chapter. Students may come across any range of benefits they can provide for a prospective employer — from broad ideas like problem solving or new ideas, to something very specific — such as completing tax forms, building websites, and making sales calls. Costs include the more obvious salary, wages, and benefits — but also include training. An employee who frequently arrives late or often misses work provides lower benefits, but also increases costs when other employees must be added to make up for the lost productivity. Obviously, value involves increasing the benefits an employee delivers and lowering the costs. Students probably would rather deliver more benefits than work for lower pay.

Interestingly, much of this can also be tied to the chapter's coverage of the marketing concept. You could point out to students that all the benefits they provide to an employer ultimately result in better serving customers (sometimes indirectly).

1-13. Student answers will vary significantly here. The purpose of the question is to prompt students to think more deeply about the difference between buyer-seller exchange and the opportunities that exist for more enduring relationships, especially when a customer is likely to have the same need (or a similar need) again in the future.

One good way to prompt discussion of this question is to ask students to write down a couple of the most important things that the seller could do to strengthen the relationship. Next, call on a few students to explain the relationship they had in mind. Then, ask a few students to read their suggestions without going into much detail on the particulars of the purchase situation. The interesting thing here is that the recommendations about what the seller could do often apply across many different types of selling situations. It is valuable for students to see that there are indeed "general lessons" that arise from thinking about how to better satisfy customers.

1-14. High performance cars are fun, and their popularity is enduring. At the same time, as accident statistics show, people driving high performance cars are more likely to be in accidents. High performance cars also tend to use more fuel and to spew more fumes into the atmosphere. These side effects influence consumers who are not interested in owning or driving a high

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performance car. Over time there has been discussion of regulations to limit the top speed or horsepower of cars offered for sale. After all, the speed limit is still 55 on most highways, but in many places, it is 65 or even 75. Ultimately, there seems to be very little popular support for the idea of limiting the choices that individual consumers can make in this product area.

Nuclear power is an emotional issue. Many people object to the use of nuclear power because of the risks involved. As the Three Mile Island incident and similar accidents show, the risks are real. Yet, in some areas, there are no cost-effective alternatives to nuclear power. Thus, using other sources of power might sometimes force people who do object to the risk of nuclear power to pay a higher price for energy. Here, what different individuals want may vary, yet in the event of an accident, everyone might be affected.

Many consumers like the convenience of bank credit cards. They don't like to carry cash, but want to be able to make purchases when the need arises. On the other hand, critics argue that "instant credit" encourages many people (especially the poor) to spend money they don't have. Some economists also argue that "too-easy" credit has had serious economic effects because many Americans do not save as they once did. Another issue here is the cost of providing credit services. Banks take a percent of the revenue from credit card purchases – and there is a cost of "bad debt" that is included in the cost of using cards. Some critics argue that all consumers (not just those who use credit cards) have to pay higher prices because of this. Of course, some firms offer two prices – one for credit card purchases and one for cash.

For a number of people, the use of pesticides represents a dilemma. On the one hand, the use of pesticides improves the quantity and quality of agricultural yields and thus increases the availability and reduces the cost of many types of farm products. This presumably increases the quality of life and leaves more time/money for purchases that are not necessities. On the other hand, there are some undesirable side effects related to the use of pesticides. For example, run-off of pesticides from fields into lakes, streams, and rivers (or into groundwater in other ways) has the potential to contaminate drinking water. Some people think that the use of pesticides leaves toxic residue in or on crops, and that there is a serious hazard, over time, of eating food that has been treated with pesticides. Other critics argue that the use of pesticides results in the development of more robust (mutated) strains of insects – ones that require even stronger pesticides because they become resilient to current products in use. In highly developed economies, where, in general, people are adequately fed, it is understandable that much attention might be focused on higher order needs related to the use or misuse of pesticides. However, in third-world agricultural economies where production and distribution of food are still major problems, there is not likely to be much attention to – or concern about – the potential negative effects of pesticides. In that context, the benefits seem to clearly outweigh the costs. In other words, how one views a micro-macro dilemma may depend in large part on the severity of the different needs that might be involved, and the likelihood of the negative outcomes that might occur.

1-15. This question gives students an opportunity to think about whether companies make the world a better place and how they could make the world a better place – and how that impacts profits. An instructor using this as a discussion question or written assignment might want to focus students on the definition of “better world” noted in the chapter:

> Our definition follows our discussion of the marketing concept, social responsibility, and marketing ethics. We believe a better world is one where: (1) buyers and sellers make better decisions, are healthier, and through their consumption choices (or decision not to consume) experience a better quality of life; (2) buyers and sellers make decisions that have less adverse impacts on others; and (3) marketing strategy decisions address some of the world’s most challenging problems—including hunger, poverty, and climate change.

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CHAPTER 1 – COMMENTS ON USE OF MARKETING PLANNING FOR HILLSIDE VETERINARY CLINIC QUESTIONS WITH THIS CHAPTER

Note: The Marketing Planning for Hillside Veterinary Clinic questions begin in Chapter 2

CHAPTER 1 – COMMENTS ON USE OF SUGGESTED CASES WITH THIS CHAPTER

Case 1: McDonald's "Seniors" Restaurant

This case can be used to illustrate what marketing and business are all about – anticipating the material in Chapter 2 (on market-oriented strategy planning) without introducing the technical words that are discussed there and in subsequent chapters. Here, the emphasis can be on the problem of developing a compatible marketing program that includes a marketing plan (strategies) for different customer groups at different times of the day. Many people feel that a firm should have only one strategy and it is desirable to get rid of this idea as quickly as possible. This case can also be used to show that business can have a "social" dimension. And in this case, the McDonald's manager and personnel are concerned about their customers and actually have visited some "seniors" in the hospital. Now they are considering offering bingo. See case discussion in Part V.

Case 2: Nature’s Own Foods, Inc.

This case can be used to illustrate a production-oriented company. It also shows the need for target marketing to escape from the low profits that usually result from selling “commodities” against many other production-oriented competitors who are doing the same thing. See case discussion in Part V.

COMMENTS ON MARKETING ANALYTICS: DATA TO KNOWLEDGE PROBLEM 1: REVENUE, COST, AND PROFIT RELATIONSHIPS

This is a simple "practice" problem to introduce students to the software, to sensitivity analysis, and to revenue, cost, and profit relationships – a recurring theme in later problems.

The spreadsheet for this problem involves only a few rows. The focus of the questions is on making certain that the student knows how to "read" the spreadsheet. The various questions involved also lead the student through the steps of using the various features in the software.

The software is easy to use – and most students will "get up to speed" with it very quickly. But, for some students, working with the software will be their first experience with computers, with spreadsheet concepts, and more generally in working with marketing numbers. These students may have concerns about their own ability to handle such material. Working this problem will help these students develop confidence – as well as a base of skills to build upon in later problems.

If the instructor decides not to schedule this "practice" problem as a required first assignment, it might be good to encourage students – especially those who do not have previous experience with computers or spreadsheets – to spend a few minutes with this problem before moving on to the substantive problems that follow. The focus of later problems is on the marketing concepts related to a manager's decisions. It is important for students to see that the software is just a tool to facilitate the marketing analysis – that "getting the numbers" is not an end in itself. This practice problem will help to cultivate this point of view.

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NOTE: As a general convention, when reviewing the spreadsheets for these problems, cells that the students may modify in the tool are denoted with an asterisk (*) as can be seen in the initial spreadsheet below.

This is the initial spreadsheet for this problem:

SpreadSheet	Calendar	Notebook
Selling Price	$5.00*	$2.00*
Quantity Sold	2,700*	6,000*
Revenue (Price x Quantity)	$13,500.00	$12,000.00
Total Cost	$11,500.00	$9,000.00*
Profit or Loss (Revenue - Total Cost)	$2,000.00	$3,000.00

Answers to Marketing Analytics Problem 1:

a. This question just encourages the student to study the spreadsheet layout and understand the numbers on the screen. The answer, as can be seen from the initial spreadsheet display above, is (E) – $13,500.00.

b. If Quantity Sold remains 2,700 and the price of calendars is increased to $6.00, then the Profit from Calendars will be (C) – $4,700.00.

This question encourages students to do their own "checking" of numbers from the spreadsheet. The objective here is not just to get them to do arithmetic, but rather to make them realize that in this spreadsheet (and all the others that follow!), that they can "follow" how the numbers on the spreadsheet are computed by studying the labels on the spreadsheet – and in the event of any remaining uncertainty by doing a few simple calculations themselves – as a check. You may want to emphasize this point – as it will help eliminate uncertainty later when they get to more detailed problems. If they see from the start that they can always study the "flow" of the spreadsheet display and figure out how numbers are being calculated, it will be less confusing for them. With very few exceptions (noted in this manual), the calculations on the spreadsheet are very straightforward. The spreadsheets are set up so that the "intermediate" steps in calculations are easy to follow. This helps the student develop skill in seeing how to organize and analyze problems.

The spreadsheet from which the answers for this problem are reported will look like this:

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SpreadSheet		
	Calendar	Notebook
Selling Price	$6.00*	$2.00*
Quantity Sold	2,700*	6,000*
Revenue (Price x Quantity)	$16,200.00	$12,000.00
Total Cost	$11,500.00	$9,000.00*
Profit or Loss (Revenue - Total Cost)	$4,700.00	$3,000.00

The calculations are straightforward:

Revenue = Price x Quantity = $6.00 x 2,700 units = $16,200
Total cost = $11,500 (directly from the problem description and the spreadsheet)
Profit = Revenue - Total Cost = $16,200 - $11,500 = $4,700.

c. This question introduces students to the consequences of changes to the marketing mix. Any changes may create multiple effects. In this example, increasing the price will naturally increase profit per unit sold but, if the calendars are priced too high, more students will choose to buy the product from alternative vendors or forego purchase altogether.

By changing the Selling Price in the spreadsheet to $6.00 and then adjusting the Quantity Sold to different values, students will find that (D) – 1917 units is the correct answer. Any quantity below this amount will result in a loss.

d. This question simply introduces students to the concept of "What If?" analysis. The What If table they create for this result is given below. You may want to encourage students to create this table using a spreadsheet program rather than doing it by hand to learn how to create and manipulate spreadsheets to assist with "What If" analysis.

–"What If" Table		
-Notebook- Selling Price	-Notebook- Revenue	-Notebook- Profit or loss
$1.60	$9,600.00	$600.00
$1.68	$10,080.00	***$1,080.00***
$1.76	$10,560.00	$1,560.00
$1.84	$11,040.00	$2,040.00
$1.92	$11,520.00	$2,520.00
$2.00	$12,000.00	$3,000.00
$2.08	$12,480.00	$3,480.00
$2.16	$12,960.00	$3,960.00
$2.24	$13,440.00	$4,440.00
$2.32	$13,920.00	$4,920.00
$2.40	$14,400.00	***$5,400.00***

The correct answers for this question and the next are bolded in the table. The correct answer for this question is (E) – $2.40. Profit reaches $5,400 at a price of $2.40.

e. Using the table provided for the previous answer we can see that Profit will be $1,080.00 when the price is $1.68. This corresponds with answer (B).

MARKETING ANALYTICS DISCUSSION
This section is included to facilitate discussion about various topics introduced in each exercise. Rather

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than asking students to find a set answer, the questions are designed to encourage the students to evaluate alternatives and explore trade-offs.

This first discussion provides an opportunity for the instructor to introduce many of the topics that will be covered later in the course. For instance, pricing could be established based on costs, based on competitive or substitute prices, based on desired profit thresholds, or on many other factors. Introducing these concepts to students early can help facilitate learning later in the course.

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CHAPTER 1 – SUMMARY OF CONNECT HOMEWORK EXERCISES

Question 1: Universal Functions of Marketing
Question Type: Click and Drag
Learning Objectives: 1.3
Topic: Macro-marketing
AACSB: Technology
Bloom's: Apply

Question 2: Five Stages of Marketing Evolution
Question Type: Timeline
Learning Objectives: 1.1, 1.4
Topic: Evolution of marketing
AACSB: Reflective thinking
Bloom's: Understand

Question 3: Production and Marketing Orientation
Question Type: Click and Drag
Learning Objectives: 1.1, 1.4, 1.5
Topic: What does the marketing concept mean?
AACSB: Reflective thinking
Bloom's: Understand

Question 4: Value Creation Through the Marketing Mix (iSeeIt! Video)
Question Type: Video case
Learning Objectives: 1.6
AACSB: Reflecting thinking, analytic
Bloom's: Apply, understand

Question 5: Ethical Marketing (iSeeIt! Video)
Question Type: Video case
Learning Objectives: 1.7
AACSB: Reflecting thinking, ethics
Bloom's: Apply, understand, evaluate

Question 6: Revenue, Cost, and Profit
Question Type: Marketing analytic, spreadsheet
Learning Objectives: 1.1, 1.3, 1.5
AACSB: Apply, analytic, technology
Bloom's: Apply, evaluate

Question 7: Can Marketing Help Create a Better World?
Question Type: Click and Drag
Learning Objectives: 1.7
AACSB: Knowledge, application
Bloom's: Understand, apply

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