### **Comments on Student Internet Exercises**

We have designed these Internet Exercises to encourage students to explore each website thoroughly and to think critically and practically in order to respond to these exercises and better understand marketing strategy concepts. Please note that students’ responses to individual exercises will depend on the particular website’s content at the time of access (some sites change on a regular basis), the capabilities of their web browser, and their understanding of the text. Therefore, we recommend that you preview each Internet Exercise before you assign it so that you can determine its current status, content, and applicability for your particular course and students’ needs.

**Chapter 1 Marketing in Today’s Economy**

**Exercise 1.1 CarsDirect** [**http://www.carsdirect.com**](http://www.carsdirect.com)

1. Explore the CarsDirect website, including pricing a vehicle of your choice. How successful is CarsDirect in reducing the hassles associated with buying an automobile?

Students will likely note that car buyers can select any make or model and customize it within a range of options. CarsDirect will quote a price that is very close to any dealer’s invoice price, and will automatically include any rebates or other incentives. Customers can also arrange for financing. In all, CarsDirect customers can do everything but kick the tires. However, students may also note that the CarsDirect service is best for individuals who can narrow their vehicle choices. In other words, it helps to know what you are looking for before visiting the website.

1. Does the design of the CarsDirect website convey confidence and trust in the car buying process? How has CarsDirect answered consumers’ concerns over the lack of a human element in their marketspace?

The site conveys confidence in a number of ways. First, customers can click a link to access live help. Second, CarsDirect offers a service guarantee, including live human interaction, upfront pricing, and a satisfaction guarantee. Third, the site proudly boasts that it is the #1 car-buying site of several widely respected publications. Students will likely argue that, despite the link to live help, the site does little to overcome the lack of a human element. However, this is actually the company’s competitive advantage. Many car buyers prefer to reduce or eliminate the human element from their car-buying transactions.

**Exercise 1.2 Daytona 500** [**http://www.daytonainternationalspeedway.com**](http://www.daytonainternationalspeedway.com/)

1. What is the product offered by the Daytona International Speedway and the Daytona 500? How does the Daytona 500 create and deliver customer satisfaction through the five types of utility?

Students will argue that the product is entertainment, excitement, or exhilaration. The speedway and its events are experiences created from a unique combination of goods, services, people, and geography. The Daytona 500 offers all five types of utility: form utility (racing celebrities, the track, the cars), time utility (several events throughout the year with the Daytona 500 occurring in late February), place utility (Daytona is a major tourist destination in its own right), possession utility (memories, souvenirs, collectables), and psychological utility (competitiveness, rivalry, excitement).

1. How does the Daytona 500 website enhance the marketing of the speedway and its events? In what sense does the website serve as a metamediary for all things NASCAR?

The website enhances the entire Daytona 500 experience, both before and after the event. It permits fans to buy tickets and other items at any time of the year. In the truest sense, the site also serves as a metamediary for NASCAR as it links to other tracks and events. However, the site does little to promote other NASCAR events.

**Case 1 *USA Today*: Innovation in an Evolving Industry[[1]](#footnote-2)\***

**Synopsis:** As the entire newspaper industry sits on the brink of collapse, Gannett and *USA*

*Today* work to avoid disaster and transform the nation’s most read newspaper into tomorrow’s best resource for news and information. This case reviews the history of *USA Today*, including its continued use of innovation to stay on top of the technological and sociocultural shifts that are rapidly changing the newspaper industry. In the face of continual competition across a variety of media sources, the future of *USA Today* depends on its ability to continually push the envelope of innovation and offer value-added, proprietary content to ensure continued differentiation and the future of the *USA Today* brand.

**Themes:** Product strategy, innovation, target marketing, distribution strategy, changing

technology, changing sociocultural patterns, customer relationships, competition, differentiation, strategic focus, SWOT analysis

# Case Summary

*USA Today* is the most successful and highly visible newspaper that students have seen and read on a national basis. The case provides an overview of Gannett's strategic marketing approach to launching and growing this unique newspaper. When *USA Today* debuted in 1982, it achieved rapid success due to its innovative format. No other media source had considered a national newspaper written in shorter pieces than a traditional paper and sprinkled with eye-catching, colorful photos, graphs, and charts. Designed to address the needs of a sound-byte generation, readers found *USA Today*’s content refreshing and more engaging than other papers. Circulation grew rapidly from roughly 350,000 in 1982 to approximately 5.9 million daily print and online readers today (1.8 million in daily circulation). This compares to approximately 2.12 million for second-place *Wall Street Journal* and 1.58 million for *New York Times*. *USA Today*’s website (www.usatoday.com) is one of the Internet’s top sites for news and information.

[Author’s note: Circulation numbers vary from quarter to quarter with *USA Today* and *Wall Street Journal* frequently swapping the #1 and #2 positions. Instructors are encouraged to find the most recent circulation numbers.]

The case reviews the history of product, promotion, and distribution innovation at *USA Today*. Although the paper has been very successful, it had difficulty earning a reasonable profit early on. To reverse this trend, Gannett created several *USA Today* spin-offs including *Baseball Weekly*, *Sky Radio*,theinternational editions of *USA Today*,and *USA Today Online*. *USA Today* continues to grow by enhancing the value-added components of both its print and online versions. It has invested heavily in technology related to podcasting, news aggregation, and online advertising; and developed partnerships aimed at providing news content for handheld wireless devices.

Today, that history of innovation must continue if *USA Today* is to survive during a time when overall newspaper sales, advertising revenue, and readership are declining. The paper faces unprecedented competition from a variety of sources at a time when more and more Americans, especially younger people, are turning away from printed news. That shift has affected the company financially as well. *USA Today* and other newspapers have struggled with falling revenues and increased costs for several years. Both print and online advertising revenues have been falling steadily, declining by over 51 percent since 2005. Classified advertising has been hit particularly hard, declining by over 71 percent in just six years, most likely due to sites like Craigslist, which host ads for free. Although advertising revenues had been falling before the recession, 2008 and 2009 saw steep declines triggered by a soft ad market, particularly in the automotive, retail, and employment sectors. In fact, 2008 and 2009 were the worst years ever for the U.S. newspaper industry. Although advertising revenues continue to decline today, the rate of decline has slowed in recent years, with total newspaper advertising down 7.3 percent in 2011.

The multitude of choices for both consumers and advertisers means that *USA Today* will have to work harder at innovation, finding a way to differentiate its products from the sea of competition. This will be a challenging task given the continuing decline in newspaper readership and the growing consumer demand for free online news.

# Teaching Overview

As *USA Today* looks toward its future, a number of issues must be considered. Toward this end, the latter half of the case is written in the form of a situation analysis. Students should be encouraged to update this information as much as possible, and then conduct a comprehensive SWOT analysis for *USA Today*. After this is completed, students could use this case to develop a marketing strategy for maintaining the company’s dominance in national news. Perhaps the most important issue to consider is the role of the printed paper in a future that is likely to be dominated by wireless news delivery. The inevitable questions about the death of newspapers will come up in the discussion. When this occurs, encourage students to explain their assumptions about the consumption of news in the future. At least 75 percent of the class will predict the demise of printed newspapers. However, the remaining 25 percent is usually quite dogmatic in their belief that printed news is here to stay.

The case also gives students an excellent chance to think not only about promotion, sales, and product development, but also the connection between these marketing elements and bottom-line profitability. Students should have no trouble discussing *USA Today*’scompetition and the implications for *USA Today*’s marketing strategy. The case can also be related to a discussion of competitive growth strategies and the ways that Gannett implemented these strategies during the introduction and growth of *USA Today*.

# SWOT Analysis

|  |  |
| --- | --- |
| Internal Strengths | External Opportunities |
| * Huge Gannett media conglomerate * Marketing know how * Popularity, credibility, and familiarity * Extensive information gathering resources * Clear, concise, and colorful format that subscribers find appealing * Comprehensive sports coverage * Contracts with national advertisers | * Consumers desire more timely news and information * The Internet is a highly accessible and low cost distribution outlet * Advertisers are becoming more interested in targeted marketing, especially among a highly mobile population * The Internet allows for customizable content * New technologies exist, besides print media, for reaching consumers * Major news competitors are slow to innovate |
| Internal Weaknesses | External Threats |
| * Lack of local news content * High fixed costs associated with the print version * Crowded format of online version * Online version is not as customizable as competitors * Online version uses popup ads that are unpopular with consumers * Some still see *USA Today* as a “McPaper” * Perhaps some blind faith in the staying power of printed news | * Abundance of free sources of news and information on the Internet * Online revenue generation ability is weak compared to hard (printed) materials * The Internet has introduced an interactive and accessible delivery platform that cannot be matched by a printed newspaper * The volatility of newsprint prices * Google and other non-conventional advertising businesses are tapping into the growing online advertising market |

# Problem/Decision Statement

Although increasing digital options for news and information have some industry observers bemoaning the death of newspapers, some feel that newspapers do have a bright future and will thrive if they develop a healthy online presence and adapt to evolving media consumption patterns. In the face of continual competition in both offline and online markets, the future of *USA Today* depends on its ability to continually push the envelope of innovation and marketing strategy. To remain successful, *USA Today* must continue to use a value-added strategy that can further enhance distribution of its proprietary content and ensure continued differentiation with respect to the competition.

# Strategy Alternatives

1. Change the format of the *USA Today* print version to include links to the website while simultaneously cutting the dimensions of the paper. This would increase traffic to the website and save newsprint expense.
2. Present the latest, breaking hard news stories on *USAToday*.com only, while creating a supplementary, analytical print version that supports the website. The print version might be described as a “diet newspaper” that will analyze those events and topics that are high interest, controversial, or complex.
3. Create a web portal where readers can customize their online newspaper and have audio and video news automatically streamed to their portable electronic devices at specified intervals throughout the day. All news stories will be anchored by customizable, computer-generated personalities, who read the stories to busy consumers.

Strategy Recommendations

The first alternative is fairly easy to implement in the short-term. However, Gannett should take the lead in developing news content for portable electronic devices beyond their current apps for smartphones. Consumers have demonstrated a desire for online, mobile news and *USA Today*’s traditional news competitors have been slow to innovate. The third alternative is one option that the company might pursue. This alternative is designed to improve the utility of *USAToday*.com by broadcasting it to busy consumers. Instead of requiring the consumer to find time to read the product on a regular basis, this strategy reads the news to the consumer by means of a computerized, human-like entity. Consumers could choose among different personalities. For example, a consumer could have a female broadcaster read the top news stories; a male read the sports stories, and a different female read the business news. The news content would be highly customizable, a feature that *USAToday*.com has already started to develop. News stories might include video clips when available, making the entire presentation much like a television news broadcast.

Implementation Issues

Gannett has already started to resolve the key implementation issues associated with technology. Its recent acquisitions put the company in a position to become a pioneer in computer-mediated news and information. Another issue is the ability of reporters to write for wireless delivery. There is a potential problem in that news stories could be reduced to “sound bites” rather than true in-depth reporting. *USA Today* must maintain its journalistic integrity at all costs.

**Teaching Questions**

1. What opportunities in the marketing environment did Gannett seize in launching *USA Today*? How did the company learn about and respond to these opportunities? Answer these same questions for *USAToday*.com.

It appears that Allen H. Neuharth, chairman of Gannett, had been doing casual marketing intelligence, keeping his eyes and ears open to changes occurring in the marketplace. He was able to creatively link two key trends: a shorter attention span owing to a perceived time crunch plus a growing thirst for information. Neuharth consequently visualized a product that could simultaneously satisfy both of these developments: a newspaper providing more news about more subjects in less time.

To check his assumptions, Neuharth did marketing research to identify the target market for his proposed publication. From the start, *USA Today* practiced the marketing concept; using research to discover unsatisfied reader needs and wants. Gannett did research among target market members, getting their reactions to product prototypes and making appropriate modifications in the product. Gannett’s research had shown that readers get most out their information from snippets in a newspaper, resulting in the many design innovations such as short stories, secondary headlines, subheads, breakouts, at-a-glance boxes, and informational graphics. This market-oriented strategy was in contrast to the practices of most other newspapers, which were more production oriented, fulfilling the wishes of publishers and editors. After the paper’s launch, focus groups were conducted to learn about how the paper was read (at home vs. on the commute or at work), resulting in the launch of a home delivery subscription service. As noted in the case, *USA Today*’s success came from listening to its readers and giving them what they wanted.

The same trends that suggested a need for *USA Today* in the early ‘80s also suggested a need for an online version in the mid-90s. It is quite likely that the company revisited these trends, along with the trend toward the use of electronic information in the early 90s, to develop *USAToday*.com. They took advantage of the opportunity to generate revenue from eager online advertisers in this new venue. They also listened to reader requests for archived material in conceiving the idea for the pay-per-view archive service. Keeping their finger on the pulse of society (perhaps through either trend analysis or marketing research, perhaps done by this time via on-line surveys), Gannett launched an online classifieds area. They also studied server logs to learn of improvements they could make to the online paper.

1. How has a continuous strategy of marketing innovation proved successful for *USA Today* and *USAToday.com*? Do you believe that *USA Today* is well positioned for the future? Explain.

From day one the newspaper was designed to be like no other: The newspaper has incorporated many quality improvements and added features. Some examples include news layered for easy access and quick comprehension by time-pressed readers; many “gimmicks” such as tight, short stories; no jumps from page to page, except for the “cover story” (stories that jump to another page are one of newspaper readers’ major complaints); splashy, colorful graphics everywhere; a distinctive, casual writing style; a colorful national weather map; an upbeat and positive tone; a space-defying number of stories, factoids, larger-than-usual pictures, bar graphs, and charts, all squeezed onto each page without seeming too crowded; and balanced and fair coverage.

The paper incorporated many minor modifications over the years to set it part from competitors and to stay abreast of the market, including:

* A shift to more hard news and deeper coverage, especially in the Sports and News sections. This was probably done in reaction to competitive critics who labeled *USA Today* “McPaper,” in response to consumer surveys, and, as the case suggests, as a result of testing the waters with more serious news coverage.
* Various value-added features such as “hot-line” numbers, reader opinion polls, and a high school “Academic All Star” program. Note that these kinds of features are especially suitable for a publication with a national scope.
* Internet content to keep the paper contemporary and relevant, a redesign to make handling the paper easier (a common complaint of readers of broadsheet newspapers is that they are unwieldy to handle).
* Promotional innovations, including product samples and front-page advertisements.

The online version was also not content to rest on its laurels. Changes over its first six years included:

* A move from paid to free distribution. The changing nature of the marketplace necessitated this (most websites are free or at least allow certain portions of their site to be open to everyone instead of just paying subscribers)
* A pay-per-view archives service. Not only did this meet an important consumer demand; it also was a revenue generator for Gannett.
* Partnering with other online websites. This was a smart way to increase site traffic, as other publications’ viewers would surf to *USAToday*.com.
* Adding an online classifieds area. (This has been one of the biggest growth areas for newspapers in recent years.) It provided a service to readers and additional revenue for Gannett.
* Adding a “Quick Question” area to the website. This provided a convenient forum for readers to speak out on the issues and compare their opinions with the views of other readers.
* A redesign on the website to make it user-friendlier.

Gannett’s recent acquisitions of technology-related companies indicate that the company is looking toward the future. Gannett and *USA Today* seem well poised for the future.

1. What are the SWOT implications for *USA Today* as it looks toward its future? What strengths and opportunities can *USA Today* leverage as it looks for a competitive advantage in the distribution of news and information?

This question is addressed in the SWOT Analysis section of this teaching note.

1. Based on *USA Today*’s experiences with print and online news, evaluate the long-term potential of printed news and the newspaper publishing industry. Do you believe printed newspapers will continue to survive despite digital competition?

Whether newspapers will survive is shown in the case to be a debatable topic. Gannett officials seem to be quite bullish on the future of the newspaper medium in general, and of *USA Today* in particular. The key seems to be constant innovation. Old media have always survived the onslaught of new media. For instance, radio was supposed to doom magazines, and television was supposed to sound the death knell for radio. In each case, the old media reinvented themselves and did fine—magazines and radio both became more segmented and focused, for instance. Some people predict that newspaper readership will shift entirely to tablet devices like the iPad. Enhancements will include audio text (a wireless service that provides information to the reader that is usually related to an advertised product), videotext, and other document retrieval capabilities.

## Chapter 1: Marketing in Today’s Economy

**Chapter Outline**

## I. Introduction

1. *Beyond the Pages* 1.1 reviews the challenges associated with marketing productsin mature industries. Commoditization is a consequence of mature industries, where slowing innovation, extensive product assortment, excess supply, and fickle, price-conscious consumers force margins to the floor.
2. All organizations—both for-profit and nonprofit—require effective planning and a sound marketing strategy to achieve their goals and objectives. Without these vital efforts, organizations will not be able to satisfy the needs and wants of their customers or other stakeholders.

C. Organizations use sound marketing strategy to leverage their strengths and capitalize on opportunities that exist in the market. Every organization develops and implements marketing strategies.

D. This chapter will review some of the major challenges and opportunities that exist in planning marketing strategy in today’s economy. It will also review the nature and scope of major marketing activities and decisions that occur throughout the planning process. Finally, the chapter looks at some of the major challenges involved in developing marketing strategy.

## II. The Challenges and Opportunities of Marketing in Today’s Economy

A. Fundamental Changes to Marketing and Business Practice

1. *Power Shift to Customers*: The astounding growth of the Internet has *shifted power to customers*, not marketers.

2. *Massive Increase in Product Selection*: The variety and assortment of goods and services offered for sale on the Internet and traditional stores is staggering. This radical increase in product selection and availability has exposed marketers to inroads by competitors from every corner of the globe.

3. *Audience and Media Fragmentation*: Since the advent of cable television in the late 1970s, mass media audiences have become increasingly fragmented. Media audiences have become fragmented due to (1) the sheer number of media choices we have available today, and (2) the limited time we have to devote to any one medium. [Exhibit 1.1]

4. *Changing Value Propositions*: The speed and efficiency of commerce today has changed the way customers view value. The lesson for marketers is clear: In situations where customers see goods and services as commodities, customers will turn to the most convenient, least expensive alternative.

5. *Shifting Demand Patterns*: In some cases, changes in technology have shifted customer demand for certain product categories. The challenges faced by the movie rental industry bear this out.

6. *Privacy, Security, and Ethical Concerns*: Changes in technology have made our society much more open than in the past. As a result, these changes have forced marketers to address real concerns about security and privacy, both online and offline. For example, many well-known and respected companies have been fined for violating the standards of the Children’s Online Privacy Protection Act. [Exhibit 1.2]

7. *Unclear Legal Jurisdiction*: A final issue concerns the conflicting perspectives over legal jurisdiction when a company does business in more than one country. Another important issue involves the collection of sales tax for online transactions.

B. Although the full effect of these changes will not be recognized for some time, circumstances have forced businesses to move ahead by adjusting their marketing activities at both the strategic and tactical levels.

## III. Basic Marketing Concepts

A. Different Views of Marketing

1. Many people, especially those not employed in marketing, see marketing as a function of business. Other individuals, particularly those working in marketing jobs, tend to see marketing as a process of managing the flow of products from the point of conception to the point of consumption.

2. In 2005, the American Marketing Association changed the definition of marketing to better reflect the realities of competing in today’s marketplace: “Marketing is an organizational function and a set of business processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.” This revised definition stresses two critical success factors in marketing today: value and customer relationships. The AMA changed the definition of marketing again in 2007. The definition now reads: "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."

3. A final way to think about marketing relates to meeting human and social needs. This broad view links marketing with our standard of living, not only in terms of enhanced consumption and prosperity, but also in terms of society’s well being.

B. What Is a Market?

1. At its most basic level, a *market* is a collection of buyers and sellers. We tend to think of a market as a group of individuals or institutions that have similar needs that can be met by a particular product or product category.

2. This basic understanding of a market has not changed in a very long time. What has changed, however, is not so much the “what” but the “where” of a market; that is, the location of the buyers and sellers.

3. Technology mediates some of the fastest growing markets. The term *marketspace* has been coined to describe these electronic marketplaces unbound by time or space. The shift from marketplaces to marketspaces has significant ramifications for marketers.

4. Many consumers have been slow to embrace marketspaces because they lack the human element. In these cases, the design and implementation of the online experience is a serious challenge for marketspace operators.

5. Another shift is the advent of *metamarkets* (a cluster of closely related goods and services that center around a specific consumption activity) and *metamediaries* (a single access point where buyers can locate and contact many different sellers in the metamarket). [Exhibit 1.3]

C. What Is Exchange?

1. *Exchange* is traditionally defined as the process of obtaining something of value from someone by offering something in return; this usually entails obtaining products for money. For exchange to occur, five conditions must

be met:

a) There must be at least two parties to the exchange.

b) Each party has something of value to the other party.

c) Each party must be capable of communication and delivery.

d) Each party must be free to accept or reject the exchange.

e) Each party believes that it is desirable to exchange with the other party.

2. In today’s economy, exchange has become all too easy. Opportunities for exchange bombard us virtually everywhere we go—even in our own homes.

3. The ease with which exchange can occur today presents a problem in that individuals who do not have the authority to exchange can still complete transactions.

D. What Is a Product?

1. The primary focus of marketing is the customer and how the organization can design and deliver products that meet customers’ needs.

2. A *product* is something that can be acquired via exchange to satisfy a need or a want. This definition permits us to classify a broad number of “things” as products: goods, services, ideas, information, digital products, people, places, experiences and events, real or financial property, and organizations.

3. A customer’s decision to purchase one product or group of products over another is primarily a function of how well that choice will fulfill their needs and satisfy their wants.

4. Customers usually seek out exchanges with marketers who offer products that are high in one or more of the five types of utility:

a) *Form utility*: Products high in form utility have attributes or features that set them apart from the competition.

b) *Time utility*: Products high in time utility are available when customers want them.

c) *Place utility*: Products high in place utility are available where customers want them, which is typically wherever the customer happens to be or where the product needs to be at that moment.

d) *Possession utility*: Possession utility deals with the transfer of ownership or title from marketer to customer.

e) *Psychological utility*: Products high in psychological utility deliver positive experiential or psychological attributes that customers find satisfying.

5. *Beyond the Pages* 1.2 discusses how Walmart, Procter & Gamble, and Hulu have managed to maintain creativity and innovation to satisfy customer needs in a weakened economy.

## IV. Major Marketing Activities and Decisions

A. Strategic Planning

1. If an organization is to have any chance of reaching its goals and objectives, it must have a game plan or road map for getting there.

2. A *strategy* outlines the organization’s game plan for success.

3. *Tactical planning* concerns itself with specific markets or market segments and the development of marketing programs that will fulfill the needs of customers in those markets.

4. The *marketing plan* provides the outline for how the organization will combine product, pricing, distribution, and promotion decisions to create an offering that customers will find attractive.

B. Research and Analysis

1. Strategic planning depends on the availability and interpretation of information.

2. In addition to information about customers, the organization must also have access to three other types of information and analysis:

a) *Internal analysis* involves the objective review of internal information pertaining to the firm’s current strategy and performance, as well as the current and future availability of resources.

b) *Competitive intelligence* involves analyzing the capabilities, vulnerabilities, and intentions of competing businesses.

c) *Environmental scanning* involves the analysis of economic, political, legal, technological, and cultural events and trends that may affect the future of the organization and its marketing efforts.

C. Developing Competitive Advantage

1. To be successful, a firm must possess one or more competitive advantages that it can leverage in the market in order to meet its objectives.

2. A *competitive advantage* is something that the firm does better than its competitors that gives it an edge in serving customers’ needs and/or maintaining mutually satisfying relationships with important stakeholders.

D. Marketing Strategy Decisions

## 1. An organization’s marketing strategy describes how the firm will fulfill the needs and wants of its customers.

## 2. A marketing strategy can be composed of one or more marketing programs; each program consists of two elements—a target market or markets and a marketing mix (sometimes known as the four Ps of product, price, place, and promotion).

3. Market Segmentation and Target Marketing

a) Marketers engage in *market segmentation* when they divide the total market into smaller, relatively homogeneous groups or segments that share similar needs, wants, or characteristics.

b) When a marketer selects one or more *target markets*, they identify one or more segments of individuals, businesses, or institutions toward which the firm’s marketing efforts will be directed.

c) *Beyond the Pages* 1.3 discusses how many marketers use online social networking sites—such as Facebook, Twitter, Google+, or LinkedIn—to target specific market segments.

4. Marketing Program Decisions

a) Successful marketing programs depend on a carefully crafted blend of the four major marketing mix elements.

b) The importance of product decisions hinges on the connection between the product and the customers’ needs.

c) Price is the only element of the marketing mix that leads to revenue and profit, has a direct connection with customer demand, is the easiest element of the marketing program to change, and is a major quality cue for customers.

d) Distribution and supply chain issues are among the least apparent decisions made in marketing, particularly with customers.

e) Modern marketing has replaced the term *promotion* with the concept of *integrated marketing communication* (IMC), or the coordination of all promotional activities (media advertising, direct mail, personal selling, sales promotion, public relations, packaging, store displays, website design, personnel) to produce a unified, customer-focused message.

5. Branding and Positioning

a) In order to understand branding, the marketer must have a clear understanding of how the elements of the marketing program work together to create the brand.

b) While product decisions (such as design, style, and features) play a prominent role in branding, so do other program elements such as price/value, availability/exclusivity, and image/reputation of both the firm and its offerings.

E. Social Responsibility and Ethics

1. The role of social responsibility and ethics in marketing strategy has come to the forefront of important business issues in today’s economy.

2. Social responsibility refers to an organization’s obligation to maximize its positive impact on society, while minimizing its negative impact.

3. A major part of this responsibility is marketing ethics, or the principles and standards that define acceptable conduct in marketing activities.

F. Implementation and Control

1. *Marketing implementation*, the process of executing the marketing strategy, is the “how” of marketing planning.

2. Adequate control of marketing activities is essential to ensure that the strategy stays on course and focused on achieving its goals and objectives.

3. The implementation phase of marketing strategy calls into play the 5th P of the marketing program: people.

G. Developing and Maintaining Customer Relationships

1. Developing long-term customer relationships requires that markers shift away from transactional marketing and embrace a relationship marketing approach.

2. The goal of *transactional marketing* is to complete a large number of discrete exchanges with individual customers. In *relationship marketing*, the goal is to develop and maintain long-term, mutually satisfying arrangements where both buyer and seller focus on the value obtained from the relationship. [Exhibit 1.4]

3. Relationship marketing promotes customer trust and confidence in the marketer, who can then develop a deeper understanding of customers’ needs and wants.

V. Taking on the Challenges of Marketing Strategy

A. Challenges and opportunities in planning and developing marketing strategy include:

1. *Change*—Customers change, competitors change, and even the marketing organization changes. Strategies that are highly successful today will not work tomorrow.

2. *People*—Marketing strategy is inherently people-driven. It is about people (inside an organization) trying to find ways to deliver exceptional value by fulfilling the needs and wants of other people (customers, shareholders, business partners, society at large). The people-oriented nature of marketing makes marketing strategy a challenging task.

3. *Lack of rules*—There are very few rules for how to do marketing in specific situations.

4. *Increasing customer expectations and declining satisfaction*—American customers have a passion for instant gratification that is not being met. The American Customer Satisfaction Index indicates that customer satisfication has only recently recovered since 1994. [Exhibit 1.5]

5. *Mature markets (commoditization)*—Many firms compete in markets where product offerings have become commoditized by a lack of differentiation (for example, airlines, wireless phone service, department stores, laundry supplies, household appliances).

6. *Controlling costs*—Businesses have been forced to cut expenses by eliminating products, lowering distribution costs, or downsizing in order to remain competitive.

B. Even the most admired marketers in the world occasionally have problems meeting the demands of the strategic planning process and developing the “right” marketing strategy.

**Questions for Discussion**

1. Increasing customer power is a continuing challenge to marketers in today’s economy. In what ways have you personally experienced this shift in power; either as a customer or as a business person? Is this power shift uniform across industries and markets? How so?

For personal experiences, many students will use the example of buying a car. The unprecedented access to information gives customers a great deal of negotiating power when they enter a dealer’s showroom. From a business perspective, students may argue that customers have power due to the number of supplier options they have today. When a customer can quickly shift his/her business to a competitor, they are in a stronger power position. The power shift is not necessarily uniform across industries. Consumers lack negotiating power in most industries; hence, they exercise their power through their product choices.

2. How concerned are you about privacy and security in today’s economy? Why do so many people, particularly younger people, seem to be unconcerned about privacy? Will these issues still be important in 10 years? Explain.

Most students will state that they are very concerned about privacy and security. However, younger people, unlike their parents, understand that the line between privacy and convenience is a fine one. If consumers want the conveniences of advanced technology, allowing access to personal information is unavoidable. In the future, most consumers won’t think too deeply about privacy and security as technology further penetrates our lives. There is also the potential for significant government regulation in this area.

3. The text argues that marketing possesses very few rules for choosing the appropriate marketing activities. Can you describe any universal rules of marketing that might be applied to most products, markets, customers, and situations?

This is a very challenging question, as most students will have not considered this issue. Even generally accepted statements like “sales increase when you lower the price” are not necessarily true (see Chapter 6). An example that comes close to being a universal rule is “everyone loves a new product.” New products and sales are good ways to draw attention, but are not necessarily situations that increase revenue for the firm.

**Exercises**

1. The pace of change in our economy was frenetic from 1999 to 2001 (the so called dot-com boom) because of rapidly expanding technology and the growth of the Internet. Shortly thereafter, the bubble burst and many dot-com pioneers disappeared. Conduct some research to determine the reasons for the collapse. Most experts contend that a similar type of shakeout is unlikely today. What is different about today’s technology and the Internet that points to this conclusion? How can firms prevent another collapse?

This exercise makes an excellent midterm exam or a term project. In their research students will uncover many factors that led to the dotcom collapse. They will likely be drawn to the financial and management reasons for the problems that occurred. If they focus solely on marketing-related reasons for the collapse, five issues stand out: (1) lack of marketing planning, (2) lack of any real differentiating competitive advantage, (3) lack of backend distribution infrastructure to support operations, (4) lack of an offline brand image, and (5) misguided assumptions about consumer behavior. Most students will argue that a similar shakeout is unlikely because the Internet has evolved (increased interactivity, social networking, wireless, etc.) and that firms today see the Internet as one of several key channels (rather than THE channel). However, astute students will see that some firms are still likely to disappear; mainly because they do not offer a compelling reason for their existence (Yahoo! and AOL are good examples). Firms that are most likely to succeed are those that take a combined offline/online approach.

2. Logon to a metamediary in the automobile metamarket (e.g., www.edmunds.com, www.autos.msn.com, www.kbb.com, or www.carsdirect.com). What aspects of the car buying experience does the metamediary offer? Which aspects of the experience are missing? How does the metamediary overcome these missing aspects?

These metamediaries offer everything needed to purchase a car. However, they do not provide a car buying experience. Many consumers actually enjoy taking test drives and haggling over price. These metamediaries overcome this by catering to the car buying public that prefers the sterile exercise of buying a car to the experience of buying a car. They also provide everything in one place, unlike the traditional experience.

3. Think about all of the exchanges that you participate in on a weekly or monthly basis. How many of these exchanges have their basis in long-term relationships? How many are simple transaction-based exchanges? Which do you find most satisfying? Why?

Answers to this question will vary greatly. Many students will not consider their exchanges to be relational until you ask them how long they have been using the same company/provider. Many exchanges are relational by default (we use the same dry cleaner or gas station continuously without thinking about it). Whether students find transactional or relational exchanges more satisfying will depend on their likes and dislikes.

1. \* Michael D. Hartline, Florida State University, and Geoffrey Lantos, Stonehill College, prepared this teaching note for classroom discussion rather than to illustrate effective or ineffective handling of an administrative situation. [↑](#footnote-ref-2)