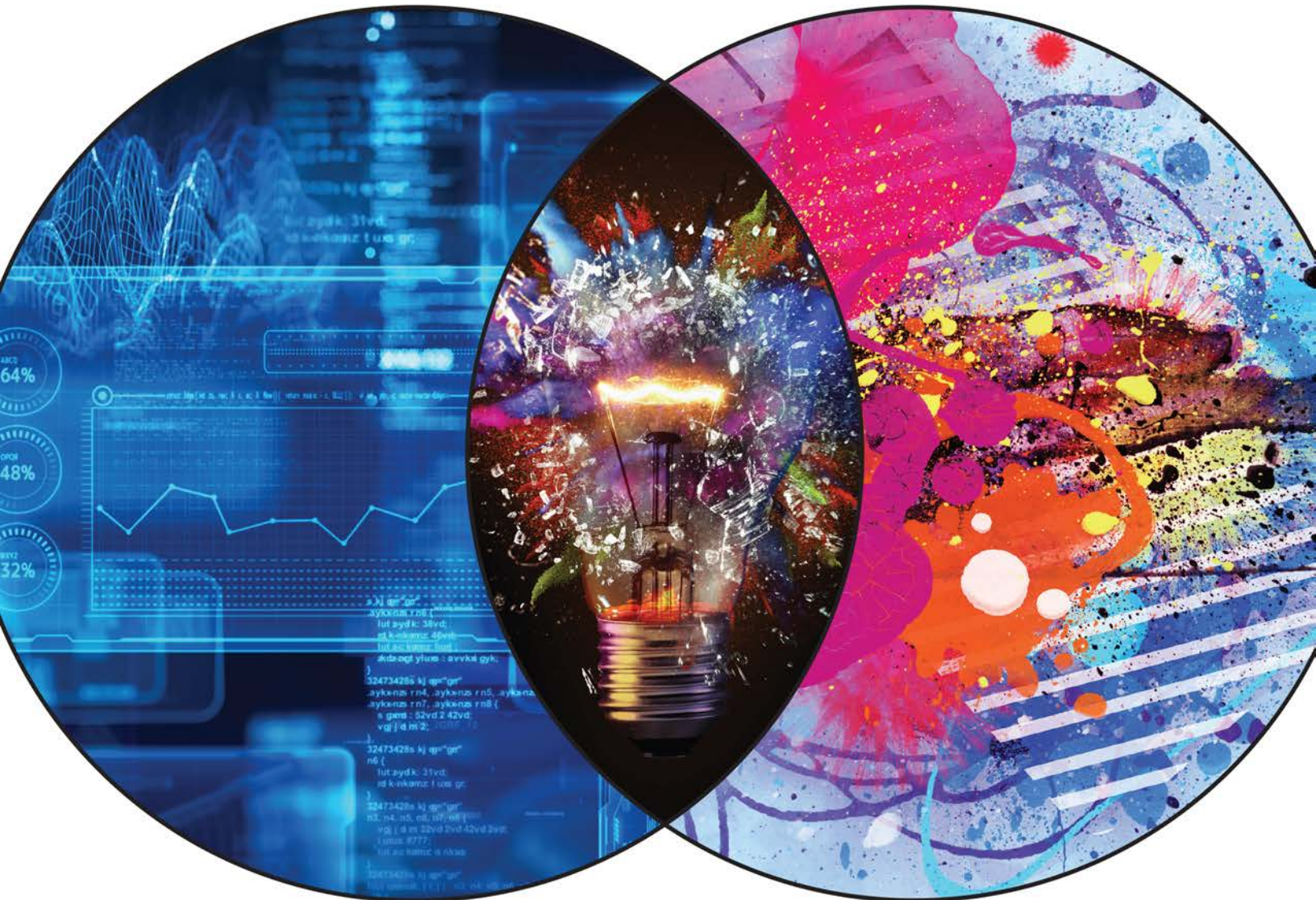


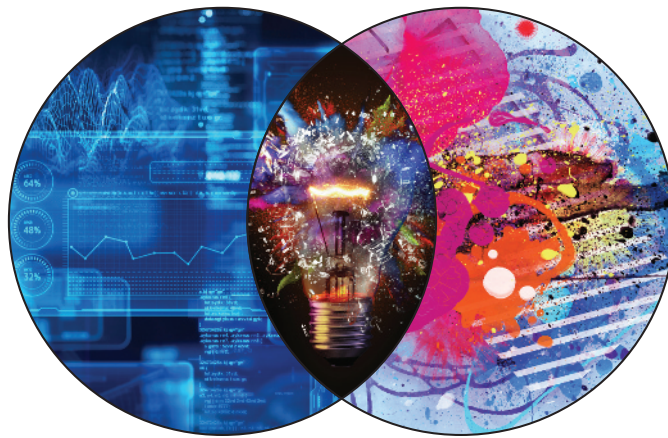
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Principles of Marketing



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MKTG 14th Edition is dedicated in memory of Carl McDaniel Jr. (1941–2023), whose invaluable contributions shaped the development of *MKTG*, the title that launched 4LTR Press. His legacy will continue to inspire and guide marketing students for generations to come.

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MKTG¹⁴

Principles of Marketing



Chapter 1

An Overview of Marketing

Learning Outcomes

After studying this chapter, you will be able to . . .

- 1-1** Define the term marketing
- 1-2** Describe four marketing management philosophies
- 1-3** Discuss the differences between sales and market orientations
- 1-4** Describe several reasons for studying marketing

1-1 What Is Marketing?

1-1 Define the term marketing

What does the term *marketing* mean to you? Many people think *marketing* means personal selling. Others think it means advertising. Still others believe that marketing concerns making products available in stores, arranging displays, and maintaining inventories of products for future sales. Marketing includes all these activities and more.

Marketing has two facets. First, it is a philosophy, an attitude, a perspective, or a management orientation that stresses customer satisfaction. Second, marketing is an organizational function and a set of processes used to implement this philosophy.

The American Marketing Association's (AMA) definition of marketing focuses on the second facet. According to the AMA, **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.¹

Marketing involves more than just activities a group of people performs in a defined area or department. In the often-quoted words of David Packard, co-founder of Hewlett-Packard (HP), "Marketing is too important to be left only to the marketing department." Marketing entails processes that focus on delivering value and benefits to customers, not just selling goods, services, and/or ideas. It uses communication, distribution, and pricing strategies to provide customers and other stakeholders with the goods, services, ideas, values, and benefits they want when and where they want them. It involves building long term, mutually rewarding relationships when these benefit all parties concerned. Marketing also entails an understanding that organizations have many connected stakeholder "partners," including employees, suppliers, stockholders, distributors, and others.

Research showed that an investment portfolio of companies that promote a culture of health, safety and well-being outperformed the stock market 2 percent per year over a 10-year period.² In 2022, Cisco, Hilton, and Wegman's Food Markets secured the top three positions on Fortune's "100 Best Companies to Work For" list. These organizations prioritized diversity, equity, inclusion, and belonging programs, which encouraged employees to express their authentic selves without any fear of rejection. Compared

marketing 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

exchange people giving up something to receive something else they would rather have

to the average workplace, approximately 90 percent of employees felt comfortable being themselves. Additionally, these companies expanded their resources for mental health assistance, support services for older adults, child care, and well-being. They also provided financial and professional assistance to their employees during layoffs and furloughs, and offered COVID-19 care during the pandemic.³

"Marketing is too important to be left only to the marketing department."

—David Packard, co-founder of Hewlett-Packard

One desired outcome of marketing is an **exchange**—people giving up something to receive something else they would rather have. Normally, we think of money as the medium of exchange. We "give up" money to "get" the goods and services we want. Exchange does not require money, however. Two (or more) people may barter or trade such items as baseball cards or oil paintings.

An exchange can take place only if the following five conditions exist:

1. There must be at least two parties.
2. Each party has something that might be of value to the other party.
3. Each party is capable of communication and delivery.
4. Each party is free to accept or reject the exchange offer.
5. Each party believes it is appropriate or desirable to deal with the other party.⁴

Exchange will not necessarily take place even if all these conditions exist, but they must exist for exchange to be possible. For example, suppose you place an advertisement



Cisco was #1 on *Fortune's* "100 Best Companies to Work For" in the 2021 national survey of employees. The company takes great care of its employees across many aspects of their lives. It also has initiated diversity, equity, inclusion and belonging programs throughout the company.

on Craigslist or Facebook Marketplace stating that your used automobile is for sale at a certain price. Several people may contact you to ask about the car, some may test-drive it, and one or more may even make an offer. All five conditions necessary for an exchange to occur exist in this scenario. But unless you reach an agreement with a buyer and sell the car, an exchange will not take place.

Notice that marketing can occur even if an exchange does not occur. In the example just discussed, you would have engaged in marketing by advertising the car, even if no one bought it.

1-2 The Four Marketing Management Philosophies

1-2 Describe four marketing management philosophies

Four competing philosophies strongly influence an organization's marketing processes. These philosophies are commonly called production, sales, market, and societal marketing orientations.

1-2a Production Orientation

A **production orientation** is a philosophy that focuses on the firm's internal capabilities rather than on the desires and needs of the marketplace. A production orientation means that management assesses its resources and asks these questions: "What can we do best?" "What can our engineers design?" "What is easy to produce, given our equipment?" In the case of a service organization, managers ask, "What services are most convenient for the firm to offer?" and "Where do our talents lie?" The furniture industry is infamous for its disregard of customers and for its slow cycle times. For example, most traditional furniture stores (think Ashley or Haverty's) carry the same styles and varieties of furniture they have carried for many years. They always produce and stock sofas, coffee tables, chairs, and end tables for the living room. Bedroom suites always include at least a queen- or king-sized bed, two dressers, and two nightstands.

Regardless of what customers may be looking for, this selection is what they will find at these stores—and they have been so long-lived because what they produce has matched customer expectations. This industry has always been production oriented.

There is nothing wrong with assessing a firm's capabilities; in fact, such assessments are major considerations in strategic marketing planning (refer back to Chapter 2). A production orientation can fall short if it does not consider whether the goods and services that the firm produces most efficiently also meet the needs of the marketplace. On the other hand, sometimes what a firm can best produce is exactly what the

market wants. Apple has a history of production orientation, creating computers, operating systems, and other gadgetry because it can and hopes to sell the result. Some items have found a waiting market (early computers, iPod, iPhone). Other products, like the Newton, one of the first versions of a personal digital assistant (PDA), were simply flops.

In some situations, as when competition is weak or demand exceeds supply, a production-oriented firm can survive and even prosper. More often, however, firms that succeed in competitive markets have a clear understanding that they must first determine what customers want and then produce it, rather than focus on what company management thinks should be produced and hope that the product is something customers want.

1-2b Sales Orientation

A **sales orientation** is based on the belief that people will buy more goods and services if aggressive sales techniques are used and that high sales result in high profits. Not only does this approach emphasize sales to the final buyer, but intermediaries are also encouraged to push manufacturers' products more aggressively. To sales-oriented firms, marketing means selling things and collecting money.

The fundamental problem with a sales orientation, as with a production orientation, is a lack of understanding of the needs and wants of the marketplace. Sales-oriented companies often find that, despite the quality of their sales force, they cannot convince people to buy goods or services that are neither wanted nor needed.

1-2c Market Orientation

The **marketing concept** is a simple and intuitively appealing philosophy that focuses on a market orientation. It states that the social and economic justification for an organization's existence is the satisfaction of customer wants and needs while meeting organizational objectives. What a business thinks it produces is not of primary importance to its success. Instead, what customers think

production orientation a philosophy that focuses on the firm's internal capabilities rather than on the desires and needs of the marketplace

sales orientation the belief that people will buy more goods and services if aggressive sales techniques are used and that high sales result in high profits

marketing concept the idea that the social and economic justification for an organization's existence is the satisfaction of customer wants and needs while meeting organizational objectives

Examples of a Sales-Oriented Business

A sales orientation is common for businesses selling products or services in highly competitive markets. This orientation is also used when the consumer is not actively pursuing a company's product. Several examples of industries that tend to use a sales orientation follow.

1. The Insurance Industry

In the insurance industry, companies create the products and then sell them through representatives, advertising, and other sales techniques. Insurance policies are not influenced by consumer input or demand. Insurance is a product that most consumers feel is necessary, and it requires a sales orientation to educate and drive purchases from consumers. While consumers do shop rates, a sales orientation drives the business of auto, home, health, and other policies.

2. The Automotive Industry

While the vehicle itself is often built according to market orientation, vehicle parts and mechanical services are sales oriented. Consumers require salespeople to provide information and

to understand their needs. Ultimately, the knowledge on the parts and mechanical side primarily drives the sales of parts and services.

3. Business-to-Business Sales

Business-to-business (B2B) sales also provide an example of a sales-oriented business approach. Companies develop products that may benefit a business and then rely heavily upon aggressive marketing tactics to sell them. Examples of products sold in this type of market can include advertising sales or technologies such as point-of-sale software and machinery that will allow the business to run more efficiently and profitably. Chances are the business owner was not initially looking for the product, but bought it because the salesperson showed them some benefit to buying it.

Sources: Zach Lazzari, "Examples of a Sales-Oriented Business," <https://yourbusiness.azcentral.com/examples-salesoriented-business-11277.html>, May 7, 2018; Jared Lewis, "Examples of a Sales-Oriented Business," <https://smallbusiness.chron.com/examples-salesoriented-business-25083.html>, accessed January 18, 2023.

they are buying—the perceived value—defines a business. The marketing concept includes the following:

- Focusing on customer wants and needs so that the organization can distinguish its product(s) from competitors' offerings
- Integrating all the organization's activities, including production, to satisfy customer wants and needs
- Achieving long-term goals for the organization by satisfying customer wants and needs legally and responsibly

The recipe for success is to develop a thorough understanding of your customers and your competition, your distinctive capabilities that enable your company to execute plans based on this customer understanding, and how to deliver the desired experience using and integrating all the firm's resources. For example, toy manufacturers are making big changes toward sustainability in their product design and packaging to respond to demands from parents and toy retailers. Hasbro and LEGO are among the companies that have committed to eliminating all plastic packaging. Meanwhile, Mattel has pledged to use only recycled, recyclable, or bio-based plastics in its toys. Green Toys, a California-based company, has been using recycled milk jugs in its toys for over a decade and has expanded from a small startup to become a key competitor in the toy industry.⁵

market orientation a philosophy that assumes that a sale does not depend on an aggressive sales force but rather on a customer's decision to purchase a product; it is synonymous with the marketing concept

Firms that adopt and implement the marketing concept are said to be **market oriented**, meaning that they assume that a sale does not depend on an aggressive sales force but rather on a customer's decision to purchase a product. Achieving a market orientation involves obtaining information about customers, competitors, and markets; examining the information from a total business perspective; determining how to deliver superior customer value; and implementing actions to provide value to customers.

Some firms are known for delivering superior customer value and satisfaction. For example, in 2022, J.D. Power and Associates ranked Lexus highest in customer satisfaction with dealer service among luxury automotive brands, while Mini ranked highest among mass-market brands.⁶ Rankings such as these, as well as word-of-mouth from satisfied customers, drive additional sales for these automotive companies.

Understanding your competitive arena and competitors' strengths and weaknesses is a critical component of a market orientation. This understanding includes assessing what existing or potential competitors intend to do tomorrow and what they are doing today. For example, Tesla was once the undisputed leader in the electric vehicle (EV) market. However, Tesla's share of the EV market fell to about 65 percent in 2022 from about 72 percent in 2021. Car companies have cut into their market share with new electric models that in some areas outperform Tesla. Ford has developed an electric version of its F-150 pickup truck, and Dodge released a prototype of an all-electric version of the Charger, which is designed to drive like a traditional muscle car.⁷

1-2d Societal Marketing Orientation

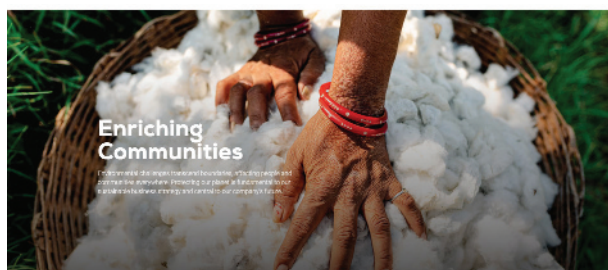
The **societal marketing orientation** extends the marketing concept by acknowledging that some products customers want may not really be in their best interests or society's best interests. This philosophy states that an organization exists not only to satisfy customer wants and needs and to meet organizational objectives but also to preserve or enhance individuals' and society's long-term best interests. Marketing products and containers that are less toxic than normal, are more durable, contain reusable materials, or are made of recyclable materials are consistent with a societal marketing orientation. The AMA's definition of *marketing* recognizes the importance of a societal marketing orientation by including "society at large" as one of the constituencies for which marketing seeks to provide value. Concerns such as climate change, the depleting of the ozone layer, fuel shortages, pollution, and health issues have caused consumers and legislators to become more aware of the need for companies and consumers to adopt measures that conserve resources and cause less damage to the environment.

Corporate responsibility has transformed from a "nice-to-have silo" to an essential strategic priority.⁸ Today, companies of all sorts are spurring change across a broad range of issues, including climate change, education, and poverty. Many have also made a commitment to eliminate waste and reuse valuable materials within their own walls.

Gap, for instance, was established with the objective of providing opportunities to the individuals and communities impacted by their business. Therefore, corporate social responsibility has always been a crucial aspect of their company, even before the term became widely used. Today, as a global brand, Gap is addressing the issue of waste in fast fashion, implementing a sustainable and transparent supply chain, protecting endangered species, reducing energy consumption, using 100 percent renewable energy, minimizing waste, and tackling climate change.⁹

1-2e Who Is in Charge?

The internet and the widespread use of social media have accelerated the shift in power from manufacturers and retailers to consumers and business users. This shift began when



Gap Inc. is committed to protecting natural resources and ensuring healthy communities for generations to come.

customers started using books, electronics, and the internet to access information, goods, and services. Customers use their widespread knowledge to shop smarter; leading executives such as former Procter & Gamble CEO A. G. Laffey to conclude that "the customer is boss."¹⁰ GM CEO Mary Barra believes that the "customer is our compass." The following quotation, attributed to everyone from L.L. Bean founder, Leon Leonwood Bean, to Mahatma Gandhi, has been a guiding business principle for many companies: "Customers are the most important visitor on our premises. [They are] not dependent on us. We are dependent on [them]. [They are] not an interruption in our work, [they are] the purpose of it."¹¹ And as the use of the internet and mobile devices becomes increasingly pervasive, that control will continue to grow. This evolution means that companies must create strategy from the outside in by offering distinct and compelling customer value.¹² This goal can be accomplished only by carefully studying customers and using deep market insights to inform and guide companies' outside-in view.¹³

1-3 The Differences Between Sales and Market Orientations

1-3 Discuss the differences between sales and market orientations

The differences between sales and market orientations are substantial. The two orientations can be compared in terms of five characteristics: the organization's focus, the firm's business, those to whom the product is directed, the firm's primary goal, and the tools used to achieve the organization's goals.

1-3a The Organization's Focus

Personnel in sales-oriented firms tend to be inward looking, focusing on selling what the organization makes rather than making what the market wants. Many of the historic sources of competitive advantage—technology, innovation, and economies of scale—allowed companies to focus their efforts internally and prosper. Today, many successful firms derive their competitive advantage from an external, market-oriented focus. A market orientation has helped companies such as Zappos.com and Bob's Red Mill Natural Foods to outperform their competitors. These companies put customers at the center of their business in ways most companies do poorly or not at all.

societal marketing orientation the idea that an organization exists not only to satisfy customer wants and needs and to meet organizational objectives but also to preserve or enhance individuals' and society's long-term best interests

Customer Value

The relationship between benefits and the sacrifice necessary to obtain those benefits is known as **customer value**. Customer value is not simply a matter of high quality. A high-quality product that is available only at a high price will not be perceived as a good value, nor will bare-bones service or low-quality goods selling for a low price. Price is a component of value (a \$4,000 handbag is perceived as being more luxurious and of higher quality than one selling for \$100), but low price is not the same as good value. Instead, customers value goods and services that are of the quality they expect and sold at prices they are willing to pay.

Value can be used to sell a Mercedes-Benz as well as a Tyson frozen chicken dinner. In other words, value is something that shoppers of all markets and at all income levels look for. Lower-income consumers are price sensitive, so they may respond positively to special offers and generic brands. Low-income consumers who are both paid and shop by the day may respond to reduced packaging sizes that lower the cost per unit while still offering quality and value for the money. Conversely, higher-income customers may value—and be willing to pay for—high-quality products and superior customer service. Apple offers superior value to its customers, resulting in strong brand loyalty. Apple's products, while expensive, are easy to use and last longer than other brands. Its products have great resale value. Apple's products have style, and they set the bar for sleek, sophisticated design. They also get better with time because the company releases significant software updates every year. Its products all work well together. For example, the iPhone and MacBook are more than just two separate devices; they are extensions of one another. Finally, Apple offers its customers a great service experience.¹⁴

Customer Satisfaction

The customers' evaluation of a good or service in terms of whether that good or service has met their needs and expectations is called **customer satisfaction**. Failure to meet needs and expectations results in dissatisfaction with the good or service. Some companies, in their passion to drive down costs, have damaged their relationships with customers. Bank of America, Comcast, Dish Network, and AT&T are examples of companies for which executives lost track of the delicate balance between efficiency and service.¹⁵ Firms that have a reputation for delivering high levels of customer satisfaction do things differently

customer value the relationship between benefits and the sacrifice necessary to obtain those benefits

customer satisfaction customers' evaluation of a good or service in terms of whether it has met their needs and expectations



Apple provides value to its customers with superior products and service.

from their competitors. Top management is obsessed with customer satisfaction, and employees throughout the organization understand the link between their job and satisfied customers. The organization's culture is to focus on delighting customers rather than on selling products. Trader Joe's is known for delivering exceptional customer experiences, offering high-quality products, and employing, friendly, knowledgeable staff. As a result, it has developed a loyal customer base that prioritizes the value proposition Trader Joe's provides over the price of its products.¹⁶

One of the most important ways to make sure customers are satisfied with a company is to track their expectations and experiences. Hyatt's hotel chain popularity is partially due to its willingness to listen to what its customers think and to use that information to enhance customers' experiences. The company collects feedback mainly through website surveys and social media. It has a specific website where customers can share their experiences about a recent stay, and it offers incentives so customers will be more likely to take the survey. Moreover, Hyatt tracks customer feedback through social media sites like Instagram and Twitter, now known as X, to understand where they might have issues to address. By investing resources into collecting customer feedback, the company saw increased return on its investment and surpassed the industry average in customer satisfaction.¹⁷

Building Relationships

Attracting new customers to a business is only the beginning. The best companies view new-customer attraction as the launching point for developing and enhancing a long-term relationship. Companies can expand market share in three ways: attracting new customers, increasing business with existing customers, and retaining current customers. Building relationships with existing customers directly addresses two of the three possibilities and indirectly addresses the other. Katherine Barchetti, founder K. Barchetti Shops, has famously said, "Make a customer, not a sale."¹⁸

The Elements of Value



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When customers evaluate the value of a product or service, they weigh its perceived quality against its price. While this process may sound simple, understanding what customers value can be difficult. Academic research can help. A group of scholars has discovered four elements of value that each address a basic consumer need. Each element contains multiple attributes. These are: as follows

1. **Functional.** The first, and most basic, value is functional. Consumers look for products that save time, reduce risk, reduce effort, or help them organize. The Container Store and TurboTax are examples of retailers that help consumers organize their things or assets.
2. **Emotional.** This value includes attributes such as meeting emotional needs, including reducing anxiety, good product design and aesthetics, fun and entertainment, and wellness.

The products made by Dyson, such as the dual-cyclone-technology vacuum cleaners, the Supersonic hairdryers, and the Dyson Zone headphones are examples of good product design that is satisfying to consumers. Streaming television service providers such as Netflix offer fun and entertainment.

3. **Life-Changing.** This value provides hope, motivation, and a feeling of belonging and self-actualization. Fitbit's exercise-tracking programs address the motivation to get healthier. A \$10,000 Leica camera offers not only the high quality of the brand, but also self-actualization that arises from the pride of owning a camera that famous photographers have used for a century.
4. **Social Impact.** This value meets the need to give back and help others, which translates into self-transcendence. Giving to nonprofit organizations like United Way or cancer research foundations shows examples of social impact.

In practice, many companies offer combinations of these elements and attributes. For example, Amazon started by focusing on functional attributes, such as reducing cost and saving time. Then, with Amazon Prime offering services like streaming media and unlimited photo storage, it expanded its value to include fun and entertainment and reducing risk. Restaurants address the attributes of quality, sensory appeal, variety, and design/appeal.

The relevance of the elements varies according to industry. For example, nostalgia or wellness may not mean much to customers buying gas for their cars. Researchers have found that the right combination of elements and attributes results in stronger customer loyalty, greater consumer willingness to try a brand, and sustained revenue growth.¹⁹

Relationship marketing is a strategy that focuses on keeping and improving relationships with current customers. It assumes that many consumers and business customers prefer to have an ongoing relationship with one organization rather than switching continually among providers in their search for value. Activision, a leading publisher of the U.S. video game market, engages in relationship marketing by providing continued service to its gamers. For example, Activision monitors social media conversations that are relevant to its products and follows up on those conversations.²⁰ This long-term focus on customer needs is a hallmark of relationship marketing.

Most successful relationship marketing strategies depend on customer-oriented personnel, effective training programs, employees with the authority to make decisions and solve problems, and teamwork.

Customer-Oriented Personnel For an organization to be focused on building relationships with customers, employees' attitudes and actions must be customer oriented. An employee may be the only contact a particular customer has with the firm. In that customer's eyes, the

employee *is* the firm. Any person, department, or division that is not customer oriented weakens the positive image of the entire organization. For example, a potential customer who is greeted discourteously may well assume that the employee's attitude represents that of the whole firm.

Customer-oriented personnel come from an organizational culture that supports its people. In addition, a company culture that includes job benefits such as competitive wages, a healthy work-life balance, ample family and sick leave, and a commitment to diversity and equal pay, also tends to boost the company's bottom line. Salesforce has a "chief equality officer" and a "chief people officer," and it is at the top of the software industry in its treatment of workers and its commitment to workplace diversity, equity, and inclusion. The company has also been recognized for its focus on mental health issues, which spiked during the COVID-19 pandemic.²¹

Some companies, such as Coca-Cola, Delta Air Lines, Hershey, Kellogg, and Nautilus, have appointed chief

relationship marketing a strategy that focuses on keeping and improving relationships with current customers

customer officers (CCOs). These customer advocates provide an executive voice for customers and report directly to the CEO. Their responsibilities include ensuring that the company maintains a customer-centric culture and that all company employees remain focused on delivering customer value.

The Role of Training Leading marketers recognize the role of employee training in customer service and relationship building. Atlantic Health System is a company that has been voted one of America's Best Companies to Work For. Employees are offered free courses—many for college credit. There are classes in clinical and nonclinical care, technology, management, leadership, and customer experience, among others. These classes help spark innovation and engagement within the company.²²

Empowerment In addition to training, many market-oriented firms are giving employees more authority to solve customer problems on the spot. The term used to describe this delegation of authority is **empowerment**. Employees develop ownership attitudes when they are treated like part owners of the business and are expected to act the part. These employees manage themselves, are more likely to work hard, account for their own performance and that of the company, and take prudent risks to build a stronger business and sustain the company's success. To empower its workers, the Ritz-Carlton chain of luxury hotels developed a set of 12 "Service Values" guidelines. These brief, easy-to-understand guidelines include statements such as "I am empowered to create unique, memorable and personal experiences for our guests" and "I own and immediately resolve guest problems." The 12 Service Values are printed on cards distributed to employees, and each day, a particular value is discussed at length in Ritz-Carlton team meetings. Employees talk about what the value means to them and offer examples of how the value can be put into practice that day.²³

Teamwork Many organizations that are frequently noted for delivering superior customer value and providing high levels of customer satisfaction, such as Google and Walt Disney World, assign employees to teams and teach them team-building skills. **Teamwork** entails collaborative efforts of people to accomplish common objectives. Job performance, company performance, product value, and customer satisfaction all improve when people in the same department or work group begin supporting and assisting each other and emphasize cooperation instead of competition. Performance is also enhanced when cross-functional

empowerment delegation of authority to solve customers' problems quickly—usually by the first person the customer notifies regarding a problem

teamwork collaborative efforts of people to accomplish common objectives



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Thanks to Costco's high pay, generous benefits, and trust in its employees, the company's turnover rate is less than 6 percent—significantly lower than that of its competitors.³⁰

teams align their jobs with customer needs. For example, if a team of telecommunications service representatives is working to improve interaction with customers, back-office people such as computer technicians or training personnel can become part of the team, with the goal of delivering superior customer value and satisfaction. A study of software engineers showed that those who connected with others and helped them with their projects both earned the trust of their peers and were more productive themselves.²⁴

1-3b The Firm's Business

A sales-oriented firm defines its business (or mission) in terms of goods and services. A market-oriented firm defines its business in terms of the benefits its customers seek. People who spend their money, time, and energy expect to receive benefits, not just goods and services. This distinction has enormous implications. For example, Microsoft's original mission was "A computer on every desk and in every home," which is product centered. Its current, benefit-oriented mission is "To empower every person and every organization on the planet to achieve more."²⁵ It answers the question "What is this firm's business?" in terms of the benefits customers seek instead of goods and services; it offers at least the following three important advantages:

- It ensures that the firm keeps focusing on customers and avoids becoming preoccupied with goods, services, or the organization's internal needs.
- It encourages innovation and creativity by reminding people that there are many ways to satisfy customer wants.
- It stimulates an awareness of changes in customer desires and preferences so that product offerings are more likely to remain relevant.

Market-oriented firms that successfully create a connection with their customers and employees tend to create loyal customers, which can increase overall profitability. These companies shape their mission statements around

their core values and in terms of customer benefits. Some examples of good mission statements: are as follows

1. Patagonia: “We’re in business to save our home planet,” This statement is a more succinct update from its previous mission statement, “Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.”
2. American Express: “Become essential to our customers by providing differentiated products and services to help them achieve their aspirations.” American Express has a list of core values, many of which emphasize teamwork and supporting employees so that the people inside the organization can be in the best position to support their customers.
3. IKEA: “To create a better everyday life for the many people.” The statement could have been one of beautiful, affordable furniture (product oriented), but instead, it’s to make *everyday life better* for its customers (market oriented).²⁶

Having a market orientation and a focus on customer wants does not mean offering customers everything they want. It is not possible, for example, to profitably manufacture and market automobile tires that will last for 100,000 miles for \$25. Furthermore, customers’ preferences must be mediated by sound professional judgment about how to deliver the benefits they seek. Consumers have a limited set of experiences. They are unlikely to request anything beyond those experiences because they are not aware of the benefits they may gain from other potential offerings. For example, before the internet, many people thought that shopping for some products was boring and time-consuming but could not express their need for electronic shopping.

1-3c Those to Whom the Product Is Directed

A sales-oriented organization targets its products at “everybody” or “the average customer.” A market-oriented organization aims at specific groups of people. The fallacy of



IKEA offers a wide variety of affordable home furnishings.

developing products directed at the average user is that relatively few average users exist. Typically, populations are characterized by diversity. An average is simply a midpoint in some set of characteristics. Because most potential customers are not “average,” they are not likely to be attracted to an average product marketed to the average customer. Consider the market for shampoo as one simple example. There are shampoos for oily hair, dry hair, and dandruff. Some shampoos remove gray or color hair. Special shampoos are marketed for infants and older adults. There are even shampoos for people with average or normal hair (whatever that is), but this segment is a small portion of the total shampoo market.

A market-oriented organization recognizes that different customer groups want different features or benefits. It may therefore need to develop different goods, services, and promotional appeals. A market-oriented organization carefully analyzes the market and divides it into groups of people who are similar in terms of selected characteristics. Then the organization develops marketing programs that will bring about mutually satisfying exchanges with one or more of those groups. For example, the more than 120-year-old department store chain Nordstrom has introduced initiatives to attract millennial shoppers, who typically avoid department stores. These initiatives include themed pop-up shops, shop-in-shops featuring new fashion designers, and Nike concept shops.²⁷

Customer Relationship Management

Beyond knowing to whom they are directing their products or services, companies must also develop a deeper understanding of their customers. One way of doing this is through *customer relationship management*. **Customer relationship management (CRM)** is a company-wide business strategy designed to optimize profitability, revenue, and customer satisfaction by focusing on highly defined and precise customer groups. This strategy is accomplished by organizing the company around customer segments, establishing and tracking customer interactions with the company, fostering customer-satisfying behaviors, and linking all company processes, from its customers through its suppliers. The difference between CRM and traditional mass marketing can be compared to shooting a rifle versus a shotgun. Instead of scattering messages far and wide across the spectrum of mass media (the shotgun approach), CRM marketers now are homing in on ways to effectively communicate with each customer (the rifle approach).

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