TT TEXTBOOK TESTBANKS

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Chapter 1
Welcome to Marketing in the Modern World: Create and Deliver Value

I. CHAPTER OVERVIEW

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. Therefore, marketing is all about delivering value to stakeholders, that is, to everyone who is affected by a transaction. Organizations that seek to ensure their long-term profitability by identifying and satisfying customers' needs and wants adopt the marketing concept.

In Chapter 1, these concepts are explored. In addition, students learn the definition of product and benefit. Students are introduced to the four Ps and their interdependent relationship. Students also learn about the continuing evolution of marketing, including the very important customer experience, service-dominant logic, the co-creation of value, and how product innovations have created disruptions in marketing.

II. CHAPTER OBJECTIVES

1-1. Explain what marketing is, the marketing mix, what can be marketed, and the value of marketing.
1-2. Explain the evolution of marketing.
1-3. Understand value from the perspectives of customers, producers, and society.
1-4. Explain the basics of market planning.
1-5. Understand how to increase your chances of getting a great first job and having a successful career by using the marketing process to create a personal brand.

III. CHAPTER OUTLINE

<table>
<tr><td colspan="3">► MARKETING MOMENT INTRODUCTION
Use a top-of-mind awareness exercise to introduce the different facets of marketing. Instruct students to write down the first word that pops into their head when you say these words: your school name, soup, jeans, marketing, and salesperson. Explain that school name, soup, and jeans were just "warm ups." (Although Campbell's is likely to be the most popular answer for soup—this is a great time to illustrate dominant market share.) Most students will respond "advertising" or "sales" in response to marketing—this gives the instructor a chance to introduce the marketing mix and make that point that marketing covers more than just communication.</td></tr>
<tr><td>p. 3</td><td>REAL PEOPLE, REAL CHOICES—HERE'S MY PROBLEM AT PINTEREST

Pinterest's exponential data-driven growth posed a problem for the firm's first chief marketing officer Andréa Mallard. Her primary task was to define, differentiate, and grow the Pinterest brand. However, she also had to overcome the internal mistrust about marketing as a function among the primarily engineering</td><td></td></tr>
</table>

	employees. Previous marketing efforts were underfunded and unsuccessful, creating the impression that marketing did not work. She needed to put a team together to help her overcome these challenges. Andréa had two essential jobs to do: (1) to teach the team the art of *brand marketing* (a long-term perspective that prioritizes shaping consumers' feelings toward Pinterest and keeping the platform relevant) and (2) to teach the team the science of *performance marketing* (which is about the more immediate challenges of acquisition or resurrection of users who no longer visited the site). Andréa knew she needed to generate results fast and had three options: 1: Educate the executive team on the effectiveness of brand marketing right away. 2: Focus on building a growth marketing engine to acquire and resurrect Pinterest users who had defected to other platforms as efficiently as possible—thus, hope-fully getting some quick wins on the board. 3: Build a performance marketing engine while simultaneously running a series of small brand marketing test campaigns to quickly establish some proof points for its importance and effectiveness as part of the mix. See what option the students choose. Discuss their reasoning in class. Andréa chose option # 3.	
p. 5 p. 5 p. 5 p. 6 p. 6	**1. MARKETING: WHAT IS IT?** As one of billions of **consumers** around the globe, each student knows about marketing because it has been part of their lives. Marketing is first and foremost about satisfying consumer needs. The seller also has needs—to make a profit, to remain in business, and even to take pride in selling the highest-quality products possible. As it becomes more challenging to market to consumers, firms increasingly focus on **customer experience** (CX or CEX). Customers are loyal to brands that consistently deliver positive experiences. **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. **1.1 "Marketing Is the Activity, Set of Institutions, and Processes…"** Marketing includes a great number of activities. The importance of marketing activities varies a lot across organizations. Activities include: understanding customer needs through marketing research; selecting people or organizations to target; developing the product; pricing the product; getting the product to the consumer; and delivering marketing messages. Agencies and other institutions help support firms' marketing efforts.	

p. 6 p. 6 p. 6	**1.2 "…for Creating, Communicating, Delivering, and Exchanging: The Marketing Mix…"** To satisfy needs, marketers need many tools. The **marketing mix** consists of the tools the organization uses to create a desired response among a set of predefined consumers. These tools include the product, the price, the promotional activities, and the places. We refer to the marketing mix as the **four Ps**: *product*, *price*, *promotion*, and *place*. The four Ps are interdependent.	Figure 1.1 Snapshot: The Marketing Mix
p. 7	**1.2.1 Product** The **product** is a good, a service, an idea, a place, and a person—whatever is offered for sale in the exchange. This aspect of the marketing mix includes the design and packaging of a good, as well as its physical features and any associated services, such as free delivery.	
p. 7	**1.2.2 Promotion** **Promotion**, often referred to as marketing communication, includes many different activities marketers undertake to inform consumers about their products and to encourage potential customers to buy these products.	Exhibit: Product (p. 7)
p. 8	**1.2.3 Place** **Place** refers to the availability of the product to the customer at the desired time and location. This *P* relates to a **channel of distribution**, which is the series of firms or individuals that facilitates movement of a product from the producer to the final customer.	
p. 8	**1.2.4 Price** **Price** is the assignment of value, or the amount the consumer must exchange to receive the offering. Marketers often turn to price to increase consumers' interest in a product.	
p. 8	At the heart of every marketing act—big or small—is an "exchange relationship." An **exchange** occurs when a person gives something and gets something else in return. For an exchange to occur, at least two people or organizations must be willing to make a trade.	
p. 9	**1.3 "…Offerings . . .": What Can We Market?** We'll refer to any good, service, or idea that we can market as a product, even though what you buy may not take a physical form.	Exhibit: Superdry brand (p. 8)
p. 9	**1.3.1 Consumer Goods and Services** **Consumer goods** are the tangible products that individual consumers purchase for personal or family use. **Services** are intangible products that we pay for and use but don't own. Marketers need to understand the special challenges that arise when they market an intangible service rather than a tangible good. Because both goods and services are products, it's more accurate to say "goods and services" rather than "products and services."	

p. 9 p. 9 p. 9 p. 9	**1.3.2 Business-to-Business Goods and Services** **Business-to-business marketing** is the exchange of goods and services from one organization to another. Businesses and other organizations buy a lot more goods than consumers do. They purchase these **industrial goods** for further processing or to use in their own business operations. **E-commerce** is the buying and selling of products on the Internet. **1.3.3 Nonprofit Marketing** You don't have to be a businessperson to use marketing principles. Many **nonprofit organizations**, also known as **nongovernmental organizations** or **NGOs**, including museums, zoos, and even churches, practice the marketing concept. The intense competition for support of civic and charitable activities means that only the not-for-profits that meet the needs of their constituents and donors will survive. **1.3.4 Idea, Place, and People Marketing** Marketing principles also encourage people to endorse ideas or to change their behaviors in positive ways. Everything from "stop smoking" to "don't drink and drive" to anti-pollution campaigns reflect the marketing of ideas. Place marketing involves entities such as local governments adopting marketing techniques to attract new businesses and industries to their counties and cities. Visit Florida® (which bills itself as "the official tourism marketing corporation for the state of Florida") even has its own expertly researched and developed marketing plan that is updated annually and is visible online for anyone who wants to read it. People increasingly apply the principles used to create celebrity to package themselves using social media. Microcelebrities are famous to hundreds or thousands (vs. millions) of people. Marketing people is relevant to students who are trying to land internships or jobs.	Exhibit: Florida (p. 9)
Website: Big Brothers Big Sisters is an example of a not-for-profit organization. What benefits are offered to the volunteer? Can you cite examples of societal marketing on this site? https://www.bbbsfoundation.org/ Go to Volunteer page. Discussion question: Have you ever thought about the fact that not-for-profit companies need to use marketing as well? If not, why?		
p. 10	**1.4. "…THAT HAVE VALUE FOR CUSTOMERS, CLIENTS, PARTNERS, AND SOCIETY AT LARGE…"** According to the **marketing concept**, marketers first identify consumer needs and then provide products that satisfy those needs to ensure the firm's long-term profitability. A **need** is the difference between a consumer's actual state and some ideal or desired state. When the difference is big enough, the consumer is motivated to take action to seek the benefit to satisfy the need or **want**, which	Table 1.1 Value for Customers (p. 10)

p. 10	results in **demand** from the market in the **marketplace**. Marketplaces continue to evolve (e.g., the sharing economy, collaborative consumption).	
Discussion question: What are your favorite marketplaces in which to shop and why?		
p. 11	**1.4.1 The Concept of Customer Value: Marketing Creates Utility** Marketing transactions create **utility**, which refers to the sum of the benefits we receive when we use a good or service. Think of **customer value** as the ratio of benefits to costs, as perceived by the customer, that motivates purchase. Marketing processes create several different kinds of utility to provide value to consumers: • *Form utility* is the benefit marketing provides by transforming raw materials into finished products. • *Place utility* is the benefit marketing provides by making products available where customers want them. • *Time utility* is the benefit marketing provides by storing products until they are needed. • *Possession utility* is the benefit marketing provides by allowing the consumer to own, use, and enjoy the product.	Exhibit: Auto purchases (p. 11)
p. 11	**1.4.2 What About Value for Clients, Partners, and Society at Large?** Marketing meets the needs of diverse stakeholders. The term **stakeholders** here refers to buyers, sellers, investors in a company, community residents, and even citizens of the nations where goods and services are made or sold. Thus, marketing is about satisfying everyone involved in the marketing process. Is it possible to contribute in a positive way to society and the Earth and still make a good profit for stockholders? Target, one of the largest retailers, announced that two of its top priorities are environmental sustainability and responsible sourcing.	Exhibit: Dart Container (p. 11)
p. 12	**2. EXPLAIN THE EVOLUTION OF MARKETING** **2.1 The Production Era** A **production orientation** works best in a seller's market when demand is greater than supply because it focuses on the most efficient ways to produce and distribute products.	
p. 13	**2.2 The Sales Era** When product availability exceeds demand in a buyer's market, businesses may engage in the "hard sell" in which salespeople aggressively push their wares. **Selling orientation** means that management views marketing as a sales function,	Table 1.2 The Evolution of Marketing

	or a way to move products out of warehouses so that inventories do not pile up. We are most likely to find this focus among companies that sell *unsought goods*—products that people do not tend to buy without some prodding.	(p. 12)
Discussion question: Do you mind when someone tries to "hard sell" you on a product? How do you usually react to a "hard sell" salesperson?		
p. 13	**2.3 The Relationship Era** A **customer orientation** prioritizes satisfaction of customers' needs and wants. Following the Sales Era, successful firms increasingly concentrated on improving the quality of their products. By the early 1990s, many in the marketing community followed an approach termed **total quality management (TQM)**, a management philosophy that involves all employees from the assembly line onward in continuous product quality improvement. The COVID-19 crisis created issues for airlines in the area of customer satisfaction and airlines are still trying to repair the damage.	
p. 14 p. 14 p. 14 p. 14	**2.4 The Triple-Bottom-Line Era** **A triple-bottom-line orientation** means building long-term bonds with customers rather than merely selling them stuff today. This new way of looking at business emphasizes the need to maximize three components: • *The financial bottom line*: Financial profits to stakeholders • *The social bottom line*: Contributing to the communities in which the company operates • *The environmental bottom line*: Creating sustainable business practices that minimize damage to the environment or that even improve it Another result of this new way of long-term thinking is the **societal marketing concept**, which maintains that marketers must satisfy customers' needs in ways that also benefit society while still delivering a profit to the firm. An important trend now is for companies to think of ways to design and manufacture products with a focus on **sustainability**, which we define as "meeting present needs without compromising the ability of future generations to meet their needs." Sustainability applies to many aspects of doing business, including social and economic practices (e.g., humane working conditions and diplomacy to prevent wars that deplete food supplies, atmospheric quality, and, of course, lives). One other crucial pillar of sustainability is the environmental impact of the product. **Green marketing**, the development of marketing strategies that support environmental stewardship by creating an environmentally founded differential benefit in the minds of consumers, is being practiced by most forward-thinking firms today. In addition to building long-term relationships and focusing on social responsibility, triple-bottom-line firms place a much greater focus on **accountability**—measuring just how much value marketing activities create. This	Exhibit: Bombas (p. 14)

	means that marketers at these organizations ask hard questions about the true value of their efforts and their impact on the bottom line. These questions all boil down to the simple acronym of **ROI (return on investment)**, or *ROMI (return on marketing investment) for marketers*. However, it is not easy to assess the value of marketing activities.	

Website: Visit Girls Inc. (inspiring all girls to be strong, smart, and bold) for a discussion about the societal marketing concept: www.girlsinc.org

► Marketing Moment In-Class Activity

A company developed a game called JFK Reloaded, which allows the participant to get behind Lee Harvey Oswald's sniper rifle and recreate the assassination. The player, who can most closely replicate the shot, wins the game. How would you assess this product in terms of the societal marketing concept?

► Marketing Moment In-Class Activity

Marketing occurs in non-business organizations under different names. Can you think of other names for "customers" in non-business organizations? Example—hospitals: patients, psychologists: clients, schools: students, non-profit organizations: donors, etc.

p. 15	**2.5 What's Next in the Evolution of Marketing?** In the years ahead, we will see an acceleration of the most important factors that marketers think about today. These predictions include: good content, user-generated content, branded content, Big Data, mobile marketing, the sharing economy, artificial intelligence, and corporate citizenship.	Exhibit: LEGO brand (p. 15)
p. 15	**Artificial intelligence** **(AI)** refers to computer systems capable of performing complex tasks that historically only a human could do, such as reasoning, making decisions, or solving problems.	
p. 15	You've probably also heard of **machine learning** in this same context. Technically speaking, machine learning is an application of AI. It's the process of using mathematical models of data to help a computer learn without direct instruction. **User-generated content**, or **consumer-generated content**, will grow and overtake the importance of **branded content**. **Corporate citizenship**, also called **corporate social responsibility**, refers to a firm's responsibility to the community in which it operates and to society in general.	Exhibit: Adidas corporate citizenship (p. 16)
p. 15	*Big Data* describes the voluminous data that businesses gather and how the collection of data is used to help organizations understand product, pricing, or promotion failures, fine-tune and target coupons or sales promotions, and develop new products based on a deeper understanding of customer needs.	

	One easy example is the rapidly escalating improvements in the use of voice-activated **chatbots** to enhance and improve customer service experiences both online *and* inside actual brick-and-mortar stores (think: no need to search out a human store clerk!). Simply put, a chatbot is a computer program that simulates and processes human conversation (either written or spoken), allowing humans to interact with digital devices as if they were communicating with a real person. Customers will expect brand organizations to have a *purpose*. There will be *more customers* with Internet access, with strong growth in emerging markets. We are squarely in a **service economy**, which refers to an economic system where the main activity is the provision of services rather than the production of goods. We're shifting from goods-dominant logic to **service-dominant logic**, which suggests customers buy offerings that provide services and create value (not goods and services).	
p. 15	Within the service-dominant logic, the necessity of a customer orientation concept is heightened as a central focus for organizational success.	

►Marketing Moment In-Class Activity

The North Face was accused of being hypocritical for refusing a jacket order from a Texas-based oil and gas company because the brand's business heavily relies on fossil fuels (jackets are made from petroleum products; skiing and other outdoor activities often require travel supported by fossil fuels). How should a brand like The North Face, which is not executing against commitments to environmental consciousness and sustainability, create a narrative that communicates brand values without being accused of virtual signaling or greenwashing?

p. 16	**3. THE VALUE OF MARKETING AND THE MARKETING OF VALUE** One way to look at value is to think of it as a ratio of benefits to costs—customers "invest" their time and money to do business with a firm, and they expect a bundle of benefits in return.	Exhibit: Zappos (p. 17)
p. 17	**Customer co-creation**, or co-creation of value, occurs when a company and their customers work to jointly create a product to suit the customer's needs.	
p. 17	**3.1 Value: From the Customer Perspective** The value proposition includes the whole bundle of benefits the firm	

p. 17 p. 17 p. 18 p. 18 p. 18	promises to deliver, not just the benefits of the product itself. Marketers communicate benefits to the customer in the form of a **value proposition**, a marketplace offering that fairly and accurately sums up the value that the customer will realize if he or she purchases the product. The challenge to the marketer is to create a killer value proposition and convince customers the value proposition is superior to those offered by competitive alternatives. **3.2 Value: From the Seller Perspective** Value from a seller's perspective can take many forms such as profits, prestige among rivals, or pride in doing what they do well. In recent years, many firms have transformed the way they do business. They now regard consumers as *partners* in the transaction rather than as passive "victims." Firms can measure value by determining whether the exchange is profitable. However, they also measure value in different ways. For example, in addition to making a profit, many firms measure value along other dimensions, such as prestige among rival brands or pride in doing what they do well. **3.2.1 Provide Value Through Competitive Advantage** Firms of all types seek to gain a **competitive advantage** over competitors in order to gain higher sales, higher profits, and more customers. A **distinctive competency** is a firm's capability that is superior to that of its competition. Firms turn a distinctive competency into a **differential benefit**—one that is important to customers—to gain a competitive advantage. Differential benefits provide something unique that customers want. Effective product benefits must be both different from the competition and from things customers want. A firm that delivers these desired benefits provides value to its customers and other stakeholders.	Exhibit: Coke (p. 18)
p. 18	**3.2.2 Add Value Through the Value Chain** Many different players—both within and outside a firm—need to work together to create and deliver value to customers. The **value chain** is a useful way to appreciate all the players that work together to create value. This term refers to a series of activities involved in designing,	

	producing, marketing, delivering, and supporting any product. In addition to marketing activities, the value chain includes business functions such as human resource management and technology development.	
p. 18	The main activities of value-chain members include the following: • *Inbound logistics*: Bringing in materials to make the product • *Operations*: Converting the materials into the final product • *Outbound logistics*: Shipping out the final product • *Marketing*: Promoting and selling the final product • *Service*: Meeting the customer's needs by providing any additional support required We have organized this book around the sequence of steps necessary to ensure that the appropriate value exchange occurs and that both parties to the transaction are satisfied—making it more likely they will continue to do business in the future.	Exhibit: Apple's value chain (p. 19) Exhibit: Liza Koshy (p. 20)
p. 19	**3.2.3 Value Added Through Consumer-Generated Marketing: Social Networking** **Consumer-generated marketing (CGM)**. CGM creates value based on content produced by consumers themselves rather than via intra-firm sources such as the brand. CGM is an effective and (not surprisingly) quite engaging way to add two-way value in customer-product/firm relationships. **Digital natives**, individuals who grew up with technology, may know all the following information. **Web 1.0**, the beginning phase of the Internet, was characterized by static content provided by site owners. **Web 2.0**, the second generation of the World Wide Web, incorporated social networking and user interactivity. Consumers create value through *social media*, Internet-based platforms that allow users to create their own content and share it with others who access their sites. On **social networking platforms**, a user posts a profile on a website and he or she provides and receives links to other members of the network to share input about common interests. **Recommendation engines** use information about what other people, with similar interests, purchased to recommend items. The web categorizes entries according to **folksonomy** rather than "taxonomy." In other words, sites rely on users rather than pre-established systems to sort contents. The **wisdom of crowds** perspective (from a book by that name) argues	

p. 20	that under the right circumstances, groups are smarter than the smartest people in them are. If this is true, it implies that large numbers of (non-expert) consumers can predict successful products. Marketers rely on c**rowdsourcing** when they outsource marketing activities to a large group of people, often through a social networking community.	
p. 20 p. 21 p. 21 p. 22	**3.3 Value: From a Society-at-Large Perspective** Every company's activities influence the world around it in ways both good and bad. We must consider how marketing transactions add or subtract value from society. Companies usually find that stressing ethics and social responsibility also is good business, at least in the long run. **3.3.1 The Dark Side of Marketing and Consumer Behavior** Some marketers violate their bond of trust with consumers. Violations can be illegal, like a "bait-and-switch" selling, or legal, like advertising alcohol and tobacco products in neighborhoods where abuse of these products is a problem. Dimensions of "the dark side" of consumer behavior include: • *Addictive consumption*: **Consumer addiction** is a physiological or psychological dependency on goods or services. • *Illegal activities:* Crimes against businesses are estimated at more than $40 billion per year. • *Anticonsumption*: Some types of destructive consumer behavior are **anticonsumption**, when people deliberately deface products.	Exhibit: South Korean Internet addiction (p. 21)

► Marketing Moment In-Class Activity

Ask students to think of businesses that engage in socially responsible activities. What is the activity and how does it help society?

Discussion question: Do you personally feel that marketing is "evil"? Why or why not?

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4. MARKETING AS A PROCESS

Our definition of marketing also refers to *processes*. When it's done right, marketing is a decision process in which marketing managers determine the strategies that will help the firm meet its objectives and then execute those strategies using the tools they have at their disposal.

A big part of the marketing process is *market planning*, where we think carefully and strategically about the "big picture" and where our firm and its products fit within it. Firms (or individuals) that engage in marketing planning ask questions like these:

- What product benefits will our customers look for in three to five years?
- What capabilities does our firm have that set it apart from the competition?
- What additional customer groups might provide important market segments for us in the future?
- How will changes in technology affect our production process, our communication strategy, and our distribution strategy?
- What changes in social and cultural values are occurring now that will affect our market in the next few years?
- How will customers' awareness of environmental issues affect their attitudes toward our manufacturing facilities?
- What legal and regulatory issues may affect our business in both domestic and global markets?

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Answers to these and other questions provide the foundation for developing an organization's *marketing plan*. This document describes the marketing environment, outlines the marketing objectives and strategy, and identifies who will be responsible for carrying out each part of the marketing strategy.

Some firms choose to reach as many customers as possible, so they offer their goods or services to a **mass market** that consists of all possible customers in a market regardless of the differences in their specific needs and wants.

Exhibit: Ford Motor Company (p. 22)

p. 22

Although this approach can be cost-effective, the firm risks losing potential customers to competitors whose marketing plans instead try to meet the needs of specific groups within the market. A **market segment** is a distinct group of customers within a larger market who are similar to

	one another in some way and whose needs differ from other customers in the larger market. Depending on its goals and resources, a firm may choose to focus on one segment. A *target market* is the segment(s) on which an organization focuses its marketing plan and toward which it directs its marketing efforts. Marketers develop *positioning* strategies to create a desired perception of the product in consumers' minds in comparison to competitors' brands.	
p. 23 p. 23	**5. Brand You: A Framework for Managing Your Career** Your brand will help you present yourself to employers as a top candidate when you seek internships and jobs during college. **5.1 Starting the Brand You Process** No matter what type of career you want, creating your personal brand will help you manage that career. **5.2 Applying Marketing Concepts to Brand You** Developing a brand identity is only the first step. • Marketing is about meeting needs. • Marketing is about creating utility. • Marketing is about exchange relationships.	
p. 24	**Here's My Choice……** Andréa hired a world-class Head of Performance Marketing as her very first move at the company. Together, they chose Option 3 and quickly built a sophisticated performance marketing engine nationally. She simultaneously ran a small-scale brand marketing test campaign in three U.S. cities and one German city, establishing control markets to measure awareness and sentiment lifts against our goals in each. The approach worked and Pinterest saw an increase in sentiment scores and a near-term positive impact on monthly active users (MAUs). Pinterest also experienced an unintended and outsized positive impact on advertisers and ad revenue. Advertiser revenue increased in the markets where they ran brand marketing, though the message was firmly targeting consumers. Building awareness of Pinterest, even in smaller markets, reminded those working in marketing or advertising fields that they had perhaps recently been forgetting Pinterest as a viable part of their own media mix.	

IV. END-OF-CHAPTER ANSWER GUIDE

CHAPTER QUESTIONS AND ACTIVITIES

▶CONCEPTS: TEST YOUR KNOWLEDGE

1-1. Briefly explain what marketing is.

Though marketing can be described in many ways, the best definition is that marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.

1-2. Describe the marketing mix and explain the four Ps represented in it.

The marketing mix—product, price, promotion, and place—serves as a foundational model in marketing that represents the core elements involved in effectively marketing a product or service. Together, these four Ps must be carefully coordinated to effectively support the overall marketing strategy, helping businesses reach their target market efficiently and achieve their marketing objectives.

Product refers to what a company offers to satisfy the needs and wants of consumers. This can include physical goods, services, or intangible benefits. The product aspect involves decisions about product design, features, quality, packaging, and after-sales services.

Price is the amount of money consumers must pay to acquire the product. Pricing strategies can vary, ranging from premium pricing to competitive pricing, and are crucial because they affect how the product is perceived and its accessibility to different market segments. Effective pricing must consider the cost of production, the target market's willingness to pay, and the prices of competing products.

Promotion encompasses all the methods used to communicate the benefits and value of the product to the target audience. This includes advertising, sales promotions, public relations, direct marketing, and social media campaigns. The goal of promotion is to persuade or inform customers and can significantly influence the brand's visibility and sales.

Place involves the distribution channels through which the product is sold and how it is delivered to the consumer. This could be through physical locations like retail stores or online platforms, and the strategy here focuses on making the product conveniently available and accessible to the target consumers.

1-3. Define the terms *consumer goods*, *services*, and *industrial goods*. What do we mean by *marketing ideas*, *people*, *and places*?

Consumer goods are the tangible products that individual consumers purchase for personal or family use. Examples: laundry detergent, food, home computer.

Services are intangible products that we pay for and use but never own. Examples: dry cleaning, tax preparation, dermatologist.

Industrial goods are bought by organizations for further processing or for use in their business operations. Examples: wood for paper, rubber for tires, steel for cars.

Marketing principles are also used to *market ideas, places, and people*. Examples include:

- Fatherhood involvement
- Shelter-pet adoption
- Microcelebrities

Some of the same principles that go into "creating" a celebrity apply to you. An entertainer must "package" his/her talents, identify a market that is likely to be interested, and work hard to gain exposure to these potential customers by appearing in the right venues. You can use marketing strategies to create your unique brand—Brand You.

1-4. What is the difference between a want and a need? What is a benefit? Explain demand. What is a marketplace?

A *need* is defined as a consumer's basic requirement that must be fulfilled. Needs are essential for survival and form the basis of human motivation to act.

A *want* is a desire that shapes the choice of one product over another, influenced by an individual's background, culture, and personality.

A *benefit* is the value or utility a consumer receives from using a product, which motivates their buying behavior. Benefits satisfy wants and needs, and they are a key part of a product's appeal to customers.

Demand refers to how much of a product or service is desired by buyers in the market. The law of demand states that, all else being equal, as the price of a product increases, the quantity demanded of it will decrease, and vice versa. Demand is not merely a singular desire but is quantified by the ability and willingness to purchase at specific price points.

A *marketplace* is any location or medium where goods and services are exchanged. This could be a physical place, like a local store or a mall, as well as digital platforms such as e-commerce sites. The marketplace is the operational environment in marketing where exchanges between buyers and sellers take place.

1-5. What is customer value? What is utility? List, describe, and give an example of the different types of utility.

Customer value is the perceived worth that a product or service provides to its buyers, measured by the benefits it offers relative to the cost. It involves the assessment of what customers gain from a product in comparison to what they have to give up.

Utility is the usefulness or benefit received by consumers from a product. Marketing creates several forms of utility: (a) form utility—raw materials are changed into a finished product (e.g., sewing silk using thread to make a dress); (b) place utility—the organization makes products available where consumers want them (e.g., getting the dress shipped to you on time to wear it to an event); (c) time utility—products are stored until they are needed by the consumer (e.g., renting a dress for an event); and (d) possession utility—the organization allows the consumer to own, use, and/or enjoy the product (e.g., offering a variety so the buyer can select a dress they enjoy at a good value).

1-6. Explain the different stages in the evolution of the marketing concept. What is the triple-bottom-line orientation? What role is artificial intelligence (AI) playing in the evolution of marketing?

The marketing concept has gone through a few stages throughout the years. These stages include:

- *The Production Era:* A production orientation works best in a seller's market when demand is greater than supply because it focuses on the most efficient ways to produce and distribute products.
- *The Sales Era:* A selling orientation means that management views marketing as a sales function, or a way to move products out of warehouses so that inventories do not pile up.
- *The Relationship Era:* A consumer orientation satisfies customers' needs and wants.
- *The Triple-Bottom-Line Era:* A triple bottom-line orientation means building long-term bonds with customers rather than merely selling them stuff today. This new way of looking at business emphasizes the need to maximize three components:
  - *The financial bottom line*—Financial profits to stakeholders
  - *The social bottom line*—Contributing to the communities in which the company operates
  - *The environmental bottom line*—Creating sustainable business practices that minimize damage to the environment or that even improve it

Artificial intelligence (AI) is significantly impacting the evolution of marketing by enhancing customer interactions, improving predictive analytics, and personalizing content. AI-driven technologies like chatbots offer real-time support and tailored recommendations, enhancing the customer experience. AI also enables marketers to predict consumer behaviors and preferences accurately, allowing for more targeted and effective marketing strategies. Additionally, AI automates routine tasks such as email marketing and customer segmentation, increasing operational efficiency. It also optimizes advertising campaigns by dynamically adjusting ads based on real-time user engagement, maximizing return on investment.

1-7. Explain how marketers practice the societal marketing concept and sustainability. What is green marketing?

An important trend now is for companies to think of ways to design and manufacture products with a focus on sustainability, defined as "meeting present needs without compromising the ability of future generations to meet their needs." Sustainability applies to many aspects of doing business, including social and economic practices (e.g., humane working conditions and diplomacy to prevent wars that deplete food supplies, atmospheric quality, and, of course, lives).

Green marketing involves creating strategies that promote environmental benefits and sustainability. It focuses on designing and marketing products that are environmentally responsible, aligning with broader corporate social responsibility commitments. This approach emphasizes "doing well by doing good." Successful green marketing not only helps the environment but also enhances a company's image and meets the growing consumer demand for sustainable products.

1-8. Explain the service economy. What is service-dominant logic?

The s*ervice economy* is an economic system where the main activity is the delivery of services rather than the production of goods. In such an economy, services generate the majority of economic activity and value, which is the case in many developed countries where services contribute significantly to GDP.

Service-dominant logic is a perspective that prioritizes service and the co-creation of value with customers over the traditional goods-centered view of exchange. This approach sees goods simply as mechanisms for service delivery, emphasizing that value is created through the use of goods and not through the goods themselves. It highlights the interactive and dynamic process of value creation, where customers are not just passive recipients but active participants who interact with the firm and its offerings to create value. This shift reflects a broader movement in marketing toward focusing on relationships and interactions that create lasting value for both customers and businesses.

1-9. What is consumer-generated marketing? Who are digital natives?

Consumer-generated marketing (CGM) creates value based on content produced by consumers themselves rather than by firms. This type of marketing often takes place on social media platforms and can include various forms of content such as reviews, blog posts, videos, and photos. CGM is an effective and engaging way to add value in customer-product/firm relationships, providing authentic content that can influence other consumers' purchasing decisions. This approach leverages the input and creativity of customers, making them active participants in the marketing process.

Digital natives are individuals who have grown up with access to digital technology from a young age. Digital natives are highly proficient with the internet and digital devices, such as smartphones and tablets. This familiarity influences their behaviors and expectations, particularly in how they gather information, interact with content, and make purchasing decisions. Digital natives are accustomed to fast-paced, multimedia environments and are adept at navigating through various digital platforms, making them a crucial demographic for marketers to understand and engage with effectively.

1-10. What does it mean for a firm to have a competitive advantage? What is a distinctive competency? What is a differential benefit?

A firm has a competitive advantage when it is able to outperform the competition, providing customers with a benefit the competition cannot. A competitive advantage gives consumers a reason to choose one product over another repeatedly.

A *distinctive competency* is a firm's capability that is superior to that of its competition. The second step in developing a competitive advantage is to turn a distinctive competency into a *differential benefit*—one that is important to customers.

1-11. What is involved in market planning? Explain the difference between mass market and a market segment.

Firms (or individuals) that engage in marketing planning ask questions like these:

- What product benefits will our customers look for in three to five years?
- What capabilities does our firm have that set it apart from the competition?
- What additional customer groups might provide important market segments for us in the future?
- How will changes in technology affect our production process, our communication strategy, and our distribution strategy?
- What changes in social and cultural values are occurring now that will affect our market in the next few years?
- How will customers' awareness of environmental issues affect their attitudes toward our manufacturing facilities?
- What legal and regulatory issues may affect our business in both domestic and global markets?

The *mass market* approach targets all potential customers in a market with a basic product and a single marketing strategy, aiming to reach as broad an audience as possible. Conversely, *market segmentation* divides the total market into smaller groups or segments based on shared characteristics, allowing companies to tailor their marketing strategies to meet the specific needs and preferences of each group.

▶ACTIVITIES: APPLY WHAT YOU'VE LEARNED

1-12. ***In Class, 10–25 Minutes for Teams*** Assume that you are a marketing consultant employed by retail giant Target, which offers consumers products in a number of brick-and-mortar stores and online. Target wishes to increase its loyal customer base by engaging customers through interaction opportunities on social networks. Develop a list and describe at least 10 specific social network activities that will work together to increase customer engagement.

Students can work in small groups to develop a list of 10 specific social network activities to increase customer engagement.

1-13. ***In Class, 10–25 Minutes for Teams*** In small groups, survey 20 fellow students outside your marketing class for their own individual definitions of marketing. Compare these informal interpretations with the formal definition provided by the American Marketing Association (AMA) at the beginning of the chapter. What were the significant overlaps between the professional definition and the casual definitions? What gaps exist between the student responses and the AMA definition? Present your group's findings to the class. Lead the class in a brief discussion about the potential opportunities and challenges that these insights may present for marketing professionals in promoting their field and work among diverse audiences who may not specialize in marketing.

Students can work in small groups to survey other students. Findings will vary based on survey collection and individual perspectives. Encourage students to approach the survey objectively and ensure that their presentation focuses on the comparison between informal and formal definitions. Highlight that their analysis should explore both the overlaps and gaps between these definitions and consider how these insights could inform marketing practices and communication strategies among professional marketers.

1-14. ***In Class, 10–25 Minutes for Teams*** Successful firms have a competitive advantage because they are able to identify distinctive competencies and use these to create differential benefits for their customers. Consider your business school or your university. What distinctive competencies does it have? What differential benefits does it provide for students? What is its competitive advantage? What are your ideas as to how your university could improve its competitive position? Write an outline of your ideas.

Student answers will vary. Encourage students to think critically about their institution as if it were a competitive business. Advise them to identify specific attributes that make their university unique, such as special programs, faculty expertise, location advantages, or resources that other institutions might not offer. Prompt them to consider how these distinctive competencies translate into benefits for students and how they contribute to the university's competitive advantage in the higher education market. Encourage them to propose realistic improvements based on their analysis, focusing on enhancing these competencies or addressing gaps that could strengthen the university's position.

1-15. ***For Further Research (Individual)*** Choose a company you are familiar with that offers a customer loyalty or rewards program. Describe the program and the specific benefits it provides. How does the loyalty or rewards program support the company's broader marketing mix? How does it impact the overall customer experience? Based on what you've learned in this chapter, how would you enhance or improve the loyalty or rewards program?

For this activity, encourage students to select a company whose loyalty or rewards program they are either a part of or have sufficient knowledge about. They should describe the structure of the program and outline the specific benefits it offers, such as discounts, exclusive access, or points redeemable for products or services. Ask students to analyze how the loyalty program integrates with the company's overall marketing mix —how it complements the product, price, place, and promotion elements. They should also assess the impact of the program on customer experience, considering aspects like customer satisfaction, retention, and brand loyalty.

Student answers will vary. Encourage students to apply the concepts learned in the chapter to propose enhancements to the program. Suggestions could focus on increasing personalization, integrating advanced technology for ease of use, or expanding benefits to foster greater loyalty.

1-16. ***For Further Research (Groups)*** Select a global or national company that you are familiar with. Examine the firm's website and other sources of information about the company to determine its competitive advantages. Who are its biggest competitors? What are each of its competitive advantages? Give three suggestions for how the company can market its products/services to feature its advantages and overcome the advantages of the competition.

Groups should explore websites to find examples of companies to determine their competitive advantages. They can offer ideas on how these companies can market their products/services to feature their advantages and overcome their disadvantages.

1-17. ***For Further Research (Individual)*** One of the items that might be included in the dark side of marketing is advertising that has the potential to encourage discrimination, criminal behavior, and unsafe activities, or to be insensitive or insulting to certain individuals or groups. Go online and search for various articles that discuss and show hundreds of examples of these types of advertising. Develop a report and, if possible, discuss your findings with your class.

Groups should explore websites to find examples of articles and advertisements that show the dark side of marketing. They should be prepared to report back to the class, and may be asked to lead a discussion about one of the outcomes they observed.

▶CONCEPTS: APPLY MARKETING METRICS

The chapter discusses the growing importance of sustainability. As noted in Chapter 1, companies and consumers increasingly consider other costs in addition to financial ones when they decide what to sell or buy. One of these cost categories is damage to the environment. How can marketers make it easier for shoppers to compute these costs?

The answer to this question is more apparent in some product categories than in others. For example, in the United States, many large appliances, including clothes washers, refrigerators, and air conditioners, are required to provide an EnergyGuide, a yellow label that informs buyers about the power consumption and annual costs of operating the unit. The most efficient appliances include the EnergyStar™ logo indicating that the unit offers up to 15 percent savings in energy cost over the basic model.

A growing number of consumers are concerned about their *carbon footprint*—how much carbon dioxide (CO_2) our consumption behavior emits into the atmosphere. In October 2021, Google Flights launched a new feature that shows potential airline travelers the estimated carbon emissions of most flights. These CO_2 emissions estimates are flight- and seat-specific (e.g., newer planes are more energy efficient than older planes, and a first-class seat takes up more space and thus is allocated a larger share of the total emissions for the flight). This information allows travelers to sort flights by emissions to help them understand their carbon footprint and make more sustainable travel decisions.

Although many of us are more aware today that our consumption choices carry unseen costs, there is still a lot of confusion about the best way to communicate the environmental costs of our actions, and in many cases, consumers aren't motivated to take these issues into account unless the costs impact them directly and in the short term.

1-18. What other sustainability metrics would you suggest that might motivate environmentally conscious consumers to purchase from a company that practices sustainability? (Hint: Think in terms of the "sustainable marketing mix" discussion in section 2.6 of this chapter and what you learned about the Four Ps in Chapter 1. What metrics could a company communicate related to its marketing mix strategies?)

Sustainability applies to many aspects of doing business including social and economic practices. Within the Four Ps, possible measures of sustainability include:

- *Product:* Percentage of post-consumer recycled content used in production, increasing the percentage of energy costs related to production that comes from renewable resources, reductions in packaging size or increases in recyclable components, or increasing use of resources sourced from fair trade suppliers
- *Price:* Reduction in the price differential between green products and comparable traditional products, improved efficiencies leading to long-term price decreases
- *Place/distribution:* Switching to nearby suppliers to reduce reliance on long-haul trucking, creating an efficient distribution network that minimizes delivery distances
- *Promotion:* Recycling promotional materials (e.g., reusing older commercials or using them longer before changing); reducing the use of printed promotional materials

1-19. As a consumer, do you consider your carbon footprint when you make purchase decisions? As a percentage of the price, how much more would you be willing to pay for a product (e.g., an appliance or flight) that offered a smaller carbon footprint?

Student answers will vary.

▶CHOICES: WHAT DO YOU THINK?

1-20. ***Critical Thinking*** Journalists, government officials, and consumers have been highly critical of companies for gathering and storing large amounts of data on consumers (i.e., Big Data). Others argue that such practices are essential for firms to provide high-quality, affordable products that satisfy consumers' varied needs. What do you think? Should the government regulate such practices? How can these practices help consumers? What potential downfalls are there?

In answering this question, the student should be encouraged to examine their life personally and relate marketing to their daily activities and events. Areas that should be mentioned in this discussion are consumer purchases (such as buying food, clothes, supplies at the bookstore, and major purchases such as computers or cars) as well as advertising's impact on their learning processes (such as learning about new products, how to do things, and contemporary trends). Students should look on the Internet for recent events regarding privacy issues and whether governmental intervention is appropriate.

1-21. ***Ethics*** As businesses continue to move further away from mass marketing and more toward segmented marketing, different consumers may receive different advertising, offers, and sometimes even prices than other consumers who may fall into different segmentations. What ethical factors need to be considered when businesses engage in this increasingly popular type of marketing?

Student answers will vary. Consider guiding students to explore the ethical considerations of targeted and segmented marketing. Encourage them to think about the implications of differential treatment of customers based on their segmentation. This could include concerns about fairness, privacy, transparency, and potential discrimination. Prompt students to consider how personalized marketing practices could impact customer trust and the company's reputation. They also could discuss how businesses can balance effective segmentation strategies with ethical marketing practices to maintain consumer trust and comply with regulations.

1-22. ***Critical Thinking*** Organizations are now focusing more on the triple-bottom-line orientation, meaning that firms should focus on maximizing the financial, social, and environmental areas of the business. What should companies do when they realize that two or more of these conflict with one another? Do you think any one of them is more important? Why?

In small groups students can offer ideas on what companies can do in the face of a conflict among the triple-bottom-line elements.

1-23. ***Critical Thinking*** Many consumers are concerned about their impact on the environment. They demand green products as well as green marketing activities. However, these same consumers often opt not to purchase green products as they are traditionally more expensive than their alternatives. What do you think is driving this decision? How can marketers change their products or the way in which they are marketing them to encourage consumers to increase their purchases of green products? What are some ideas that you have for ways companies can execute green marketing?

Students can share ideas for successful green marketing to include ways to make others buy green products.

1-24. ***Critical Thinking*** Personal branding is a strategic approach to developing and maintaining an individual's public image and reputation. It is often emphasized during job searches and career advancement efforts. Consider the possibility of having to market yourself while applying for a marketing job in a few years. In what ways do you think branding a person is similar to the marketing of goods and services? In what ways is it different?

Student answers will vary. Consider asking students to draw parallels between personal branding and the marketing of goods and services, focusing on common elements like targeting, positioning, and the use of promotional strategies. Encourage them to consider how attributes such as quality, reliability, and uniqueness apply to both personal branding and product marketing. Then, guide them to explore the differences, such as the more dynamic and holistic nature of personal branding. Discuss how personal encompasses not only skills and experiences but also personal values, online presence, and networking. Ask them to consider the unique challenges and opportunities personal branding presents, such as the direct impact of personal actions on brand perception and the ongoing requirement to live up to the brand promise in everyday behavior.

1-25. ***Ethics*** Fear of missing out (FOMO) is a term that has gained widespread use on social media. In what ways do marketers create FOMO by using limited-edition and time-sensitive offerings? What ethical factors should marketers take into consideration when utilizing this approach?

Student answers will vary. Encourage students to analyze how marketers leverage FOMO by offering limited-time or exclusive products, which can drive immediate action from consumers eager not to miss out. Highlight examples such as flash sales, limited-edition releases, and early access for members that create urgency and increase demand. Ask students to consider the ethical dimensions of using FOMO in marketing. They could discuss potential issues like exploiting consumer anxiety, encouraging impulsive buying, or creating unrealistic expectations. Ask them to explore how transparency, honest communication, and responsible marketing can mitigate negative impacts and ensure that FOMO tactics remain within ethical bounds.

1-26. ***Ethics*** Considering recent advances in artificial intelligence (AI), a growing number of companies are choosing to replace human-based customer service with automated bots. In certain instances, consumers might be unaware that they are not interacting with a real person. Should businesses be obligated to disclose when consumers are communicating with AI bots? How do you think such disclosure might impact consumer trust and their overall experience with the company?

Student answers will vary. Consider asking students to evaluate the ethical and potential legal aspects of using AI in customer interactions, focusing on the importance of transparency. Encourage them to consider how disclosing the use of AI bots could influence consumer trust and expectations. Discuss the positive impacts of such transparency (such as fostering trust and setting clear service expectations) against potential drawbacks (such as perceived diminished service value).

1-27. ***Critical Thinking*** The chapter section on the dark side of marketing discussed alcohol and smoking abuse, deceptive or other advertising that can have negative consequences, illegal activities, claiming credit for something someone else has done, and deliberately defacing or damaging goods. Try to think of five additional consumer activities that could be included in the topic of the "dark side of marketing." Describe each of your five and suggest activities for governments or marketers that would help decrease the problem.

Student responses will vary. Students who had the opportunity to watch *The Social Dilemma* or read about things social media companies do to keep consumers engaged may use examples from social media. The text talks about bait-and-switch. It mentions advertising tobacco and alcohol to populations that are vulnerable to abuse. Students may expand on these examples, or discuss other examples (e.g., e-cigarettes, foods that are high in saturated fats, predatory credit products).

▶MINIPROJECT: LEARN BY DOING

The purpose of this miniproject is to develop an understanding of the practice of marketing and the importance of societal marketing and sustainability to different organizations.

1-28. Working as a team with two or three other students in your class, select an organization in your community. It may be a manufacturer, a service provider, a retailer, a nonprofit organization—almost any organization will do. Then schedule a visit with someone within the organization who is involved in the marketing activities. Arrange for a short visit during which the person can give your group a tour of the facilities and explain the organization's marketing activities.

1-29. Divide the following list of topics among your team and ask each person to be responsible for developing a set of questions to ask during the interview to learn about the company's program:

- What customer segments the company targets.
- How it determines customer needs and wants.
- What products it offers, including features, benefits, and goals for customer satisfaction.
- What its pricing strategies are.

- How it promotes its goods or services. Does it use interactive content to engage customers?
- How it distributes products and whether it has encountered any problems.
- How it determines whether the needs and wants of customers are being met.
- Explain what marketers mean by the “societal marketing concept” and “sustainability” and ask if these are areas of concern to the organization. If so, how do they address them in their organization’s activities? If not, ask if they have any plans to move in this direction in the future and, if so, how.
- What is on the horizon for the company? How will this impact its marketing strategy?

1-30. Develop a team report of your findings. In each section of the report, share what you learned that is new or surprising to you compared to what you expected.

1-31. Develop a team presentation for your class that summarizes your findings. Conclude your presentation with comments on what your team believes the company was doing that was particularly good and what was not quite so good.

This project will help students understand the difficulty, but yet the necessity, of focusing on a value proposition in an organization. Obviously, some firms do this better than others do. However, all firms must consider what they deliver to the customer and how the customer accepts this proposition. If there is disparity between what the consumer expects, what the consumer perceives or sees, what the organization says it will provide or do, and what is actually received, problems will arise. This basic project will aid the student in understanding the need to obtain information from the marketplace and focus on delivering value to customers.

V. MARKETING IN ACTION CASE: REAL CHOICES AT EARLY MAJORITY

Summary of Case
Early Majority, founded by Joy Howard in 2021, is a distinctive player in the fashion industry, adopting a “degrowth” strategy aimed at challenging the prevailing fast fashion model. Positioned as “the apparel membership fighting fashion’s disposability mindset,” the company operates entirely remotely and focuses on producing versatile, durable outerwear designed to reduce consumerism. With Howard’s extensive marketing background from giants like Coca-Cola and Nike, and Patagonia’s influence on promoting environmental responsibility, Early Majority promotes sustainable practices like using 100 percent recycled petroleum-based products and providing products in Guppyfriend bags to minimize microfiber release. Additionally, their business model includes a membership program offering benefits like special pricing and community engagement opportunities for $123 a year, aligning with a broader industry movement toward sustainability. Despite its innovative approach, Early Majority acknowledges the need to attract and maintain investor and consumer support to thrive under its pioneering “less is more” philosophy.

Suggestions for Presentation
This case could be assigned for various online or in-class discussion activities.

Online Suggestions

1. *Explore Early Majority's website:* Instruct students to visit the Early Majority website (https://www.earlymajority.com) and identify how the company communicates its degrowth and sustainability missions to its consumers. Ask them to note the types of products offered and the additional services such as the membership program and lifetime guarantee with free repairs.
2. *Compare Early Majority to traditional retailers:* Have students visit a traditional fashion retailer's website (e.g., H&M or Old Navy) and compare how these companies approach fashion retailing versus Early Majority's model. Focus on aspects such as product lifecycle, sustainability claims, and customer engagement strategies.

In-Class Suggestions

1. *Brainstorming session on sustainable business models:* Divide the class into small groups and have them brainstorm business ideas that apply Early Majority's "less is more" philosophy to other industries. Possible sectors could include electronics (focusing on repairability and upgradability), furniture, or household items.

2. *Role-play exercise:* Organize a role-play activity where students take on different roles within the Early Majority company, such as Joy Howard (CEO), a marketing director, a sustainability officer, and a customer service representative. Set up scenarios where they must address challenges such as handling customer feedback on the new business model, pitching the company to potential investors who are skeptical about the "degrowth" model, or discussing how to handle logistical challenges with recycled materials. This exercise can help students understand the internal and external pressures and decisions faced by a sustainable fashion company.

Questions for Discussion

1-32. What are the most important challenges that Early Majority may face in positioning itself against well-established competitors in the fashion industry?

Early Majority faces several significant challenges in positioning itself against established competitors in the fashion industry:

- *Market penetration:* Gaining a foothold in a market dominated by well-known brands that benefit from economies of scale and extensive distribution networks can be daunting. Convincing consumers to switch from familiar brands to a new concept like degrowth requires substantial marketing efforts and consumer education.
- *Consumer perception:* The concept of buying less and focusing on sustainability might not appeal to all consumers, especially those accustomed to the frequent updates and low prices of fast fashion.

- *Cost implications:* Operating with sustainable practices often involves higher costs, which are passed on to consumers. Balancing ethical practices with competitive pricing is a delicate task that can impact market reach and profitability.

1-33. What are some of the advantages and disadvantages associated with a business model that focuses on community engagement rather than transaction frequency?

Advantages:

- *Customer loyalty:* A community-focused model can build strong brand loyalty because customers who share the brand's values are more likely to continue their support and promote the brand through word-of-mouth.
- *Brand differentiation:* The degrowth- and sustainability-focused approach differentiates Early Majority from traditional models, allowing it to carve out a niche in the competitive fashion market.
- *Sustainable growth:* By focusing on community engagement, the company can foster a more sustainable growth pattern that aligns with its degrowth philosophy, potentially leading to more consistent and predictable revenue streams.

Disadvantages:

- *Scaling challenges:* Community engagement models may face difficulties in scaling up, because deepening personal connections and maintaining a genuine community feel can become more challenging as the customer base grows.
- *Reduced reach:* This model might limit the brand's appeal to a broader market that is more transaction-focused, potentially capping the company's growth opportunities in the wider market.
- *Higher operational costs:* Maintaining an active and engaging community presence can be resource-intensive, requiring continuous investment in customer service and engagement activities.

1-34. Early Majority is not cheap. For example, its basic black shirt retails for $149, and its fleece jacket goes for $205. Is the company pricing itself out of a mass market? Why or why not?

Student viewpoints may vary. Possible perspectives include:

Early Majority Is Not Pricing Itself out of the Mass Market
Early Majority specifically targets a niche market segment that prioritizes sustainability and ethical production over cost, suggesting that its higher prices are aligned with the values and spending habits of its intended customers. These consumers are often prepared to invest in products that offer greater longevity and ethical credentials, recognizing the long-term benefits and value of such purchases. The company's

strategy of offering high-quality, durable, and versatile products means that these items are designed to last longer, potentially offering better cost efficiency over time compared to cheaper, less durable alternatives. Additionally, Early Majority's pricing strategy helps to position it as a premium brand within the sustainable fashion sector, which can attract consumers looking for unique, exclusive products that are not mass-produced.

Early Majority Is Pricing Itself out of the Mass Market
Early Majority's higher price points can be seen as a significant barrier to reaching the mass market. The premium pricing may alienate a large segment of consumers who, despite potentially valuing sustainability, might find the costs prohibitive, especially in a fluctuating economic climate. Competing with established brands that offer lower-priced alternatives could pose a significant challenge, because many consumers are accustomed to the affordability and frequent style updates of fast fashion and might struggle to justify paying significantly more, even for sustainably produced apparel. Additionally, the focus on premium pricing restricts market accessibility, limiting the brand's appeal mostly to wealthier consumers. This exclusivity could slow the adoption of sustainable practices across the broader fashion industry if sustainable options are viewed as a luxury rather than accessible to all.

WEB RESOURCES

The SmartWay brand (identifies products and services that reduce transportation-related emissions): www.epa.gov/smartway

Girls Inc. (inspiring all girls to be strong, smart, and bold): www.girlsinc.org

LinkedIn (professional online networking community): www.linkedin.com