

Author Comment Pause here and think about how you'd answer this question before studying marketing. Then see how your answer changes as you read the chapter.

What Is Marketing?

Marketing, more than any other business function, deals with customers. Although we will soon explore more-detailed definitions of marketing, perhaps the simplest definition is this one: *Marketing is engaging customers and managing profitable customer relationships.* The twofold goal of marketing is to attract new customers by promising superior value and to keep and grow current customers by delivering satisfaction.

For example, McDonald's fulfills its "i'm lovin' it" motto by being "our customers' favorite place and way to eat" the world over, giving it nearly as much market share as its nearest four competitors combined. Walmart has become the world's largest retailer—and the world's largest *company*—by delivering on its promise, "Save Money. Live Better." Facebook has attracted more than a billion active Web and mobile users worldwide by helping them to "connect and share with the people in their lives."

Sound marketing is critical to the success of every organization. Large for-profit firms, such as Google, Target, Procter & Gamble, Coca-Cola, and Microsoft, use marketing. But so do not-for-profit organizations, such as colleges, hospitals, museums, symphony orchestras, and even churches.

You already know a lot about marketing—it's all around you. Marketing comes to you in the good old traditional forms: You see it in the abundance of products at your nearby shopping mall and the ads that fill your TV screen, spice up your magazines, or stuff your mailbox. ● But in recent years, marketers have assembled a host of new marketing approaches, everything from imaginative Web sites and mobile phone apps to blogs, online videos, and social media. These new approaches do more than just blast out messages to the masses. They reach you directly, personally, and interactively. Today's marketers want to become a part of your life and enrich your experiences with their brands—to help you *live* their brands.

At home, at school, where you work, and where you play, you see marketing in almost everything you do. Yet, there is much more to marketing than meets the consumer's casual eye. Behind it all is a massive network of people, technologies, and activities competing for your attention and purchases. This book will give you a complete introduction

to the basic concepts and practices of today's marketing. In this chapter, we begin by defining marketing and the marketing process.



● Marketing is all around you, in good old traditional forms and in a host of new forms, from Web sites and mobile phone apps to videos and online social media.

Justin Lewis

Marketing Defined

What *is* marketing? Many people think of marketing as only selling and advertising. We are bombarded every day with TV commercials, catalogs, spiels from salespeople, and online pitches. However, selling and advertising are only the tip of the marketing iceberg.

Today, marketing must be understood not in the old sense of making a sale—"telling and selling"—but in the new sense of *satisfying customer needs*. If the marketer engages consumers effectively, understands their needs, develops products that provide superior customer value, and prices, distributes, and promotes them well, these products will sell easily. In fact, according to management guru Peter Drucker, "The aim of marketing is to make selling unnecessary."² Selling and advertising are only part of a larger *marketing mix*—a set of marketing tools that work together to engage customers, satisfy customer needs, and build customer relationships.

Broadly defined, marketing is a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others. In a narrower business context, marketing involves building profitable, value-laden exchange relationships with customers. Hence, we define **marketing** as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.³

Marketing

The process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.

The Marketing Process

● **Figure 1.1** presents a simple, five-step model of the marketing process for creating and capturing customer value. In the first four steps, companies work to understand consumers, create customer value, and build strong customer relationships. In the final step, companies reap the rewards of creating superior customer value. By creating value *for* consumers, they in turn capture value *from* consumers in the form of sales, profits, and long-term customer equity.

In this chapter and the next, we will examine the steps of this simple model of marketing. In this chapter, we review each step but focus more on the customer relationship steps—understanding customers, engaging and building relationships with customers, and capturing value from customers. In Chapter 2, we look more deeply into the second and third steps—designing value-creating marketing strategies and constructing marketing programs.

Author Comment Marketing is all about creating value for customers. So, as the first step in the marketing process, the company must fully understand consumers and the marketplace in which it operates.

Understanding the Marketplace and Customer Needs

As a first step, marketers need to understand customer needs and wants and the marketplace in which they operate. We examine five core customer and marketplace concepts: (1) *needs, wants, and demands*; (2) *market offerings (products, services, and experiences)*; (3) *value and satisfaction*; (4) *exchanges and relationships*; and (5) *markets*.

Customer Needs, Wants, and Demands

The most basic concept underlying marketing is that of human needs. Human **needs** are states of felt deprivation. They include basic *physical* needs for food, clothing, warmth, and safety; *social* needs for belonging and affection; and *individual* needs for knowledge and self-expression. Marketers did not create these needs; they are a basic part of the human makeup.

Wants are the form human needs take as they are shaped by culture and individual personality. An American *needs* food but *wants* a Big Mac, french fries, and a soft drink. A person in Papua, New Guinea, *needs* food but *wants* taro, rice, yams, and pork. Wants are shaped by one's society and are described in terms of objects that will satisfy those needs. When backed by buying power, wants become **demands**. Given their wants and resources, people demand products and services with benefits that add up to the most value and satisfaction.

Outstanding marketing companies go to great lengths to learn about and understand their customers' needs, wants, and demands. They conduct consumer research, analyze mountains of customer data, and observe customers as they shop and interact, offline and online. People at all levels of the company—including top management—stay close to customers:⁴

Walmart president and CEO Michael Duke and his entire executive team make regular store and in-home visits with customers to get to know them and understand their needs. Top McDonald's marketers hold frequent Twitter chats, connecting directly with McDonald's Twitter followers, both fans and critics, to learn their thoughts about topics ranging from nutrition and sustainability to products and brand promotions. ● And Boston Market CEO George Michel makes frequent visits to company restaurants, working in the dining room and engaging customers to learn about "the good, the bad, and the ugly." He also stays connected by reading customer messages on the Boston Market Web site and has even cold-called customers for insights. "Being close to the customer is critically important," says Michel. "I get to learn what they value, what they appreciate."

Market Offerings—Products, Services, and Experiences

Consumers' needs and wants are fulfilled through **market offerings**—some combination of products, services, information, or experiences offered to a market to satisfy a need or a want. Market offerings are not limited to physical *products*. They also include *services*—activities or benefits offered for

Needs

States of felt deprivation.

Wants

The form human needs take as they are shaped by culture and individual personality.

Demands

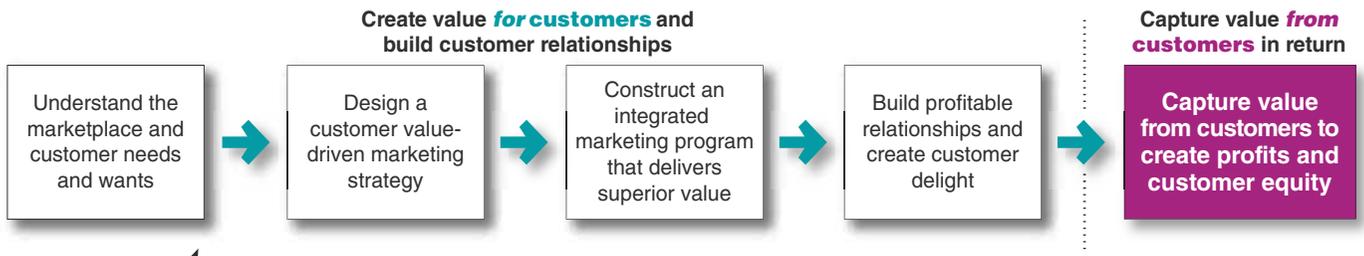
Human wants that are backed by buying power.



● **Staying close to customers:** Boston Market CEO George Michel frequently visits the company's restaurants, working in the dining room and engaging customers to learn about "the good, the bad, and the ugly."

Invision for Boston Market

FIGURE | 1.1
The Marketing Process: Creating and Capturing Customer Value



This important figure shows marketing in a nutshell. By creating value *for* customers, marketers capture value *from* customers in return. This five-step process forms the marketing framework for the rest of the chapter and the remainder of the text.

Market offerings

Some combination of products, services, information, or experiences offered to a market to satisfy a need or want.

Marketing myopia

The mistake of paying more attention to the specific products a company offers than to the benefits and experiences produced by these products.

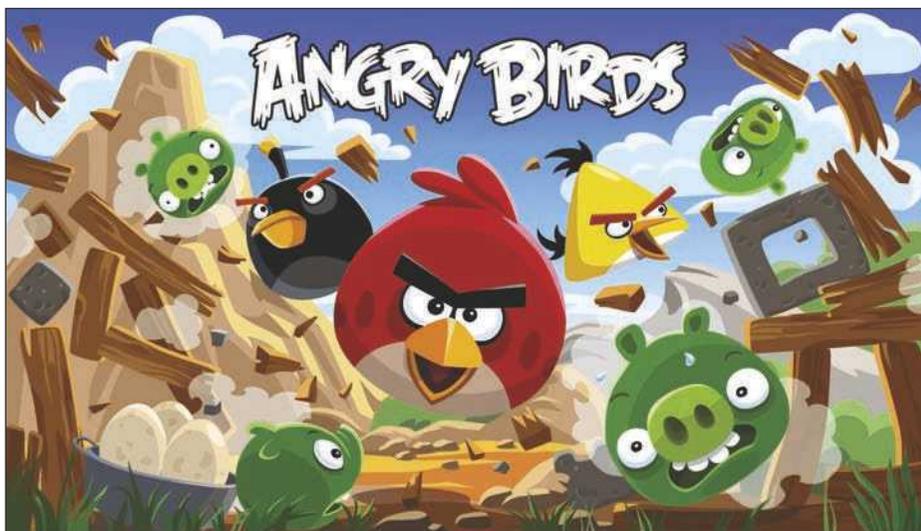
sale that are essentially intangible and do not result in the ownership of anything. Examples include banking, airline, hotel, retailing, and home repair services.

More broadly, market offerings also include other entities, such as *persons, places, organizations, information, and ideas*. For example, the “Pure Michigan” campaign markets the state of Michigan as a tourism destination that “lets unspoiled nature and authentic character revive your spirits.” And the Ad Council and the National Highway Traffic Safety Administration created a “Stop the Texts. Stop the Wrecks.” campaign that markets the idea of eliminating texting while driving. The campaign points out that a texting driver is 23 times more likely to get into a crash than a non-texting driver.⁵

Many sellers make the mistake of paying more attention to the specific products they offer than to the benefits and experiences produced by these products. These sellers suffer from **marketing myopia**. They are so taken with their products that they focus only on existing wants and lose sight of underlying customer needs.⁶ They forget that a product is only a tool to solve a consumer problem. A manufacturer of quarter-inch drill bits may think that the customer needs a drill bit. But what the customer *really* needs is a quarter-inch hole. These sellers will have trouble if a new product comes along that serves the customer’s need better or less expensively. The customer will have the same *need* but will *want* the new product.

Smart marketers look beyond the attributes of the products and services they sell. By orchestrating several services and products, they create *brand experiences* for consumers. For example, you don’t just visit Walt Disney World Resort; you immerse yourself and your family in a world of wonder, a world where dreams come true and things still work the way they should. “Let the magic begin!” says Disney.

Similarly, ● Angry Birds is much more than just a mobile game app. To more than 200 million fans a month in 116 countries, it’s a deeply involving experience. As one observer puts it: “Angry Birds land is a state of mind—a digital immersion in addictively cheerful destruction, a refuge from the boredom of subway commutes and doctors’ waiting rooms, where the fine art of sling-shooting tiny brightly hued birds at wooden fortresses to vanquish pigs taking shelter inside makes eminent sense and is immensely satisfying.” So far, in all its forms, Angry Birds has been downloaded more than two billion times. The game’s creator, Rovio, plans to expand the Angry Birds experience through everything from animated short videos (called *Angry Birds Toons*) and three-dimensional animated movies to a growing list of new games, licensed toys, apparel, yard art, and even Angry Birds-branded playgrounds, activity parks, and theme parks.⁷



● **Marketing experiences:** More than just a mobile game app, Angry Birds is “a digital immersion in addictively cheerful destruction.” Creator Rovio plans to expand the Angry Birds experience through animated videos, licensed products, and even Angry Birds-branded playgrounds and activity parks.

Archivo CEET GDA Photo Service/Newscom

Customer Value and Satisfaction

Consumers usually face a broad array of products and services that might satisfy a given need. How do they choose among these many market offerings? Customers form expectations about the value and satisfaction that various market offerings will deliver and buy accordingly. Satisfied customers buy again and tell others about their good experiences. Dissatisfied customers often switch to competitors and disparage the product to others.

Marketers must be careful to set the right level of expectations. If they set expectations too low, they may satisfy those who buy but fail to attract enough buyers. If they set expectations too high, buyers will be disappointed. Customer value and customer satisfaction are key building blocks for developing and managing customer relationships. We will revisit these core concepts later in the chapter.

Exchanges and Relationships

Marketing occurs when people decide to satisfy their needs and wants through exchange relationships. **Exchange** is the act of obtaining a desired object from someone by offering something in return. In the broadest sense, the marketer tries to bring about a response to some market offering. The response may be more than simply buying or trading products and services. A political candidate, for instance, wants votes; a church wants membership; an orchestra wants an audience; and a social action group wants idea acceptance.

Marketing consists of actions taken to create, maintain, and grow desirable exchange *relationships* with target audiences involving a product, service, idea, or other object. Companies want to build strong relationships by consistently delivering superior customer value. We will expand on the important concept of managing customer relationships later in the chapter.

Markets

The concepts of exchange and relationships lead to the concept of a market. A **market** is the set of actual and potential buyers of a product or service. These buyers share a particular need or want that can be satisfied through exchange relationships.

Marketing means managing markets to bring about profitable customer relationships. However, creating these relationships takes work. Sellers must search for and engage buyers, identify their needs, design good market offerings, set prices for them, promote them, and store and deliver them. Activities such as consumer research, product development, communication, distribution, pricing, and service are core marketing activities.

Although we normally think of marketing as being carried out by sellers, buyers also carry out marketing. Consumers market when they search for products, interact with companies to obtain information, and make their purchases. In fact, today's digital technologies, from online sites and smartphone apps to the explosion of social media, have empowered consumers and made marketing a truly two-way affair. Thus, in addition to customer relationship management, today's marketers must also deal effectively with *customer-managed relationships*. Marketers are no longer asking only "How can we influence our customers?" but also "How can our customers influence us?" and even "How can our customers influence each other?"

● **Figure 1.2** shows the main elements in a marketing system. Marketing involves serving a market of final consumers in the face of competitors. The company and competitors research the market and interact with consumers to understand their needs. Then they create and exchange market offerings, messages, and other marketing content with consumers, either directly or through marketing intermediaries. Each party in the system is affected by major environmental forces (demographic, economic, natural, technological, political, and social/cultural).

Each party in the system adds value for the next level. The arrows represent relationships that must be developed and managed. Thus, a company's success at engaging customers and building profitable relationships depends not only on its own actions but also on how well the entire system serves the needs of final consumers. Walmart cannot fulfill its promise of low prices unless its suppliers provide merchandise at low costs. And Ford cannot deliver a high-quality car-ownership experience unless its dealers provide outstanding sales and service.

Exchange

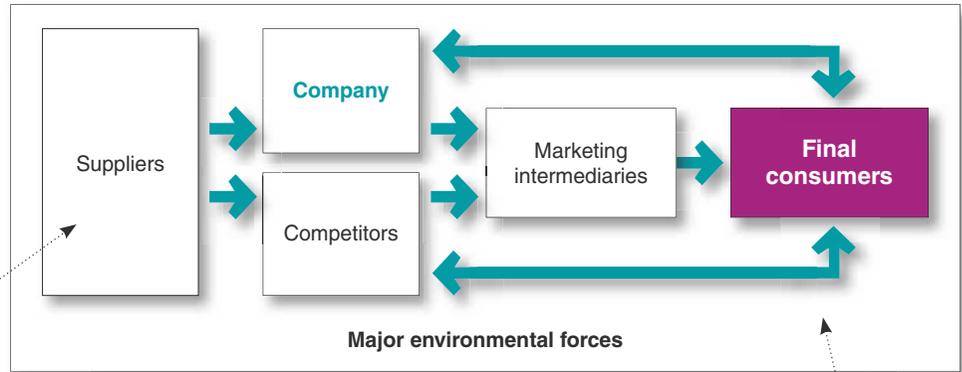
The act of obtaining a desired object from someone by offering something in return.

Market

The set of all actual and potential buyers of a product or service.

FIGURE | 1.2
A Modern Marketing System

Each party in the system adds value. Walmart cannot fulfill its promise of low prices unless its suppliers provide low costs. Ford cannot deliver a high-quality car-ownership experience unless its dealers provide outstanding service.



Arrows represent relationships that must be developed and managed to create customer value and profitable customer relationships.

Author Comment Once a company fully understands its consumers and the marketplace, it must decide which customers it will serve and how it will bring them value.

Designing a Customer Value-Driven Marketing Strategy

Once it fully understands consumers and the marketplace, marketing management can design a customer value-driven marketing strategy. We define **marketing management** as the art and science of choosing target markets and building profitable relationships with them. The marketing manager’s aim is to find, engage, keep, and grow target customers by creating, delivering, and communicating superior customer value.

Marketing management
The art and science of choosing target markets and building profitable relationships with them.

To design a winning marketing strategy, the marketing manager must answer two important questions: *What customers will we serve (what’s our target market)?* and *How can we serve these customers best (what’s our value proposition)?* We will discuss these marketing strategy concepts briefly here and then look at them in more detail in Chapters 2 and 6.

Selecting Customers to Serve

The company must first decide *whom* it will serve. It does this by dividing the market into segments of customers (*market segmentation*) and selecting which segments it will go after (*target marketing*). Some people think of marketing management as finding as many customers as possible and increasing demand. But marketing managers know that they cannot serve all customers in every way. By trying to serve all customers, they may not serve any customers well. Instead, the company wants to select only customers that it can serve well and profitably. For example, Nordstrom profitably targets affluent professionals; Dollar General profitably targets families with more modest means.

Ultimately, marketing managers must decide which customers they want to target and on the level, timing, and nature of their demand. Simply put, marketing management is *customer management* and *demand management*.



Value propositions: Vine gives you “the best way to see and share life in motion” through “short, beautiful, looping videos in a simple and fun way for your friends and family to see.”

Twitter, Inc.

Choosing a Value Proposition

The company must also decide how it will serve targeted customers—how it will *differentiate and position* itself in the marketplace. A brand’s *value proposition* is the set of benefits or values it promises to deliver to consumers to satisfy their needs. BMW promises “the ultimate driving machine,” whereas the Nissan Leaf electric car is “100% electric. Zero gas. Zero tailpipe.” New Balance’s Minimus shoes are “like barefoot only better”; and with Vibram FiveFingers shoes, “You are the technology.” Facebook helps you “connect and share with the people in your life,” whereas YouTube “provides a place for people to connect, inform, and inspire others across the globe.” And Twitter’s Vine app gives you “the best way to see and share life in motion” through “short, beautiful, looping videos in a simple and fun way for your friends and family to see.”⁸

Such value propositions differentiate one brand from another. They answer the customer's question, "Why should I buy your brand rather than a competitor's?" Companies must design strong value propositions that give them the greatest advantage in their target markets. For example, Vibram FiveFingers shoes promise the best of two worlds—running with shoes and without. "You get all the health and performance benefits of barefoot running combined with a Vibram sole that protects you from elements and obstacles in your path." With Vibram FiveFingers shoes, "The more it looks like a foot, the more it acts like a foot."

Marketing Management Orientations

Marketing management wants to design strategies that will engage target customers and build profitable relationships with them. But what *philosophy* should guide these marketing strategies? What weight should be given to the interests of customers, the organization, and society? Very often, these interests conflict.

There are five alternative concepts under which organizations design and carry out their marketing strategies: the *production*, *product*, *selling*, *marketing*, and *societal marketing concepts*.

The Production Concept

The **production concept** holds that consumers will favor products that are available and highly affordable. Therefore, management should focus on improving production and distribution efficiency. This concept is one of the oldest orientations that guides sellers.

The production concept is still a useful philosophy in some situations. For example, both personal computer maker Lenovo and home appliance maker Haier dominate the highly competitive, price-sensitive Chinese market through low labor costs, high production efficiency, and mass distribution. However, although useful in some situations, the production concept can lead to marketing myopia. Companies adopting this orientation run a major risk of focusing too narrowly on their own operations and losing sight of the real objective—satisfying customer needs and building customer relationships.

The Product Concept

The **product concept** holds that consumers will favor products that offer the most in quality, performance, and innovative features. Under this concept, marketing strategy focuses on making continuous product improvements.

Product quality and improvement are important parts of most marketing strategies. However, focusing *only* on the company's products can also lead to marketing myopia. For example, some manufacturers believe that if they can "build a better mousetrap, the world will beat a path to their doors." But they are often rudely shocked. Buyers may be looking for a better solution to a mouse problem but not necessarily for a better mousetrap. The better solution might be a chemical spray, an exterminating service, a housecat, or something else that suits their needs even better than a mousetrap. Furthermore, a better mousetrap will not sell unless the manufacturer designs, packages, and prices it attractively; places it in convenient distribution channels; brings it to the attention of people who need it; and convinces buyers that it is a better product.

The Selling Concept

Many companies follow the **selling concept**, which holds that consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort. The selling concept is typically practiced with unsought goods—those that buyers do not normally think of buying, such as life insurance or blood donations. These industries must be good at tracking down prospects and selling them on a product's benefits.

Such aggressive selling, however, carries high risks. It focuses on creating sales transactions rather than on building long-term, profitable customer relationships. The aim often is to sell what the company makes rather than making what the market wants. It assumes that customers who are coaxed into buying the product will like it. Or, if they don't like it, they will possibly forget their disappointment and buy it again later. These are usually poor assumptions.

Production concept

The idea that consumers will favor products that are available and highly affordable; therefore, the organization should focus on improving production and distribution efficiency.

Product concept

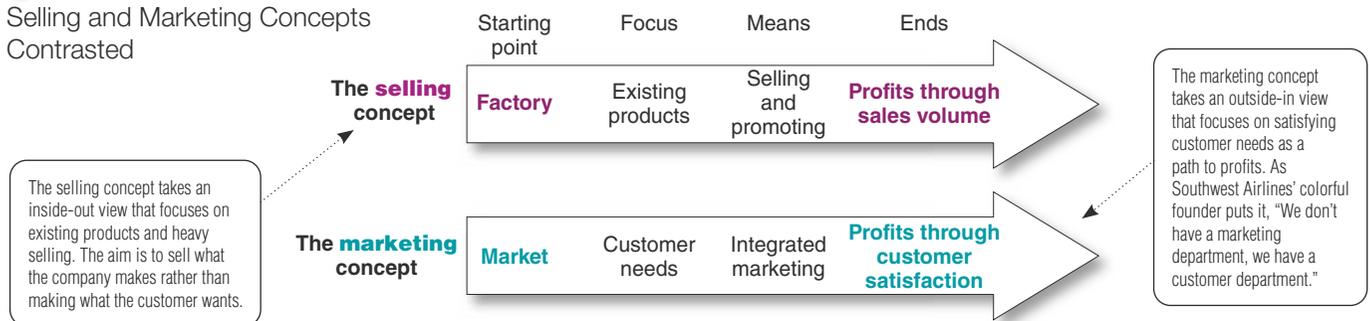
The idea that consumers will favor products that offer the most quality, performance, and features; therefore, the organization should devote its energy to making continuous product improvements.

Selling concept

The idea that consumers will not buy enough of the firm's products unless the firm undertakes a large-scale selling and promotion effort.

● FIGURE | 1.3

Selling and Marketing Concepts Contrasted

**Marketing concept**

A philosophy in which achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do.

The Marketing Concept

The **marketing concept** holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do. Under the marketing concept, customer focus and value are the *paths* to sales and profits. Instead of a product-centered *make-and-sell* philosophy, the marketing concept is a customer-centered *sense-and-respond* philosophy. The job is not to find the right customers for your product but to find the right products for your customers.

● **Figure 1.3** contrasts the selling concept and the marketing concept. The selling concept takes an *inside-out* perspective. It starts with the factory, focuses on the company's existing products, and calls for heavy selling and promotion to obtain profitable sales. It focuses primarily on customer conquest—getting short-term sales with little concern about who buys or why.

In contrast, the marketing concept takes an *outside-in* perspective. As Herb Kelleher, the colorful founder of Southwest Airlines, once put it, "We don't have a marketing department; we have a customer department." The marketing concept starts with a well-defined market, focuses on customer needs, and integrates all the marketing activities that affect customers. In turn, it yields profits by creating relationships with the right customers based on customer value and satisfaction.

Implementing the marketing concept often means more than simply responding to customers' stated desires and obvious needs. *Customer-driven* companies research customers deeply to learn about their desires, gather new product ideas, and test product improvements. Such customer-driven marketing usually works well when a clear need exists and when customers know what they want.

In many cases, however, customers *don't* know what they want or even what is possible. As Henry Ford once remarked, "If I'd asked people what they wanted, they would have said faster horses."⁹ For example, even 20 years ago, how many consumers would have thought to ask for now-commonplace products such as tablet computers, smartphones, digital cameras, 24-hour online buying, video sharing services, and GPS systems in their cars and phones? Such situations call for *customer-driving* marketing—understanding customer needs even better than customers themselves do and creating products and services that meet both existing and latent needs, now and in the future. As an executive at 3M put it, "Our goal is to lead customers where they want to go before *they* know where they want to go."

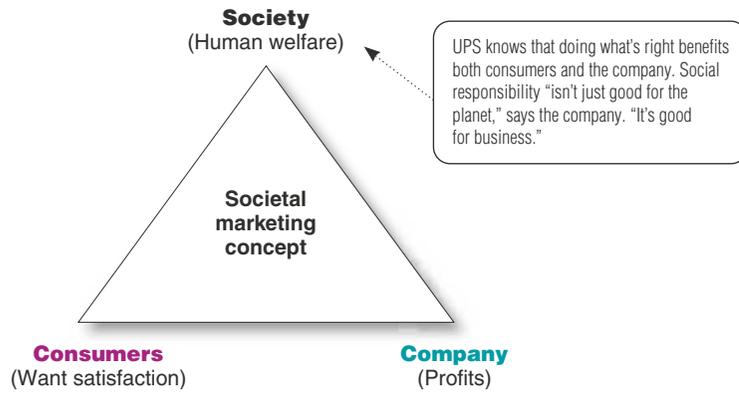
The Societal Marketing Concept

The **societal marketing concept** questions whether the pure marketing concept overlooks possible conflicts between consumer *short-run wants* and consumer *long-run welfare*. Is a firm that satisfies the immediate needs and wants of target markets always doing what's best for its consumers in the long run? The societal marketing concept holds that marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's *and society's* well-being. It calls for *sustainable marketing*, socially and environmentally responsible marketing that meets the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs.

Societal marketing concept

The idea that a company's marketing decisions should consider consumers' wants, the company's requirements, consumers' long-run interests, and society's long-run interests.

FIGURE | 1.4
Three Considerations Underlying the Societal Marketing Concept



Even more broadly, many leading business and marketing thinkers are now preaching the concept of *shared value*, which recognizes that societal needs, not just economic needs, define markets.¹⁰ The concept of shared value focuses on creating economic value in a way that also creates value for society. A growing number of companies known for their hard-nosed approaches to business—such as GE, Dow, Google, IBM, Intel, Johnson & Johnson, Nestlé, Unilever, and Walmart—are rethinking the interactions between society and corporate performance. They are concerned not just with short-term economic gains, but with the well-being of their customers, the depletion of natural resources vital to their businesses, the viability of key suppliers, and the economic well-being of the communities in which they produce and sell.

One prominent marketer calls this *Marketing 3.0*. “Marketing 3.0 organizations are values-driven,” he says. “I’m not talking about being value-driven. I’m talking about ‘values’ plural, where values amount to caring about the state of the world.” Another marketer calls it purpose-driven marketing. “The future of profit is purpose,” he says.¹¹

As **Figure 1.4** shows, companies should balance three considerations in setting their marketing strategies: company profits, consumer wants, and society’s interests. British-based cosmetics retailer Lush operates this way:¹²

A LUSH LIFE WE BELIEVE

... in making effective products from fresh organic* fruit and vegetables, the finest essential oils and safe synthetics.

We believe in buying ingredients only from companies that do not conduct or commission tests on animals and in testing our products on humans.

We invent our own products and fragrances, we make them fresh* by hand using little or no preservative or packaging, using only vegetarian ingredients and tell you when they were made.

We believe in happy people making happy soap, putting our faces on our products and making our mums proud.

We believe in long candlelit baths, sharing showers, massage, filling the world with perfume and in the right to make mistakes, lose everything and start again.

We believe our products are good value, that we should make a profit and that the customer is always right.

*We also believe words like ‘Fresh’ and ‘Organic’ have an honest meaning beyond marketing.

The societal marketing concept: Cosmetics retailer Lush does more than just make and sell premium body care products for profit. It also dedicates itself to doing right by customers, employees, the environment, and society.

Lush Fresh Handmade Cosmetics

Lush is known for “Fresh Handmade Cosmetics”—premium beauty products made by hand from the freshest possible natural ingredients. It sells products with evocative names such as Flying Fox shower gel, Angels on Bareskin cleanser, and Honey I Washed the Kids soap. But Lush does much more than just make and sell body care products for profit. It also dedicates itself to doing right by customers, employees, the environment, and society. Its do-good mission is spelled out in a seven-point statement titled, “A Lush Life: We Believe . . .” For example, the company believes in inventing and making its own products from fresh organic fruits and vegetables using little or no preservatives or packaging. Lush has strict policy against animal testing and supports Fair Trade and Community Trade efforts. Each year, the company invests heavily in sustainable initiatives and support of grassroots charities. Lush takes care of its employees—“We believe in happy people making happy soap . . .” In fact, Lush seems to wish well to everyone, everywhere—“We believe in long candlelit baths, sharing showers, massage, filling the world with perfume, and the right to make mistakes, lose everything, and start again.” Only in its final belief does Lush

mention profits—“We believe our products are good value, that we should make a profit, and that the customer is always right.” Thanks to its societal mission, Lush is thriving like fresh flowers in springtime. It now operates stores in 50 countries, with e-commerce sites in 27 countries. Its sales have nearly doubled in just the past three years, suggesting that doing good can benefit both the planet and the company.

Author Comment | The customer value-driven marketing strategy discussed in the previous section outlines which customers the company will serve (the target market) and how it will serve them (positioning and the value proposition). Now, the company develops marketing plans and programs—a marketing mix—that will actually deliver the intended customer value.

Preparing an Integrated Marketing Plan and Program

The company’s marketing strategy outlines which customers it will serve and how it will create value for these customers. Next, the marketer develops an integrated marketing program that will actually deliver the intended value to target customers. The marketing program builds customer relationships by transforming the marketing strategy into action. It consists of the firm’s *marketing mix*, the set of marketing tools the firm uses to implement its marketing strategy.

The major marketing mix tools are classified into four broad groups, called the *four Ps* of marketing: product, price, place, and promotion. To deliver on its value proposition, the firm must first create a need-satisfying market offering (product). It must then decide how much it will charge for the offering (price) and how it will make the offering available to target consumers (place). Finally, it must engage target consumers, communicate about the offering, and persuade consumers of the offer’s merits (promotion). The firm must blend each marketing mix tool into a comprehensive integrated marketing program that communicates and delivers the intended value to chosen customers. We will explore marketing programs and the marketing mix in much more detail in later chapters.

Author Comment | Doing a good job with the first three steps in the marketing process sets the stage for step four, building and managing customer relationships.

Building Customer Relationships

The first three steps in the marketing process—understanding the marketplace and customer needs, designing a customer value-driven marketing strategy, and constructing a marketing program—all lead up to the fourth and most important step: building and managing profitable customer relationships. We first discuss the basics of customer relationship management. Then, we examine how companies go about engaging customers on a deeper level in this age of digital and social marketing.

Customer Relationship Management

Customer relationship management is perhaps the most important concept of modern marketing. In the broadest sense, **customer relationship management** is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. It deals with all aspects of acquiring, engaging, and growing customers.

Relationship Building Blocks: Customer Value and Satisfaction

The key to building lasting customer relationships is to create superior customer value and satisfaction. Satisfied customers are more likely to be loyal customers and give the company a larger share of their business.

Customer Value. Attracting and retaining customers can be a difficult task. Customers often face a bewildering array of products and services from which to choose. A customer buys from the firm that offers the highest **customer-perceived value**—the customer’s evaluation of the difference between all the benefits and all the costs of a market offering relative to those of competing offers. Importantly, customers often do not judge values and costs “accurately” or “objectively.” They act on *perceived* value.

To some consumers, value might mean sensible products at affordable prices. To other consumers, however, value might mean paying more to get more. For example, what’s a cooler worth—one of those insulated containers you take camping or haul to a picnic or tail-gate party? If it’s a YETI cooler, you can expect to pay from \$229 to as much as \$1,300 for the top-of-the-line Tundra model. However, despite their high prices and spare, boxy designs, YETI coolers have achieved an almost cult status among the field-and-stream set, or on construction sites, ranches, or even military bases. The company’s slogan: “YETI Coolers—Wildly Stronger. Keeps Ice Longer!” suggests the reasons why. Devoted users will tell you that a YETI

Customer relationship management

The overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.

Customer-perceived value

The customer’s evaluation of the difference between all the benefits and all the costs of a marketing offer relative to those of competing offers.



● **Perceived value:** Is a YETI cooler worth its premium price? To devoted YETI users, the answer is a resounding “yes.” The “Wildly Stronger. Keeps Ice Longer!” coolers are even certified as Grizzly bear-resistant by the Interagency Grizzly Bear Committee.

YETI Coolers and the Interagency Grizzly Bear Committee (IGBC)

does keep things cooler—with a FatWall design (with twice the insulation of competitors) and an interlocking lid system with a gasket that keeps the cold in. And rugged YETI coolers are made to last—no more busted hinges, failed latches, or caved in lids. ● They’re even certified as Grizzly bear-resistant by the Interagency Grizzly Bear Committee. One reporter describes a YETI as “a cooler fit for the apocalypse,” and the company claims it’s “The cooler you’ve always wanted. The last cooler you’ll ever need.” So, is a YETI cooler worth the premium price compared to less expensive coolers made by Igloo or Rubbermaid? To many consumers, the answer is no. But to YETI’s target buyers, the answer is a resounding yes.¹³

Customer Satisfaction. Customer satisfaction depends on the product’s perceived performance relative to a buyer’s expectations. If the product’s performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted.

Outstanding marketing companies go out of their way to keep important customers satisfied. Most studies show that higher levels of customer satisfaction lead to greater

customer loyalty, which in turn results in better company performance. Smart companies aim to delight customers by promising only what they can deliver and then delivering more than they promise. Delighted customers not only make repeat purchases but also become willing marketing partners and “customer evangelists” who spread the word about their good experiences to others.

For companies interested in delighting customers, exceptional value and service become part of the overall company culture. For example, year after year, Ritz-Carlton ranks at or near the top of the hospitality industry in terms of customer satisfaction.

● Its passion for satisfying customers is summed up in the company’s credo, which promises that its luxury hotels will deliver a truly memorable experience—one that “enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests.”¹⁴



● **Customer satisfaction:** Ritz-Carlton hotels deliver a truly memorable experience that fulfills even the unexpressed wishes and needs of its guests.

Toronto Star via Getty Images

Check into any Ritz-Carlton hotel around the world, and you’ll be amazed by the company’s fervent dedication to anticipating even your slightest need. Without ever asking, they seem to know that you’re allergic to peanuts and want a king-size bed, a nonallergenic pillow, extra body gel, the blinds open when you arrive, and breakfast with decaffeinated coffee in your room. Each day, hotel staffers—from those at the front desk to those in maintenance and housekeeping—discreetly observe and record even the smallest guest preferences. Then, every morning, each hotel reviews the files of all new arrivals who have previously stayed at a Ritz-Carlton and prepares a list of suggested extra touches that might delight each guest. For example, according to one Ritz-Carlton manager, if the chain gets hold of a picture of a guest’s pet, it will make a copy, have it framed, and display it in the guest’s room in whatever Ritz-Carlton the guest visits.

Once they identify a special customer need, Ritz-Carlton employees go to legendary extremes to meet it. For instance, to serve the needs of a guest whose son had food allergies, a Ritz-Carlton chef in Bali located special eggs and milk in a small grocery store in another country and had them delivered to the hotel. In another case, when a businessman attending a conference at the Ritz-Carlton Orlando ordered his favorite soda during a dinner in a hotel ballroom, his banquet server told him that the hotel didn’t serve that beverage but he would see what he could do. To no one’s surprise, the server quickly returned with the requested beverage, and for the rest of the week he had the drink waiting for the guest. But here’s the best part. A year later when the guest returned for the conference, as he sat in the ballroom waiting for dinner the first night, the same server walked up with his favorite drink in hand. As a result of such customer service heroics, an amazing 95 percent of departing guests report that their stay has been a truly memorable experience. More than 90 percent of Ritz-Carlton’s delighted customers return.

Other companies that have become legendary for customer delight and their service heroics include Zappos.com, Amazon.com, Nordstrom department stores, and

Customer satisfaction

The extent to which a product's perceived performance matches a buyer's expectations.

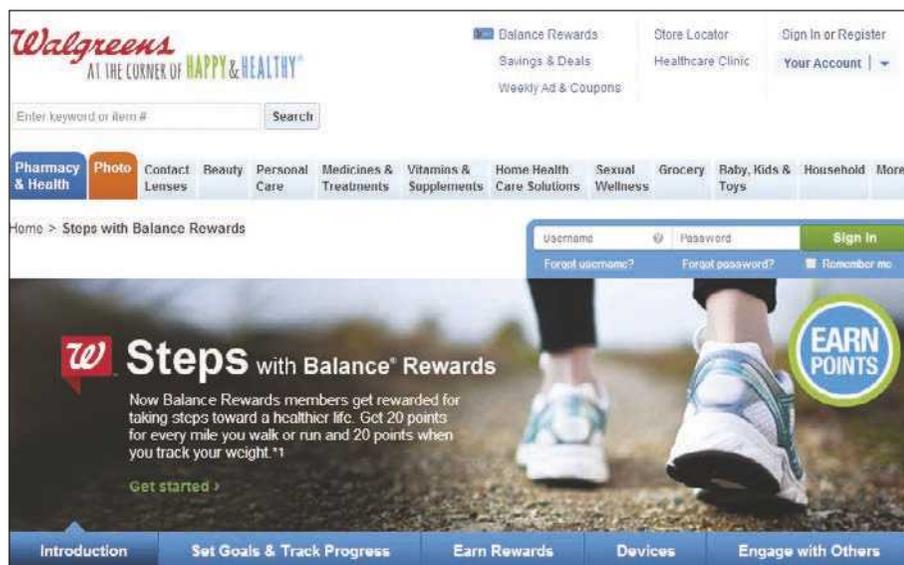
JetBlue Airways (see Real Marketing 1.1). However, a company doesn't need to have over-the-top service to create customer delight. For example, no-frills grocery chain ALDI has highly satisfied customers, even though they have to bag their own groceries and can't use credit cards. ALDI's everyday very low pricing on good-quality products delights customers and keeps them coming back. Thus, customer satisfaction comes not just from service heroics, but from how well a company delivers on its basic value proposition and helps customers solve their buying problems. "Most customers don't want to be 'wowed,'" says one marketing consultant. "They [just] want an effortless experience."¹⁵

Although a customer-centered firm seeks to deliver high customer satisfaction relative to competitors, it does not attempt to *maximize* customer satisfaction. A company can always increase customer satisfaction by lowering its prices or increasing its services. But this may result in lower profits. Thus, the purpose of marketing is to generate customer value profitably. This requires a very delicate balance: The marketer must continue to generate more customer value and satisfaction but not "give away the house."

Customer Relationship Levels and Tools

Companies can build customer relationships at many levels, depending on the nature of the target market. At one extreme, a company with many low-margin customers may seek to develop *basic relationships* with them. For example, Procter & Gamble's Tide detergent does not phone or call on all of its consumers to get to know them personally. Instead, Tide creates engagement and relationships through brand-building advertising, Web sites, and social media presence. At the other extreme, in markets with few customers and high margins, sellers want to create *full partnerships* with key customers. For example, P&G sales representatives work closely with Walmart, Kroger, and other large retailers that sell Tide. In between these two extremes, other levels of customer relationships are appropriate.

Beyond offering consistently high value and satisfaction, marketers can use specific marketing tools to develop stronger bonds with customers. For example, many companies offer *frequency marketing programs* that reward customers who buy frequently or in large amounts. Airlines offer frequent-flyer programs, hotels give room upgrades to frequent guests, and supermarkets give patronage discounts to "very important customers." These days almost every brand has a loyalty rewards program. However, some innovative loyalty programs go a step beyond the usual. ● Consider Walgreens:¹⁶



● **Relationship marketing tools: The innovative Walgreens Balance Rewards program builds stronger customer relationships and helps the brand by helping customers, befitting the chain's slogan: "Walgreens: At the corner of happy & healthy."**

Used with permission of Walgreen Co. Walgreens Balance® Rewards and "At the corner of healthy & happy®" are registered trademarks of Walgreen Co.

Members of Walgreens' Balance Rewards program earn points for in-store or online product purchases, redeemable for purchases in Walgreens stores or online. And members receive surprise offers and giveaways, everything from free movie passes to gift cards. But in line with the chain's mission "to keep our community happy and healthy," the unique Walgreens Balance Rewards program goes beyond just points for purchases. It also includes programs that reward customers for taking steps toward a happy, healthy, well-balanced life. The program has included giving members points for every mile they walk or run, every daily weigh-in as they track their weight, and every prescription and immunization. Walgreens even provides online and mobile tools that help members set healthy goals and track their progress, celebrating their achievements with milestone badges. Thus, the Walgreens Balance Rewards program builds stronger customer relationships and helps the brand by helping customers, befitting the chain's slogan: "Walgreens: At the corner of happy & healthy."

Real
Marketing

1.1

JetBlue: Delighting Customers and Bringing Humanity Back to Air Travel

There's an old adage in the airline industry: "You're not flying planes, you're flying people." These days, however, it seems that many big airlines overlook the people factor. Instead, they focus on moving their human cargo as efficiently as possible while charging as much as the traffic will bear. The American Customer Satisfaction Index rates the airline industry near the bottom among 47 industries in customer satisfaction, barely ahead of perennial cellar-dwellers subscription TV and Internet service providers.

Not so at JetBlue Airways. From the very beginning, young JetBlue (little more than 15 years old) has built a reputation for creating first-rate, customer-satisfying experiences. Its slogan—YOU ABOVE ALL—tells the JetBlue faithful that they are at the very heart of the company's strategy and culture. JetBlue is on a heartfelt mission to bring humanity back to air travel.

At JetBlue, customer care starts with basic amenities that exceed customer expectations, especially for a low-cost carrier. JetBlue's well-padded, leather-covered coach seats allow three inches more legroom than the average airline seat. Although the airline doesn't serve meals, it offers the best selection of free beverages and snacks to be found at 30,000 feet (including unexpected treats such as Terra Blues chips, Linden's chocolate chip cookies, and Dunkin' Donuts coffee). Every JetBlue seat has its own LCD entertainment system, complete with free 36-channel DirectTV and 100+ channels of SiriusXM Radio. JetBlue rounds out the amenities with a recently launched industry first—Fly-Fi, an in-flight high-speed Internet service with free basic browsing on all equipped planes.

JetBlue continuously innovates to find new ways to delight customers. Its "Even More Space" seats give customers the option of going from "roomy to roomier," allow early boarding, and give early access to overhead bins. Its "Even More Speed" service provides VIP passage through airport security screening. And JetBlue's Mint service puts a new spin on first-class air travel, offering front-of-the-plane, lie-flat "sweet seats," some of

them in enclosed suites with their own doors. According to JetBlue, Mint services deliver "unexpected, individualized 'mo-mints' that revive and engage, keeping you in mint condition during your travels."

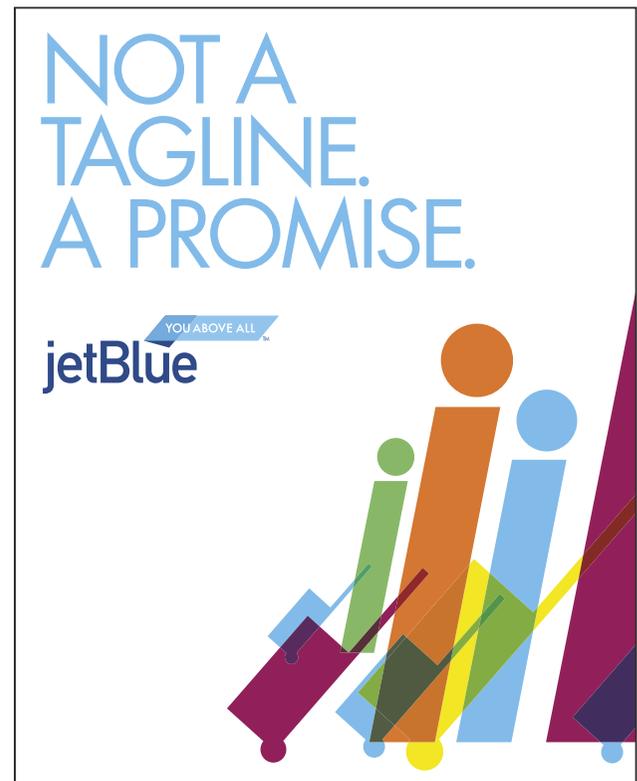
Such tangibles help keep JetBlue travelers satisfied. But JetBlue CEO David Barger knows that the tangibles are only a small part of what really makes JetBlue special. "The hard product—airplanes, leather seats, satellite TVs—as long as you have a checkbook, . . . can be replicated," says Barger. "It's the JetBlue culture that can't be replicated. The *human* side of the equation is the most important part of what we're doing." It's that JetBlue culture—the near-obsessive focus on the customer flying experience—that creates not just satisfied JetBlue customers, but *delighted* ones.

At JetBlue, developing a customer-centered corporate culture starts with hiring quality people whose personal values match JetBlue's values—from work-at-home part-time call center reservationists to baggage handlers to flight attendants and even pilots. By the time JetBlue employees are onboard and trained, they not only *know* the company's core values—safety, integrity, caring, passion, and fun—they *live* them. It's those heartfelt values that result in outstanding customer experiences. And the outstanding customer experiences make JetBlue's customers the most satisfied and loyal in the industry.

Whereas passengers on most competing airlines regard flying as an experience just to be

tolerated, many JetBlue customers actually look forward to flying. And customers themselves spread the good word about JetBlue with evangelistic zeal. Recently crowned a "social media all-star" by *Fortune* magazine, JetBlue has been a leader in using a full range of social media to engage customers and get them talking with each other about the brand. And whereas other airlines are just now discovering the power of customer dialogue, throughout its history, in ads and promotions, JetBlue has often let its customers do the talking.

For example, its "Experience JetBlue" Web site features authentic testimonials from some of the airline's most devoted fans, who were found through Twitter and Facebook. The



Creating customer satisfaction: JetBlue creates first-rate, customer-satisfying experiences. Its slogan—JetBlue: YOU ABOVE ALL—tells customers that they are at the very heart of JetBlue's strategy and culture.

JetBlue Airways

customers give glowing first-person accounts about why they like flying JetBlue. “It’s like an open bar for snacks,” says one customer. “They’re constantly walking around offering it, so I’m never thirsty or hungry.” Another JetBlue fan, a 6’3” woman from Portland, Oregon, likes the seating: “I can stretch and sit crosslegged—no black-and-blue knees,” she says. “The customer service is above and beyond,” declares a third customer, a small business owner from Boston. “[Coach on] JetBlue is very similar to flying first class.”

In a former advertising campaign called “Sincerely, JetBlue,” actual customers gave voice to even deeper JetBlue experiences. In one ad, for example, customer Melissa confided, “Let me tell you, I wanted not to like you, if only because everyone seems to love you. I got on a flight with a pen and paper, waiting to take down every irritating detail.” But, she continued, “two flights later, I was staring at the same blank piece of paper. You’ve done nothing wrong and everything more than right, if that’s possible.” After detailing all the right things the airline does, she mock-lamented, “JetBlue, I wanted not to like you but it can’t be done—at all. Sincerely, Melissa, Portland, Oregon.”

In other Sincerely, JetBlue ads, customers recounted specific service heroics by dedicated JetBlue employees. For example, customer Ann recounted how, when her JetBlue flight was delayed by a snowstorm, the airline eased the long wait by providing pizza and

even a live band. “My [three-year-old] son was dancing. I was dancing,” she remembers. “It made a horrible experience really nice.” And the Steins from Darien, Connecticut, told how they arrived late at night for a family vacation in Florida with their three very tired small children only to learn that their hotel wouldn’t take them in. “Out of nowhere we heard a voice from behind us, go ahead, take my room,” the Steins recalled. “A superhero in a JetBlue pilot’s uniform, who sacrificed his room graciously, saved our night. And we slept like babies. Thank you, JetBlue.”

Delighting customers has been good for JetBlue. Last year, the airline reported record revenues of \$5.4 billion, up 90 percent in just the past four years. Even during recent hard economic times, as many competing airlines were cutting routes, retiring aircraft, laying off employees, and losing money, JetBlue was adding planes, expanding into new cities, hiring thousands of new employees, and turning profits.

Perhaps even more important to future success, customers continue to adore their JetBlue. For nine straight years, the customer-centered company has topped the J.D. Power and Associates customer satisfaction rankings among major U.S. airlines. For the past five years, JetBlue has flip-flopped with fellow customer-service champ Southwest Airlines for the airline industry’s highest customer loyalty scores in the respected Satmetrix Net Promoter rankings. Every year, more than 60 percent of customers have rated JetBlue 9 or 10 on a 0-to-10 point scale indicating the likelihood that they would recommend JetBlue to others.

So, JetBlue really means it when it tells customers YOU ABOVE ALL. “Above all else,” says JetBlue’s Customer Bill of Rights, “JetBlue Airways is dedicated to bringing humanity back to air travel. We strive to make every part of your experience as simple and as pleasant as possible.” Adds JetBlue’s senior VP of marketing: “[YOU ABOVE ALL] gets us back to our DNA, to our original mission.”

Sources: Iris Mansour, “Best in Customer Service,” *Fortune*, August 29, 2013, <http://money.cnn.com/gallery/technology/2013/08/29/social-media-all-stars.fortune/2.html>; “JetBlue and Southwest’s Net Rises on Gains From Capacity Expansion,” *Forbes*, February 4, 2014, www.forbes.com/sites/greatspeculations/2014/02/04/jetblue-southwests-net-rises-on-gains-from-capacity-expansion/; Kevin Randall, “Red, Hot, and Blue: The Hottest American Brand Is Not Apple,” *Fast Company*, June 3, 2010, <http://www.fastcompany.com/1656066/red-hot-and-blue-hottest-american-brand-not-apple>; “The American Customer Satisfaction Index: Benchmarks by Industry,” www.theacsi.org/customer-satisfaction-benchmarks/benchmarks-by-industry, accessed June 2014; Rupal Parekh, “The Newest Marketing Buzzword? Human,” *Advertising Age*, September 20, 2013, <http://adage.com/print/244261/>; and <http://experience.jetblue.com/> and www.jetblue.com/about/, accessed September 2014.

Other companies sponsor *club marketing programs* that offer members special benefits and create member communities. For example, Apple encourages customers to form local Apple user groups. More than 800 registered Apple user groups worldwide offer monthly meetings, a newsletter, advice on technical issues, training classes, product discounts, and a forum for swapping ideas and stories with like-minded Apple fans. Similarly, buy one of those Weber grills and you can join the Weber Nation—“the site for real people who love their Weber grills.” Membership gets you exclusive access to online grilling classes, an interactive recipe box, grilling tips and 24/7 telephone support, audio and video podcasts, straight-talk forums for interacting with other grilling fanatics, and even a chance to star in a Weber TV commercial. “Become a spatula-carrying member today,” says Weber.¹⁷

Engaging Customers

Significant changes are occurring in the nature of customer brand relationships. Today’s digital technologies—the Internet and the surge in online, mobile, and social media—have profoundly changed the ways that people on the planet relate to one another. In turn, these events have had a huge impact on how companies and brands connect with customers, and how customers connect with and influence each other’s brand behaviors.

Customer Engagement and Today's Digital and Social Media

The digital age has spawned a dazzling set of new customer relationship-building tools, from Web sites, online ads and videos, mobile ads and apps, and blogs to online communities and the major social media, such as Twitter, Facebook, YouTube, Instagram, and Pinterest.

Yesterday's companies focused mostly on mass marketing to broad segments of customers at arm's length. By contrast, today's companies are using online, mobile, and social media to refine their targeting and to engage customers more deeply and interactively. The *old marketing* involved marketing brands to consumers. The *new marketing* is **customer-engagement marketing**—fostering direct and continuous customer involvement in shaping brand conversations, brand experiences, and brand community. Customer-engagement marketing goes beyond just selling a brand to consumers. Its goal is to make the brand a meaningful part of consumers' conversations and lives.

The burgeoning Internet and social media have given a huge boost to customer-engagement marketing. Today's consumers are better informed, more connected, and more empowered than ever before. Newly empowered consumers have more information about brands, and they have a wealth of digital platforms for airing and sharing their brand views with others. Thus, marketers are now embracing not only customer relationship management, but also *customer-managed relationships*, in which customers connect with companies and with each other to help forge their own brand experiences.

Greater consumer empowerment means that companies can no longer rely on marketing by *intrusion*. Instead, they must practice marketing by *attraction*—creating market offerings and messages that engage consumers rather than interrupt them. Hence, most marketers now augment their mass-media marketing efforts with a rich mix of online, mobile, and social media marketing that promotes brand–consumer engagement and conversation.

For example, companies post their latest ads and videos on social media sites, hoping they'll go viral. They maintain an extensive presence on Twitter, YouTube, Facebook, Google+, Pinterest, Vine, and other social media to create brand buzz. They launch their own blogs, mobile apps, online microsites, and consumer-generated review systems, all with the aim of engaging customers on a more personal, interactive level.

Take Twitter, for example. Organizations ranging from Dell, JetBlue, and Dunkin' Donuts to the Chicago Bulls, NASCAR, and the Los Angeles Fire Department have created Twitter pages and promotions. They use "tweets" to start conversations with and between Twitter's more than 645 million registered users, address customer service issues, research customer reactions, and drive traffic to relevant articles, Web and mobile marketing sites, contests, videos, and other brand activities.

Similarly, almost every company has something going on Facebook these days. Starbucks has more than 36 million Facebook "fans"; Coca-Cola has more than 80 million. And every major marketer has a YouTube channel where the brand and its fans post current ads and other entertaining or informative videos. Artful use of social media can get consumers involved with and talking about a brand.

Rental car company Hertz uses a broad range of digital and social media to engage its customers and boost sales:¹⁸

A recent Hertz study found that consumers who engage in social conversations about the brand are 30 percent more likely to make a purchase than those who don't. And customers who engage in Hertz-related social activity in early stages of the rental process are four times more likely to visit Hertz's Web site. So, Hertz now incorporates social media in almost all of its marketing, such as Twitter hashtags, links to major social media, and sharing features. For example, Hertz's Twitter feed is a 140-character customer-service line that tends to each problem and question posted by members. On the brand's Facebook and Google+ pages, Hertz posts specials, such as waiving the young driver fee for car rentals during the spring break season. On its "Traveling at the Speed of Hertz" YouTube channel, Hertz posts

Customer-engagement marketing

Making the brand a meaningful part of consumers' conversations and lives by fostering direct and continuous customer involvement in shaping brand conversations, experiences, and community.

facebook

Hertz Share It Up! Deals

THIS OFFER GROWS IN VALUE FOR YOU AND YOUR FRIENDS THE MORE YOU SHARE IT UP!

SAVE UP TO \$35

Save Up to \$35 (up to \$7/day) just by sharing!

Starting value: \$15 Maximum value: \$35

Time remaining: 12 days, 15:53:16

Click the Share It Up! button to participate in this offer, and to share it with friends to help increase its value!

Number of People in the Group: 0

People Needed to Unlock Next Tier: 1 Needed (0%)

1 more person must share this offer via the Share It Up! button to unlock the \$35 coupon.

Starting Offer	Save up to \$15
1 total people	Save up to \$25
3 total people	Save up to \$30
8 total people	Save up to \$35

● **Customer engagement and the social media: Hertz's "Share It Up" social media campaign gave larger discounts to customers who shared Hertz coupons with social network friends. At least 45 percent of users who saw the coupons ended up sharing them.**

Hertz System, Inc.

its latest commercials as well as videos about new features such as its ExpressRent Interactive Kiosks. More than just creating conversations, Hertz also uses the social media to help build sales.

● Last year, the brand ran a “Share It Up” campaign on Facebook using social coupons to increase visibility. Users who shared the coupons with friends on Facebook and other social networks earned larger discounts based on how often they shared the coupon with friends. At least 45 percent of users who saw the coupon ended up sharing it.

The key to engagement marketing is to find ways to enter consumers’ conversations with engaging and relevant brand messages. Simply posting a humorous video, creating a social media page, or hosting a blog isn’t enough. Successful engagement marketing means making relevant and genuine contributions to consumers’ lives and conversations. According to David Oksman, chief marketer for T-shirt and apparel maker Life is good, engagement and social media are “about deep meaningful relationships that go beyond the product you are selling. The real depth of engagement is in the commenting and community that go on [around the brand]” (see Real Marketing 1.2).¹⁹

Consumer-Generated Marketing

A growing form of customer-engagement marketing is **consumer-generated marketing**, by which consumers themselves are playing a bigger role in shaping their own brand experiences and those of others. This might happen through uninvited consumer-to-consumer exchanges in blogs, video-sharing sites, social media, and other digital forums. But increasingly, companies themselves are inviting consumers to play a more active role in shaping products and brand content.

Some companies ask consumers for new product and service ideas. For example, at its My Starbucks Idea site, Starbucks collects ideas from customers on new products, store changes, and just about anything else that might make their Starbucks experience better. “You know better than anyone else what you want from Starbucks,” says the company at the Web site. “So tell us. What’s your Starbucks idea? Revolutionary or simple—we want to hear it.” The site invites customers to share their ideas, vote on and discuss the ideas of others, and see which ideas Starbucks has implemented.²⁰

Other companies invite customers to play an active role in shaping ads. For example, for the past eight years, PepsiCo’s Doritos brand has held a “Crash the Super Bowl” contest in which it invites 30-second ads from consumers and runs the best ones during the game. The consumer-generated ads have been a huge success. Last year, Doritos opened up the contest to people in all 46 countries where Doritos are sold. From more than 5,400 entries, Doritos aired two fan-produced ads during the Super Bowl. Past campaigns have produced numerous top-place finishers in *USA Today’s* AdMeter rankings, earning their creators \$1 million in cash prizes from PepsiCo’s Frito-Lay division. In the recent campaign, the prizes were instead awarded based on fan votes at Doritos.com. The winner, “Time Machine”—a witty ad about a man who humors a small kid by taking a ride in his cardboard box time machine, only to be hoodwinked out of his bag of Doritos—earned its amateur creators the \$1 million in cash. The homemade commercial cost \$200 to make and took just eight hours to shoot.²¹

Despite the successes, however, harnessing consumer-generated content can be a time-consuming and costly process, and companies may find it difficult to glean even a little gold from all the garbage. For example, when Heinz invited consumers to submit homemade ads for its ketchup on its YouTube page, it ended up sifting through more than 8,000 entries, of which it posted nearly 4,000. Some of the amateur ads were very good—entertaining and potentially effective. Most, however, were so-so at best, and others were downright dreadful. In one ad, a contestant chugged ketchup straight from the bottle. In another, the would-be filmmaker brushed his teeth, washed his hair, and shaved his face with Heinz’s product.²²

Moreover, because consumers have so much control over social media content, inviting their input can sometimes backfire. ● For example, McDonald’s famously launched a Twitter campaign using the hashtag #McDStories, hoping that it would inspire heartwarming stories about Happy Meals. Instead, the effort was hijacked by Twitter users, who turned the hashtag into a “bashtag” by posting less-than-appetizing messages about their bad experiences with the fast-food chain. McDonald’s pulled the campaign within only two hours, but the hashtag was still churning weeks, even months later.²³

As consumers become more connected and empowered, and as the boom in digital and social media technologies continues, consumer brand engagement—whether invited

Consumer-generated marketing

Brand exchanges created by consumers themselves—both invited and uninvited—by which consumers are playing an increasing role in shaping their own brand experiences and those of other consumers.



● **Consumer-generated advertising difficulties: McDonald’s now-infamous #McDStories Twitter campaign backfired when Twitter users turned the hashtag into a “bashtag.”**

© PSL Images / Alamy (logo) and
© John Schwegel / Alamy (bird)

Real Marketing 1.2

Life is good: Engaging Customers and Spreading Optimism

Building customer engagement may sound simple at first. But meaningful engagement involves much more than just tacking a buzzword onto a mission statement or setting up social media pages. The fibers of true customer engagement are woven deeply into the company and brand culture.

For starters, a brand must have a story to tell—an authentic, engagement-worthy sense of purpose that goes beyond the product. Then, rather than force-feeding the brand to customers, the company must engage them on their own terms, letting them help shape and share their own brand experiences. Finally, weaving the brand into customers' lives requires going where customers congregate. Increasingly, that means meeting up with customers in the digital world with online and social media.

All of these customer-engagement essentials seem to come naturally to T-shirt and apparel maker Life is good. The brand was founded with a deeply felt sense of purpose: spreading the power of optimism. Optimism is where everything begins for us. Life is good. It's not a strategy; it's ingrained in who the company is.

In fact, Life is good doesn't even consider itself a clothing company. Instead, it's a lifestyle brand that spreads the power of optimism. More than just making T-shirts with fun sayings on them, the brand rallies people around the belief the power of optimism, and everything spirals out from there. The company backs its optimism philosophy with good deeds. For example, it donates 10 percent of its net profits each year to the Life is good Foundation to help kids in need.

It all started with founders Bert and John Jacobs selling T-shirts out of an old van at colleges and street fairs. After five years, with little to show for their efforts and on the verge of closing up shop, the brothers gathered friends at their apartment to get feedback on a new set of designs. The friends overwhelmingly chose Jake—the now-familiar beret-wearing, happy-go-lucky stick figure—and the slogan, “Life is good.” Jake has now become a pop-culture icon. And the company's apparel has

become a canvas for the optimistic Life is good message.

Life is good's infectious philosophy is a powerfully engaging one that people want to embrace and pass along to others. “The brand is about helping people to open up, create relationships, and connect with other people. Engagement . . . spreading optimism . . . is what Life is good does.”

Such fundamental Life is good concepts—connecting, sharing, spreading optimism—don't lend themselves well to traditional apparel marketing that pushes products and messages out to the masses. Instead, the Jacobs brothers understood that nurturing the Life is good brand would require letting customers interact with and share the brand on their own terms. For example, every year the brand holds a Life is good Festival that draws tens of thousands of fans with family-friendly activities and an all-star entertainment lineup.

More recently, as all things digital have exploded onto the marketing scene, online and social media have become a perfect fit for sharing the Life is good mission with customers. Today, the company fosters a community of Optimists with more than 2.5 million Facebook fans, 250,000 Twitter followers, 25,300 followers on Pinterest, and an active YouTube channel. Life is good Radio provides a 24/7 playlist, because—as the site tells us—“Good tunes and good vibes go hand in hand.”

But the strongest engagement platform is the brand's own Web site, Lifeisgood.com, one of the most active customer-engagement sites found anywhere online. The site's “Live It” section gives brand fans a breath of “fresh share.” It's a place where they share photos, videos, and stories

showing the brand's role in their trials, triumphs, and optimism. The postings illustrate the depth of engagement and inspiration the Life is good brand engenders. Here are just a few examples from the hundreds, even thousands, of user-generated postings you'll find at the Lifeisgood.com:

- *Jake and Jackie.* A photo of a couple's forearms, one featuring a colorful tattoo of Jake, the other a tattoo of his female counterpart Jackie, each with the Life is good tagline. “Here are pictures of our tattoos,” says the couple. “Life is truly good!”
- *Love Is in the Air.* A couple holding up a Life is good banner, proclaiming “We used this pic [to spread] news of our engagement!!”
- *Thanks from Sebeta!* A picture of two young boys with the caption, “A couple of the blind students at the Sebeta School



Engaging customers: Life is good starts with a deeply felt, engagement-worthy sense of purpose: spreading the power of optimism. Then, “the real depth of engagement is in the commenting and community that go on around the brand.”

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