Introduction

Key Terms: production concept, selling concept, product concept, marketing myopia, marketing concept, societal marketing concept, general demarketing, selective demarketing, market segmentation, target market, marketing strategy, the 4Ps, fighting the last war, VUCA, marketing mix, definition of marketing, relationship marketing, corporate social responsibility (CSR), triple bottom line, conscious capitalism, benefit (B) corporation, ESG ratings, cause marketing, social marketing, entertainment-education, convenience goods, shopping goods, specialty goods. Influence of the internet on marketing. characteristics of a virtuous firm, effective altruism.

Production Concept — Firms that follow this philosophy focus on manufacturing products that are relatively easy to produce; the firm does everything it can to improve production efficiency and thereby lower the price of the product. The problem with this approach is that it does not focus on the needs of the customer. Since the focus is on production efficiencies, this means the firm has to "sell" the product after manufacturing it.

Selling Concept — Firms that follow this philosophy focus on "pushing" the product using advertising and promotion. Please note that marketing is not selling: selling is similar to pushing, and marketing, we will see, is more like pulling. A firm that promotes a product heavily after it is manufactured is in danger of creating a dissatisfied customer. People are very likely to be disappointed in the product's performance. Your textbook cites a study that shows that a dissatisfied customer is likely to complain to ten others about a bad experience with a product.

Product Concept — Focusing too much on one's product and trying to make it the best-performing product in the market via improvements can also be dangerous. **Marketing myopia** is a term coined by Theodore Levitt to describe firms that define themselves in terms of a product rather than in terms of the need that the product satisfies. For example, the public does not want rail transportation, it wants fast, inexpensive, and convenient transportation. The railroads made a great deal of money during the latter part of the 19th Century. They made the mistake of thinking that the public wanted rail transportation. Much of their business was taken away by newer modes of travel (planes stole much of their passenger business; planes and trucks took away a great deal of their freight shipping business). The railroads should not have focused on rail transportation but on transportation in general. The goal is to do the best job of satisfying one's customers. Consumers want energy, not necessarily oil; education, not necessarily in classrooms; communication, not necessarily by telephone; music, not necessarily on cassettes; and entertainment, not necessarily films or television. A firm that defines itself in terms of a product, *e.g.*, a firm that insists that it is in the business of providing long-distance telephone service, might become obsolete. It is dangerous to define one's business too narrowly the way the railroads did.

In topic 2, we will discuss the **six major macroenvironmental variables.** Vijay Govindarajan and Chris Trimble stress that CEOs have to "manage the present, selectively forget the past, and create the future." Of course, CEOs that do not do a good job of managing the present and making their organizations efficient and quality-oriented will not be successful. A well-run company must be concerned with quality and costs. However, managing the present is not enough.

Marketing Concept — One of the most important terms that you will learn in this course is the marketing concept**.** If a firm wants to achieve its goals it has to focus on satisfying the needs of its customers. These goals do not necessarily have to relate to profit since any firm that is involved in a transaction should follow the marketing concept. Libraries, politicians, colleges, hospitals, and many other kinds of organizations should be marketing-oriented. If a firm focuses on satisfying the needs of its customers, it does not have to **"push"** its product. The public will demand the product and **"pull"** it through the channel of distribution. Note what happens in a college when a course or program is offered that satisfies students' needs for getting a good job. You do not have to beg students to take the course or to major in that program.

As you can see from the above discussion, the two major concerns of marketing-oriented firms that abide by the marketing concept are discovering consumer needs and then doing everything possible to satisfy those needs. This, in a nutshell, is what marketing is all about.

What do we expect of organizations that abide by the marketing concept?

(1) They use marketing research to ensure that they are indeed performing well. Marketing research is used to help develop new products and to determine whether the new product will actually satisfy the needs of customers.
(2) They are innovative and constantly improving their products/services to maximize their customers' satisfaction.
(3) They understand that a market is not monolithic, *i.e.*, not everyone has the same needs. Therefore, they will practice **market segmentation**. For instance, the market for soap consists of such segments as: those that want a "pure" soap (mothers for their babies), those that want an anti-bacterial soap (teenagers), those that want an anti-deodorant soap (people worried about body odors), those that want an inexpensive soap (bargain shoppers) , those that want a creamy soap (women who want soft skin), those that want an abrasive soap (mechanics), and those that want a soap that makes one feel fresh.
(4) They will have a **target market**. To come up with a **marketing strategy**, you must select a target market and develop the best **marketing mix** (discussed below) to satisfy this target market Thus, a marketing strategy is a target market + an optimum marketing mix to satisfy the target market. The marketing mix is the 4 Ps of marketing: product, price, promotion, and place. Needless to say, selecting the right **target market** for a product or service is very important in marketing. It is naive for a company to believe that it can satisfy everybody; after all, we all have different needs. See the example below dealing with hospitality marketing. Does every vacationer have the same needs?

The idea of going on a vacation to gamble makes no sense to me. My wife and I prefer a quiet vacation where we can rest in the sun with a good book. We do not gamble and have no interest in partying. In fact, we want to stay at a quiet hotel that serves stewed prunes and prune juice with every meal (just joking-- we are not that old).
(5) They do not suffer from "**marketing myopia.**" They define their business in terms of a need (which they will satisfy) and not in terms of a particular product.
(6) They are concerned about improving the quality of their products. Defective products will not result in customer satisfaction. Many firms have special procedures for dealing with customer complaints and do everything possible to resolve problems.

Companies should not focus on existing products but on customer needs. This is the reason the marketing concept became the philosophy that guides most firms today. The blunders described below demonstrate what happens when CEOs do not understand marketing. A CEO with vision understands the importance of not focusing on current products but on the best ways to satisfy customers.

Blunder: Kodak Invents Digital Camera in 1977 and Does Not Take Advantage of it

This is a common mistake by CEOs who lack vision. They are making a great deal of profit on existing products and take too long to switch to a newer and better product. Kodak was a world brand and made enormous profit from film. The company invented the digital camera back in 1977 but was reluctant to switch to the better technology because of the great profits they were making on film. By the time the company switched to digital technology, it was too late: other firms had taken over the digital market.

Blunder: Blockbuster Misses Opportunity to Buy Netflix

In 2000, Blockbuster was very successful and had thousands of video stores. Back then, consumers went to Blockbuster to rent videos. Netflix approached Blockbuster with a deal in which Blockbuster would take care of the in-store part of the business (this would eliminate the need to mail DVDs to customers; Netflix was mainly a DVD mailing service back then) and they would take care of the online (streaming) part of the business. Blockbuster laughed the Netflix executives out of their office. Reed Hastings was ready to sell Netflix, the company he started, to former Blockbuster CEO John Antioco for $50 million. Antioco saw Netflix as a “very small niche business.” Several years later, Blockbuster went bankrupt and Netflix flourished.

Blunder: News Corp Mismanages MySpace

In 2004, MySpace was the fifth most-viewed internet site. More than one million customers had signed up for the first social media site. People were creating MySpace pages and the company was doing very well. In 2005, Rupert Murdoch’s company, News Corp purchased MySpace for $580 million. Unfortunately, Murdoch was too greedy for quick profits and crowded MySpace with too many advertisements. This

angered users who switched to ad-free Facebook. News Corp also failed to keep adapting the site and make it better. At its peak in 2008, MySpace had 75.9 million unique visitors and its value was estimated at $12 billion; but things started going downhill quickly. In 2011, Murdoch sold MySpace for $35 million.

Blunder: Xerox Develops Innovative Computer Technology and Does not Recognize its Value

In the early 1970s, Xerox developed the graphical user interface (GUI) that uses icons and a mouse at its PARC research and development lab. This GUI allowed users to work with icons on a computer rather than text. Today, this GUI it is used by almost every personal computer. Unfortunately, Xerox was so focused on profits that come from copying machines that they did not recognize the value of the GUI. Xerox even developed a personal computer -- which they never marketed -- called the Xerox Alto that used the interface. Executives at Xerox were used to productivity measures like “pages copied” and did not understand how important the GUI desktop would become. Against the advice of their own design team, they allowed Steve Jobs and several Apple employees to visit the PARC facilities in exchange for some Apple stock. That visit enabled Apple to become a multi-billion dollar company. Xerox later tried suing Apple for using the GUI technology in the Apple Macintosh personal computer but the case was dismissed. Jobs remarked: “If Xerox had known what it had and had taken advantage of its real opportunities, it could have been as big as I.B.M. plus Microsoft plus Xerox combined—and the largest high-technology company in the world.”

Blunder: IBM allows Microsoft to Retain Copyright for DOS Platform

In 1980, IBM approached Bill Gates to develop an operating system for its personal computers. Microsoft was a small firm with a 40 employees and annual revenues of $7.5 million; IBM had more than 340,000 employees. Gates, took the job and provided IBM with the system known as PC-DOS in exchange for $80,000. There was a stipulation that the copyright for the operating system would remain with Microsoft. This allowed Microsoft to sell its operating system to other personal computer manufacturers as MS-DOS. IBM did not realize at the time that the real money to be made was not in the hardware but the software. Today, Microsoft is worth more than IBM and has greater revenues.

Vijay Govindarajan and Chris Trimble (see *Harvard Business Review* Jan.-Feb 2011, "The CEO's Role in Business Model Reinvention") ask why Microsoft did not create Google, Blockbuster create Netflix, and AT&T create Skype? Their answer is: "many companies become too focused on executing today's business models and forget that business models are perishable. Success today does not guarantee success tomorrow." This is very similar to what Levitt said in his classic article, "Marketing Myopia." CEOs have no choice and must focus on the future and consider how forces of change such

as technology, culture, demographics, legal, globalization, and the natural environment will impact their business. The business model that works today may be obsolete tomorrow.

Blunder: Yahoo Had Two Chances to Buy Google

At one time, Yahoo was the most popular internet search engine. They had a chance in 1998 to license the new search technology developed by Sergey Brin and Larry Page for $1 million. Yahoo declined the offer. In 2002, Yahoo was ready to purchase Google for $3 billion but Page and Brin wanted $5 billion, Yahoo again declined.

Yahoo was sold in 2018 to Verizon for $4.48 billion. In 2020, Google's market cap was more than $1 trillion.

Greatest Corporate Comeback in Corporate History

Apple could easily have made it to the list of business failures. People forget that Apple was almost bankrupt in 1997 and is now arguably the most successful company in the world's history with a market capitalization of more than $1 trillion. Some see this as the "greatest corporate comeback of all time." The failure to innovate was what got the company into severe financial trouble. The economic situation was so dire that Michael S. Dell, C.E.O. of Dell Technologies, said that he would shut down Apple if it were up to him. Apple was saved from bankruptcy when Microsoft rescued it with a $150 million investment. Steve Jobs returned to Apple and understood that the company had to be innovative, change the rules, and think outside the box to survive. Jobs was responsible for innovations that include iMacs, iPods, iPads, iTunes Music Store, and iPhones.

Fighting the Last War

In the military, the expression "fighting the last war" has become shorthand to describe the folly of using old strategies when fighting current battles. Just as the Industrial Revolution changed the way wars are fought, digitization has changed the rules of competition. Organizations that succeed will have a flexible, futuristic leader who understands the importance of agility and speed and knows when to change course. Wars of the future will involve cyberwarfare, drones, and possibly robots.

We live in a VUCA world with an environment that is volatile, uncertain, complex, and ambiguous. The term VUCA was coined by the U.S. Military and is now a popular buzzword in the corporate world. In this kind of turbulent business world, the biggest threat to an organization is not necessarily a familiar competitor. Threats can come from anywhere, and every business is vulnerable to obsolescence that might come from evolving technology and/or globalization. Schwab (2016) maintains that the Fourth Industrial Revolution has begun. It is based on cyber-physical systems and is characterized by super-fast breakthroughs due to technology. The world has never seen

so many rapid advances in diverse fields, and society is evolving at an extraordinary pace. Leadership styles that might have worked during the industrial age will be disastrous during the Fourth Industrial Revolution. According to Wolfe (2016, pp. 18-19): "Leadership agility and the ability to improvise on the fly are now fundamental skills if organizations are to succeed in this VUCA world... Leadership selection and development must be focused on identifying talent with critical thinking skills, the ability to innovate, a passion for continuous learning, resourcefulness, and adaptability."

Is Higher Education in Trouble?

Many scholars believe that higher education is in trouble because it is not adapting quickly enough. Dinosaurs did not disappear because they were weak; the problem was that they could not adapt. A key purpose – admittedly not the only one – of higher education is to improve workplace skills. The six-year graduation rate for full-time undergraduate students is now about 64%. Researchers have been talking about a **"disconnect between education and employability."**

According to the 2021 AAC&U (Association of American Colleges and Universities) survey, "Six in 10 employers said that college graduates possess the knowledge and skills needed to succeed in *entry-level* positions." This means that 40% have spent many years in college and do not possess the basic skills for an entry-level job. Higher education institutions are competing with numerous boot camps and certificate programs that provide skills training and only take six months. Saylor University offers various courses on the internet for free (see https://www.saylor.org/). This is from the Saylor University website:

> **Your Bridge to Better**
>
> **Learn new skills, earn credit toward a degree, or advance your career at your own pace. Build your bridge to better anywhere, at any time, with** free **courses at Saylor Academy.**

Note that marketable skills are emphasized. Indeed, Saylor University offers a course in marketing.

Wingard (2022), President of Temple University, has also declared that if higher education refuses to change, it will die. One of the critical problems he highlights is that employers do not believe that a college degree guarantees that prospective employees will have the necessary skills to do the job. Many prefer hiring high school students willing to obtain career certificates and attend boot camps.

> On the surface, it makes sense. Who needs a four-year marketing degree graduate to run social media when you can instead hire someone fresh out of high school and sign them up for HootSuite's Academy's social media certification course? Why pay for a

> six-figure education when HootSuite can get you some of the same skills in just six hours and for less than $200?
>
> We all know that a $200 certificate program does not remotely equate to a four-year education from a best-in-class institution like Temple University, but perception is everything. And the reality is that the perceived value proposition that was once a constant for institutions of higher education becomes cloudier day by day, with just six in 10 Americans recently surveyed saying college is worth the time and money (Wingard, 2022, paras. 11-12).

Marketing Mix: The Four P's of Marketing
PRODUCT: What features/benefits to offer in order to satisfy the needs of one's target market. This includes packaging, branding, and warranties.
PRICE: What price to charge? You have to do research to see how your target market/customers will respond to your price. You may have a fabulous product but your target market may not buy it if they believe it is overpriced.
PLACE: You have to get the product to the customer/target market when s/he needs it. A great product is of no value to the customer if it arrives three months after it is needed (imagine buying a beautiful wedding dress or tuxedo and it arrives after the wedding). We will be learning about channels of distribution. Many of you are purchasing textbooks via the Internet while others are using the college bookstore--two very different channels of distribution.
PROMOTION: Is concerned with communicating with customers/target market and convincing them that your product/service offers real benefits. Includes advertising, publicity, sales promotions, and personal selling.

The four Ps are the **controllable** marketing mix factors, i.e., the organization can control and manipulate them. An organization has little control over such factors as the economy, government regulation (they may try to do some lobbying), or social. Forces over which an organization has little control are known as **environmental factors.** For example, if the United States Government passes legislation requiring all cars to be nonpolluting, this would be an example of government regulation, an environmental factor. Of course, this would have a huge impact on automobile sales. Other environmental factors include economic, regulatory (legal), competitive, social (this includes cultural), technological, etc. Thus, the five major environmental factors are social, technological, economic, competitive, and regulatory (legal). Global warming is a controversial area and the government may pass laws to reduce it-- this may have an impact on many industries. If you think regulation is not an issue, restaurants in NYC may no longer use trans fats in their products. I am sure this had an impact on many restaurants.

Thanks to the COVID-19 pandemic, we have all gotten used to purchasing products online. Consumers prefer purchasing products this way. A large number of people are

working remotely and do not go to the office in the city on a regular basis. The need for office space has decreased dramatically. This is also why many malls are in trouble: consumers prefer shopping online.

Societal marketing concept – unfortunately, satisfying customers' short-term needs may not be compatible with society's needs. For instance, your customers may prefer large automobiles, disposable diapers, hamburgers, no-deposit bottles, etc. Society is better off if we drive small cars, use cloth diapers, and eat soy burgers. Should a firm worry about its customers' short-term needs, or consider what is best for society? Think about this. Social responsibility is the belief that organizations have a responsibility to society as a whole. An organization must think of the effects its actions have on society. Convincing the public to purchase products that are unhealthy and clog arteries are not in the best interests of society. There is nothing wrong with making a profit but a firm must also care about society. It is often possible to satisfy the needs of customers and at the same time provide for the needs of society. We will be learning a little about green marketing in this course. Some companies have learned how to make a profit while providing for society's well-being and also making sure to satisfy customers' needs. Consumers are willing to pay more today (around a 10% markup for sustainable products. They are much more concerned about the environmental impact of products than in the past.

Several companies are concerned about the amount of plastic waste in garbage. Only about 6% of plastic gets recycled and it can only be reused once or twice. The United States generates about 500 pounds of plastic waste per person annually. Some companies are making their cleaning products refillable with bottles that are meant to be reused. The consumer buys a concentrate, reconstitutes it with water, and fills up a spray bottle. Right now, refillable products are more expensive than the single-use plastic containers.

Obesity is a national problem. About 20% of young adults are overweight; about 40% of adults are obese. There has been a great deal of pressure on fast food companies to make meals targeted to children more nutritious and to stop including toys in fast food meals. The goal is to break the connection between toys and (unhealthy) meals served at fast food restaurants. McDonald's is yielding to the pressure put on it by various consumer groups by offering healthier meals with fewer calories. Sugary drinks are also implicated in obesity.

By now you should realize that the primary objective and first task of marketing is to discover the needs of consumers. A **need** occurs when an individual feels that s/he lacks a basic necessity. A want, on the other hand, is something learned; it is shaped by such factors as culture, experience, social influence, family influence, etc. A market is composed of potential consumers with the desire and ability to purchase a specific product. The group or groups towards which a company or organization directs, focuses and concentrates its marketing program is the **target market**.

Extending the Principles of Marketing

As noted above, the principles of marketing are being extended to such areas as the marketing of ideas, political marketing, and even marketing the volunteer army. Whenever there is some type of exchange, it is important to understand marketing. Politicians, for instance, understand that they must segment voters and select a target market(s). A good politician does research to learn what voters want (jobs, increase in social security, homeland security, health insurance, strengthening the traditional family, etc.). Direct mail and Internet marketing with different messages for different groups is one tool being used by shrewd politicians.

Even libraries have started using marketing. Libraries are being defined as a place to find information, not only books. (If they define themselves solely as a place to borrow books they are suffering from marketing myopia.) This is why libraries have numerous computers and wireless networks so that anyone with a laptop can access the Internet. Libraries also have DVDs since they are almost as important as books. Today, you can borrow an eBook from the library and download it to your Kindle.

Colleges are also using sophisticated marketing tools to attract students. This is becoming a hot area since colleges find themselves competing for students. Research shows that students choose schools based on reputation, convenience, and course offerings. Hospitals are also becoming marketing-oriented. Patient satisfaction is becoming very important to hospitals. Customer satisfaction is very important in marketing (indeed, that is what the marketing concept is all about). Today, hospitals and colleges are learning about the importance of satisfying patients and students, respectively. Do you think this college has done a good job of satisfying you?

Can marketing help a church expand its membership? Read "The Soul of the New Exurb" by Jonathan Mahler (*New York Times Magazine*, March 27, 2005, pp. 30-50) to learn how Pastor Lee McFarland built a mega-church (weekly attendance of 2,000+) in the exurb of Surprise, Arizona; weekly attendance is 5,000. Before building the church, McFarland did some marketing research and asked only two questions: "What's your favorite radio station?" "Why do you think people don't go to church?" What he found was that the people living in Surprise liked rock music; they did not go to church because they did not own fancy clothing, did not like to be asked for money, and felt that the church sermons they heard in the past were not relevant to their lives. His church has no crosses or other religious icons; no stained glass and it looks like a mall. Krispy Kreme doughnuts are served ($16,000 a year spent on the doughnuts), the dress code is lax, and Pastor McFarland wears a T-shirt and jeans. Half of each service is devoted to Christian rock. McFarland's "sermons" deal with what he calls "successful principles of living." People are attracted to the church for various reasons including aerobics classes, child care, counseling, financial planning, etc. Radiant has small groups for all kinds of people: widows, divorced, etc. This is known as getting people in through the side door (going to church for Sunday sermon = front door). Small groups allow people to share their pains and hopes. Outdoor advertisement for the church: "Isn't It Time You Laughed Again?" with a picture of happy family.

The church has a branch of Celebrate Recovery, a Christian program for recovering addicts that is similar to the 12-step program of Alcoholics Anonymous. Recovering addicts can feel comfortable talking about their Christian beliefs at the Celebrate Recovery meetings.

Definition of marketing

The American Marketing Association's (AMA) previous definition (2004) of marketing was:
"Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders."

The new definition of marketing, as of 2008, is: ***"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."***

Note that the definition of marketing focuses on the lifetime value of a customer. All the functional areas have to take an "integrated marketing" approach and work towards the goal of satisfying and delivering value to customers. If you do not truly care about your customers, you are not a good marketer. Also, note the importance of all stakeholders and society at large. A good marketer is not only concerned with making money.

Relationship Marketing:
Relationship marketing is concerned with the long-term and not merely to sell a product or service to a customer one time, and that is it. The goal is to have a satisfied customer and establish an ongoing, personal, and long-term relationship with him or her. This means that the organization will have to understand the needs of the customer as they change over time. A firm that believes in relationship marketing wants to establish a connection with the customer. It is important to communicate with the customer and develop the relationship. Without two-way communications, it is difficult to develop a relationship. What matters is the lifetime value of the customer, not how much money a firm makes with one transaction. One goal of relationship marketing is customer retention, i.e., to keep an organization's existing customers. The cost of keeping an existing customer is a fraction of the cost of finding a new customer. It is therefore foolish for a firm to ignore existing customers and focus solely on finding new ones. Of course, if a firm only expects to sell a product to a customer once, than relationship marketing may not be an issue. Think of all those stores selling electronic appliances in mid-town to tourists. They do not expect to ever see those customers again so they do not think of relationship marketing. If a company expects to do business with a person for many years, there is no question that it should be concerned about having a long-term relationship with customers, i.e., relationship marketing. This is how Brooklyn College or any college for that matter should see its students. The college expects to have a long-term relationship with you. In fact, after you graduate, we

want you to come back and visit and hopefully donate some money to the college (especially the Business Program).

Quality of automobiles:

J.D. Power & Associates conducts two important surveys of vehicle quality: (a) Initial Quality Study which measures complaints about automobiles in the first three months of ownership and (b) Vehicle Dependability Study which measures complaints over the first three years of ownership. The firm uses a mail survey (100,000 questionnaires mailed out) and asks new car buyers to report problems.

Lexus, a very expensive luxury car, has been number 1 for many years (162 problems per 100 cars). The industry average is 269 problems per 100 cars.
Note that firms are striving to improve their quality. Good marketing is about improving quality and thereby satisfying one's customers. The goal should be 0 problems per 100 cars. J.D. Power & Associates is now involved in the rating of customer satisfaction in many new areas such as hospitals, cell-phone providers, and satellite dishes. Nowadays, consumers purchasing products on the internet can see product reviews. Many people will not purchase products unless they receive good ratings. Personally, I even check the ratings of books before downloading them from the library to my Kindle.

Demarketing

Sometimes it is necessary to demarket a product. There are two types of demarketing: general demarketing and selective demarketing. **General demarketing** is used when a firm (or government) wants to demarket to everyone. For instance, the government demarkets cigarettes and alcohol (discouraged goods) and illegal drugs (a banned good).

There are situations in which a company demarkets to one specific market segment. This is called **selective demarketing**. An example of this would be a resort in the Poconos that does not want the business of singles and prefers couples. Also, some areas in Florida prefer elderly vacationers and demarket to college students. This is accomplished by promoting in a way that attracts the desired target market and is unattractive to the demarketed segment. Photographs of elderly people in a promotional brochure that describes exciting bingo nights and shuffleboard tournaments should do the trick. There are adult resorts that cater to adults and children are not permitted. Many clubs use dress codes to keep out certain kinds of people. The bouncer checks what you are wearing and if you are wearing the "wrong" kind of clothing you will not get in. The goal is to keep out people who are not in the target market and the clothing we wear says a great deal about us. A man wearing an expensive blazer and a $500 pair of shoes makes a different impression than someone wearing a torn t-shirt, shorts, and Crocs.

Demarketing is necessary when there is a limited supply of a product and very heavy demand. In the past, gasoline was demarketed (general demarketing), and it is quite

likely that electricity will have to be demarketed if the supply situation does not improve soon. Water is becoming scarce in many regions, and general demarketing will be necessary. This is the reason NYC installed water meters in homes. One way to encourage water conservation is to charge by the amount of usage.

Back in 2001, the State of California demarketed the use of electricity. People were told how important it was to conserve electricity and what they could do to help. The public was also informed that they could make a difference. According to a study by Reiss and White, the demarketing campaign worked. The consumption of cigarettes declined by 57% from mid-1970 to 2007, primarily due to the high price of a pack of cigarettes.

As noted above, obesity is a serious problem in the United States. Subsidies to farmers who grow corn keep the price of high fructose corn syrup (used as a sweetener) relatively low. There is also a hidden cost to society when we eat unhealthy foods. We need significantly more health care. In fact, one out of three Americans is diabetic or pre-diabetic. The health care costs associated with sugary drinks are astronomical. It is clear that education has not worked to demarket unhealthy foods. What researchers feel does work is a tax on junk foods. Yale University's Rudd Center for Food Policy and Obesity does research on the effects of taxing sugar-sweetened beverages. An increase of 20% in the price of a sugary drink should result in a 20% decrease in consumption of these products; this would also mean 400,000 fewer people becoming diabetic and 1.5 million fewer obese people in the US. Several countries are already doing this as a way to demarket sugary beverages.

Tools used to demarket include:
Higher prices – This is one justification for high taxes on cigarettes and liquor.
Counter-advertising – *e.g.*, counter-ads advising young people not to take crack, cocaine, or heroin.
Limiting advertising – Cigarettes, for example, may not be advertised on television.
Limited distribution – Alcohol may only be sold in stores with a license.
Warning labels.
Development of substitutes.

Question to Ponder:

Should the Government spend more on demarketing cigarettes given the data below? What do you think?

> The eventual risk of death from smoking is high, with about one-half to two-thirds of long-term smokers eventually being killed by their addiction. These deaths involve a substantial number of life years forgone. About half of all tobacco deaths occur at ages 35 to 69, resulting in the loss of about 20 to 25 years of life, compared with the life expectancy of nonsmokers (Source: https://www.ncbi.nlm.nih.gov/books/NBK11741/).

What happened to "pink slime"? About 70% of ground beef sold in America in 2011 contained "lean finely textured beef" (also known as "pink slime"). According to most consumer experts it is healthy, safe, tasty, and relatively cheap. It is made from the beef scraps that are left from the cow carcass after the steaks and roasts are removed. It is treated with a little ammonia (too much ammonia and the product smells bad) to make sure that the salmonella and E. coli are killed. Those of us who eat hot dogs and hamburgers are already eating beef scraps. What hurt the product was the media (Jamie Oliver did a show on lean finely textured beef and poured a great deal of ammonia on the beef scraps to show how pink slime is made--a clip on YouTube was viewed by 1.5 million people). Calling the product "pink slime" (the term was coined in 2002 in an email sent by someone in the Agricultural Dept.) did a wonderful demarketing job. If you want to demarket a product, give it a horrible name.

Demarketing meat. Read this article to understand the problems associated with meat consumption.

https://www.nytimes.com/2022/12/15/opinion/food-diets-meat-biodiverstiy-cop15.html

This is a quotation from the above paper:

> That's because livestock chew up far more land per calorie than crops. Producing beef is 100 times as land-intensive as cultivating potatoes and 55 times as land-intensive as peas or nuts. Livestock now use nearly 80 percent of agricultural land while producing less than 20 percent of calories. Cattle are the leading driver of deforestation in the Amazon, followed by soybeans, another commodity, which get fed to pigs and chickens. Meat consumption is expected to increase dramatically as billions of the global poor escape poverty. If Americans continue to average three burgers a week while the developing world starts to follow our path, it's hard to see how the Amazon survives (Grunwald, 2022, paras. 13-14).

Hospitality Marketing is a good way to see how a marketer thinks.
(a) A marketer has to segment the market. Suppose you run a hotel/resort for vacationers. Does every vacationer want the same benefits/experiences? Benefits vacationers might want include: sports (golf, tennis, or skiing), gambling, weight loss/spa, gourmet food, activities for children, trips to historical sites, etc. Hotels that are for the business traveler must offer benefits such as access to the latest technology (fax machines, Tele-conferencing, conference rooms, scanners, printers, etc). First thing to do is to select a target market.
(b) The marketing mix:
Product/service mix: What benefits should be offered? Should the hotel have a pool, spa, Jacuzzi, golf course, tennis court, etc. What kind of food should be served (gourmet meals?)?

Price: What price to charge? Some hotels use several prices in order to attract different segments. Price per room may range from $100 to $2000 per night.
Promotion: Should we use television, direct mail, radio, travel agents, telemarketing, Internet, etc.
The Internet has had a major effect on the hospitality industry. Rather than having empty rooms, some hotels deal with online discounters.

The goal is to have a satisfied guest. Many hotels ask guests to complete a questionnaire in order to measure satisfaction. Hotels also create a database that includes the name and address of guests. A good marketer will try to determine whether the hotel should change anything in order to improve customer satisfaction. By the way, if you are interested in this area, the classic text is by Philip Kotler, *Marketing for Hospitality and Tourism* (Prentice Hall).

Social Marketing

Can marketing be used to improve the world? The tools of marketing which you will learn in this course can be used to help humankind. They can be used to change behaviors. Some consumer behaviors are good and should be encouraged (e.g., improving health via annual checkups, checking for breast cancer, checking for skin cancer, etc.; improving the environment by using green products, driving less and walking more, etc.; getting people to donate organs, blood, time for good causes; avoiding injury by using products correctly, using seat belts, safe sex, etc.). Marketing may also be used to discourage behaviors that are harmful to people and society (smoking, littering, drugs, steroids, sexual harassment, drinking sugary drinks, etc.).

Kotler, Roberto, and Lee in their book, *Social Marketing*, define social marketing as:
"the use of marketing principles and techniques to influence a target audience to voluntarily accept, reject, modify, or abandon a behavior for the benefit of individuals, groups, or society as a whole."

How would you use social marketing to get people to donate organs such as kidneys? There is a big shortage of organs and thousands of people die each year waiting for an organ. How would you use social marketing to get people to exercise? To eat nutritious foods? Obesity is a national problem: Do you think social marketing can be used to help solve it?

Close to 20% of American children between the ages of 2 and 19 are obese. Twenty years ago, Type 2 diabetes was almost never found in young people. Today, it is increasing at an alarming rate among youth and accounts for approximately 20% of newly diagnosed cases among them. It is very difficult to treat among youth and can lead to all kinds of health problems down the road including stroke, heart disease, blindness, kidney failure, and amputation. Social marketing can be easily used to convince young people to eat healthier foods and avoid soft drinks that are full of sugar.

South Korea has the lowest fertility rate in the world (in 2022 it was .79 and it must be 2.1 children per female in order to keep the population from falling). At this rate, the population of South Korea will halve before the end of the century – it is currently 51 million. The “dead cross” (when deaths outnumber births) was reached in 2020. A large number of South Korean women do not want to have any children and do not want to get married; many do not even want to date. The country has tried financial incentives including a monthly allowance for parents that have newborns with little success. If you were a social marketer, what would you do? You have the 4P’s of marketing to work with.

Note that the goal of social marketing is behavior change.

Corporate Social Responsibility (CSR)

Kotler and Levy, in their book, *Corporate Social Responsibility* (John Wiley & Sons) define corporate social responsibility as **"a commitment to improve community well-being through discretionary business practices and contributions of corporate resources."** My definition of corporate social responsibility (CSR) will be the one cited in Hollender and Fenichell (2004, p. 29): "… an ongoing commitment by business to behave ethically and to contribute to economic development when demonstrating respect for people, communities, society at large, and the environment. In short, CSR marries the concepts of global citizenship with environmental stewardship and sustainable development." Thus, corporate social responsibility includes the following: (1) Concern for the environment, (2) Commitment to ethical behavior, (3) Respect for people, and (4) Concern for society at large.

Some of the benefits of being socially responsible include: (a) enhanced company and brand image (b) easier to attract and retain employees (c) increased market share (d) lower operating costs and (e) easier to attract investors.

A socially-responsible firm will care about customers, employees, suppliers, the local community, society, and the environment. Of course, a company has an obligation to be concerned about its stockholders. However, a firm is also responsible for all stakeholders. There is considerable evidence that doing good pays in the long run. Even if it didn't, a firm has a responsibility to do the right thing. Every religion believes in the Golden Rule. Confucius, Hillel, and other great thinkers gave us the negative version of it: "What is hateful to thee, do not do to others." That should be the mantra of every person and company.

This course will show how effective marketers understand the value of CSR. If a firm wants to have a long-term relationship with customers (relationship marketing), they must believe in CSR. Jack Welch, legendary CEO of General Electric, was not wrong when he said that maximizing shareholder value was the dumbest idea in the world. What a company has to care for are all stakeholders (customers, employees, suppliers, local community, and society) not just stockholders. A firm has to be concerned with its reputation and be known for making high quality products if it wants to survive. [See

paper by Clarke and Friedman dealing with the dangers of maximizing shareholder value: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2796836]

Capitalism and the corporation were amazing "inventions" and spread wealth so that the number of extremely poor people in the world is lower now (the COVID-19 pandemic raised it a bit—sadly) than in the past. Note that the global extreme poverty rate went down to 8.4%. It was 36% in 1990 and 80% in the 1960s. Yes, it can easily be brought down to 0. (For the record, communism was an amazing system for generating poverty and death. Eighteen countries tried it and it failed in each of those countries. It also resulted in the deaths of millions of people. Chairman Mao's Great Leap Forward caused the death from starvation of 30 million people in China between 1960 and 1962).

> For three decades, the number of people living in extreme poverty— defined as those who live on less than $2.15 per person per day at 2017 purchasing power parity—was declining. But the trend was interrupted in 2020, when poverty rose due to the disruption caused by the COVID-19 crisis. The number of people in extreme poverty rose by 70 million to more than 700 million people. The global extreme poverty rate reached 9.3 percent, up from 8.4 percent in 2019 (Source: https://www.worldbank.org/en/topic/poverty/overview)

Corporations may have been a wonderful invention but the key problems that society faces – income inequality, child poverty, famine, genocide, racial injustice, and climate change – will not be solved by them. We will need honest, caring government working with corporations and the public to make the world a better place.

Triple Bottom Line (TBL)

Many firms are concerned with the triple bottom line: profits, people, and planet. A firm that cares about TBL, still has to make a profit to survive but will be concerned about people (employees, customers, community, society) and the planet (i.e., the environment).

Conscious Capitalism: Capitalism with a Higher Purpose

We sometimes forget how effective corporations and capitalism have been in reducing poverty and making the world a better place. According to Hazelton (2005), the corporation is "unquestionably one of the most important inventions of humanity" because they have produced a fantastic amount of wealth for people. Indeed, 24 out of the 50 largest economic entities in the world are corporations (Hazelton, 2005). What is even more amazing about capitalism and free enterprise is that they have done more to eradicate poverty than any other economic system. The percentage of people in the world living on a dollar a day dropped by an astounding 80% between 1970 and 2006

(Pinkovsky & Sala-i-Martin, 2010). In 1990, 36 percent of the world's population lived in extreme poverty; by 2015, this percentage had declined to 12%.

Unfortunately, because of the Covid-19 pandemic, extreme poverty increased for the first time in decades (Tompkins, 2022). It is evident that humanity-centered capitalism can be a powerful tool for eliminating poverty. Malloch-Brown (2022), president of the Open Society Foundations, has been promoting the idea that wealthy countries should help poorer nations deal with issues such as food shortages and debt. He argues that the whole world requires a Marshall Plan, and this would mean that the wealthier countries would have to contribute a reasonable 2% of GDP to reduce hunger and suffering.

Go to the Conscious Capitalism website (https://www.consciouscapitalism.org/) and you will see that there are a number of CEOs that believe in moral capitalism. Conscious capitalists are concerned about all stakeholders, not just stockholders. This network of corporate leaders is committed to the idea that business is about more than just making money. The philosophy of conscious capitalists is on their website, where the "Four Principles of Conscious Capitalism" are stated (Conscious Capitalism, 2016):

This is from the website:

> **“We believe that business is good because it creates value, it is ethical because it is based on voluntary exchange, it is noble because it can elevate our existence and it is heroic because it lifts people out of poverty and creates prosperity. Free enterprise capitalism is the most powerful system for social cooperation and human progress ever conceived. It is one of the most compelling ideas we humans have ever had. But we can aspire to even more.”**
> **~ From the Conscious Capitalist Credo (para. 1)**

Conscious business leaders aim to use capitalism to "elevate humanity" by serving all stakeholders, not just shareholders, and thus enhance the world. This is not to be confused with corporate social responsibility. Mackey observes: "Conscious capitalism puts higher purpose and creating value for the community stakeholder at the core of every business decision rather than being added on later as a program to thwart criticism or help manage a business's reputation" (Schawbel, 2013, para. 15). There is evidence that firms that practice conscious capitalism outperformed the S&P 500 firms by 14 times (Lewis, 2020).

B Corporation

B Corporation, or benefit corporation, is a label created by B Lab in 2006 that indicates where all firms should be heading. B Corporations agree to balance profit and purpose and satisfy the highest transparency, accountability, and social and environmental performance standards. These organizations commit to producing a benefit for society and want business to be a force for improving the world, not just making a profit for shareholders. B Corporations are held publicly accountable to stakeholders beyond shareholders, such as employees, customers, the local community, and the environment. There are more than 2600 Certified B corporations across 60 countries.

ESG Investing

Environmental, social, and governance (ESG) investing is used by socially-conscious investors to ensure that the companies they invest in are concerned with the environment, are socially responsible (care about ethics, social justice, diversity, workplace conditions, paying a fair wage, the local community, world poverty, etc.), and governance (transparency, honest audits, avoiding conflicts of interest in hiring board members, acting ethically, hiring ethical leaders, etc.). MSCI provides ESG ratings for hundreds of companies. See https://www.investopedia.com/msci-esg-ratings-5111990 for more information about ESG ratings. Several other companies (e.g., Morningstar and Bloomberg) also provide ESG ratings.

Criticism of ESG investing: https://www.thefp.com/p/the-giant-grift-that-swallowed-wall
Is ESG a fraud? Time will tell.

Cause Marketing

Cause-related marketing (or cause marketing) is one way a company can be socially responsible. The most common method is to donate a percentage of revenues to a specific charity or cause. For example, a company might donate a dime to America's Second Harvest (http://www.secondharvest.org/ They provide food for the poor) every time someone purchases its product. Yoplait® yogurt uses cause marketing with their lid program. Yoplait makes a 10 cent contribution to the Susan G. Komen Breast Cancer Foundation for every lid sent back to them.

Cause-related marketing should not be confused with social marketing. A key difference is that a major purpose of cause-related marketing is to help a business. It might be used to improve the image of the firm or to increase market share. The technique involves associating a business with a cause. Social marketing, on the other hand, is generally not associated with any company and is sued solely to help society by dealing with a social problem.

Cause-related marketing has to be done correctly or it can hurt a company. A firm may look like it is exploiting a charity. It is important for the firm to be transparent and honest about what it is doing. There should also be a fit between the company and the cause.

A good fit would be, for example, might be a bottled water company and a cause the deals with providing clean water for poor people in Asia and Africa.

This paper indicates what a firm that believes in corporate social responsibility must do: "How Virtuous is Your Firm?: A Checklist." *Electronic Journal of Business Ethics and Organization Studies,* 2009, *14*, 14-20 [by H.H. Friedman and L. W. Friedman].

How Virtuous is Your Firm? A Checklist

A sea change is occurring in the corporate world. Many businesses are no longer seeing themselves as organizations that should only be concerned with profits but, instead, are now concerned about values and put people first. Conscious capitalism is now becoming popular. The business model that focuses solely on maximizing shareholder wealth is becoming obsolete, and is morphing into one that is concerned with all the stakeholders including employees, customers, suppliers, government, the community, and society (including the effects on the environment).

Firms that make virtue part of their culture have done much better in terms of long-term financial performance than those only concerned with profit maximization. It does not matter whether virtue leads to profit. In fact, one can say that looking for a profit motive in acting virtuously cheapens the latter. For the values-driven firm, it is about doing the right thing. Virtuous firms with values quite likely have a competitive edge over firms that do not have values. Studies of numerous industries demonstrate that virtuous organizations experience increased levels of customer satisfaction, product quality, productivity, employee satisfaction, and profitability

Firms that wish to succeed will have to focus on **corporate social responsibility**, not on maximizing shareholder wealth. Our definition of corporate social responsibility (CSR) will be the one cited in Hollender and Fenichell (2004, p. 29):

> … an ongoing commitment by business to behave ethically and to contribute to economic development when demonstrating respect for people, communities, society at large, and the environment. In short, CSR marries the concepts of global citizenship with environmental stewardship and sustainable development.

Corporate social responsibility is often a broader and richer concept than business ethics alone. It certainly includes business ethics but also takes into account such concepts as helping one's community and global citizenship. Lantos (2001) asserts that there are three types of CSR: ethical, altruistic, and strategic. All organizations have to advocate ethical CSR, which is concerned with avoiding societal harm. On the other hand, one can argue against altruistic CSR since helping others can reduce the profits

of the firm and thus hurt the shareholders. Strategic CSR focuses on doing good in a way that benefits the firm.

Using Entertainment-Education for Social Change

Entertainment-Education (E-E) is an interesting communication strategy that has been used to better the world. It can be used to change the attitudes of individuals as well as society. The way it works is that important topics such as promoting safer sexual behaviors (to prevent HIV/AIDS), family planning, women's rights, wife-beating, etc. In Latin America, telenovelas (soap operas) have often been used as a tool for social change. A character in a soap opera might, for example, insist on using a condom and explain why it is important. Miguel Sabido, Mexican Producer and director of several soap operas was a pioneer in using fictional characters on television shows to promote positive social behaviors. E-E is an inexpensive way to reach large audiences and make them aware of ways to accept healthful behaviors. Lecturing people does not work well and might even boomerang. The E-E approach works but not in the "transformative ways" that its advocates claim. It does not have the ability to change core beliefs but it does have smaller effects. (For more on this topic, read *In Search of Entertainment-Education's Effects on Attitudes and Behaviors* by Donald P. Green.)

THE CHECKLIST

It is becoming clearer that we are witnessing a moral transformation of capitalism. Many organizations claim to be socially responsible and values-driven. The checklist in Figure 1 is a useful device enabling an organization to test whether or not they are indeed virtuous or are just fooling themselves.

1. How serious have you been about hiring the disabled?
2. Have you encouraged diversity in the workplace? Are you serious about supplier diversity?
3. Are you a learning organization? Do you empower employees? Are you treating your employees well?
4. Does top management believe in the importance of integrity and honesty? Have conflicts of interest in the organization been eliminated?
5. Are leaders seen as servant leaders? What is the ratio of CEO pay relative to the pay of the average worker in your organization?

6. Have you helped the local community in which you conduct business? Are you helping public schools by partnering with them and/or providing internships for students?
7. Is customer satisfaction important to your firm? Do you have a procedure for dealing with client complaints? Do you apologize when you make a mistake?
8. Have you been showing concern for the environment?
9. Are you engaging in corporate philanthropy? Have you made the world a better place?
10. Does your mission statement discuss values?

Figure 1. The Checklist

1. HIRING THE DISABLED

Friedman, Lopez-Pumarejo, and Friedman (2006) believe that marketers should not overlook the disabilities market, a group that consists of about 20% of Americans and will double in size within fifteen years. It has an aggregate income of over one trillion dollars. The major causes of disability are arthritis and rheumatism; back and spine problems; heart trouble and atherosclerosis; lung and respiratory problems; and deafness and hearing problems. Disabled employees in the workforce can help the organization generate and develop ideas for new products and services. Firms that have employed autistic individuals and those with Down's Syndrome have found that they are hardworking, dedicated, and loyal employees (Friedman, Lopez-Pumarejo, and Friedman, 2006). Whether a company makes more of a profit or not in hiring the disabled, it happens to be the right thing to do. Moreover, in some cases there may be legal issues — e.g., it may be a violation of the Americans with Disabilities Act if a firm does not make their organization disabled-friendly.

2. DIVERSITY IN THE WORKPLACE

Workforce diversity helps create a work environment in which female, minority employees, the disabled feel welcome; even customers will feel more welcome in such an environment. The demographics of America are rapidly changing, and workforce diversity is vital for firms that desire to thrive in the future (Friedman and Amoo, 2002). Diversity may help an organization flourish but it is also the right thing to do. Furthermore, diversity is important if one wants to create a learning organization (Checklist Item #3). It is also important to help promote supplier diversity by doing business with firms that are owned by women and minorities.

Duarte *et al*. (2015) maintain: "Psychologists have demonstrated the value of diversity – particularly diversity of viewpoints – for enhancing creativity, discovery, and problem solving." Encouraging ethnic, gender, and other kinds of diversity is one way to ensure a variety of viewpoints. A board consisting of only white males will not have the different mindsets, approaches, and backgrounds to make good decisions. In fact, according to research by McKinsey, organizations that had more diverse executive boards outperformed industry medians. In addition, diverse teams beat other teams 87% of the time (Zalis, 2017). If you want to avoid groupthink, you want diversity of opinion. In today's global economy, there are few jobs where people work alone. Therefore, people must learn how to work in teams and share knowledge. A silo mentality occurs when groups or departments in an organization refuse to share knowledge, making it difficult for a firm to be innovative. This is why good corporate leaders engage in silo-busting. Indeed, organizations that get too large often find themselves with rigid silos and consumed with turf battles.

3. RESPECT FOR EMPLOYEES

As far back as the 1950s, Peter Drucker felt that employees should not be seen merely as factors of production that could be discarded like worn-out machinery. He saw the corporation as an organization “built on trust and respect for the worker and not just a profit-making machine” (Byrne, 2005). Seeing employees as partners is the way to build an organization with values

In the corporate world, many firms are recognizing that the ability of an organization to learn is the key to survival and growth and “organizational learning” has become the mantra of many companies (Argyris and Schoen, 1996; Senge, 1990). What is organizational learning? Garvin (1993) believes that a learning organization is “an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights.”

What should we find in a learning organization? Much of what we expect to find requires empowered employees that work together and share knowledge. Thus, learning organizations have an infrastructure that allows the free flow of knowledge, ideas, and information; there are open lines of communication making it easy to share knowledge. There is an emphasis on team learning where colleagues respect and trust each other. It is an organization where one employee will compensate for another’s weaknesses, as in a successful sports team. Employees learn from the experiences and mistakes of others in the organization. There is a tolerance for failure and a willingness to experiment and take chances. Diversity is seen as a plus since it allows for new ideas. Employees are committed to lifelong learning and growth. They have the ability to adapt to changing conditions and the ability to renew, regenerate, and revitalize an organization.

4. ETHICS AND INTEGRITY

There is no question that integrity and honesty must start at the top of the organization. Conflicts of interest have caused many of the serious ethical lapses that occurred in the

last decade. Before a company can improve its ethical behavior, it must remove all conflicts of interest. Excessive compensation of executives (and backdating of options) was at least partially due to the existence of ties between members of compensation committees and CEOs. It is important for executive compensation to be fair. There is evidence that paying executives outrageously excessive salaries while cutting the pay of employees will result in reduced productivity and lower product quality. Employees have no choice since they need their jobs; they can however become indifferent to the quality of what they produce if they feel that they are not being treated fairly. **5**

SERVANT LEADERSHIP

The ratio of CEO pay at large firms relative to the pay of the average worker has grown to 500:1. It is becoming quite apparent that executive compensation is not tied to company performance. It is not surprising that CEOs have lost their credibility in the United States. Numerous studies indicate that top executives are *dramatically* overpaid Warren Buffet asserted that ensuring fair pay for executives is the “acid test of corporate reform.”

Many CEOs are interested in becoming servant leaders. Servant-leaders empower others and are facilitators; they are not concerned with personal aggrandizement. The servant-leader is the antithesis of the autocratic, authoritarian, leader who is primarily concerned with power and wealth; he cares about people and wants them all to be successful. Spears (2004) finds ten characteristics in the servant-leader:

6. THE LOCAL COMMUNITY

A virtuous firm should establish and maintain strong ties with the local community in which it conducts business. It should hire employees from the local community and do business with local companies. After all, many of a firm’s customers will come from the surrounding areas. Also, if the local community thrives, it can only benefit the businesses that are based there. No one wants to run a business in a dying community on its last legs. Some hotel chains have developed a new workforce by offering training to the unemployed in local communities—a win for everyone.

Improving the schools is a practical way of ensuring that a firm will have an adequate supply of dedicated, competent, and literate employees. School reform is a win for society and for business. Kanter (2003) describes how a partnership between the corporate world and the public sector can benefit both. Companies such as IBM and Bell Atlantic have helped public schools while at the same time benefiting themselves.

7. CUSTOMER SATISFACTION

A virtuous organization truly cares about its customers and clients. No one will consider a company that purposely sells defective or dangerous products as virtuous. Many firms today believe that customer satisfaction is the most important measure of business performance; it is even more important than profit and market share. Customer satisfaction is more important than profit maximization.

Organizations that care about their customers also want to hear what they have to say. Listen to them. Listening to customers, especially customer complaints, is a good way of coming up with ideas to improve products. It is also a simple way to determine whether or not customers are satisfied. Even the best of organizations will occasionally have an unhappy customer, whether it has performed poorly or not. Even at very high levels of quality, say, six sigma, there are 3.4 defects per million. Today, with the Internet, a dissatisfied customer can complain to thousands of people. Buzz marketing

When an organization makes a mistake, it should not be afraid to apologize. Even apologizing correctly is an art that many do not perform properly. A good apology has four key elements: (1) acknowledging the offense; (2) communicating remorse and the related attitudes and behaviors such as, regret, shame, humility, and sincerity; (3) explanations as to why the offense was committed; and (4) an offer of reparations/restitution.

Virtuous organizations are not afraid to apologize and show remorse for mistakes.

8. THE ENVIRONMENT

There are several reasons that the corporate world is going green. These include improving its image and competitive advantage; in fact, environmental stewardship is a way to differentiate a product or service and attract customers. A number of studies show that the public is very concerned about the environment and wants to do with business with companies that care, and avoid those that do not. One study found that 75% of consumers claim that their purchasing decisions are affected by a firm's reputation with respect to taking care of the environment. This may help explain why a significant number of companies are promising that in the future they will be completely green, i.e., produce no waste and only use renewable sources of energy.

Firms that see environmental issues as opportunities rather than threats are more likely to succeed by establishing a competitive advantage over the competition. Clearly, the public is hungry for products that are competitively priced yet do not harm the environment. Ecological sensitivity may not be an option in the future. Regardless of any marketing gains, a firm should be concerned about our planet. Planet Earth is all we have and we should take care of it.

9. CORPORATE PHILANTHROPY

According to the Giving USA Foundation, companies donate, on average, a measly 1.2% of total corporate profits, nothing close to the tithe that many religions encourage. Corporate philanthropy does not have to be seen as pure charity. It can be used in a strategic way to improve the competitive context — "the quality of the business environment in the locations where they operate"— of a firm. In other words, philanthropy may actually benefit the firm by ultimately increasing its long-term profits. For example, a firm could use its resources to improve education and the welfare of the area in which it operates. Done correctly, this can also benefit the firm. A virtuous firm

does not necessarily think about future benefits from philanthropy. They engage in philanthropic acts because humankind has an obligation to make the world a better place. All of humankind gains if we eradicate poverty and war.

Cause-related marketing (CRM) which involves contributing a part of every sale to a cause organization is another way of benefiting both the firm and society. Done right, it can improve the image of the company and the brand, increase sales, and help improve the morale of employees. Volunteerism is another way to help others. For instance, Tom's of Maine encourages its employees to spend 5% of paid time acting as volunteers to the community.

10. MISSION STATEMENT

An organization that is interested in virtue must examine its mission statement. Mission statements should not only discuss profit and growth; maximizing shareholder wealth is not what it is all about. Corporate performance cannot and should not be measured by using only one criterion such as maximizing shareholder wealth or maximizing profit. A firm must consider the long-term and its mission statement should therefore consider the needs of the environment, society, employees, customers, suppliers, and government. The mission statement of the firm should say something about a firm's moral and ethical values and it should have something to say about all the key stakeholders, not just stockholders. The needs of customers, suppliers, society, employees, government, and the environment should be addressed in the statement.

The mission statement can and should be used to energize the entire organization and provide direction so that employees, customers, suppliers, investors, and other stakeholders know exactly what the organization hopes to achieve. Thus, a good mission statement will mention ideas such as producing high-quality products; the importance of integrity in business; providing employees with meaningful and fulfilling work that provides dignity and the opportunity to grow; respect and concern for the environment; cultivating positive relationships with suppliers and customers; helping the local community; and concern for society.

Many firms are publishing an annual corporate social responsibility report so that all stakeholders can see exactly what the firm is doing in order to conduct its business in a socially and environmentally responsible manner. Starbucks makes it Corporate Social Responsibility Annual Report available online (http://www.starbucks.com/ aboutus/ csrannualreport.asp). Starbucks uses key performance indicators such as partner satisfaction (they refer to employees as partners) and percentage of executives that are female and people of color to measure how well it is doing in maintaining its values. This is a good way to send a message to everyone that social responsibility is as important as profits and must be measured.

CONCLUSION

Ivan Boesky once told University of California students that “Greed is all right, by the way. I want you to know that. I think greed is healthy. You can be greedy and still feel good about yourself” and was wildly cheered. Gordon Gecko, a fictitious corporate raider in the movie “Wall Street” also asserted that "Greed, for lack of a better word, is good. Greed is right. Greed works. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit. Greed, in all of its forms, greed for life, for money, for love, knowledge, has marked the upward surge of mankind." Today, someone telling an audience that “greed if good” might be (deservedly) tar and feathered and chased out of town.

Milton Friedman’s (1962,p. 133) view of the sole responsibility of business is also not very popular today. He stated: “There is one and only one social responsibility of business — to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.”

Porter and Kramer (2006) make the point that

> Successful corporations need a healthy society. Education, health care, and equal opportunity are essential to a productive workforce. Safe products and working conditions not only attract customers but lower the internal costs of accidents. Efficient utilization of land, water, energy, and other natural resources makes business more productive. Good government, the rule of law, and property rights are essential for efficiency and innovation.

The other side of the coin is that a healthy society also needs a successful private sector. “No social program can rival the business sector when it comes to creating the jobs, wealth and innovation that improve standards of living and social conditions over time” (Porter and Kramer, 2006). This is why it is important for the business world to work with government and try to improve the world and make profits. Maximizing profits while ignoring the needs of society may work in the short run but will be a disaster for both society and business in the long run. And, of course, while many of the ideas suggested in this paper may not only be costless to an organization but even produce additional profits in the long run, that is not the only reason to consider them. After all, for the virtuous organization, virtue is indeed its own reward.

Marketers prefer to classify goods using the following approach. Note that the advantage of this approach is that goods are classified in accordance with the way they are perceived by consumers. This approach is more useful to marketers than an approach used by non-marketers: durables, non-durables, and services.

Classification of Consumer Goods:

Convenience goods— These are goods that consumers want to acquire with virtually no shopping effort. They include: staples (milk, bread), impulse items (candy, gum, soda, magazine), and emergency goods (ambulance, tow truck).

Shopping goods—Customers tend to shop around, *i.e*., make price and/or quality comparisons. Examples of shopping goods: computer, suit, coat, printer, sofa, and bedroom set.

Specialty goods –Customers are willing to make an extended search to find these goods. In some cases, a customer might be willing to travel 20 or 30 miles to find them. Some examples: wedding dress; Rolls Royce; a special stamp if you are a stamp collector; an exotic camera if you are a photography buff.

Convenience goods need **intensive distribution**. Your product has to be in millions of outlets. Think of how many places you can purchase a newspaper or a cup of coffee. Many convenience goods are sold in vending machines to increase the number of outlets. For example, products sold in vending machines include newspapers, coffee, soda, and candy. How come wedding gowns are not sold in vending machines? Shopping goods require **selective distribution** and specialty goods require **exclusive distribution**.

It should be noted, however, that not everyone sees goods the same way. For instance, some people treat gasoline as a convenience good--they drive along and when the gas tank is almost empty, they stop at the closest service station. Others, will shop around and see which service station has the lowest price for gasoline. The same is true for motel rooms. When you are traveling with your family, do you shop around for a motel to stay at or do you select the first one you see? Prescription drugs are also treated by most people as a convenience good and they will get their prescription filled at the nearest drug store. This is not a good idea since prices vary greatly. It makes sense to shop around to get the best price, especially for drugs to treat a chronic condition.

Internet Marketing:

The Internet has had a profound influence on marketing. Firms that are not interested in Internet marketing are as myopic as the railroads were during the 20th century. All kinds of goods and services are being sold using the Internet, convenience, shopping, and specialty goods. People purchase everything from pet food to diamonds on the Internet.

Advantages of the Internet:

(a) The Internet provides information on demand 24/7. This information is "pulled" by the receiver (e.g., prospective customer) rather than being "pushed" by the sender. Suppose you are interested in learning about new drugs for hay fever or how to plant a

lilac bush or the best digital camera for under $200, you can go to the Web anytime to get some answers.

(b) The Internet provides content that may be customized by the sender and/or receiver. Two individuals may go to the same website and can choose how much information they want. More knowledgeable consumers might demand considerably more information than those who are less savvy. Marketers can use information regarding search behavior and past purchases to make recommendations to consumers. Good marketers are tailoring the Internet experience to the individual viewer (check out Amazon and you will see what I mean).

(c) The Internet is interactive. The viewer interacts with the website and clicks wherever s/he wants to go. Because the Internet is interactive, individuals using it tend to be more involved. Television, on the other hand, is a low-involvement medium--viewers are passive. One is almost in a trance when watching television. In consumer behavior we refer to what is happening to the viewer as passive or low-involvement learning.

(d) The Internet has made every firm on it part of a global network and has thus contributed to the globalization. Nowadays, anyone on the planet with a website can compete with you. There is a level playing field. Thomas Friedman, the author, wrote a book that describes the world as being "flat." What he means is that the world has become a very small place. It is as easy to buy a book from an online bookstore in Australia as one in Brooklyn. As you know, most help desks are in India--Call Dell and you will probably be speaking to someone in India.

(e) The Internet allows for asynchronous communication. Unlike a phone call (synchronous communication) where both the buyer and seller have to be available at the same time, the Internet allows the buyer to place an order at, say, 3 a.m. and the seller can fulfill the order at 8 a.m. An online store can be open 24/7 and receive orders any time.

(f) The Internet has speeded up time. A rumor can be spread as quickly on the Internet as a virus. We will be learning about "viral marketing." Organizations have to be on the alert and must provide timely and useful information.

The major benefits of conducting business over the Web include:

(1) Your business can be open 24/7 -- You can receive orders anytime, even when you are not there.
(2) You can sell your products to customers anywhere on the planet.
(3) You can provide customers with timely, up-to-date information.
(4) You can respond almost immediately to your customer.
(5) It enables one to tailor information to the customer's personal needs.
(6) It enables one to eliminate the costs of building "brick and mortar" retail outlets. A website in cybermall is a lot cheaper to build than a store in a shopping mall. Many retailers have both: brick-and-mortar outlets and cyberspace outlets. They are referred

to as "click and mortar" firms.
(7) It allows one to save time and money by reducing other costs associated with having a brick-and-mortar store. For instance, a store must carry inventory and this can be quite expensive. A web retailer does not have to have to carry any inventory.

Customer Complaints: Consumers are using the Internet to complain about unsatisfactory products. Many firms monitor social networking sites (Twitter, Facebook, Blogs, YouTube, etc.) to see what the public is saying about them. These companies are aware that the last thing they want is for a complaint to go viral. According to an Arizona State University study, a dissatisfied customer will complain to 18 people. If you have a problem with a product, make sure to complain and give the company a chance to fix the product. Consider complaining in person -- if possible. That is usually very effective. You might consider contacting the CEO's office. You can also call the company and speak to a person (and bypass the annoying automated telephone menus) by using websites such as DialAHuman.com or GetHuman.com. If necessary, make sure to get your story known on social networking sites. If the problem is resolved, make sure to thank the customer-service agent.

Effective Altruism

Effective altruism attempts to use philanthropy to come up with the lowest cost solutions that do the most good possible for people. Philanthropists should take a cost-benefit approach. William MacAskill, a moral philosopher, promotes this kind of altruism. He believes that we all have a responsibility to help those living today but also those in future generations. Also, we should consider saving a life in a distant country the same as saving lives in the United States.

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