Chapter 1

**MARKETING: CREATING AND CAPTURING CUSTOMER VALUE**

## Marketing Starter: Chapter 1

# Zappos: A Passion for Creating Customer Value and Relationships

### Synopsis

Web retailer Zappos is flat out obsessed with creating customer satisfaction and relationships. At Zappos, taking good care of customers starts with a deep-down, customer-focused culture. The company’s number-one core value: Deliver WOW through service! This WOW philosophy permeates the entire organization. The Zappos Web site proclaims, “We are a service company that just happens to sell [shoes, or handbags, or clothing, or, eventually, anything and everything].” In fact, Zappos takes almost all the money that a company of its size would normally spend on mass-media advertising and invests it directly into customer service. Zappos hires only customer-oriented employees who fit the Zappos culture and then trains them thoroughly in the art of building customer loyalty. In the words of Zappos CEO Tony Hsieh (pronounced “shay”), “Our whole goal at Zappos is for the Zappos brand to be about the very best customer service and customer experience.” Zappos has become the poster child for this new age of customer-focused companies. The result - Zappos is growing astronomically. More than 75 percent of Zappos sales come from repeat customers. And despite a crippling retail economy, sales have continued to soar in recent years.

### Discussion Objective

An active 10-minute discussion of the Zappos story will help link students to key foundational marketing concepts. Zappos provides an excellent vehicle for introducing the overall marketing framework presented in Chapter 1 and throughout the text: Good marketing is all about creating value for customers and building strong customer relationships in order to capture value from customers in return. No company does that better than Zappos.

### Starting the Discussion

To start the discussion, ask the class, “Has anyone here purchased a product on Zappos.com”? Based on the show of hands, ask for students to share their experience. Was this a random purchase or are they die hard “Zappites”? What is it about the customer experience that is so enticing?

Be prepared to pull up the “About” page at the Zappos Web site (<http://about.zappos.com/>). This site is loaded with quotes, customer testimonials, employee testimonials, and other videos that testify to Zappos’ obsession with customer satisfaction and the Zappos customer experience. It seems that everyone buys into the company’s customer service culture—customers, employees, and top management.

Be familiar with this Web site so that you can move purposefully to keep the discussion moving. But let the class discussion guide the parts of the site that you explore, taking you deeper into employee and customer testimonials, the Zappos culture, CEO Tony Hsieh, Zappos’ YouTube channel, the Zappos blogs, and other components linked to the page. Start with the first question below, and then ask other questions as the discussion allows. Throughout the discussion, keep your objective firmly in mind: to emphasize that good marketing is all about creating value for customers and managing customer relationships in order to capture value from customers in return. The final question leads the class into Chapter 1 and the discussion for the day. Have fun with this one!

### Discussion Questions

1. The very first marketing story in the text is about Zappos. Let’s take a quick look at the About Zappos page on the company’s Web site and see what we can glean about the company and how it operates. Just looking at this Web page, what stands out about Zappos? (The point: Everything on the site points to Zappos’ obsession with its customers.)
2. How has what we are seeing at this site contributed to Zappos’ performance? Has Zappos been successful? Why? (As pointed out in the Zappos story, thanks in large part to its obsession with customer satisfaction and customer experience, the company has grown astronomically and profitably. Even in the crippled retail economy, Zappos sales have soared in recent years. Thus, by creating value for customers, Zappos has captured value from customers in return.)
3. Why did the authors choose Zappos as the very first company to highlight in Chapter 1 and in the entire text? How does this opening story relate to the major points made in the rest of the chapter? (This question should lead naturally into major Chapter 1 concepts: What is marketing and what is the marketing process? What is customer-driven marketing and why are customer value, satisfaction, and relationships so important?)

Note: The video cases for Chapters 13 and 17 feature Zappos and may be helpful additions to this discussion.

## Chapter Overview

Use Power Point Slide 1-1 Here

In this chapter, we introduce the basic concepts of marketing. It starts with the question, “What is marketing”? Simply put, marketing is managing profitable customer relationships. The aim of marketing is to create value *for* customers and to capture value *from* customers in return. Next, the five steps in the marketing process are discussed—from understanding customer needs, to designing customer-driven marketing strategies and integrated marketing programs, to building customer relationships and capturing value for the firm. Finally, there is a discussion of the major trends and forces affecting marketing in this age of customer relationships.

## Chapter OBJECTIVES

Use Power Point Slide 1-2 Here

1. Define marketing and outline the steps in the marketing process.
2. Explain the importance of understanding customers and the marketplace, and identify the five core marketplace concepts.
3. Identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.
4. Discuss customer relationship management, and identify strategies for creating value *for* customers and capturing value *from* customers in return.
5. Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

## Chapter Outline

|  |  |  |
| --- | --- | --- |
| p. 2 | **INTRODUCTION**  Zappos.com is one of the world’s fastest-growing Web retailers. The company has a passion for creating customer value and relationships.  The company was launched in 1999 as a Web-based shoe sales operation. Customer service is the cornerstone of its marketing. Today, it carries many other goods.  The company spends very little on media advertising. Instead, it relies on excellent customer service and word of mouth.  Zappos’ is obsessed with its customer focus, from the CEO to the footwear buyer. A relationship-based culture permeates the entire organization.  Zappos has set new standards in the industry, leading the way for a new type of consumer-focused company. | p. 3  Ad: Zappos |
|  | * **Opening Vignette Questions**  1. Many companies claim to be obsessed with customer service. What sets Zappos apart from the others? 2. In your opinion, is it wise to spend little on media advertising, and rely instead mostly on word of mouth? Explain. 3. Do you believe that customers really want long-term relationships with a company, rather than short-term shoe bargains? Why or why not? 4. What if a close competitor came along, offering comparable items, deep discounts, and excellent service? Do you think most Zappos customers would remain loyal to them? Defend your answer. |  |
| p. 4  p. 5  PPT 1-3 | **WHAT IS MARKETING?**  A simple definition of marketing is *managing profitable customer relationships.*  Marketing must both attract new customers and grow the current customers.  Every organization must perform marketing functions, not just for-profit companies.  Nonprofits (colleges, hospitals, churches, etc.) also must perform marketing. Marketing Defined Most people think of marketing as selling and advertising—“telling and selling.”  Marketing must focus on satisfying customer needs.  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. | Key Term: Marketing |
|  | * **Assignments, Resources**   Use *Discussing the Concepts 1* here  Use *Application Question 1* here  Use *Web Resource 1* here   * **Troubleshooting Tip**   For most students, this will be their first introduction to marketing and all its ramifications. To most of them, marketing is nothing more than selling and/or advertising, and this gets reinforced daily when they see “marketing” job ads that are really sales positions. It helps to get students talking about what marketing is, and to give examples of what they think is really good marketing. Try to bring in contemporary examples that the students can relate to. |  |
| p. 5  PPT 1-4 | The Marketing Process Figure 1.1 shows the five-step marketing process.   1. Understand the marketplace and customer needs and wants. 2. Design a customer-driven marketing strategy. 3. Construct a marketing program that delivers superior value. 4. Build profitable relationships and create customer delight. 5. Capture value from customers to create profits and customer quality.   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. | Chapter Objective 1  p. 5  Figure 1.1: A Simple Model of the Marketing Process |