DISCUSSION 08/23/2018

CHAPTER 1: OVERVIEW OF MARKETING

Add the group members (name, last name, USC ID, signature) on this page.

ZIPCAR: CREATING VALUE IN THE MARKETPLACE

- **Activity Type:** Case Analysis

Activity

- **Introduction:** Nearly a decade ago, the founders of Zipcar decided to bring the car-sharing experience to the United States. Since then, Zipcar has developed the gold standard by offering its members 24/7 access to thousands of cars around the world and creating a revolution in the way many think about alternate transportation.

Case

Zipcar is a membership-based car sharing service offering automobile rental to its members in hour or day increments. Zipcar was founded in 2000 by Robin Chase and Antje Danielson, who were inspired by the success of car sharing in Europe; Avis Budget Group acquired the company in 2013. Zipcar has become the world's largest car-sharing service in over 50 North American cities, 20+ European cities, and over 100 college campuses in North America.

Zipcar offers different types of membership, with plans aimed at both occasional and frequent drivers. In addition, special plans for corporations and universities are offered. Aside from monthly or annual membership fees, customers pay rental charges to use a Zipcar. Members can view vehicle accessibility and reserve a vehicle on Zipcar's website, using its mobile app, or on the telephone.

"Zipsters" (as Zipcar members are called) are given a "Zipcard" that contains a wireless chip that opens their reserved vehicle; keys are stored inside the vehicle, along with a gas card members can use to fill the tank. When the Zipster is done with the car, s/he returns it to the car's home location (a reserved spot for the automobile in the member's area).

Zipcar's fleet consists of automobiles from Audi, BMW, Ford, Honda, Nissan, and Toyota. Ford and Toyota have partnered with Zipcar to test their new electric and hybrid options with Zipcar members.

Zipcar focuses not only on creating a convenient experience for its members, but also on developing awareness about alternative transportation options. One of Zipcar's core missions is to "change the world through urban and environmental transformation."

Questions and Answers

Zipcar is an example of what type of market orientation?

- Exchange marketing
- Production marketing
- Providence marketing
- Sales marketing
- Value-based marketing

Zipcar's goal is to have an available zipcar located within 10-15 minutes of its members. This is an example of what component of the marketing mix?

- Promotion
- Price
- Place
- Product
- Position

Zipcar traditionally focused on marketing toward individuals without cars as a convenient form of alternative transportation. Zipcar has now begun to also focus its marketing toward businesses and organizations to use Zipcar for their employees. This is an example of _______________.

- B2B marketing
- A2C marketing
- A2B marketing
- B2C marketing
- C2C marketing

Zipcar was developed to adapt to customers' changing transportation needs. Zipcar's success is because it was able to create a venture that satisfied these unfulfilled needs. This is an example of what?

- Supply chain pervasiveness
- Entrepreneurship
- Managerial prowess
- Self-promotion
- Entitlement

Follow-Up Activity

Zipcar has a special program targeted at universities.

- How might students' wants and needs differ from those of Zipcar customers in general?
- What kind of marketing (B2C, B2B, C2C) is Zipcar engaging in when it works with universities to get Zipcar locations approved on campus?
- How can Zipcar create value for university administrators, such that they would be interested in having Zipcar locations on campus?

PINKBERRY VS. RED MANGO: DELIVERING VALUE

- **Activity Type:** Case Analysis

Activity

- **Introduction:** Frozen yogurt sales had dropped dramatically by 2005 after years of growth. In that year, scientific evidence emerged regarding the health benefits of yogurt. This led to resurgence in sales and popularity of the product. The market, primarily women, saw frozen yogurt as a healthy, guilt-free alternative to ice cream. Pinkberry and Red Mango are two chains that have attempted to capitalize on the lucrative frozen yogurt market. But with increasing competition, both must look for new ways to create value for their customers.

Case

After two decades of growth and increasing popularity, frozen yogurt sales slumped by 2005. Production was down 45% and the yogurt craze seemed at an end. In 2005, however, scientific evidence emerged regarding the health benefits of yogurt, and frozen yogurt rocketed to a new popularity because customers—primarily women—had a healthy, guilt-free alternative to ice cream. Pinkberry, which opened that year in California, attracted such large crowds that parking fines for customers hit $175,000 in the first month. Its rival, Red Mango, founded in South Korea in 2002, began serving customers on U.S. soil in Los Angeles in 2007. Since then, the two chains have battled for the largest serving of the lucrative frozen yogurt market, but new challengers are constantly entering the market. In the midst of this increasing competition, both Pinkberry and Red Mango must look for new ways to create value for their customers.

PINKBERRY: Pinkberry's first shop in the Los Angeles area was immediately profitable, and within months it expanded to New York City. With support from Howard Schultz, Starbucks' CEO, the company now has 20 stores in the United States and has expanded into 13 foreign markets with plans for even more global expansion. Foreign stores that offer both flavors and toppings reflect local preferences. Customers in the Middle East have options for dates and pistachios; Asian customers can enjoy green-tea flavored yogurt. Pinkberry's brand image includes a modern store design and a visually appealing product that also conveys a sense of play. The brand's playful tagline, Swirly Goodness, helps convey Pinkberry's unique combination of creativity, taste, and healthfulness. Pinkberry further distinguishes itself with endorsements from celebrity athletes, musicians, and fashion designers. It fosters customer interaction through individual customization, together with interactions among customers and staff. Product groupies bond with one another through an interactive website, Twitter, and Facebook.

RED MANGO: Red Mango is now headquartered in Dallas, Texas, and expanded from one store to 60 in the United States during its first two years. The company has a five-year plan for aggressive growth that includes many new store openings in the same cities targeted by Pinkberry, as well as in Mexico. Red Mango offers a limited number of unusual flavors with fresh fruit toppings and yogurt containing probiotics to aid digestion. The tagline, Treat Yourself Well, suggests both the yogurt's nutritional benefits and a sense of indulgence. Store designs are bright, colorful, and inviting. To distinguish itself from Pinkberry, Red Mango has introduced many new flavors as well as smoothies, teas, and chocolates. It recently added fresh fruit parfaits and spoonable smoothies. It is also experimenting with the do-it-yourself movement by allowing customers to create their own combinations of flavors and toppings. It has a customer loyalty program in which members earn points that are redeemed for free and discounted products. It also provides loyal customers with event information and special promotions.

Both Pinkberry and Red Mango must constantly be aware of market changes and competition. Competitors such as Cold Stone Creamery and TCBY are adding new products and flavors to their menus. Many traditional stores are ramping up their frozen yogurt offerings. Meanwhile, consumer tastes can change—frozen yogurt shops in the northeastern United States, for example, may notice store traffic drop significantly as the weather turns cold. These are just a few of the challenges marketers face as they strive to bring value to their customers.

Questions and Answers

Pinkberry and Red Mango are different in that Pinkberry tries to convey a sense of _______ while Red Mango tries to communicate _______________.

- status; low cost
- nutritional benefits and indulgence; playfulness
- low cost; status
- playfulness; nutritional benefits and indulgence
- playfulness; low cost

Both Pinkberry and Red Mango allow customers to "do-it-yourself." In other words, customers can create and customize their own unique combinations of flavors and toppings. In marketing, this is known as _______.

- exchange
- value
- value co-creation
- CRM
- the marketing mix

Based on the information in the case, only Pinkberry seems to be using ________ through its interactive website, Twitter, and Facebook.

- CRM
- the 4 Ps
- social media
- value co-creation
- supply chain management

Red Mango rewards loyal customers with coupons that can be redeemed for free and discounted products, and they offer loyal customers special promotions. These activities are part of a(n) ________________ program.

- CRM
- C2C
- B2B
- exchange
- supply chain management

Clearly, customers enjoy the frozen yogurt offered at both Pinkberry and Red Mango. They also seem to enjoy the service in the stores as well as the idea that frozen yogurt is healthy. These elements all represent delivering value through which of the four Ps?

- Promotion
- Place
- Product
- None of these
- Price

Both Pinkberry and Red Mango know that to be truly value driven, they must do all of the following EXCEPT:

- build relationships with customers.
- take advantage of new technologies.
- carefully balance benefits and costs.
- share information.
- make profitability the number one goal.

Both Red Mango and Pinkberry must communicate information about their products and services and then deliver them to their customers. In turn, their customers provide these companies with money and information. This represents the core marketing concept of ________.

- value
- CRM
- globalization
- supply chain management
- exchange

P2P VS TRADITIONAL CAR RENTALS

- **Activity Type:** Case analysis and discussion

Case

Source: https://www.shareable.net/blog/p2p-vs-traditional-car-sharing-models

Car ownership is down, public transportation and car sharing is up, and people (especially young people) are working out collaborative consumption solutions to their transportation needs. While biking, walking and public transit can take you a long way, in most places in America, regular access to cars is still vitally important.

A new report on car sharing by Susan Shaheen, Mark Mallery and Karla Kingsley has investigated the possibilites and boundaries to direct, P2P car sharing, which has different business modeling and planning from “traditional carsharing” (ie: Zipcar, Flexcar, etc.)

As they write, since 2009, car ownership has gone down for the first time since recordkeeping began (in 1960). This signifies an epochal shift in attitudes towards car ownership and transportation. While many factors are at play (increasing urbanization of the American population, the recession, etc.) it also correlates with a growing prevelance of car sharing organizations.

Traditional car sharing companies provide 24 hour access to a fleet of cars for short trips or errands. These companies rely on a large outlay of capital to build the fleet of cars that will be available, and complex technological set ups to organize insurance and car availability. Still, even for major multi-city car sharing businesses like ZipCar and Flexcar, car sharing relies on an intensely local economy of scale: “a carsharing business is contingent upon gaining approximately 25 active members living within 0.40 km/0.25 miles of each point of departure (POD)”.

But “personal car sharing”, or P2P sharing, can rely on an even more localized community. In personal car sharing, an owner puts her private car up for use through a company which organizes access to rentals. While traditional car sharing companies provide everything from infrastructure to cars to insurance, personal vehicle sharing companies usually just help to broker transactions. As a result, personal car sharing rates tend to be slightly lower than traditional car sharing.

Another major difference, and perhaps one that has the most potential for the transformative power of P2P car sharing, is that while traditional car sharing requires high population density to be profitable, personal car sharing can work even in the suburbs. The need of traditional car sharing companies to find a parking spot and maintain it, and to distribute their fleet, makes large, distributed neighborhoods in the suburbs very hard for them to enter: the cost is too high, and there are not enough people within close range of the vehicle. But with personal car sharing, the car’s owner already lives in the neighborhood and already keeps it there. Even if they have potentially fewer customers, that does not hurt their ability to offer the service.

Shaheen et. al. discovered some major barriers to personal car sharing however. The major problems were insurance questions and fear of sharing personal vehicles. Because it’s a new model of car ownership that fits into neither standard commercial insurance regimes or basic personal ones, insurance is very expensive for personal car sharing- improvements in risk assessment are needed to make it cheaper and more reliable. For more about the insurance issue, see Cat Johnson's excellent report here on Shareable

The other major problem to overcome with personal car sharing is less tangible. It's lack of trust: people's cars are very valuable to them, and it is difficult to share that with strangers.

The need for the owner to deliver the key to renters—called attended access—can be another great hindrance to development of easy car sharing. That's why "unattended access mechanisms such as lockboxes, key fobs, smart cards, or smart phone applications become so important." But much of the technology needed to make a car available for 'unattended access' is expensive to produce and install, and is often aftermarket and can void warranties or decrease the resale value of cars.

Still, as car sharing technologies improve and become cheaper, it seems likely many of these problems will be overcome. And the benefits of car sharing that Shaheen et. al. revealed are powerful: "A 2008 survey of more than 6281 carsharing members in North America found car ownership among the survey population dropped by approximately 50% due to carsharing participation." Average monthly transportation costs also decreased dramatically, as did environmental impact. Americans in car sharing programs save $154-435 a month on transportation costs!

Questions

1. Now think about the marketing concepts we just discussed in class, how do P2P car rentals companies create value? Which consumer needs do these companies satisfy? Can you identify the different parts of the marketing product mix (product, price, place, promotion)?

2. The article mentions that one of the problems of P2P car rental companies is the lack of trust. How do you think companies like Turo, Ryde, GetAround can overcome (or overcame) this problem?

THE SHARING ECONOMY

- **Activity Type:** Case analysis and discussion

Case

Since the last great recession in 2008-2009, a set of peer-to-peer online marketplaces have made inroads into our economy (e.g., Uber, Airbnb, TaskRabbit). These online marketplaces are frequently associated with terms such as the Sharing Economy, Sharing Platforms, Collaborative Economy, Collaborative Consumption, On-demand Economy, or more recently the Gig Economy. The general idea behind these platforms is to allow individuals to share and use underutilized products and services.
Some of these companies have now valuations that are far above traditional firms. For example, Airbnb, with a valuation of $38 billion, far exceed the market cap of big chains like Hilton ($23 billion).

If you think about the services or products that these marketplaces provide, none of them created something completely new, but instead they just redefined the way in which existing offerings were provided to consumers.

Now, think about the marketing concepts we discussed in class and answer the following questions.

Questions

1. What are the competitive advantages of these companies with respect to traditional offering?
2. Think about when the sharing economy started (2008-2009). What do you think triggered the creation and growth of the sharing economy? (Think about what happened around that time)