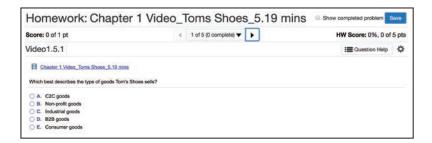
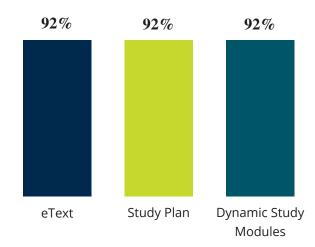


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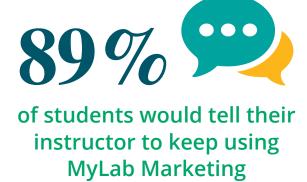


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Marketing An Introduction

Fourteenth Edition

- GARY ARMSTRONG University of North Carolina
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To Kathy, Betty, Mandy, Matt, KC, Keri, Delaney, Molly, Macy, and Ben; Nancy, Amy, Melissa, and Jessica



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Preface

New to This Edition

All That's New in Marketing

The fourteenth edition of *Marketing: An Introduction* reflects the major trends and shifting forces that impact marketing in this digital age of customer value, engagement, and relationships. Here are just some of the major new and continuing changes you'll find in this edition.

- Customer engagement framework: The fourteenth edition continues to build on its customer engagement framework—creating direct and continuous customer involvement in shaping brands, brand conversations, brand experiences, and brand community. New coverage and fresh examples throughout the text address the latest customer engagement tools, practices, and developments.
- Fast-changing marketing trends and topics: This edition adds fresh coverage of both traditional marketing areas and fast-changing topics such as digital, mobile, and social media marketing; customer engagement marketing; big data, artificial intelligence, and new marketing analytics; the major digital transformation in marketing research; omni-channel marketing and the massive shifts in today's retailing; real-time customer listening and marketing; marketing content creation and native advertising; B-to-B social media and social selling; online and dynamic pricing; sustainability; global marketing; and much more.
- Online, mobile, social media, and other digital marketing technologies: Keeping up with digital concepts, technologies, and practices has become a top priority and major challenge for today's marketers. The fourteenth edition of Marketing: An Introduction provides thoroughly refreshed, up-to-date coverage of these explosive developments in every chapter—from digital, online, mobile, and social media engagement technologies in Chapters 1, 5, 12, and 14; to "big data," new marketing analytics, and artificial intelligence in Chapters 3 and 4; to the massive shift to omni-channel and digital retailing in Chapter 13; to the increasing use of augmented and virtual reality in Chapters 4 and 13. A Chapter 1 section on The Digital Age: Online, Mobile, and Social Media Marketing introduces the exciting new developments in digital and social media marketing. Then, a Chapter 14 section on Direct, Online, Social Media, and Mobile Marketing digs more deeply into digital marketing tools such as online sites, social media, mobile ads and apps, online video, email, and other digital platforms that engage consumers anywhere, anytime via their computers, smartphones, tablets, and other digital devices.
- Content marketing and marketing communications: The fourteenth edition continues
 to track fast-changing developments in marketing communications and the creation of
 brand content. Marketers no longer simply create integrated marketing communications programs; they join with customers and media to curate and share marketing
 content in paid, owned, earned, and shared media. You won't find fresher coverage of
 these important topics in any other marketing text.

New Real-World Brand Stories, Highlights, Cases, and In-Text Examples

The fourteenth edition of *Marketing: An Introduction* is loaded with new brand stories, highlight features, cases, in-text examples, and end-of-chapter exercises and features that illustrate brand strategies and contemporary marketing issues and let students apply what they've learned.

- New company cases and end-of-chapter applications and exercises: The fourteenth
 edition provides 16 new company cases by which students can apply what they learn
 to actual company situations. End-of-chapter discussion questions, critical thinking
 exercises, and other applications features are also new and revised.
- Chapter-opening stories, Marketing at Work highlights, and in-text examples: The
 fourteenth edition brings marketing to life with new or heavily revised chapter-opening
 vignettes, boxed features that highlight relevant companies and marketing issues, and
 new in-text examples throughout.

Solving Teaching and Learning Challenges

Today's marketing is all about creating customer value and engagement in a fast-changing, increasingly digital and social marketplace. Marketing starts with understanding consumer needs and wants, determining which target markets the organization can serve best, and developing a compelling value proposition by which the organization can attract and grow valued consumers. Then, more than just making a sale, today's marketers want to engage customers and build deep customer relationships that make their brands a meaningful part of consumers' conversations and lives.

In this digital age, to go along with their tried-and-true traditional marketing methods, marketers have a dazzling set of new online, mobile, and social media tools for engaging customers anytime, anyplace to jointly shape brand conversations, experiences, and community. If marketers do these things well, they will reap the rewards in terms of market share, profits, and customer equity. In the fourteenth edition of *Marketing: An Introduction*, students learn how customer value and customer engagement drive every good marketing strategy.

To improve student results, we recommend pairing the text content with MyLab Marketing, the teaching and learning platform that empowers every student. By combining trusted author content with digital tools and a flexible platform, MyLab personalizes the learning experience and will help students learn and retain key course concepts while developing skills that future employers are seeking in their candidates.

Five Major Customer Value and Engagement Themes

The fourteenth edition of *Marketing: An Introduction* builds on five major customer value and engagement themes:

1. Creating value for customers in order to capture value from customers in return. Today's marketers must be good at creating customer value, engaging customers, and managing customer relationships. In return, they capture value from customers in the form of sales, profits, and customer equity. This innovative customer value and engagement framework is introduced at the start of Chapter 1 in a unique five-step marketing process model, which details how marketing creates customer value and captures value in return. The framework is carefully developed in the first two chapters and then fully integrated throughout the remainder of the text.

- 2. Customer Engagement and Today's Digital and Social Media. New digital and social media have taken today's marketing by storm, dramatically changing how companies and brands engage consumers, and how consumers connect and influence each other's brand behaviors. The fourteenth edition thoroughly explores the exciting new digital, mobile, and social media technologies that help brands to engage customers more deeply and interactively. It starts with two major Chapter 1 sections: Customer Engagement and Today's Digital and Social Media and The Digital Age: Online, Mobile, and Social Media. A refreshed Chapter 14 on Direct, Online, Social Media, and Mobile Marketing summarizes the latest developments in digital engagement and relationship-building tools. Everywhere in between, you'll find revised and expanded coverage of the exploding use of digital and social marketing tools.
- **3.** Building and managing strong, value-creating brands. Well-positioned brands with strong brand equity provide the basis upon which to build customer value and profitable customer relationships. Today's marketers must position their brands powerfully and manage them well to create valued brand experiences. The fourteenth edition provides a deep focus on brands, anchored by a Chapter 8 section on Branding Strategy: Building Strong Brands.
- **4.** *Measuring and managing return on marketing.* Especially in uneven economic times, marketing managers must ensure that their marketing dollars are being well spent. "Marketing accountability"—measuring and managing marketing return on investment—has now become an important part of strategic marketing decision making. This emphasis on marketing accountability is addressed in Chapter 2, Appendix 3 *Marketing by the Numbers*, and throughout the fourteenth edition.
- 5. Sustainable marketing around the globe. As technological developments make the world an increasingly smaller and more fragile place, marketers must be good at marketing their brands globally and in sustainable ways. New material throughout the fourteenth edition emphasizes the concepts of global marketing and sustainable marketing—meeting the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs. The fourteenth edition integrates global marketing and sustainability topics throughout the text. It then provides focused coverage on each topic in Chapters 15 and 16, respectively.

In-Text Teaching and Learning Features

Marketing: An Introduction provides a wealth of chapter-opening, within-chapter, and end-of-chapter learning features that help students to learn, link, and apply major concepts.

- Integrated chapter-opening preview sections. The active and integrative chapter-opening spread in each chapter starts with an Objectives Outline, which provides a helpful preview of chapter contents and learning objectives, complete with page numbers. Next comes a Previewing the Concepts section that briefly previews chapter concepts, links them with previous chapter concepts, and introduces the chapter-opening story. Finally, a First Stop chapter-opening vignette—an engaging, deeply developed, illustrated, and annotated marketing story—introduces the chapter material and sparks student interest.
- Author comments and figure annotations. Throughout each chapter, author comments ease and enhance student learning by introducing and explaining major chapter sections and figures.
- Reviewing and extending the concepts. Sections at the end of each chapter summarize key chapter concepts and provide questions and exercises by which students can review and apply what they've learned. The Chapter Review and Key Terms

Marketing by the Numbers Gillette Trying to Shave Off Competition

Gillette, Procter & Gamble's powerhouse raze by the continuing consumer trend of "bearder "scruff" or "stubble" look that's not likely Online upstarts like Dollar Shave Club, Harry com are also eating away at Gillette's sales. And patent expired on its Mach3 razor, rival Schick a less expensive compatible refill blade cartri Gillette still captures more than 50 percent marl

Company Cases 1 Chick-fil-

Video Case Eskimo Joe's

Since 1975, Eskimo Joe's has been a popular rater, Oklahoma. Through spread via T-shirts, it rapi erab a beer for students at Oklahoma State. But a basic beer joint has grown into something mu the drinking age changed from 18 to 21 in the

MyLab Marketing

If assigned by your instructor, comp in the MyLab.

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Appendix 3 Marketing by the Numbers

Marketing managers are facing increased accountability for the immarket impression. This appendix provides a basic introduction to measuring marketing financial performance. Such financial analysis guides marketers in making sound marketing decisions and in assessing the outcomes of those decisions.

The appendix is built around a hypothetical manufacturer of home automation products—Wise Domotics ('domotics' refers to information technology in the home). The

es in their homes. Users will be able to control lighting, temperature, multimed

section reviews major chapter concepts and links them to chapter objectives. It also provides a helpful listing of chapter key terms by order of appearance with page numbers that facilitate

> easy reference. A Discussion and Critical Thinking section provides discussion questions and critical thinking exercises that help students to keep track of and apply what they've learned in the chapter.

Appendix 1 Company Cases Company Case 1

Chick-fil-A: Getting Better before **Getting Bigger**

Chick-fil-A is dominating the U.S. fast-food market. Whereas McDonald's, Subway, Burger King, and Taco Bell rudge along at the top of the heap, Chick-fil-A bas quietly grown from a Southeast regional favortie into the largest chicken chain and the eighth-largest quick-service food purveyor in the country. The chain sells significantly more food per restamant than any and more than form times what he KEP Colonel fries up. And it does this without even opening its doors on Sundays. With more freemes of St Billion and annual average growth of 16 percent, the chicken champ from Atlanta shows no signs of

wing down.

How does Chick-fil-A do it? By focusing on customers, ce the first Chick-fil-A restaurant opened for business in the and Unick-fil-A restaurant opened for business in the late 1960s, the chain's founders have held tenaciously to the philosophy that the most sustainable way to do business is to provide the best possible customer experience.

Applying Some Pressure

Applying Some Tressure

Chick-fil-A founder S. Trient Cathy was no stranger to the resturant bissiness. Owning and operating restaurants in Georgia in the 1940s, '50, and '60s, he was tell by his experience to investigate a better (and faster) way to cook chicken. He discovered a pressure fiver that could cook a chicken breast in the same amount of time it took to cook a fast-food burger. Developing the chicken sandwich as a burger afternative, he registered the name "Chick-fil-A; Inc." and opened the first Chick-fil-A resturant in 1967.

company's trademarked slogan—"We didn't invent the chicken, just the chicken sandwich"—has kept the company on track for decades. Although it has carefully and strategically added other items to the menu, it's the iconic chicken sandwich in all its varieties that primarily drives the brand's image and the com-pany's revenues. This focus has helped the company's revenues. This focus has helped the company give cus-tomers what they want year after year without being tempted to develop a new flavor of the month.

Getting It Right

Also central to Chick-fil-A's mission i fluence on all who come in contact with nission is to "have a positive in tact with Chick-fil-A." Although intended on an wind come in contact wind Links-In-A. Annough seemingly a tall order to fill, this sentiment permeates every aspect of its business. Not long ago, current Chick-fil-A CEO Dan Cathy was deeply affected by a note that his wife taped to their refrigerator. In a recent visit to a local Chick-fil-A store, she had not only received the wrong order, she had been oversee had not only received the wrong order, she had been over-charged. She circled the amount on her receip, wrote "I'll be back when you get it right" next to it, and posted it on the fridge for her husband to see.

That note promosed to

ing service to everyone. That "second mile" meant not only meeting basic standards of cleanliness and politeness but going above and beyond by delivering each order to the customer's table with unexpected touches such as a fresh-cut flower or ground pepper for salads.

The experience of a recent patron illustrates the level of

service Chick-fil-A's customers have come to expect a the innovative spirit that makes such service possible:

• Minicases and Applications. Sections at the end of each chapter provide brief Online, Mobile, and Social Media Marketing; Marketing Ethics; and Marketing by the Numbers applications cases that facilitate discussion of current issues and company situations in areas such as mobile and social marketing, ethics, and financial marketing analysis. A Video Case section contains short vignettes to be used with a set of short videos and questions that accompany the fourteenth edition in MyLab Marketing.

Company Cases. Appendix 1 contains 16 all-new company cases that help students apply major marketing concepts and critical thinking to real company and brand situations. Each end-of-chapter section identifies applicable cases for the chapter.

Part 2: Understanding the Marketplace and Consumer Value

MARKETING AT WORK 4.2

Artificial Intelligence in Marketing: "A Bigger Deal Than Fire or Electricity"

her familiar, cheerful voice: "One tall caramel latte!" She then politely suggests a breakfast snack—a Vermont maple then politely suggests a breakfast snack—a Vermont maple unt muffin—only our usual, but it sure sounds good You agree. "Thanks! Your order will be ready for pickup in five to seven minutes at University and 28th," she con-firms. "Would you like to pay for that with your credit card on file?" You step inside the store, bypass the long lines, and grab your order—no first, no muss. Welcome to the orld of artificial intelligence (AI).

This is just one example of how AI has exploded onto

Ins is just one example of how AI has exploided onto the marketing seen. Surfucks has long been into cutting-edge technology—a full 25 percent of its transactions are already placed through its samarphone apps. But My Surbucks Barista is more than just an ordering app. It uses attificial intelligence to create personalized customer experiences and manage real-time cuttomer interactions, based on everything from customer's past transactions and preferences to demographics, store trends and inventories and local traffic and weather conditions.

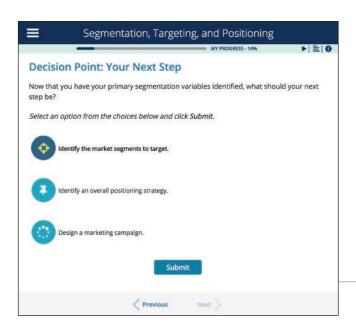
and local traffic and weather conditions.
Artificial intelligence is sweeping the world. It involves
machines that think and learn in a way that looks and feels
human but with a lot more analytical capacity. The engine behind the AI's explosive growth is big data. Raw data is flow
ing in from everywhere: customer transaction and interaction
data, web and social medial data, news and environmental
data, and data from more than 30 billion connected devices—



combing through vast amounts of data to unearth customer and market insights that help marketers sharpen their targeting, personalize customer engagements, design new products, and even craft better ads in real time. Today's machines are smart and eerily human. IBM's Watson "is loquacious; it can tell jokes, answer questions, and write songs," notes one observer. "Google's All can now read lips songs," notes one observer. "Google's All can now read lips

Developing Employability Skills

Marketing at Work features. Each chapter contains two deeply developed highlight features that provide in-depth looks at real brand marketing strategies and contemporary marketing issues. For example, students learn how retail titans Walmart and Amazon are battling it out for supremacy in the new omni-channel retailing world; how Netflix uses big data and advanced marketing analytics to personalize each customer's experience; why Apple's products fly off the shelves despite their premium prices; how Instagram has made itself a winwin-win for the company, advertisers, and Instagrammers alike; how Coca-Cola, long a master of mass market advertising, has now also mastered digital, mobile, and social media marketing; and how outdoor apparel and gear maker Patagonia urges "conscious consumption," telling customer to buy less of its products. They learn that artificial intelligence in marketing is now "a bigger deal than fire and electricity"; how companies are increasingly using augmented and virtual reality to enhance consumer shopping experiences; and how mobile



Jefferson Community College

marketing engages consumers in the moments that matter. No other text brings marketing to life like the fourteenth edition of *Marketing: An Introduction*.

Marketing Plan appendix. Appendix 2 contains a detailed sample marketing plan that helps students to apply important marketing planning concepts.

Marketing by the Numbers appendix. An innovative and freshly revised Appendix 3 provides students with a comprehensive introduction to the marketing financial analysis that helps guide, assess, and support marketing decisions. A detailed exercise at the end of each chapter lets students apply analytical and financial thinking to that chapter's concepts and links the chapter to the Marketing by the Numbers appendix.

Careers in Marketing. Appendix 4 helps students to explore marketing career paths and lays out a process for landing a marketing job that best matches their special skills and interests.

— Mini Sims in MyLab Marketing give students the opportunity to apply their knowledge to real-world decision making scenarios.

PowerPoints meet accessibility standards for students with disabilities.

· High color contrast between background and foreground colors

Features include, but not limited to:

• Keyboard and Screen Reader access

· Alternative text for images

Instructor Teaching Resources

This program comes with the following teaching resources.

Supplements Available to Instructors at www.pearsonhighered.com	Features of the Supplement	
Instructor's Manual authored by Tony Henthorne from University of Nevada, Las Vegas	Chapter-by-chapter summaries Examples and activities not in the main book Teaching outlines Teaching tips Solutions to all questions and problems in the book	
Test Bank authored by Susan Leshnower from Midland College	 4,000 multiple-choice, true/false, short- answer, and graphing questions with these annotations: Difficulty level (1 for straight recall, 2 for some analysis, 3 for complex analysis) Type (Multiple-choice, true/false, short-answer, essay Topic (The term or concept the question supports) Learning objective AACSB learning standard (Written and Oral Communication; Ethical Understanding and Reasoning; Analytical Thinking; Information Technology; Interpersonal Relations and Teamwork; Diverse and Multicultural Work; Reflective Thinking; Application of Knowledge) 	
Computerized TestGen	TestGen allows instructors to: Customize, save, and generate classroom tests Edit, add, or delete questions from the Test Item Files Analyze test results Organize a database of tests and student results.	
PowerPoints authored by Helen Davis from	Slides include all the graphs, tables, and equations in the textbook.	

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Gary Armstrong Philip Kotler

About the Authors

As a team, Gary Armstrong and Philip Kotler provide a blend of skills uniquely suited to writing an introductory marketing text. Professor Armstrong is an award-winning teacher of undergraduate business students. Professor Kotler is one of the world's leading authorities on marketing. Together they make the complex world of marketing practical, approachable, and enjoyable.

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But Professor Armstrong's first love has always been teaching. His long-held Blackwell Distinguished Professorship is the only permanent endowed professorship for distinguished undergraduate teaching at the University of North Carolina at Chapel Hill. He has been very active in the teaching and administration of Kenan-Flagler's undergraduate program. His administrative posts have included Chair of Marketing, Associate Director of the Undergraduate Business Program, Director of the Business Honors Program, and many others. Through the years, he has worked closely with business student groups and has received several UNC campuswide and Business School teaching awards. He is the only repeat recipient of the school's highly regarded Award for Excellence in Undergraduate Teaching, which he received three times. Most recently, Professor Armstrong received the UNC Board of Governors Award for Excellence in Teaching, the highest teaching honor bestowed by the 16-campus University of North Carolina system.

PHILIP KOTLER is S. C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University. He received his master's degree at the University of Chicago and his Ph.D. at M.I.T., both in economics. Dr. Kotler is author of Marketing Management (Pearson), now in its 15th edition and the most widely used marketing textbook in graduate schools of business worldwide. He has authored more than 60 successful books and more than 150 articles in leading journals. He is the only three-time winner of the coveted Alpha Kappa Psi award for the best annual article in the *Journal of Marketing*.

Professor Kotler was named the first recipient of four major awards: the Distinguished Marketing Educator of the Year Award and the William L. Wilkie "Marketing for a Better World" Award, both given by the American Marketing Association; the Philip Kotler Award for Excellence in Health Care Marketing presented by the Academy for Health Care Services Marketing; and the Sheth Foundation Medal for Exceptional Contribution to Marketing Scholarship and Practice. He is a charter member of the Marketing Hall of Fame, was voted the first Leader in Marketing Thought by the American Marketing Association, and was named the Founder of Modern Marketing Management in the Handbook of Management Thinking. His numerous other major honors include the Sales and Marketing Executives International Marketing Educator of the Year Award; the European Association of Marketing Consultants and Trainers Marketing Excellence Award; the Charles Coolidge Parlin Marketing Research Award; and the Paul D. Converse Award, given by the American Marketing Association to honor "outstanding contributions to science in marketing." A recent Forbes survey ranks Professor Kotler in

the top 10 of the world's most influential business thinkers. And in a *Financial Times* poll of 1,000 senior executives across the world, Professor Kotler was ranked as the fourth "most influential business writer/guru" of the twenty-first century.

Dr. Kotler has served as chairman of the College of Marketing of the Institute of Management Sciences, a director of the American Marketing Association, and a trustee of the Marketing Science Institute. He has consulted with many major U.S. and international companies in the areas of marketing strategy and planning, marketing organization, and international marketing. He has traveled and lectured extensively throughout Europe, Asia, and South America, advising companies and governments about global marketing practices and opportunities.

PART 1: DEFINING MARKETING AND THE MARKETING PROCESS (CHAPTERS 1-2)

PART 2: UNDERSTANDING THE MARKETPLACE AND CONSUMER VALUE (CHAPTERS 3-5)

PART 3: DESIGNING A CUSTOMER VALUE-DRIVEN STRATEGY AND MIX (CHAPTERS 6-14)

PART 4: EXTENDING MARKETING (CHAPTERS 15-16)



Marketing

Creating Customer Value and Engagement

Objectives Outline

- OBJECTIVE 1-1 Define marketing and outline the steps in the marketing process. See: What Is Marketing? (pp 4–6)
- OBJECTIVE 1-2 Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts. See: Understanding the Marketplace and Customer Needs (pp 6–10)
- OBJECTIVE 1-3 Identify the key elements of a customer value-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.

 See: Designing a Customer Value-Driven Marketing Strategy and Plan (pp 10–14)
- OBJECTIVE 1-4 Discuss customer relationship management and identify strategies for creating value for customers and capturing value from customers in return.

 See: Managing Customer Relationships and Capturing Customer Value (pp 15–23)
- OBJECTIVE 1-5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships. See: The Changing Marketing Landscape (pp 23–31)

Previewing the Concepts

This first chapter introduces you to the basic concepts of marketing. We start with the question: What is marketing? Simply put, marketing is engaging customers and managing profitable customer relationships. The aim of marketing is to create value for customers in order to capture value from customers in return. Next we discuss the five steps in the marketing process—from understanding customer needs to designing customer value-driven marketing strategies and integrated marketing programs to building customer relationships and capturing value for the firm. Finally, we discuss the major trends and forces affecting marketing in this new age of digital, mobile, and social media. Understanding these basic concepts and forming your own ideas about what they really mean to you will provide a solid foundation for all that follows.

Let's start with a good story about marketing in action at Amazon, by far the nation's leading online marketer. The secret to Amazon's success? It's really no secret at all. Amazon is flat-out customer obsessed. It has a deep-down passion for creating customer value, engagement, and relationships. In return, customers reward Amazon with their buying dollars and loyalty. You'll see this theme of creating customer value in order to capture value in return repeated throughout this chapter and the remainder of the text.

First Stop

Amazon: Obsessed with Creating Customer Value, Engagement, and Relationships

When you think of shopping online—or of shopping anywhere, for that matter—chances are good that you think first of Amazon. The online pioneer first opened its virtual doors in 1995, selling books out of founder Jeff Bezos's garage in suburban Seattle. Amazon still sells books—lots and lots of books. But it now sells just about everything else as well, from electronics, tools, housewares, apparel, and groceries to fashions, loose diamonds, musical instruments, and Maine lobsters. And Amazon is rapidly moving beyond online selling, not just into physical stores but also into video and music streaming, cloud services, and the Internet of Things. If one company represents where the world is now headed, it's probably Amazon.

From the start, Amazon has grown explosively. Its annual sales have rocketed from a modest \$150 million in 1997 to \$177 billion today. During just the past three years, Amazon's revenues have more than tripled. Last year, the company sold more than 5 billion items to its more than 90 million Amazon Prime members alone—that's an average of 159 items every second. Currently, Amazon is the nation's second-largest retailer, trailing only Walmart. And as unthinkable as it might have seemed only a few years ago, at its current growth rate, Amazon could overtake even mighty Walmart in as little as six years.

What has made Amazon such an amazing success story? Jeff Bezos puts it in three simple words: "Obsess over customers." To its core, the company is relentlessly customer driven. "The thing that drives everything is creating genuine value for customers," says Bezos. Amazon believes that if it does what's good for customers, profits will follow.

Amazon wants to deliver a special experience to every customer. Most Amazon.com regulars feel a surprisingly strong relationship with the company, especially given the almost complete lack of actual human interaction. Amazon obsesses over making each customer's experience uniquely personal. For example, the Amazon.com site greets customers with their very own home pages, complete with personalized site content and recommendations based on their past purchase and browsing histories and the purchasing patterns of customers with similar profiles. If it has 300 million customers, Amazon reasons, it should have 300 million stores.

Visitors to Amazon.com receive a unique blend of benefits: huge selection, good value, low prices, and convenience. But it's the "discovery" factor that makes the buying experience really special. Once on Amazon.com, you're compelled to stay for a while—looking, learning, and discovering. More than just a place to buy things, Amazon. com has become a kind of online community in which customers can browse for products, research purchase alternatives, and share opinions and reviews with other visitors. In this way, Amazon does much more than just sell goods online. It engages customers and creates direct, personalized customer relationships and satisfying experiences.

From the very start, selection, convenience, and value have been the foundation stones of the Amazon experience. Amazon's primary goal is to help customers get whatever they want in the shortest possible time at the right price. To create even greater selection and discovery for customers, Amazon allows competing retailers—from mom-and-pop operations to Marks & Spencer—to sell their products



>>> Amazon does much more than just sell goods online. It engages customers and creates satisfying customer experiences. "The thing that drives everything is creating genuine value for customers," says Amazon founder Jeff Bezos.

Jonathan Weiss/Alamy Stock Photo

on Amazon.com through the Amazon Marketplace, creating a virtual shopping mall of incredible proportions.

Amazon's innovations have made the order and delivery process a breeze. First it was 1-Click ordering that lets customers purchase and ship to preset options with just one click. Then Amazon added Dash Buttons, shortcuts that let customers quickly find and reorder favorite products on Amazon's mobile app. And if there's no smartphone or app handy, customers equipped with an Amazon Echo smart speaker can now voice-shop with a simple com-

mand, "Alexa, reorder laundry detergent." Amazon's artificial intelligence–driven digital assistant will place and ship the order for them.

As for delivery, no other seller—online or offline—has been more effective than Amazon in getting the goods to its customers fast. As much as it sells products and convenience, Amazon also sells "speed." When the online giant first introduced Amazon Prime more

Amazon's deep-down
passion for creating
customer value, engagement,
and relationships
has made it the nation's leading
online retailer. Amazon has become
the model for companies that are
obsessively and successfully
focused on delivering
customer value.

than a decade ago, free 48-hour shipping was unheard of; now it's standard across the industry. So Amazon introduced Amazon Prime Now, delivery within two *hours* or less. "It's cheap, easy, and insanely fast," says one awestruck customer.

According to the vice president of Amazon Prime Now, her business boils down to two simple questions: "Do you have what I want, and can you get it to me when I need it?" Amazon continues to invest heavily in making the answers to both questions a resounding "yes." To build an

even faster and more reliable customer delivery experience, Amazon is rapidly amassing its own fleets of delivery vans, trucks, and Boeing 767 cargo planes that will make it less dependent on third-party shippers such as FedEx, UPS, and the U.S. postal service. It's also actively exploring more futuristic options, such as delivery drones and driverless vehicles.

In its quest to create the perfect customer experience, Amazon pursues endless innovation. For example, take Amazon Key. For as little as \$199, the Amazon Key kit comes with Amazon's new Cloud Cam and a compatible smart door lock. Once installed, it lets Amazon's delivery people unlock customers' doors and leave packages inside, safely out of the reach of porch pirates or inclement weather. Once a delivery is made, the customer receives a notification along with a short video showing the drop-off.

As Walmart and other store retailers are increasingly invading Amazon's digital domain, the online retailer is now invading their brick-and-mortar worlds. It knows that a complete customer relationship will require merging online and offline selling into the seamless cross-channel shopping experience that today's consumers expect. For example, Amazon purchased upscale grocery chain Whole Foods Market, which not only accelerates its push into grocery retailing but also provides a physical store platform for the selling and

more speedy delivery of other kinds of goods. Amazon is also opening AmazonBooks bookstores and AmazonGo grocery stores, which provide a new twist on convenience by using cameras and sensors to detect what customers take from shelves and let them "just walk out," automatically charging purchases to their accounts.

So what sweeping new customer-pleasing changes can you expect from Amazon in the next 10 years? According to Bezos, that's not the most important question. The more important question is what's *not* going to change? And at Amazon, that's creating real customer value. "We know that customers want low prices," says Bezos, "and I know that's going to be true 10 years from now. They want fast delivery; they want vast selection. And so...we know the energy we put into [those things] today will still be paying off dividends for our customers 10 years from now."

Thus, Amazon has become the poster child for companies that are obsessively and successfully focused on delivering customer value. "Our customers are loyal to us right up until the second some-body offers them a better service," says Bezos. "And I love that. It's super-motivating for us." He concludes, "When things get complicated, we simplify them by asking, 'What's best for the customer?' We believe that if we do that, things will work out in the long term." 1

oday's successful companies have one thing in common: Like Amazon, they are strongly customer focused and heavily committed to marketing. These companies share a passion for satisfying customer needs in well-defined target markets. They motivate everyone in the organization to help build lasting customer relationships based on creating value.

Customer relationships and value are especially important today. Facing dramatic technological advances and deep economic, social, and environmental challenges, today's customers are reassessing how they engage with brands. New digital, mobile, and social media developments have revolutionized how consumers shop and interact, in turn calling for new marketing strategies and tactics. It's now more important than ever to build strong customer engagement, relationships, and advocacy based on real and enduring customer value.

We'll discuss the exciting new challenges facing both customers and marketers later in the chapter. But first, let's introduce the basics of marketing.

Author Comment

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

What Is Marketing?

OBJECTIVE 1-1 Define marketing and outline the steps in the marketing process.

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

For example, Amazon dominates the online marketplace by creating a world-class online buying experience that helps customers to "find and discover anything they might want to buy online." Facebook has attracted more than 2 billion active web and mobile users worldwide by helping them to "connect and share with the people in their lives." And Starbucks dominates the U.S. out-of-home coffee market by "creating a culture of warmth and belonging, where everyone is welcome."

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



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

Leung Cho Pan/123 RF

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

Marketing Defined

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

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

Broadly defined, marketing is a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others. In a narrower business context, marketing involves building profitable, value-laden exchange relationships with customers. Hence, we define **marketing** as the process by which companies engage customers, build strong customer relationships, and create customer value in order to capture value from customers in return.⁴

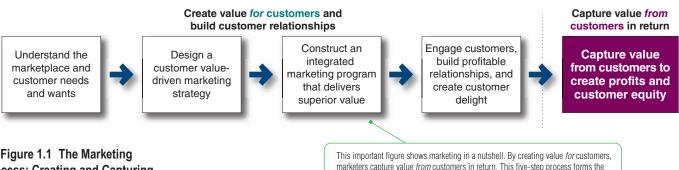
The Marketing Process

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

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

Marketing

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



>> Figure 1.1 The Marketing Process: Creating and Capturing Customer Value

Author Comment

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

Needs

States of felt deprivation.

Wants

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

Demands

Human wants that are backed by buying power.

SHARE. * POSITION SHARE. * POSITION SALE. POSITION RECORD RECOR

>>> Staying close to customers: Energetic Target CEO Brian Cornell makes regular unannounced visits to Target stores, accompanied by local moms and loyal Target shoppers.

Ackerman + Gruber

Understanding the Marketplace and Customer Needs

OBJECTIVE 1-2 Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.

marketing framework for the rest of the chapter and the remainder of the text.

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

Customer Needs, Wants, and Demands

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

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

people demand products and services with benefits that add up to the most value and satisfaction.

Companies go to great lengths to learn about and understand customer needs, wants, and demands. They conduct consumer research, analyze mountains of customer data, and observe customers as they shop and interact, offline and online. People at all levels of the company—including top management—stay close to customers:⁵

To see up close what their customers experience, Airbnb's CEO Brian Chesky and his co-founder Joe Gebbia regularly stay at the company's host locations. When Airbnb first listed rentals back in 2009, Chesky and Gebbia personally visited all of their New York hosts, staying with them, writing reviews, and making sure they lived up to the company's lofty vision. Such personal visits help the pair to shape new customer solutions based on real user experience. Similarly, Target's energetic CEO, Brian Cornell, makes regular unannounced visits to Target stores, accompanied by local moms and loyal Target shoppers. Cornell likes nosing around stores and getting a real feel for what's going on. It gives him "great, genuine feedback." He and other Target executives even visit customers in their homes, opening closet doors and poking around in cupboards to understand their product choices and buying habits.

Market offerings

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

Marketing myopia

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



Marketing experiences: You don't just visit Walt Disney World Resort; you immerse yourself in a carefully choreographed experience—a world where dreams come true and things still work the way they should.

Sunshine/Alamy Stock Photo

Market Offerings—Products, Services, and Experiences

Consumers' needs and wants are fulfilled through **market offerings**—some combination of products, services, information, or experiences offered to a market to satisfy a need or a want. Market offerings are not limited to physical products. They also include services—activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything. Examples include banking, airline, hotel, retailing, and home repair services.

More broadly, market offerings also include other entities, such as persons, places, organizations, information, ideas, and causes. For example, to market the cause of suicide prevention, rapper Logic worked with the National Suicide Prevent Lifeline (NSPL) to create a seven-minute online public service video embedded with his song "1-800-273-8255," the NSPL phone number. The results of this lone song and video were staggering. On the day the song and video were released, calls to the Lifeline shot up more than 25 percent, and Google searches for the number doubled. In the following months, visits to the NSPL website increased more than 30 percent.⁶

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

Smart marketers look beyond the attributes of the products and services they sell. By orchestrating several services and products, they create brand experiences for consumers.

For example, your local Buffalo Wild Wings restaurant doesn't just serve up wings and beer; it gives customers the ultimate "Wings. Beer. Sports." fan experience (see Marketing at Work 1.1). And the Walt Disney World Resort doesn't just offer amusement park rides, it uses its famed Disney magic to create carefully orchestrated family experiences:⁸

Each year, more than 40 million people flock to the Walt Disney World Resort, making it the world's number one tourist attraction. What brings so many people to Disney World? Part of the answer lies in its many attractions. The resort's four major theme parks—Magic Kingdom, Epcot, Disney's Hollywood Studios, and Disney's Animal Kingdom—brim with such attractions as the Expedition Everest, Twilight Zone Tower of Terror, Space Mountain, Soarin', Toy Story Mania, Spaceship Earth, Kilimanjaro Safaris, and Star Tours. But the real "Disney Magic" lies in the company's obsessive dedication to "make people happy" and to "make dreams come true."

Disney goes to extremes to fulfill guests' very high expectations and dreams. Employees are carefully trained in how to do the hard work of helping people have fun. They are taught to be enthusiastic, helpful, and always friendly. They learn that they are in the entertainment business and that they are "cast members" whose job is to be enthusiastic, knowledgeable, and professional in serving Disney's "guests." Each cast member, they learn, plays a vital role in the Disney World "show," whether it's as a "security host" (police), "transportation host" (driver), "custodial host" (street cleaner), or "food and beverage host" (restaurant worker). Thus, you don't just visit Walt Disney World Resort; you immerse yourself in a carefully choreographed experience—a world of wonder where dreams come true and things still work the way they should.

Customer Value and Satisfaction

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

MARKETING AT WORK

1 1

Buffalo Wild Wings: Fueling the Sports Fan Experience

"Wings. Beer. Sports." That's the long-standing motto for the fast-growing Buffalo Wild Wings restaurant chain. "B-Dubs"—as it's known to avid regulars—focuses on food and sports and "everything in between."

There's no doubt about it. Buffalo Wild Wings more than lives up to the "wings" and "beer" parts of the equation. It serves up wings in an abundant variety: boned or boneless, with five dry seasonings and 17 signature sauces ranging on the heat scale from Sweet BBQ (traditional BBQ sauce: satisfyingly sweet with no heat) to Desert Heat (smoky, sweet, and chili pepper seasoning) to Reformulated Blazin' (so good it's scary—made with the unrelenting heat of the ghost pepper). To wash it all down, each B-Dubs restaurant pours as many as 30 different draft beers, with a full selection of domestic, import, and craft beer brands. You won't go hungry or thirsty at B-Dubs.

However, the Buffalo Wild Wings recipe for success goes much deeper than just selling wings and beer for profit. What really packs 'em in and keeps 'em coming back is the B-Dubs customer experience. Customers do gobble up the wings—more than 13.5 million wings chain-wide on last Super Bowl Sunday alone. But even more important, they come to B-Dubs to watch sports, trash talk, cheer on their sports teams, and meet old friends and make new ones—that is, a total eating and social experience. "We realize that we're not just in the business of selling wings," says the company. "We're something much bigger. We're in the business of fueling the sports fan experience. Our mission is to WOW people every day!"

Everything about B-Dubs is designed to deliver the ultimate sports experience, for any fan of any sport. The WOW begins the minute you step into any of Buffalo Wild Wings's 1,230 restaurants. This is not your average dark-and-dank sports bar. Instead, a B-Dubs is like a miniature stadium, with high ceilings, ample natural light, and brightly colored furnishings and wall coverings. The newest Buffalo Wild Wings "Stadia" restaurants are divided into barrier-free zones—including a bar area and a separate dining area. And every B-Dubs has 60 to 70 really big flat-screen TVs lining the walls, over the bar, and about everywhere else, ensuring that every table has the best seat in the house no matter what your team or sport, including live streaming of local college and even high school events. B-Dubs creates an exciting environment that makes it the next best thing to being at the game—or something even better.

There's an experience for everyone at Buffalo Wild Wings. The chain appeals to a wide range of customers, from publoving sports nuts to families looking for an affordable evening out. Singles and couples gravitate to the bar area; families stick to the carpeted areas with booths. In addition to streaming sports events of all kinds on the big screens, B-Dubs supplies tableside tablets upon which customers can play poker or trivia games. A social jukebox feature lets guests control the music that plays on the restaurant's sound system.

It seems like there's always something happening in a B-Dubs to engage customers and enhance the experience. Take the chain's infamous Blazin' Wing Challenge-which promises a trophystyle T-shirt and a place on the Wall of Fame to any customer who can down a dozen wings with the chain's hottest signature sauce in no more than six minutes. That's no easy feat considering that the Blazin' sauce is 60 times hotter than typical jalapeño sauce. During the six-minute binge, challengers are not allowed to use napkins or utensils, touch their faces, or eat or drink anything other than the wings (no dipping sauces, please). The menu boasts plenty of warnings, and servers advise most people not to even attempt the challenge. And before taking the plunge, each challenger signs a waiver agreeing that he or she "voluntarily assumes all risk of loss, damage, injury, illness, or death that may be sustained by him or her as a result." As you can imagine, when a challenge is announced over the PA, it usually draws a crowd.

Buffalo Wild Wings never rushes its guests. Whereas many other casual-dining restaurants have a "turn-and-burn" philosophy—cycling as many paying guests as possible through each table—at B-Dubs it's just the opposite. Buffalo Wild Wings encourages people to linger longer, enjoy the food, and soak up the ambiance.

To help make that happen, the chain has created a special staff position at each restaurant. In addition to the usual waitstaff, each table has a "Guest Experience Captain." The captain is like a host at any party, moving from table to table, chatting with guests, personalizing their experiences, and making sure their needs are met. Want a special game on one screen with another game on the screen next to it? Your Guest Experience Captain sees to it. Need help with a tablet? Your captain lends



>>> Customer-focused mission: The Buffalo Wild Wings mission is to provide a total eating and social environment that "fuels the sports fan experience" through in-store and online engagement.

Reprinted with permission of Buffalo Wild Wings, Inc.

a hand. Want to try some new sauces? Your captain will make suggestions and even bring out samples of different sauces with complimentary fries for dipping.

Adding Guest Experience Captains is a major expense, especially when multiplied across shifts in all 1,230 stores. But Buffalo Wild Wings reasons that the captains will more than pay for themselves by enhancing the all-important guest experience, keeping customers around longer, and bringing them back more often. Buffalo Wild Wings restaurants with captains are achieving record levels of customer satisfaction and loyalty compared with those that have not yet brought captains on board.

True to its "ultimate sports experience" mission, Buffalo Wild Wings actively engages its customers digitally and socially outside its restaurants as well as inside. In fact, the company brags that it's the number-one brand in its industry for digital fan engagement. B-Dubs's very active website draws 3 million visitors per month. The brand has more than 12 million Facebook fans, 699,000 Twitter followers, and very active YouTube and Instagram pages. It recently launched GameBreak, an app for fantasy football and other games that can be played inside or outside its restaurants. GameBreak players visit more often, stay longer, and tend to buy maybe one more basket of wings or that second or third beer. In all, Buffalo Wild Wings creates a host of both in-store and online promotions that inspire

camaraderie. "It's about giving [customers] tools to not just be spectators but advocates of the brand," says the chain.

Catering to the customer experience has paid big dividends for Buffalo Wild Wings. B-Dubs is now the nation's number-one seller of chicken wings and largest pourer of draft beer. Over the past five years, as other casual-dining restaurants have struggled with fierce competition and slow growth, B-Dubs's sales have jumped 250 percent and profits have tripled. The chain's "hottest wing coating available comes with a warning to B-Dubs' customers: 'keep away from eyes, pets, and children.' The sauce is called 'Blazin'," says one analyst. "That term also happens to be a good description of the [brand's] performance lately."

Sources: "Super Bowl's Annual Buffalo-Wing Binge Eased by Lower Prices," Advertising Age, February 2, 2018, http://adage.com/article/special-report-super-bowl/super-bowl-s-annual-buffalo-wing-binge-eased-lower-prices/312209/; Demitrios Kalogeropoulos, "3 Reasons Buffalo Wild Wings Can Keep Soaring in 2015," The Motley Fool, January 9, 2015, www.fool.com/investing/general/2015/01/09/3-reasons-why-buffalo-wild-wings-can-keep-soaring.aspx; Bryan Gruley, "The Sloppy Empire: How Buffalo Wild Wings Turned the Sports Bar into a \$1.5 Billion Juggernaut," Bloomberg Businessweek, April 13–19, 2015, pp. 62–65; Tanya Dua, "The Buffalo Wild Wings Recipe for the 'Ultimate Sports Experience," August 4, 2015, https://digiday.com/marketing/buffalo-wild-wings-recipe-ultimate-sports-experience/; and www.22squared.com/work/project/buffalo-wild-wings; http://ir.buffalowildwings.com/financials.cfm, http://worldwidewingsus.com/default.aspx?Page=About, and www.buffalowildwings.com/en/, accessed September 2018.

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

Exchanges and Relationships

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

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

Markets

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

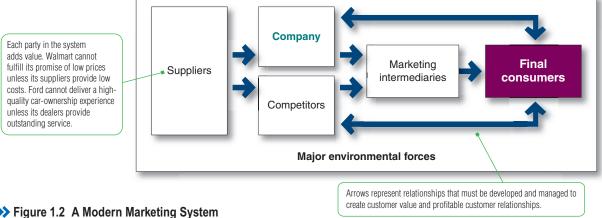
Marketing means managing markets to bring about profitable customer relationships. However, creating these relationships takes work. Sellers must search for and engage buyers, identify their needs, design good market offerings, set prices for them, promote them, and store and deliver them. Activities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

Exchange

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

Market

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



>>> Figure 1.2 A Modern Marketing System

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

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

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

Author Comment

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

Designing a Customer Value-Driven Marketing Strategy and Plan

OBJECTIVE 1-3 Identify the key elements of a customer value-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.

Customer Value-Driven Marketing Strategy

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

Marketing management

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

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

Selecting Customers to Serve

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

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

Choosing a Value Proposition

The company must also decide how it will serve targeted customers—how it will differentiate and position itself in the marketplace. A brand's value proposition is the set of benefits or values it promises to deliver to consumers to satisfy their needs. JetBlue promises to put "You Above All" by bringing "humanity back to travel." By contrast, Spirit Airlines gives you "Bare Fare" pricing: "Less Money. More Go." Homewood Suites by Hilton wants you to "Make yourself at home." Meanwhile, the Hyatt Regency brand declares that sometimes "It's good not to be home." Its ads highlight the joys of traveling and the fun things that people do when they are traveling on business. And Amazon's

Echo smart speaker is "Always ready, connected, and fast. Just ask." >>> By contrast, the Sonos One with Amazon Alexa is "The smart speaker for music lovers." It gives you all the advantages of Alexa but with high-quality Sonos sound.

Such value propositions differentiate one brand from another. They answer the customer's question: "Why should I buy your brand rather than a competitor's?" Companies must design strong value propositions that give them the greatest advantage in their target markets.

Marketing Management Orientations

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

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

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

The production concept is still a useful philosophy in some situations. For example, both personal computer maker Lenovo and home appliance maker Haier dominate the highly competitive, price-sensitive Chinese market through low labor costs, high production efficiency, and mass distribution. However, although useful in some situations, the production concept can lead

Production concept

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



>> Value propositions: Sonos positions its Sonos One with Amazon Alexa as "The smart speaker for music lovers." It gives you all the advantages of Alexa but with high-quality Sonos sound.

The Advertising Archives/Alamy Stock Photo

to marketing myopia. Companies adopting this orientation run a major risk of focusing too narrowly on their own operations and losing sight of the real objective—satisfying customer needs and building customer relationships.

Product concept

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

Selling concept

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

Marketing concept

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

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

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

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

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

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

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

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

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



>> Figure 1.3 Selling and Marketing Concepts Contrasted

Societal marketing concept

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

As the text example shows, Jeni's Splendid Ice Creams knows that doing good can benefit both the community and the company. It thrives by "making better ice creams and bringing people together."

Society
(Human welfare)

Societal marketing concept

Consumers
(Want satisfaction)

Company
(Profits)

>> Figure 1.4 Three Considerations Underlying the Societal Marketing Concept

In many cases, however, customers don't know what they want or even what is possible. As Henry Ford once was believed to have remarked, "If I'd asked people what they wanted, they would have said faster horses." For example, even 20 years ago, how many consumers would have thought to ask for now-commonplace products such as tablet computers, smartphones, digital cameras, 24-hour online buying, digital video and music streaming, and GPS systems in their cars and phones? Such situations call for *customer-driving* marketing—understanding customer needs even better than customers themselves do and creating products and services that meet both existing and latent needs, now and in the future. As legendary Apple cofounder Steve Jobs once said, "Our job is to figure out what [consumers are] going to want before they do. ...Our task is to read things that are not yet on the page." 10

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

Even more broadly, many leading business and marketing thinkers are now preaching the concept of *shared value*, which recognizes that societal needs, not just economic needs, define markets. ¹¹ The concept of shared value focuses on creating economic value in a way

that also creates value for society. A growing number of companies known for their hard-nosed approaches to business—such as Google, GE, IBM, Johnson & Johnson, Unilever, and Walmart—are rethinking the interactions between society and corporate performance. They are concerned not just with short-term economic gains but with the well-being of their customers, the depletion of natural resources needed by their businesses, the welfare of key suppliers, and the economic well-being of the communities in which they operate.

As >> Figure 1.4 shows, companies should balance three considerations in setting their marketing strategies: company profits, consumer wants, and society's interests. Small but fast-growing Jeni's Splendid Ice Creams operates this way:¹²

Jeni's Splendid Ice Creams makes and sells really good artisan ice cream in its own scoop shops, with exotic flavors such as Goat Cheese with Red Cherries, Wildberry Lavender, and Riesling Poached Pear sorbet. But Jeni's does more than just make and sell ice cream. It also dedicates itself to a deeply felt mission of "making better ice creams and bringing people together. That's what gets us out of bed in the morning and keeps us up late at night." Jeni's follows what it calls



>> The societal marketing concept: Jeni's Splendid Ice Cream does more than just make good ice cream. It makes "ice creams created in fellowship with growers, makers, and producers from around the world all for the love of you."

Jeni's Splendid Ice Creams, LLC

a "fellowship model"—making great ice creams for communities, by communities. Signs in Jeni's shops proudly proclaim: "Ice creams created in fellowship with growers, makers, and producers from around the world all for the love of you."

To achieve this ambitious mission, Jeni's sources its ingredients carefully, using whole fruits and vegetables, milk from local grass-grazed cows, and herbs and wildflower honey from nearby farms, along with fair-trade vanilla and bean-to-bar direct trade chocolate. Jeni's believes in "buying directly and paying fairly for the ingredients, in having minimal impact on the environment, and in building and shaping community." It also works to involve its local communities. "Each time we open a store...we spend time in the neighborhoods; we want residents and visitors to be our partners. We think of our company as a community." Thanks to its societal mission, Jeni's is thriving. In 15 years, the business has grown from a pint-sized local operation to 34 scoop shops in 10 cities, all with devoted followings. You'll also find Jeni's in more 3,000 grocery stores, suggesting that doing good can benefit both the community and the company.

Preparing an Integrated Marketing Plan and Program

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

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



LINKING THE CONCEPTS

Stop here for a moment and stretch your mind. What have you learned so far about marketing? Set aside the more formal definitions we've examined and try to develop your own understanding of marketing.

- In *your own words*, what *is* marketing? Write down *your* definition. Does your definition include such key concepts as customer value, engagement, and relationships?
- What does marketing mean to you? How does it affect your daily life?
- What brand of athletic shoes did you purchase last? Describe your relationship with Nike, adidas, New Balance, Asics, Reebok, Puma, Converse, or whatever brand of shoes you purchased.

Author Comment

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

satisfaction.

offers.

Customer-perceived value

The customer's evaluation of the difference

between all the benefits and all the costs of a

marketing offer relative to those of competing

Customer Value OBJECTIVE 1-4 Discuss customer relationship management and identify strategies for creat-

ing value for customers and capturing value from customers in return.

Managing Customer Relationships and Capturing

Engaging Customers and Managing Customer Relationships

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

Customer Relationship Management

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

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

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

To some consumers, value might mean sensible products at affordable prices. To other consumers, however, value might mean paying more to get more. For example, a Steinway piano any Steinway piano—costs a lot. But to those who own one, a Steinway is a great value: ¹³

Customer relationship management The overall process of building and maintaining profitable customer relationships by delivering superior customer value and



>>> Perceived value: A Steinway piano—any Steinway piano—costs a lot. But to a Steinway customer, it's a small price to pay for the value of owning one.

© Westend61 GmbH/Alamy Stock Photo

A Steinway grand piano typically runs anywhere from about \$70,000 to as high as several hundred thousand dollars. The most popular model sells for about \$87,000. But ask anyone who owns a Steinway grand piano, and they'll tell you that, when it comes to Steinway, price is nothing; the Steinway experience is everything. Steinway makes very high-quality pianos—handcrafting each Steinway from more than 12,000 individual parts requires up to one full year. But, more importantly, owners get the Steinway mystique. The Steinway name evokes images of classical concert stages and the celebrities and performers who've owned and played Steinway pianos across more than 165 years. But Steinways aren't just for world-class pianists and the wealthy. Ninety-nine percent of all Steinway buyers are amateurs who perform only in their dens.

So is a Steinway piano worth its premium price compared with less expensive pianos? To many consumers, the answer is no. >>> But to Steinway customers, whatever a Steinway costs, it's a small price to pay for the value of owning one. As one Steinway user puts it, "A pianist without a Steinway, for me, is the same as a singer without a voice." Says another, "My friendship with the Steinway piano is one of the most important and beautiful things in my life." Who can put a price on such feelings?

Customer satisfaction

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

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

Outstanding marketing companies go out of their way to keep important customers satisfied. Most studies show that higher levels of customer satisfaction lead to greater customer loyalty, which in turn results in better company performance. Companies aim to delight customers by promising only what they can deliver and then delivering more than they promise. Delighted customers not only make repeat purchases but also become willing brand advocates and "customer evangelists" who spread the word about their good experiences to others.

For companies interested in delighting customers, exceptional value and service become part of the overall company culture. For example, L.L.Bean—the iconic American outdoor apparel and equipment retailer—was founded on the principle that keeping customers satisfied is the key to building lasting relationships.¹⁴

Year after year, L.L.Bean lands in the top 10 of virtually every list of top service companies, including J.D. Power's most recent list of "customer service champions." The customer-service

NOTICE

I do not consider a sale complete until goods are worn out and customer still satisfied.

We will thank anyone to return goods that are not perfectly satisfactory.

Should the person reading this notice know of anyone who is not satisfied with our goods, I will consider it a favor to be notified.

Above all things we wish to avoid having a dissatisfied customer.



>> Customer satisfaction: Customer service champion L.L.Bean was founded on a philosophy of complete customer satisfaction. As founder Leon Leonwood Bean put it, "I do not consider a sale complete until [the] goods are worn out and the customer [is] still satisfied."

L.L.Bean

culture runs deep at L.L.Bean. >> More than 100 years ago, Leon Leonwood Bean founded the company on a philosophy of complete customer satisfaction, expressed in the following guarantee: "I do not consider a sale complete until [the] goods are worn out and the customer [is] still satisfied." To this day, customers can return any item, no questions asked, up to a year after purchase.

The company's customer-service philosophy is perhaps best summed up in founder L.L.'s answer to the question "What is a customer?" His answer still forms the backbone of the company's values: "A customer is the most important person ever in this company—in person or by mail. A customer is not dependent on us, we are dependent on him. A customer is not an interruption of our work, he is the purpose of it. We are not doing a favor by serving him, he is doing us a favor by giving us the opportunity to do so. A customer is not someone to argue or match wits with. Nobody ever won an argument with a customer. A customer is a person who brings us his wants. It is our job to handle them profitably to him and to ourselves." Adds former L.L.Bean CEO Leon Gorman: "A lot of people have fancy things to say about customer service, but it's just a day-in, day-out, ongoing, never-ending, persevering, compassionate kind of activity."

Other companies that have become legendary for customer delight and their service heroics include Zappos.com, Amazon.com, Chick-fil-A, Nordstrom department stores, and JetBlue Airways. However, a company doesn't need to have over-the-top service to create customer delight. For example, no-frills grocery chain ALDI has highly satisfied customers, even though they have to bag their own groceries. ALDI's everyday very low pricing on good-quality products delights customers and keeps them coming back. Thus, customer satisfaction comes not just from service heroics but from how well a company delivers on its basic value proposition and helps customers solve their buying problems. "Most customers don't want to be 'wowed,'" says one marketing consultant. "They [just] want an effortless experience." 15

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

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

Beyond offering consistently high value and satisfaction, marketers can use specific marketing tools to develop stronger bonds with customers. For example, many companies offer frequency marketing programs that reward customers who buy frequently or in large amounts. Airlines offer frequent-flier programs, hotels give room upgrades to frequent guests, and supermarkets give patronage discounts to "very important customers."

These days almost every brand has a loyalty rewards program. Such programs can enhance and strengthen a customer's brand experience. For example, JetBlue's TrueBlue

loyalty program offers the usual frequent-flier points and rewards but adds some nice enhancements such as no blackout dates and family sharing. More important, the TrueBlue program personalizes the customer experience. >> Each TrueBlue member has customized web and mobile pages, complete with a dashboard that shows available points, JetBlue activity history, connections with JetBlue rewards partners, and tripand flight-planning links. The personalized pages not only make it easy for TrueBlue members to manage their points and rewards, they are also a handy one-stop trip-planning tool, all geared to an individual member's profile. As one member describes it: "Once you're an official TrueBlue member, go hog wild filling out your profile. Upload that stunning selfie with the blue filter as your member picture, pick your favorite JetBlue destinations, even create an ultimate dream itinerary to the Blue Ridge Mountains...." JetBlue's pledge to members: "TrueBlue. For your loyalty, we give you ours." ¹⁶

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



>>> Relationship marketing tools: JetBlue's TrueBlue loyalty program personalizes and strengthens the customer's brand experience, including a customized dashboard for managing points, rewards, and trips. JetBlue's pledge to members, "TrueBlue. For your loyalty, we give you ours."

JetBlue and Corrine Spring

Customer-engagement marketing

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

Customer Engagement and Today's Digital, Mobile, and Social Media

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

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

Customer-engagement marketing goes beyond just selling a brand to consumers. Its goal is to make the brand a meaningful part of consumers' conversations and lives.

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

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

For example, companies post their latest ads and videos on social media sites, hoping they'll go viral. They maintain an extensive presence on Facebook, Instagram, Twitter, Snapchat, YouTube, Google+, and other social media to start conversations with and between customers, address customer service issues, research customer reactions, and drive traffic to relevant articles, web and mobile marketing sites, contests, videos, and other brand activities. They launch their own blogs, mobile apps, brand microsites, and consumer-generated review systems, all with the aim of engaging customers on a more personal, interactive level. Skilled use of social media can get consumers involved with a brand, talking about it, and advocating it to others.

The key to engagement marketing is to find ways to enter targeted consumers' conversations with engaging and relevant brand messages. Simply posting a humorous video, creating a social media page, or hosting a blog isn't enough. Successful engagement marketing means making relevant and genuine contributions to targeted consumers' lives and interactions. Consider Bark, the subscription service that sends subscribers monthly BarkBoxes packed with toys and treats for their dogs.¹⁷



>> Engaging customers: Rather than using intrusive, hard-sell product pitches, Bark interacts with customers in humorous ways about their favorite mutual topic—"the weird dogs we live with and the funny things they do."

@ChangoTheHandsomePittie

Dark sells BarkBox subscriptions to dog lovers. But rather than using intrusive, hard-sell product pitches, Bark interacts with customers in humorous ways about their favorite mutual topic—"the weird dogs we live with and the funny things they do." Bark was founded by dog lovers, so the brand relates easily to its audience of people who are "just like us, total weirdos about their dogs." The brand's marketers use social media to share original comedic videos and relatable stories that entertain dog lovers more than they hawk BarkBox subscriptions. "We start conversations about dogs and form relationships with people around dogs in general," says a Bark content creator. "And 85 percent of our content doesn't even mention BarkBox specifically." Bark strives to make real connections. "Whether we're telling a fart joke or sharing a sentimental story of a pug puppy that looks like a meatball, we have to have an air of authenticity," says Bark's head marketer.

Bark's relational approach has engaged a substantial following, with 500,000 subscribers to its delivery service and more than 4 million fans on Facebook and Instagram. One recent video featuring a viral rap about being a dog mom on Mother's Day drew 42 million views. Customers also help with Bark's marketing, regularly posting photos and videos of their dogs eagerly tearing open their monthly BarkBoxes. And the brand's first major TV spot, aired late last year, was largely inspired by user-produced content posted on social media feeds. "Yes, we're trying to sell you something," says the marketer, "but even if you don't want it, we're making sure the content is still valuable to your time."

Consumer-generated marketing

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

SONJA'S SUPER QUICK TESLA FAN VIDEO!

>>> Consumer-generated marketing: "Charmingly low-budget" fan-made Tesla ads drew millions of online views and sparked interactions among dedicated Tesla fans.

Sonja Maria

Consumer-Generated Marketing

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

Some companies ask consumers for new product and service ideas. For example, Oreo recently ran a #MyOreoCreation contest asking fans to come up with new flavor ideas. Three finalist flavors hit the stores for two months before fans voted online for a winner, who received \$500,000. As another example, at the My Starbucks Idea site, Starbucks collects ideas from customers on new products, store changes, and just about anything else that might make their Starbucks experience better. "You know better than anyone else what you want from Starbucks," says the company at the website. "So tell us. What's your Starbucks idea? Revolutionary or simple—we want to hear it." The site invites customers to share their ideas, vote on and discuss the ideas of others, and see which ideas Starbucks has implemented. 18

Other companies invite consumers to play a role in shaping ads and social media content. For example, all-electric carmaker Tesla recently held a fan-made ad contest, with three winning "charmingly low-budget" commercials selected from 10 finalists by public voting (via Twitter likes). Tesla posted the finalist ads online simultaneously with the launch of its Model 3 sedan, drawing millions of views and sparking interactions among dedicated Tesla fans. >>> One top-three winner: "Sonja's Super Quick Tesla Fan Video" by YouTuber Sonja Jasansky of Minnesota, a super-quick and ultra-quirky video highlighting Tesla specifications and debunking common misconceptions. 19

Similarly, Mountain Dew stirred up user-generated content to create buzz around a limited-time reintroduction of its iconic Baja Blast flavor. It began with a discreet Rogue Wave social media campaign in which it posted tantalizing hints on Facebook, Snapchat, Instagram, and Twitter about bringing Baja Blast back. For example, on

Snapchat, the brand showed quick clips of bottles. Mountain Dew fans responded with a flood of tweets and other social media chatter. "Some of our fans even created collages of all the images featuring Baja over the last few days to confirm to other members of Dew Nation that Baja was coming back," says Mountain Dew's digital brand manager. Mountain Dew then created ads on social media and men's lifestyle websites incorporating consumers' tweets. The result: Online chatter about Baja Blast shot up 170 percent.²⁰

Despite the successes, however, harnessing consumer-generated content can be a time-consuming and costly process, and companies may find it difficult to mine even a little gold from all the content submitted. Moreover, because consumers have so much control over social media content, inviting their input can sometimes backfire. As a classic example, McDonald's famously launched a Twitter campaign using the hashtag #McDStories, hoping that it would inspire heartwarming stories about Happy Meals. Instead, the effort was hijacked by Twitter users, who turned the hashtag into a "bashtag" by posting less-than-appetizing messages about their bad experiences with the fast-food chain. McDonald's pulled the campaign within only two hours, but the hashtag was still churning weeks, even months later. ²¹

As consumers become more connected and empowered and as the boom in digital and social media continues, consumer brand engagement—whether invited by marketers or not—will be an increasingly important marketing force. Through a profusion of consumergenerated videos, shared reviews, blogs, mobile apps, and websites, consumers are playing a growing role in shaping their own and other consumers' brand experiences. Brands must embrace this increased consumer empowerment and master the digital and social media relationship tools or risk being left behind.

Partner relationship management

Working closely with partners in other company departments and outside the company to jointly bring greater value to customers.

Author Comment

Look back at Figure 1.1. In the first four steps of the marketing process, the company creates value for target customers and builds strong relationships with them. If it does that well, it can capture value from customers in return, in the form of loyal customers who buy and continue to buy the company's brands.

Customer lifetime value

The value of the entire stream of purchases a customer makes over a lifetime of patronage.



>> Customer lifetime value: To keep customers coming back, Stew Leonard's has created the "Disneyland of dairy stores." Rule #1—The customer is always right. Rule #2—If the customer is ever wrong, reread Rule #1.

Courtesy of Stew Leonard's

Partner Relationship Management

When it comes to creating customer value and building strong customer relationships, today's marketers know that they can't go it alone. They must work closely with a variety of marketing partners. In addition to being good at customer relationship management, marketers must also be good at **partner relationship management**—working with others inside and outside the company to jointly engage and bring more value to customers.

Traditionally, marketers have been charged with understanding customers and representing customer needs to different company departments. However, in today's more connected world, every functional area in the organization can interact with customers. The new thinking is that—no matter what your job is in a company—you must understand marketing and be customer focused. Rather than letting each department go its own way, firms must link all departments in the cause of creating customer value.

Marketers must also partner with suppliers, channel partners, and others outside the company. Marketing channels consist of distributors, retailers, and others who connect the company to its buyers. The supply chain describes a longer channel, stretching from raw materials to components to final products that are carried to final buyers. Through supply chain management, companies today are strengthening their connections with partners all along the supply chain. They know that their fortunes rest on how well their entire supply chain performs against competitors' supply chains.

Capturing Value from Customers

The first four steps in the marketing process outlined in Figure 1.1 involve engaging customers and building customer relationships by creating and delivering superior customer value. The final step involves capturing value in return in the form of sales, market share, and profits. By creating superior customer value, the firm creates satisfied customers who stay loyal, buy more, and advocate the brand to others. This, in turn, means greater long-run returns for the firm. Here, we discuss the outcomes of creating customer value: customer loyalty and retention, share of market and share of customer, and customer equity.

Creating Customer Loyalty and Retention

Good customer relationship management creates customer satisfaction. In turn, satisfied customers remain loyal and talk favorably to others about the company and its products.

Studies show big differences in the loyalty between satisfied and dissatisfied customers. Even slight dissatisfaction can create an enormous drop in loyalty. Thus, the aim of customer relationship management is to create not only customer satisfaction but also customer delight.

Keeping customers loyal makes good economic sense. Loyal customers spend more and stay around longer. Research also shows that it's five times cheaper to keep an old customer than acquire a new one. Conversely, customer defections can be costly. Losing a customer means losing more than a single sale. It means losing the entire stream of purchases that the customer would make over a lifetime of patronage. For example, here is a classic illustration of **customer lifetime value**:²²

Stew Leonard, who operates a highly profitable four-store supermarket in Connecticut and New York, once said that he saw \$50,000 flying out of his store every time he saw a sulking customer. Why? Because his average customer spent about \$100 a week, shopped 50 weeks a year, and remained in the area for about 10 years. If this customer had an unhappy experience and switched to another supermarket, Stew Leonard's lost \$50,000 in lifetime revenue. The loss could be much greater if the disappointed customer shared the bad experience with other customers and caused them to defect.

To keep customers coming back, Stew Leonard's has created what has been called the "Disneyland of Dairy Stores," complete with costumed characters, scheduled entertainment, a petting zoo, and animatronics throughout the store. From its humble beginnings as a small dairy store in 1969, Stew Leonard's has grown at an amazing pace. It's built 30 additions onto the original store, which now serves more than 300,000 customers each week. This legion of loyal shoppers is largely a result of the store's passionate approach to customer service. "Rule #1: The customer is always right. Rule #2: If the customer is ever wrong, reread Rule #1."

Stew Leonard's is not alone in assessing customer lifetime value. Lexus, for example, estimates that a single satisfied and loyal customer is worth more than \$600,000 in lifetime sales, and the estimated lifetime value of a Starbucks customer is more than \$14,000.²³ In fact, a company can lose money on a specific transaction but still benefit greatly from a long-term relationship. This means that companies must aim high in building customer relationships. Customer delight creates an emotional relationship with a brand, not just a rational preference. And that relationship keeps customers coming back.

Growing Share of Customer

Beyond simply retaining good customers to capture customer lifetime value, good customer relationship management can help marketers increase their **share of customer**—the share they get of the customer's purchasing in their product categories. Thus, banks want to increase "share of wallet." Supermarkets and restaurants want to get more "share of stomach." Car companies want to increase "share of garage," and airlines want greater "share of travel."

To increase share of customer, firms can offer greater variety to current customers. Or they can create programs to cross-sell and up-sell to market more products and services to existing customers. For example, Amazon is highly skilled at leveraging relationships with its more than 300 million customers worldwide to increase its share of each customer's spending budget:²⁴

Once they log onto Amazon.com, customers often buy more than they intend, and Amazon does all it can to help make that happen. The online giant continues to broaden its merchandise assortment, carrying millions of products and creating an ideal spot for one-stop shopping. And based on each customer's purchase and search history, the company recommends related products that might be of interest. This recommendation system influences some 35 percent of all sales. Amazon's ingenious Amazon Prime and Amazon Prime Now shipping programs have also helped boost its share of customers' wallets. According to one analyst, the ingenious Amazon Prime programs "convert casual shoppers, who gorge on the gratification of having purchases reliably appear two days [or even two hours] after the order, into Amazon addicts." Amazon's Prime membership has doubled over the past two years to 90 million. And, on average, a Prime customer spends 4.6 times more than a non-Prime customer.

Building Customer Equity

We can now see the importance of not only acquiring customers but also keeping and growing them. The value of a company comes from the value of its current and future customers. Customer relationship management takes a long-term view. Companies want to not only create profitable customers but also "own" them for life, earn a greater share of their purchases, and capture their customer lifetime value.

What Is Customer Equity? The ultimate aim of customer relationship management is to produce high customer equity.²⁵ Customer equity is the total combined customer lifetime values of all of the company's current and potential customers. As such, it's a measure of the future value of the company's customer base. Clearly, the more loyal the firm's profitable customers, the higher its customer equity. Customer equity may be a better measure of a firm's performance than current sales or market share. Whereas sales and market share reflect the past, customer equity suggests the future. Consider Cadillac:²⁶

Share of customer

The portion of the customer's purchasing that a company gets in its product categories.

Customer equity

The total combined customer lifetime values of all of the company's customers.

In the 1970s and 1980s, Cadillac had some of the most loyal customers in the industry. To an entire generation of car buyers, the name Cadillac defined "The Standard of the World." Cadillac's share of the luxury car market reached a whopping 51 percent in 1976, and based on market share and sales, the brand's future looked rosy. However, measures of customer equity would have painted a

bleaker picture. Cadillac customers were getting older (average age 60), and average customer lifetime value was falling. Many Cadillac buyers were on their last cars. Thus, although Cadillac's market share was good, its customer equity was not.

Compare this with BMW. Its more youthful and vigorous image didn't win BMW the early market share war. However, it did win BMW younger customers (average age about 40) with higher customer lifetime values. The result: In the years that followed, BMW's market share and profits soared while Cadillac's fortunes eroded badly. BMW overtook Cadillac in the 1980s. In recent years, Cadillac has struggled to make the Caddy cool again with edgier, high-performance designs that target a younger generation of consumers. More recently, the brand has billed itself as "The New Standard of the World" with marketing pitches based on "power, performance, and design," attributes that position it more effectively against the likes of BMW and Audi. Recent ads feature young achievers and invite consumers to "Dare Greatly" and "Drive the world forward." As a result, although it still lags other luxury brands, Cadillac's share of the luxury car market has risen modestly in recent years. The moral: Marketers should care not just about current sales and market share. Customer lifetime value and customer equity are the name of the game.



Managing customer equity: To increase customer equity, Cadillac is making the classic car cool again among younger buyers, encouraging consumers to "Dare Greatly."

General Motors

Building the Right Relationships with the Right Customers. Companies should manage customer equity carefully. They should view customers as assets that need to be managed and maximized. But not all customers, not even all loyal customers, are good investments. Surprisingly, some loyal customers can be unprofitable, and some disloyal customers can be profitable. Which customers should the company acquire and retain?

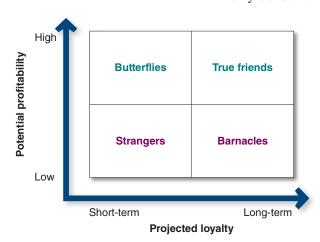
The company can classify customers according to their potential profitability and manage its relationships with them accordingly. **>> Figure 1.5** classifies customers into one of four relationship groups, according to their profitability and projected loyalty. Each group requires a different relationship management strategy. *Strangers* show low potential profitability and little projected loyalty. There is little fit between the company's offerings and their needs. The relationship management strategy for these customers is simple: Don't invest anything in them; make money on every transaction.

Butterflies are potentially profitable but not loyal. There is a good fit between the company's offerings and their needs. However, like real butterflies, we can enjoy them for only a short while and then they're gone. An example is stock market investors who trade

shares often and in large amounts but who enjoy hunting out the best deals without building a regular relationship with any single brokerage company. Efforts to convert butterflies into loyal customers are rarely successful. Instead, the company should enjoy the butterflies for the moment. It should create satisfying and profitable transactions with them, capturing as much of their business as possible in the short time during which they buy from the company. Then it should move on and cease investing in them until the next time around.

True friends are both profitable and loyal. There is a strong fit between their needs and the company's offerings. The firm wants to make continuous relationship investments to delight these customers and engage, nurture, retain, and grow them. It wants to turn true friends into true believers, who come back regularly and tell others about their good experiences with the company.

Barnacles are highly loyal but not very profitable. There is a limited fit between their needs and the company's offerings. An example



>>> Figure 1.5 Customer Relationship Groups

is smaller bank customers who bank regularly but do not generate enough returns to cover the costs of maintaining their accounts. Like barnacles on the hull of a ship, they create drag. Barnacles are perhaps the most problematic customers. The company might be able to improve their profitability by selling them more, raising their fees, or reducing service to them. However, if they cannot be made profitable, they should be "fired."

For example, Best Buy offers an attractive returns policy but has found that a small segment of customers abuses this policy. So it uses an outside firm, Retail Equation, to track and score individual customer returns behavior. The system is designed to identify the 1 percent of shoppers whose behavior suggests returns fraud or abuse. A shopper who exceeds a certain score is informed that future returns will be denied, even if it means losing the customer. "You could do things that are inside the posted rules, but if you are violating the intent of the rules, like every item you're purchasing you're using and then returning, then at a certain point you become not a profitable customer for [Best Buy]," says a Retail Equation executive.²⁸

The point here is an important one: Different types of customers require different engagement and relationship management strategies. The goal is to build the right relationships with the right customers.



LINKING THE CONCEPTS

We've covered a lot of ground. Again, pause for a moment and develop *your own* thoughts about marketing.

- In your own words, what is marketing, and what does it seek to accomplish?
- How well does Amazon manage its relationships with customers? What customer relationship management strategy does it use? What relationship management strategy does Walmart use?
- Think of a company for which you are a "true friend." What strategy does this company use to manage its relationship with you?

Author Comment

Marketing doesn't take place in a vacuum. Now that we've discussed the five steps in the marketing process, let's look at how the ever-changing marketplace affects both consumers and the marketers who serve them. We'll look more deeply into these and other marketing environment factors in Chapter 3.

The Changing Marketing Landscape

OBJECTIVE 1-5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Every day, dramatic changes are occurring in the marketplace. Richard Love of HP observed, "The pace of change is so rapid that the ability to change has now become a competitive advantage." Yogi Berra, the legendary New York Yankees catcher and manager, summed it up more simply when he said, "The future ain't what it used to be." As the marketplace changes, so must those who serve it.

In this section, we examine the major trends and forces that are changing the marketing landscape and challenging marketing strategy. We look at four major developments: the digital age, the growth of not-for-profit marketing, rapid globalization, and the call for sustainable marketing practices.

The Digital Age: Online, Mobile, and Social Media Marketing

The explosive growth in digital technology has fundamentally changed the way we live—how we communicate, share information, access entertainment, and shop. Welcome to the age of the *Internet of Things (IoT)*, a global environment where everything and everyone is digitally connected to everything and everyone else. More than 4 billion people—52 percent of the world's population—are now online; more than 80 percent of all American adults own smartphones. These numbers will only grow as digital technology rockets into the future.²⁹

Most consumers are totally smitten with all things digital. For example, according to one study, 71 percent of Americans keep their mobile phone next to them when they sleep; 3 percent sleep with phone in hand. Six in 10 young adults in the United States use

Digital and social media marketing

Using digital marketing tools such as websites, social media, mobile apps and ads, online video, email, and blogs to engage consumers anywhere, at any time, via their digital devices.



>> Online brand communities: At Sony's PlayStation Community, game enthusiasts can follow social media posts, watch the latest videos, discover which games are trending, share content, and interact with other fans—all in real time.

Jens Schlueter/Getty Images

primarily online streaming services to watch TV, and 85 percent of U.S. adults get their news via mobile devices. Importantly to marketers, U.S. consumers make 9 percent of their purchases online, and it's estimated that more than half of total U.S. retail sales are either transacted directly or influenced by online research.³⁰

The consumer love affair with digital and mobile technology makes it fertile ground for marketers trying to engage customers. So it's no surprise that the internet and rapid advances in digital and social media have taken the marketing world by storm. **Digital and social media marketing** involves using digital marketing tools such as websites, social media, mobile ads and apps, online video, email, blogs, and other digital platforms to engage consumers anywhere, anytime via their computers, smartphones, tablets, internet-ready TVs, and other digital devices. These days, almost every company is reach-

ing out to customers with multiple websites, newsy tweets and Facebook pages, Instagram posts and Snapchat stories, viral ads and videos posted on YouTube, rich-media emails, and mobile apps that solve consumer problems and help them shop.

At the most basic level, marketers set up company and brand websites that provide information and promote the company's products. Many companies also set up online brand community sites, where customers can congregate and exchange brand-related interests and information. For example, beauty products retailer Sephora's Beauty Insider Community—"the world's largest beauty forum"—is a thriving online community where customers can ask questions, share ideas and reviews, post photos, and get beauty advice and inspiration from other enthusiasts. And Sony's PlayStation Forums site serves as a social hub for PlayStation PS4 game enthusiasts. It's a place where fans can follow social media posts about PS4, watch the latest PS4 videos, discover which PS4 games are trending on social networks, share content, and interact with other fans—all in real time.³¹

Beyond brand websites, most companies are also integrating social and mobile media into their marketing mixes.

Social Media Marketing

It's hard to find a brand website, or even a traditional media ad, that doesn't feature links to the brand's Facebook, Instagram, Twitter, YouTube, Snapchat, Pinterest, LinkedIn, or other social media sites. Social media provide exciting opportunities to extend customer engagement and get people talking about a brand.

Some social media are huge—Facebook has more than 2 *billion* active monthly users, Instagram more than 800 million, Twitter more than 328 million, and Snapchat 255 million. Reddit, the online social news community, has 234 million unique visitors each month from 185 countries. But smaller, more focused social media sites are also thriving, such as CafeMom, an online community of 20 million moms who exchange advice, entertainment, and commiseration at the community's online, Facebook, Twitter, Pinterest, YouTube, Google+, and mobile sites. Even tiny sites can attract active audiences, such as Birdpost. com for avid birdwatchers or Ravelry.com for knitters and crocheters.³²

Online social media provide a digital home where people can connect and share important information and moments in their lives. As a result, they offer an ideal platform for real-time marketing, by which marketers can engage consumers in the moment by linking brands to important trending topics, real-world events, causes, personal occasions, or other happenings in consumers' lives. Candy maker Mars did this with its award-winning Snickers Hungerithm social media campaign, which monitored the "mood" of the internet and offered real-time price discounts to consumers when the internet was "hungry" (see Marketing at Work 1.2).

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Snickers Hungerithm: Engaging Customers in Real Time

Mars is the world's number one candy maker, and its flagship brand—Snickers—is the world's number one candy brand. Snickers has long been positioned on its "Snickers satisfies" promise—on the stomach-filling, energy-packed properties of the popular chocolate-covered bar crammed with nougat, caramel, and peanuts. For the past several years, Mars has extended the Snickers positioning with its award-winning and fun "You're not you when you're hungry" campaign. The campaign features whacky ads and other executions in which people become someone else and behave badly when they are hungry. Once they eat a Snickers, however, they become themselves again.

The "You're not you when you're hungry" campaign taps into a universal appeal: hunger. The positioning is as powerful for women as for men; for older generations as for younger ones; for office workers, factory workers, or students; in the United States or Australia or even Russia (Snickers' second-largest market). And the appeal is immediate—hunger pops up regularly throughout the day, triggered by needs both physical and emotional.

Candy is an impulse category. On any given purchase occasion, consumers are presented with dozens, even hundreds, of options. So if Snickers wants to be the brand people reach for, it needs to be top-of-mind when the mood strikes. With this in mind, Snickers recently launched an innovative marketing campaign in Australia—called "Hungerithm"—that played off both the immediacy of its "You're not you" hunger appeal and the real-time capabilities of social and mobile media.

Building on the notion that people get cranky when they are hungry, Snickers developed an algorithm-or "Hungerithm"—that gauged the public's general irritability real-time by monitoring social media chatter. Built with the help of MIT and Google, Hungerithm analyzed some 14,000 social media posts a day across platforms such as Twitter, Facebook, and YouTube. It looked at 3,000 commonly used words and phrases, even interpreting slang and sarcasm, to take what one analyst called "a virtual fist-shaking temperature of the internet"-ranging from "Annoyed," "On Edge," or "Irritable" to "Losing It" or even "Full Meltdown." Snickers then linked the public mood in real time with the price of Snickers at 7-Eleven stores. The angrier the internet got (suggesting the hungrier people were), the lower the price of Snickers at the local 7-Eleven, with prices dropping by as much as 82 percent.

Mars introduced the Hungerithm campaign with a barrage of TV spots, online videos, and social media posts. "The Internet can be an angry place," said the first Hungerithm promotion. "But what if that's just because we're hungry?" The conclusion: "Angry internet = cheaper Snickers. Now, when the weather's crappy, you'll get cheaper Snickers. Political scandal? Cheaper Snickers. Meteor strike? Definitely cheaper Snickers."

The digital- and mobile-driven Hungerithm campaign targeted people at peak mood-producing moments and places—traffic jams, bad weather, high-profile sports events, or polarizing political shenanigans. It responded in real time with Facebook and Twitter posts addressing breaking political, social, and entertainment news. Mobile-fed coupons let consumers lock in the Snickers price of the moment and directed them to the nearest 7-Eleven.

The real-time design of Hungerithm was for real. The promotion updated every 10 minutes—144 times a day. The Hungerithm website kept a constant posting of the price and mood indicators, and Snickers partnered with two of Australia's top morning TV shows to give regular price and mood updates. Following the Hungerithm "index" became somewhat of a national pastime in Australia, engaging consumers at a high level.

The Hungerithm campaign produced stunning results. Snickers sales jumped 67 percent during the promotion, with a 1,740 percent increase in Facebook traffic and a 120 percent leap in Snickers mentions on Twitter. Hoping to duplicate the campaign's success elsewhere, Mars has now selectively rolled out the Snickers Hungerithm campaign globally.

Price slashing can be risky. But in the case of Hungerithm, Snickers strategically linked its price discounts to the essence of the brand, creating valuable consumer engagement. According



>>> Real-time marketing: The Snickers "Hungerithm" campaigned linked the public mood in real time with the price of Snickers. "Angry internet = cheaper Snickers."

Judy Unger/Alamy Stock Photo

to Mars's chief marketing officer, "Hungerithm hit the exact digital sweet spot we were going for. [It] managed to create a real-life connection to the product that captured everyone's attention and imagination."

Sources: Emily Abrams, "7 Surprising Facts Every Snickers Lover Should Know," Swirled, February 14, 2018, https://swirled.com/snickers-facts/; Erik Oster,

"Clemenger BBDO Melbourne Programs 'Hungerithm' for Snickers," *Adweek*, May 26, 2016, www.adweek.com/agencyspy/clemenger-bbdo-melbourne-programs-hungerithm-for-snickers/110055; T. L. Stanley, "How Snickers Used Social Media Outrage to Fuel the Year's Most Innovative Media Plan," *Adweek*, September 17, 2017, p. 14; Karlene Lukovitz, "Snickers Brings 'Hungerithm' to the U.S.," *Mediapost*, November 27, 2017, www.mediapost.com/publications/article/310600/snickers-brings-hungerithm-to-the-us.html; and www.mediacom.com/en/work/hungerithm, accessed September 2018.

Using social media might involve something as simple as a contest or promotion to garner Facebook Likes, tweets, Instagram "regrams," or YouTube postings. But more often these days, brands create large-scale, carefully integrated social media programs. For example, energy drink maker Red Bull uses a broad mix of social media to connect and inspire its enthusiastic fan base. It now has more than 50 million followers on Facebook, 2 million on Twitter, and 8 million on Instagram. Red Bull's high-energy social media pages hardly mention the company's products at all. Instead, they promote Red Bull's pedal-to-themetal lifestyle and provide a place where fans can connect with the brand and each other to share their common interests in extreme sports, music, and entertainment. More than just an energy drink maker, "Red Bull is now a top brand for sporting activities and action shots," says an analyst, "and users follow them on social for their adrenaline-filled feed." 33

Mobile Marketing

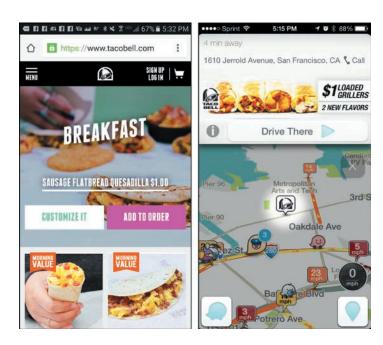
Mobile marketing is perhaps the fastest-growing digital marketing platform. Smartphones are ever present, always on, finely targeted, and highly personal. This makes them ideal for engaging customers anytime, anywhere as they move through the buying process. For example, Starbucks customers can use their mobile devices for everything from finding the nearest Starbucks and learning about new products to placing and paying for orders, perhaps through the coffee merchant's artificial intelligence-powered, voice-activated My Starbucks Barista virtual assistant.

Four out of five smartphone users use their phones to shop—browsing product information through apps or the mobile web, making price comparisons, reading online product reviews, and making purchases from home, from work, or even in stores. Almost

35 percent of all online purchases are now made from mobile devices. As a result, to reach mobile shoppers, mobile advertising is surging and now accounts for 75 percent of all digital ad spending.³⁴

Marketers use mobile channels to stimulate immediate buying, make shopping easier, enrich the brand experience, reach on-the-go consumers, or all of these. >>> For example, Taco Bell uses mobile advertising to reach consumers at what it calls mobile "moments that matter." 35

As part of its ongoing push to promote Taco Bell's breakfast in 2016, the chain used carefully targeted mobile advertising to reach consumers just as they were starting their day. It targeted mobile ads based on specific behaviors such as which apps consumers use first in the morning, their favorite news apps, or what time of day they've looked at a breakfast recipe. "We're weaving into morning behaviors," said an executive of the agency who led media buying for the campaign. Taco Bell has also targeted mobile ads geographically using navigation and traffic apps such as Google's Waze to zero in on specific customer locations, even providing step-by-step directions to nearby stores. In these ways, Taco Bell has been able to customize mobile ads according to each customer's actions, experiences, and environment. In marketing Taco Bell's breakfasts, said the agency director, mobile lets Taco Bell be "present on experiences that consumers turn to when they first open their eyes in the morning."



>>> Mobile marketing: Carefully-targeted mobile advertising lets Taco Bell reach breakfast customers at "moments that matter."

Taco Bell Corp. and Google

Although online, social media, and mobile marketing offer huge potential, most marketers are still learning how to use them effectively. The key is to blend the new digital approaches with traditional marketing to create a smoothly integrated marketing strategy and mix. We will examine digital, mobile, and social media marketing throughout the text—they touch almost every area of marketing strategy and tactics. Then, after we've covered the marketing basics, we'll look more deeply into digital and direct marketing in Chapter 14.

Big Data and Artificial Intelligence (AI)

With the explosion in digital technologies, marketers can now amass mountains of data. They are tapping information sources ranging from customer transactions to real-time data flowing from website and social media monitoring, connected Internet of Things (IoT) devices, and many others. Brands can use such *big data* to gain deep customer insights, personalize marketing offers, and improve customer engagements and service.

To make sense of all this big data and use it to benefit their brands and customers, marketers are turning to ever-more-advanced marketing analytics. For example, *artificial intelligence (AI)* has burst onto the marketing scene. AI involves machines that think and learn in a way that looks and feels human but with a lot more analytical capacity. Marketers can use AI to analyze data at lightning speed and apply the insights to engage customers in real time and help them through the buying process.

AI-empowered applications include everything from customer-service chat bots and virtual assistants like Amazon Echo's Alexa or Apple's Siri to IBM's almost-human AI supercomputer Watson. For example, one medicine maker recently used Watson to shape personalized mobile ads to individual allergy medication customers based on real-time weather data and pollen counts in their areas. We will discuss the fascinating developments in big data and artificial intelligence more deeply in Chapter 4.

The Growth of Not-for-Profit Marketing

In recent years, marketing has also become a major part of the strategies of many notfor-profit organizations, such as colleges, hospitals, museums, zoos, symphony orchestras, foundations, and even churches. The nation's not-for-profits face stiff competition for support and membership. Sound marketing can help them attract membership, funds, and support.

>>> For example, not-for-profit St. Jude Children's Research Hospital has a special mission: "Finding cures. Saving children." It directly serves some 7,500 patients each year plus countless thousands more through its affiliations and clinical trials in



>> Not-for-profit marketing: St. Jude Children's Research Hospital aggressively markets its powerful mission: "Finding cures. Saving children."

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places across the country and around the world. Families never receive a bill from St. Jude, for treatment, travel, housing, or food. To accomplish this mission, St. Jude raises the funds for its \$2 millionplus daily operating budget through powerhouse marketing.³⁶ Fundraising efforts include everything from public service announcements, celebrity endorsements, corporate partnerships, and an extensive online presence to events such as Trikea-thons, Math-a-thons, an Up 'Til Dawn student challenge, and the St. Jude Dream Home Giveaway. St. Jude works with more than 70 corporate partners such as Target, Domino's, Williams-Sonoma, Regal Cinemas, and Expedia that participate in its annual Thanks and Giving campaign, which asks consumers to "give thanks

for the healthy kids in your life, and give to those who are not." The result is a pervasive brand that brings in more than \$1.3 billion each year from private donors—ranging from preschoolers and professionals to eighth-graders and 80-year-olds.

Another example is the World Wildlife Fund (WWF), a global not-for-profit conservation organization whose mission is to conserve nature and protect the world's wildlife. WWF uses sophisticated marketing to raise the considerable resources it needs to accomplish its sweeping mission. Just one example is the WWF's recent cost-efficient but effective #LastSelfie Snapchat campaign:

The idea behind the WWF #Last Selfie campaign is that the world's endangered wildlife species are disappearing from the earth as quickly as a Snapchat snap. To make the point, WWF sent nine-second snaps of endangered animals to WWF followers worldwide with the message "Don't let this be my #LastSelfie," urging recipients to take a screenshot. Within only eight hours, the campaign generated 5,000 tweets viewed on 6 million timelines. Within only a week, there were 40,000 tweets reaching 120 million users. In all, the #LastSelfie campaign reached more than half of all Twitter users. It also helped WWF to meet its monthly donation target in just three days and led to a record number of animal adoptions through WWF's website. More broadly, thanks to such marketing efforts and despite its limited marketing budget, WWF raised nearly \$290 million in funds last year, more than a third of it from individual donors.

Government agencies have also shown an increased interest in marketing. For example, the U.S. military has a marketing plan to attract recruits to its different services, and various government agencies are now designing social marketing campaigns to encourage energy conservation and concern for the environment or discourage smoking, illegal drug use, and obesity. Even the once-stodgy U.S. Postal Service has developed innovative marketing to sell commemorative stamps, promote its Priority Mail services, and lift its image as a contemporary and competitive organization. In all, the U.S. government is the nation's 40th largest advertiser.³⁷

Rapid Globalization

As they are redefining their customer relationships, marketers are also taking a fresh look at the ways in which they relate with the broader world around them. Today, almost every company, large or small, is touched in some way by global competition. A neighborhood florist buys its flowers from Mexican nurseries, and a large U.S. electronics manufacturer competes in its home markets with giant Korean rivals. A fledgling internet retailer finds itself receiving orders from all over the world at the same time that an American consumer goods producer introduces new products into emerging markets abroad.

American firms have been challenged at home by the skillful marketing of European and Asian multinationals. Companies such as Toyota, Nestlé, and Samsung have often outperformed their U.S. competitors in American markets. Similarly, U.S. companies in a wide range of industries have developed truly global operations, making and selling their products worldwide. Quintessentially American McDonald's now serves 69 million customers daily in more than 36,000 local restaurants in more than 100 countries worldwide—75 percent of its corporate revenues come from outside the United States. Similarly, Nike markets in 190 countries, with non-U.S. sales accounting for 53 percent of its worldwide sales. Today, companies are not just selling more of their locally produced goods in international markets; they are also sourcing more supplies and components abroad and developing new products for specific markets around the world.

Thus, managers in countries around the world are increasingly taking a global, not just local, view of the company's industry, competitors, and opportunities. They are asking: What is global marketing? How does it differ from domestic marketing? How do global competitors and forces affect our business? To what extent should we "go global"? We will discuss the global marketplace in more detail in Chapter 15.