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Marketing

real people
real choices



TENTH EDITION

Marketing

Real People, Real Choices

Tenth Edition

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*To Gail, Amanda, Zachary, Alex, Orly, Rose, Evey,
and Arya—my favorite market segment*

—M.S.

To Patti and Justin

—G.M.

To Sonny, Patrick, Allyson, and Gaby

—E.S.

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Preface

MARKETING: REAL PEOPLE, REAL CHOICES

Why did we write this book? We'll answer this question with a simple, yet profound, statement: *Companies don't make decisions. People do.*

This is our mantra. Too often students read about what a company did or didn't do. We've worked with a lot of marketers and their great brands over the years, but we've never "met" a company. Have you? It's not faceless companies, but rather real flesh-and-blood *people*—people like your students—who agonized over important marketing decisions.

These managers (hopefully) applied the marketing lessons they learned both while in school and in the trenches to make the best choices they could. Our focus on "Real People, Real Choices" adds people (yes, *real* ones) to the equation that many marketing textbooks neglect. The Real People, Real Choices focus is reinforced throughout the book and in MyLab Marketing by:

- The end-of-chapter cases that require students to evaluate real companies' decisions and make their own recommendations
- The fabulous Mini Sims students can access in MyLab Marketing
- The decision-making opportunities in the Marketing Metrics activities in MyLab Marketing
- The decision-making opportunities in many of the end-of-chapter questions and activities

To improve student results, we recommend pairing the text content with **MyLab Marketing**, which is the teaching and learning platform that empowers you to reach every student. By combining trusted author content with digital tools and a flexible platform, MyLab personalizes the learning experience and will help your students learn and retain key course concepts while developing skills that future employers are seeking in their candidates. To meet the special challenges of online courses as well as increasing learning in face-to-face courses, MyLab provides a host of excellent assignments including Marketing Metrics, Mini Simulations, written assignments, and chapter-by-chapter quizzes.

From **Mini Sims** to **Marketing Metrics** to graded **Writing Assignments**, MyLab Marketing helps you teach your course *your way*. Learn more at www.pearson.com/mylab/marketing.

Solving Teaching and Learning Challenges

Just like the executives we profile, we know what it's like to be in the trenches. That's because we teach the Principles of Marketing course on a regular basis in both face-to-face and online formats. We understand the challenge of engaging an entire class of students—many of whom are not marketing majors and who come to class with a bit of a chip on their shoulders, like: "Why should I have to take this class if I'm not going into marketing as a career path?" That's why we work hard wherever possible to emphasize the role that marketing plays in a larger context and in "real-world" organizations (and we encourage you to do so as well).

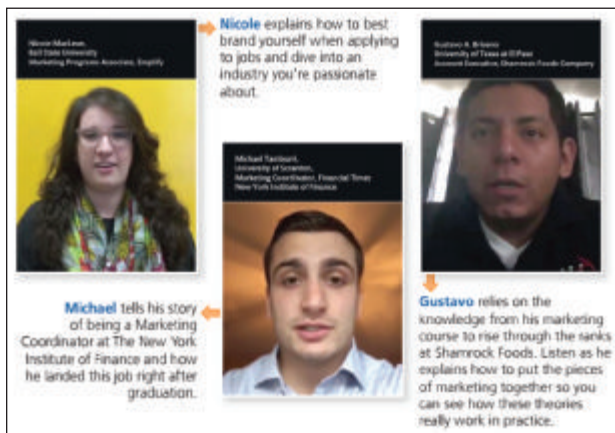
Real People vignettes feature a variety of real decision makers, from CEOs to brand managers, who confront decisions in their jobs that relate to each chapter. These vignettes help students to understand how marketing plays out in real companies including Comcast, Vovéo Marketing Group, Teradata, Franklin Foods, and many others. Each vignette includes a **Here's My Problem** section that presents real options considered by the marketer. Students can then use their critical thinking skills to determine the best solution to each problem.

The Real People vignettes continue in MyLab Marketing as **Here's My Choice** assignments. Here's My Choice presents three possible solutions to the Here's My Problem discussion in the print edition, and these exercises require students to use their critical thinking skills to determine the best solution to each problem. Here's My Choice first lets students learn about an executive's decision-making process and their ultimate choice, and then invites students to answer questions about the decision-making process in an interactive learning environment.

Rising Stars in Marketing, in MyLab Marketing, presents video clips contributed by recent successful graduates of marketing degree programs around the country. Each person shares advice about the "dos and don'ts" of job seeking and job offers with current student readers, allowing your students to explore career wisdom from those who have followed the same path they hope to take. Each video is followed with a short assessment to hold students accountable for their learning.

It's a revelation to students when they understand that, if nothing else, they definitely will need to market themselves. This textbook was the first to emphasize the notion of "Brand You," and to show students how the concepts they learn in the course apply directly to their own personal marketing plan. In this 10th edition, we expand on that idea as we offer a complete **Brand You** section in every chapter that discusses how the topic of the chapter, such as research or pricing, plays an important role in developing a personal marketing plan.

A great read—that's how students describe our book. As we've always done, throughout this 10th edition we deliver content in a conversational, jargon-free, and not overly academic style that students actually enjoy reading (we know, because they tell us). One reason we can do this is because all three authors have extensive experience working in marketing in industry in addition to their academic training and experience, and to this day, all three continue to work with organizations as marketing consultants! That's the secret sauce of what keeps Real People, Real Choices so real!



4.4

Brand You: Career and Internship Information and Research

OBJECTIVE

Understand how to research both online and offline resources to search for a job or internship.

(pp.137–139)

Taylor recognizes the importance of a good "fit" with the company and industry where he will work and spend his career. He also knows that he must investigate the culture of companies where he is interviewing. Understanding this, he is set to research different companies and industries in planning his personal brand.

How many times has someone asked you, "What do you want to do when you finish college?" While you may not know the answer to the question now, this is an excellent time to begin finding out more about your options. Yes, you need to find where there are some cool jobs, but at the same time, you also need to explore careers.

Just as a brand manager or a professional salesperson or an online retailer continuously gathers and analyses information about his/her customers and other important factors relative to the product's success, your success in marketing yourself for a great internship or your dream job requires that you have information. And the more information you have, the better decisions about your marketing strategy you can make. This section can help you to:

- Know how to gather relevant information
- Understand how trends will potentially affect your career
- Identify resources you can use to find companies

Developing Employability Skills

So, how do we prepare tomorrow's marketer? For one, we know that he or she will need to be "a numbers person." In the old days, a lot of students majored in marketing because they "weren't good at math," hence avoiding majors like accounting, finance, or economics. That's so 20th century! Increasingly, the marketing field is data driven, and sophisticated analytics are revolutionizing the options organizations have at their fingertips to create, communicate, deliver, and measure value. We're proud to say that with each edition we have continued to lead the field in offering instructors and students cutting-edge coverage of marketing analytics and metrics. In this edition, we've continued

to expand that coverage significantly to show how marketers use the exciting new tools they have available to understand and harness Big Data as they strive to identify and meet customer needs.

To reinforce this focus throughout the book:

- Each chapter includes an updated **Metrics Moment** box that describes some important ways to measure important marketing concepts relevant to that chapter, including an Apply the Metrics exercise that asks the student to actually work with some of these measures.
- **Apply Marketing Metrics** exercises at the end of each chapter provide additional opportunities for students to practice measures that marketers use to help them make good decisions.
- Way back in the 8th edition when quite a few practicing marketers hadn't even heard of Big Data, we were proud to be the first principles of marketing textbook to devote **an entire chapter (Chapter 5)** to the emerging and vital topic of Big Data and marketing analytics. In this 10th edition, we've greatly expanded that chapter's coverage to include numerous new key terms, many more application examples to connect concepts to practice, and several new tables and figures to further illustrate this fascinating aspect of the emerging world of the "new marketer."
- **Marketing Metrics** assignments in **MyLab Marketing** are autograded, algorithmic assignments that let students practice their marketing metrics and analytics skills, improving their understanding of the quantitative aspects of marketing.

For students to succeed in a rapidly changing job market, they should be aware of their career options and how to go about developing a variety of skills. With MyLab Marketing and *Marketing: Real People, Real Choices*, students can practice their decision-making skills with the Mini Simulations. **Mini Sims** put students in professional roles and give them the opportunity to apply course concepts and develop decision-making skills through real-world business challenges.

One critical area to enhance employability in marketing today is a keen understanding of the role of digital and social media marketing approaches to marketing communication. In today's agency and company environments, often it is digital and social marketing that takes precedent over more "traditional" promotional tools, like television and print advertising. Marketing students need to gain a body of knowledge about these newer approaches from their very first marketing course, and this 10th edition features a major reorganization of its promotion/marketing communication chapters in order to add greater emphasis to the world of digital/social approaches. Chapter 13 features updated discussion of the many types of digital media essential to marketing communications today and coverage of some ethical issues presented by digital advertising. Chapter 14 includes discussion of the wide range of social media opportunities that marketers use in their communication programs, as well as discussion of the Internet of Things followed by coverage of the traditional forms of marketing communication: sales promotion (moved from Chapter 13), direct marketing, personal selling, and public relations.

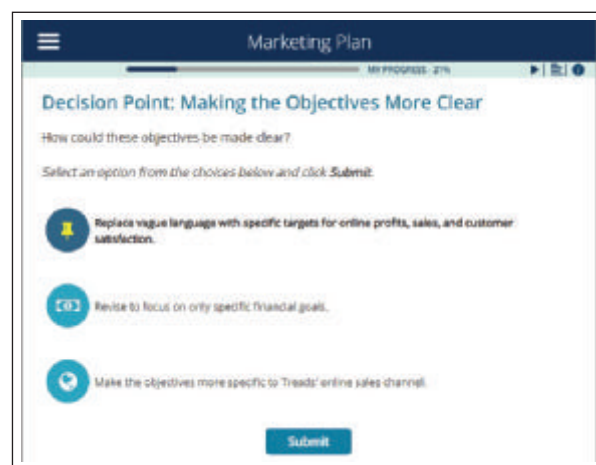
Metrics Moment

This section highlights the concepts of value and the value proposition that firms and their offerings bring to customers. But how do marketers actually measure value? Increasingly, they develop a **marketing scorecard** that reports (often in the form of numerical values) how the company or brand is actually doing in achieving various goals. We can think of a scorecard as a marketing department's report card. Scorecards tend to be short and to the point, and they often include charts and graphs to summarize information in an easy-to-read format. They might report "grades" on factors such as actual cost per sale, a comparison of webhits (the number of people who visit an e-commerce site) versus web conversions (the number who actually buy something at the site), a measure of customers' satisfaction with a company's repair facilities, or perhaps even a percentage of consumers who respond to mail asking them to make a donation to a charity the

firm sponsors. You can see an example of a simple scorecard in Table 1.4. Throughout this book, we'll give you the opportunity to "get your hands dirty" as you calculate various kinds of scores, or **metrics**.

Apply the Metrics

1. Using Table 1.4 as a template, develop a scorecard for student satisfaction with your marketing class. You will need to develop your own relevant items for satisfaction measurement.
2. Then, have the students in your class complete the scorecard now and again in the middle of the semester.
3. Summarize, interpret, and present the results.



New to this Edition

So far you’ve read about a wide variety of new and enhanced features of this 10th edition. Just in case we haven’t impressed you enough already, here’s a summary list of those and more that make our book stand out as the most up-to-date, cutting-edge product in the Marketing Principles market!

- Seven of the decision-focused Real People vignettes that open each chapter are new to this edition. These new vignettes feature marketers from Comcast, Teradata, Franklin Foods, Capsule, Auto Europe, Vovéo Marketing Group, and Brandmovers.
- Nine new or extensively updated Marketing in Action cases are included at the end of chapters. These new cases feature the problems and opportunities faced by companies such as Spotify, Lego, and McDonald’s.
- Over 60 new key terms appear throughout the chapters.
- MyLab Marketing for *Marketing: Real People, Real Choices* includes:
 - New Team Mini Simulations that allow students to work through real-world business challenges with their classmates, and encourage students to practice working in teams to hone the collaboration and decision-making skills they’ll need in the workforce.
 - New Personal Inventory Assessments that promote self-reflection and awareness of one’s self, build on the new Brand You discussions in this edition, and help students develop their own brand.
 - Nine new Rising Stars in Marketing video assignments.
 - Updated Here’s My Choice assignments that align with the new chapter-opening Real People vignettes in this edition.
 - Updated warm-up assignments and chapter quizzes, and more.

For more information on changes in each chapter of this Tenth Edition, see the chart below.

Chapter-by-Chapter Updates

Chapter 1 Welcome to the World of Marketing: Create and Deliver Value	<ul style="list-style-type: none">• New Real People opening vignette featuring Suzanne McFadden from Comcast• Updated “What’s New in the Evolution of Marketing?”• New Rising Stars in Marketing assignment in MyLab Marketing
Chapter 2 Global, Ethical, and Sustainable Marketing	<ul style="list-style-type: none">• Recent additions to tables listing American legislation relevant to marketers and U.S. regulatory agencies• Discussion of driverless vehicles• New Marketing in Action Case: Real Choices at Walmart• New Rising Stars in Marketing assignment in MyLab Marketing
Chapter 3 Strategic Market Planning	<ul style="list-style-type: none">• New Real People opening vignette featuring Mary Bea Damico from Vovéo Marketing Group• Expanded treatment of the important role of the mission statement in driving business success• Expanded treatment of the importance of market penetration strategies as a key to firm success, using McDonald’s as an example• Focus on Cuba as a potential for executing market development strategies• New “Agile Marketing and the Planning Process” section, making this the first marketing principles book to address agile marketing and associated concepts

Chapter 4 Market Research	<ul style="list-style-type: none"> • Extensive new conversation about why knowledge drives great marketing decisions, using the 2016 presidential election as an example of database marketing • Introduction to and discussion of the emerging concept of evidence-based decision making and how this sensibility provides guidance for gaining customer insights and making marketing decisions • New coverage of the importance of marketing dashboards and marketing's reliance on salespeople and sales managers to monitor and utilize the dashboards in their customer interactive role • New Marketing in Action Case: Real Choices at Lego
Chapter 5 Marketing Analytics: Welcome to the Era of Big Data!	<ul style="list-style-type: none"> • New Real People opening vignette featuring Jennifer Jackson from Teradata • New section: "Reality Check for Marketers: Ethical Considerations in Using Big Data" • New Marketing in Action Case: Real Choices at Spotify. • New Rising Stars in Marketing assignment in MyLab Marketing
Chapter 6 Understand Consumer and Business Markets	<ul style="list-style-type: none"> • New section: "The 'Hive Mind': Consumer Decision Making in the Digital Age" • New Marketing in Action Case: Real Choices at Starbucks • New Rising Stars in Marketing assignment in MyLab Marketing
Chapter 7 Segmentation, Target Marketing, and Positioning	<ul style="list-style-type: none"> • In "Segmentation" – <ul style="list-style-type: none"> • Strengthened argument for psychographic segmentation as advantageous over demographics • More strongly linked the concept of customer loyalty (and stickiness) to behavioral segmentation and added substantial additional support content • In "Positioning" – <ul style="list-style-type: none"> • Clarified and better exemplified the concept of "retro brands" • Added the concept of "neglected segments" • New Marketing in Action Case: Real Choices at McDonald's • New Rising Stars in Marketing assignment in MyLab Marketing
Chapter 8 Product I: Innovation and New Product Development	<ul style="list-style-type: none"> • New Real People opening vignette featuring Rocco Cardinale from Franklin Foods • Added extensive coverage of "design thinking" and related concepts • Added new emphasis on "disruptive innovation" and "first-mover advantage" • New discussion on 3D printing and the technical development element of new product development
Chapter 9 Product II: Product Strategy, Branding, and Product Management	<ul style="list-style-type: none"> • New Real People opening vignette featuring Aaron Keller from Capsule • Coverage of "brand personality" and "brand anthropomorphism" moved from Chapter 7 to Chapter 9 for better alignment • New Rising Stars in Marketing assignment in MyLab Marketing
Chapter 10 Price: What Is the Value Proposition Worth?	<ul style="list-style-type: none"> • New Real People opening vignette featuring Imad Khalidi from Auto Europe • New coverage of cryptocurrency • New Marketing in Action Case: Real Choices at United Airlines • New Rising Stars in Marketing assignment in MyLab Marketing
Chapter 11 Deliver the Goods: Determine the Distribution Strategy	<ul style="list-style-type: none"> • New section: "Emerging Trends in Logistics and Supply Chain" • New Rising Stars in Marketing assignment in MyLab Marketing
Chapter 12 Deliver the Customer Experience: Goods and Services via Bricks and Clicks	<ul style="list-style-type: none"> • New sections: "The Evolution Continues: What's 'In Store' for the Future?" and "Ethical Problems in Retailing"

Chapter 13 Promotion I: Advertising	<ul style="list-style-type: none"> • Added discussion of many types of digital media and new coverage of some ethical issues presented by digital advertising • New Marketing in Action Case: Real Choices at Boy Scouts of America • New Rising Stars in Marketing assignment in MyLab Marketing
Chapter 14 Promotion II: Social Media Marketing and Other Communication Tools	<ul style="list-style-type: none"> • New Real People opening vignette featuring Andy Mitchell from Brandmovers • New section: “Future Trends in Professional Selling” • New Marketing in Action Case: Real Choices at Oracle

Instructor Teaching Resources

This program comes with the following teaching resources:

Supplements Available to Instructors at www.pearson-highered.com	Features of the Supplement
Instructor’s Manual authored by Susan Leshnower from Midland College	<ul style="list-style-type: none"> • 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	<p>4,000 multiple-choice, true/false, short-answer, and graphing questions with these annotations:</p> <ul style="list-style-type: none"> • 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 outcome • 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) • Page number in the text
Computerized TestGen	<p>TestGen allows instructors to:</p> <ul style="list-style-type: none"> • 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 Jefferson Community College	<p>Slides include all the graphs, tables, and equations in the textbook. PowerPoints meet accessibility standards for students with disabilities. Features include, but are not limited to:</p> <ul style="list-style-type: none"> • Keyboard and Screen Reader access • Alternative text for images • High color contrast between background and foreground colors

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 Chapter 10: Imad Khalidi, Auto Europe
 Chapter 11: Michael Ford, BDP International
 Chapter 12: Stan Clark, Eskimo Joe's
 Chapter 13: Sara Bamossy, Pitch
 Chapter 14: Andrew Mitchell, Brandmovers

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Michael R. Solomon, Elnora W. Stuart, Greg W. Marshall



Michael R. Solomon

MICHAEL R. SOLOMON, Ph.D., joined the Haub School of Business at Saint Joseph's University in Philadelphia as Professor of Marketing in 2006.

From 2007 to 2013, he also held an appointment as Professor of Consumer Behaviour at the University of Manchester in the United Kingdom. From 1995 to 2006, he was the Human Sciences Professor of Consumer Behavior at Auburn University. Before joining Auburn in 1995, he was chairman of the Department of Marketing in the School of Business at Rutgers University, New Brunswick, New Jersey. Professor Solomon's primary research interests include consumer behavior and lifestyle issues; branding strategy; the symbolic aspects of products; the psychology of fashion, decoration, and image; services marketing; and the development of visually oriented online research methodologies. He currently sits on the editorial boards of the *Journal of Consumer Behaviour*, the *Journal for the Advancement of Marketing Education*, the *Journal of Marketing Theory and Practice*, and *Critical Studies in Fashion and Beauty*. In addition to other books, he is also the author of Pearson's text *Consumer Behavior: Buying, Having, and Being*, which is widely used in universities throughout the world. Professor Solomon frequently appears on television and radio shows, such as *The Today Show*, *Good Morning America*, Channel One, the *Wall Street Journal* Radio Network, and National Public Radio to comment on consumer behavior and marketing issues.



Greg W. Marshall

GREG W. MARSHALL, Ph.D., is the Charles Harwood Professor of Marketing and Strategy in the Crummer Graduate School of Business at Rollins College in Winter Park, Florida. For three years, he

also served as vice president for strategic marketing for Rollins. Before joining Rollins, he was on the faculty of Oklahoma State University, the University of South Florida, and TCU. He also holds a visiting professorship in the Marketing Group at Aston Business School, Birmingham, United Kingdom. Professor

Marshall earned a BSBA in marketing and an MBA from the University of Tulsa and a Ph.D. in marketing from Oklahoma State University. His research interests include sales management, marketing management decision making, and intraorganizational relationships. He is editor-in-chief of the *European Journal of Marketing* and former editor of the *Journal of Marketing Theory and Practice* and the *Journal of Personal Selling & Sales Management*. He currently serves on the editorial boards of the *Journal of the Academy of Marketing Science*, the *Journal of Business Research*, and *Industrial Marketing Management*. Professor Marshall is a member of the board of directors of the American Marketing Association, past president of the American Marketing Association Academic Council, a distinguished fellow and past president of the Academy of Marketing Science, and a distinguished fellow and past president of the Society for Marketing Advances. In 2018 he received the Lifetime Achievement Award from the American Marketing Association Selling and Sales Management Special Interest Group (SIG). His industry experience before entering academe includes product management, field sales management, and retail management positions with firms such as Warner-Lambert, the Mennen Company, and Target Corporation.



Elnora W. Stuart

ELNORA W. STUART, Ph.D., having most recently served as professor of marketing and associate dean of the George Dean Johnson, Jr. College of Business and Economics at the University of

South Carolina Upstate, is now Distinguished Professor Emerita, University of South Carolina. She continues to teach, consult, and conduct research. Prior to joining USC Upstate in 2008, she was professor of marketing and the BP Egypt Oil Professor of Management Studies at the American University in Cairo, professor of marketing at Winthrop University in Rock Hill, South Carolina, and on the faculty of the University of South Carolina. She has also been a regular visiting professor at Instituto de Empresa in Madrid, Spain and Landshut College of Applied

Sciences in Landshut, Germany. She earned a B.A. in theater and speech from the University of North Carolina at Greensboro and both an M.A. in journalism and mass communication and a Ph.D. in marketing from the University of South Carolina. Professor Stuart's research has been published in major academic journals, including the *Journal of Consumer Research*, the *Journal*

of Advertising, the *Journal of Business Research*, the *Journal of Public Policy and Marketing*, the *Journal of Promotion Management*, and the *International Journal of Pharmaceutical and Healthcare Marketing*. For over 25 years, she has served as a consultant for numerous businesses and not-for-profit organizations in the United States and in Egypt.

1 Welcome to the World of Marketing

Create and Deliver Value

Objective Outline

1.1 Explain what marketing is, the marketing mix, what can be marketed, and the value of marketing.

pp. 4–11

MARKETING: WHAT IS IT? P. 4

1.2 Explain the evolution of the marketing concept.

pp. 11–16

WHEN DID MARKETING BEGIN?
THE EVOLUTION OF A
CONCEPT P. 11

1.3 Understand value from the perspectives of customers, producers, and society.

pp. 16–25

THE VALUE OF MARKETING AND
THE MARKETING OF VALUE P. 16

1.4 Explain the basics of market planning.

pp. 25–26

MARKETING AS A PROCESS P. 25

1.5 Understand how to increase your chances of getting a great first job and having a successful career by using the marketing process to create a personal brand.

pp. 26–28
BRAND YOU: A FRAMEWORK FOR
MANAGING YOUR CAREER P. 26

Check out the Chapter 1 **Study Map** on page 28.



Suzanne McFadden

Meet Suzanne McFadden

▼ A Decision Maker at Comcast

Suzanne McFadden is Senior Vice President, Customer Experience & Communications at Comcast Cable, a part of Comcast NBCUniversal. Headquartered in Philadelphia, Comcast Cable is one of the nation's largest video, high-speed Internet, and phone providers to residential customers under the XFINITY brand, and it also provides these services to businesses. Additionally, it offers wireless, security, and automation services to residential customers under the XFINITY brand.

Suzanne received a BA in marketing and finance from the University of Delaware. She joined Comcast in 1997 in a field marketing role and gained experience in many aspects of marketing, such as customer acquisition

and competitive and operations marketing, to rise through the ranks to land in her current responsibility for the end-to-end customer communications journey, from onboarding through engagement and the entire customer life cycle of Comcast's cable operations.

Suzanne's Info

What I do when I'm not working:

Love spending time with family and friends—in particular, travel and food experiences. Also squeeze in time for reading, exercise, and TV watching.

First job out of school:

Marketing Coordinator, SportsChannel Philadelphia

Career high:

Being involved in the launch of Comcast High-Speed Internet. At the time, early 1997, companies were questioning if this

"Internet thing" was really going to pay off—absolutely amazing to see the impact.

A job-related mistake I wish I hadn't made:

Never taking a chance early on to move to a different part of the country or the world.

My hero:

All of the career women who came before me—I am amazed when I look back at the corporate gender stereotypes of history and realize my success is only possible due to the women who

endured inequality to get us where we are today.

My motto to live by:

Never burn a bridge. People will often circle back into your life in a personal or professional capacity—make sure things always end on a positive note.

What drives me:

In work, it is the competitive nature of the industry. It's fast paced, so you need to stay informed and make quick decisions.

My management style:

Partnership and understanding. I make sure I know what motivates and drives my employees to success and work to give them

what they need from me—leadership, time, attention, or hands off. It is different for all and that is what leaders must understand.

Don't do this when interviewing with me:

Say "I" over and over.



Here's My **problem...**

Real People, Real Choices

Comcast has been working hard to improve its customer service and brand reputation. Over the last few years, they put tools in place to measure customer advocacy and satisfaction and provide a real-time feedback loop for employees to report and solve problems in order to help customers. In addition, they continue to innovate their product lines to meet customer's increasing entertainment, communication, and home needs. As a result, they have seen brand perception and customer satisfaction continue to rise.

But because there is now so much choice, customers do not always order the right package and set of services at the time of sale, and because Comcast offers a full 30-day money back guarantee, customers feel empowered to change up their package as they try out their new services.

Research shows that customers' anxiety goes up after they place an order and it stays up until their services are fully installed and activated. If the customer has signed up for a quad-play (Xfinity TV, Internet, Voice and Home Security), there is much to tell the customer about installation and activation. Thus, one of the team's first priorities was to ensure that the first 90 days of a customer's service experience are perfect.

The team identified one simple solution: Stay in touch with customers during the "onboarding" process and put them at ease that all will go well. They took advantage of new communications technologies to maintain this contact. By using platforms like email and SMS (short message service) that allowed them to text their customers, ratings of satisfaction with their service climbed significantly.

Knowing that the first 30 days are not only a learning time but a key time for a customer to "right size" and make sure they ordered the right tiers of services and products, the team wanted to contact customers to point out additional services they might want to add. At the time, the team was sending service emails and texts that educated customers about the products they had. Now they also considered using email to provide customers with more detail about products they might want.

Because Comcast opts-in customers to marketing messages at point of sale, promotional messages are permitted through email. Comcast had to weigh the decision to balance any messages seen as noncritical or promotional with key service messages—too many messages might cause a customer to tune-out all messages but sending none would not aid the customer in understanding what services might be a better fit for their household.

Suzanne and her team considered their options 1·2·3

1 Option

Don't email these customers about anything more than the products they have. Keep up the current practice of service messaging only to show them how to install their cable box, remind them of appointments, tell them when their kit will arrive, and introduce them to the services and features they have. This choice would ensure that customers would not tune out messages due to the noncritical nature of the promotional information. On the other hand, the lack of a promotional email strategy would make it more difficult to help customers "right size" if they realized within the first 90 days they didn't choose the ideal service package for their needs.

2 Option

Add promotional emails to the flow, but keep them distinct from the service emails to ensure that customers don't tune out a service email by thinking it is just a sales message. Use emails to encourage customers to upgrade their services, but clearly label them as promotional, and include information on convenient ways to upgrade. As with any other sales-related email, the customer would be free to ignore the message based upon its subject line or a quick review of the content. This choice would still allow customers to "right size" their cable package if they weren't satisfied with what they had. But there would always be the danger that customers would start to engage less with email from Comcast and perhaps even opt out of emails from the company entirely. That would remove any chance to connect with the customer down the road.

3 Option

Use emails to highlight ways to upgrade service plans as a part of the service email. This strategy would be less intrusive than Option #2, because customers would regard these emails as educational rather than as a pitch to buy more features. Still, it would be possible that customers might try to opt out of these additional emails, negatively impacting the perfect first 90 days Comcast was striving to deliver.

Now, put yourself in Suzanne's shoes. Which option would you choose, and why?

You Choose

Which **Option** would you choose, and **why**?

☐ **Option 1** ☐ **Option 2** ☐ **Option 3**

See what **option** I made chose in **MyLab Marketing**

MyLab Marketing

If your instructor is using MyLab Marketing, visit www.pearson.com/mylab/marketing for videos, simulations, and writing exercises.

Chapter 1

1.1

Marketing: What Is It?**OBJECTIVE**

Explain what marketing is, the marketing mix, what can be marketed, and the value of marketing.

(pp. 4–11)

Marketing. People either love it or hate it. The crazy part of this is that whether they love it or hate it, most folks really do not understand what marketing really is! How about when a U2 concert in Atlanta or Chicago entices fans from Peoria, Illinois, to travel to those cities just to scream in ecstasy alongside the locals? Then there are the pop-up ads on your Facebook page for something you were searching for at Bloomingdale's last week. And of course, there are those emails that fill your inbox from Amazon.com, suggesting products that might entice you to let go of some hard-earned cash. Yes, these are all examples of marketing. And that's just scratching the surface.

You already know a lot about marketing; it's been a part of your life from day one. As one of millions of **consumers**, you are the ultimate user of a good or service. Every time you purchase or use your car, your clothes, your lunch at the cafeteria (whether an old-school burger or a vegan version), a movie, or a haircut, you are part of the marketing process. In this text, we'll tell you why—and why you should care.

Indeed, consumers like you (and your humble authors!) are at the center of all marketing activities. By the way, when we refer to *consumers*, we don't just mean individuals. Organizations—whether a company, government, sorority, or charity—are made up of consumers.

Here's the key: *Marketing is first and foremost about satisfying consumer needs.* We like to say that the consumer is king (or queen), but it's important not to lose sight of the fact that the seller also has needs—to make a profit, to remain in business, and even to take pride in selling the highest-quality products possible. Products are sold to satisfy both consumers' and marketers' needs; it's a two-way street.

When you ask people to define **marketing**, you get many answers. Some people say, "That's what happens when a pushy salesman tries to sell me something I don't want." Many people say, "Oh, that's simple—TV commercials." Students might answer, "That's a course I have to take before I can get my business degree." Each of these responses has a grain of truth to it, but the official definition of marketing the American Marketing Association adopted in 2013 is as follows:

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.²

The basic idea behind this somewhat complicated definition is that marketing is all about delivering value to everyone whom a transaction affects. That's a long-winded explanation. Let's take it apart to understand exactly what marketing is all about.

"Marketing Is the Activity, Institutions, and Processes . . ."

As we will discuss throughout this text, marketing includes a great number of activities—from top-level market planning by the chief marketing officer (CMO) of a big company to the creation of a Facebook page by your university. The importance organizations assign to marketing activities varies a lot. Top management in some firms is marketing oriented (especially when the chief executive officer, or CEO, comes from the marketing ranks), whereas in other companies marketing is an afterthought. One study shows that over 25 percent of CEOs have either a marketing or a sales background—that makes this information pretty relevant, so stick with us!³

In the text, we discuss many of the activities of marketing that include:

- Better understanding of customer needs through marketing research
- Selecting the people or organizations in the market that are your best bets for success

consumer

The ultimate user of a good or service.

marketing

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.¹

- Developing the product
- Pricing the product
- Getting the product to the consumer
- Delivering marketing messages via traditional and online advertising and a host of other activities

We'll also learn about a variety of institutions that help firms create a better marketing program:


- Advertising agencies that firms work with to create and deliver a variety of marketing communication activities, including traditional advertising, as well as newer digital communications, sales promotions, and research activities
- Marketing research firms, such as Nielsen, that provide data vital to the planning and implementation of successful marketing programs
- The traditional media
- The Internet and social media
- Governments that enforce laws and regulations to make sure marketing occurs in a fair and ethical manner
- Logistics firms that get the product to the consumer most efficiently
- Retailers that interact directly with the final customer

We also talk about some of the processes marketers use in combination with these institutions to satisfy customer needs—the end-all for all marketing activities.

Whether it is a giant global producer of consumer products, such as Proctor & Gamble, or a smaller organization, such as Eskimo Joe's of Stillwater, Oklahoma (we'll talk more about Eskimo Joe's in Chapter 12), a marketer's decisions affect—and are affected by—the firm's other activities. Marketing managers must work with financial and accounting officers to figure out whether products are profitable, to set marketing budgets, and to determine prices. They must work with people in manufacturing to be sure that the new iPhone is produced on time and in the right quantities for those avid iPhone fans that camp out in front of Apple stores to get their hands on the new model. Marketers also must work with research-and-development specialists to create products that meet consumers' needs.

“ . . . for Creating, Communicating, Delivering, and Exchanging: The Marketing Mix . . . ”

As we said, marketing is about satisfying needs. To do this, marketers need many tools. The **marketing mix** is the marketer's strategic toolbox. It consists of the tools the organization uses to create a desired response among a set of predefined consumers. These tools include the product itself, the price of the product, the promotional activities (such as advertising) that introduce it to consumers, and the places where it is available. We commonly refer to the elements of the marketing mix as the **four Ps**: *product, price, promotion, and place*.

Although we talk about the four Ps as separate parts of a firm's marketing strategy, in reality, product, price, promotion, and place decisions are interdependent. Decisions about any single one of the four are affected by and affect every other marketing mix decision. For example, what if Superdry (a rapidly growing Japanese apparel company) decides to introduce a leather biker jacket that is higher end than the ones it makes now? If the company uses more expensive materials to make this item, it has to boost the selling price to cover these higher costs; this also signals to consumers that the garment is more upscale. In addition, Superdry would have to create advertising and other promotional strategies to convey a top-quality image. Furthermore, the firm must include high-end retailers like Neiman Marcus, Bergdorf Goodman, and Bloomingdale's in its distribution strategy to ensure that shoppers who seek out high-end items will come across the jacket. Thus, all the pieces in the puzzle we call the marketing mix work together. As  Figure 1.1 shows,

marketing mix

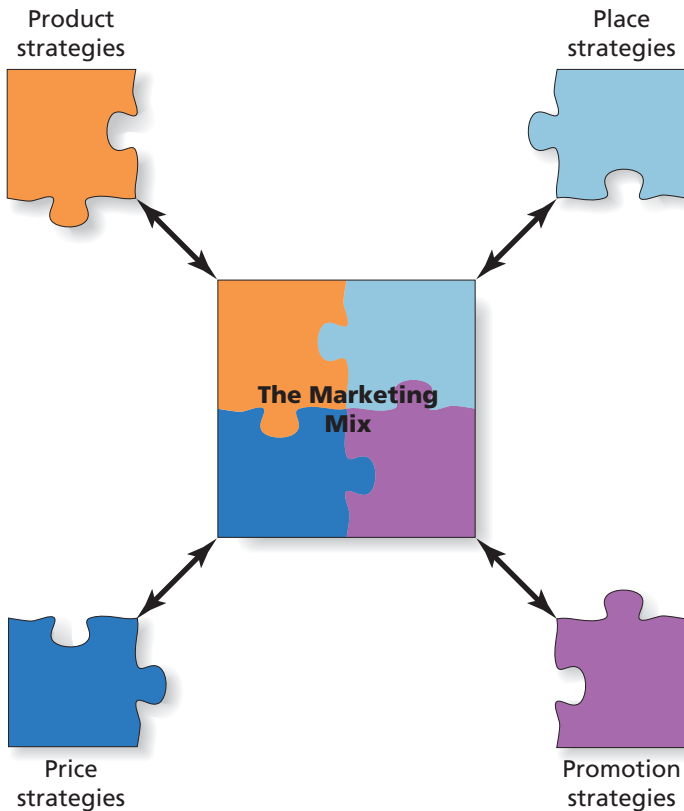
A combination of the product itself, the price of the product, the promotional activities that introduce it, and the places where it is made available that together create a desired response among a set of predefined consumers.

four Ps

Product, price, promotion, and place.

Figure 1.1  **Snapshot** | The Marketing Mix

The marketing mix is the marketer's strategic toolbox.



product

A tangible good, service, idea, or some combination of these that satisfies consumer or business customer needs through the exchange process; a bundle of attributes including features, functions, benefits, and uses.

promotion

The coordination of a marketer's communication efforts to influence attitudes or behavior.

place

The availability of the product to the customer at the desired time and location.

channel of distribution

The series of firms or individuals that facilitates the movement of a product from the producer to the final customer.

price

The assignment of value, or the amount the consumer must exchange to receive the offering.

each P is interconnected with each of the other three Ps. This shows us that the activities of each of the four Ps must be coordinated with each of the other three Ps.

We'll examine these components of the marketing mix in detail later in this book. For now, let's briefly look at each of the four Ps to gain some more insight into their role in the marketing mix.

Product

What have you spent your money and time to get recently? A pizza on Friday night, a concert on the weekend, a drone that will take photos from high in the air—maybe even a “wonderful” marketing textbook? These are all products. A **product** can be a good, a service, an idea, a place, a person—whatever a person or organization offers for sale in the exchange. Creating new products is vital to the success and even the life of an organization. The product, one aspect of the marketing mix, includes the design and packaging of a good as well as its physical features and any associated services, such as free delivery.

The product is a combination of many different elements, all of which are important to the product's success. Think about your college education—an expensive product. You are buying more than the boring lecture in that chemistry class (or the awesome lecture in your marketing class). You are also paying for the health center with a weight room, pool, and a rock-climbing wall; for the classroom building; for the football and basketball teams; and maybe for the bragging rights of graduating from a “Big Ten” school.

Promotion

Although we all are familiar with advertising, **promotion**, also referred to as *marketing communication*, includes many different activities marketers undertake to inform consumers about their products and to encourage potential customers to buy these products. Marketing communication takes the form of personal selling, TV advertising, store coupons, billboards, magazine ads, publicity releases, web pages, social media sites, and a lot more. Today marketers are quickly moving much of their energy and money to devising and implementing digital marketing communications, including mobile marketing, location-based marketing, behavioral digital marketing, and, of course, social media marketing.

Place

Place refers to the availability of the product to the customer at the desired time and location. This P relates to a **channel of distribution**, which is the series of firms or individuals that facilitates the movement of a product from the producer to the final customer. For clothing or electronics, this channel includes local retailers as well as other outlets, such as retail sites on the web that strive to offer the right quantity of products in the right styles at the right time. Place now has expanded past the traditional channel of distribution to consumers renting their homes or cars or RVs to other consumers in the *sharing economy* that we'll talk more about later.

Price

Price—we all know what price is. It's the amount you have to pay for the pizza, the concert tickets, the tennis racket, and, yes, this book. Price is the assignment of value, or the amount the consumer must exchange to receive the offering. Marketers often turn to price to increase consumers' interest in a product. This happens when they put an item

on sale, but in other cases, marketers actually try to sell a product with a higher price than people are used to if they want to communicate that it's high quality or cutting edge. For example, designer clothes and accessories are priced so high that only a few consumers can afford them. Not many of us can afford a Prada Python/Crocodile Arcade-Stripe Frame Satchel Bag priced at \$9,600 or a pair of Valentino Rockstud Metallic Leather Mid-Heel Pumps at \$1,045. If you can, you probably don't need to take this course!

At the heart of every marketing act—big or small—is something we refer to as an *exchange relationship*. An **exchange** occurs when a person gives something and gets something else in return. The buyer receives an object, service, or idea that satisfies a need, and the seller receives something he or she feels is of equivalent value. Today, most exchanges occur as monetary transactions in which one party surrenders currency (in the form of cash, check, credit card, or even Bitcoin) in return for a good or a service. But there are also other kinds of exchanges. A politician, for example, can agree to work toward certain goals in exchange for your vote, city officials may offer you a cleaner environment if you recycle, and health officials tell you that you can save lives (perhaps your own) if you wash your hands properly.

For an exchange to occur, at least two people or organizations must be willing to make a trade, and each must have something the other wants. Both parties must agree on the value of the exchange and how it will be carried out. Each party also must be free to accept or reject the other's terms for the exchange. Under these conditions, a knife-wielding robber's offer to "exchange" your money for your life does *not* constitute a valid exchange. In contrast, although someone may complain that a store's prices are "highway robbery," an exchange occurs if he or she still forks over the money to buy something there—even if he or she still grumbles about it weeks later.

To complicate things a bit more, everyone does not always agree on the terms of the exchange. Think, for example, about movie piracy. That's what happens when a new Avengers blockbuster is available on street corners for a few dollars—or free on BitTorrent—before it even opens in theaters.

exchange

The process by which some transfer of value occurs between a buyer and a seller.



A robbery is *not* a valid exchange.

“ . . . Offerings . . . ”: What Can We Market?

Is there any limit to what marketers can and will market? Marketing applies to more than just the new iPhone and the Microwavable S'Mores Maker your mother bought you before you came to college.

Some of the best marketers come from the ranks of services companies, such as American Express, or not-for-profit organizations, like Greenpeace. Politicians, athletes, and performers use marketing to their advantage (the Kardashians have figured it out). Ideas such as political systems (democracy, totalitarianism), religion (Christianity, Islam), and art (realism, abstract) also compete for acceptance in a “marketplace.” In this text, we'll refer to any good, service, person, place, or idea that we can market as a product, even though what you buy may not take a physical form.

Consumer Goods and Services

Consumer goods are the tangible products that individual consumers purchase for personal or family use. **Services** are intangible products that we pay for and use but don't own. Service transactions contribute more than 75 percent of the gross domestic product (GDP) in the U.S. and other developed countries.⁴ Marketers need to understand

consumer goods

The goods individual consumers purchase for personal or family use.

services

Intangible products that are exchanged directly between the producer and the customer.



A hotel stay is a complex combination of goods and services.



This British fence company offers to exchange money for the guarantee of privacy.

business-to-business marketing

The marketing of goods and services from one organization to another.

industrial goods

Goods that individuals or organizations buy for further processing or for their own use when they do business.

e-commerce

The buying or selling of goods and services electronically, usually over the Internet.

the special challenges that arise when they market an intangible service rather than a tangible good.⁵ Because both goods and services are products, it's more accurate to say "goods and services" rather than "products and services."

Business-to-Business Goods and Services

Business-to-business marketing is about the exchange of goods and services from one organization to another. Although we usually think of marketing in terms of the piles of consumer goods that beg for our dollars every day, the reality is that businesses and other organizations buy a lot more stuff than consumers do. They purchase these **industrial goods** for further processing or to use in their own business operations. For example, automakers buy tons of steel to use in the manufacturing process, and they buy computer systems to track manufacturing costs and other information essential to operations.

Similarly, the growth of **e-commerce** isn't just about things people buy for themselves—books, clothing, cars, and so forth—on the Internet. Just like in the offline world, much of the real online action is in the area of business-to-business marketing.

Not-for-Profit Marketing

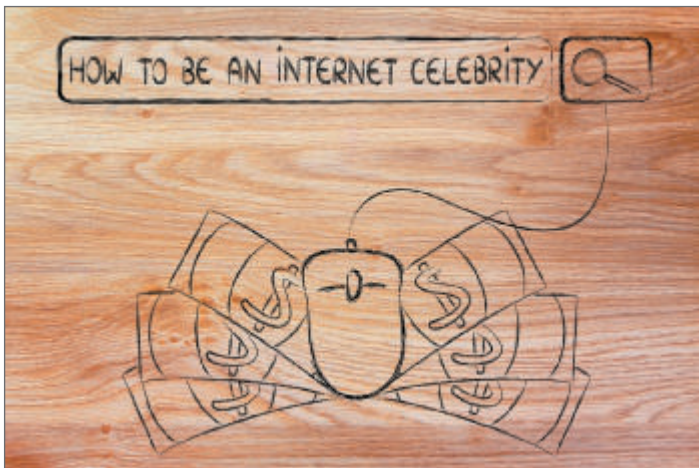
As we noted previously, you don't have to be a businessperson to use marketing principles. Many **not-for-profit organizations, or nongovernmental organizations (NGOs)**, including museums, zoos, and even churches, practice the marketing concept to survive. Local governments adopt marketing techniques to attract new businesses and industries to their counties and cities. Even states are getting into the act: We've known for a long time that I♥NY, but recently Kentucky and Oregon, hired advertising agencies to develop statewide branding campaigns. (The official state motto of Oregon is now "Oregon. We love dreamers.")⁶

Idea, Place, and People Marketing

Marketing principles also encourage people to endorse ideas or to change their behaviors in positive ways. Many organizations work hard to "sell" everything from fatherhood involvement to shelter-pet adoption to stopping teen bullying. We are all familiar with tourism marketing that promotes wonderful places with slogans such as "Smile! You are in Spain!" or "Live your myth in Greece."

You may have heard the expression "Stars are made, not born." There's a lot of truth to that. Adele may have a killer voice and Chris Davis may have a red-hot baseball bat, but talent alone doesn't make thousands or even millions of people buy their music or stadium seats. Some of the same principles that go into "creating" a celebrity apply to you. An entertainer—whether Miranda Lambert, Selena Gomez, or Drake—must "package" his or her talents, identify a market that is likely to be interested, and work hard to gain exposure to these potential customers by appearing in the right musical venues.

In the same way, everyday people like you "package" themselves when they create a great social media profile. And this person-marketing perspective is more valid than ever—now that almost everyone can find "15 minutes of fame" on a website or blog or in a YouTube video. We even have a new word—*micro-celebrity*—to describe those who are famous not necessarily to millions of people but certainly to hundreds or even thousands who follow their comings and goings on Facebook, Instagram, or Twitter. Whether it's the guy who sang the "Bed Intruder Song," Boosy, Gary the Goat, "Alex from Target," or even Grumpy Cat, the Internet churns out hundreds of temporarily famous people who probably won't be remembered for long.



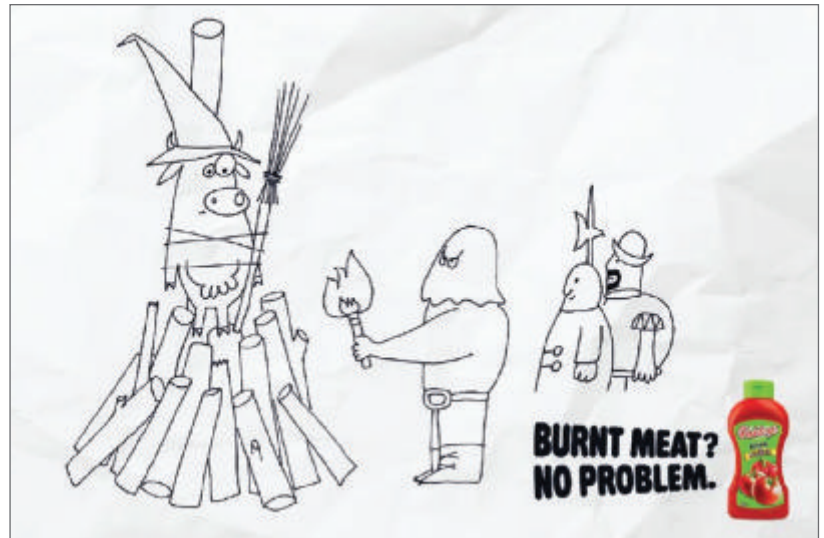
Today, almost anyone can have their "15 minutes of fame" online.

The idea of marketing people is especially important to college students like you who are trying to land an internship or a job. In fact, we believe this is so important that we have a section in every chapter of this book called “Brand You.” As we go through the marketing process chapter by chapter, we will discuss how you can use marketing strategies to create your unique brand. We will talk about how Brand You can be useful not only for getting a first job but also for enjoying a successful career.

“ . . . Value for Customers . . . ”

Most successful firms today practice the **marketing concept**—that is, marketers first identify consumer needs and then provide products that satisfy those needs to ensure the firm’s long-term profitability. Practicing the marketing concept is, of course, more complex and requires that marketers understand the most basic elements of successful marketing.

These elements—needs, wants, benefits, demand, a market, and a marketplace—are listed and explained in Table 1.1.



This Italian ketchup brand illustrates how the condiment satisfies a simple need.

Table 1.1 | Value for Customers

Term	Definition	In Practice
Need	The recognition of any difference between a consumer’s actual state and some ideal or desired state.	If the difference is big enough, the consumer is motivated to take action to satisfy the need. When you’re hungry, you buy a snack. If you’re not happy with your hair, you get a new hairstyle.
Want	The desire to satisfy needs in specific ways that are culturally and socially influenced.	If two students are hungry, the first student may be a health nut who fantasizes about gulping down a big handful of trail mix, whereas the second person may lust for a greasy cheeseburger and fries. The first student’s want is trail mix, whereas the second student’s want is fast food (and some antacid for dessert).
Benefit	The outcome sought by a customer that motivates buying behavior that satisfies a need or want.	After several years when sales were down, McDonald’s responded to the number-one request of its customers: breakfast all day. The new program attracted lapsed customers back and increased lunch business. ⁷
Demand	Customers’ desires for products coupled with the resources needed to obtain them.	Demand for a snappy red BMW convertible includes the people who want the car minus those who can’t afford to buy or lease one.
Market	All the customers and potential customers who share a common need that can be satisfied by a specific product, who have the resources to exchange for it, who are willing to make the exchange, and who have the authority to make the exchange.	The availability of scholarships, government aid, and loans has increased the market for college education as more students can afford an education.
Marketplace	Any location or medium used to conduct an exchange.	Today the exchange may be face-to-face or through a mail-order catalog, a TV shopping network, an eBay auction, or a phone app.

not-for-profit organizations, or nongovernmental organizations (NGOs)

Organizations with charitable, educational, community, and other public service goals that buy goods and services to support their functions and to attract and serve their members.

marketing concept

A management orientation that focuses on identifying and satisfying consumer needs to ensure the organization’s long-term profitability.

need

The recognition of any difference between a consumer’s actual state and some ideal or desired state.

want

The desire to satisfy needs in specific ways that are culturally and socially influenced.

benefit

The outcome sought by a customer that motivates buying behavior that satisfies a need or want.

demand

Customers’ desires for products coupled with the resources needed to obtain them.

market

All the customers and potential customers who share a common need that can be satisfied by a specific product, who have the resources to exchange for it, who are willing to make the exchange, and who have the authority to make the exchange.

marketplace

Any location or medium used to conduct an exchange.



Uber and other ride-sharing services are disrupting the transportation marketplace.

rentrepreneurs

Enterprising consumers who make money by renting out their possessions when they aren't using them.

utility

The usefulness or benefit that consumers receive from a product.



Rent the Runway is a service started by two recent business school grads. It rents high-end dresses from designers, like Diane Von Furstenberg, for about one-tenth of the cost of buying the same garment in a store. A woman can rent a dress for four nights; it's shipped directly to her doorstep, much like a Netflix DVD. The customer returns the dress in a prepaid envelope and the rental price includes the cost of dry cleaning. Place utility at work!

For example, you may *need* transportation but *want* a new Mazda MX-5 Miata convertible. The Miata will not only get you from point A to point B; it also will provide the *benefit* of a cool image. Unfortunately, it's possible that Mazda can't count you in their estimates of *demand* or the size of the *market* for the MX-5 because you can't afford such an expensive car. In that case, you need to check out a different *marketplace*: a used car lot.

Of course, marketplaces continue to evolve. Increasingly consumers, especially younger ones, would rather rent than purchase the products they use. One of the biggest changes is in the domain of car sales, which are plummeting among newer drivers. Innovative start-ups like Zipcar figured out that many people, especially those who live in urban areas, would rather rent a ride by the hour instead of dealing with the hassles of car loans and hunting for parking spots. Now the big guys are testing the waters. BMW now wholly owns the DriveNow electric vehicle car-sharing program and ReachNow, which operates in North American cities.

A second change in the transportation marketplace is ridesharing. Uber has become a global phenomenon based on this concept. Uber drivers use their own cars and work when they want to. Average customers prefer Uber to traditional taxis because typically the ride is cleaner. Even business travelers are choosing Uber over rentals and taxis—one study showed that this type of travel made up two-thirds of business expense receipts for ground transportation in 2017. It's clear the business is thriving—Uber gave four billion rides in 2017 alone!⁸

Millions of enterprising consumers, in turn, are becoming **rentrepreneurs** as they make money by renting out their stuff when they aren't using it; they're offering everything from barbecue grills and power tools to Halloween costumes and who knows what else on sites like Zilok in France and Craigslist in the United States. Some analysts refer to this mushrooming trend as *collaborative consumption*.

Ridesharing and rentrepreneurs are just the tip of the iceberg in the fast-growing *sharing economy*, another name for collaborative consumption. The sharing economy continues to grow as more and more consumers have the ability and the preference to rent or borrow goods rather than buy their own. The sharing economy is estimated to grow from \$14 billion in 2014 to \$335 billion by 2025.⁹ This estimate is based on the rapid growth of Uber and Airbnb as indicators. We'll talk more about the sharing economy in Chapters 10 and 11.

Marketing Creates Utility

Marketing transactions create **utility**, which refers to the usefulness or benefit we receive when we use a good or service. When it ensures that people have the type of product they want, where and when they want it, the marketing system makes our lives easier. Utility is what creates value.

Marketing processes create several different kinds of utility to provide value to consumers:

- *Form utility* is the benefit marketing provides by transforming raw materials into finished products, as when a dress manufacturer combines silk, thread, and zippers to create a bridesmaid's gown.
- *Place utility* is the benefit marketing provides by making products available where customers want them. The most sophisticated evening gown sewn in New York's garment district is of little use to a bridesmaid in Kansas City if it isn't shipped to her in time.

- *Time utility* is the benefit marketing provides by storing products until they are needed. Some women rent their wedding gowns instead of buying them and wearing them only once (they hope!).
- *Possession utility* is the benefit marketing provides by allowing the consumer to own, use, and enjoy the product. The bridal store provides access to a range of styles and colors that would not be available to a woman outfitting a bridal party on her own.

As we've seen, marketers provide utility in many ways. Now, let's see how customers and others "take delivery" of this added value.

Value for Clients and Partners

Marketing doesn't just meet the needs of consumers—it meets the needs of diverse stakeholders. The term **stakeholders** refers to buyers, sellers, or investors in a company; community residents; and even citizens of the nations where goods and services are made or sold—in other words, any person or organization that has a "stake" in the outcome. Thus, marketing is about satisfying everyone involved in the marketing process.

Value for Society at Large

Is it possible to contribute in a positive way to society and the Earth and still contribute to your paycheck? Target, one of the nation's largest retailers, seems to think so. The company announced in its 2012 corporate responsibility report that two of its top five priorities are environmental sustainability and responsible sourcing. For example, one goal Target set is to ensure that the seafood sold in its stores is 100 percent sustainable (caught without negatively impacting ecosystems) and traceable (fish can be traced through the supply chain from point of harvest to final product). Target also plans to eliminate artificial flavor, preservatives, sweeteners, and colors from all of their private label brand children's items. Target donates over 61 million pounds of food to Feeding America each year, keeping food out of landfills and feeding 51 million meals to those in need.¹⁰



Green marketing in action.

stakeholders

Buyers, sellers, or investors in a company; community residents; and even citizens of the nations where goods and services are made or sold—in other words, any person or organization that has a "stake" in the outcome.

1.2 When Did Marketing Begin? The Evolution of a Concept

OBJECTIVE

Explain the evolution of the marketing concept.

(pp. 11–16)

Now that we have an idea of how the marketing process works, let's take a step back and see how this process worked (or didn't work) in "the old days." Although it just sounds like common sense to us, believe it or not, the notion that businesses and other organizations succeed when they satisfy customers' needs actually is a pretty recent

Table 1.2 | Marketing’s “Greatest Hits”

Year	Marketing Event
1961	Procter & Gamble launches Pampers.
1964	Blue Ribbon Sports (now known as Nike) ships its first shoes.
1971	Cigarette advertising is banned on radio and TV.
1980	Ted Turner creates CNN.
1981	MTV begins.
1985	New Coke is launched; old Coke rebranded as Coca-Cola Classic is brought back 79 days later.
2004	Online sales in the U.S. top \$100 billion.
2010	Apple launches the iPad; sells 300,000 of the tablets on the first day and 1 million iPads in 28 days—less than half of the 74 days it took to sell 1 million iPhones. Consumers watch more than 30 billion videos online per month.
2014	Facebook spends \$2 billion to buy Oculus Rift, a manufacturer of virtual reality headsets, as it signals the next frontier for social networks.
2016	Microsoft buys LinkedIn for \$26.1 billion.
2017	Tax reform makes it less advantageous for U.S. firms to move their operations out of the country, which should be good news for consumers who like “Made in the USA.”
2018	Coke introduces new flavored (Feisty Cherry, Twisted Mango, Ginger Lime, and Zesty Blood Orange) versions of Diet Coke in skinny cans.

Sources: Patricia Sellers, “To Avoid Trampling, Get Ahead of the Mass,” *Fortune*, 1994, 201–2, except as noted. Keith Regan, “Report: Online Sales Top \$100 Billion,” June 1, 2004, <http://www.ecommercetimes.com/story/34148.html>.

idea. Before the 1950s, organizations only needed to make products faster and cheaper to be successful. Let’s take a quick look at how the marketing discipline has developed since then. Table 1.2 tells us about a few of the more recent events in this marketing history.

The Production Era

We think about the history of marketing as moving through four distinct eras, summarized in Table 1.3 and briefly described here. Many people say that Henry Ford’s Model T changed America forever. From the start in 1908, when the “Tin Lizzie,” or “flivver,” as the T was known, sold for \$575, Ford continued to make improvements in production.

Ford’s focus illustrates a **production orientation**, which works best in a seller’s market when demand is greater than supply because it focuses on the most efficient ways to produce and distribute products.

The Sales Era





When product availability exceeds demand in a buyer’s market, businesses may engage in the “hard sell,” in which salespeople aggressively push their wares. This **selling orientation** means that management views marketing as a sales function, or a way to move products out of warehouses so that inventories don’t pile up. The selling orientation gained in popularity a short while after World War II ended and prevailed well into the 1950s. But consumers as a rule don’t like to be pushed, and the hard sell gave marketing a bad image.

Companies that still follow a selling orientation tend to be more successful at making one-time sales rather than at building repeat business. We are most likely to find this focus among companies that sell *unsought goods*—products that people don’t tend to buy without some prodding. For example, most of us aren’t exactly “dying” to shop for cemetery plots,

production orientation
A management philosophy that emphasizes the most efficient ways to produce and distribute products.

selling orientation
A managerial view of marketing as a sales function, or a way to move products out of warehouses to reduce inventory.

Table 1.3 | The Evolution of Marketing

Icon	Era	Description	Example
	Production Era	Consumers have to take whatever is available; marketing plays a relatively insignificant role.	Henry Ford's Model T sold for less than \$575 and owned 60 percent of the market.
	Sales Era	When product availability exceeds demand in a buyer's market. Management views marketing as a sales function, or a way to move products out of warehouses so that inventories don't pile up. Businesses engage in the "hard sell," in which salespeople aggressively push their wares.	The selling orientation gained in popularity after World War II when post-war demand had been satisfied and companies needed to sell more.
	Relationship Era	Firms have a customer orientation that satisfies customers' needs and wants.	Organizations research customer needs and develop products to meet the needs of various groups.
	Triple-Bottom-Line Era	Business emphasizes the need to maximize three components: 1. <i>The financial bottom line</i> 2. <i>The social bottom line</i> 3. <i>The environmental bottom line</i>	Companies try to create financial profits for stakeholders, contribute to the communities in which the company operates, and engage in sustainable business practices that minimize damage to the environment or that even improve it.

so some encouragement may be necessary to splurge on a final resting place. Even in these categories, however, we still may find that competitors try to stay on top of consumers' evolving needs. That's why we see the rise in popularity of *eco burials* that avoid embalming and encourage cremation and also online funerals that stream images of the loved one on the Internet.

The Relationship Era

Zappos is an online retailer whose company-wide goal is to "WOW" customers. Zappos is one of many firms that have adopted a **customer orientation**.

Following the Sales Era, the world's most successful firms began to adopt a customer orientation that provided marketers with a new and important way to outdo the competition—through satisfying customer needs better than the competition. In this, the Relationship Era, companies increasingly concentrated on improving the quality of their products. By the early 1990s, many in the marketing community followed a **total quality management (TQM)** approach, which is a management philosophy that involves all employees from the assembly line onward in continuous product quality improvement. We'll learn more about TQM in Chapter 9.

customer orientation

A business approach that prioritizes the satisfaction of customers' needs and wants.

total quality management (TQM)

A management philosophy that focuses on satisfying customers through empowering employees to be an active part of continuous quality improvement.

triple-bottom-line orientation

A business orientation that looks at financial profits, the community in which the organization operates, and creating sustainable business practices.

societal marketing concept

A management philosophy that marketers must satisfy customers' needs in ways that also benefit society and deliver profit to the firm.

sustainability

A product design focus that seeks to create products that meet present consumer needs without compromising the ability of future generations to meet their needs.

green marketing

A marketing strategy that supports environmental stewardship, thus creating a differential benefit in the minds of consumers.

accountability

A process of determining just how much value an organization's marketing activities create and their impact on the bottom line.

return on investment (ROI)

The direct financial impact of a firm's expenditure of a resource, such as time or money.

The Triple-Bottom-Line Era

More recently, organizations began to wake up to the idea that making monetary profit is important but that there's more to think about than just the financial bottom line. Instead, they began to focus on a **triple-bottom-line orientation**.¹¹ This new way of looking at business emphasizes the need to maximize not just one, but three components:

1. *The financial bottom line:* Financial profits to stakeholders
2. *The social bottom line:* Contributing to the communities in which the company operates
3. *The environmental bottom line:* Creating sustainable business practices that minimize damage to the environment or that even improve it

One result of this new way of long-term thinking is the **societal marketing concept**. It states that marketers must satisfy customers' needs in ways that also benefit society while they still deliver a profit to the firm. A similar important trend now is for companies to think of ways to design and manufacture products with a focus on **sustainability**, which we define as "meeting present needs without compromising the ability of future generations to meet their needs."¹² This philosophy is often referred to as "doing well by doing good." Many firms, big and small alike, practice sustainability through their efforts that satisfy society's environmental and social needs for a cleaner, safer environment.

Bombas is a good example of a company that was founded on the societal marketing concept. Socks are the number one most requested item at homeless shelters. Bombas, a socially conscious company that got its start on the hit show *Shark Tank*, was determined to help solve that problem. The company donates one pair of socks for every pair purchased—resulting in over 8.6 million pairs of socks going to homeless shelters around the country.¹³

Sustainability applies to many aspects of doing business, including social and economic practices (e.g., humane working conditions, diplomacy to prevent wars that deplete food supplies, good atmospheric quality, and of course, the protection of lives). One other crucial pillar of sustainability is the environmental impact of the product. **Green marketing** means developing marketing strategies that support environmental stewardship by creating an environmentally founded differential benefit in the minds of consumers. Green marketing is one aspect of a firm's overall commitment to sustainability.

In addition to building long-term relationships and focusing on social responsibility, triple-bottom-line firms place a much greater focus on **accountability**—measuring just how much value an organization's marketing activities create. This means that marketers at these organizations ask hard questions about the true value of their efforts and their impact on the bottom line. These questions all boil down to the simple acronym of **ROI (return on investment)**, or, specifically for marketing, *ROMI (return on marketing investment)*. Marketers now realize that if they want to assess just how much value they create for the firm, they need to know exactly what they are spending and what the concrete results of their actions are. You will learn more about ROMI in Chapter 3.

However, it's not always so easy to assess the value of marketing activities. Many times, managers state their marketing objectives using vague phrases like "increase awareness of our product" or "encourage people to eat healthier snacks." These goals are important, but their lack of specificity makes it pretty much impossible for senior management to determine marketing's true impact. Because management may view these efforts as costs rather than investments, marketing activities often are among the first to be cut out of a firm's budget. To win continued support for what they do (and sometimes to keep their jobs), marketers in triple-bottom-line firms do their best to prove to management that they generate measurable value by aligning marketing activities with the firm's overall business objectives.¹⁴

MillerCoors believes that a critical part of implementing accountability is that finance people respect marketing people for their knowledge and vice versa. The company has made this possible by developing a closer bond between the two groups. The CFO and CMO have adjacent offices and finance people have been dispersed among their marketing counterparts.¹⁵

What's Next in the Evolution of Marketing?

Although no one can really predict the future, most agree that in the years ahead we will see an acceleration of the most important factors that marketers think about today. These predictions include good content, user-generated content, branded content, Big Data, mobile marketing, the sharing economy, artificial intelligence, and corporate citizenship.¹⁶ Let's briefly dive in and see what these terms mean.

Customers' demand for good content will continue to dominate online marketing. **User-generated content, or consumer-generated content**, in which consumers engage in marketing activities such as creating advertisements, will grow and overtake the importance of **branded content**. Branded content has been an important communication strategy for a number of years. It is produced by a brand and may even indicate the brand is the sponsor but still presents itself as something other than an attempt to sell a product. *The Lego Movie* was a great example of branded content. Despite the claims that the movie was not created to sell Legos, the company did have a major say-so in decisions about details of the movie.

Consumers' use of online reviews, blogs, and social media will require more than ever that brands create a positive image for every customer and in any place that the company touches him or her, whether online or offline. All of this means that branding will increasingly become a two-way conversation, allowing consumers to have a greater voice. Because this increases the ability of marketers to track consumer behavior, they will be able to provide a more personalized brand communication experience.

Firms that do well by doing good will become more important than ever. Customers will continue the current trend of rewarding brands that do good and punishing those that do not. **Corporate citizenship, or corporate social responsibility**, refers to a firm's responsibility to the community in which it operates and to society in general. In the future, good corporate citizenship will become a major marketing function.

Big Data is the term used to describe the voluminous data that a business gathers daily. The important thing about Big Data is not how much it is or how it's gathered; it's importance is in how it's used by an organization. Organizations can and should analyze big data in order to gain insights for decision making. Big Data can help an organization:

- Understand why there is a product, pricing, or promotion failure
- Deliver coupons or other sales promotions to individual consumers based on their captured data
- Develop a new product that meets customer needs

Mobile marketing, interacting with consumers via mobile phones, tablets, and wearable screens such as smart watches, will be one of the prime factors in marketing's future. Not only will these small screens allow for more personalized relationships with customers, but the growth of mobile screens in developing countries will exponentially increase the number of potential customers.

As we discussed earlier in this chapter, the *sharing economy* is a term used to describe the peer-to-peer renting and sharing of goods.

Artificial intelligence (AI) allows machines to learn from experience and perform human-like tasks. Whether you talk about self-driving cars or creating individual ads, with AI, computers can be trained by processing large amounts of data and finding patterns in the data.

user-generated content, or consumer-generated content

Marketing content and activities created by consumers and users of a brand such as advertisements, online reviews, blogs, social media, input to new product development, or serving as wholesalers or retailers.

branded content

Marketing communication developed by a brand to provide educational or entertainment value rather than to sell the brand in order to develop a relationship with consumers; may indicate the brand is the sponsor.

corporate citizenship, or corporate social responsibility

Refers to a firm's responsibility to the community in which they operate and to society in general.

The Internet of Things (IoT) is a network of physical objects that use sensors, software, and connections to exchange and collect data. AI allows machines to learn from experience and perform human-like tasks.

The ability to effectively interpret the increasing volume of consumer data will actually improve consumer lives. Although the primary purpose of consumer Big Data is to increase the ability of marketers to create better products to improve customer service, the use of those same data can provide better healthcare and even improved traffic. Ever wonder why there are two or three Starbucks' locations only a block away from each other? Starbucks uses Big Data that include street traffic analysis and demographic information to find new store locations that will be successful.¹⁷ We'll do a deeper dive into Big Data in Chapter 5.

1.3 The Value of Marketing and the Marketing of Value

OBJECTIVE

Understand value from the perspectives of customers, producers, and society.

(pp. 16–25)

We said that marketing is all about delivering value to everyone who is affected by a transaction. That includes the customer, the seller, and society at large.

How do customers decide how much value they will get from a purchase? One way to look at value is to think of it simply as a ratio of benefits to costs—that is, customers “invest” their precious time and money to do business with a firm, and they expect a certain bundle of benefits in return.

Let's look at value from the different perspectives of the parties that are involved in an exchange: the customers, the sellers, and society.

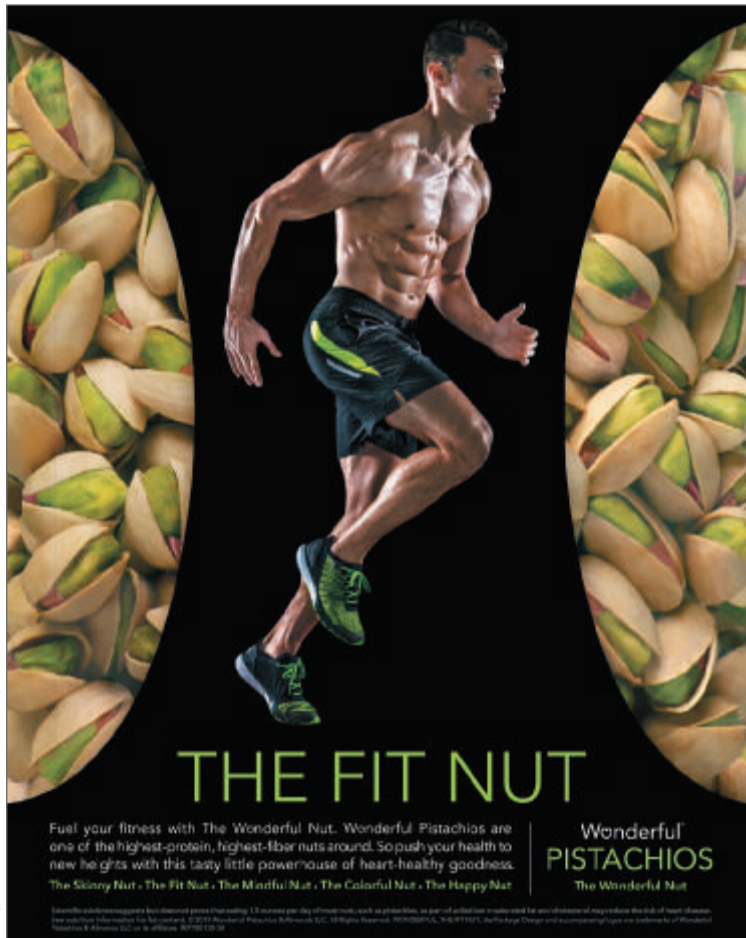
Value from the Customer's Perspective

Think about something you would like to buy—say, a new pair of shoes. You have narrowed the choice down to several options. Your purchase decision no doubt will be affected by the ratio of costs versus benefits for each type of shoe. When you buy a pair of shoes, you consider the price (and other costs) along with all the other benefits (utilities) that each competing pair of shoes provides you.

Marketers communicate these benefits to the customer in the form of a **value proposition**, which is a marketplace offering that fairly and accurately sums up the value that the customer will realize if he or she purchases the product. The value proposition includes the whole bundle of benefits the firm promises to deliver, not just the benefits of the product itself. For example, although most people probably won't get to their destination sooner if they drive a BMW versus a Mercedes-Benz or Audi, many die-hard loyalists swear by their favorite brand.

value proposition

A marketplace offering that fairly and accurately sums up the value that will be realized if the good or service is purchased.



These archival brands are largely marketed in terms of their images—meaning the images their respective marketing communication firms have carefully crafted for them with the help of slickly produced commercials, YouTube videos, and millions of dollars. When you buy a BMW, you do more than choose a car to get you around town; you may also make a statement about the type of person you are or wish you were. In addition to providing a luxury ride or superior maintenance services, that statement also is part of the value the product delivers to you. The challenge to the marketer is to create a killer value proposition. A big part of this challenge is to convince customers that this value proposition is superior to others they might choose from competitors.

Value from the Seller's Perspective

We've seen that marketing transactions produce value for buyers, but how do sellers experience value, and how do they decide whether a transaction is valuable? One answer is obvious: They determine whether the exchange is profitable to them. Has it made money for the company's management, its workers, and its shareholders?

That's an important factor, but not the only one. Just as we can't measure the value of an automobile from the consumer's perspective only in terms of basic transportation, value from the seller's perspective can take many forms. For example, in addition to making a buck or two, many firms measure value along other dimensions, such as prestige among rivals or pride in doing what they do well. As we said earlier, online shoe retailer Zappos's top core value is to "deliver WOW through service." Some organizations by definition don't even care about making money, or they may not even be allowed to make money. Not-for-profits like Greenpeace, the Smithsonian Institution, or National Public Radio regard value in terms of their ability to motivate, educate, or delight the public.

In recent years, many firms have transformed the way they do business. They now regard consumers as *partners* in the transaction rather than as passive "victims." That explains why it's becoming more common for companies to host events (sometimes called **brandfests**) to thank customers for their loyalty. For example, Jeep builds strong bonds with its Jeep 4 × 4 owners when it holds several off-road adventure weekends every year. These Jeep Jamborees are where other Jeep owners get to challenge the limits of their 4 × 4s on off-road trails and commune with fellow brand loyalists.¹⁸

Jeep's cultivation of its 4 × 4 enthusiasts reflects an important lesson the company understands very well: *It is more expensive to attract new customers than it is to retain current ones.* This notion has transformed the way many companies do business, and we'll repeat it several times in this book. However, there is an important exception to the rule: In recent years, companies have been working harder to calculate the true value of their relationships with customers by asking, "How much is this customer *really* worth to us?" Firms recognize that it can be costly in terms of both money and human effort to do whatever it takes to keep some customers loyal to the company. Often these actions pay off, but there are cases in which keeping a customer is a losing proposition.



A value proposition is about benefits (what the consumer receives) rather than attributes (what the marketer sells). In this case Lunchables sells food products but kids experience "fun."

brandfests

Events that companies host to thank customers for their loyalty.



Jeep cultivates its loyal drivers with a brandfest.

lifetime value of a customer

The potential profit a single customer's purchase of a firm's products generates over the customer's lifetime.

competitive advantage

A firm's edge over its competitors that allows it to have higher sales, higher profits, and more customers and enjoy greater success year after year.

distinctive competency

A superior capability of a firm in comparison to its direct competitors.

differential benefit

Properties of products that set them apart from competitors' products by providing unique customer benefits.

marketing scorecard

A feedback vehicle that reports (often in quantified terms) how the company or brand is actually doing in achieving various goals).

metrics

Measurements or "scorecards" that marketers use to identify the effectiveness of different strategies or tactics.

Companies that calculate the **lifetime value of a customer** look at how much profit they expect to make from a particular buyer, including each and every purchase he or she will make from them now and in the future. To calculate lifetime value, companies estimate the amount the person will spend and then subtract what it will cost to maintain this relationship. The Metrics Moment box illustrates one approach to how marketers measure customer value.

Provide Value through Competitive Advantage

Firms of all types seek to gain a **competitive advantage**—an edge over their competitors that allows them to have higher sales, higher profits, more customers—in short, to enjoy greater success year after year. In general, a competitive advantage comes from either a *cost advantage* or a *differential advantage*. A firm has a cost advantage when the firm can produce a good or service at a lower cost than competitors and thus charge customers a lower price. A differential advantage means that the firm produces a product that differs significantly from competitors' products and customers see the product as superior.

How does a firm go about creating a competitive advantage? The first step is to identify what it does really well. A **distinctive competency** is a firm's capability that is superior to that of its competition. For example, Coca-Cola's success in global markets—Coke commands nearly 50 percent of the world's soft-drink business—is related to its distinctive competencies in distribution and marketing communications. Coke's distribution system got a jump on the competition during World War II, when Coke partnered with the military to make sure every soldier had access to its soft drink. The military actually paid for the transportation of Coca-Cola and helped the company to build bottling plants to keep the troops happy.¹⁹ Coke's skillful marketing communications program, a second distinctive competency, has contributed to its global success. Coke doesn't market its product; it sells "happiness."

The second step to develop a competitive advantage is to turn a distinctive competency into a **differential benefit**—value that competitors don't offer and that customers want. Differential benefits set products apart from competitors' products by providing something unique that customers want, that is the competitive advantage. Differential benefits provide reasons for customers to pay a premium for a firm's products and exhibit

Metrics Moment

This section highlights the concepts of value and the value proposition that firms and their offerings bring to customers. But how do marketers actually measure value? Increasingly, they develop a **marketing scorecard** that reports (often in the form of numerical values) how the company or brand is actually doing in achieving various goals. We can think of a scorecard as a marketing department's report card. Scorecards tend to be short and to the point, and they often include charts and graphs to summarize information in an easy-to-read format. They might report "grades" on factors such as actual cost per sale, a comparison of web hits (the number of people who visit an e-commerce site) versus web conversions (the number who actually buy something at the site), a measure of customers' satisfaction with a company's repair facilities, or perhaps even a percentage of consumers who respond to mail asking them to make a

donation to a charity the firm sponsors. You can see an example of a simple scorecard in Table 1.4. Throughout this book, we'll give you the opportunity to "get your hands dirty" as you calculate various kinds of scores, or **metrics**.

Apply the Metrics

1. Using Table 1.4 as a template, develop a scorecard for student satisfaction with your marketing class. You will need to develop your own relevant items for satisfaction measurement.
2. Then, have the students in your class complete the scorecard now and again in the middle of the semester.
3. Summarize, interpret, and present the results.

Table 1.4 | An Example of a Customer Service Scorecard

Item	Quarterly Scores		
	1st Qtr.	2nd Qtr.	3rd Qtr.
Satisfaction with			
C1 Employee responsiveness	60%	65%	68%
C2 Product selection	60%	62%	63%
C3 Service quality	60%	62%	55%
C4 Cleanliness of facility	75%	80%	85%
C5 Knowledge of employees	62%	62%	58%
C6 Appearance of employees	60%	62%	63%
C7 Convenience of location	60%	65%	68%

Source: Adapted from C. F. Lunbdy and C. Rasinowich, "The Missing Link: Cause and Effect Linkages Make Marketing Scorecards More Valuable," *Marketing Research*, Winter 2003, 14–19, p. 18. Copyright © 2003 American Marketing Association.

a strong brand preference. For many years, loyal Apple computer users benefited from superior graphics capability compared to their PC-using counterparts. Later, when PC manufacturers caught up with this competitive advantage, Apple relied on its inventive product designers to create another differential benefit—futuristic-looking computers in a multitude of colors. This competitive advantage even tempted many loyal PC users to take a bite of the Apple (see Table 1.5).

Table 1.5 | How Firms Achieve a Competitive Advantage with a Distinctive Competency²¹

Company	Distinctive Competency	Differential Benefit	Competitive Advantage
Coca-Cola	Distribution and marketing communications	Convenience and brand awareness for customers all over the world	Other soft drinks are unable to take loyal customers away from Coke. Coca-Cola has more than 50 percent of the world soft-drink market.
Apple	Product quality and design	Easy access to cutting-edge technology	Apple's sales of its Mac computer increased 28.5 percent as the overall market for PCs decreased.
Southwest Airlines	Price point	Appeals to budget-conscious consumers	Southwest is the number one domestic carrier in the U.S.
Amazon.com	Fulfillment and distribution	Availability, convenience, ease of access, its customer-friendly services and policies, and an extremely varied selection of products provided through third-party sellers	Fifty-five percent of consumers search Amazon first. Worldwide, it has 6.4 percent of e-commerce and a 20 percent annual growth rate since its founding.
Starbucks	Product quality	Customer satisfaction	Starbucks has just under 33 percent of the market share in its industry.

value chain

A series of activities involved in designing, producing, marketing, delivering, and supporting any product. Each link in the chain has the potential to either add or remove value from the product the customer eventually buys.

Add Value through the Value Chain

Many different players—both within and outside a firm—need to work together to create and deliver value to customers. The **value chain** is a useful way to appreciate all the players that work together to create value. This term refers to a series of activities involved in designing, producing, marketing, delivering, and supporting any product. In addition to marketing activities, the value chain includes business functions such as human resource management and technology development.²⁰

The value chain concept reminds us that every product starts with raw materials, such as iron ore or crude oil, that are of relatively limited value to the end customer. Each link in the chain has the potential to either add or remove value from the product the customer eventually buys. The successful firm is the one that can perform one or more of these activities better than other firms; this is its distinctive competency and thus provides an opportunity to gain a competitive advantage. The main activities of value chain members include the following:

- *Inbound logistics*: Bringing in materials or component parts necessary to make the product
- *Operations*: Converting the materials into another form or the final product
- *Outbound logistics*: Shipping out the final product
- *Marketing*: Promoting and selling the final product
- *Service*: Meeting the customer’s needs by providing any additional support required

To better understand the value chain, consider a new iPad you buy at your local Apple store. Do you think about all the people and steps involved in designing, producing, and delivering that product to the store? And there are other people who create brand advertising, who conduct consumer research to figure out what people like or dislike about their small tablet, and who make the box it comes in or the packaging that keeps the unit from being damaged in shipment. Without these people, there simply would be no iPad—only a box of raw materials and parts.


As  Figure 1.2 shows, all these activities and companies belong to Apple’s value chain. This means that Apple must make a lot of decisions. What electronic


Figure 1.2  **Snapshot** | Apple’s Value Chain

Apple’s value chain includes inbound logistics, operations, outbound logistics, marketing and sales, and service.

Inbound Logistics	Operations	Outbound Logistics	Marketing and Sales	Service
<ul style="list-style-type: none">• Planar lithium battery (Sony)• Hard drive (Toshiba)• MP3 decoder and controller chip (PortalPlayer)• Flash memory chip (Sharp Electronics Corp.)• Stereo digital-to-analog converter (Wolfson Microelectronics Ltd.)• Firewire interface controller (Texas Instruments)	<ul style="list-style-type: none">• Consumer research• New product development team• Engineering and production	<ul style="list-style-type: none">• Trucking companies• Wholesalers• Retailers	<ul style="list-style-type: none">• Advertising• Sales force	<ul style="list-style-type: none">• Computer technicians

Source: Based on information from Erik Sherman, “Inside the Apple iPod Design Triumph,” May 27, 2006, <http://www.designchain.com/covestory.asp?issue=summer02>.

components will go into its music players? What accessories will it include in the package? What trucking companies, wholesalers, and retailers will deliver the iPods to stores? What service will it provide to customers after the sale? And what marketing strategies will it use? In some cases, members of a value chain will work together to coordinate their activities to be more efficient and thus create a competitive advantage.

We've organized this book around the series of steps in the marketing process. Each of these steps is essential to ensuring that the appropriate value exchange occurs and that both parties to the transaction are satisfied—making it more likely they'll continue to do business in the future.  Figure 1.3 shows these steps. Basically, we're going to learn about what marketers do as a product makes its way through the firm's value chain, from obtaining the raw materials and component parts to producing the product to delivery into the customer's hands.

We'll start in Part 1 with a focus on how companies plan for success with global and ethical marketing strategies. In Part 2, we'll see how research and Big Data help marketers understand and meet the different needs of different customers. Then Part 3 takes a look at how firms decide to “position” the product in the marketplace, including choices about what it should look like, how its value should be communicated to customers, and how much to charge for it. As we reach the end of our marketing journey in Part 4, we'll talk about how the product gets delivered and promoted to consumers.

Consumer-Generated Value: From Audience to Community

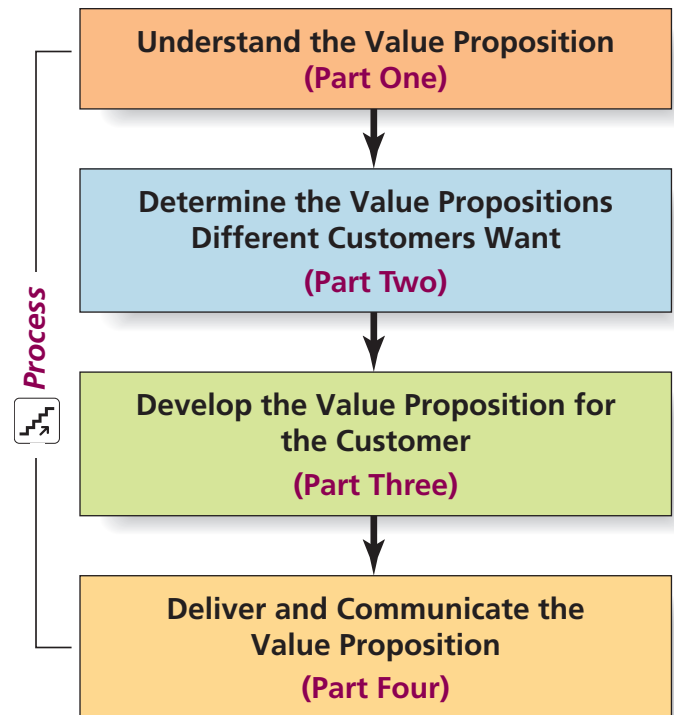
As we discussed earlier, one of the most exciting changes in the world of marketing is that everyday people actually *generate* value instead of just buying it; consumers are turning into advertising directors, retailers, and new-product-development consultants. They create their own ads (some flattering, some not) for products and post them on sites like YouTube. They buy and sell merchandise ranging from Beatles memorabilia to washing machines (to body parts, but that's another story) on eBay. They share ideas for new styles with fashion designers, design new advertising, and customize their own unique versions of products on websites. Some even proudly announce the latest stuff they've bought in “haul videos” they shoot and post on YouTube (if you don't believe us, just search for “haul videos” and see how many people take the time to do this).

These profound changes mean that marketers must adjust their thinking about customers: They need to stop thinking of buyers as a passive audience and start thinking of them as a community that is motivated to participate in both the production and the consumption of what companies sell. They also are part of the brand communication process as they create their own videos, provide product reviews, and participate in blogs. Some examples of this consumer-generated content include:

- Loews Hotels opted to use photos of actual guests in their marketing instead of hiring actors. They began the process by looking through Instagram photos that their guests had already shared. This inspiration turned into the #TravelForReal campaign

Figure 1.3  **Process** | Create and Deliver Value

This book is organized around the sequence of steps necessary to ensure that the appropriate value exchange occurs and that both parties to the transaction are satisfied. Each step corresponds to one of the book's four parts.



haul videos

Videos consumers post on YouTube that detail the latest stuff they bought.

where they invited real travelers to capture the essence of each hotel. They collected these photos and used them on their website, social media outlets, and more with the tagline “Nobody tells our story better than you.”²²

- Calvin Klein asked its customers to fill in the blank: “I _____ in #MyCalvins.” In no time, nearly 200,000 photos had been posted with the hashtag to Instagram. The brand also earned millions of new followers across Facebook, Instagram, and Twitter. Ultimately, they set up a photo gallery that swelled to 4.5 million interactions in four months.²³
- For almost a decade, Doritos cashed in on its “Crash the Super Bowl” contest, where fans submitted their best 30-second commercials. The winning commercial (as voted on by fans) was aired during the Super Bowl game, and the winner not only received bragging rights but also took home a cool \$1 million.²⁴

Consumer-Generated Value: Social Networking

In the 1990s, the Internet (**Web 1.0**) was typified by static content provided by a site’s creator. Businesses and institutions permitted little consumer involvement on websites.²⁵ These commercially and technically based organizations created sites that were crude, simple, and designed to accomplish one specific function. Later, **Web 2.0** offered marketers two-way communication through social networking sites such as Facebook. People wrote blogs and e-commerce expanded.

With the web, consumers create value through *social media*, which are Internet-based platforms that allow users to create their own content and share it with others who access their sites. Social media include, among others, social networks, such as Facebook and Twitter, and product review sites, such as TripAdvisor. On **social networking platforms**, a user posts a profile on a website and he or she provides and receives links to other members of the network to share input about common interests. The odds are that you and most of your classmates checked your Facebook page before (or during?) class today.

Social media platforms like this are very hot today; more and more advertisers realize that these sites are a great way to reach an audience that tunes in regularly and enthusiastically to catch up with friends, check out photos of what they did at that outrageous party Saturday night (ouch!), proclaim opinions about political or social issues, or share discoveries of new musical artists.²⁶ They share several important characteristics:

- They improve as the number of users increases. For example, Amazon’s ability to recommend books to you based on what other people with similar interests have bought gets better as it tracks more and more people who enter search queries.
- Their currency is eyeballs. Google makes its money by charging advertisers according to the number of people who see their ads after they type in a search term.
- They are version free and in perpetual beta. Unlike static websites or books, content is always a work in progress. Enthusiastic users who serve as volunteer editors constantly update Wikipedia, the online encyclopedia, and “correct” others’ errors.
- They categorize entries according to **folksonomy** rather than “taxonomy.” In other words, sites rely on users rather than preestablished systems to sort contents. Listeners at Pandora create their own “radio stations” that play songs by artists they choose as well as other similar artists.²⁷

This last point highlights a key change in the way some new media companies approach their businesses: Think of it as marketing strategy by committee. The **wisdom of crowds** perspective (from a book by that name) argues that under the right circumstances,

Web 1.0

The beginning phase of the Internet that offered static content provided by the owner of the site.

Web 2.0

The second generation of the World Wide Web that incorporated social networking and user interactivity via two-way communication.

social networking platforms

Online platforms that allow a user to represent himself or herself via a profile on a website and provide and receive links to other members of the network to share input about common interests.

folksonomy

A classification system that relies on users rather than preestablished systems to sort contents.

wisdom of crowds

Under the right circumstances, groups are smarter than the smartest people in them, meaning that large numbers of consumers can predict successful products.

groups are smarter than the smartest people in them. If this is true, it implies that large numbers of (nonexpert) consumers can predict successful products.²⁸ Marketers rely on **crowdsourcing** when they outsource marketing activities to a large group of people, often through a social networking community. For example, Lego offers up its Lego CUUSOO crowdsourcing platform to solicit product and concept ideas from fans. The company periodically reviews the ideas that garner 10,000 supporters to see which ones might merit the chance to become a real Lego product, such as the *Voltron – Defender of the Universe* set, and “winners” earn 1 percent of the profits on net sales.²⁹ We’ll talk more about crowdsourcing in Chapter 13.

crowdsourcing

A practice where firms outsource marketing activities (such as selecting an ad) to a community of users.

Value from Society’s Perspective

Every company’s activities influence the world around it in ways both good and bad. Therefore, we must also consider how marketing transactions add or subtract value from society. In many ways, we as consumers are at the mercy of marketers, because we trust them to sell us products that are safe and perform as promised. We also trust them to price and distribute these products fairly. Conflicts often arise in business when the pressure to succeed in the marketplace provokes dishonest business practices; the huge failure of major financial services organizations like AIG and Goldman Sachs is a painful case in point.

Companies usually find that stressing ethics and social responsibility also is good business. The Internet and social media mean that consumers communicate about unsafe or faulty products, bad service, or scams. Some find this out the hard way:

The U.S. Environmental Protection Agency accused Volkswagen AG of using software to make 482,000 Volkswagen diesel-powered cars appear cleaner than they were. After first denying the accusation, Volkswagen later admitted to the charge. VW stock lost a third of its value in one day, and the company faced the possibility of billions of dollars in fines.³⁰ In contrast, Procter & Gamble voluntarily withdrew its Rely tampons from the market following reports of women who had suffered toxic shock syndrome (TSS). Although scientists did not claim a causal link between Rely and TSS, the company agreed with the Food and Drug Administration that they would undertake extensive advertising notifying women of the symptoms of TSS and asking them to return their boxes of Rely for a refund. The company took a \$75 million loss and sacrificed an unusually successful new product that had already captured about one-quarter of the billion-dollar sanitary product market.³¹

The Dark Side of Marketing and Consumer Behavior

For some—hopefully not many and hopefully not *you* after you read this book—marketing is a four-letter word. Whether intentionally or not, some marketers *do* violate their bond of trust with consumers, and unfortunately the “dark side” of marketing often is the subject of harsh criticism.³² In some cases, these violations are illegal, such as when a retailer adopts a “bait-and-switch” selling strategy, luring consumers into the store with promises of inexpensive products with the sole intent of getting them to switch to higher-priced goods.

In other cases, marketing practices have detrimental effects on society even though they are not actually illegal. Some alcohol and tobacco companies advertise in low-income neighborhoods where abuse of these products is a big problem. Others sponsor commercials that depict groups of people in an unfavorable light or sell products that encourage antisocial behavior. An online game based on the Columbine High School massacre drew criticism from some who say it trivializes the actions of the two teen killers. We’ll talk more about marketing ethics in Chapter 2.



I'M NOT A SHOPAHOLIC I'M HELPING THE ECONOMY

Jackie Stacey/Shutterstock

Shopping addiction is a growing problem.

consumer addiction

A physiological or psychological dependency on goods or services, including alcohol, drugs, cigarettes, shopping, and use of the Internet.

Despite the best efforts of researchers, government regulators, and concerned industry people, sometimes consumers' worst enemies are themselves. We tend to think of ourselves as rational decision makers, calmly doing our best to obtain products and services that will maximize our health and well-being and that of our families and society. In reality, however, our desires, choices, and actions often result in negative consequences to ourselves and the society in which we live. Some of these actions are relatively harmless, but others have more onerous consequences. Some harmful consumer behaviors, such as excessive drinking or cigarette smoking, stem from social pressures, and the cultural value that people place on money encourages activities such as shoplifting or insurance fraud. Exposure to unattainable ideals of beauty and success can create dissatisfaction with the self. Let's briefly review some dimensions of the "dark side" of consumer behavior:

Addictive consumption: **Consumer addiction** is a physiological or psychological dependency on goods or services. These problems, of course, include alcoholism, drug addiction, and cigarettes, and many companies profit from addictive products or by selling solutions. More recently, as we've already seen, many have become concerned about

small-screen addiction. Although most people equate addiction with drugs, consumers can use virtually anything to relieve (at least temporarily) some problem or satisfy some need to the point that reliance on it becomes extreme. "Shopaholics" turn to shopping much the way addicted people turn to drugs or alcohol.³³ Numerous treatment centers in China, South Korea, and Taiwan (and now a few in the U.S. also) deal with cases of Internet or small-screen addiction—some hardcore gamers have become so hooked that they literally forget to eat or drink and die of dehydration. There is even a ChapStick Addicts support group with approximately 250 active members!³⁴

Illegal activities: The cost of crimes that consumers commit against businesses has been estimated at more than \$40 billion per year. A survey the McCann-Erickson advertising agency conducted revealed the following tidbits:³⁵

- Ninety-one percent of people say they lie regularly. One in three fibs about their weight, one in four fudges their income, and 21 percent lie about their age. Nine percent even lie about their natural hair color.
- Four out of 10 Americans have tried to pad an insurance bill to cover the deductible.
- Nineteen percent say they've snuck into a theater to avoid paying admission.

- More than three out of five people say they've taken credit for making something from scratch when they have done no such thing. According to Pillsbury's CEO, this "behavior is so prevalent that we've named a category after it—speed scratch."

Anticonsumption: Some types of destructive consumer behavior are **anticonsumption**, when people deliberately deface or otherwise damage products. This practice ranges from relatively mild acts like spray-painting graffiti on buildings and subways, to serious incidences of product tampering or even the release of computer viruses that can bring large corporations to their knees.

anticonsumption

The deliberate defacement of products.

1.4 Marketing as a Process

OBJECTIVE

Explain the basics of market planning.

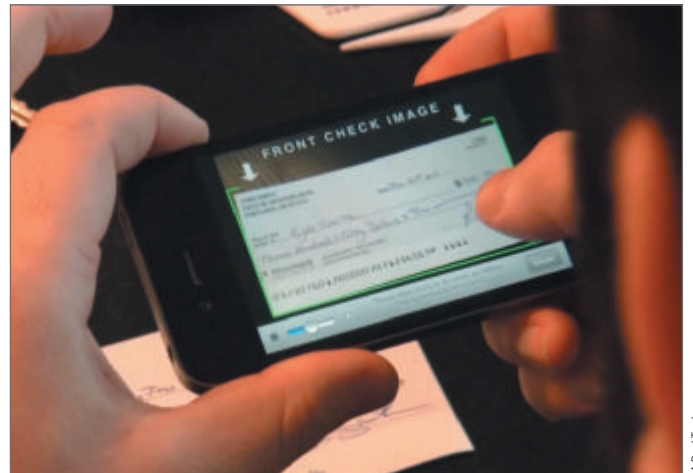
(pp. 25–26)

Our definition of marketing also refers to *processes*. This means that marketing is not a one-shot operation. When it's done right, marketing is a decision process in which marketing managers determine the strategies that will help the firm meet its objectives and then execute those strategies using the tools they have at their disposal. In this section, we'll look at how marketers make business decisions and plan actions and the tools they use to execute their plans. We'll build on this brief overview in Chapter 3.

A big part of the marketing process is *market planning*, where we think carefully and strategically about the "big picture" and where our firm and its products fit within it. The first phase of market planning is to analyze the marketing environment. This means understanding the firm's current strengths and weaknesses by assessing factors that might help or hinder the development and marketing of products. The analysis must also take into account the opportunities and threats the firm will encounter in the marketplace, such as the actions of competitors, cultural and technological changes, and the economy.

Firms (or individuals) that engage in market planning ask questions like these:

- What product benefits will our customers look for in three to five years?
- What capabilities does our firm have that set it apart from the competition?
- What additional customer groups might provide important market segments for us in the future?
- How will changes in technology affect our production process, our communication strategy, and our distribution strategy?
- What changes in social and cultural values are occurring now that will impact our market in the next few years?
- How will customers' awareness of environmental issues affect their attitudes toward our manufacturing facilities?
- What legal and regulatory issues may affect our business in both domestic and global markets?



New technologies often provide a huge competitive advantage (just think about that Uber app on your phone). Banking, for example, has become much simpler for both consumers and business customers because most banks now offer automatic bill-pay services that allow consumers to pay their bills online.

mass market

All possible customers in a market, regardless of the differences in their specific needs and wants.

market segment

A distinct group of customers within a larger market who are similar to one another in some way and whose needs differ from other customers in the larger market.

Answers to these and other questions provide the foundation for developing an organization's *marketing plan*. This is a document that describes the marketing environment, outlines the marketing objectives and strategy, and identifies who will be responsible for carrying out each part of the marketing strategy. Marketing plans will be discussed in full detail in Chapter 3—in fact, in that chapter you will learn about the basic layout and content of a marketing plan. A major marketing decision for most organizations is which products to market to which consumers without simultaneously turning off other consumers. Some firms choose to reach as many customers as possible, so they offer their goods or services to a **mass market** that consists of all possible customers in a market regardless of the differences in their specific needs and wants. Market planning then becomes a matter of developing a basic product and a single strategy to reach everyone.

Although this approach can be cost effective, the firm risks losing potential customers to competitors whose marketing plans instead try to meet the needs of specific groups within the market. A **market segment** is a distinct group of customers within a larger market who are similar to one another in some way and whose needs differ from other customers in the larger market. For example, automakers such as Ford, General Motors, and BMW offer different automobiles for different market segments. Depending on its goals and resources, a firm may choose to focus on one or on many segments. A *target market* is the segment(s) on which an organization focuses its marketing plan and toward which it directs its marketing efforts. Marketers develop *positioning* strategies to create a desired perception of the product in consumers' minds in comparison to competitors' brands. We'll learn more about these ideas in Chapter 7.

1.5

Brand You: A Framework for Managing Your Career

OBJECTIVE

Understand how to increase your chances of getting a great first job and having a successful career by using the marketing process to create a personal brand.

(pp. 26–28)

We'd like to introduce you to Taylor. Taylor is an undergraduate business student. Well-meaning people keep asking Taylor what he plans to do when he graduates—and Taylor has no idea—it's a bit embarrassing. Taylor is now thinking about his career after graduation and maybe an internship before he graduates. But just thinking isn't getting him there. He knows he needs help.

In his marketing class, he heard about "Brand You" and immediately knew this was exactly what he needs to do. He is happy that he finally has a path that he believes will allow him to have the internship and career he wants.

What is the most important brand you will ever market? It's Brand **YOU**!

If you're one of those people who cringes whenever someone asks, "What do you want to do when you graduate?" . . .

If you're someone who has several ideas about an internship that you might enjoy but aren't sure of any one . . .

Or if you have an idea of what you want to do in your career but have no clue how to get a job in that area . . .

Brand You is for you!

Brand You is a process, using the same tools marketers have used to create Nike or Starbucks or Apple, to create a personal brand. Your brand will help you present yourself to employers as a top candidate when you seek internships and jobs during college.

Developing a great brand doesn't happen overnight. It is a process. In that process, marketers must identify the needs of the target market, create a product that provides value for customers, and deliver compelling messages that convince consumers to try the product. In going through the process, you have the opportunity to discover what makes you unique and what benefits you can offer an employer, your customer.

Starting the Brand You Process

The journey of developing your personal brand will help you answer many key questions, such as: Do you know what kind of job you want? Have you thought about the kind of company where you'd enjoy working? Do you know what steps to take to prepare for your field? Have you even thought about your future in terms of a career as opposed to what job you want when you graduate? Reading and working through the marketing strategies for Brand You can lead you to courses that teach the needed skills to increase your value to employers. And, of course, these same marketing strategies will help you succeed whenever you search for work—you'll be able to communicate your value with a clear, dynamic message.

If you think you don't need to create a personal brand because you're not a marketing major, think again. No matter what type of career you want, creating your personal brand will help you manage that career. A personal brand will help you determine who you are and what you want to do. It prepares you to effectively communicate to a prospective employer why he or she should choose you for the job. A personal brand can help distinguish you from other job candidates whether you're applying for a job in accounting, operations, human resources, sales, or any other area.

Today is a great time to be graduating from college and looking for a job because it's pretty much a sellers' market. This means that there are more great jobs than great candidates. This is an exciting landscape where new job titles are created every day. Jobs such as interactive marketing manager, chief learning officer, video game designer, and social networking specialist were unheard of just a few years ago. Can you imagine the new jobs that will appear in the next decade? Although you can't make any assumptions about job retention, you will still have security—the security that comes from being a career activist, security you create by constantly scanning the horizon for new opportunities to add value.

Applying Marketing Concepts to Brand You

Developing a brand identity is only the first step. Once a brand has been created, it needs to be marketed. Here are three ways marketing concepts apply to your own personal brand:

Marketing is about meeting needs. That means that you have to figure out what kind of employer you want to work for and what skills and knowledge are needed for a position with that employer. Jobs exist because employers need people who accomplish tasks and solve problems.

Marketing is about creating utility. The goal of your personal brand is communicating to prospective employers that your skills and knowledge will be useful to them, that is, will meet their needs. To communicate utility, marketers develop a *value proposition*—a statement that sums up the value the customer will realize if he or she buys the product. Brand You will guide you in developing your own personal value proposition tailored to the wants and needs of the employers you're targeting.

Marketing is about exchange relationships. In marketing a good or service, an exchange relationship exists when the marketer exchanges the good or service for some amount of money. Work is the ultimate exchange relationship—you exchange your skills for learning opportunities and compatible work arrangements as well as financial rewards.

Taylor now understands some of the benefits of a personal brand and is ready to start the process. He hopes that through the process he will find answers to questions such as: What kind of job do I want? What kind of company do I want to work for? And too, Taylor knows that to get the great job he wants, he needs to differentiate himself and set himself apart from all the other recent graduates trying to land the same job.

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If your instructor is using MyLab Marketing, go to the MyLab to find videos, simulations, Dynamic Study Modules, writing exercises, and Marketing Metrics assignments, and more.

chapter 1 Study Map

Objective Summary ➔ Key Terms ➔ Apply

1.1 Objective Summary (pp. 4–11)

Explain what marketing is, the marketing mix, what can be marketed, and the value of marketing.

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. Therefore, marketing is all about delivering value to stakeholders, that is, to everyone who is affected by a transaction. Organizations that seek to ensure their long-term profitability by identifying and satisfying customers' needs and wants adopt the marketing concept.

The marketing mix includes product, price, place, and promotion. The product is what satisfies customer needs. The price is the assigned value or amount to be exchanged for the product. The place or channel of distribution gets the product to the customer. Promotion is the organization's efforts to persuade customers to buy the product.

Any good, service, or idea that can be marketed is a product, even though what is being sold may not take a physical form. Consumer goods are the tangible products that consumers purchase for personal or family use. Services are intangible products that we pay for and use but never own. Business-to-business goods and services are sold to businesses and other organizations for further processing or for use in their business operations. Not-for-profit organizations, ideas, places, and people can also be marketed.

Marketing provides value for customers when they practice the marketing concept and focus on identifying and satisfying customer needs. Marketing provides form, place, time, and possession utility. In addition, marketing provides value through satisfying the needs of diverse stakeholders, society, and the earth.

Key Terms

consumer, p. 4
 marketing, p. 4
 marketing mix, p. 5
 four Ps, p. 5
 product, p. 6
 promotion, p. 6
 place, p. 6
 channel of distribution, p. 6
 price, p. 6
 exchange, p. 7
 consumer goods, p. 7
 services, p. 7
 business-to-business marketing, p. 8
 industrial goods, p. 8
 e-commerce, p. 8
 not-for-profit organizations, or nongovernmental organizations (NGOs), p. 8
 marketing concept, p. 9

need, p. 9
 want, p. 9
 benefit, p. 9
 demand, p. 9
 market, p. 9
 marketplace, p. 9
 entrepreneurs, p. 10
 utility, p. 10
 stakeholders, p. 11

1.2 Objective Summary (pp. 11–16)

Explain the evolution of the marketing concept.

Early in the 20th century, firms followed a production orientation in which they focused on the most efficient ways to produce and distribute products. Beginning in the 1930s, some firms adopted a selling orientation that encouraged salespeople to aggressively sell products to customers. In the 1950s, organizations adopted a customer orientation that focused on customer satisfaction. This led to the development of the marketing concept. Today, many firms are moving toward a triple-bottom-line orientation that includes a commitment to quality and value and a concern for both economic and social profit while protecting the environment. The societal marketing concept maintains that marketers must satisfy customers' needs in ways that also benefit society while still delivering a profit to the firm. Similarly, companies think of ways to design and manufacture products with a focus on *sustainability*, or "doing well by doing good." Experts believe marketing will continue to change with greater use of good content, Big Data, mobile marketing, metrics and accountability, customer interaction, and corporate citizenship.

Key Terms

production orientation, p. 12
 selling orientation, p. 12
 customer orientation, p. 13
 total quality management (TQM), p. 13
 triple-bottom-line orientation, p. 14
 societal marketing concept, p. 14
 sustainability, p. 14
 green marketing, p. 14
 accountability, p. 14
 return on investment (ROI), p. 14
 user-generated content, or consumer-generated content, p. 15
 branded content, p. 15
 corporate citizenship, or corporate social responsibility, p. 15

1.3 Objective Summary (pp. 16–25)

Understand value from the perspectives of customers, producers, and society.

Value is the benefits a customer receives from buying a good or service. Marketing communicates these benefits as the value proposition to the customer. For customers, the value proposition includes the whole bundle of benefits the product

promises to deliver, not just the benefits of the product itself. Sellers determine value by assessing whether their transactions are profitable, whether they are providing value to stakeholders by creating a competitive advantage, and whether they are providing value through the value chain. Customers generate value when they turn into advertising directors, retailers, and new-product-development consultants, often through social networking using social media. Society receives value from marketing activities when producers stress ethics and social responsibility. Criticisms of both marketing and consumer activities may be valid in a few instances, but most are unfounded.

Key Terms

value proposition, p. 16
 brandfests, p. 17
 lifetime value of a customer, p. 18
 competitive advantage, p. 18
 distinctive competency, p. 18
 marketing scorecard, p. 18
 metrics, p. 18
 differential benefit, p. 18
 value chain, p. 20
 haul videos, p. 21
 Web 1.0, p. 22
 Web 2.0, p. 22
 social networking platforms, p. 22
 folksonomy, p. 22
 wisdom of crowds, p. 22
 crowdsourcing, p. 23
 consumer addiction, p. 24
 anticonsumption, p. 25

1.4 Objective Summary (pp. 25–26)

Explain the basics of market planning.

The strategic process of market planning begins with an assessment of factors within the organization and in the external environment that could help or hinder the development and marketing of products. On the basis of this analysis, marketers set objectives and develop strategies. Many firms use a target marketing strategy in which they divide the overall market into segments and then target the most attractive one. Then they design the marketing mix to gain a competitive position in the target market.

Key Terms

mass market, p. 26
 market segment, p. 26

1.5 Objective Summary (pp. 26–28)

Understand how to increase your chances of getting a great first job and having a successful career by using the marketing process to create a personal brand.

Brand You is a process to create a personal brand that will help you present yourself to employers when you seek an internship

as a student or a job when you graduate. Brand You strategies are not just for marketing majors. No matter what type of career you want, a personal brand can set you apart from other job candidates and will help you manage that career.

- Three marketing concepts apply to your personal brand:
- Marketing is about meeting needs.
 - Marketing is about creating utility.
 - Marketing is about exchange relationships.

Chapter Questions and Activities

Concepts: Test Your Knowledge

- 1-1. Briefly explain what marketing is.
- 1-2. List and describe the four Ps of the marketing mix.
- 1-3. Define the terms *consumer goods*, *services*, and *industrial goods*. What do we mean by *marketing ideas*, *people*, and *places*?
- 1-4. What is *user-generated content*? What is *branded content*?
- 1-5. What is *utility*? How does marketing create different forms of utility?
- 1-6. Trace the evolution of the marketing concept. What is the *triple-bottom-line orientation*?
- 1-7. Explain how marketers practice the societal marketing concept and sustainability.
- 1-8. Explain the concept of a *value proposition*.
- 1-9. To what does the *lifetime value of the customer* refer, and how is it calculated?
- 1-10. Define the terms *distinctive competency*, *differential benefit*, and *competitive advantage*. What does it mean for a firm to have a competitive advantage? What gives a firm a competitive advantage?
- 1-11. What is involved in marketing planning?

Activities: Apply What You've Learned

- 1-12. *In Class, 10–25 Minutes for Teams* Assume that you are a marketing consultant employed by retail giant Target, which offers consumers products in a number of brick-and-mortar stores and online. Target wishes to increase its loyal customer base by engaging customers through interaction opportunities on social networks. Develop a list of at least 10 specific social network activities that will work together to increase customer engagement.
- 1-13. *In Class, 10–25 Minutes for Teams* Successful firms have a competitive advantage because they are able to identify distinctive competencies and use these to create differential benefits for their customers. Consider your business school or your university. What distinctive competencies does it have? What differential benefits does it provide for students? What is its competitive advantage? What are your ideas as to how your university could improve its competitive position? Write an outline of your ideas.
- 1-14. *In Class, 10–25 Minutes for Teams* As college students, you and your friends sometimes discuss the various courses you are taking. Assume you overhear your

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roommate say to another friend, "Marketing's not important. It's just dumb advertising." The other friend says, "Marketing doesn't really affect people's lives in any way." As a role-playing exercise, present your arguments against these statements to your class.

- 1-15. *For Further Research (Individual)* Recent reports indicate that consumers, including children and teens, are becoming small-screen addicts. Develop a series of questions to be used in a survey (about 10). Use these to interview at least five of your fellow students about their use of smartphones and tablets. Write up a report on your findings and conclusions.
- 1-16. *For Further Research (Groups)* Select a global or national company that you are familiar with. Examine the firm's website and other sources of information about the company to determine its competitive advantages. Who are their biggest competitors? What are each of their competitive advantages? Give three suggestions for how the company can market their products or services to feature their advantages and overcome the advantages of the competition?

Concepts: Apply Marketing Metrics

The chapter discusses the growing importance of sustainability, and it notes that companies and consumers increasingly consider other costs in addition to financial kinds when they decide what to sell or buy. One of these cost categories is damage to the environment. How can marketers make it easier for shoppers to compute these costs? The answer is more apparent in some product categories than in others. For example, American consumers often are able to compare the power consumption and annual costs of appliances by looking at their EnergyStar™ rating. In other situations, we can assess the *carbon footprint* implications of a product or service; this tells us how much CO₂ our purchase will emit into the atmosphere (e.g., if a person flies from New York to London). The average American is responsible for over 16 metric tons of CO₂ per year!³⁶ A carbon footprint comes from the sum of two parts, the direct, or primary, footprint and the indirect, or secondary, footprint:

- The *primary footprint* is a measure of our direct emissions of CO₂ from the burning of fossil fuels, including domestic energy consumption and transportation (e.g., cars and planes).

- The *secondary footprint* is a measure of the indirect CO₂ emissions from the whole life cycle of products we use, from their manufacture to their eventual breakdown.³⁷

Although many of us are more aware today that our consumption choices carry unseen costs, there is still a lot of confusion about the best way to communicate the environmental costs of our actions, and in many cases, consumers aren't motivated to take these issues into account unless the costs impact them directly and in the short term.

- 1-17. As a consumer, what other metrics would you suggest that might reflect benefits of sustainability initiatives that would motivate you to purchase from one provider or the other?
- 1-18. Would you buy from a demonstrably more expensive provider just because they exhibited a higher level of commitment to sustainability?

Choices: What Do You Think?

- 1-19. *Critical Thinking* Journalists, government officials, and consumers have been highly critical of companies for gathering and storing large amounts of data on consumers (i.e., Big Data). Others argue that such practices are essential for firms to provide high-quality, affordable products that satisfy consumers' varied needs. What do you think? Should the government regulate such practices? How can such practices help the consumer? What potential downfalls are there?
- 1-20. *Ethics* Despite best efforts to ensure product safety, products that pose a danger to consumers sometimes reach the marketplace. At what point should marketers release information about a product's safety to the public? How should marketers be held accountable if their product harms a consumer?
- 1-21. *Critical Thinking* Organizations are now focusing more on the triple-bottom-line orientation, meaning that firms should focus on maximizing the financial, social, and environmental areas of the business. What should companies do when they realize that two or more of these conflict with one another? Do you think any one of them is more important? Why?
- 1-22. *Critical Thinking* Many consumers are concerned about their impact on the environment. They demand green products as well as green marketing activities. However, these same consumers often opt not to purchase green products as they are traditionally more expensive than their alternatives. What do you think is driving this decision? How can marketers change their products or the way in which they are marketing them to encourage consumers to increase their purchases of green products? What are some ideas that you have for ways companies can execute green marketing?
- 1-23. *Critical Thinking* Many would argue that Amazon's competitive advantages include fast delivery and its vast array of product options. Do you think these advantages are sustainable? Who do you think are Amazon's biggest competitors? How are they working to overcome Amazon's advantages?
- 1-24. *Ethics* The American Psychological Association formally recognizes Internet addiction as a psychological disorder. Should it? Why or why not?
- 1-25. *Ethics* Crowdsourcing has a lot of upsides—for the company initiating the crowdsourcing. The company gets to generate buzz among its fans as well as generate new product ideas and inventive advertising campaigns for little to no investment. Is there an upside to crowdsourcing for the customer, or are companies exploiting their users?

Miniproject: Learn by Doing

The purpose of this miniproject is to develop an understanding of the practice of marketing and the importance of societal marketing and sustainability to different organizations.

- 1-26. Working as a team with two or three other students, select an organization in your community. It may be a manufacturer, a service provider, a retailer, a not-for-profit organization—almost any organization will do. Then schedule a visit with someone within the organization who is involved in the marketing activities. Arrange for a short visit during which the person can give your group a tour of the facilities and explain the organization's marketing activities.
- 1-27. Divide the following list of topics among your team and ask each person to be responsible for developing a set of questions to ask during the interview to learn about the company's program:
 - What customer segments the company targets.
 - How it determines customer needs and wants.
 - What products it offers, including features, benefits, and goals for customer satisfaction.
 - What its pricing strategies are.
 - How it uses interactive content to engage customers.
 - How it distributes products and whether it has encountered any problems.
 - How it determines whether the needs and wants of customers are being met.
 - Explain what marketers mean by the "societal marketing concept" and "sustainability" and ask if these are areas of concern to the organization. If so, how do they address them in their organization's activities? If not, ask if they have any plans to move in this direction in the future and, if so, how.
- 1-28. Develop a team report of your findings. In each section of the report, share what you learned that is new or surprising to you compared to what you expected.
- 1-29. Develop a team presentation for your class that summarizes your findings. Conclude your presentation with comments on what your team believes the company was doing that was particularly good and what was not quite so good.

Marketing in Action **Case** Real Choices at Coca-Cola

What do you do when your customer starts to shrink, both literally and figuratively? Historically, soft drinks have made up a significant portion of American beverage consumption and sales have grown year after year. Today, however, the \$81 billion soft drink industry is being challenged by changes in consumers' attitudes toward both sugar-sweetened and diet drinks. Sales of carbonated soft drinks have been in decline since 2004 and, in 2016, sales of bottled water surpassed soft drink sales for the first time.

There are at least two reasons for the declining sales of soft drinks, both related to consumers' moving toward a healthier lifestyle. First, in the U.S. the rates of obesity, diabetes, and other weight-related health issues are on the rise. In 2016, the Centers for Disease Control and Prevention estimated that almost 40 percent of U.S. adults were obese. And the problem is not limited to adults; with distressing regularity, children are being diagnosed as obese. Although obesity and its related issues are complicated and have many different causes, soft drink manufacturers like Coca-Cola have been forced to bear a large share of the blame.

The association of obesity and soft drinks has become so much of a problem that, in some cities, politicians are proposing "soda taxes" to reduce the amount of sugar consumed. Only a small number of local governments have enacted the laws, and one of the biggest, Cook County (Chicago), repealed theirs after only two months. While the direct impact on soda sales has been minimal, the indirect consequence of all the press surrounding these laws is that consumers are being reminded that soft drinks may not be the healthiest choice.

Coca-Cola's initial response to consumers' concerns about weight was the introduction of low-calorie soft drinks, including Diet Coke. Debuting in 1982, the no-sugar version of their flagship product has been wildly successful and is still the second most popular soda in the U.S. However, Diet Coke has suffered along with the rest of the industry. In an effort to increase their share of a shrinking market, Coca-Cola marketers have introduced a line of exciting new Diet Coke flavors: Ginger Lime, Feisty Cherry, Zesty Blood Orange, and Twisted Mango. And the new flavors come in a new package: a more slender profile can in silver with a bold center stripe in colors corresponding to the four new flavors.

In the early months, the new Diet Coke flavors seemed to be a hit. In the first quarter of sales, the brand saw quarterly volume growth for the first time since 2010. Coca-Cola Chief Executive James Quincey said that the combination of the new flavors, packaging, and marketing was "bold enough and interesting enough" to get the attention of some of the lapsed Diet Coke fans. He also noted that among his targets were millennials and others who were drinking flavored sparkling water.

In addition to changes in consumer attitudes toward sweetened soft drinks, many consumers seeking a healthier lifestyle have also begun to question the safety of artificial sweeteners used in diet soft drinks. According to Barry M. Popkin, a professor of nutrition at the University of North Carolina, this has led to consumers changing from regular to diet soft drinks and finally to other beverages. The decision for many consumers has ultimately been to choose water.

Ironically, health and wellness were key to the beginning of the Coca-Cola story. In 1886, Dr. John S. Pemberton, a pharmacist, created a flavored syrup that was mixed with

carbonated water and sold to customers. The motivation was to create a nonalcoholic alternative to the French Wine Coca, a concoction Dr. Pemberton used to cure his addiction to morphine. Dr. Pemberton promoted his new product as having a variety of health benefits, claiming that it was a cure for headaches, it relieved exhaustion, and it calmed nerves. This mixture, which would eventually evolve into Coca-Cola, was primarily sold in pharmacies. However, instead of promoting it as a medicine, Dr. Pemberton decided to sell it as a fountain drink.

Coca-Cola seems to be treating obesity as a real threat to both their financial health and the health of consumers. Every year since 2004, Coca-Cola's annual report has listed obesity and its health consequences as a threat to company profits. On their website, they note their goal "to be a more helpful and effective partner in efforts to address the serious problem of obesity around the world" and list their role in helping consumers by reducing sugar in Coca-Cola product recipes and introducing more low and no-sugar brands.

Of course, no one knows how these ongoing concerns by consumers and public health officials alike will affect how Americans feel about soft drinks in the long run. Will soft drinks ever attain the negative status of tobacco products, which many consumers have abandoned? Will Coca-Cola be able to reclaim its former position as market leader or must Coke change its focus to something else? Water, anyone?

You Make the Call

- 1-30. What is the decision facing Coca-Cola?
- 1-31. What factors are important in understanding this decision situation?
- 1-32. What are the alternatives?
- 1-33. What decision(s) do you recommend?
- 1-34. What are some ways to implement your recommendation?

Digging Deeper into the Case

- 1-35. Think about three Coca-Cola products: classic Coke, Diet Coke, and the new Diet Coke flavors. What *needs* do these products meet?
- 1-36. Devise a good value proposition for the new line of flavored Diet Coke.
- 1-37. Consider Coca-Cola's corporate social responsibility in the area of providing products that are not harmful. What do you feel the company could do differently in product development and/or communications about their products?

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MyLab Marketing

If your instructor is using MyLab Marketing, go to the MyLab to find videos, simulations, Dynamic Study Modules, Marketing Metrics assignments, as well as the following writing questions:

- 1-38. Creative Homework/Short Project.** An old friend of yours has been making and selling vitamin-fortified smoothies to acquaintances and friends of friends for some time. He is now thinking about opening a shop in a small college town, but he is worried about whether just having a great smoothie is enough to be successful. Knowing that you are a marketing student, he's asked you for some advice. What can you tell him about product, price, promotion, and place (distribution) strategies that will help him get his business off the ground?
- 1-39. Creative Homework/Short Project.** As a marketing professional, you have been asked to write a short piece for a local business newsletter about the state of marketing today. You think the best way to address this topic is to review how the marketing concept has evolved and to discuss finding your competitive advantage. Write the short article you will submit to the editor of the newsletter.

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2 Global, Ethical, and Sustainable Marketing

Objective Outline

2.1 Understand the big picture of international marketing and the decisions firms must make when they consider globalization. pp. 38–41

TAKE A BOW: MARKETING ON THE GLOBAL STAGE p. 38

2.2 Explain how international organizations such as the World Trade Organization (WTO), the World Bank, the International Monetary Fund (IMF), economic communities, and individual country regulations facilitate and limit a firm's opportunities for globalization pp. 41–43

UNDERSTAND INTERNATIONAL, REGIONAL, AND COUNTRY GLOBAL TRADE CONTROLS p. 41

2.3 Understand how factors in a firm's external business environment influence marketing strategies and outcomes in both domestic and global markets. pp. 44–54

ANALYZE THE EXTERNAL MARKETING ENVIRONMENT p. 44

2.4 Explain some of the strategies and tactics that a firm can use to enter global markets. pp. 55–59

HOW "GLOBAL" SHOULD A GLOBAL MARKETING STRATEGY BE? p. 55

2.5 Understand the importance of ethical marketing practices. pp. 59–63

ETHICS IS JOB ONE IN MARKETING PLANNING p. 59

2.6 Explain the role of sustainability in marketing planning. pp. 63–66

SUSTAINABILITY: MARKETERS DO WELL BY DOING GOOD p. 63

2.7 Recognize which industry and which work environment (both domestic and international) are best for you. pp. 66–69

BRAND YOU: FINDING THE RIGHT FIT p. 66

Check out the Chapter 2 **Study Map** on page 69.



Courtesy of Keith Sutter/Johnson & Johnson

Keith Sutter

▼ A Decision Maker at Johnson & Johnson

Keith Sutter is the senior product director for sustainable brand marketing at Johnson & Johnson. In that role, Keith leads Johnson & Johnson's 250 operating companies in developing sustainable products, business, and marketing strategies. He translates the value of Johnson & Johnson's extensive product stewardship and environmental successes to the company's trade customers and consumers, including championing the Earthwards® process.

Keith began his career at Johnson & Johnson in 2001 as a marketing associate. He subsequently held positions of increasing responsibility as a brand marketer on brands such as Band-Aid®, Neutrogena®, Lactaid®, and Ludens®.

Keith has a Bachelor of Science in economics from the Wharton School at the University of Pennsylvania and a Master of Business Administration from the Samuel Curtis Johnson Graduate School of Management at Cornell University. He lives in Center City, Philadelphia, with his wife, Amy, and two sons, Leo and Charlie.