

MARKETING: THE CORE

Ninth Edition

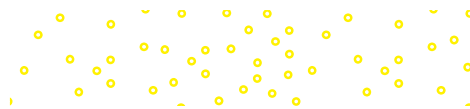
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MARKETING: THE CORE NINTH EDITION

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WELCOME FROM THE AUTHORS!

A recent survey of the market for marketers revealed an incredible variety of new job titles including brand ambassador, digital marketing manager, content strategist, event coordinator, marketing analytics manager, and social media manager. These new titles reflect the exciting changes occurring in the marketplace and the integral role marketing professionals will play in businesses, nonprofit organizations, government agencies, and all parts of our economic and social environment. We are excited to have the opportunity to participate in your journey as a student of marketing, and we hope that this textbook will help you discover your personal goals related to a career of compassion and purpose in marketing or any of the fields it will influence!

The changes in the marketplace are the result of new technologies, new consumer interests, new social trends, and the recent COVID-19 pandemic. For example, artificial intelligence, consumer preference for environmentally friendly products, the growing movement toward a gender-neutral society, and the shift to online buying during the pandemic have dramatic implications for the future practice of marketing. To help you see the links with marketing actions we have included many current, interesting, and relevant examples such as Elon Musk's mission to Mars and Neuralink businesses, Bombas's efforts to help solve a social problem with its new business model, IBM's "Let's Put Smart To Work" strategy, and Toyota's hydrogen fuel-cell vehicle, the Mirai. In addition, we have integrated many of the most popular marketing tools to measure marketing performance, including net promoter ratings, customer lifetime value, and customer engagement measures for social media.

The dynamic nature of the marketing discipline necessitates equally dynamic learning resources. As a result, we have focused our time and energy on ensuring that our textbook provides the most insightful and comprehensive coverage of the marketplace today. The dramatic changes in student learning styles—from traditional observational styles to contemporary collaborative styles—are also reflected in our efforts as we have included many features to match these interests. Our approach to presenting the complexities of marketing and facilitating the changes in learning is based on three important dimensions:

- **Engagement.** As professors we have benefited from interactions with many exceptional students, managers, and instructors. Their insights have contributed to our approach to teaching and, subsequently, to our efforts as textbook authors. One of the essential elements of our approach is a commitment to active learning through engaging, integrated, and timely materials. In-class activities, an interactive blog, marketing plan exercises, and in-text links to online ads and web pages are just a few examples of the components of our engagement model.
- **Leadership.** Our approach is also based on a commitment to taking a leadership role in the development and presentation of new ideas, principles, theories, and practices in marketing. This is more important now than ever before, as the pace of change in our discipline accelerates and influences almost every aspect of traditional marketing. We are certain that exposure to leading-edge material related to topics such as social media, data analytics, and marketing metrics can help students become leaders in their jobs and careers.
- **Innovation.** New educational technologies and innovative teaching tools have magnified the engagement and leadership aspects of our approach. Connect and SmartBook 2.0, for example, provide a digital and interactive platform that embraces the "anytime and anywhere" style of today's students. In addition, we have provided new videos and increased the visual impact of the text and PowerPoint materials to facilitate multimedia approaches to learning.

Through the previous 8 U.S. editions—and 20 international editions in 12 languages—we have been gratified by the enthusiastic and valuable feedback we have received from students and instructors. We are very excited to have this opportunity to share our passion for this exciting discipline with you today. Welcome to the 9th edition of *Marketing: The Core*!

Roger A. Kerin
Steven W. Hartley

PREFACE

Marketing: The Core utilizes a unique, innovative, and effective pedagogical approach developed by the authors through the integration of their combined classroom, college, and university experiences. The elements of this approach have been the foundation for each edition of *Marketing: The Core* and serve as the core of the text and its supplements as they evolve and adapt to changes in student learning styles, the growth of the marketing discipline, and the development of new instructional technologies. The distinctive features of the approach are illustrated below:



The goal of the 9th edition of *Marketing: The Core* is to create an exceptional experience for today's students and instructors of marketing. The development of *Marketing* was based on a rigorous process of assessment, and the outcome of the process is a text and package of learning tools that are based on *engagement*, *leadership*, and *innovation* in marketing education.

ENGAGEMENT

The author team has benefited from extraordinary experiences as instructors, researchers, and consultants, as well as the feedback of users of previous editions of *Marketing: The Core*—now more than 1 million students! The authors believe that success in marketing education in the future will require the highest levels of engagement. They ensure engagement by facilitating interaction between students and four learning partners—the instructor, other students, businesses, and the publisher. Some examples of the high-engagement elements of *Marketing: The Core*:

In-Class Activities and Digital In-Class Activities. The in-class activities, located in the *Instructor's Manual*, are designed to engage students in discussions with the instructor and among themselves. They involve surveys, online resources, out-of-class assignments, and personal observations. Each activity illustrates a concept from the textbook and can be done individually or as a team. Examples include: Designing a Candy Bar, Marketing Yourself, Pepsi vs. Coke Taste Test, and What Makes a Memorable TV Commercial? In addition, digital in-class activities have been added to selected chapters. These activities, located in the Instructor Resources, focus on the use of Web resources and the marketing data they can provide students.

Interactive Web Page and Blog (www.kerinmarketing.com). Students can access recent articles about marketing and post comments for other students. The site also provides access to a *Marketing* Twitter feed!

Building Your Marketing Plan. The Building Your Marketing Plan guides at the end of each chapter are based on the format of the marketing plan presented in Appendix A. On the basis of self-study or as part of a course assignment, students can use the activities to organize interactions with businesses to build a marketing plan. Students and employers often suggest that a well-written plan in a student's portfolio is an asset in today's competitive job market.

LEADERSHIP

The popularity of *Marketing: The Core* in the United States and around the globe is the result, in part, of the leadership role of the authors in developing and presenting new marketing content and pedagogies. For example, *Marketing: The Core* was the first text to meaningfully integrate ethics, interactive and social media marketing, and marketing metrics and dashboards. It was also the first text to develop custom-made videos to help illustrate marketing principles and practices and bring them to life for students as they read the text. The authors have also been leaders in developing new learning tools, such as a three-step learning process that includes learning objectives, learning reviews, and learning objectives reviews and new testing materials that are based on Bloom's learning taxonomy. Other elements that show how *Marketing: The Core* is a leader in the discipline include:

Chapter 17: Using Social Media and Mobile Marketing to Connect with Consumers.

Marketing: The Core features a dedicated and up-to-date chapter for social media and mobile marketing. This new environment is rapidly changing and constantly growing. The authors cover the building blocks of social media and mobile marketing and provide thorough, relevant content and examples. The authors describe major social media platforms including Facebook, Instagram, Twitter, YouTube, Pinterest, and LinkedIn. They explain how managers and companies can use those platforms for marketing purposes, including influencer marketing. Chapter 17 also includes a new section titled Social Networks, Social Media, Influencer Marketing, and Social Shopping that describes the growing impact of influencer marketing, how to identify and recruit influencers, and how social commerce and social shopping are changing the customer journey. This chapter is an example of one of many ways *Marketing: The Core* is on the cutting edge of marketing practice.

Applying Marketing Metrics. The Applying Marketing Metrics feature in the text delivers two important measurement elements in business and marketing management today—performance metrics and the dashboards to visualize them. The text includes 14 examples of proven marketing performance metrics, including their purpose, calculation, application, interpretation, and display in marketing dashboards. Some of the metrics included are: Net Promoter Score (NPS), customer lifetime value (CLV), New Product Vitality Index, category development index (CDI), brand development index (BDI), load factor (a capacity management metric), price premium, sales per square foot, same-store sales growth, promotion-to-sales ratio, cost per thousand (CPM) impressions, and customer engagement with social media. The feature is designed to encourage readers to learn, practice, display, and apply marketing metrics in a meaningful manner for decision-making purposes.

Color-Coded Graphs and Tables. The use of color in the graphs and tables enhances their readability and adds a visual level of learning to the textbook for readers. In addition, these color highlights increase student comprehension by linking the text discussion to colored elements in the graphs and tables.

New Video Cases. Each chapter ends with a case that is supported by a video to illustrate the topics addressed in the chapter. New cases, such as Bombas, Mary Kay China, Poshmark, Fallon Worldwide, and Cascade Maverik, and recent cases, such as IBM, Toyota, Justin's, and Body Glove, provide current and relevant examples that are familiar to students.

INNOVATION

In today's fast-paced and demanding educational environment, innovation is essential to effective learning. To maintain *Marketing: The Core*'s leadership position in the marketplace, the author team consistently creates innovative pedagogical tools that match contemporary students' learning styles and interests. The authors keep their fingers on the pulse of technology to bring real innovation to their text and package. Innovations such as in-text links, a Twitter feed, hyperlinked PowerPoint slides, and an online blog augment the McGraw Hill Education online innovations such as Connect and SmartBook 2.0.

In-Text Links. You can see Internet links in magazine ads; on television programming; as part of catalogs, in-store displays, and product packaging; and throughout *Marketing: The Core*! These links bring the text to life with ads and videos about products and companies that are discussed in the text. The videos also keep the text even more current. While each link in the text has a caption, the links are updated to reflect new campaigns and market changes. In addition, the links allow readers to stream the video cases at the end of each chapter. You can simply click on the links in the digital book or use your smartphone or computer to follow the links.

Twitter Feed and Online Blog. Visit www.kerinmarketing.com to participate in *Marketing: The Core*'s online blog discussion and to see Twitter feed updates. You can also subscribe to the Twitter feed to receive the Marketing Question of the Day and respond with the #QotD hashtag.

Connect and SmartBook 2.0 Integration. These McGraw Hill Education products provide a comprehensive package of online resources to enable students to learn faster, study more efficiently, and increase knowledge retention. The products represent the gold standard in online, interactive, and adaptive learning tools and have received accolades from industry experts for their Library and Study Center elements, filtering and reporting functions, and immediate student feedback capabilities. In addition, the authors have developed book-specific interactive assignments, including (a) auto-graded applications based on the marketing plan exercises, and (b) activities based on the Applying Marketing Metrics boxes and marketing metrics presented in the text.

Innovative Test Bank. Containing more than 5,000 multiple-choice and essay questions, the *Marketing: The Core* Test Bank reflects more than two decades of innovations. The Test Bank also includes "visual test questions" in each chapter to reward students who made an effort to understand key graphs, tables, and images in the chapter.

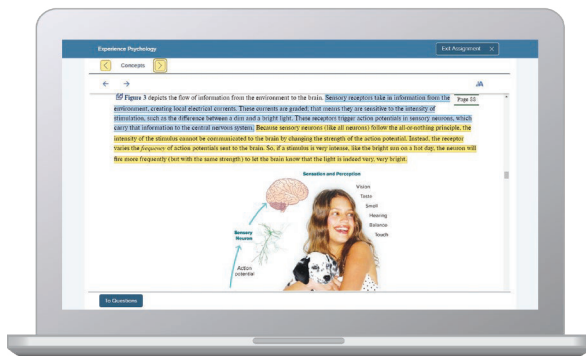


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Solutions for your challenges



A product isn't a solution. Real solutions are affordable, reliable, and come with training and ongoing support when you need it and how you want it. Visit www.supportateverystep.com for videos and resources both you and your students can use throughout the semester.

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SUPPORT ^{AT}
every step

Students: Get Learning that Fits You

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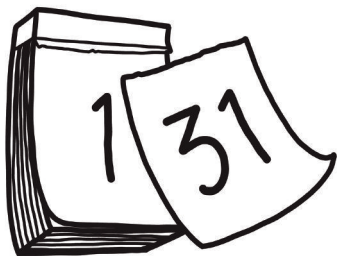
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Download the free ReadAnywhere app and access your online eBook or SmartBook 2.0 assignments when it's convenient, even if you're offline. And since the app automatically syncs with your eBook and SmartBook 2.0 assignments in Connect, all of your work is available every time you open it. Find out more at www.mheducation.com/readanywhere

"I really liked this app—it made it easy to study when you don't have your textbook in front of you."

- Jordan Cunningham,
Eastern Washington University



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Everything you need in one place

Your Connect course has everything you need—whether reading on your digital eBook or completing assignments for class, Connect makes it easy to get your work done.

Learning for everyone

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Because learning changes everything.®

Asset Alignment with Bloom's Taxonomy

Principles of Marketing

We Take Students Higher

As a learning science company, we create content that supports higher order thinking skills. Within McGraw Hill Connect®, we tag content accordingly so you can filter your search, assign it, and receive reporting on it. These content asset types can be associated with one or more levels of Bloom's.

The chart below shows a few of the key assignable marketing assets with Connect aligned with Bloom's Taxonomy. Take your students higher by assigning a variety of applications, moving them from simple memorization to concept application.

	SmartBook® 2.0	Click & Drags	iSeeit! Video Cases	Video Cases/Case Analyses	Marketing Analytics	Marketing Plan Prep Exercises	Application-Based Activities	Writing Assignment Plus
Higher Order Thinking Skills	CREATE							✓
	EVALUATE						✓	✓
	ANALYZE			✓	✓	✓	✓	✓
	APPLY	✓	✓	✓	✓	✓	✓	✓
	UNDERSTAND	✓	✓	✓	✓	✓	✓	✓
Lower Order Thinking Skills	REMEMBER	✓	✓	✓	✓	✓	✓	✓

SmartBook 2.0

SmartBook 2.0 personalizes learning to individual student needs, continually adapting to pinpoint knowledge gaps and focus learning on concepts requiring additional study.

Click & Drags

These activities help make the connection between theory and application through matching, ranking, or grouping activities.

iSeeit! Video Cases

Short, contemporary videos provide engaging, animated introductions to key course concepts. Available at the topic level. Perfect for launching lectures and assigning pre- or postlecture.

Video Cases & Case Analyses

Video cases and case analyses, featuring real companies, are assignable with corresponding comprehension questions that help students analyze and apply key marketing concepts.

Marketing Analytics

These auto-graded, marketing analytics activities challenge students to make decisions using metrics commonly seen across marketing professions. The goal of these activities is to give students practice analyzing and using marketing data to make decisions.

Marketing Plan Prep Exercises

These exercises use guided activities and examples to help students understand and differentiate the various elements of a marketing plan.

Application-Based Activities

Highly interactive, application-based activities immerse students in real-world business environments. Placed in the role of a marketing manager or business professional, students are challenged to make data-informed decisions and apply multiple concepts while seeing the impact of their decisions immediately.

Writing Assignment Plus

Writing Assignment Plus delivers a learning experience that helps students improve their written communication skills and conceptual understanding. Faculty can assign, monitor, grade, and provide feedback on writing projects efficiently. Built-in grammar and writing review helps students improve writing quality while an originality check helps students correct potential plagiarism before submission. End result? Improved workplace writing and critical thinking skills.

NEW AND REVISED CONTENT

Chapter 1: New Bombas chapter opener and video case, new showstopper analysis, and new material on “shared” value and Patagonia. Chapter 1 now begins with a discussion of Bombas and its founders David Heath and Randy Goldberg. The company’s social mission to give away millions of socks to homeless shelters and its buy-one-give-one model are presented. Discussion of Elon Musk’s new businesses such as the mission to Mars, Neuralink, and The Boring Company have been added to the Marketing and Your Career section. New-product examples such as smart glasses, stevia-sweetened soft drinks, and snack subscription services have been added to the discussion of potential “showstoppers” for new-product launches. New discussion of Facebook’s efforts to reduce fake news, the concept of “shared” value, and Patagonia’s Worn Wear initiative have also been added. The chapter ends with a new video case about Bombas and its marketing program.

Chapter 2: Updated chapter opening example, addition of a new example of social entrepreneurship, an updated application of business portfolio analysis, new extended coverage of the Organizational Foundation section, and a new section, Pulling It All Together. The Chapter 2 opening example has been updated to discuss Ben & Jerry’s familiar motto “Peace, Love, and Ice Cream.” In addition, the elimination of single-use plastic and the addition of nondairy flavors made with almond milk have been added to the discussion of creative marketing strategies used by the company. The addition of FreeWill to *Forbes*’s annual list of *30 Under 30: Social Entrepreneurs* is discussed in the Making Responsible Decisions box. The discussion of *organizational foundation* now includes a definition of organizational purpose and describes the organizational purpose of Facebook and Apple by their CEOs. The discussion of business definitions and business models now describes how Uber has added Uber Jump to its portfolio of offerings. The application of the Boston Consulting Group business portfolio model to Apple’s

product line has been updated to include changes related to the Apple Card, the iPhone, and the iPad/iPad mini tablet devices. Extended coverage of consumer value propositions includes criteria for their selection and a description of IKEA’s consumer value proposition, which is central to it becoming the world’s largest retailer. A new section, Pulling It All Together, summarizes the strategic marketing process and provides Figure 2–11 to illustrate specific actions in each phase of the process.

Chapter 3: Update of Facebook’s response to the changing marketing environment, update of new trends in marketing, and updated discussion of gender-neutral marketing actions. The chapter opening example is updated to reflect the dramatic environmental changes Facebook is facing. The discussion of new trends, such as the growing popularity of personalized marketing, and the new emphasis on the reuse rather than disposal of products and resources, has been expanded. An update of Generation Z value formation has been added to the discussion of generational cohorts. In addition, the examples of gender neutral marketing actions have been updated. A discussion of new trends in technology, such as the growth of facial recognition technology, blockchain, artificial intelligence, and wearable technology, has also been added.

Chapter 4: Updated consumer lifestyle discussion, a new Applying Marketing Metrics box featuring Net Promoter Scores™, and an expanded description of situational effects on buyer behavior. The section describing consumer lifestyle and the VALS framework has been expanded to reflect the latest research and marketing practices. The growing emphasis on consumer advocacy is highlighted with a new Applying Marketing Metrics box describing the calculation, application, interpretation, and display of Net Promoter Scores in a consumer advocacy context. The discussion of situation effects on the purchase process

has been expanded to highlight impulse buying online and during natural disasters such the COVID-19 pandemic.

Chapter 5: Updated examples of IBM and Boeing procurement and a new reverse auction example.

The descriptions of organizational buying at IBM and Boeing have been updated. A description of Nike's use of bids from advertising agencies for the company's multimillion-dollar media program has been added to the reverse auction discussion.

Chapter 6: Inclusion of a new video case featuring the recent brand building program by Mary Kay, Inc. in China. Updated discussion of global trade, including the passage of the United States–Mexico–Canada Agreement (USMCA) and Great Britain's exit from the European Union. The discussion on global trade has been updated to feature recent developments pertaining to economic protectionism, economic nationalism, and trade wars between nations. Their effect on world trade is described. The passage of the USMCA, which renegotiated the North American Free Trade Agreement (NAFTA), and Great Britain's formal exit from the European Union are highlighted in this regard. The end-of-chapter Mary Kay, Inc. case focuses on the launch of the Pink Young brand in China.

Chapter 7: Updated chapter opening example, an update of Nielsen television program rankings, and an updated example of forecasting sales for a new running shoe. The chapter opening example has been updated to reflect the use of marketing research in Hollywood, and its potential influence on movies such as *Avengers: Endgame* and *Atomic Blonde*. The discussion of national TV ratings data collected by Nielsen, as an example of a mechanical method of data collection, has been updated. In addition, the discussion of direct forecasting has been updated to include the New Balance Zante Pursuit as an example.

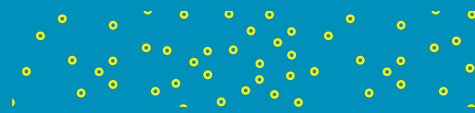
Chapter 8: Update of Zappos's use of segmentation and its training center, new examples, new section on customer lifetime value, and a new Applying Marketing Metrics box. The chapter opening example

has been updated to describe how Zappos uses behavioral segmentation, and how the company training center, Zappos Insights, allows other companies to learn the techniques. The When and How to Segment Markets section offers an updated discussion of Ford's shift in strategy to reduce its product line by focusing on pickups, SUVs, and electric cars. The discussion of mass customization now includes the *Nike By You* service as an example. In addition, a new section titled The Financial Relevance of Customer Patronage: Customer Lifetime Value has been added. Also, a new Applying Marketing Metrics box has been added featuring the calculation, application, and interpretation of the lifetime value of a McDonald's, Burger King, and Wendy's customer using actual company data.

Chapter 9: New example of open innovation, a new section on new-product performance, and a new marketing metric—the New Product Vitality Index.

The discussion on open innovation now includes Pepsi's entrepreneurial group, called "The Hive," which is contrasted with Apple's Industrial Design Group. A new section titled Tracking New-Product Performance has been added. In addition, the New Product Vitality Index, used by many large companies, is described, calculated, interpreted, and displayed in a new Applying Marketing Metrics box. Updates on Flamin' Hot Cheetos, the Google Glass Enterprise 2, and new-product successes at General Mills have also been added to the discussion.

Chapter 10: Description of the latest brand extensions for Gatorade, an expanded example of the adoption cycle for all-electric-powered cars, and new material on brand purpose in brand equity development. The Chapter 10 discussion of Gatorade in the chapter opener now highlights Gatorade Bolt24, a 24-hour hydration beverage, and Gatorade Bolt24 Energize, the first caffeinated beverage to also deliver hydration. An expanded discussion of the adoption cycle for all-electric vehicles is included to explain the slow adoption of these cars in the U.S. The latest thinking on the role of brand purpose in brand equity development is introduced and illustrated by Nike and Patagonia.



Chapter 11: Updated example of final price calculation, updated odd-even pricing example, updated Applying Marketing Metrics box, and a new example of price setting to achieve a market share objective.

The example of the calculation of a final price for a Bugatti Chiron, with a Mini-Cooper trade-in, has been updated. The updated odd-even pricing example now includes Lowe's offer of a DeWalt radial saw. The Applying Marketing Metrics box about above-, at-, or below-market pricing in the energy drink market has been updated. An example of the use of price by P&G and Kimberly-Clark to achieve a market share objective has been added.

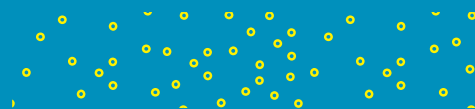
Chapter 12: New emphasis on digital marketing channels, new section on direct to consumer marketing and the role of BOPUS and BORIS multichannel marketing practices, new Starbucks example of a strategic channel alliance, and an explanation of the "bullwhip effect" that caused product shortages during the COVID-19 pandemic in the U.S. A new section highlights the popularity of direct to consumer marketing and the application of BOPUS (buy online and pick up at a store) and BORIS (buy online and return a purchase in store) that leverage the value-adding capabilities of retail stores in implementing multichannel practices. Starbucks's use of PepsiCo's distribution network has been added as an example of a strategic channel alliance. In addition, the concept of the "bullwhip effect" is introduced to illustrate the miscalculation of product demand and supply during the COVID-19 pandemic.

Chapter 13: New chapter opening example about Generation Z shopping in malls, update of the top franchises, new discussion about Amazon Go stores, and a new retail positioning matrix example. Chapter 13 opens with a description of the surprising shopping preferences of Generation Z. They are combining traditional and contemporary approaches by using technology at the mall! The Contractual Systems section has been updated to include new information about the top five franchises. The Self-Service retailing section now includes a description of Amazon's cashierless convenience stores, called

Amazon Go. New topics such as geofencing, mobile app product scanning, personalized advertising, and online retailers with catalogs and storefronts are also discussed. In addition, Ulta Beauty has been added as a new example in the discussion of the retail positioning matrix.

Chapter 14: New video case featuring Poshmark, updated terminology describing the digital environment, new example of choiceboard technology, and a new definition and keyword on marketing attribution. Terminology has been updated to include *digital natives* and the *digitally enabled* environment. A new example of Indochino's use of technology to allow customers to design their own products has been added to the Choiceboards section. A new keyword, *marketing attribution*, has been added to the Monitor and Measure Multichannel Marketing Performance section. The new Poshmark end-of-chapter case focuses on the growing popularity of the resale clothing market and social commerce.

Chapter 15: Updated chapter opening example, new advertisements, updated Marketing Matters box, new example of an IMC program for a movie, new discussion of the Media Agency of the Year, and addition of opt-in approaches to direct marketing discussion. The chapter opening example has been completely updated to reflect Taco Bell's recent IMC activities. The company's Taco ReBELLion campaign, Taco Tuesday, Party Packs, Grubhub delivery service, the special Taco Bell edition of Xbox One, the Taco Bell Hotel and Resort, and Taco Hacks are all discussed. New advertisements include examples from The North Face, Oculus, Pepsi/Cheetos, and Otezla. The Marketing Matters box has been updated to describe marketing activities directed at the 20 million college students in the United States, including while they are on spring break! The IMC program used to promote the movie *Star Wars: The Rise of Skywalker* has been added to the Scheduling the Promotion section. The work of Ad Age's Media Agency of the Year, Assembly, is discussed. In addition, the Direct Marketing section has been updated to include the new emphasis on "opt-in" approaches.



Chapter 16: New Fallon Worldwide video case, new chapter opening example about advertising to “over-the-top” media users, new advertisements, new discussion of Ad Age’s Agency of the Year, and updated examples of sales promotions. The consumer shift from viewing video programming through a cable or satellite connection to an Internet or “over-the-top” (OTT) connection is discussed in the chapter opening example. Examples of customized and addressable OTT campaigns include Cadillac and Toyota. New advertising examples from Volvo, Flowers Victoria, Orville Redenbacher, Milk Life, Under Armour, Jeep, Louis Vuitton, Nike, and Bumble have been added. The Identifying the Target Audience section now includes the Under Armour “Project Rock” campaign as an example, and the Message Content section includes a discussion of the increasing use of gender-neutral advertising by firms such as CoverGirl, Zara, Guess, Mattel, and Louis Vuitton. The chapter also includes new discussion of Ad Age’s Agency of the Year—Wieden+Kennedy. In addition, new sales promotion examples such as the Pringles Mystery Flavor Contest, Starbucks’s loyalty program, and Apple product placements in movies are discussed. The chapter ends with a new video case titled Fallon Worldwide: Creating a Competitive Advantage with Creativity, which describes the agency’s approach to developing advertising such as the Arby’s “We Have the Meats” campaign.

Chapter 17: Updated chapter opening example about connected cars, new section on the growth of influencer marketing, new section on the emergence of social commerce and social shopping, expanded prominent social media section, new material about misinformation prevention and privacy at Facebook, and new Applying Marketing Metrics box on measuring customer engagement on social media platforms. Chapter 17 has been significantly revised. The chapter opening example has been updated to reflect the growth of connected cars,

smart transportation, and intelligent mobility. In addition, a new section titled Social Media and Influencer Marketing addresses the role and growth of social media influencers such as Kendall Jenner, who has more than 110 million Instagram followers. Another new section titled Social Media and Social Shopping introduces *social shopping* as a key term and describes how individuals are influenced by their peers’ purchases and recommendations. The section A Look at Six Prominent Social Media has been expanded to include Instagram and Pinterest. New discussions about Facebook’s Click-Gap metric, designed to prevent misinformation and fake news, and its new privacy protections related to the use of personal data, have been added to the section Mobile Marketing at Facebook. The revised section titled Social Media Marketing Programs and Customer Engagement introduces new key terms and definitions for social media marketing programs, customer engagement and measurement, and social media content. The section now includes an Applying Marketing Metrics box to illustrate the calculation and comparison of customer engagement rates across different social media.

Chapter 18: New Cascade Maverik video case, updated prospecting discussion that now includes social selling, and the highlighted growth of salesforce automation due to remote selling during the COVID-19 pandemic. The Prospecting section now includes social selling as part of the discussion about identifying leads and prospects. New and updated examples include college textbook publishers’ use of a geographic sales organization, and reliance on salesforce automation for remote selling during the COVID-19 pandemic. The chapter ends with a new video case titled Cascade Maverik: Creating an Amazing Success Story with Exceptional Salespeople, which describes the sales management process and the personal selling process used by the firm to be “the fastest supplier of high-performance lacrosse gear.”

INSTRUCTOR RESOURCES

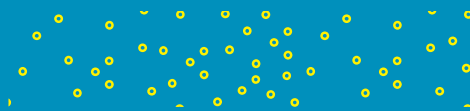


Test Builder in Connect

Available within Connect, Test Builder is a Cloud-based tool that enables instructors to format tests that can be printed or administered within an LMS. Test Builder offers a modern, streamlined interface for easy content configuration that matches course needs, without requiring a download.

Test Builder allows you to:

- Access all Test Bank content from a particular title.
- Easily pinpoint the most relevant content through robust filtering options.
- Manipulate the order of questions or scramble questions and/or answers.
- Pin questions to a specific location within a test.
- Determine your preferred treatment of algorithmic questions.
- Choose the layout and spacing.
- Add instructions and configure default settings.



Test Builder provides a secure interface for better protection of content and allows for just-in-time updates to flow directly into assessments.

Tegrity: Lectures 24/7

Tegrity in Connect is a tool that makes class time available 24/7 by automatically capturing every lecture. With a simple one-click start-and-stop process, you capture all computer screens and corresponding audio in a format that is easy to search, frame by frame. Students can replay any part of any class with easy-to-use, browser-based viewing on a PC, Mac, iPod, or other mobile device.

Educators know that the more students can see, hear, and experience class resources, the better they learn. In fact, studies prove it. Tegrity's unique search feature helps students efficiently find what they need, when they need it, across an entire semester of class recordings. Help turn your students' study time into learning moments immediately supported by your lecture. With Tegrity, you also increase intent listening and class participation by easing students' concerns about note-taking. Using Tegrity in Connect will make it more likely you will see students' faces, not the tops of their heads.

Practice Marketing

Practice Marketing is a 3D, online, single or multiplayer game that helps students apply the four Ps by taking on the role of marketing manager for a backpack company. By playing the game individually and/or in teams, students come to understand how their decisions and elements of the marketing mix affect one another. Practice Marketing is easy to use, fully mobile, and provides an interactive alternative to marketing plan projects. Log in to mhpractice.com with your Connect credentials to access a demo, or contact your local McGraw Hill representative for more details.



Marketing Mini Sims—Now Assignable within Connect!

Marketing Mini Sims are building-block sims based on our full Practice Marketing simulation that require students to take on the role of a marketing decision maker for a backpack manufacturing company. Each of the nine Mini Sims focuses on one aspect of the marketing mix and serves to both reinforce the understanding of key concepts as well as allow students to make business decisions.

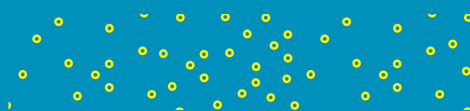
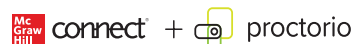
To view a demonstration video and/or see a list of available simulations, please visit the McGraw Hill Marketing Discipline Landing page at <http://bit.ly/MHEmarketing>.

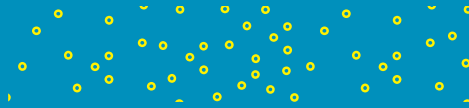


Remote Proctoring and Browser-Locking Capabilities

New remote proctoring and browser-locking capabilities, hosted by Proctorio within Connect, provide control of the assessment environment by enabling security options and verifying the identity of the student.

Seamlessly integrated within Connect, these services allow instructors to control students' assessment experience by restricting browser activity, recording students' activity, and verifying students are doing their own work.

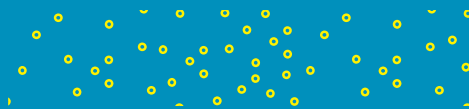




Instant and detailed reporting gives instructors an at-a-glance view of potential academic integrity concerns, thereby avoiding personal bias and supporting evidence-based claims.

Writing Assignment

Available within McGraw Hill Connect® and McGraw Hill Connect® Master, the Writing Assignment tool delivers a learning experience to help students improve their written communication skills and conceptual understanding. As an instructor you can assign, monitor, grade, and provide feedback on writing more efficiently and effectively.



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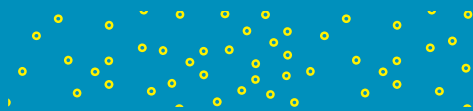
To ensure continuous improvement of our textbook and supplements we have utilized an extensive review and development process for each of our past editions. Building on that history, the *Marketing: The Core*, 9th edition development process included several phases of evaluation and a variety of stakeholder audiences (e.g., students, instructors, etc.).

Reviewers who were vital in the changes that were made to the 9th and previous editions of *Marketing: The Core* and its supplements include:

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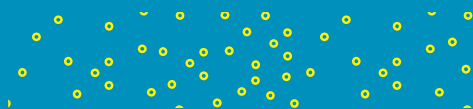


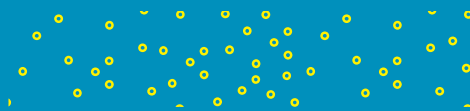
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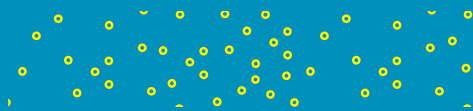




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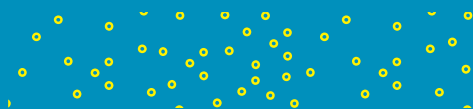
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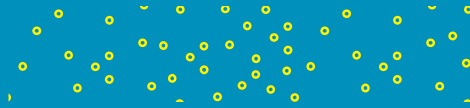


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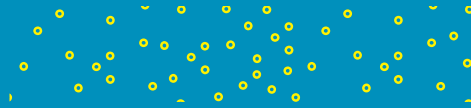
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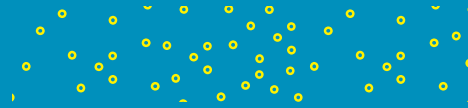
Checking countless details related to layout, graphics, and photos, and managing last-minute text changes is essential for a sound and accurate textbook. This also involves coordinating activities of authors, designers, editors, composers, and production specialists. Christine Vaughan, our lead content project manager, of McGraw Hill Education's production staff provided the necessary oversight and attention to detail while retaining an extraordinary level of professionalism, often under tight deadlines. We are very fortunate that Christine was part of our team. Thank you again!



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Roger A. Kerin
Steven W. Hartley

BRIEF CONTENTS



Part 1

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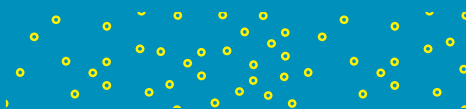
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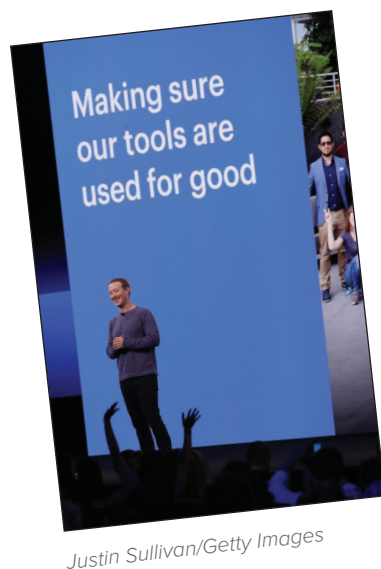
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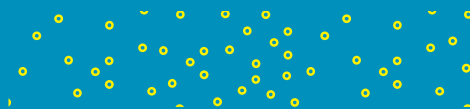
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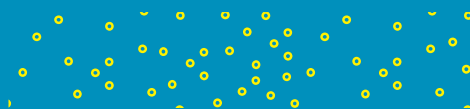
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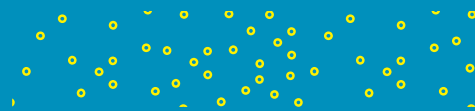
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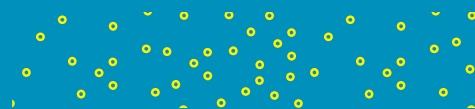
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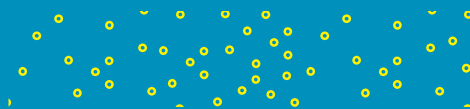
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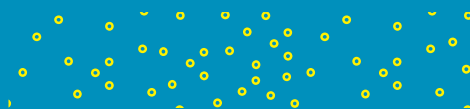
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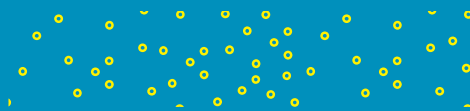
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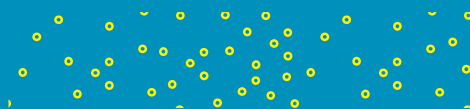
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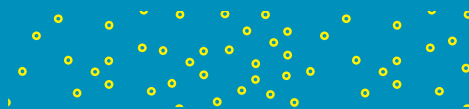
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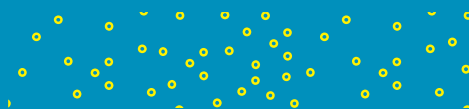
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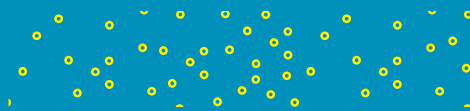
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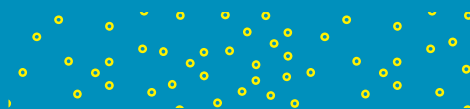
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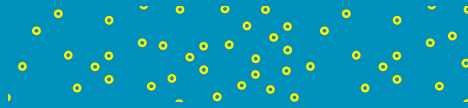
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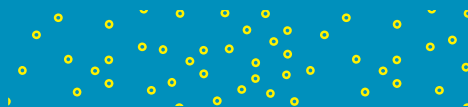
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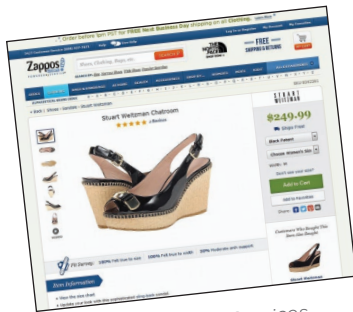
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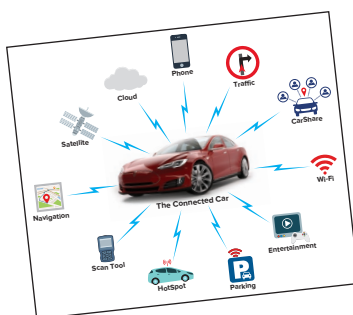
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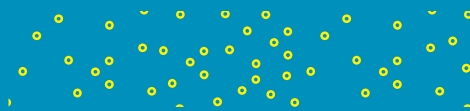
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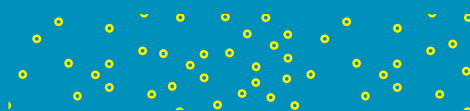
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MARKETING: THE CORE

Chapter 1

Creating Customer Relationships and Value through Marketing

LEARNING OBJECTIVES

After reading this chapter you should be able to:

- LO 1-1** Define marketing and identify the diverse factors that influence marketing actions.
- LO 1-2** Explain how marketing discovers and satisfies consumer needs.
- LO 1-3** Distinguish between marketing mix factors and environmental forces.
- LO 1-4** Explain how organizations build strong customer relationships and customer value through marketing.
- LO 1-5** Describe the characteristics of a market orientation.

Bombas Is Solving Social Problems with Great Socks and Great Marketing!

Randy Goldberg and David Heath are on a mission—a social mission—to give away millions of socks to homeless shelters. You may know the company they founded, Bombas, for its comfortable socks. And if you’ve purchased a pair you also helped them achieve their mission because for every pair of socks purchased at Bombas, they donate a pair to someone affected by homelessness!

Their story started when Goldberg and Heath were co-workers at another company and learned that socks are the most requested item at homeless shelters. They decided to build a company that could solve the problem using the buy-one-give-one model. Today Bombas has annual sales of more than \$100 million and has donated more than 30 million pairs of socks.¹

What is the secret to Bombas’s success? Read on to hear the rest of the story!

Creating Better Socks

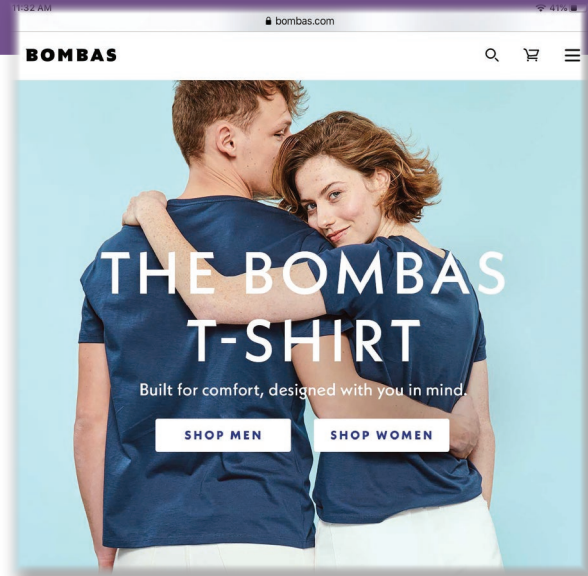
Once they decided on the mission, the two entrepreneurs began to research the sock market. They discovered that most consumers were in “replenishment mode”—simply buying socks to replace old ones.² In addition, socks were not viewed as being very comfortable. Goldberg and Heath concluded that better socks would attract more consumers and allow them to donate more socks, so they began the process of designing “the most comfortable socks in the history of feet.” They spent several years conducting research and testing prototypes with features they thought made better socks. The result was a sock with a seamless toe, a cushioned foot bed, an arch support system, elastic construction to keep the socks up, and blister tabs on the backs of ankle socks. The donated socks, specifically designed for the homeless population, are dark-colored, reinforced, and antimicrobial-treated.³

Building a Brand with a Purpose

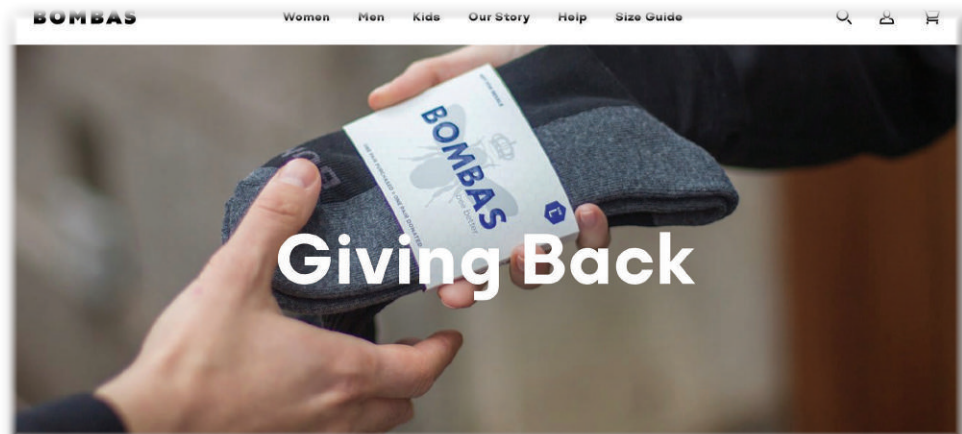
The combination of their social mission and their exceptional product was an important platform for starting their company. From there the co-founders used many elements of marketing to build their brand. First, the name Bombas comes from the Latin word for “bumblebee,” and is significant because bees live in a hive and work together to make their world a better place. They added a bee as their logo and adopted “Bee Better” as their motto to describe a mantra or a way of approaching every day. All of these elements were designed to communicate that the brand is driven by more than profits.



Source: Bombas, LLC/Instagram



Source: Bombas, LLC



Source: Bombas, LLC

VIDEO 1-1
Bombas Video
kerin.tv/cr9e/v1-1

The new company raised money on crowdfunding site Indiegogo (www.indiegogo.com), created a direct-to-consumer website to sell its socks, and relied heavily on word of mouth to reach customers. Then Bombas received additional funding through a television appearance on *Shark Tank* and needed a marketing program that could reach a national audience and also communicate its messages of social impact and product quality.

Podcasts and video ads were logical communication tools because they could attract attention with audio and visual messages and they provided enough time to explain the social cause and the details of the product quality. Bombas also began using advertising on Facebook, Instagram, and YouTube. You may have seen some of Bombas's TV ads for its "The Greatest Sock Never Sold" campaign. The Bombas website features a video titled "Most Important Socks in the World" with more than 4 million views!⁴



David Heath and Randy Goldberg started Bombas to help solve a social problem: Socks are the most requested item at homeless shelters. Their buy-one-give-one model has allowed them to donate millions of pairs of socks!

Courtesy of Bombas

Bombas Today

The Bombas web page says “We’re Bombas. We believe that a more comfortable world is a better world. That everyone, no matter their circumstances, deserves to put on clean clothes that make them feel good.” Bombas has certainly succeeded at this goal and it continues to grow. The company recently expanded its distribution through retail partners such as Nordstrom, Dick’s Sporting Goods, Scheels, and Athleta stores. The company also expanded its product line to include T-shirts and is looking at other possible products to offer. According to Heath, “I think when we look to the future, we could easily be a billion-dollar brand in revenue in the next 5 to 10 years.” The company’s commitment to responsible growth is also emphasized by its B-Corp certification which is given to Bombas for meeting the highest standards of social and environmental performance, transparency, and accountability to balance profit and purpose.⁵

Bombas, Marketing, and You

Will Randy Goldberg and David Heath continue their success story—particularly with the appearance of many other sock competitors and many new companies building altruism into their business models? For Bombas, one key factor will be how well it understands and uses marketing—the subject of this book. Bombas is also the subject of Video Case 1 at the end of this chapter!

WHAT IS MARKETING?

The good news is that you are already a marketing expert! You perform many marketing activities and make marketing-related decisions every day. For example, would you sell more LG Signature 65-inch 4K OLED Rollable TVs at \$24,999 or \$7,999? You answered \$7,999, right? So your experience in shopping gives you some expertise in marketing. As a consumer, you’ve been involved in thousands of marketing decisions, mostly on the buying and not the selling side.

The bad news is that good marketing isn’t always easy. That’s why every year thousands of new products fail in the marketplace and then quietly slide into oblivion.

Are you a marketing expert? If so, what would you pay for this cutting-edge TV?

Robyn Beck/AFP/Getty Images





Elon Musk, the chief executive officer of Tesla and SpaceX, began building businesses shortly after graduating from college.

John Raoux/AP Images

Marketing and Your Career

Marketing affects all individuals, all organizations, all industries, and all countries. This book seeks to teach you marketing concepts, often by having you actually “do marketing”—by putting you in the shoes of a marketing manager facing actual marketing decisions. The book also shows marketing’s many applications and how it affects our lives. This knowledge should make you a better consumer and enable you to be a more informed citizen, and it may even help you in your career planning.

Perhaps your future will involve doing sales and marketing for a large organization. Working for a well-known company—Apple, Ford, Facebook, or General Mills—can be personally satisfying and financially rewarding, and you may gain special respect from your friends.

Start-ups and small businesses also offer marketing careers. Small businesses are the source of the majority of new U.S. jobs. So you might become your own boss by being an entrepreneur and starting your own business.

Shortly after leaving Stanford, Elon Musk, for example, started and sold a web software company called Zip2. With the proceeds from that business he started another business that merged with another and became PayPal. When PayPal was purchased by eBay, Musk founded another venture called SpaceX, which develops and manufactures space launch vehicles and hopes to send a mission to Mars by 2024. Since those initial business start-ups, Musk also started the electric car company Tesla and a solar power company called SolarCity. In addition, he has started a design competition for a high-speed transportation system called Hyperloop, a nonprofit artificial intelligence company called OpenAI, a neurotechnology company called Neuralink, and a tunnel construction firm called The Boring Company. Perhaps your interest in marketing will lead to new business successes like Musk’s!⁶

LO 1-1

Define marketing and identify the diverse factors that influence marketing actions.

marketing

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.

exchange

The trade of things of value between buyer and seller so that each is better off after the trade.

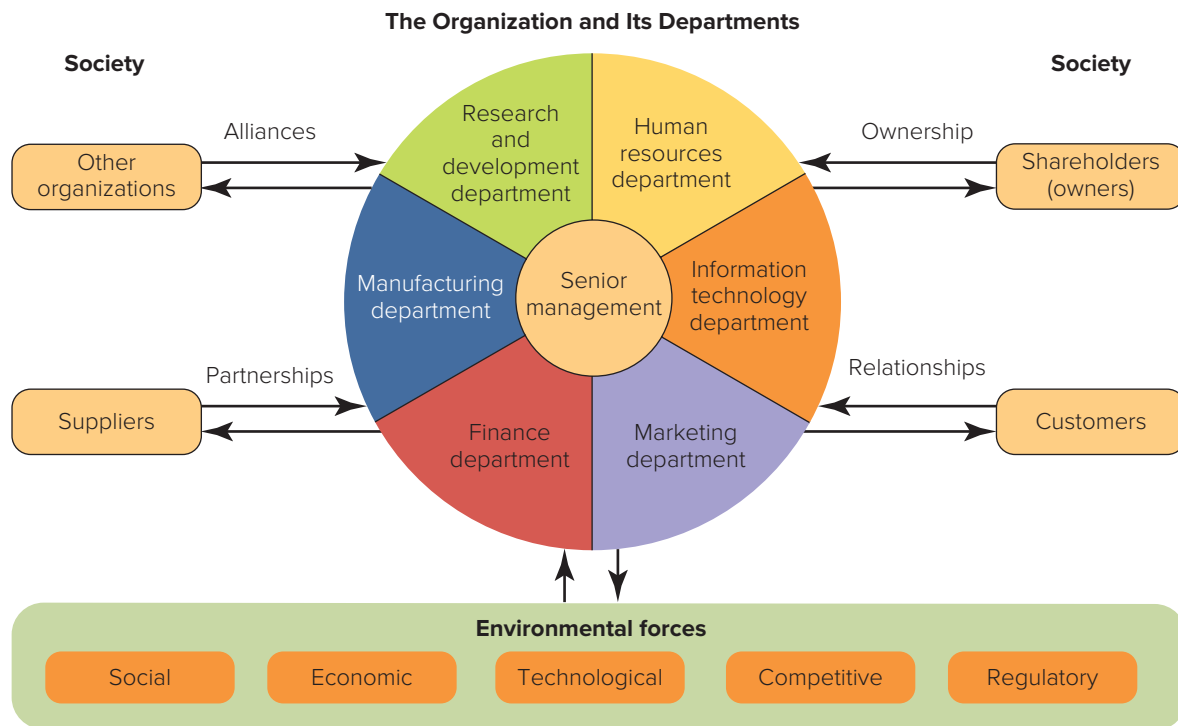
Marketing: Delivering Value to Customers

The American Marketing Association represents individuals and organizations involved in the development and practice of marketing worldwide. It defines **marketing** as 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.⁷ This definition shows that marketing is far more than simply advertising or personal selling. It stresses the need to deliver genuine value in the offerings of goods, services, and ideas marketed to customers. Also, notice that an organization’s marketing activities should also create value for its partners and for society.

To serve both buyers and sellers, marketing seeks (1) to discover the needs and wants of prospective customers and (2) to satisfy them. These prospective customers include both individuals, buying for themselves and their households, and organizations, buying for their own use (such as manufacturers) or for resale (such as wholesalers and retailers). The key to achieving these two objectives is the idea of **exchange**, which is the trade of things of value between a buyer and a seller so that each is better off after the trade.⁸

The Diverse Elements Influencing Marketing Actions

Although an organization’s marketing activity focuses on assessing and satisfying consumer needs, countless other people, groups, and forces interact to shape the nature of its actions (see [Figure 1-1](#) on the next page). Foremost is the organization itself, whose

**FIGURE 1-1**

A marketing department relates to many people, organizations, and forces. Note that the marketing department both *shapes* and *is shaped* by its relationship with these internal and external groups.

mission and objectives determine what business it is in and what goals it seeks. Within the organization, management is responsible for establishing these goals. The marketing department works closely with a network of other departments and employees to help provide the customer-satisfying products required for the organization to survive and prosper.

Figure 1-1 also shows the key people, groups, and forces outside the organization that influence its marketing activities. The marketing department is responsible for facilitating relationships, partnerships, and alliances with the organization's customers, its shareholders (or often representatives of nonprofit organizations), its suppliers, and other organizations. Environmental forces involving social, economic, technological, competitive, and regulatory considerations also shape an organization's marketing actions. Finally, an organization's marketing decisions are affected by and, in turn, often have an important impact on society as a whole.

The organization must strike a balance among the sometimes differing interests of these groups. For example, it is not possible to simultaneously provide the lowest-priced and highest-quality products to customers and pay the highest prices to suppliers, the highest wages to employees, and the maximum dividends to shareholders.

What Is Needed for Marketing to Occur

For marketing to occur, at least four factors are required: (1) two or more parties (individuals or organizations) with unsatisfied needs, (2) a desire and ability on their part to have their needs satisfied, (3) a way for the parties to communicate, and (4) something to exchange.

Two or More Parties with Unsatisfied Needs Suppose you've developed an unmet need—a desire for a late-night meal after studying for an exam—but you don't yet know that Domino's has a location in your area. Also unknown to you is that Domino's has a special "mix & match" offer for any two or more of its menu items, just waiting to be ordered and picked up or delivered. This is an example of two parties with unmet needs: you, desiring a meal, and your local Domino's owner, needing someone to place an order.



Marketing doesn't happen in a vacuum. The text describes the four factors needed to buy a product from Domino's Mix & Match menu.

Source: Domino's IP Holder LLC

Desire and Ability to Satisfy These Needs Both you and the Domino's owner want to satisfy these unmet needs. Furthermore, you have the money to pay for a purchase and the time to place an order. The Domino's owner has the desire to sell its products but also the ability to do so since the items are easily made and delivered to (or picked up by) you.

A Way for the Parties to Communicate The marketing transaction of purchasing a Domino's pizza or one of its other products will never occur unless you are aware the product exists and you know how to make a purchase (at a Domino's location, on Dominos.com, or via a store phone number). Similarly, Domino's won't be able to sell its products unless there's a market of potential buyers nearby. When you receive a coupon on your phone or drive by and see the Domino's store location, this communication barrier between you (the buyer) and the Domino's owner (the seller) is overcome.

Something to Exchange Marketing occurs when the transaction takes place and both the buyer and seller exchange something of value. In this case, you exchange your money (\$5.99) for each item ordered from Domino's Mix & Match menu. Both you and the Domino's owner have gained and also given up something, but you are both better off because each of you has satisfied the other's unmet needs. You have the opportunity to eat Domino's food items to satisfy your hunger, but you gave up some money to do so; the Domino's owner gave up the pizza, salad, and other items but received money, which will help the owner remain in business. The ethical and regulatory foundations of this exchange process are central to marketing and are discussed in Chapter 3.

LEARNING REVIEW

- 1-1. What is marketing?
- 1-2. Marketing focuses on _____ and _____ consumer needs.
- 1-3. What four factors are needed for marketing to occur?

HOW MARKETING DISCOVERS AND SATISFIES CONSUMER NEEDS



LO 1-2

Explain how marketing discovers and satisfies consumer needs.

The importance of discovering and satisfying consumer needs in order to develop and offer successful products is so critical to understanding marketing that we look at each of these two steps in detail next. Let's start by asking you to analyze the following three products.

Discovering Consumer Needs

The first objective in marketing is discovering the needs of prospective customers. Marketers often use customer surveys, concept tests, and other forms of marketing research (discussed in detail in Chapter 7) to better understand customer ideas. Many firms also use "crowdsourcing" or "innovation tournaments" to solicit and evaluate ideas from customers. At LEGO Group, for example, ideas that are submitted to LEGO Ideas (www.ideas.lego.com) and receive 10,000 votes from site visitors are considered for

For these three products, identify (1) what benefits the product provides buyers and (2) what factors or “showstoppers” might doom the product in the marketplace. Answers are discussed in the text.

(Left): Ekkasit Keatsirikul/Alamy Stock Photo; (Center): Source: The Coca-Cola Company; (Right): Source: Universal Yums LLC



Smart glasses.



A no-sugar soda.



A subscription service for snacks.

possible addition to the product line. LEGO Group products that were discovered through the website include its *Big Bang Theory* model, its Women of NASA set, its Central Perk coffee shop model (the coffee shop featured in the *Friends* TV show), and a model based on the Winnie-the-Pooh franchise! Sometimes, however, customers may not know or be able to describe what they need and want. Smartphones, connected homes, and electric cars are all examples of this, in which case an accurate long-term prediction of consumer needs is essential.⁹

The Challenge: Meeting Consumer Needs with New Products

While marketers are improving the ways they can generate new-product ideas, experts estimate that it takes 3,000 raw ideas to generate one commercial success. Market intelligence agency Mintel estimates that 38,000 new products are introduced worldwide each month. In addition, studies of new-product launches indicate that about 40 percent of the products fail. Robert M. McMath, who has studied more than 110,000 new-product launches, has two key suggestions: (1) focus on what the customer benefit is, and (2) learn from past mistakes.¹⁰

The solution to preventing product failures seems embarrassingly obvious. First, find out what consumers need and want. Second, produce what they need and want, and don't produce what they don't need and want. The three products shown previously illustrate just how difficult it is to achieve new-product success, a topic covered in more detail in Chapter 9.

Without reading further, think about the potential benefits to customers and possible “showstoppers”—factors that might doom the product—for each of the three products pictured. Some of the products may come out of your past, and others may be on your horizon. Here's a quick analysis of the three products:

- *Smart Glasses.* Several years ago Google launched a brand of smart glasses called Google Glass. The new product was head-mounted and similar in appearance to a pair of glasses. In addition, though, the glasses had Internet capabilities, a camera, phone, speaker, microphone, touchpad, and a heads-up display. While the product was popular among technology enthusiasts it did not attract a mass market. Showstoppers included its \$1,500 price tag, a general perception that it looked “nerdy,” and concerns that wearing the device might violate privacy rights. Google discontinued the product, although it has recently reintroduced the concept as an Enterprise Edition for businesses, and other brands such as Focals and Vuzix are offering models that are trying to attract the consumer market!¹¹
- *Coca-Cola Stevia No Sugar.* As consumer preferences have shifted, beverage companies have expanded their offerings to include drinks with less sugar. Soda producers, for example, have offered new products such as Coca-Cola Life which is sweetened with sugar and stevia leaf extract. New products are also being developed as the U.S. Food & Drug Administration's Nutrition Facts label requirements (effective 2020) provide more information about added sugars. Coca-Cola, for example, is testing

VIDEO 1-2
Focals Smart Glasses
kerin.tv/cr9e/v1-2

VIDEO 1-3
Coca-Cola Stevia Ad
kerin.tv/cr9e/v1-3



Studying late at night for an exam and being hungry, you decide to eat a Cool Mint Chocolate Clif Bar. Is this a need or a want? The text discusses the role of marketing in influencing decisions like this one.

Evelyn Nicole Kirksey/McGraw-Hill

market

People with both the desire and the ability to buy a specific offering.



LO 1-3

Distinguish between marketing mix factors and environmental forces.

Coca-Cola Stevia which will be sweetened only with the natural ingredient stevia, rather than the aspartame used in Coke Zero Sugar. A potential showstopper: In the past, consumers reported that products with stevia sweetener had a bitter aftertaste. Will Coca-Cola Stevia be different? As always, as a consumer you will be the judge!¹²

- **Universal Yums Subscription.** Approximately 5 million consumers buy brands through subscription services today. Universal Yums hopes to appeal to customers with a selection of snacks from a different country every month. Each delivery also includes a guidebook with trivia, games, and recipes about that month's snacks. The service is available in 1-, 3-, 6-, or 12-month options and three sizes. Past boxes have included snacks from Italy, Turkey, Thailand, Brazil, the United Kingdom, and many other countries! What are potential showstoppers? First, the competition is growing—there are already 400–600 subscription box services in the United States. Second, consumers may tire of receiving new products each month, particularly if they find several brands that meet their needs.¹³

Firms spend billions of dollars annually on marketing and technical research that significantly reduces, but doesn't eliminate, new-product failure. So meeting the changing needs of consumers is a continuing challenge for firms around the world.

Consumer Needs and Consumer Wants Should marketing try to satisfy consumer needs or consumer wants? Marketing tries to do both. Heated debates rage over this question, fueled by the definitions of needs and wants and the amount of freedom given to prospective customers to make their own buying decisions.

A *need* occurs when a person feels deprived of basic necessities such as food, clothing, and shelter. A *want* is a need that is shaped by a person's knowledge, culture, and personality. So if you feel hungry, you have developed a basic need and desire to eat something. Let's say you then want to eat a Cool Mint Chocolate Clif Bar because, based on your past experience, you know it will satisfy your hunger need. Effective marketing, in the form of creating an awareness of good products at fair prices and convenient locations, can clearly shape a person's wants.

Certainly, marketing tries to influence what we buy. A question then arises: At what point do we want government and society to step in to protect consumers? Most consumers would say they want government to protect them from harmful drugs and unsafe cars but not from candy bars and soft drinks. To protect college students, should government restrict their use of credit cards?¹⁴ Such questions have no clear-cut answers, which is why legal and ethical issues are central to marketing. Because even psychologists and economists still debate the exact meanings of *need* and *want*, we shall use the terms interchangeably throughout the book.

As shown on the left side of [Figure 1-2](#) on the next page, discovering needs involves looking carefully at prospective customers, whether they are children buying M&M's candy, college students buying Chobani Greek Yogurt, athletes buying Bombas socks, or firms buying Xerox color copiers. A principal activity of a firm's marketing department is to scrutinize its consumers to understand what they need and want and the forces that shape those needs and wants.

What a Market Is Potential consumers make up a **market**, which is people with both the desire and the ability to buy a specific offering. All markets ultimately are people. Even when we say a firm bought office equipment, we mean one or several people in the firm decided to make the purchase. People who are aware of their unmet needs may have the desire to buy the product, but that alone isn't sufficient. People must also have the ability to buy, such as the authority, time, and money. People may even "buy" an idea that results in an action, such as having their blood pressure checked annually or switching to a reusable water bottle.

Satisfying Consumer Needs

Marketing doesn't stop with the discovery of consumer needs. Because the organization obviously can't satisfy all consumer needs, it must concentrate its efforts on certain needs of a

FIGURE 1-2

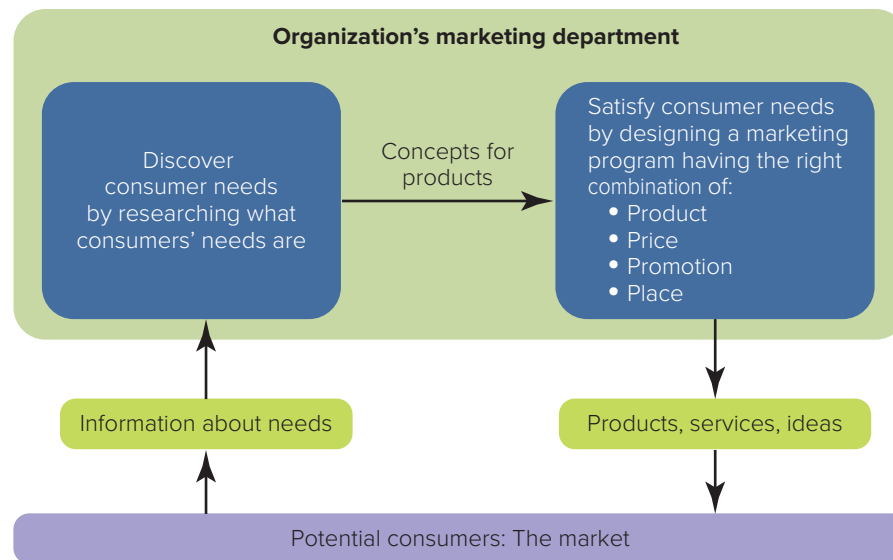
Marketing seeks first to discover consumer needs through extensive research. It then seeks to satisfy those needs by successfully implementing a marketing program possessing the right combination of the marketing mix—the four Ps.

target market

One or more specific groups of potential consumers toward which an organization directs its marketing program.

marketing mix

The controllable factors—product, price, promotion, and place—that can be used by the marketing manager to solve a marketing problem.



specific group of potential consumers. This is the **target market**—one or more specific groups of potential consumers toward which an organization directs its marketing program.

The Four Ps: Controllable Marketing Mix Factors Having selected its target market consumers, the firm must take steps to satisfy their needs, as shown on the right side of Figure 1-2. Someone in the organization's marketing department, often the marketing manager, must develop a complete marketing program to reach consumers by using a combination of four elements, often called "the four Ps"—a useful shorthand reference to them first published by Professor E. Jerome McCarthy:¹⁵

- *Product.* A good, service, or idea to satisfy the consumer's needs.
- *Price.* What is exchanged for the product.
- *Promotion.* A means of communication between the seller and buyer.
- *Place.* A means of getting the product to the consumer.

We'll define each of the four Ps more carefully later in the book, but for now it's important to remember that they are the elements of the **marketing mix**. These four elements are the controllable factors—product, price, promotion, and place—that can be used by the marketing manager to solve a marketing problem. For example, when a company puts a product on sale, it is changing one element of the marketing mix—namely, the price. The marketing mix elements are called *controllable factors* because they are under the control of the marketing department in an organization. Managing the marketing mix allows an organization to create a cluster of benefits that satisfies customers' needs.¹⁶

The Uncontrollable, Environmental Forces While marketers can control their marketing mix factors, there are forces that are mostly beyond their control (see Figure 1-1). These are the **environmental forces** that affect a marketing decision, which consist of social, economic, technological, competitive, and regulatory forces. Examples are what



Firms can affect some environmental forces with breakthrough products such as AI assistants.

Malcolm Haines/Alamy Stock Photo

environmental forces

The uncontrollable forces that affect a marketing decision and consist of social, economic, technological, competitive, and regulatory forces.

customer value

The unique combination of benefits received by targeted buyers that includes quality, convenience, on-time delivery, and both before-sale and after-sale service at a specific price.

consumers themselves want and need, changing technology, the state of the economy in terms of whether it is expanding or contracting, actions that competitors take, and government restrictions. Covered in detail in Chapter 3, these five forces may serve as accelerators or brakes on marketing, sometimes expanding an organization's marketing opportunities and at other times restricting them. The recent coronavirus pandemic, for example, challenged firms to modify their marketing mix with new purchase and delivery options, but also restricted many firms by reducing in-store traffic.

Traditionally, many marketing executives have treated these environmental forces as rigid, absolute constraints that are entirely outside their influence. However, recent studies and marketing successes have shown that a forward-looking, action-oriented firm can often affect some environmental forces by achieving technological or competitive breakthroughs, such as Amazon's AI assistant, Google's Duplex chatbot, and Alibaba's AliMe customer service technology.

THE MARKETING PROGRAM: HOW CUSTOMER RELATIONSHIPS ARE BUILT



LO 1-4

Explain how organizations build strong customer relationships and customer value through marketing.

An organization's marketing program connects it with its customers. To clarify this link, we will first discuss the critically important concepts of customer value, customer relationships, and relationship marketing. Then we will illustrate these concepts using 3M's marketing program for its Post-it® Flag Highlighter products.

Relationship Marketing: Easy to Understand, Hard to Do

Intense competition in today's fast-paced global markets has prompted many successful U.S. firms to focus on "customer value." Gaining loyal customers by providing unique value is the essence of successful marketing. What is new is a more careful attempt at understanding how a firm's customers perceive value and then actually creating and delivering that value to them.¹⁷ **Customer value** is the unique combination of benefits received by targeted buyers that includes quality, convenience, on-time delivery, and both before-sale and after-sale service at a specific price. In addition, firms now try to place a dollar value on the purchases of loyal, satisfied customers during their lifetimes. For example, automobile collision repair centers estimate that loyal customers average \$2,350 per repair, return eight times, and provide 50 referrals over 65 years, a value of \$147,000!¹⁸

Research suggests that firms cannot succeed by being all things to all people. Instead, firms seek to build long-term relationships with customers by providing unique

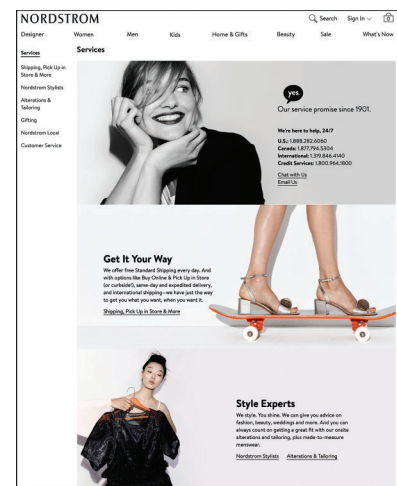
Target, Starbucks, and Nordstrom provide customer value using three very different approaches. For their strategies, see the text.



Source: Target Brands, Inc.



Source: Starbucks Coffee Company



Source: Nordstrom, Inc.