

m: marketing

Eighth Edition

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chapter Changes

The eighth edition of *M: Marketing* sees significant changes. As always, every example, assertion, and key term has been checked, updated, and/or replaced. What follows is a description of the major changes in the text, chapter-by-chapter.

Chapter 1: Overview of Marketing starts with a discussion of the rising popularity of reusable water bottles and how brands such as Hydro Flask respond by marketing their products. The vignette covers not only how these brands have evolved but also how marketing their benefits adds value for consumers. Examples that cite reusable water bottles then appear throughout the chapter. In addition, there are two new Adding Value boxes related to the creation of a new transportation market that features the Lime line of rental scooters, as well as the launch of a lipstick by Hermès, the famous maker of luxury bags. Also new are a Marketing Analytics box describing how Hertz uses biometrics to facilitate its car rental service, a Social & Mobile Marketing box about how individual users market themselves on TikTok, and an Ethical & Societal Dilemma box that presents a new online marketplace called Cinch that seeks to help customers shop locally.

Chapter 2: Developing Marketing Strategies and a Marketing Plan includes several revisions, including updates to the PepsiCo opener and the PepsiCo examples mentioned throughout the chapter. For example, a new Ethical & Societal Dilemma box considers how Pepsi is revising its marketing strategy in response to people's changing water consumption habits, with a link back to the discussion in Chapter 1. A new Adding Value box also notes how the hotel industry has promoted "staycations" during the COVID-19 pandemic, and a new Marketing Analytics box details how eye-tracking technology can help brands optimize their mobile marketing strategies.

Chapter 3: Digital Marketing: Online, Social, and Mobile has undergone a line-by-line revision, as is required to reflect the rapid changes in digital marketing. We have added a new section on influencer marketing that examines the central criteria used to pick an influencer partner. This section also introduces a novel 4R framework for influencer marketing: relevance, reach,

response, and return. In a new opener, the chapter highlights how Hilton Hotels uses social listening to inform its social media campaigns, and a new Marketing Analytics box cautions how some Facebook algorithms used to place ads might produce unintended consequences. A new Adding Value box details Facebook's latest feature "Shops." Finally, in a new Social & Mobile Marketing box, we address Coca-Cola's latest venture into concert streaming with the BeApp mobile application.

Chapter 4: Conscious Marketing, Corporate Social Responsibility, and Ethics begins with a discussion of how companies in the clothing resale business, such as thredUP, leverage sustainability appeals to encourage purchases of secondhand clothing in their marketing. There is a new Adding Value box about Aerie's marketing campaign featuring real women, including those with disabilities. Another Adding Value box highlights Skittles' temporary packaging redesign for Pride month. In a new Social & Mobile Marketing box, we describe how Facebook collects and uses personal information—to an extent that some people are not aware of. Finally, a new Ethical & Societal Dilemma box details the controversies surrounding Disney's live-action *Mulan* movie.

Chapter 5: Analyzing the Marketing Environment opens with an account of how iRobot anticipates consumer preferences in its efforts to develop products that will satisfy customers' demands. With a new Adding Value box, we detail some recent insights into Gen Z. There are two new Ethical & Societal Dilemma boxes. One describes the emerging market for sustainable swimwear, as consumers become more conscious of water pollution. The other reveals how Target has sought to increase its diversity in the wake of the Black Lives Matter movement. Then a new Marketing Analytics box explains how Coca-Cola uses high-tech vending machines to allow consumers to mix their own custom beverages.

Chapter 6: Consumer Behavior has a new opener about Sun Basket, a meal delivery kit that designs its products to appeal to different consumer behaviors. A new Marketing Analytics box reveals how Amazon uses customer data and consumer behavior concepts to promote individualized ads. There are two new Ethi-

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cal & Societal Dilemma boxes: a discussion of how fashion lines market clothing and accessories that appeal to people's political persuasions, and a consideration of the ethics of free games that offer in-game purchases.

Chapter 7: Business-to-Business Marketing starts with a discussion of Mastercard Track, a new B2B payment system. The new Ethical & Societal Dilemma box describes outsourcing firms that help companies find workers, all around the world. A new Social & Mobile Marketing box also examines the advertising needs of direct-to-consumer companies. Finally, this chapter includes a new Adding Value box that tracks how Wistia has developed a video hosting platform to fit the needs of businesses that want to promote their content in a business-friendly environment.

Chapter 8: Global Marketing includes several new features and updates. There are three new Adding Value boxes that emphasize relevant topics: the unique, targeted products that McDonald's offers in different markets around the world; increased luxury sales in airports across the globe; and companies' uses of International Women's Day as inspiration for their marketing campaigns. The chapter also includes two new Ethical & Societal Dilemma boxes, one about pollution associated with the increased use of disposable sanitary products in India, and another about the backlash Dolce & Gabbana faced after releasing offensive ads in China. A new Social & Mobile Marketing box describes how small businesses in India can use WhatsApp to sell products.

Chapter 9: Segmentation, Targeting, and Positioning opens with an account of how restaurants have positioned their new plantbased meat offerings to appeal to a wide range of customers. With a new Ethical & Societal Dilemma box, we consider how African American-owned businesses can continue to appeal to their target customers after they have been sold to large conglomerates. There is a new Social & Mobile Marketing box about a lifestyle magazine published by the clothing brand Outdoor Voices, which aims to reach customers who love its branding. A new Marketing Analytics box offers insights into how brands can use data collected by an app-linked thermometer to geographically target products like flu medicine or disinfectant wipes. According to a new Adding Value box, Patagonia refuses to personalize merchandise for certain corporate buyers, to protect its brand's image and strengthen its appeal to its main target market. Another new Adding Value box highlights how LEGO touts its products as a mindfulness practice for adults.

Chapter 10: Marketing Research and Analytics has undergone major revisions. The new chapter title reflects several additions, including an extensive new section on big data that presents its 5Vs (volume, variety, velocity, veracity, and value). In addition, a new section on marketing analytics outlines different tools that can be used to conduct marketing research. For example, as the opener explains, Netflix uses data collected from customers to provide personalized recommendations and develop its own content. The new Marketing Analytics box also notes how Amazon's Prime Day promotion essentially encourages customers to trade access to their personal information for discounted prices. A new Adding Value details how advertisers use viewing data to personalize product placements in shows available through streaming services.

Chapter 11: Product, Branding, and Packaging Decisions begins with a new opener detailing how McDonald's is modernizing its brand. There are two new Adding Value boxes: The first considers the expensive-yet whimsical-luxury watches produced by the JS Watch Company, and the second details how and why marketers might limit their product lines. In a new Social & Mobile Marketing box, this chapter explains how jingles can confer authenticity on a brand. A new Marketing Analytics box instead explains how brand intimacy can inform marketing analysts in the fast-food market. Finally, a new Ethical & Societal Dilemma box acknowledges concerns about licensing art in the fashion

Chapter 12: Developing New Products begins with the story of the development of Panera's new grain bowls and other healthy (or healthy-seeming) options. There are three new Adding Value boxes that refer to how platforms and streaming services are chasing the podcast market, how companies might enhance the capabilities of wearable devices (e.g., determining heart rhythms, analyzing sweat), and how Nura's newest earphones personalize the sound for each user. In addition, a new Ethical & Societal Dilemma box details privacy considerations related to Facebook's new smart speaker Portal.

Chapter 13: Services: The Intangible Product includes a new section detailing how to develop a service strategy using the seven Ps (product, price, place, promotion, presentation, personnel, and processes). The new opening vignette describes how Apple uses its Apple Pay service to enhance the experience of using Apple products. This chapter also includes two new Adding Value boxes. The first presents an innovative 3D projection show for restaurants, "Le Petit Chef in the Footsteps of Marco Polo." The second details how Lululemon offers services through its Mirror in-home exercise device. A new Social & Mobile Marketing box also explores how doctors might shrink the delivery gap by turning to telemedicine. Finally, a new Ethical & Societal Dilemma box outlines regulatory and technology changes with influences on the sports wagering market.

Chapter 14: Pricing Concepts for Capturing Value starts with a new opener too; it describes the pricing strategies of The New York Times in the age of declining print newspaper sales. The three new Adding Value boxes in this chapter outline Nissan's fleet sales strategy, Apple's revised pricing strategy for AirPods, and the ongoing "chicken sandwich wars" among fast-food restaurants. There are also two new Ethical & Societal Dilemma boxes about Target's dynamic in-app pricing based on location, and then about prescription drug ads, which are beginning to mention prices.

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Chapter 15: Supply Chain and Channel Management opens with a new vignette highlighting Nestlé's supply chain. In the first new Adding Value box, we address the supply chain disruptions that have resulted from the COVID-19 pandemic. Then in a second new Adding Value box, we consider how and why Tesla is taking over its own manufacturing. A new Ethical & Societal Dilemma box describes the methods Amazon uses to monitor delivery employees.

Chapter 16: Retailing and Omnichannel Marketing begins with a discussion of the group purchasing organization recently formed by Walgreens and Kroger. It also includes an updated section on developing a retail strategy using the seven Ps, including a subsection on processes. A new Adding Value box also deals with grocery stores and their enhanced offerings, such as event spaces and added services. The Social & Mobile Marketing box explores the rising prominence of mobile and contactless grocery channels. Finally, a new Ethical & Societal Dilemma box considers the ethics of tracking customers' movements through their phones.

Chapter 17: Integrated Marketing Communications begins with a description of how BMW designed an integrated marketing campaign based on the concept of a road trip. As detailed in the new Social & Mobile Marketing box, Oreo is using TikTok. The three Adding Value boxes new to this chapter discuss how Aflac

uses country music to increase awareness of its services, as well as how Chex Mix uses customers' nostalgia to get people to play its re-released Chex Quest video game. Finally, we present Door-Dash's extensive marketing campaign.

Chapter 18: Advertising, Public Relations, and Sales Promotions begins with an opener about Smucker's new advertising strategy. A new Adding Value box features IKEA's pandemic advertising concepts. There are three new Ethical & Societal Dilemma boxes, each dealing with timely and pertinent issues: controversy surrounding South Dakota's Meth Awareness ad campaign, whether claims by Chevy are false or just puffery, and potentially misleading claims about STEM educational toys.

Chapter 19: Personal Selling and Sales Management includes several new features and updates. The section on the personal selling process has been revised to describe technology that supports the personal selling process, in each step. The chapter accordingly opens with a new vignette about how State Farm uses technology to support staffers' personal selling strategies. A new Adding Value box highlights the lessons to be learned from the television show *Shark Tank*. Another Adding Value box details how Old Navy relies on mobile technology to manage its sales force. Finally, in a new Ethical & Societal Dilemma box, we consider the ethics of multilevel marketing sales.







Chapter Changes



m: marketing



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Section 1



overview of marketing

Learning Objectives

After reading this chapter, you should be able to:

LO 1-1 Define the role of marketing.

LO 1-2 Detail the evolution of marketing over time.

LO 1-3 Describe how marketers create value for a product or service.

ou're a modern consumer, a member of the global society, an educated student aware of how to stay healthy, and a youthful representative of a hip generation that is deeply invested in the future of the planet, right? So when you head off to class, you make sure you have your laptop and notes, but you also stick your personalized, reusable water bottle in your backpack to help you stay hydrated throughout the day.

But 50 years ago, college students did not have a separate pocket for a water bottle in their bags. They simply didn't carry one. The shift, from people in the past rarely even carrying water to modern consumers rarely being without their

own bottles, is largely a result of marketing efforts. For example, health-related campaigns have encouraged consumers to drink more water. The environmentally driven effort to get people to stop using single-use plastic bottles for their water has been a long and continuing process, but more responsible uses are clearly spreading throughout society.

As a result of these broad social marketing efforts, new markets have emerged, such as the one for reusable water bottles. That is, once consumers realized that they could and should start bringing water with them everywhere they went, in bottles they could rinse out and keep using for years, companies had to start supplying them with these products to

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meet their needs. Bulky, bright-red Thermos options seemed childlike and awkward, so companies such as Nalgene took the bottles that it had been supplying mostly to professional sports teams and created a thinner, more consumer-friendly version.² They featured a range of bright colors, such that consumers could select their preferred appearance, along with volume markers so health-conscious water drinkers could keep track and ensure they were getting their recommended daily minimum amount.

But Nalgene was made from plastics that contained BPA, a chemical that leached into the water that people consumed. Health concerns, including controversial allegations of BPA's harmful effects for reproductive abilities,³ prompted the company to remove BPA from its production process, but it also led consumers to seek out alternatives.

Notably, advances in technology and new innovations meant that they could turn to metal containers for their water. In particular, the Hydro Flask brand sought to appeal to them with a novel approach; as its former CEO Scott Allan noted for the company, "It's not like coming up with a brand new idea, but seeing a need and improving on it."4 Therefore, the company leveraged the existing vacuum-sealing tactics that Thermos had used in the past to keep soups hot in kids' lunchboxes and figured out how it could apply them to keeping water cold in campers' and adventurers' trail packs.⁵

The initial target was outdoor enthusiasts, who particularly needed enough water to remain safe on their treks and adventures but who also wanted it cold and delicious. The company added an innovative honeycomb design to the lids to keep the bottles securely closed and retain the water temperature. Then it devised a powdercoated exterior for the steel bottles, which not only helped keep the contents cold but also protected the bottle from damage, even if clanged against a rock ledge. Furthermore, the coating meant that people's hands would not freeze every time they reached for a swig.

But the coating also had a deeply aesthetic appeal, in that Hydro Flasks could take on a literal rainbow of colors, which helped consumers express their personal style. In turn, the retail displays of the bottles would be eye-catching and attractive. But to get the bottles in stores, the company first had to convince retailers that its products would be appealing to consumers. In early marketing efforts, Hydro Flask used clever promotions, such as shipping samples filled with ice to retailers throughout the country, with a note asking them to contact the Oregonbased company when the ice melted completely. By demonstrating the effectiveness of the cold-maintaining technology while also giving out free products, Hydro Flask sparked a great deal of buzz, along with a lot more orders from the retail partners in its supply chain.

Once they had been convinced, Hydro Flask sought to enhance and strengthen these partnerships by donating dozens of its products to the outdoor brand Columbia for one of its executive retreats. Suddenly, some of the most influential people in the outdoor industry were all carrying Hydro Flasks, encouraging others to follow their lead and purchase the products for themselves.

As its fame spread, the appeal of the product thus moved beyond the company's control, and new target markets defined themselves. Initially, it was those consumers who embraced the idea of an outdoor, adventurous, athletic lifestyle, whether they engaged in these activities or not. In this sense, Hydro Flasks were like athleisure wear: People wear leggings and exercise gear and carry sporty water bottles, even if the only jogging they are doing is running errands.8 But an even more prominent and notable recent example of its spread comes from the target segment known popularly as VSCO girls—a Generation Z cohort renowned for their environmentally conscious views and seemingly effortless, casual style, featuring hair scrunchies, beachoriented bracelets, and Hydro Flasks. This style trend and the demands of the consumers embracing it align perfectly with the brand and product offerings: They want reusable, environmentally beneficial products that they can personalize with various colors and stickers while also maintaining their own easy, healthy lifestyle.9

This expanded popularity means that Hydro Flask's marketing tactics also have moved beyond its own internal efforts. The bottles are common accessories in young people's personal TikTok videos, signaling their identity and consumption choices. Yet leaving the marketing up to consumers alone was insufficient, so Hydro Flask also pursued a new route to reach this market segment by developing a line of Instagram Stories. The stories focus on exciting new promotional events, such as the release of a limited-edition line of bottles and new color options, along with a link to enable 'grammers to purchase immediately.10

As these varied types, forms, efforts, approaches, and outcomes reveal, marketing performs a wide range of functions, as it has for decades. It helps create new needs and then provides solutions to them. It involves exchanges and partnerships with other firms and with consumers. It can be performed relatively naturally by individual people or strategically by firms. And it creates value for all these actors, reflecting its critical importance—not just in your class or for this textbook but for people's daily lives.

LO 1-1

Define the role of marketing.

WHAT IS MARKETING?

Unlike other subjects you may have studied, marketing already is very familiar to you. You start your day by agreeing to do the dishes if your roommate will make the coffee. But doing the dishes makes you late for class, so you dash out the door and make a quick stop to fill up your car with gas and grab an energy bar for breakfast. You attend a class that you have chosen and paid for. After class, you pick up lunch at the cafeteria, which you eat while reading a book on your iPad. Then you leave campus to have your hair cut and take in a movie. On your bus ride back to school, you pass the time by buying a few songs from Apple Music. In each case, you have acted as the buyer and made a decision about whether you should part with your time and/or money to receive a particular product or service. If, after you return home, you decide to sell some clothes on Poshmark that you don't wear much anymore, you have become a seller. In each of these transactions, you were engaged in marketing.

The American Marketing Association (AMA) states that marketing is "the activity, set of institutions, and processes for creating, capturing, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."11 Good marketing is not a random activity; it requires thoughtful planning with an emphasis on the ethical implications of any of those decisions on society in general. That is, good marketing should mean doing good for the world at large, while also benefiting the firm and its customers. To achieve these long-term goals, firms develop a marketing plan (Chapter 2) that specifies the marketing activities for a specific period of time. The marketing plan also is broken down into various components-how the product or service will be conceived or designed, how much it should cost, where and how it will be promoted, and how it will get to the consumer. In any exchange, the parties to the transaction should be satisfied. In our previous example, you

Good marketing is not a random activity; it requires thoughtful planning with an emphasis on the ethical implications of any of those decisions on society in general.

should be satisfied or even delighted with the water bottle you selected, and Hydro Flask or Nalgene should be satisfied with the amount of money it received from you. Thus, the core aspects of marketing are found in Exhibit 1.1. Let's see how these core aspects look in practice.

Marketing Is about **Satisfying Customer Needs and Wants**

Understanding the marketplace, and especially consumer needs and wants, is fundamental to marketing success. In the broadest terms, the marketplace refers to the world of trade. More narrowly, however, the marketplace can be segmented or divided into groups of people who

are pertinent to an organization for particular reasons. The entire world needs to drink water, but to sell reusable water bottles, the makers first need to identify people who might purchase their products (e.g., they exclude babies). Then they

marketing An organizational function and a set of processes for creating, capturing, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

marketing plan

A written document composed of an analysis of the current marketing situation, opportunities and threats for the firm, marketing objectives and strategy specified in terms of the four Ps, action programs, and projected or pro forma income (and other financial) statements.

▼ EXHIBIT 1.1 Core Aspects of Marketing



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exchange The trade of things of value between the buyer and the seller so that each is better off as a result.

divide that marketplace into various categories: outdoor enthusiasts who require a large and durable vessel; health-conscious

buyers who seek to avoid any BPA-containing plastics; young people who want an accessory to show off in their social media posts; and consumers who care only about cost and purchase the least expensive option available. If you manufacture and sell water bottles, you need to know for which marketplace segments your product is most relevant and then make sure you build a marketing strategy that targets those groups. If instead you are the marketing manager for Lime rental scooters, you create an app that is extremely easy for people to use, then support their rentals by hiring support staff to meet their needs for safety, as Adding Value 1.1 explains.

Marketing Entails an Exchange

Marketing is about an exchange—the trade of things of value between the buyer and the seller so that each is better off as a result. As depicted in Exhibit 1.2, sellers provide products or services and then communicate and facilitate the delivery of their offering to consumers. Buyers complete the exchange by giving money and information to the seller. Suppose you learn about the new Takeya Actives Water Bottle from a friend's tweet or the company's fitness blog to which you subscribe. 12 To learn more,



Adding Value

Creating a New Transportation Market: The Lime Line of Rental Scootersⁱ

Rising levels of environmental consciousness, combined with the increasing popularity of ride-sharing as an economical and convenient option, have prompted more companies to seek to meet needs for new forms of transportation. Enter the scooter rental company Lime. Lime provides electric scooters, an app to use them, and maintenance services to ensure the customer has a positive experience. Located at various places throughout a city, the scooters are not locked or attached to any sort of rack, as most rental bicycles are. Rather, to "unlock" them, potential users must log on to the app to turn on the electric-power scooters. Then they can leave them pretty much anywhere they want, ready for the next user to find and turn on.

Lime already has the largest reach of any shared micromobility provider in the world. Although at the beginning of the COVID-19 pandemic Lime's ridership rates dropped dramatically while cities locked down, by October 2020 it had begun to rebound. As people ventured out, but perhaps sought to avoid the enclosed spaces created by most Uber or Lyft service, ridership reached 200 million. The scooters gave passengers socially distanced ways to move around cities, in the form of singlepassenger transportation in the open air.

However, some users have raised safety concerns. Some riders, especially those with little experience with the scooters, have run into pedestrians or broken traffic laws, creating a risk of injury for themselves and those around them. In addition, while the rental companies ask users to leave the scooters in tucked-away places, some inconsiderate riders simply drop them in the middle of the sidewalk, cluttering traffic and creating a tripping hazard.

To address these issues and potential limits on its growth, Lime hires "juicers"—employees who track down unused scooters, ensure they are in good working condition, and place them in convenient and safe locations. These juicers feature prominently in Lime's marketing



To meet the needs and wants of urban populations, Lime provides electric scooters, an app to use them, and maintenance services to ensure the customer has a positive experience.

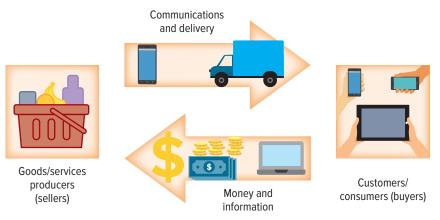
Colin Underhill/Alamv Stock Photo

communication, reflecting its attempt to position itself as a job creator and community facilitator. From this perspective, the service it offers is more than moving people from one location to another; by renting scooters, people can see parts of the city they normally would not visit or get close to locations that would be hard to reach by car.

To further encourage this sense of community, while also addressing safety concerns, Lime's blog features videos teaching new riders about safety precautions, getting them familiar with the physical movement involved, and encouraging them to share their experiences through social media. Furthermore, Lime is partnering with third-party operators to help customers find other types of vehicles during the winter months, when customers may not want to be out in the open.



▼ **EXHIBIT 1.2** Exchange: The Underpinning of Seller–Buyer Relationships



marketing mix (four Ps) Product, price, place, and promotion—the controllable set of activities that a firm uses to respond to the wants of its target markets.

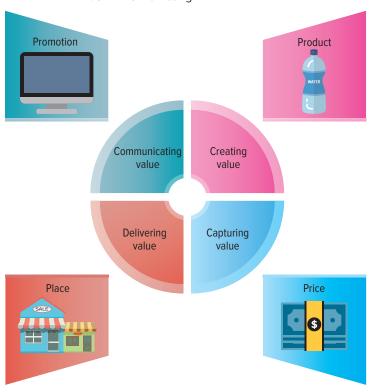
you might visit the company's website, where you learn that the bottles are not widely available in stores yet, but you can order a box for delivery. To complete the order, you have to give the company your billing and address information, which represents another exchange. If you sense that you are giving up too much in the exchange because it takes too long to fill in all your billing information for every individual site you visit, you might prefer to search for another water bottle option on Amazon, where you place orders all the time, so you do not have to enter your credit card number or other information again. Furthermore, Amazon creates a record of your purchase, which it uses, together with your other purchase trends, to create personalized recommendations of other convenience-oriented health products or outdoor gear that you might like. Thus, Amazon uses the valuable

information you provide to facilitate future exchanges and solidify its relationship with you.

Marketing Creates Value through Product, Price, Place, and Promotion Decisions

Marketing traditionally has been divided into a set of four interrelated decisions and consequent actions known as the **marketing mix**, or **four Ps**: product, price, place, and promotion (as defined in Exhibit 1.3).¹³ The four Ps are the controllable set of decisions or activities that the firm uses to respond to the wants of its target markets. But what does each of these activities in the marketing mix entail?







When you buy a Takeya Actives Water Bottle, you exchange the bottle for money and information about yourself. McGraw Hill

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goods Items that can be physically touched.

service Any intangible offering that involves a deed, performance, or effort that cannot be physically possessed; intangible customer benefits that are produced by people or machines and cannot be separated from the producer.

ideas Intellectual concepts—thoughts, opinions, and philosophies.

Product: Creating Value The first of the four Ps is product. Although marketing is a multifaceted function, its fundamental purpose is to create value by developing a variety of offerings, including goods, services, and ideas, to satisfy customer needs. Water bottles have gained traction in the market because consumers had needs that were not being met by existing offerings, such as water fountains and single-use plastic bottles. As we discussed in the opener to this chapter, reusable water bottles have grown even more popular in recent years due to the combined influences of environmental concerns, health concerns, and societal expectations.

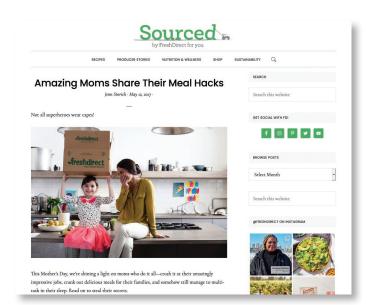
Goods are items that you can physically touch. A Hydro Flask or Nalgene bottle, a Rolex watch, Nike shoes, a Pepsi-Cola, a Frappuccino, Kraft cheese, Tide, an iPad, and countless other products are examples of goods. Goods primarily function to fulfill some need, such as satiating hunger or cleaning clothing. But their ultimate value stems from what they provide—and how they are marketed—in terms of their environmental benefits (e.g., reusable water bottles instead of single-use plastic bottles), status (e.g., Rolex instead of Timex watch), performance (innovative Nike sneakers), taste, and so forth.

Unlike goods, **services** are intangible customer benefits that are produced by people or machines and cannot be separated



A watch is a watch is a watch, right? Wrong! All watches are goods, and they tell the time. But Rolex is marketed as a status brand.

Casimiro PT/Shutterstock



Services provide intangible customer benefits that cannot be separated from the producer. Grocery delivery service FreshDirect creates and promotes "meal hacks" that suggest easy ways to use familiar products in novel ways, such as a delicious meal for Mother's Day.

Source: Fresh Direct, LLC

from the producer. When people buy tickets—whether for airline travel, a sporting event, or the theater—they are paying not for the physical ticket stub but, of course, for the experience they gain. Even some sellers that mainly offer products might market some services to provide more value. Grocery delivery service FreshDirect creates and promotes "meal hacks" that suggest easy ways to use familiar products in novel ways such as a delicious mean for Mother's Day. ¹⁴ Hotels, insurance agencies, airlines, and banks are more traditional examples of sellers that provide services. For example, getting money from your bank, whether through an ATM or from a teller, constitutes a service. The cash machines usually add value to the banking experience because they are conveniently located, fast, and easy to use.

Many offerings in the market combine goods and services. When you go to an optical center, you get your eyes examined (a service) and purchase new contact lenses (a good). If you attend an Ariana Grande concert, you can be enthralled by the world-class performance. To remember the event, you might want to pick up a shirt or a souvenir from the concert. With these tangible goods, you can relive and remember the enjoyment of the experience over and over again.

Ideas include thoughts, opinions, and philosophies; intellectual concepts such as these also can be marketed. Groups promoting bicycle safety go to schools, give speeches, and sponsor bike helmet poster contests for the members of their primary market—children. Then their secondary target market segment, parents and siblings, gets involved through their interactions with the young contest participants. The exchange of value occurs when the children listen to the sponsors'



Marketing creates value by promoting ideas, such as bicycle safety. Source: Street Smart, a public safety campaign of Metro, the District of Columbia, Maryland, and Virginia.

presentation and wear their helmets while bicycling, which means they have adopted, or become "purchasers" of, the safety idea that the group marketed.

Price: Capturing Value The second of the four Ps is price. Everything has a price, although it doesn't always have to be monetary. Price, therefore, is everything the buyer gives up—money, time, and/or energy—in exchange for the product. 15 Marketers must determine the price of a product carefully on the basis of the potential buyer's belief about its value. For example, Frontier promises a very low fare to take you from, say, Cedar Rapids to Denver. But the price you ultimately pay for that service depends on a lot of other factors, such as whether you want to pick your seat or check a bag as well as whether you have a tight schedule to meet. If you want the absolute lowest price, do not mind a middle seat, and can fit all your belongings for the trip into a small bag that can fit under the seat in front of you, Frontier might be highly valuable. 16 However, Frontier does not offer the same flights every day, so if you miss your Saturday flight or it gets canceled due to weather, you will be stuck in Iowa at least until Monday. Frontier has gained success because enough travelers are willing to trade off



If you don't mind sitting in a middle seat and putting all your baggage under the seat in front of you, flying on low-cost carriers like Frontier is a good value.

Kateryna Kukota/Alamy Stock Photo

carrying extra items or having the security of many flights each day for a lower price. ¹⁷

Place: Delivering the Value Proposition The third P, place, represents all the activities necessary to get the product to the right customer when that customer wants it. For Starbucks, for example, that means expanding its storefronts constantly and proactively, so that it is easy for caffeine junkies to find their fix. Creative locations, such as kiosks at the baggage claim in airports or small booths in grocery stores, represent the chain's effort to improve its offering on this dimension of the marketing mix.



It isn't easy to promote oat milk in the United States, so Oatly first promoted it to coffee shops and then designed a fun package to get attention in supermarkets.

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Tada Images/Shutterstock



supply chain management or marketing channel management A set of approaches and techniques firms employ to efficiently and effectively integrate their suppliers, manufacturers, warehouses, stores, and transportation intermediaries into a seamless value chain in which merchandise is produced and distributed in the right quantities, to the right locations, and at the right time, as well as to minimize systemwide costs while satisfying the service levels their customers require. Also called marketing channel management.

business-toconsumer (B2C) marketing The process in which businesses sell to consumers.

Place also deals specifically with retailing and marketing channel management, also known as supply chain management. Supply chain management is the set of approaches and techniques that firms employ to efficiently and effectively integrate their suppliers, manufacturers, warehouses, stores, and other firms involved in the transaction (e.g., transportation companies) into a seamless value chain in which merchandise is produced and distributed in the right quantities, to the right locations, and at the right time, while minimizing systemwide costs and satisfying the service levels required by the customers. Many marketing students initially overlook the importance of marketing channel management because a lot of these activities are behind the

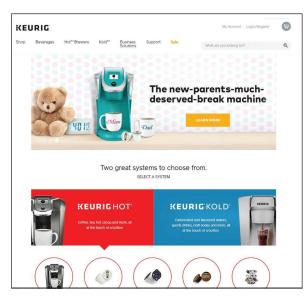
scenes. But without a strong and efficient marketing channel system, merchandise isn't available when customers want it. Then customers are disappointed, and sales and profits suffer. Wendy's is famous for using only fresh, never frozen beef for its burgers. But that promise also means that it cannot stockpile any beef supply. So when the COVID-19 pandemic hit and the beef supply chain stopped producing, Wendy's had no inventory on hand to keep restaurants fully supplied. At the national level, an estimated 20 percent of orders for Wendy's burgers

went unfulfilled for an extended period, leaving already stressed-out customers even more frustrated and unhappy.¹⁸

Promotion: Communicating the Value **Proposition** The fourth P is promotion. Even the best products and services will go unsold if marketers cannot communicate their value to customers. Promotion is communication by a marketer that informs, persuades, and reminds potential buyers about a product or service to influence their opinions and elicit a response. Promotion generally can enhance a product's or service's value. When Oatly, a Swedish company, sought to enter the U.S. market, it needed to make people aware oat milk existed and then convince them to choose it over other available alternatives. Oatly first promoted its product by supplying it to baristas at coffee shops and encouraging them to educate their customers about the superior properties of oat milk in coffee. Then to garner the interest of supermarket shoppers, it designed packaging that features bold, fun, attention-grabbing advertising messages that explain why people should be drinking oat milk.¹⁹

Marketing Can Be Performed by Individuals and Organizations

Imagine how complicated the world would be if you had to buy everything you consumed directly from producers or manufacturers. You would have to go from farm to farm buying your food and then from manufacturer to manufacturer to purchase the table, plates, and utensils you need to eat that food. Fortunately, marketing intermediaries such as retailers accumulate merchandise from producers in large amounts and then sell it to you in smaller amounts. The process by which businesses sell to consumers is known as business-to-consumer (B2C) marketing;

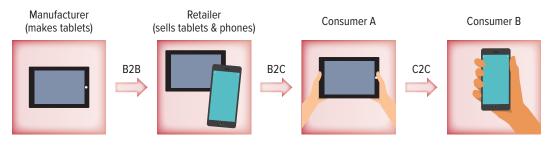




When Keurig sells its machines and coffee to you on its website (left), it is a B2C sale; but when it sells similar items for office use, it is a B2B transaction (right).

(Left): Source: Keurig Green Mountain, Inc.; (right): Sergi Alexander/Getty Images

▼ **EXHIBIT 1.4** Marketing Can Be Performed by Individuals and by Organizations



the process of selling merchandise or services from one business to another is called business-to-business (B2B) marketing. When Keurig sells its machines and coffee to you on its website, it is a B2C sale; but when it sells similar items for office use, it is a B2B transaction. Through various Internet sites such as eBay and Etsy, consumers market their products and services to other consumers. This third category, in which consumers sell to other consumers, is consumer-toconsumer (C2C) marketing, and the appeal of this channel continues to grow. The mother and still dominant facilitator for online C2C transactions is eBay with annual sales of over \$11 billion.²⁰ eBay charges the seller a percentage of the selling price. Although some of its transactions are B2C and B2B, millions of individuals place items, from cars to apparel, on eBay for sale or auction every year. Smaller, but growing, online firms that facilitate C2C transactions are Craigslist, concentrating on buying and selling local merchandise but also including jobs, housing, and a plethora of services; Etsy, specializing in handmade and vintage items; and Poshmark, The RealReal, and thredUP, specializing in women's fashion apparel.²¹ These marketing transactions are illustrated in Exhibit 1.4.

Individuals can also undertake activities to market themselves. When you apply for a job, for instance, the research you do about the firm, the résumé and cover letter you submit with your application, and the way you dress for and conduct yourself during the interview are all forms of marketing activities. Accountants, lawyers, financial planners, physicians, and other professional service providers also constantly market their services one way or another.

Marketing Affects Various Stakeholders

Most people think of marketing as a way to facilitate the sale of products or services to customers or clients. But marketing can also affect several other stakeholders (e.g., supply chain partners, society at large). Partners in the supply chain include wholesalers, retailers, or other intermediaries such as transportation or warehousing companies. All of these entities are involved in marketing to one another. Manufacturers sell merchandise to retailers, but the retailers often have to convince manufacturers to sell to them. The dynamic relationship between Nike and Amazon is instructive: Initially, Nike refused

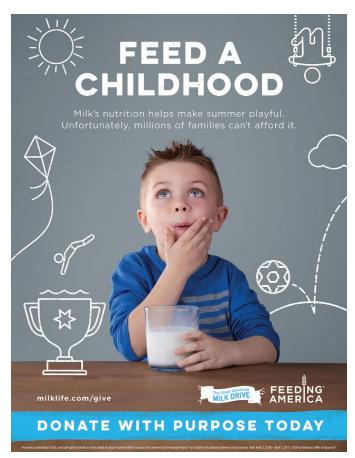
business-to-business (B2B) marketing The

process of buying and selling goods or services to be used in the production of other goods or services, for consumption by the buying organization, or for resale by wholesalers and retailers.

consumer-toconsumer (C2C) marketing The process in which consumers sell to other consumers.

to allow any of its products to appear on Amazon's site. But through persistent effort, includ-

ing a promise that it would actively sanction and remove any unauthorized third-party sellers, Amazon convinced the manufacturer to bring its sought-after brand on board. The retailer then enjoyed increased sales, for a while. But for Nike, the partnership simply was not profitable, because those unauthorized and counterfeit sellers continued to be a problem. Thus, Nike never saw its own branded sales reach a point that it could earn a viable profit, and it pulled out of the deal.²²



The Great American Milk Drive, run in conjunction with Feeding America, seeks to ensure that local food banks are sufficiently stocked with nutritious, frequently requested items.

Source: America's Milk Companies

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ethical & societal dilemma

1.1

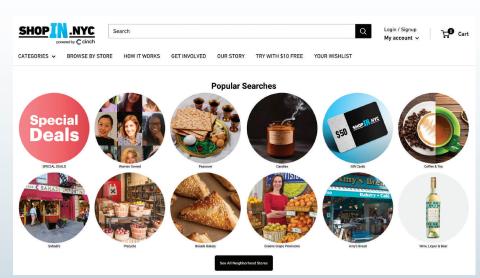
It's a Cinch: By Aggregating Local Offerings, Cinch Market Aims to Make It Easy to Shop Local

There are a lot of well-meaning, ethical consumers who desperately want to shop local, support local businesses, and (possibly) protest some of the practices adopted by Amazon. But many of these consumers also are busy, time-pressed people, without the luxury of spending their entire afternoon trekking all over town to track down each item they need. The convenience of placing a single online order and having it delivered to their homes simply outweighs the moral desire to give their business to local stores.

A solution to help people access local businesses they want to patronize is precisely what Cinch Market seeks to do for shoppers in Brooklyn. The online aggregator lists the stock in inventory at scores of local stores, enabling people to place a single order that gets them a candle from one small retailer, toys from another, and pastries from the nearby bakery. A Cinch Market employee visits each of the local stores, gathers the items, and then has them delivered to the shopper's home.

Beyond the specific offerings and services, Cinch Market promises shoppers that they can feel good about their purchases by making its three guiding, ethical principles clear and part of all its marketing communications. We can paraphrase those principles as follows:

 Community over Profit. People place orders, and businesses provide them, and that's part of what makes a strong community. Cinch Market does not charge direct



Marketing firms like Cinch can benefit society at large. This online marketplace helps small retailers and their communities by making it easy to shop local.

Source: shop!N.nvc

fees to either consumers or companies; it supports itself by taking a percentage share of each sale and charging delivery fees.

- Take Good Care of Each Other. The wages for the delivery staff range \$20–\$25 per hour, and they also can earn tips, making it a viable employment option.
- We Are Better Together. Claiming no "secret" mission, the company relies on building scale to reduce costs overall, noting, "When we team up, we all succeed by keeping money in our community."

In line with its promise to put community first, Cinch launched a special "back-to-school" section, curated by local families for local families. In this first experiment with such a hybrid model, Cinch sought to demonstrate that special promotions and marketing events allow teams of local, relevant businesses to work in collaboration with

the community, which then enables them to provide precisely what those neighbors and consumers need. As a manifestation of its goal to take good care, it also ensured that local schools received a percentage of each transaction.

So far, the model has been gaining traction; more retailers continue to join the platform. Cinch Market expects to double the number of stores from which shoppers can order. It also plans to expand its geographic reach to the Upper West Side of Manhattan. Furthermore, it highlights a different comparison with Amazon: Whereas Amazon charges sellers a 15 percent fee on all sales through its site, Cinch Market gets a maximum of 9 percent.

For local retailers, Cinch Market thus represents a much better deal, as long as the sales to patrons in its community are sufficient to keep it in business. For those patrons, the platform represents an appealing way to feel good about buying items.

Marketing also can aim to benefit an entire industry or society at large. Ethical & Societal Dilemma 1.1 details how an online marketplace is seeking to help both small retailers and their communities, by making it easy to shop local. Beyond the local community, the dairy industry as a whole targets its "Milk Life" campaign at various target segments worldwide, including parents, their children, and athletes. Through this campaign, the allied milk producers have created high levels of awareness about the benefits of drinking milk, including the high levels of protein,

potassium, and calcium it provides. The focus is largely on how drinking milk for breakfast fits in with a healthy lifestyle that helps people maintain their focus, weight, and muscle mass. Even the industry's charitable campaigns resonate with this notion: The Great American Milk Drive, run in conjunction with Feeding America, seeks to ensure that local food banks are sufficiently stocked with nutritious, frequently requested items. Such campaigns benefit the entire dairy industry and promote the health benefits of drinking milk to society at large.²³

value Reflects the



relationship of benefits to costs, or what the consumer it's black." Manufacturers were congets for what they give. cerned with product innovation, not with satisfying the needs of in-

dividual consumers, and retail stores typically were considered places to hold the merchandise until a consumer wanted it.²⁵

Sales-Oriented Era

Between 1920 and 1950, production and distribution techniques became more sophisticated; at the same time, the Great Depression and World War II conditioned customers to consume less or manufacture items themselves, so they planted victory gardens instead of buying produce. As a result, manufacturers had the capacity to produce more than customers really wanted or were able to buy. Firms found an answer to their overproduction in becoming sales oriented: They depended on heavy doses of personal selling and advertising.

Market-Oriented Era

After World War II, soldiers returned home, got new jobs, and started families. At the same time, manufacturers turned from focusing on the war effort toward making consumer products. Suburban communities, featuring cars in every garage, sprouted up around the country, and the new suburban fixture, the shopping center, began to replace cities' central business districts as the hub of retail activity and a place to just hang out. Some products, once in limited supply because of World War II, became plentiful. And the United States entered a buyers' market—the customer became king! When consumers again had choices, they were able to make purchasing decisions on the basis of factors such as quality, convenience, and price. Manufacturers and retailers thus began to focus on what consumers wanted and needed before they designed, made, or attempted to sell their products and services. It was during this period that firms discovered marketing.

Value-Based Marketing Era

Most successful firms today are market oriented. That means they generally have transcended a production or selling orientation and attempt to discover and satisfy their customers' needs and wants. Before the turn of the 21st century, better marketing firms recog-

> nized that there was more to good marketing than simply discovering and providing what consumers wanted and needed; to compete successfully, they would have to give their customers greater value than their competitors did. (The importance of value is appropriately incorporated into the AMA definition of marketing.)

Value reflects the relationship of benefits to costs, or what you get for what you give. 26 In a marketing

Progress Check

- 1. What is the definition of marketing?
- 2. Marketing is about satisfying.
- 3. What are the four components of the marketing mix?
- 4. Who can perform marketing?

LO 1-2

Detail the evolution of marketing over time.

THE IMPORTANCE OF MARKETING OVER TIME

Firms spend billions of dollars in the United States and worldwide on marketing initiatives. Without such spending, and the marketing jobs associated with it, the global economy would plummet. For example, ad revenue allows companies to offer free services to consumers. Without those advertisements and the revenues they provide, these search engines would have to pass on the costs of their operations to customers. Consider that the total digital advertising revenue in the United States is well over \$100 billion.²⁴ Imagine if consumers had to bear all those costs to access the benefits of search engines!

But marketing didn't get to its current level of prominence among individuals, corporations, and society at large overnight. To understand how marketing has evolved into its present-day, integral business function of creating value, let's look for a moment at some of the milestones in marketing's short history (see Exhibit 1.5).

Production-Oriented Era

Around the turn of the 20th century, most firms were production oriented and believed that a good product would sell itself. Henry Ford, the founder of Ford Motor Company, once famously remarked, "Customers can have any color they want so long as

▼ EXHIBIT 1.5 Marketing Evolution: Production, Sales, Marketing, and Value



Photos (left to right): Ryan McVay/Photodisc/Getty Images; Clement Mok/Photodisc/Getty Images; Lawrence Manning/Corbis/Getty Images; Ryan McVay/Photodisc/Getty Images; Mark Dierker/McGraw Hill

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context, customers seek a fair return in goods and/or services for their hard-earned money and scarce time. They want products or services that meet their specific needs or wants and that are offered at a price that they believe is a good value. A good value, however, doesn't necessarily mean the product or service is inexpensive. If it

In a marketing context, customers seek a fair return in goods and/or services for their hard-earned money and scarce time.

did, luxury goods manufacturers would go out of business. The luxury brand Hermès derives much if its value from its exclusivity and reputation, as explained in Adding Value 1.2. Customers are willing to pay for all types of goods at virtually any price level because to those buyers, what they get in return for what they pay represents a good value.

Adding Value 1.2

A Lipstick Option for Those Who Dream of a Hermès Bagⁱⁱⁱ

The ultra-luxury brand Hermès is known primarily for its extremely highpriced handbags and scarves, luxury items that, by design, few people can afford. But it also claims that it should be known for quality, regardless of the products that bear its brand. Thus, when it ventures into a new market, such as by introducing lipsticks (with the promise of other cosmetics to follow), it features the same design, production, and ingredient standards that it would apply to anything it makes.

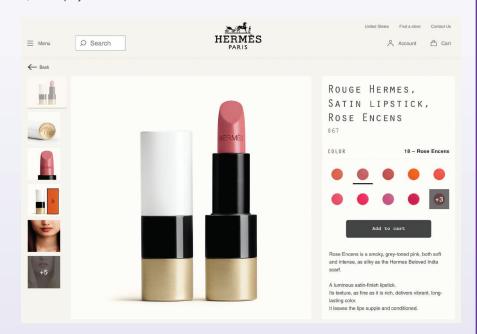
Hermès is notable for still relying on traditional production methods; an estimated 70 percent of the products that bear its logo are produced in-house, often with handmade processes. This dedication to artisanship has persisted even as the company has grown, from 2,600 employees in

the early 1990s to 14,500 workers today and earning around \$6.8 billion in revenues. Such growth strongly depends on its expanding product range. The lipstick is a recent example, though Hermès also has introduced perfume as well as furniture and tableware to move beyond its traditional leather bags and silk scarves.

Yet even as it produces a more diverse range of goods, Hermès insists on high-quality production processes. In developing its new lipstick line, the company underwent two years of dedicated research and development. It hired a makeup expert who previously worked for Chanel and other high-end brands, who then spearheaded a team that included various existing employees and Hermès experts: its women's line artistic director, the head perfumer, and the creative director for accessories, for example.

The contributions of these different expert innovators guaranteed consistency with the Hermès image. Consider, for example, that the matte textured versions of the lipstick mimic the company's fine-grained suede products, whereas its satin version evokes the calfskin leather that marks its famously soft bags. The refillable case is made out of the same brass that appears on shoes and bags. The 24 shades in which the lipstick is available all were inspired by the company's libraries of fabric swatches and pigmentation formulas, which it has used for decades to design its scarves.

In line with these luxury design and production processes, the lipstick is not inexpensive: \$67–\$72 for the initial tube, with refills selling for \$42. Yet Hermès is unlikely to earn substantial profits from these sales, compared with a single sale of a Birkin bag, which can cost hundreds of thousands of dollars. But the company insists that profits are not its primary driver. Rather, it wants to establish its reputation and image as a company that consumers can trust to provide them with the highest quality, regardless of what they purchase. It wants people to refill their classically designed lipstick tube repeatedly over the years, secure in their knowledge that they are getting the very best cosmetics available because Hermès promises it is so.



Value is the relationship of what you get for what you give. The Hermès lipstick costs several times the amount of a lipstick purchased at a drugstore or discount store. But its customers derive its value based on Hermès' exclusivity and reputation.

Source: Hermès



KitchenAid offers stand mixers in a variety of eye-catching colors with compatible attachments to build a valuable relationship with its customers.

Tinxi/Shutterstock

A creative way to provide value to customers is to engage in **value cocreation**.²⁷ In this case, customers act as collaborators to create a product or service that appeals mostly to them, such that it offers optimal value. When clients work with their investment advisers, they cocreate their investment portfolios; when Betabrand allows customers to vote on the style and fabric of the items of clothing it will produce and sell, the process also represents cocreating.²⁸

During the past couple of decades, as a way to build value, marketers have used a relational orientation because they have realized that they need to think about their customers in terms of relationships rather than transactions.²⁹ To build relationships, firms focus on the lifetime profitability of the relationship, not how much money is made during each transaction. Thus, KitchenAid offers its stand mixers in a variety of eye-catching colors that make it a meaningful fixture in customers' kitchens. A variety of compatible attachments, such as pasta rollers, ensure that consumers maintain a long-term relationship with the company even as their culinary needs might shift or grow.³⁰ This relationship approach uses a process known as customer relationship management (CRM), a business philosophy and set of strategies, programs, and systems that focus on identifying and building loyalty

among the firm's most valued customers. Firms that employ CRM systematically collect information about their customers' needs and then use that information to target their best customers with the products, services, and special promotions that appear most important to them.

In the next section, we explore the notion of value-based marketing further. Specifically, we look at various options for attracting customers by providing them with better value than the competition does. Then we discuss how firms compete on the basis of value. Finally, we examine how firms transform

the value concept into their valuedriven activities.

value cocreation

Customers act as collaborators with a manufacturer or retailer to create the product or service.

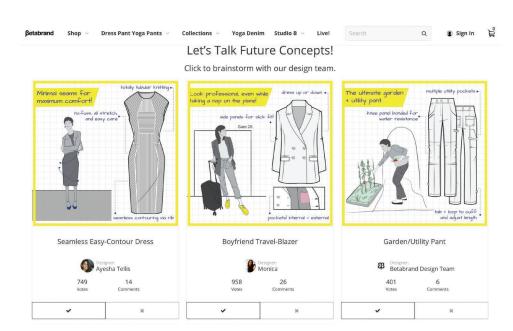
relational
orientation A method
of building a relationship
with customers based on
the philosophy that buyers
and sellers should
develop a long-term
relationship.

customer relationship management

(CRM) A business philosophy and set of strategies, programs, and systems that focus on identifying and building loyalty among the firm's most valued customers.



1. What are the various eras of marketing?



Betabrand engages in value cocreation by allowing customers to vote on the style and fabric of the items of clothing it will produce and sell.

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Source: Betabrand

Describe how marketers create value for a product or service.

HOW DOES MARKETING CREATE VALUE, AND HOW DO FIRMS BECOME MORE VALUE DRIVEN?

Value stems from four main activities that value-driven marketers undertake. We describe them in the remainder of this chapter, and these four activities also are reflected in the contents of the boxes that appear throughout this book: Adding Value, Marketing Analytics, Social & Mobile Marketing, and Ethical & Societal Dilemma. First, to ensure that their offerings are valuable, firms leverage all the various elements of marketing and work to build relationships with partners and customers to introduce their product, service, or idea to the marketplace at just the place and time that customers want it. Second, they gather vast information about customers and competitors and then analyze and share it across their own organization and with other partner firms, such as those that provide promotion and social media services. Third, they strive to balance the benefits and costs of their offerings for not just themselves and their customers, but also their communities and society as a whole. Fourth, they take advantage of new technologies and connect with their customers using the latest social media channels.

Adding Value

As we have noted consistently, value is central to marketing. Thus, the first element we describe appears frequently throughout the book, in boxes that we call Adding Value. Value-oriented marketers constantly measure the benefits that customers perceive against the cost of their offerings. They use available customer data to find opportunities to satisfy their customers' needs better, keep down costs, and develop long-term loyalties.

Marketing Analytics

Modern marketers rely on sophisticated data analytics to define and refine their approaches to their customers and their markets. The growth of big data and the associated challenges are inescapable, so the Marketing Analytics boxes in this text-book detail their implications for a wide range of organizations and firms, as well as their customers. In particular, companies such as Starbucks, CVS, Kroger, Netflix, and Amazon collect massive amounts of data about how, when, why, where, and what people buy and then analyze those data to inform their

choices. Marketing Analytics 1.1 gives an account of how Hertz uses a loyalty program enhanced with customers' biometric information (e.g., fingerprints, face scan) to improve car rental experiences.

Social and Mobile Marketing

Marketers have steadily embraced new technologies such as social and mobile media to allow them to connect better with their customers and thereby serve their needs more effectively. The Social & Mobile Marketing boxes that crop up in several chapters aim to provide timely views on some of the most prominent examples. Businesses take social and mobile media seriously and include these advanced tools in the development of their marketing strategies. Social media ad spending is growing, forecasted to increase by 20 percent, to \$43 billion, as of 2020. That's largely because approximately 3.6 billion people use social media worldwide, 99 percent of whom link to social media sites through their mobile devices. Social & Mobile Marketing 1.1 shows how TikTok attracts young viewers with streams of people sleeping, hoping the viewers will donate virtual coins to the sleeping people's accounts.

Yet even with this astounding penetration, less than 30 percent of the world's population uses Facebook—which means over 70 percent still has not signed up. The United States and United Kingdom may be approaching saturation, but there is still huge growth potential for social networks, particularly in less developed nations and rapidly developing economies.³³ For example, China already counts about 9.27 million social network users, but by 2025, that number is likely to exceed 1.1 billion.³⁴

Beyond social media sites, online travel agencies such as Expedia, Travelocity, Orbitz, Priceline, Booking.com, and Kayak have become the first place that users go to book travel arrangements. These agencies account for approximately 39 percent of the digital travel market, and 52 percent of Millennial customers prefer their offerings over booking directly with a hotel.³⁵ In response, hotels are using social media and



Kroger collects massive amounts of data about how, when, why, where, and what people buy and then analyzes those data to better serve its customers.

Daniel Acker/Bloomberg/Getty Images

FINAL PAGES





Marketing Analytics

1.1

Scan Your Face, Drive Away in Less Than a Minute: Using **Biometrics at Hertz Rental** Locationsiv

A modern business traveler arrives at Atlanta's Hartsfield-Jackson International Airport, one of the busiest in the world, tired and ready to get to her meeting or his hotel for the evening. But getting there requires renting a car, and despite the customer's long history with and loyal patronage of the rental company, even the best option demands that the weary traveler spend several minutes filling out paperwork before getting on the road. In the modern era of biometrics, though, such limits may soon be a thing of the past.

The car rental company Hertz has partnered with a biometrics service provider called Clear to create a function that recognizes loyal customers using facial, iris, or fingerprint scans. With just a quick scan, the customer can grab her or his desired car and be off the rental lot in just about 30 seconds.

Here's how the process works: Customers must first register with Clear, which costs about \$180 per year (plus \$50 for additional family members). Once they have an account, they can use it at various sites to speed up their access and ingress into secured areas, such as sports arenas or airport terminals. The account maintains extensive biometric information about them, so any company affiliated with Clear can check whether customers are who they say they are by scanning their iris or fingerprint.

With Hertz, the service allows members of the loyalty program to arrive at the lot, choose whichever car they want, and then pull up to a kiosk that



Hertz creates customer value by using biometrics to create a function that recognizes loyal customers using facial, iris, or fingerprint scans.

Jeff Martin/AP Images

scans their driver's license and iris. Having confirmed the match and the customer's account with the company, it raises the egress gate and sends the traveler off down the road.

As a result, a process that took about 2 minutes under the best conditions can be shortened to about 30 seconds. Such speed is especially beneficial at busy arrival times, such as Monday mornings, when the queues to get out of the rental lot can accumulate quickly. Its success in Atlanta has encouraged Hertz to announce plans to introduce it to other busy hubs, including the Los Angeles and JFK International Airports.



By using hotels' Facebook pages or mobile apps to make travel arrangements, the check-in process is a breeze for guests.

Erik Isakson/Blend Images/Getty Images

mobile applications to lure customers back to their specific brands by engaging in conversations with them on Facebook and allowing fans of the page to book their hotel reservations through Facebook. Some hotel chains have mobile applications that allow customers to accrue loyalty points, make changes to their reservations, customize their room, and even use their phone as a room key. The hotels know a lot about their customers because they collect information about their previous visits, including the type of room they stayed in, their preferences (from pillows to drinks consumed from the minibar), and the type of room service they prefer.³⁶

Several restaurant chains are exploiting location-based social media applications.³⁷ By using location-based apps on their mobile phones, customers can check in with HappyCow to find nearby vegetarian restaurants or with Eaten to find specific dishes that are well rated by users.

In the UK, the app Too Good To Go has partnered with 1,381 food stores to match hungry customers to restaurants and

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1.1





Social & Mobile Marketing

Marketing Your TikTok Account by . . . Sleeping?

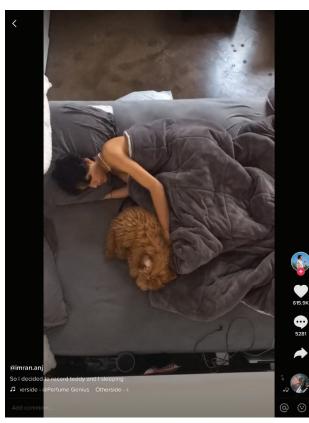
Although a lot of the examples we use throughout this book refer to companies conducting marketing campaigns for their products, the modern world also allows a different form of marketing that promotes people's individual "brands." For example, on TikTok, young users seek to establish appealing streams to attract more followers, who then might donate virtual coins to their accounts.

Most efforts involve entertaining displays of dancing, effective edits and silly cuts, or other exciting and engaging content. But in a new development, TikTokers are finding that they can expand their reach by streaming a far less active view, namely, of themselves sleeping. Because the service enables followers to comment on livestreams, which are not archived, the dark, static background provided in sleep videos creates an ideal setting for chats. In a sense, the quiet TikTok streams, unlike the often nearly manic activity in other videos, give the consumers a blank screen on which they can achieve their consumption goals, such as establishing connections with other consumers.

It isn't just sleep, though; one TikTok account showed a pyramid of Solo cups, along with a note indicating that the account holder was asleep in the next room while the livestream was playing. Essentially, any static or calming image can work to provide consumers with the format they desire to meet their needs to connect with other TikTok users.

In return for establishing this calming, valuable setting, the posters earn hundreds or thousands of new followers. The digital coins some viewers donate also might earn them some payment. Several users report receiving about \$10–\$50 per session—not enough to support them maybe, but far more than they would have accrued if they were just sleeping without sharing it with the TikTok universe.

Other platforms also feature some sleep videos, though some of them expressly ban this content. For example, Twitch requires content creators to continue playing the video games they livestream rather than leaving the feed unattended. However, the difficulty of monitoring such attendance means that similar videos, of gamers



TikTok attracts young viewers with streams of people sleeping, hoping the viewers will donate virtual coins to the sleeping people's accounts.

Source: TikTok

who have fallen asleep at their consoles, also have attracted followers and literally millions of shared views across other platforms. The modern economy might be digital; is it also perhaps best described as somnolent?

stores with surplus food that would otherwise go to waste. The surplus food is offered at a discounted price as long as the user can pick it up at a designated time. App users can enter their location to see the availability of food options nearby and the pickup times being offered.³⁸

Ethical and Societal Dilemma

Should marketing focus on factors other than financial profitability, like good corporate citizenry? Many of America's best-known corporations seem to think so—they have undertaken various marketing activities such as developing greener products,

making healthier food options and safer products, and improving their supply chains to reduce their carbon footprint. At a more macro level, firms are making ethically based decisions that benefit society as a whole, while also considering all of their stakeholders as the issue in Ethical & Societal Dilemma 1.2 exemplifies. It highlights a trade-off between achieving sustainability by reducing single-use straws and ensuring accessibility for consumers with disabilities, older people, and young children. This revised view of the responsibilities and roles of marketers reflects a concept we refer to as *conscious marketing*, which we cover in more detail in Chapter 4.



ethical & societal dilemma

1.2

After Axing Straws, Starbucks Still Faces Criticism for Single-Use Plastic^{vi}

Facing substantial pressures—and following its own several years' old sustainability commitments—Starbucks sought ways to make substantial changes to its cup designs and eliminate single-use plastic straws that cannot be recycled. The coffee retailer thus developed a new sippy cup—type lid that takes the place of a straw. Straws will continue to be available at the chain by customer request; however, those straws will be made from an alternative material such as paper or compostable plastic.

Environmentalists appreciate the consumer and industry buzz generated by this change, yet many insist that the chain's actions are insufficient and, in some ways, have made its environmental impact worse. Starbucks touts the new lids by noting that they contain 9 percent less plastic than the lid-plusstraw combination in previous designs. But the new lids also are made from polypropylene, a type of plastic that has become more difficult to recycle. Most facilities in the United States cannot recycle this type of plastic and will instead ship the material overseas for processing. Historically China was the largest market for polypropylene, but that country recently banned further imports of it. Instead, polypropylene has been rerouted to facilities in Thailand, Malaysia, and Vietnam. However, environmentalists warn that the recycling infrastructure within these countries is inadequate, and much of the imported recycling material ultimately is being dumped into the ocean instead of being processed for new use. Those damages affect the entire planet, so it is not as if Starbucks can simply export the problem.

Other retailers in the food service industry have taken steps to address single-use plastic on a more comprehensive scale. The food service company Aramark has announced its commitment to reducing plastic broadly by evaluating its uses in straws, stirrers, bags, cutlery, bottles, take-out containers, and packaging from suppliers. As this example shows, the problem of plastic recycling is far from limited to straws; indeed, the drinking tools account for a relatively small percentage of the overall volume of plastic that pollutes waterways.



To help meet its sustainability commitments, Starbucks developed a new lid that takes the place of a straw.

Spit Photography/Shutterstock

Still, Starbucks' plan just to eliminate single-use straws by replacing them with larger lids that cannot easily be recycled seems inadequate. As public attention continues to focus on the environmental impact created by single-use plastic, Starbucks will likely need to reevaluate its practices once again to find ways it can make more meaningful changes.

Socially responsible firms recognize that including a strong social orientation in business is a sound strategy that is in both its own and its customers' best interest. It shows the consumer marketplace that the firm will be around for the long run and can be trusted with the marketplace's business. In a volatile market, investors view firms that operate

Socially responsible firms recognize that including a strong social orientation in business is a sound strategy that is in both its own and its customers' best interest.

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Too Good To Go is a UK-based app that has partnered with 1,381 food stores to match hungry customers to restaurants and stores with surplus food that would otherwise go to waste.

Guillaume Payen/SOPA Images/LightRocket/Getty Images

with high levels of corporate responsibility and ethics as safe investments. Similarly, firms have come to realize that good corporate citizenship through socially responsible actions should be a priority because it will help their bottom line in the long run.39



Progress Check

- 1. Does providing a good value mean selling at a low price?
- 2. How are marketers connecting with customers through social and mobile media?



Increase your learning and engagement with Connect Marketing.

These resources and activities, available only through your Connect course, help make key principles of marketing concepts more meaningful and applicable:

- SmartBook 2.0
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Design elements: Icons for Adding Value, Marketing Analytics, Ethical & Societal Dilemma, and Progress Check boxes: McGraw Hill; icon for Social & Mobile Marketing box: Stanislaw Miklski/Shutterstock; Rose Carson/Shutterstock

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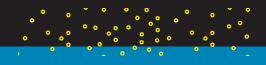












chapter **2**

developing marketing strategies and a marketing plan

Learning Objectives

After reading this chapter, you should be able to:

- LO 2-1 Define a marketing strategy.
- **LO 2-2** Describe the elements of a marketing plan.
- LO 2-3 Analyze a marketing situation using SWOT analyses.
- **LO 2-4** Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.
- LO 2-5 Outline the implementation of the marketing mix as a means to increase
- LO 2-6 Summarize portfolio analysis and its use to evaluate marketing performance.
- LO 2-7 Describe how firms grow their business.

he corporate name of the company that produces and sells popular food and beverage brands such as Gatorade, Frito-Lay, Lipton, Tropicana, Quaker, and Mountain Dew—PepsiCo—signals which of the products in its portfolio have been the most important historically. The company began by

selling carbonated beverages, but today it earns its revenues across a diverse portfolio of snack and drink categories. This development reflects PepsiCo's careful analysis of the market and efforts to ensure that it continues to attract a wide range of consumers by offering many types of products. To do so, PepsiCo specifically continued on p. 24





continued from p. 23

aims to establish the variety, ubiquity, desirability, and value of every product it sells.¹

Those aims also resonate with its current corporate motto: "Winning with Purpose." It signals PepsiCo's goals to improve its products but also the planet and the well-being of the people who consume them. For example, noting consumer trends and increasing interest in healthy options, PepsiCo announced its commitment to providing healthier options. At the same time, it is determined to leverage its expertise to get its products into the hands of consumers by continuing to innovate and expand its creative and competitive initiatives, all while working to retain its existing market share.²

A key opportunity rests with growing groups of consumers who search for healthy options, even when they are consuming usually guilt-inducing snacks. PepsiCo's dedicated portfolio of "guilt-free products" includes both "everyday nutrition products," offering sufficient daily servings of grains, proteins, and vegetables, and items with lower levels of unhealthy ingredients, such as beverages with fewer than 70 calories or low-sodium snacks. Demand is so great that the guilt-free category now accounts for 45 percent of PepsiCo's total revenue.³ Moreover, it anticipates sales of everyday nutrition products to experience the highest increases across its offerings in coming years.

Some of the company's growth, reflecting its efforts to serve these expanding markets, in turn has come about through smart acquisitions of new brands. To increase its healthy snack offerings in particular, in 2018 PepsiCo acquired Bare Foods Company, a brand that sells baked chips made from bananas, apples, coconuts, and other simple (and non-GMO) ingredients. Beyond adding to the list of PepsiCo snacking options, the integration of Bare Foods Company enhances the company's position in the healthy foods category. Notably, Bare Foods' fruit snacks appear in the produce section of grocery stores rather than the snack aisle, meaning that PepsiCo products are moving into new sectors of the store as well as of the consumer market.⁴

Acquisitions are not sufficient to maintain its massive presence, though, so PepsiCo also invests in research to develop new, improved products, whether as radically new introductions or enhanced

versions of its current offerings. Continuing with the pursuit of more nutritious snack foods, it developed a revised version of its well-known tortilla chips, the Simply Tostitos Black Bean Tortilla Chips, which promise to help consumers get enough protein and fiber in their diets.⁵

Whether through acquisitions or innovations, PepsiCo actively works to break into new markets that previously had been populated mainly by smaller brands. Noting the rise in popularity of flavored seltzer water, a market dominated by brands such as LaCroix and Perrier, PepsiCo created and launched the bubly brand, offering a range of flavored sparkling waters. By 2020, bubly already had gained nearly 10 percent share in the flavored sparkling water market. This successful product launch leverages nearly all of PepsiCo's vast resources, including its substantial marketing budget and already wide reach. It also demonstrates the importance of a good portfolio fit: bubly aptly embodies the "Winning with Purpose" motto by providing a relatively healthy beverage option with zero calories that the company also has packaged innovatively, in plastic-free containers.

Of course, PepsiCo is not the only major beverage company seeking to appeal to consumers. Carbonated beverages remain an important part of the company's product portfolio, and in these segments, Coca-Cola and Dr Pepper Snapple are actively in pursuit of more market share. The fast pace of PepsiCo's adaption to new trends gives it an edge over the competition, though. In particular, its addition of bubly to its product line helped convince JetBlue to enter into an agreement to serve only PepsiCo products on its flights. Coca-Cola formerly held the contract but then proved unable to provide the sparkling water options that JetBlue customers have started to demand and that the airline is determined to provide.

For PepsiCo, the challenge of declining soda consumption worldwide cannot be ignored. But by identifying and recognizing the growing popularity of healthy food and beverage options, and then responding with creative, innovative products that customers seek, PepsiCo has established a strong marketing strategy. Catering to consumers and adjusting portfolios to reflect trends and market changes represents a recipe for strong growth and corporate longevity.



LO 2-1

Define a marketing strategy.

WHAT IS A MARKETING STRATEGY?

A marketing strategy identifies (1) a firm's target market(s), (2) a related marketing mix (its four Ps), and (3) the bases on which the firm plans to build a sustainable competitive advantage. A sustainable competitive advantage is an advantage over the competition that is not easily copied and can be maintained over a long period of time. A competitive advantage acts like a wall that the firm has built around its position in a market. This wall makes it hard for outside competitors to contact customers inside-otherwise known as the marketer's target market. Of course, if the marketer has built a wall around an attractive market, competitors will attempt to break down the wall. Over time, advantages will erode because of these competitive forces, but by building high, thick walls, marketers can sustain their advantage, minimize competitive pressure, and boost profits for a longer time. Thus, establishing a sustainable competitive advantage is key to long-term financial performance.

For Pepsi, this wall involves the bricks of a strong brand and a loyal customer base, which were built on the foundation of its strong innovative capabilities. Customers around the world know Pepsi and consider it a primary "go-to" brand if they want a refreshing drink. This positioning reflects Pepsi's careful targeting and marketing mix implementation. In terms of the four



An important component of Pepsi's sustainable competitive advantage is that it is constantly adding new products such as Pepsi Real Lime and Pepsi Wild Cherry.

McGraw Hill

marketing strategy

A firm's target market, marketing mix, and method of obtaining a sustainable competitive advantage.

sustainable competitive advantage Something the firm can persistently do better than its competitors.

Ps (as we described them in Chapter 1), Pepsi already has achieved product excellence with its signature colas, Pepsi and Diet Pepsi. It also is constantly adding new products to its product line, such as new flavor options like Pepsi Real Lime and Pepsi Wild Cherry. These items not only are interesting product innovations but also

offer product benefits, in that they contain real fruit juice. 10

Furthermore, the Pepsi brand is owned by a parent company, PepsiCo, that also owns many of the top snack brands; other cola lines; and additional products such as Lay's, Quaker, Mountain Dew, and Naked-among dozens of others. 11 To market its products, it relies on an extensive distribution network that places its familiar and appealing brands in stores in more than 200 countries.¹² Its pricing also is competitive and strategic. For example, customers can readily access a quick drink from a Pepsi soda fountain at a higher price by volume, or they can pay a little less per liter and buy larger, two-liter bottles to store and consume at home. Central to its promotion efforts are Pepsi's celebrity endorsements. Pepsi partners with some of the world's biggest musicians, including Cardi B and Beyoncé, 13 and it incorporates musicians into various marketing strategies. For example, Michael Bublé jokes about pronunciation in advertising that promotes bubly, and a Doritos ad features both Chance the Rapper and the Backstreet Boys. 14 The inclusion of Now United, a pop group with members from 15 countries, provides a sponsorship designed to signal and represent Pepsi's global audience and influence, as also demonstrated by its own sponsorship of major sports events, such as the Super Bowl and UEFA Champions League playoffs. 15

There are four macro, or overarching, strategies that focus on aspects of the marketing mix to create and deliver value and to



Endorsements of major sports events such as the Union of European Football Associations' (UEFA) Champions League playoffs are central to Pepsi's promotional strategy.

Tim Clayton/Corbis/Getty Images

Having a strong brand, unique merchandise, and superior customer service all help solidify a loyal customer base. In addition, having loyal customers is, in and of itself, an important method of sustaining an advantage over competitors.

develop sustainable competitive advantages, as we depict in Exhibit 2.1:16

- · Customer excellence: Focuses on retaining loyal customers and excellent customer service.
- Operational excellence: Achieved through efficient operations and excellent supply chain and human resource man-
- Product excellence: Having products with high perceived value and effective branding and positioning.
- Locational excellence: Having a good physical location and Internet presence.

Customer Excellence

Customer excellence is achieved when a firm develops valuebased strategies for retaining loyal customers and provides outstanding customer service.

▼ EXHIBIT 2.1 Macro Strategies for Developing Customer Value



Retaining Loyal Customers Sometimes the methods a firm uses to maintain a sustainable competitive advantage help attract and maintain loyal customers. For instance, having a strong brand, unique merchandise, and superior customer service all help solidify a loyal customer base. In addition, having loyal customers is, in and of itself, an important method of sustaining an advantage over competitors.

Loyalty is more than simply preferring to purchase from one firm instead of another.¹⁷ It means that customers are reluctant to patronize competing firms. Loyal customers drink Pepsi even if Coca-Cola goes on sale. More and more firms realize the value of achieving customer excellence by focusing their strategy on retaining loyal customers. PepsiCo doesn't think in terms of selling a single case of Mountain Dew for \$15; instead, it focuses on satisfying customers who buy various bottles or cans to keep in their homes all the time, including Mountain Dew for the kids, Diet Pepsi for the adults, and Pepsi for guests. It also considers whether those consumers might want some salty snacks to go with their beverages and how it can help them combine those desires through the purchase of multiple PepsiCo products. Even if we just consider cola purchases, it is reasonable to imagine that a household of cola consumers might buy 50 cases of carbonated beverages every year for something like 20 years. In this case, the consumer is not a \$15 customer who bought a single case; by combining all purchases for the family over the years, we determine that this household represents a \$15,000 customer! Viewing customers with a lifetime value perspective rather than on a transaction-by-transaction basis is key to modern customer retention programs.¹⁸

Another method of achieving customer loyalty creates an emotional attachment through loyalty programs. These loyalty programs, which constitute part of an overall customer relationship management (CRM) program, prevail in many industries, from airlines to hotels to movie theaters to retail stores. With such programs, firms can identify members through the loyalty card or membership information the consumer provides when they make a purchase.

Using that purchase information, analysts determine which types of merchandise certain groups of customers are buying and thereby tailor their offering to better meet the needs of their loyal customers. For instance, by analyzing their databases, banks develop profiles of customers who have defected in the past and use that information to identify customers who may defect in the future. Once it identifies these customers, the firm can implement special retention programs to keep them.

customer excellenceInvolves a focus on retaining loyal customers and

excellent customer service.

excellence Involves a

supply chain management,

and strong relationships

firm's focus on efficient

operations, excellent

with its suppliers.

operational



Providing Outstanding Customer Service

Marketers also may build sustainable competitive advantage by offering excellent customer service, ¹⁹ though consistency in this area can prove difficult. Customer service is provided by employees, and, invariably, humans are less consistent than machines. Firms that offer good customer service must instill its importance in their employees over a long period of time so that it becomes part of the organizational culture.

Disney offers excellent examples of how it retains loyal customers and provides outstanding customer service. First, Disney's MyMagic system enables visitors to use a dedicated Disney app to get on rides, make purchases, and open their hotel room door, as well as make dinner reservations or check in for rides throughout the park and its grounds. The system also enables Disney to collect a remarkable amount of information about what each guest is doing at virtually every moment of his or her visit to its theme parks.²⁰

Second, its customer service is virtually unparalleled. Visitors to Disney parks are greeted by "assertively friendly" staff who have been extensively trained to find ways to communicate positively with customers and provide better service. The training includes information about how to recognize the signs that a visitor is lost, so the Disney employee can offer help locating a destination. It also highlights the need to communicate frequently and collaboratively about every aspect of the park, so a custodian at one end of the Magic Kingdom likely knows what time a restaurant on the other side opens.²¹

Although it may take considerable time and effort to build such a reputation for customer service, once a marketer has earned a good service reputation, it can sustain this advantage for a long time because a competitor is hard-pressed to develop a comparable reputation.

Disney's MyMagic system enables users to use a dedicated Disney app to get on rides, make purchases, and open their hotel room door.

parrysuwanitch/123RF

Operational Excellence

Firms achieve operational excellence, the second way to achieve a sustainable competitive advantage, through efficient operations, excellent supply chain management, and strong relationships with suppliers.

All marketers strive for efficient operations to get their customers the merchandise they want, when they want it, in the required quantities, and at a delivered cost that is lower than that of their competitors. By so doing, they ensure good value to their customers, earn profitability for themselves, and satisfy their customers' needs.

Firms achieve efficiencies by developing sophisticated distribution and information systems as well as strong relationships with vendors. Like customer relationships, vendor relations must be developed over the long term and generally cannot be easily offset by a competitor.²²

You are likely aware of, and perhaps have taken advantage of, Amazon's Prime shipping program that offers, for \$119 a year, free one-day delivery on millions of items, and even same-day and two-hour delivery in select cities. With attractive shipping options like these, how are other online retailers able to compete? Operational excellence is required for Amazon to execute this program effectively. Not only does it need to have the technology to coordinate the individual buyers, but it needs to have an effective human resource hiring program that selects and trains employees capable of going the extra mile to please its customers. 24



PepsiCo's introduction of bubly reinforced its image as a provider of excellent, refreshing, distinctive beverages.

LunaseeStudios/Shutterstock

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product excellence Involves a focus on achieving high-quality products; effective branding and positioning is key.

locational excellence A method of achieving excellence by having a strong physical location and/or Internet presence.

marketing plan A written document composed of an analysis of the current marketing situation, opportunities and threats for the firm, marketing objectives and strategy specified in terms of the four Ps, action programs, and projected or pro forma income (and other financial) statements.

Product Excellence

Product excellence, the third way to achieve a sustainable competitive advantage, occurs by providing products with high perceived value and effective branding and positioning. Some firms have difficulty developing a competitive advantage through their merchandise and service offerings, especially if competitors can deliver similar products or services easily. However, others have been able to maintain their sustainable competitive advantage by investing in their brand itself; positioning their product or service using a clear, distinctive brand image; and constantly reinforcing that image through their merchandise, service, and promotion. For example, with PepsiCo's product introductions, such as bubly, the company clearly is seeking to stake new ground with a terrific product option in a growing category and thereby reinforce its image as a provider of excellent, refreshing, distinctive beverages. Top global brands-such as Apple, Amazon, Microsoft, Google, Samsung, Coca-Cola, Toyota, Mercedes, McDonald's, Disney, and BMW-are all leaders in their respective industries, at least in part because they have strong brands and a clear position in the marketplace.²⁵

Locational Excellence

Locational excellence is particularly important for retailers and service providers. Many say, "The three most important things in retailing are location, location, location." For example, most people will not walk or drive very far when looking to buy a cup of coffee. A competitive advantage based on location is sustainable because it is not easily duplicated. Starbucks has developed a strong competitive advantage with its location selection.



Toyota is a top global brand. Lyle Setter/Icon Sportswire/Getty Images

The high density of stores it has established in some markets makes it very difficult for a competitor to enter that market and find good locations. After all, if Starbucks has a store on the corner of a busy intersection, no other competitor can take that location and will instead have to settle for a less worthy spot.

Multiple Sources of Advantage

In most cases, a single strategy, such as low prices or excellent service, is not sufficient to build a sustainable competitive advantage. Firms require multiple approaches to build a "wall" around their position that stands as high as possible.

Southwest Airlines consistently has positioned itself as a carrier that provides good service at a good value-customers get to their destinations on time for a reasonable price without having to pay extra for checked luggage. At the same time, its customers know not to have extraordinary expectations, unlike those they might develop when they purchase a ticket from Singapore Airlines. They don't expect food service or seat assignments. But they do expect-and even more important, get-on-time flights that are reasonably priced. By developing its unique capabilities in several areas, Southwest has built a very high wall around its position as the premier value player in the airline industry, which has resulted in a huge cadre of loyal customers.



Progress Check

- 1. What are the various components of a marketing strategy?
- 2. List the four macro strategies that can help a firm develop a sustainable competitive advantage.

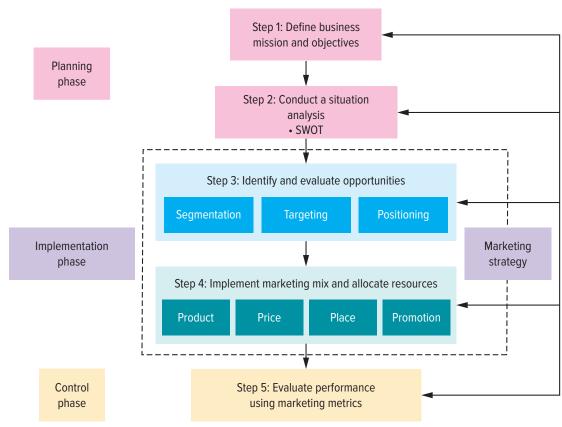
Describe the elements of a marketing plan.

THE MARKETING PLAN

Effective marketing doesn't just happen. Firms like Pepsi carefully plan their marketing strategies to react to changes in the environment, the competition, and their customers by creating a marketing plan. A marketing plan is a written document composed of an analysis of the current marketing situation, opportunities and threats for the firm, marketing objectives and strategy specified in terms of the four Ps, action programs, and projected or pro forma income (and other financial) statements.²⁶ The three major phases of the marketing plan are planning, implementation, and control.²⁷

Although most people do not have a written plan that outlines what they are planning to accomplish in the next year, and how they expect to do it, firms do need such a document. It is

▼ EXHIBIT 2.2 The Marketing Plan



important that everyone involved in implementing the plan knows what the overall objectives for the firm are and how they are going to be met. Other stakeholders, such as investors and potential investors, also want to know what the firm plans to do. A written marketing plan provides a reference point for evaluating whether or not the firm has met its objectives.

A marketing plan entails five steps, depicted in Exhibit 2.2. In Step 1 of the **planning phase**, marketing executives, in conjunction with other top managers, define the mission and/or vision of the business. For the second step, they evaluate the situation by assessing how various players, both inside and outside the organization, affect the firm's potential for success. In the **implementation phase**, marketing managers identify and evaluate different opportunities by engaging in a process known as segmentation, targeting, and positioning (STP) (Step 3). They then are responsible for implementing the marketing mix using the four Ps (Step 4). Finally, the **control phase** entails evaluating the performance of the marketing strategy using marketing metrics and taking any necessary corrective actions (Step 5).

As indicated in Exhibit 2.2, it is not always necessary to go through the entire process for every evaluation (Step 5). For instance, a firm could evaluate its performance in Step 5, then go directly to Step 2 to conduct a situation analysis without redefining its overall mission.

We first discuss each step involved in developing a marketing plan. Then we consider ways of analyzing a marketing situation, as well as identifying and evaluating marketing opportunities. We also examine some specific strategies marketers use to grow a business. Finally, we consider how the implementation of the marketing mix increases customer value.

Step 1: Define the Business Mission and Objectives

The mission statement, a broad de-

scription of a firm's objectives and the scope of activities it plans to undertake,²⁸ attempts to answer three main questions: What type of business are we?, What are our objectives?, and What do we need to do to accomplish those objectives? These fundamental business questions must be answered at the highest corporate levels before marketing executives can get involved. Although most firms value the goal of maximizing stockholders' wealth by increasing value of the firms' stock and paying dividends, modern mission statements often place more emphasis on the companies' social values and philosophies.²⁹ Still, owners of small, privately held firms frequently develop mission statements that include achieving a specific level of income and avoiding risks. Nonprofit organizations such as Pink Ribbon instead have a nonmonetary mission statement: "Pink Ribbon is organized



The part of the strategic marketing planning process when marketing executives, in conjunction with other top managers, (1) define the mission or vision of the business and (2) evaluate the situation by assessing how various players, both inside and outside the organization, affect the firm's potential for success.

implementation
phase The part of the
strategic marketing planning
process when marketing
managers (1) identify and
evaluate different
opportunities by engaging in
segmentation, targeting,
and positioning (see also
segmentation, targeting,
and positioning) and (2)
implement the marketing
mix using the four Ps.

control phase The part of the strategic marketing planning process when managers evaluate the performance of the marketing strategy and take any necessary corrective actions.

mission statement

A broad description of a firm's objectives and the scope of activities it plans to undertake; attempts to answer two main questions: What type of business is it? What does it need to do to accomplish its goals and objectives?





situation analysis Second step in a marketing plan; uses a SWOT analysis that assesses both the internal environment with regard to its **S**trengths and **W**eaknesses and the external environment in terms of its **O**pportunities and **T**hreats.

SWOT analysis A method of conducting a situation analysis within a marketing plan in which both the internal environment with regard to its **S**trengths and **W**eaknesses and the external environment in terms of its **O**pportunities and **T**hreats are examined.



Audi embraces a broad mission statement. It defines its business as mobility, and its overarching objective is to revolutionize mobility with vehicles like this full-electrical e-tron.

Art Konovalov/Shutterstock

exclusively for charitable, educational and scientific purposes. We provide information, resources and support. We promote research into the causes, prevention, treatment and a possible cure [of breast cancer]."³⁰

Let's examine the mission statement and objectives of German car manufacturer Audi, a division of Volkswagen Group.

Audi's Corporate Mission and Objectives

According to Audi, its vision is to "Unleash the beauty of sustainable mobility." To achieve this vision, it establishes a separate mission statement, namely, that it will "act purposefully, systematically and with our full efforts—in other words, consistently. That is why our mission is 'Consistently Audi." ³¹

Note the broad, general nature of Audi's vision and its mission statement. It defines its business as sustainable mobility, and its overarching objective is consistency. But what does that mean? To clarify things, its website provides key details to expand on this general vision and mission with commitments to specific objectives and ways to achieve them.

Objective 1—What? Consistently Customer-Focused It is focusing on becoming a company that always earns and achieves the highest customer satisfaction, while providing the best customer experience.

How? In addition to committing to producing innovations that are both fascinating and relevant to consumers, Audi seeks to ensure consistent customer service and support in regular interactions—online, in person, and over the phone. For example, Audi offers customers 24/7 roadside assistance.



One of Audi's corporate objectives is to develop new technologies to improve safety and traffic flows in urban areas. To that end, it is working with Airbus to develop the Pop.Up Next driving and flying transport system that will enable vertical individual, sustainable mobility.

Antonello Maranai/Shutterstock

Objective 2—What? Consistently Electric It is moving to the forefront of electric mobility.

How? It offers a strong range of premium electric models and predicts that it will sell a million electrified cars every year in the next decade.

Objective 3—What? Consistently Connected It is creating an open digital ecosystem that will make mobility safe, convenient, and individually personalized. In this effort, it is striving to make its cars an integral component of customers' digital lives.

How? Audi is systematically digitizing its processes and using digital services to open up new business models and sales potential. It has also developed a service platform, Audi Connect, that can be integrated with consumers' mobile phones, through a dedicated app.

Objective 4—What? Consistently Sustainable It is dedicated to conducting business responsibly, transparently, and with integrity and to act in harmony with ecology, as well as economy, according to a clear, long-term perspective.

How? It is developing innovative driving technologies and reducing its ecological footprint. It plans to be the number one supplier of electric vehicles among the premium car manufacturers. By 2025, it plans on reducing the CO_2 output of its entire fleet by 30 percent and aims to be completely CO_2 -neutral by at least 2050.

LO 2-3

Analyze a marketing situation using SWOT analyses.

Step 2: Conduct a Situation Analysis

After developing its mission, a firm would perform a **situation** analysis using a **SWOT** analysis that assesses both the

internal environment with regard to its Strengths and Weaknesses and the external environment in terms of its Opportunities and Threats. In addition, it should assess the opportunities and uncertainties of the marketplace due to changes in Cultural, Demographic, Social, Technological, Economic, and Political forces (CDSTEP). These factors are discussed in more detail in Chapter 5. With this information, firms can anticipate and interpret change, so they can allocate appropriate resources.

Consider how PepsiCo might conduct a SWOT analysis, as outlined in Exhibit 2.3. We focus on PepsiCo here, but we also recognize that its marketing managers might find it helpful to perform parallel analyses for competitors, such as Coca-Cola.

A company's strengths (Exhibit 2.3, upper left) refer to the positive internal attributes of the firm. In this example, the strengths we might identify include PepsiCo's diversified product portfolio and celebrity endorsements. Pepsi has signed some of the world's most recognized musicians and athletes as spokespersons, from Beyoncé to Cardi B to David Beckham.³² Building on this forte, during the COVID-19 pandemic it partnered with Global Citizen to produce a livestreamed "One World: Together at Home" concert featuring Lady Gaga, Sir Paul McCartney, Lizzo, and Billie Eilish. In addition to providing fans with virtual access to these

pop heavy-hitters, the event reflected Pepsi's determined efforts to benefit society through Global Citizenship Initiatives. This concert in particular raised funds for the World Health Organization's COVID-19 response fund. In addition, Pepsi committed \$45 million to a global initiative that would offer direct support to severely impacted communities.³³

Yet every firm has its weaknesses, and PepsiCo is no exception. Weaknesses (Exhibit 2.3, upper right) are negative attributes of the firm. In particular, PepsiCo suffers much lower global brand awareness and market share than its main rival, Coca-Cola.34 Several of the beverages it sells come in plastic bottles, but as the consumer public has become more concerned about environmental issues, many people are switching to reusable bottles. Although PepsiCo is attempting to adapt to these changes, such as by offering canned options for its

▼ **EXHIBIT 2.3** Examples of Elements in a SWOT Analysis

		Environment Evaluation	
		Positive	Negative
Pepsi	Internal	Strengths	Weaknesses
		Diverse brand portfolio Strong celebrity endorsements Successful marketing campaigns with music industry Commitment to social and environmental charitable causes	Lower brand awareness than rival Coca-Cola Less market share than rival Coca-Cola Environmentally unfriendly packaging
	External	Opportunities	Threats
		Expanding health food market Growth in global market share Acquisition of new brands	Water scarcity Popularity of reusable water bottles Soda taxes Increasing competition in the snack food market
Coca-Cola	Internal	Strengths	Weaknesses
		High market share Strong brand Strong global presence Excellent customer loyalty Supply chain	Low diversification Few healthy beverages
	External	Opportunities	Threats
		Emerging countries Diversifying products Bottled water	Water scarcity Potential market saturation Changes to labeling regulations Increasing competitors

Sources: Bitesh Bhasin, "SWOT Analysis of Pepsi—PepsiCo SWOT Analysis," Marketing 91, April 3, 2019; Hitesh Bhasin, "SWOT of Coca-Cola," Marketing 91, 2018.



STAKEHOLDER NOTICES



OUR BRANDS









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An opportunity for PepsiCo is global expansion, such as its acquisition of the African brand Pioneer Foods.

Source: PepsiCo, Inc.



ethical & societal dilemma

2.1

Exchanging a Bottle of Pepsi for a Can of Water? Finding Packaging Solutions to Environmental Commitmentsⁱ

When PepsiCo announced its ambitious plans to ensure all of its packaging material would be recyclable, compostable, or biodegradable by 2025, it was clear that a lot of changes would be coming. Its product lines, especially its familiar beverage and snack options, rely heavily and nearly universally on packaging that features substantial amounts of plastic. How could consumers get their bottled water if not in a bottle?

At the moment, the answer involves several options. One of them will be pretty familiar to Pepsi's existing consumers: Put more things in cans. That is, consumers have long been accustomed to drinking carbonated soft drinks out of cans. As we described in the opening vignette, Pepsi similarly is putting its carbonated, flavored water bubly into cans, with the promise that it will never appear in plastic bottles. It also is moving Aquafina toward aluminum can containers rather than the familiar clear plastic

bottles that have been its most common type of packaging.

For its LIFEWTR brand, Pepsi instead is experimenting with a completely recycled and recyclable type of plastic, called polyethylene terephthalate. While still officially a plastic container, this version avoids releasing the microplastics that research now indicates may be responsible for much of the environmental and oceanic degradation associated with our vast use of plastics.

The different solutions also reflect the varied branding methods that Pepsi applies to each brand. For example, bubly aims to be something different and distinct by "shaking up" the sparkling water category. Packaging the fizzy, fun beverage in cans gives a nearly unavoidable link in customers' minds with the idea of being shaken up, in a different context but with a clear cognitive link. For LIFEWTR, the brand image seeks to be inspirational, so using recycled plastics in the packaging gives a nod to the ways in which consumers can be inspired to do the right thing for the environment.

Whether these moves are sufficient remains a debate. Some scientists note the issues involved in the production and disposal of aluminum cans, for example. They assert that the best option is still to drink tap water from a container that the consumer reuses over and over. But that option isn't the best one for a company determined to sell beverages. Accordingly, Pepsi is betting that



Pepsi is responding to criticisms about its negative impact on the environment by improving its packaging: bubly is inaluminum cans, and LIFEWTR's bottle is made of a recyclable type of plastic.

McGraw Hill

by vastly reducing the amount of virgin plastic it uses, it can help consumers feel better about its drinks and thus encourage them to keep buying.



One of PepsiCo's strengths is its relationships with celebrities. During the COVID-19 pandemic it partnered with Global Citizen to produce a livestreamed "One World: Together at Home" concert featuring Andrea Bocelli, Celine Dion, Lady Gaga, Lang Lang, and John Legend (not pictured).

Abaca Press/Alamy Stock Photo

Aquafina water brand, most of its current packaging is still unsustainable from an environmental perspective.³⁵ Ethical & Societal Dilemma 2.1 goes into more detail about how PepsiCo is responding to the potential weakness of environmentally unfriendly packaging.

Opportunities (Exhibit 2.3, lower left) pertain to positive aspects of the external environment. Among PepsiCo's opportunities is the rising demand for healthy food and drink options, as we indicated in the opening vignette. That is, increasing interest in healthier options gives PepsiCo new opportunities to expand its product lines and introduce innovative, healthier options as well.³⁶ Another notable opportunity comes from growth in global markets for snacks and beverages. For example, PepsiCo acquired Pioneer Foods, an African brand, and created an operating sector for its marketing activities in sub-Saharan Africa.³⁷ PepsiCo is likely to enjoy substantial growth while also reducing its nearly exclusive reliance on the U.S. market.









Adding Value

Won't You Visit Your Neighbor? **Staycations and Travel Services** in the Pandemicⁱⁱ

So imagine (it likely won't be hard) that for some reason (say, a global pandemic) your thrilling, carefully detailed, highly anticipated summer vacation gets canceled. What do you do? According to one survey, about three-quarters of U.S. consumers simply did not take any trips in summer 2020. But at some point, most families feel desperate for a break—a chance to opt out of their daily routine, visit somewhere new, recharge their batteries, and spend quality time together. If they are not willing to get on a plane or train to do so, a staycation might be a viable alternative, suggesting a substantial marketing opportunity for various tourism service providers.

A *staycation* refers to a vacation spent at home or nearby, usually to a location easily accessible by car. Whether single-day or longer in duration, staycations encourage consumers to visit and experience local attractions rather than travel vast distances to reach less familiar attractions. As the summer of COVID-19 drew to a close, many people noted their increasing likelihood of embracing this option. They might have skipped their summer vacation, but as fall arrived, they grew more ready to take short trips.

Not only do short, accessible trips appeal to people who are hesitant to get on planes, but the pandemic-related impacts on children's schooling meant that it was increasingly possible for families to travel, even during the traditional school year. Distance learning can take place anywhere with an Internet connection, so students can attend school just as easily at a hotel as at home. The Four Seasons Hotel chain has established a dedicated service for just this purpose, which it calls a "schoolcation." It offers supervision of young guests in a dedicated learning room, equipped with socially distanced desks and high-speed

Wi-Fi. While the students engage with their teachers through video calls, supervised by hotel employees, parents can visit the hotel's golf course or spa. Then after school hours end, the family can convene at the pool, take tennis lessons from the hotel's pro, or visit nearby amusement parks. They even might participate in family cooking classes with the hotel's award-winning culinary team to prepare for dinner. For students and their families that have been stuck in their homes for a while, the Four Seasons is determined to offer them the exciting opportunity to change up their environment, while still staying safe.

Another related threat stems from the substantial economic hardships that are confronting many consumers, whose jobs might have been affected by the pandemic. Therefore, the "Experience More" package also includes credits that guests can use to purchase various resort activities, such as \$200 per night for a guest room or \$500 per night for suites. Finally, the hotel is offering 20 percent off rooms, to make this appealing option more affordable for families.



The Four Seasons hotel faced the threat of diminished visits by potential vacationers during the COVID-19 pandemic by providing a "schoolcation"—a supervised dedicated location in the hotel where its young guests can participate in online school while their parents visit the golf course or spa.

Source: Four Seasons Hotels Limited

Finally, threats (Exhibit 2.3, lower right) represent the negative aspects of the company's external environment. Water scarcity is a significant concern for PepsiCo because bottled or canned drinks demand substantial amounts of water.³⁸ In addition, increased attention to nutrition concerns and the imposition of soda taxes in some countries and cities threaten PepsiCo's position.³⁹ Competition in the snack food market also continues to increase, not just among existing players but also from new entrants that are introducing innovative, alternative snacks to appeal to niche consumers' specific preferences.⁴⁰ These are just some of the threats that PepsiCo is facing.

The most successful companies face threats and turn them into opportunities. For example, when the hotel industry was threatened by diminished visits by potential vacationers, who instead were sheltering at home during the COVID-19 pandemic, the Four Seasons Orlando figured out a way to promote local staycation options, as discussed in Adding Value 2.1.

Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.

Step 3: Identify and Evaluate **Opportunities Using Segmentation,** Targeting, and Positioning (STP)

After completing the situation analysis, the next step is to identify and evaluate opportunities for increasing sales and profits







segmentation, targeting, and positioning (STP)

Firms use these processes to identify and evaluate opportunities for increasing sales and profits.

market segment

A group of consumers who respond similarly to a firm's marketing efforts.

market segmentation

The process of dividing the market into groups of customers with different needs, wants, or characteristics—who therefore might appreciate products or services geared especially for them.

target marketing or targeting The process of evaluating the attractiveness of various segments and then deciding

which to pursue as a market.

market positioning The process of defining the marketing mix variables so

that target customers have a clear, distinctive, desirable understanding of what the product does or represents in comparison with

competing products.

using segmentation, targeting, and positioning (STP). With STP, the firm first divides the marketplace into subgroups or segments, determines which of those segments it should pursue or target, and finally decides how it should position its products and services to best meet the needs of those chosen targets. (More details on the STP process can be found in Chapter 9.)

Segmentation Many types of customers appear in any market, and most firms cannot satisfy everyone's needs. For instance, among Internet users, some do research online, some shop, some look for entertainment, and many do all three. Each of these groups might be a market segment consisting of consumers who respond similarly to a firm's marketing efforts. The process of dividing the market into groups of customers with different needs, wants, or characteristics-who therefore might appreciate products or services geared especially for them-is called market segmentation.

Let's look at Hertz, the car rental company. Exhibit 2.4 reveals some of the segments that Hertz targets. With the Adrenaline Collection, Hertz offers the Chevrolet Camaro or Corvette to appeal to thrill seekers and gearheads on vacation. Its Prestige Collection features various Mercedes-Benz and BMW models, targeting business customers and families who prefer a luxurious ride. With its Green Traveler Collection of cars such as the Toyota Prius and Ford Fusion and even some electric vehicle options in select locations, Hertz appeals to environmentally conscious customers. It also offers commercial vans for service customers with its Commercial Van/Truck Collection. 41 Thus, Hertz uses a variety of demographics-gender, age, income, interests-to identify customers who might want the Prestige, Green, and Adrenaline Collections, but it also applies psychological or behavioral factors, such as a need to move possessions across town, to identify likely consumers of its commercial vans.

Targeting After a firm has identified the various market segments it might pursue, it evaluates each segment's attractiveness and decides which to pursue using a process known as target marketing or targeting. For example, Hertz realizes that its primary appeal for the SUV/Minivan/4×4 Collection centers on young families, so most of its marketing efforts for this business are directed toward that group.

Soft drink manufacturers also divide their massive markets into submarkets or segments. Coca-Cola, for instance, makes several different types of Coke, including regular, Coke Life, and Cherry Coke. Among its diet colas, it targets Coke Zero Sugar to men and Diet Coke to women because men prefer not to be associated with diets. It also markets Sprite to those who don't like dark colas, Vitaminwater and Minute Maid for more healthconscious consumers, and Dasani bottled water for purists. 42

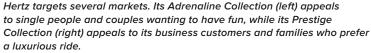
Positioning Finally, when the firm decides which segments to pursue, it must determine how it wants to be positioned within those segments. **Market positioning** involves the process of defining the marketing mix variables so that target customers have a clear, distinctive, desirable understanding of what the product does or represents in comparison with competing products. Hertz positions itself as a quality car (and truck) rental company that is the first choice for each of its target segments. In its marketing communications, it stresses that customers will get peace of mind when they rent from Hertz, the market leader in the car rental business, and be able to enjoy their journey (e.g., leisure consumers) and reduce travel time (e.g., business consumers).⁴³

To segment the coffee-drinker market, Starbucks uses a variety of methods, including geography (e.g., college campuses versus shopping/business districts) and benefits (e.g., drinkers of caffeinated versus decaffeinated products). After determining which of those segments represent effective targets, Starbucks

▼ EXHIBIT 2.4 Hertz Market Segmentation Illustration

	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5
Segments	Single thrill seekers and gearheads on vacation	Business customers and families who prefer a luxurious ride	Environmentally conscious customers	Families	Commercial customers
	Adrenaline Collection	Prestige Collection	Green Traveler Collection	SUV/Minivan/4x4 Collection	Commercial Van/Truck Collection
Cars Offered	Corvette ZHZ Chevrolet Camaro	Mercedez-Benz BMW	Toyota Prius Ford Fusion	Toyota RAV4 Ford Explorer	Ford Cargo Van





Firms typically

are most successful

when they focus on

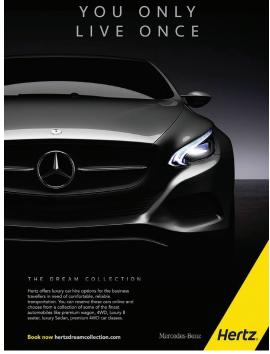
build on their strengths

opportunities that

relative to those of

their competition.

(Left): Polina MB/Shutterstock; (right): Source: The Hertz Corporation



positions itself as a firm that develops a variety of products that match the wants and needs of the different market segmentsespresso drinks, coffees, teas, bottled drinks, pastries, and cooler foods.

After identifying its target segments, a firm must evaluate each of its strategic opportunities. A method of examining which segments to pursue is described in the Growth Strategies section later in the chapter. Firms typically are most successful when they focus on opportunities that build on their strengths relative to those of

their competition. In Step 4 of the marketing plan, the firm implements its marketing mix and allocates resources to different products and services.

Outline the implementation of the marketing mix as a means to increase customer value.

Step 4: Implement Marketing Mix and Allocate Resources

When the firm has identified and evaluated different growth opportunities by performing an STP analysis, the real action begins. It has decided what to do, how to do it, and how many resources should be allocated to it. In the fourth step of the planning process, marketers implement the actual marketing mix-product, price, place, and promotion-for each product

and service on the basis of what they believe their target markets will value. At the same time, marketers make important decisions about how they will allocate their scarce resources to their various products and services.

Product and Value Creation Products These products include services and constitute the first of the four Ps. Because the key to the success of any marketing program is the creation of value, firms attempt to develop products and services that customers perceive as valuable

enough to buy. Dyson fans and fan heaters draw in and redirect surrounding air without potentially dangerous or fast-spinning blades or visible heating elements. Although more expensive than conventional fans and space heaters, these sculpturally beautiful appliances are perceived by consumers to be a valuable alternative to products that haven't significantly changed since the early 1900s. Adding Value 2.2 highlights how Old Spice added new products to its line to support its new positioning.

Price and Value Capture Recall that the second element of the marketing mix is price. As part of the exchange process, a firm provides a product or a service, or some combination thereof, and in return, it gets money. Value-based marketing requires that firms charge a price that customers perceive as giving them a good value for the product they receive. Clearly, it is important for a firm to have a clear focus in terms of what products to sell, where to buy them, and what methods to use in selling them. But pricing is the only activity that

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Repositioning Old Spiceiii

For young customers today, the image of Old Spice is much different than it was for their parents or grandparents. Once upon a time, Old Spice was a relatively safe, conventional brand, with an innocuous scent that was unlikely to offend anyone. Spouses and children felt safe giving a bottle of the aftershave to their husband, father, or grandfather each year around the holidays because there was simply nothing controversial about it. That's a far cry from the strategy that Old Spice has been embracing for the past decade or so. Through diverse scents and a broad range of products, the modern iteration of the brand reflects the company's dedicated efforts to appeal to a wide audience while taking risks in its effort to leverage the opportunities in the increasingly competitive men's personal care market.

The shift really started when Old Spice realized that competitors such as Axe were cutting deeply into its market space. Especially among younger consumers, Axe seemed cooler and less "dad-like." After analyzing the environment carefully, Old Spice decided to change its marketing strategy radically, hiring a new advertising agency and seeking to appeal more strongly to men in their 20s who could not quite afford a designer cologne.

The initial advertisements were utterly ridiculous spoofs on the idealistic image often portrayed in marketing for personal care items. The

men featured in the ads, such as football player Isaiah Mustafa, are extremely physically fit, and they perform clichéd, seemingly romantic activities, like appearing shirtless and riding a horse on the beach. But the scenario is tongue in cheek; Mustafa calls out "Hello ladies," repeatedly encourages them to keep looking at him, and promises that even if "your man" cannot look the same, he could smell that way. Thus, "your man" could be like the handsome character appearing in the commercial, offering up romantic boat rides, handfuls of diamonds, and "tickets to that thing you love."

With this targeting, Old Spice appealed not just to the men who might wear its aftershave but also to the women who might be buying it for them. Marketing research shows that women frequently select and buy the personal care products that the men in their households use. Thus, another series of advertisements found a way to make Old Spice cool to both teen boys and their mothers, by poking gentle fun at each side. On the company website, it even hosts a "School of

Swagger," promising to help moms and their sons get through the difficulties of adolescence by addressing some of the most frequently asked but embarrassing questions about puberty in an upfront yet funny way. In this sense, it goes beyond providing just products to offer an experiential service that its target customers deeply want and need.

To expand this reach even further, Old Spice added new products to its portfolio, including body wash, hairstyling products, deodorant, and body spray. Across all these types of products, it also developed various new scents—some of which it introduced by pitting Mustafa against another physically fit, minimally dressed, handsome man, actor Terry Crews. In marketing communications, the two men compete to make their signature scents (Swagger for Mustafa, Bearglove for Crews) seem more appealing to both the men who might wear them and the women who are likely to smell them.

Leveraging this playful image, Old Spice encourages the spread of its marketing across various channels. To promote its line of beard care products, for example, it makes four experts, the "Old Spice Bearded Quartet," available to answer questions on Twitter. But the four bearded men are dressed like a barbershop quartet and sing their responses to users' questions. To introduce another new scent option, Krakengard, it posted an intricate stunt featuring an animatronic sea squid on its website.

Thus, today's Old Spice appears radically different from the one that appeared on store shelves in the last century. Grandpa might not like it as much, but his daughters and their sons are loving it.



As part of its repositioning strategy, Old Spice used football player Isaiah Mustafa in clichéd, tongue-in-cheek, seemingly romantic or macho activities like playing chess in a hunting lodge with a stuffed lion.

Source: Procter & Gamble

actually brings in money and therefore influences revenues. If a price is set too high, it will not generate much volume. If a price is set too low, it may result in lower-than-optimal margins and profits. Therefore, price should be based on the value that the

customer perceives. Dyson fans can retail for \$150 or more; conventional fans retail for around \$25. Customers can decide what they want from their fan and choose the one at the price they prefer.

\$

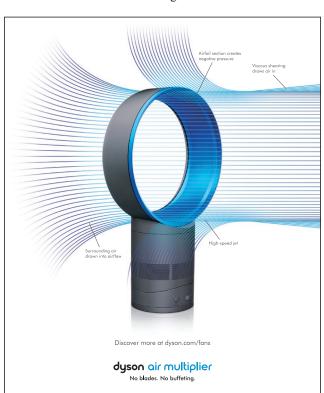


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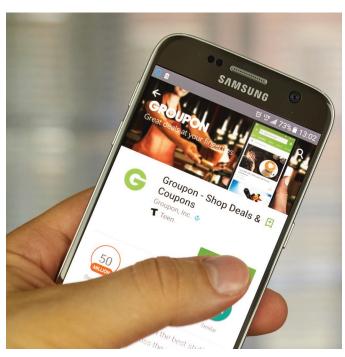
Place and Value Delivery For the third P, place, after it has created value through a product and/or service, the firm must be able to make the product or service readily accessible when and where the customer wants it. Dyson therefore features fans prominently on its website, but also makes sure to place them on Amazon and in Bed Bath & Beyond stores. In these locations, consumers previously found other Dyson products, and they likely would look for fans there too.

Promotion and Value Communication Integrated marketing communications (IMC) represents the fourth P, promotion. It encompasses a variety of communication disciplines—advertising, personal selling, sales promotion, public relations, direct marketing, and online marketing including social media—in combination to provide clarity, consistency, and maximum communicative impact.⁴⁴ Using the various disciplines of its IMC program, marketers communicate a *value proposition*, which is the unique value that a product or service provides to its customers and how it is better than and different from those of competitors.

To increase its exposure, Dyson offers promotions for its products not only on its website but also on promotion websites such as coupons.com and Groupon. That is, it makes a select number of products available on several promotion channels at a discounted price to encourage people to try the innovations.⁴⁵ Wayfair uses high-tech communication tools to connect with consumers and facilitate sales in a variety of channels, as high-lighted in Social & Mobile Marketing 2.1.



integrated marketing communications (IMC) Represents the promotion dimension of the four Ps; encompasses a variety of communication disciplines—general advertising, personal selling, sales promotion, public relations, direct marketing, and electronic media—in combination to provide clarity, consistency, and maximum communicative impact.



Dyson promotes its products on its own website and promotional websites like Groupon.

dennizn/Shutterstock



Dyson creates value with its innovative products (left). It can therefore charge significantly more than the price charged for conventional fans (right). (Left): Source: Dyson, Inc.; (right): Stockbyte/Getty Images





Social & Mobile Marketing

2.1

Making Technology Personal: How Wayfair Is Leveraging High-Tech Tools to Connect with Consumers^{iv}

The furniture retailer Wayfair was among the first e-commerce sites in its industry, and its first-mover status continues to inform the ways that it expands its value offerings to appeal to online shoppers. Rather than play around with augmented reality or virtual bots just because it can, Wayfair seeks to implement cutting-edge technology to enable its customers to find value and personalized assistance as they seek ways to make their residences into true homes.

On its own app, the company offers an augmented reality function where customers can take pictures of their rooms, then add available products virtually and in 3D. Because this function is photo-based, consumers can even use it when they are away from home. But if users choose not to share pictures of their own homes with the company, they still can access a Room Planner design tool, which allows them to create an interactive, 3D, virtual room and test different layouts within it. If they are not quite to the point of picking out particular furniture items, they can select a decorating style to get inspiration. Or they can upload a picture of a piece they've seen elsewhere and loved, and Wayfair will search its inventory to find something similar.

Beyond its own app, Wayfair maintains a strong presence on social media and readily facilitates purchases. On Instagram, for example, it posts appealing arrangements of furniture and accessories in a room.

When browsers click on an item, the simple move takes them directly to a purchase page. That page also lists the other, coordinating items at the bottom, so if shoppers want to get the entire look, it is easy for them to do so.

On Facebook, the company's goal is more focused on expanding its reach, so the videos it posts are often silly and fun. Rather than conventional lamps or tables, these videos tend to feature Wayfair's more innovative furniture offerings, like Murphy beds and hammocks. Aligning the unconventional furniture with quirky, entertaining videos helps Wayfair establish its brand image in a way that appeals to many social media users.

These easy-access formats resonate especially with Wayfair's intended audience. Because it sells modern furniture at a relatively low price point, its main consumers are younger shoppers, often seeking to furnish their first homes. In addition, it does not maintain any physical stores, so it has to find ways to reach these consumers through channels that they use regularly.

Thus by 2019, Wayfair was outcompeting Amazon as the biggest online furniture store, with a better than 33 percent market share—one of only two companies in the industry that was able to increase its market share that year.



Wayfair's app offers an augmented reality function where customers can take pictures of their rooms, then add available products virtually and in 3D. The Room Planner design tool allows customers to create an interactive, 3D virtual room and test different layouts within it.

Source: Wayfair LLC





metric A measuring system that quantifies a trend, dynamic, or characteristic.

Step 5: Evaluate Performance Using Marketing Metrics

The final step in the planning process includes evaluating the results of the strategy and implementation program using marketing metrics. A metric is a measuring system that quantifies a trend, dynamic, or characteristic. Metrics are used to explain why things happened and also project the future. They make it possible to compare results across regions, strategic business units (SBUs), product lines, and time periods. The firm can determine why it achieved or did not achieve its performance goals with the help of these metrics. Understanding the causes of the performance, regardless of whether that performance exceeded, met, or fell below established goals, enables

firms to make appropriate adjustments. Procter & Gamble has started pressuring social media companies such as Facebook to

provide it with more information so that it can assess the effectiveness of the ads it pays to place on different platforms. For example, by gathering data about how long the average consumer views an ad and how often the same person saw multiple ads, Procter & Gamble is able to make more informed decisions about where to invest its advertising dollars. 46 Further insights about how consumers are affected by advertisements while scrolling on their phone or computer (as described in Marketing Analytics 2.1) might provide even more informative decision metrics.



Marketing Analytics

2.1

Making a First Impression in Less Than the First Second: New Evidence about Mobile Marketing^v

We know that the speed of mobile is fast, but recent evidence reinforces just how quickly it moves when it comes to getting and maintaining viewers' attention to marketing messages.

In a study sponsored by a trade group of mobile marketers, the results suggest that people see and react to mobile advertising within 400 milliseconds, or less than half a second. The study used eye-tracking tools and measures of viewers' reflexive responses, gauged with electroencephalography (EEG) trackers. In addition to mobile advertising, it offered comparative analyses of advertisements viewed on desktop devices, for which reaction times were much longer—approximately 3 seconds.

Another study that relies on cutting-edge eye-tracking technology also specifies how mobile phone usage affects shopping habits. In particular, shoppers who use their phones while grocery shopping end up spending more time in the store. They also devote more attention to products on shelves. In turn, customers who use their mobile phones while shopping in supermarkets tend to spend more money than customers who shop without this distraction.

Some of these differences may seem small, but for advertisers, they have massive implications. The first study makes clear that they have very little time to evoke a positive emotional reaction, meaning that they need to optimize their advertising for mobile channels. A complex picture or graphic that takes several seconds to load probably is never going to be seen by mobile users who just click away if the message is not immediately visible. These findings also appear informative for social media marketing, in which viewers similarly move quickly, on to other pages, if an image does not catch their attention immediately.

In turn, advertisers might adopt some proven methods for evoking rapid responses. For example, advertisements that highlight human faces, looking straight at the viewer, tend to stop people from scrolling through multiple



Potential customers spend less than a half second viewing marketing messages on mobile phones. But grocery shoppers using mobile phones spend more time in the store and more money than those who don't. Marketers must therefore get their messages across auickly to accrue the most benefit from mobile marketing.

FG Trade/E+/Getty Images

least halfway on the screen for at least 1 second.

contrasting tones to facilitate longer viewer attention. Finding a way to signal complex emotions in a split second is likely to evoke greater attention too. Finally, advertisers need to insist that their messages are easily viewable, a criterion that usually means a static advertisement should appear at

For retailers, the implications are somewhat different. Rather than worrying that mobile users are getting distracted from their shopping task and thus not buying as much, they can rest assured that expanded uses of mobile devices actually might increase their sales.

Ultimately, then, instead of determining whether users prefer a 30-second or 15-second advertisement, mobile and social marketers might need to figure out how to develop less than 1 second advertisements. In the meantime, retailers should be looking for ways to get shoppers to stay on their phones and in contact with them for their entire shopping trip.

messages. In addition, marketers can increase the use of color and

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