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CONTEMPORARY MARKETING



Boone & Kurtz

BIG DATA. SOCIAL MEDIA. TECHNOLOGY. GLOBALIZATION. ENVIRONMENTAL CONCERNS. ETHICS. EMERGING MARKETS.

EVOLUTION OF A BRAND

1974 – First Edition

- ➡ Shorter than the standard text of the day, the first edition is written to the student, not the professor—setting the standard for a truly “student-friendly” text.
- ➡ The first marketing text based on marketing research, *Contemporary Marketing* is written the way instructors actually teach the class — a breakthrough for class preparation.
- ➡ Classroom tested for a full year, the first edition equips instructors with a proven solution.
- ➡ In the text’s forward, consulting editors Paul Green and Philip Kotler state: “... we feel that *Contemporary Marketing* is one of the most teachable marketing books to appear in years.”
- ➡ Another example of its student-friendly features, *Contemporary Marketing* is the first business text to include cartoons in each chapter.

1980 – Third Edition

- ➡ Separate chapters are devoted to international and services marketing.
- ➡ Supplemental cassette tapes feature famous marketers — including the real Colonel Sanders — enabling students to hear directly from marketing icons.

1986 – Fifth Edition

- ➡ The first full-color introduction to marketing text, *Contemporary Marketing* brings the vibrant field of marketing to life.
- ➡ It is also selected as the text for the first — and only — telecourse.

Marketing continues to change at a record pace. Only one text keeps you well ahead of the curve — edition after edition. **Boone & Kurtz’s *Contemporary Marketing*** remains synonymous with innovation, equipping instructors and students with the very best teaching and learning solutions on the market. Period.

Since the very beginning, Boone & Kurtz has set the market standard for excellence. Continuing to raise the bar, each new edition has introduced groundbreaking features and coverage, making the text the unrivaled leader in marketing again and again. Closely in tune with the ever-changing and expanding marketing environment, this unparalleled text continues to deliver the most innovative coverage available — giving students a hands-on, up-close experience with the dynamic field of marketing.

Current, relevant, and packed with student and instructor resources, the newest edition continues the tradition of innovation by going green. Now 17 editions strong, *Contemporary Marketing* remains ... ***In a Class by itself!***

1977 – Second Edition

- ➡ Delivering the first major supplements package for a principles text, *Contemporary Marketing* begins its tradition of unrivaled teaching and learning resources.
- ➡ It is also the first marketing text to remove all sexist language (common to the time) and is specifically reviewed for that objective.

1983 – Fourth Edition

- ➡ New emphasis on nonprofit applications highlight a key — but often overlooked — marketing sector.
- ➡ An innovative new slide/lecture series added to the Boone/Kurtz package is a first for the basic marketing course.

1989 – Sixth Edition

- ➡ Boone & Kurtz adopt a new strategic orientation.
- ➡ *Contemporary Marketing* introduces the first video cases with videos directly tied to a specific text — bringing new relevancy to the classroom.
- ➡ The comprehensive Instructor’s Manual expands to two volumes — equipping instructors with a wealth of teaching tools and resources.
- ➡ Available in both printed and customized formats, the Test Bank reaches 3,000 items.
- ➡ The text’s original full-color transparencies and slides expand to a rich collection of 150.

**CONTEMPORARY
MARKETING REMAINS
... IN A CLASS BY ITSELF.**

1992 – Seventh Edition

- ➡ Global marketing is integrated throughout — a first in marketing textbooks.
- ➡ The video package is again enhanced and expanded.
- ➡ The oversized format is introduced.

1998 – Ninth Edition

- ➡ Ethical controversies are added to each chapter, challenging students with real-world dilemmas.
- ➡ New PowerPoint®/CD-ROM Media Active Software is launched.
- ➡ The Test Bank reaches 4,000 questions.

2004 – Eleventh Edition

- ➡ End-of-part continuing video cases are included.
- ➡ Category management is discussed — a topic overlooked by many texts.
- ➡ WebTutor™ with Blackboard® and WebCT® transform traditional teaching tools.

2008 – Thirteenth Edition

- ➡ New Evolution of a Brand Feature gives readers an in-depth look at successful brands that have stood the test of time.
- ➡ The Certified Test Bank is introduced, ensuring the accuracy and relevance of more than 4,000 questions.

2012 – Fifteenth Edition

- ➡ *Contemporary Marketing* includes extensive coverage of sustainability and green marketing through opening vignettes, boxed features, cases, and references designated by an eye-catching sustainability icon.
- ➡ Cengage Learning's Marketing **CourseMate** brings course concepts to life with interactive learning, study, and exam preparation tools that support *Contemporary Marketing*. The **CourseMate** platform provides a wealth of student resources to heighten the learning experience.
- ➡ More than 4,000 Test Bank questions are tagged to meet AACSB, marketing discipline, and Rubin/Dierdorff managerial job skill requirements, each categorized by chapter objective, difficulty level, and question type.

1995 – Eighth Edition

- ➡ More than one million students — 1.2 million to be exact — have now used *Contemporary Marketing*.
- ➡ Lecture Active Presentation software is added.
- ➡ An all-new set of video cases is included.
- ➡ Transparencies are now 250 strong.
- ➡ The New Media Instructor's Manual is introduced.
- ➡ The comprehensive Test Bank now exceeds 3,500 questions.
- ➡ Marketing Career Software is also included in the Boone & Kurtz package, giving students insight into the exciting opportunities for them in real-world marketing.

2001 – Tenth Edition

- ➡ An entire chapter is devoted to e-commerce.
- ➡ The *Contemporary Marketing* online course is added.
- ➡ Each chapter now includes a strategic implications section.

2006 – Twelfth Edition

- ➡ New Etiquette Tips for Marketing Professionals feature helps students develop professionalism before they hit the market.
- ➡ New end-of-part Marketer's Minute interviews give students fast, practical, real-world insight.
- ➡ Marketing concept checks are added.

2010 – Fourteenth Edition

- ➡ *Contemporary Marketing* goes GREEN!! The new text emphasizes the increasingly important environmental issue, as well as sets an example of green business practices. Plus, the book is printed on recycled paper.
- ➡ *Contemporary Marketing* is available in an eBook format through iChapters and CourseSmart. Find out more at www.iChapters.com or www.coursesmart.com.

2014 – Sixteenth Edition

- ➡ *Contemporary Marketing* includes extensive new coverage of the impact that social media is having on marketing—both marketers and consumers—through opening vignettes, boxed features, cases, video cases, and a new chapter: Social Media: Living in the Connected World.

2016 – Seventeenth Edition

- ➡ *Contemporary Marketing* continues its coverage of social media's impact on marketing with a focus on big data—information that originates in unprecedented volume and speed via social media and other channels—which is changing the way marketing research happens in the business world.
- ➡ MindTap is a personalized teaching experience with relevant assignments that guide students to analyze, apply, and improve thinking, allowing you to measure skills and outcomes with ease.
 - Personalized Teaching: Becomes yours with a Learning Path that is built with key student objectives. Control what students see and when they see it. Use it as-is or match to your syllabus exactly—hide, rearrange, add and create your own content.
 - Guide Students: A unique learning path of relevant readings, multimedia and activities that move students up the learning taxonomy from basic knowledge and comprehension to analysis and application.
 - Promote Better Outcomes: Empower instructors and motivate students with analytics and reports that provide a snapshot of class progress, time in course, engagement and completion rates.
- ➡ The Career Transitions feature provides online resources for students to assess their skills and interests to explore appropriate career possibilities, offers a résumé building tool, and allows students to search for job and internship opportunities.
- ➡ The Write Experience allows instructors to assess written communication skills without adding to instructor workload. It uses artificial intelligence to not only score student writing instantly and accurately but also to provide students with detailed revision goals and feedback on their writing to help them improve.

CONTEMPORARY MARKETING

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David L. Kurtz

University of Arkansas



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This edition of *Contemporary Marketing* is dedicated to the Cengage Learning sales representatives.

The sales representatives have been crucial in helping get the message out regarding the innovations in *Contemporary Marketing* and acting as my eyes and ears—providing insights that have allowed the author to continually innovate and improve his product.



ABOUT THE AUTHOR

DAVE KURTZ

During **Dave Kurtz's** high school days, no one in Salisbury, Maryland, would have mistaken him for a scholar. In fact, he was a mediocre student, so bad that his father steered him toward higher education by finding him a succession of backbreaking summer jobs. Thankfully, most of them have been erased from his memory, but a few linger, including picking peaches, loading watermelons on trucks headed for market, and working as a pipefitter's helper. Unfortunately, these jobs had zero impact on his academic standing. Worse yet for Dave's ego, he was no better than average as a high school athlete in football and track.

But four years at Davis & Elkins College in Elkins, West Virginia, turned him around. Excellent instructors helped get Dave on a sound academic footing. His grade point average soared—enough to get him accepted by the graduate business school at the University of Arkansas, where he met Gene Boone. Gene and Dave became longtime co-authors; together they produced more than 50 books. In addition to writing, Dave and Gene were involved in several business ventures. Unfortunately, Gene passed away, but Dave continues to carry on the tradition of *Contemporary Marketing*.

Dave wishes you the best of luck in your marketing course. If you have any questions or comments, you can contact Dave at profkurtz@gmail.com.

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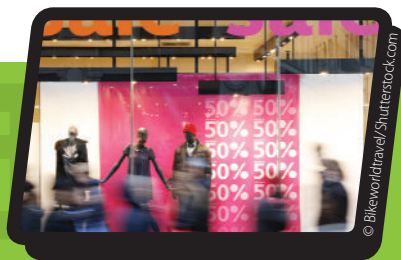
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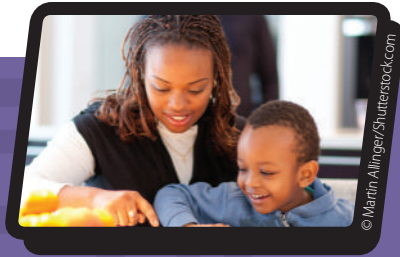
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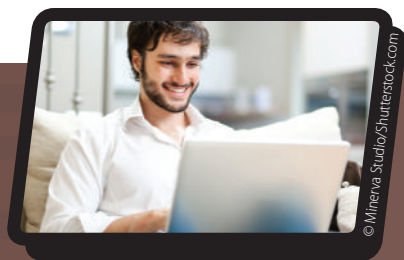
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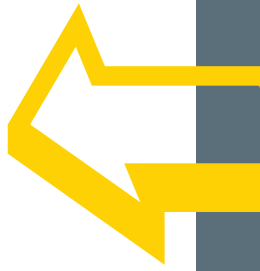
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The *Contemporary Marketing* Resource Package

Since the first edition of this book was published, Boone & Kurtz has exceeded the expectations of instructors, and it quickly became the benchmark for other texts. With its precedent-setting learning materials, *Contemporary Marketing* has continued to improve on its signature package features—equipping students and instructors with the most comprehensive collection of learning tools, teaching materials, and innovative resources available. As expected, the 17th edition continues to serve as the industry benchmark by delivering the most extensive, technologically advanced, user-friendly package on the market.

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Expanding on the social media insights added in the previous edition, the 17th edition features an updated marketing research chapter. Chapter 10, “Marketing Research in the Era of Big Data,” discusses how advances in technology continue to impact the collection of consumer and business data. Big data—information that originates in unprecedented volume and speed from the world around us—is changing the way companies collect and use pertinent information as part of their marketing research strategies.

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Part 1

Designing Customer-Oriented Marketing Strategies

- 1 Marketing: The Art and Science of Satisfying Customers
- 2 Strategic Planning in Contemporary Marketing
- 3 The Marketing Environment, Ethics, and Social Responsibility
- 4 Social Media: Living in the Connected World
- 5 E-Business: Managing the Customer Experience



Chapter

1

Marketing: The Art and Science of Satisfying Customers



- 1** Define marketing and how it creates utility.
- 2** Contrast marketing activities during the five eras in the history of marketing.
- 3** Explain the importance of avoiding marketing myopia.
- 4** Describe the characteristics of not-for-profit marketing.
- 5** Explain each of the five types of nontraditional marketing.
- 6** Explain the shift from transaction-based marketing to relationship and social marketing.
- 7** Identify the eight universal functions of marketing.
- 8** Demonstrate the relationship between ethical business practices, social responsibility, sustainability, and marketplace success.

Inspiration came to brothers Shep and Ian Murray, then in their 20s, when they started meeting for lunch and complaining about how they disliked their desk jobs and the business suits and ties that went with them. They decided to go into business for themselves and settled on a product they knew nothing about: neckties. If they sold enough ties, they reasoned, they could stop wearing them.

Today, more than 15 years later, Connecticut-based Vineyard Vines has grown into a multimillion-dollar business. It sells a full line of high-quality clothing for men, women, and children in 30 company stores nationwide, in major retail chains, via catalog and website, and through

licensing partnerships with Major League Baseball, the National Hockey League, and the NFL.

Those familiar with the firm's success credit the Murrays' understanding of their customers' needs and their determination to make customers happy. The brothers say they're interested in dressing people not merely to go to work but rather to "take some fun to work." Their company sells clothes, but also a carefree lifestyle image many people want to adopt.

For instance, one of Shep and Ian's first decisions, when they quit their jobs and began selling ties out of their cars, was to create whimsical designs that reflected the happy summers they spent on Martha's Vineyard while growing up. Thus was born the sporty vacation theme that runs through all their bright pastel designs, featuring lobster pots, sailboats, whales, crabs, and sports paraphernalia such as tennis racquets, golf balls, and hockey sticks. Customers who would rather be sailing, swimming,

golfing, or fishing are quickly drawn to the light-hearted images and the lifestyle they conjure up.

The Murrays recognize that, like themselves, most men dislike suits and ties and prefer dressing for work to be as simple as possible. The brothers believe their customers share their desire not so much to impress but to live a comfortable, casual, and enjoyable life. The rapid growth of their firm, fueled largely by word-of-mouth, suggests they are on to something. And among those who have sported Vineyard Vines neckwear are U.S. presidents, New York City mayors, and billionaire investor Warren Buffet.¹



EVOLUTION OF A



Shep and Ian Murray started their company, Vineyard Vines, as a way to leave their corporate careers behind. Taking a big risk, they quit their day jobs, maxed out their credit cards, and began selling island-inspired ties as a whimsical way to the good life. More than 15 years later, their decision to leave corporate life has paid off, with annual sales topping \$100 million in a recent year. Vineyard Vines' marketing strategy is simple yet effective: Market a lifestyle experience to people who want to live the good life the company's brand represents.

- The company's motto is, "Every day should feel this good." How can the marketing team at Vineyard

Vines continue to keep this branding approach fresh while attracting new customers and keeping repeat customers?

- Currently more than half of the company's sales are devoted to men's clothing. What strategies can the company use to open up new markets? New licensing partnerships? How can the company use social media to market its products, expand its brand, and capitalize on its laidback image?
- According to recent data, e-commerce accounts for about 30 percent of the company's annual sales. What steps should the company take to increase online sales in both the United States and abroad?

Chapter Overview

“I’ll only drink Coke.”

“I buy all my clothes at The Gap.”

“I like to hang out with my friends at Buffalo Wild Wings.”

“I go to Orioles games at Camden Yards.”

These words are music to a marketer’s ears. They may echo the click of an online purchase, the ping of a cash register, the cheers of fans at a stadium. Customer loyalty is the watchword of 21st-century marketing. Individual consumers and business purchasers have so many goods and services from which to choose—and so many different ways to purchase them—that marketers must continually seek out new and better ways to attract and keep customers. When the world learned that Facebook had assigned two dozen engineers to improve the site’s search engine, users and investors were abuzz. A more powerful search engine would mean significantly enhanced capability for Facebook users—and a direct assault on Google, the market leader in search engines and one of Facebook’s chief rivals.²

The technology revolution continues to change the rules of marketing in the 21st century and will continue to do so in years beyond. The combined power of telecommunications and computer technology creates inexpensive global networks that transfer voice messages, text, graphics, and data within seconds. These sophisticated technologies create new types of products and demand new approaches to marketing existing products. Newspapers are learning this lesson the hard way, as circulation continues to decline around the country, victim in large part to the rising popularity of social media and online websites. On the other hand, e-book readers such as the Amazon Kindle and Apple’s iPad are changing the way people read books.³

Communications technology also contributes to the

globalization of today’s marketplace, where businesses manufacture, buy, and sell across national borders. You can bid at eBay on a potential bargain or eat a Big Mac or drink Coca-Cola almost anywhere in the world. Your MP3 player was probably manufactured in China or South Korea; and BMWs are manufactured in South Carolina, Hyundai SUVs are assembled in Alabama, and some Volkswagens are imported from Mexico. Finished products and components routinely cross international borders, but successful global marketing also requires knowledge to tailor products to regional tastes. A chain restaurant in the South might offer grits as an alternative to hash browns on its breakfast menu.

Rapidly changing business landscapes create new challenges for companies, whether they are giant multinational firms or small boutiques, profit-oriented or not-for-profit. Organizations must react quickly to shifts in consumer tastes, competitive offerings, and other market dynamics. Fortunately, information technologies give organizations fast new ways to interact and develop long-term relationships with their customers and suppliers. Such links have become a core element of marketing today.

Every company must serve customer needs—create customer satisfaction—to succeed. We call customer satisfaction an art because it requires imagination and creativity, and a science because it requires technical knowledge, skill, and experience. Marketing strategies are the tools that marketers use to identify and analyze customers’

Briefly Speaking

“A lot of companies have chosen to downsize, and maybe that was the right thing for them. We chose a different path. Our belief was that if we kept putting great products in front of customers, they would continue to open their wallets.”

—Steve Jobs

Late co-founder, Apple Inc.

needs, then show that their company’s goods and services can meet those needs. Tomorrow’s market leaders will be companies that can make the most of these strategies to create satisfied customers.

This edition of *Contemporary Marketing* focuses on the strategies that allow companies to succeed in today’s interactive marketplace. This chapter sets the stage for the entire text, examining the importance of cre-

ating satisfaction through customer relationships. Initial sections describe the historical development of marketing and its contributions to society. Later sections introduce the universal functions of marketing and the relationship between ethical business practices and marketplace success. Throughout the chapter—and the entire book—we discuss customer loyalty and the lifetime value of a customer.


WHAT IS MARKETING?

The production and marketing of goods and services, whether it’s a new crop of organically grown vegetables or digital cable service, are the essence of business in any society. Like most business disciplines, marketing had its origins in economics. Later, marketing borrowed concepts from areas such as psychology and sociology to explain how people made purchase decisions. Mathematics, anthropology, and other disciplines also contributed to the evolution of marketing. These will be discussed in later chapters.

Economists contributed the concept of **utility**—the want-satisfying power of a good or service. Table 1.1 describes the four basic kinds of utility: form, time, place, and ownership.

Form utility is created when the company converts raw materials and component inputs into finished goods and services. Because of its appearance, gold can serve as a beautiful piece of jewelry, but because it also conducts electricity well and does not corrode, it has many applications in the manufacture of electronic devices such as cell phones and global positioning satellite units. By combining glass, plastic, metals, circuit boards, and other components, Canon makes a digital camera and Sharp produces flat-screen TVs. With fabric and leather, Coach manufactures its high-fashion line of handbags. With a ship and the ocean, a captain and staff, food and entertainment, Royal Caribbean creates a cruise. Although the marketing function focuses on

Define marketing and how it creates utility.



utility Want-satisfying power of a good or service.

TABLE 1.1 Four Types of Utility

Type	Description	Examples	Organizational Function Responsible
Form	Conversion of raw materials and components into finished goods and services	Dinner at Applebee’s; Samsung Galaxy phone; Levi jeans	Production*
Time	Availability of goods and services when consumers want them	Dental appointment; digital photographs; 1-800-PetMeds guarantee; UPS Next Day Air delivery	Marketing
Place	Availability of goods and services at convenient locations	Technicians available at an auto repair facility; onsite day care; banks in grocery stores	Marketing
Ownership (possession)	Ability to transfer title to goods or services from marketer to buyer	Retail sales (in exchange for currency, credit, or debit card payment)	Marketing

*Marketing provides inputs related to consumer preferences, but creating form utility is the responsibility of the production function.



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PepsiCo's special interactive vending machines allow you to "like" the company's Facebook page and receive a free sample of Pepsi products, connecting the time and place utility of marketing to social media.

“Briefly Speaking”

“The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself.”

—Peter F. Drucker
U.S. management theorist

influencing consumer and audience preferences, the organization's production function creates form utility.

Redbox takes advantage of time and place utility, positioning its kiosks for renting movies and games in high-traffic spots like supermarkets and drug stores around the country. Marketing creates time, place, and ownership utilities. *Time and place utility* occur when consumers find goods and services available when and where they want to purchase them. Vending machines and convenience stores focus on providing place utility for people buying newspapers, snacks, and soft drinks. PepsiCo's recently launched “Like” Vending Machine takes touchscreen and wireless technology even further. The specialized vending machine gives out free samples, but you have to “like” it on Facebook before it dispenses a free can of Pepsi. Consumers can use their smartphones to “like” the Pepsi Facebook page, choose a beverage flavor, and get a free can of Pepsi right away. Or, if they don't have a smartphone handy, the vending machine has a large built-in touchscreen that consumers can use to log into Facebook and “like” Pepsi.⁴

The transfer of title to goods or services at the time of purchase creates *ownership utility*. Signing up for a Sandals tropical vacation or buying a TV creates ownership utility. All organizations must create utility to survive. Designing and marketing want-satisfying goods, services, and ideas are the foundation for the creation of utility. But where does the process start? In the toy industry, manufacturers try to come up with items that children will want to play with—creating utility. But that's not as simple as it sounds. At the Toy Fair held each February in New York, retailers pore through the booths of manufacturers and suppliers, looking for the next Webkinz toys or Lego building blocks—trends that turn into classics and generate millions in revenues over the years. Marketers also look for ways to revive flagging brands and bring them into the digital age. Classic board games such as Monopoly and the Game of Life now have electronic versions that use tablet computers to count money and spin the game wheel—complete with the sound of the old plastic spinner.⁵

But how does an organization create a customer? Most take a three-step approach: identifying needs in the marketplace, finding out which needs the organization can profitably serve, and developing goods and services to convert potential buyers into customers. Marketing specialists are responsible for most of the activities necessary to create the customers the organization wants. These activities include the following:

- identifying customer needs;
- designing products that meet those needs;
- communicating information about those goods and services to prospective buyers;
- making the items available at times and places that meet customers' needs;
- pricing merchandise and services to reflect costs, competition, and customers' ability to buy; and
- providing the necessary service and follow-up to ensure customer satisfaction after the purchase.⁶

A DEFINITION OF MARKETING

The word *marketing* encompasses such a broad scope of activities and ideas that settling on one definition is often difficult. Ask three people to define marketing, and three different definitions are likely to follow. We are exposed to so much advertising and personal selling that most people link marketing only to those activities. But marketing begins long before a product hits the shelf. It involves analyzing customer needs, obtaining the information necessary to design and produce goods or services that match buyer expectations, satisfying customer preferences, and creating and

maintaining relationships with customers and suppliers. Marketing activities apply to profit-oriented businesses such as Microsoft and Overstock.com as well as to not-for-profit organizations such as the Juvenile Diabetes Research Foundation and the Red Cross. Even government-related agencies such as the U.S. Postal Service engage in marketing activities. Today's definition takes all these factors into account. **Marketing** is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have values for customers, clients, partners, and society at large.⁷

The expanded concept of marketing activities permeates all functions in businesses and not-for-profit organizations. It assumes that organizations conduct their marketing efforts ethically and that these efforts serve the best interests of both society and the organization. The concept also identifies the marketing variables—product, price, promotion, and distribution—that combine to provide customer satisfaction. In addition, it assumes that the organization begins by identifying and analyzing who its potential customers are and what they need. At all points, the concept emphasizes creating and maintaining long-term relationships with customers and suppliers.

TODAY'S GLOBAL MARKETPLACE

Several factors have forced marketers—and entire nations—to extend their economic views to events outside their own national borders. First, international agreements are negotiated to expand trade among nations. Second, the growth of electronic business and related computer technologies allows previously isolated countries to enter the marketplace for buyers and sellers around the globe. Third, the interdependence of the world's economies is a reality because no nation produces all of the raw materials and finished goods its citizens need or consumes all of its output without exporting some to other countries. Evidence of this interdependence is illustrated by the introduction of the euro as a common currency to facilitate trade among the nations of the European Union and the creation of trade agreements such as the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO).

Rising oil prices affect the price that U.S. consumers pay for just about everything—not just gasoline at the pump. Dow Chemical raised the prices of its products up to 20 percent to adjust to

marketing The activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

“Briefly Speaking”

“The Internet is becoming the town square for the global village of tomorrow.”

—Bill Gates
Co-Founder, Microsoft



KARIM SAHIB/Getty Images

FedEx serves its global market by enabling customers in many countries to access the FedEx website in their first language.

its rising cost for energy. The largest U.S. chemical company, Dow, supplies companies in industries from agriculture to health care, all of whom were affected by the price hike. Airlines, too, responded to a near-doubling of the cost of jet fuel. Most carriers now charge customers for redeeming reward miles, and nearly all impose fees for checked baggage on domestic flights.⁸

To remain competitive, companies must continually search for the most efficient manufacturing sites and most lucrative markets for their products. U.S. marketers now find tremendous opportunities serving customers not only in traditional industrialized nations but also in Latin America and emerging economies in central Europe, the Middle East, Asia, and Africa, where rising standards of living create increased customer demand for the latest products. Expanding operations beyond the U.S. market gives domestic companies access to more than 7 billion international customers. China is now the second-largest market in the world—only the United States is larger. And industry observers estimate that Chinese customers purchased 20 million cars in a recent year, so automakers worldwide extended their operations to China.⁹ Interestingly, however, signs are mounting that China's increasing prosperity may be reducing its attractiveness as a low-cost labor source. Rising costs already are driving some U.S. manufacturers out of the country, according to the American Chamber of Commerce. Mexico has taken the lead as the lowest-cost country for outsourced production, with India and Vietnam second and third; China stands in sixth place.¹⁰

Service firms also play a major role in today's global marketplace. Telecommunications firms such as South Africa's MTN, Luxembourg's Millicom International, and Egypt's Global Telecom Holding have carved out new global markets for their products by following the lead of Finnish firm Nokia, among the first high-tech firms to create durable and affordable mobile phones specifically designed for emerging markets. Nokia's mobile-phone business was recently acquired by Microsoft.¹¹ The opportunities for such telecom innovators will continue to grow as long as electricity-reliant personal computers remain out of reach for millions in the developing world. The United States is also an attractive market for foreign competitors because of its size and the high standard of living American consumers enjoy. Companies such as Nissan, Sony, and Sun Life Financial of Canada operate production, distribution, service, and retail facilities in the United States. Foreign ownership of U.S. companies has also increased. Ben & Jerry's is a well-known firm with a foreign parent (Unilever).

Although many global marketing strategies are almost identical to those used in domestic markets, more and more companies are tailoring their marketing efforts to the needs and preferences of consumers in foreign markets. It is often difficult to standardize a brand name on a global basis. The Japanese, for example, like the names of flowers or girls for their automobiles—names such as Bluebonnet, Violet, and Gloria. Americans, on the other hand, prefer rugged outdoorsy names such as Chevy Tahoe, Jeep Cherokee, and Dodge Challenger.

ASSESSMENT CHECK

- 1.1 Define marketing, and explain how it creates utility.
- 1.2 What three factors have forced marketers to embrace a global marketplace?

FIVE ERAS IN THE HISTORY OF MARKETING

2 Contrast marketing activities during the five eras in the history of marketing.

exchange process Activity in which two or more parties give something of value to each other to satisfy perceived needs.

The essence of marketing includes managing customer relationships and the **exchange process**, in which two or more parties give something of value to each other to satisfy perceived needs. Often, people exchange money for tangible goods such as groceries, clothes, a car, or a house. In other situations, they exchange money for intangible services such as a haircut or a college education. Many exchanges involve a combination of goods and services, such as dinner in a restaurant, where dinner represents the good and the wait staff represents the service. People also make exchanges when they donate money or time to a charitable cause such as Habitat for Humanity. Managing customer relationships like these are the essence of successful marketing.

Although marketing has always been a part of business, its importance has varied greatly. Figure 1.1 identifies five eras in the history of marketing: (1) the production era, (2) the sales era, (3) the marketing era, (4) the relationship era, and (5) the social era.

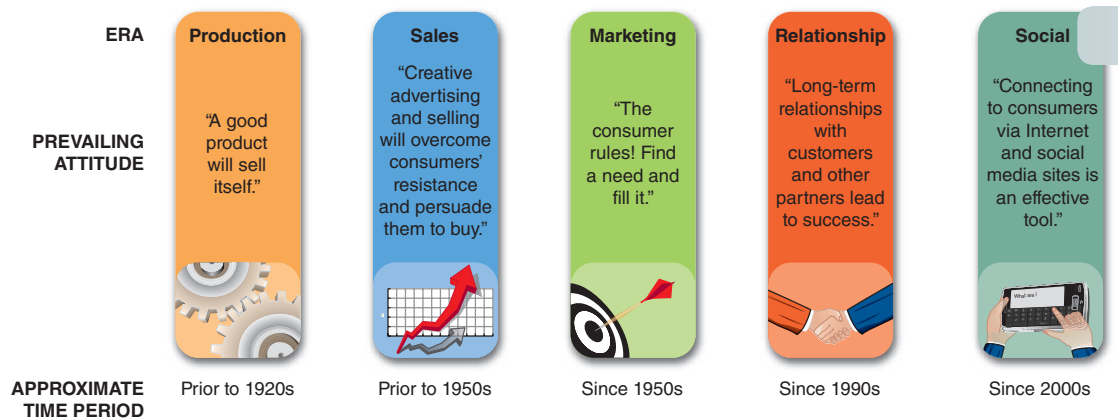


FIGURE 1.1
Five Eras of Marketing History

THE PRODUCTION ERA

Before 1925, most firms—even those operating in highly developed economies in western Europe and North America—focused narrowly on production. Manufacturers stressed production of quality products and then looked for people to purchase them. The prevailing attitude of this era held that a high-quality product would sell itself. This **production orientation** dominated business philosophy for decades; business success often was defined solely in terms of production success.

The production era reached its peak during the early part of the 20th century. Henry Ford's mass-production line exemplifies this orientation. Ford's slogan, "They [customers] can have any color they want, as long as it's black," reflected the prevalent attitude toward marketing. Production shortages and intense consumer demand ruled the day. It is easy to understand how production activities took precedence.

However, building a new product is no guarantee of success, and marketing history is cluttered with the bones of miserable product failures despite major innovations—more than 80 percent of new products fail. Inventing an outstanding new product is not enough, because it must also fill a perceived marketplace need. Otherwise, even the best-engineered, highest-quality product will fail. Even Henry Ford's horseless carriage took a while to catch on. People were afraid of motor vehicles: They spat out exhaust, stirred up dust on dirt roads, got stuck in mud, and tied up horse traffic. Besides, at the speed of seven miles per hour, they caused all kinds of accidents and disruption. It took savvy marketing by some early salespeople—and eventually a widespread perceived need—to change people's minds about the product. Today, most of us could not imagine life without a car and have refined that need to preferences for certain types of vehicles, including SUVs, convertibles, trucks, and hybrids.

production orientation Business philosophy stressing efficiency in producing a quality product, with the attitude toward marketing that "a good product will sell itself."

THE SALES ERA

As production techniques in the United States and Europe became more sophisticated, output grew from the 1920s into the early 1950s. As a result, manufacturers began to increase their emphasis on effective sales forces to find customers for their output. In this era, firms attempted to match their output to the potential number of customers who would want it. Companies with a **sales orientation** assume that customers will resist purchasing nonessential goods and services and that the task of personal selling and advertising is to persuade them to buy.

Although marketing departments began to emerge from the shadows of production and engineering during the sales era, they tended to remain in subordinate positions. Many chief marketing executives held the title of sales manager. But selling is only one component of marketing. As marketing scholar Theodore Levitt once pointed out, "Marketing is as different from selling as chemistry is from alchemy, astronomy from astrology, chess from checkers."

sales orientation Belief that consumers will resist purchasing nonessential goods and services, with the attitude toward marketing that only creative advertising and personal selling can overcome consumers' resistance and persuade them to buy.

THE MARKETING ERA

Personal incomes and consumer demand for products dropped rapidly during the Great Depression of the 1930s, thrusting marketing into a more important role. Organizational survival dictated that managers pay close attention to the markets for their goods and services. This trend ended with the outbreak of World War II, when rationing and shortages of consumer goods became commonplace. The war years, however, created only a pause in an emerging trend in business: a shift in the focus from products and sales to satisfying customer needs.

Emergence of the Marketing Concept

The marketing concept, a crucial change in management philosophy, can be linked to the shift from a **seller's market**—one in which there were more buyers for fewer goods and services—to a **buyer's market**—one in which there were more goods and services than people willing to buy them. When World War II ended, factories stopped manufacturing tanks and ships and started turning out consumer products again, an activity that had, for all practical purposes, stopped in early 1942.

The advent of a strong buyer's market created the need for **consumer orientation** by businesses. Companies had to market goods and services, not just produce and sell them. This realization has been identified as the emergence of the marketing concept. Marketing would no longer be regarded as a supplemental activity performed after completing the production process. Instead, the marketer played a leading role in product planning. *Marketing* and *selling* would no longer be synonymous terms.

Today's fully developed **marketing concept** is a *companywide consumer orientation* with the objective of achieving long-run success. All facets—and all levels, from top to bottom—of the organization must contribute first to assessing and then to satisfying customer wants and needs. From marketing manager to accountant to product designer, every employee plays a role in reaching

potential customers. Even during tough economic times, when companies tend to emphasize cutting costs and boosting revenues, the marketing concept focuses on the objective of achieving long-run success instead of short-term profits. Because the firm's survival and growth are built into the marketing concept, companywide consumer orientation should lead to greater long-run profits.

Apple exemplifies the marketing concept in every aspect of its business. Its products are consistently stylish and cutting edge but without overwhelming users with every possible feature. "A defining quality of Apple has been design restraint," says one industry consultant. That hallmark restraint is a characteristic of Apple's late co-founder, Steve Jobs, and is reflected in the work of Apple's designers, managers, and engineers, whose contributions to the company's new products Jobs credited for the company's ability to constantly surprise the marketplace. The release of Apple's iPhone 5, which

seller's market A market in which there are more buyers for fewer goods and services.

buyer's market A market in which there are more goods and services than people willing to buy them.

consumer orientation Business philosophy incorporating the marketing concept that emphasizes first determining unmet consumer needs and then designing a system for satisfying them.

marketing concept Companywide consumer orientation with the objective of achieving long-run success.



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Apple exemplifies the marketing concept, creating consistently stylish and cutting-edge products. When Apple releases a new product or a new version of an existing product, people line up to purchase the new model.

represented an enhancement of a product designed to anticipate needs many consumers didn't even realize they had, motivated many people to wait in line to purchase the new model. Within three days of its release, the company sold a record-breaking 9 million iPhone 5s and 5c models.¹²

A strong market orientation—the extent to which a company adopts the marketing concept—generally improves market success and overall performance. It also has a positive effect on new-product development and the introduction of innovative products. Companies that implement market-driven strategies are better able to understand their customers' experiences, buying habits, and needs. They can, therefore, design products with advantages and levels of quality compatible with customer requirements.

THE RELATIONSHIP ERA

The fourth era in the history of marketing emerged during the 1990s and continues to grow in importance. Organizations now build on the marketing era's customer orientation by focusing on establishing and maintaining relationships with both customers and suppliers. **Relationship marketing** involves developing long-term, value-added relationships over time with customers and suppliers. Strategic alliances and partnerships among manufacturers, retailers, and suppliers often benefit everyone. In an effort to better engage with its large fan base, NASCAR recently re-launched its digital platform. Collaborating with Livefyre, a leading provider of real-time social software, NASCAR encourages racing fans to have conversations in real time across its website via computer, tablet, or mobile device. Fans also have the option to bring others into their conversations by tagging friends on social media networks such as Facebook and Twitter. According to Livefyre's founder, relationship marketing is all about engaging with and relating to consumers where they spend a lot of their time: online.¹³ The concept of relationship marketing, which is the current state of customer-driven marketing, is discussed in detail later in this chapter and in Chapter 11.

relationship marketing

Development and maintenance of long-term, cost-effective relationships with individual customers, suppliers, employees, and other partners for mutual benefit.

THE SOCIAL ERA

The social era of marketing is in full swing, thanks to consumers' accessibility to the Internet and the creation of social media sites such as Facebook and Twitter. Building on the relationship era, companies now routinely use the Web and social networking sites to connect to consumers as a way to market goods and services. On a personal level, see the "Career Readiness" feature for suggestions on how to land a social media marketing position.

CONVERTING NEEDS TO WANTS

Every consumer must acquire goods and services on a continuing basis to fill certain needs. Everyone must satisfy the fundamental needs for food, clothing, shelter, and transportation by purchasing items or, in some instances, temporarily using rented property and hired or leased transportation. By focusing on the benefits resulting from these products, effective marketing converts needs to wants. A need for a pair of pants may be converted to a desire for jeans—and, further, a desire for jeans from H&M or Lucky Brand Jeans. The need for food may be converted to a desire for dinner at Macaroni Grill or groceries from Publix. But if the need for transportation isn't converted to a desire for a Ford Focus or Mini Cooper, extra vehicles may sit unsold on a dealer's lot.

Consumers need to communicate. But converting that need to the desire for certain types of communication requires skill. It also requires listening to what consumers want. Consumers' demand for more cell phone and wireless

Briefly Speaking

"Customers don't always know what they want. The decline in coffee drinking was due to the fact that most of the coffee people bought was stale and they weren't enjoying it. Once they tasted ours and experienced what we call 'the third place,' a gathering place between home and work where they were treated with respect, they found we were filling a need they didn't know they had."

—Howard Schultz

Chairman and CEO, Starbucks



ASSESSMENT CHECK

- 2.1 What is the major distinction between the production era and the sales era?
- 2.2 What is the marketing concept?
- 2.3 Describe the relationship era of marketing.



CAREER READINESS

Landing a Job in Social Media Marketing

Are you empathic, enthusiastic about connecting with others, well organized, and tech-savvy? If so, you might have the makings of a social media marketing manager, a dynamic career that's springing up in companies that want to take creative control of their online communication with customers, suppliers, and potential new markets. Here are some ideas for handling the job successfully:

1. Make the most of any customer-service experience you've acquired; it will serve you well in figuring out how to reach people effectively with tools such as Twitter, Facebook, LinkedIn, Pinterest, and YouTube.
2. Take a course to learn about video production and watch a lot of videos online. Online video offers marketers countless opportunities and can be quick and inexpensive to produce. Experience here could be invaluable.
3. Make sure you spend enough time listening to your customers. Listening is the most important communication skill, whether in person or online.



4. Connect with others in your industry. Share what you've learned and learn from the best practices of others in this young and growing field.
5. Keep your company's online presence unique, such as with a distinctive point of view and consistently creative and original content, including contests, blogs, photos, audio, and of course video too.

Sources: Drew Hubbard, "12 Traits of Successful Social Media Managers," *Ragan.com*, accessed January 3, 2014, www.ragan.com; Mikal E. Belicove, "The Daily Dose: Six Must-Have Attributes of Social Media Managers," *Entrepreneur*, accessed January 3, 2014, www.entrepreneur.com/blog/224263; Ed Heil, "8 Attributes of a Qualified Social Media Manager," *StoryTeller*, accessed January 3, 2014, www.storytellermn.com; Kent Lewis, "Why You Should Fire Your Social Media Manager," *iMediaConnection.com*, accessed January 3, 2014, <http://blogs.imediaconnection.com>.

services seems nearly unlimited, particularly with the surge in social networking sites—providing tremendous opportunities for companies. New products, such as increasingly popular broadband wireless services and the veritable flood of applications now available for smartphones, appear to feed that demand, enabling consumers to use their phones in new ways—for example, checking the weather, monitoring heart rates, finding recipes, and scanning product bar codes to comparison shop.¹⁴

AVOIDING MARKETING MYOPIA

3 Explain the importance of avoiding marketing myopia.

marketing myopia Management's failure to recognize the scope of its business.

The emergence of the marketing concept has not been without setbacks. One troublesome problem led marketing scholar Theodore Levitt to coin the term **marketing myopia**. According to Levitt, marketing myopia is management's failure to recognize the scope of its business. Product-oriented rather than customer-oriented management endangers future growth. Levitt cites many service industries, such as dry cleaning and electric utilities, as examples of marketing myopia. But many firms have found innovative ways to reach new markets and develop long-term relationships.

For instance, for a long time, Apple has worked to develop greener and more sustainable manufacturing processes and products. Apple's 20-megawatt solar farm and adjacent 10-megawatt fuel-cell farm in North Carolina recently went on line, providing clean power for the company's expansive

TABLE 1.2 Avoiding Marketing Myopia

Company	Myopic Description	Company Motto—Avoiding Myopia
BMW	Automobile	The Ultimate Driving Machine
Sandals Resorts	Resort vacations	The Luxury Included Vacation
MasterCard	Credit card company	There are some things money can't buy. For everything else, there's MasterCard.
Allegra	Antihistamine	Have it All
Bridgestone	Tire manufacturer	Time to perform
UPS	Express package	We ♥ logistics.

data center in what some observers are calling the largest such company-owned facilities in the United States. In addition, the company recently won a patent for a power management system that will work with both a power adapter and a portable solar panel accessory for people using mobile

devices.¹⁵ Table 1.2 illustrates how firms in a number of industries have overcome myopic thinking by developing broader marketing-oriented business ideas that focus on consumer need satisfaction.



ASSESSMENT CHECK

- 3.1 What is marketing myopia?
- 3.2 Give an example of how a firm can avoid marketing myopia.

EXTENDING THE TRADITIONAL BOUNDARIES OF MARKETING

Today's organizations—both profit-oriented and not-for-profit—recognize universal needs for marketing and its importance to their success. During a television commercial break, viewers might be exposed to an advertisement for a Kia Spectra, an appeal to help feed children in foreign countries, a message by a political candidate, and a commercial for McDonald's—all in the space of about two minutes. Two of these ads are paid for by firms attempting to achieve profitability and other objectives. The appeal for funds to feed children and the political ad are examples of communications by not-for-profit organizations and individuals.

MARKETING IN NOT-FOR-PROFIT ORGANIZATIONS

More than a quarter of all U.S. adults volunteer in one or more of the 2.3 million not-for-profit organizations across the country.¹⁶ In total, these organizations generate hundreds of billions of dollars of revenues each year through contributions and from fund-raising activities. That makes not-for-profit organizations big business.

Not-for-profits operate in both public and private sectors. Federal, state, and local organizations pursue service objectives not keyed to profitability targets. The Federal Trade Commission oversees business activities; a state's department of motor vehicles issues car registrations and driver's licenses; a local school board is responsible for maintaining educational standards for its district. The private sector has an even greater array of not-for-profit organizations, including hospitals, libraries, the American Kennel Club, and the American Lung Association. Regardless of their size or location, all

of these organizations need funds to operate. Adopting the marketing concept can make a great difference in their ability to meet their service objectives.

Conner Prairie in Fishers, Indiana, is an open-air re-creation of rural life in 1830s Indiana that features historic areas to explore, including a Lenape Indian camp, the Conner Homestead, a modern museum, and 800 acres of undeveloped land, along with indoor play and learning areas for young children. Costumed staff host events that range from a festive wedding to the experience of slaves seeking freedom through the Underground Railroad. Thousands of families and school groups visit each year.¹⁷

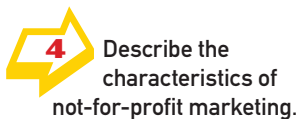
Some not-for-profits form partnerships with business firms that promote the organization's cause or message. Target Stores funds a facility called Target House, which provides long-term housing for families with children treated at St. Jude Children's Research Hospital. The house has about 100 apartments, plus common areas where families can gather and children can play. Celebrities have also contributed to the house. The Jonas Brothers created a karaoke space for family fun, and Olympic gold-medalist Scott Hamilton donated a family fitness center and an arts-and-crafts room. Other "friends" of the organization include Olympic snowboarder Shaun White and country singer-songwriter Brad Paisley. Sponsors like Procter & Gamble and Dick's Sporting Goods also support the house.¹⁸

Generally, the alliances formed between not-for-profit organizations and commercial firms and their executives benefit both. The reality of operating with multimillion-dollar budgets requires not-for-profit organizations to maintain a focused business approach. Consider some current examples:

- Share Our Strength's No Kid Hungry campaign receives assistance from food manufacturers and grocery stores in distributing more than 34 million meals to children who need them. A few of the many businesses that support Share Our Strength include Walmart, Arby's, Food Network, American Express, Whole Foods, and Kellogg.¹⁹
- Corporate Angel Network works with the National Business Aviation Association to use empty seats on corporate jets to provide free transportation for cancer patients traveling to and from their treatments.
- More than \$65 million was raised through donations from individuals, companies, and charitable organizations for victims of the recent tornadoes and flooding in the Oklahoma City area. Fundraising was led by the American Red Cross and the Salvation Army.²⁰

The diversity of not-for-profit organizations suggests the presence of numerous organizational objectives other than profitability. In addition to their organizational goals, not-for-profit organizations differ from profit-seeking firms in several other ways.

CHARACTERISTICS OF NOT-FOR-PROFIT MARKETING



bottom line Reference to overall company profitability.

The most obvious distinction between not-for-profit organizations and for-profit firms is the financial **bottom line**, business jargon that refers to the overall profitability of an organization. For-profit organizations measure profitability, and their goal is to generate revenues above and beyond their costs to make money for all stakeholders involved, including employees, shareholders, and the organization itself. Not-for-profit organizations hope to generate as much revenue as possible to support their causes, whether it is feeding children, preserving wilderness areas, or helping single mothers find work. Historically, not-for-profits have had less exact goals and marketing objectives than for-profit firms, but in recent years, many of these groups have recognized that, to succeed, they must develop more cost-effective ways to provide services, and they must compete with other organizations for donors' dollars. Marketing can help them accomplish these tasks. Some groups are finding, for instance, that online social network sites, such as Facebook and Twitter, can bring them increased attention. But they are also using specialized networks devoted to social causes like YourCause.com, and easy payment systems like Rally.org to generate funds.²¹



During October, the National Football League supports Breast Cancer Awareness month with its “A Crucial Catch” campaign, permitting players to wear pink gloves, headbands, or other pink items to show their support for the cause.

Other distinctions exist between for-profit and not-for-profit organizations as well, each of which influences marketing activities. Like profit-seeking firms, not-for-profit organizations may market tangible goods or intangible services. Pink products have long been important in raising both funds for and recognition of National Breast Cancer Awareness month every October. During that month, the National Football League supports the American Cancer Society by permitting its players to wear pink gloves, headbands, or other pink items to signal their support for the cause.²² While profit-seeking businesses tend to focus their marketing on just one public—their customers—not-for-profit organizations often must market to multiple publics, which complicates decision making about the correct markets to target. Many deal with at least two major publics—their clients and their sponsors—and often many other publics as well. A college or university markets to prospective and current students, parents of students, major donors, alumni, faculty, staff, local businesses, and local government agencies.

A service user of a not-for-profit organization may have less control over the organization's destiny than customers of a profit-seeking firm. Not-for-profit organizations also often

possess some degree of monopoly power in a given geographic area. An individual contributor might object to United Way's inclusion of a particular local agency, but that agency will receive a portion of any donor contribution.

ASSESSMENT CHECK

- 4.1 What is the most obvious distinction between a not-for-profit organization and a commercial organization?
- 4.2 Why do for-profit and not-for-profit organizations sometimes form alliances?

NONTRADITIONAL MARKETING

As marketing evolved into an organization-wide activity, its application has broadened far beyond its traditional boundaries of for-profit organizations that create and distribute tangible goods and intangible services. In many cases, broader appeals focus on causes, events, individuals, organizations, and places. Table 1.3 lists and describes five major categories of nontraditional marketing:

Explain each of the five types of nontraditional marketing.



TABLE 1.3 Categories of Nontraditional Marketing

Type	Brief Description	Examples
Person marketing	Marketing efforts designed to cultivate the attention and preference of a target market toward a person	Athlete Peyton Manning, Denver Broncos quarterback; celebrity Blake Shelton, country singer
Place marketing	Marketing efforts designed to attract visitors to a particular area; improve consumer images of a city, state, or nation; and/or attract new business	California: "Find Yourself Here." Tennessee: "We're Playing Your Song." West Virginia: "Wild and Wonderful."
Cause marketing	Identification and marketing of a social issue, cause, or idea to selected target markets	"Click it or Ticket." "Refill, not landfill."
Event marketing	Marketing of sporting, cultural, and charitable activities to selected target markets	Tokyo 2020 Summer Olympics; American Diabetes Association's Tour de Cure
Organization marketing	Marketing efforts of mutual-benefit organizations, service organizations, and government organizations that seek to influence others to accept their goals, receive their services, or contribute to them in some way	American Red Cross: "Together, we can save a life." March of Dimes: "Working together for stronger, healthier babies." St. Jude Children's Research Hospital: "Finding Cures. Saving Children."

person marketing

Marketing efforts designed to cultivate the attention, interest, and preferences of a target market toward a person (perhaps a political candidate or celebrity).

person marketing, place marketing, cause marketing, event marketing, and organization marketing. These categories can overlap—promotion for an organization may also encompass a cause, or a promotional campaign may focus on both an event and a place.

PERSON MARKETING

Person marketing involves efforts designed to cultivate the attention, interest, and preferences of a target market toward a celebrity or authority figure. Celebrities can be real people or fictional characters. Political candidates engage in person marketing as they promote their candidacy for office. Authors such as Suze Orman of *The Road to Wealth* use person marketing to promote their books. Rachael Ray uses person marketing to promote her *Every Day with Rachael Ray* magazine, where she appears on every cover.

An extension of person marketing is *celebrity endorsements*, in which well-known athletes, entertainers, and experts or authority figures promote products for companies or social causes for not-for-profit organizations. Actresses Olivia Wilde and Emma Stone are spokespersons for Revlon beauty products; Chevrolet recently signed singer/songwriter John Legend to pitch its Impala brand; and "Modern Family" actress Sofia Vergara dances her way through a Miami nightclub in pursuit of a Diet Pepsi.²³ But athletes are the big winners in the celebrity endorsement arena—NBA MVP LeBron James appears in a series of ads touting Samsung's mobile products; New Orleans Saints quarterback Drew Brees is a celebrity spokesperson for Wrangler jeans; and pro golfer Phil Michelson endorses many products, including Rolex watches. And NBA superstar Kobe Bryant was recently named the highest-paid basketball player on *Forbes'* list of the world's highest-paid athletes, ranking third overall with annual earnings of more than \$60 million.²⁴

Briefly Speaking

"There is only one boss. The customer. And he can fire everybody in the company from the chairman on down simply by spending his money somewhere else."

—Sam Walton
Founder, Walmart

PLACE MARKETING

Another category of nontraditional marketing is **place marketing**, which attempts to attract customers to particular areas. Cities, states, regions, and countries publicize their tourist attractions to lure vacation travelers. They also promote themselves as good locations for businesses. Place marketing has become more important in the world economy—not only for tourism but also to recruit business and workers. In an effort to boost the sagging Las Vegas economy, casino operator MGM built a multi-billion-dollar CityCenter complex that includes four 61-story hotel towers, high-end stores, and dozens of bars and restaurants—and, of course, a casino. Interestingly, the tourism enhancements in Las Vegas have started to attract more visitors and turn the economy around, but tourists are gambling less than they used to.²⁵

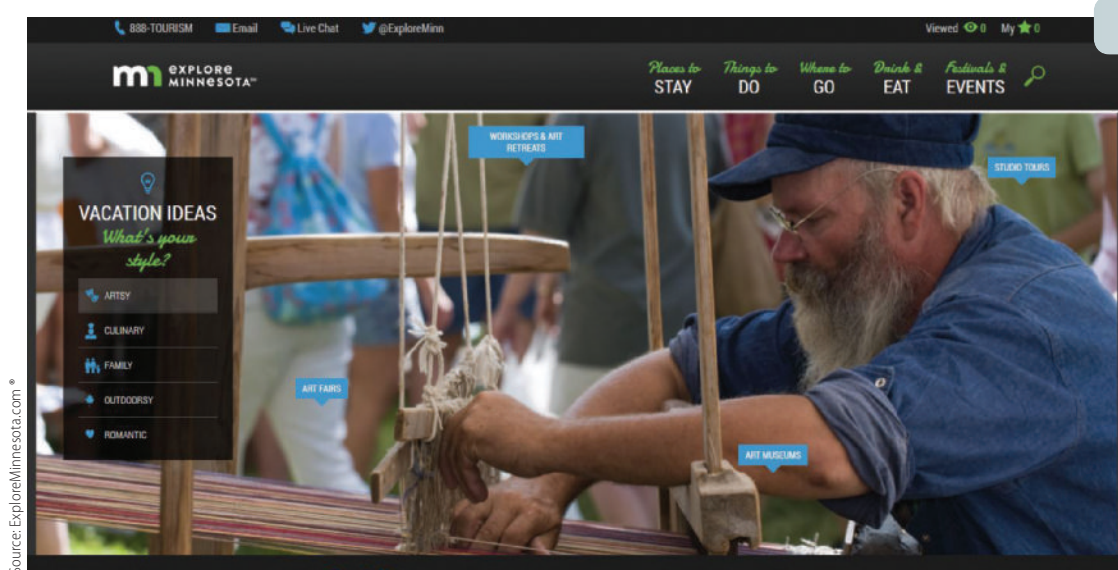
Place marketing can be a showcase for ingenuity. Although commercial space travel remains a somewhat distant possibility, the New Mexico Spaceport Authority has already designed the world's first public launch and landing site for space vehicles. Spaceport America, home to Richard Branson's Virgin Galactic, is located next to the U.S. Army's White Sands Missile Range. Among its objectives, Spaceport America strives to encourage and inspire students in science and math and partners with a science consortium to host an annual student launch. More than 800 students and teachers participated in a recent launch.²⁶

Explore Minnesota, a website that promotes the state's almost \$12 billion travel and tourism industry, is backed by a strategic plan that details 16 separate programs and tactics to achieve its goals. They include traditional advertising, interactive marketing, partnership and group tour marketing, media relations, meetings and conventions, and the growth area of sports marketing, among others. Primary markets are the north central United States and Canada, Mexico, Japan, the United Kingdom, China, Germany, and Scandinavia.²⁷

In another area of the country, West Virginia has a hub for vacationers. For instance, the town of Davis is home to Timberline Four Seasons Resort, which, as its name suggests, offers a wealth of outdoor activities year-round. During the summer, visitors can ride horses, mountain bike, hike, or go whitewater rafting. In the winter, the resort boasts more than 200 inches of snow per year on its Herz Mountain. Timberline is sometimes overlooked by East Coast skiers who travel north and west; however, locals are convinced that their mountain, which recently upgraded the snowmaking capacity for its 37 slopes and trails, is about to be discovered.²⁸

place marketing

Marketing efforts to attract people and organizations to a particular geographic area.



The state of Minnesota takes the concept of place marketing seriously in its efforts to attract tourism dollars. Its Explore Minnesota website is just one of 16 separate programs the state uses to promote tourism.

Briefly Speaking

"After all, the chief business of the American people is business."

—Calvin Coolidge
Thirtieth President of the
United States

cause marketing

Identification and marketing of a social issue, cause, or idea to selected target markets.

event marketing

Marketing of sporting, cultural, and charitable activities to selected target markets.

CAUSE MARKETING

A third category of nontraditional marketing, **cause marketing**, refers to the identification and marketing of a social issue, cause, or idea to selected target markets. Cause marketing covers a wide range of issues, including literacy, physical fitness, awareness of childhood obesity, environmental protection, elimination of birth defects, child-abuse prevention, and preventing drunk driving.

As mentioned earlier, an increasingly common marketing practice is for profit-seeking firms to link their products to social causes. Partnering recently with the Boys & Girls Clubs of America, office supply giant Staples sponsored its annual school supplies drive and donated supplies to more than 5,000 communities nationwide. The company has also donated more than \$14 million to not-for-profit organizations around the world through its Staples Foundation, corporate charitable giving programs, and other cause marketing efforts.²⁹

Surveys show strong support for cause-related marketing by both consumers and company employees. In a recent survey, 92 percent of consumers had a more positive image of companies that support important social causes, and four of five respondents said that they would change brands to support a cause if the price and quality of the two brands remained equal. Cause marketing can help build relationships with customers.

EVENT MARKETING

Event marketing refers to the marketing of sporting, cultural, and charitable activities to selected target markets. It also includes the sponsorship of such events by firms seeking to increase public awareness and bolster their images by linking themselves and their products to the events. Sports sponsorships have gained effectiveness in increasing brand recognition, enhancing image, boosting purchase volume, and increasing popularity with sports fans in demographic segments corresponding to sponsor business goals.

Some people might say that the premier sporting event is baseball's World Series. Others claim it's the Olympics or the World Cup. Still others might argue that it's the Super Bowl, which some consumers claim they watch only to see the debut of commercials. Those commercials are expensive, costing, on average, \$4 million for 30 seconds of airtime for a recent Super Bowl.³⁰ Companies now also feed their commercials to websites and make them available for downloading

to personal computers, tablets, and smartphones. Experienced marketers caution that firms planning such a big expenditure should make it part of a larger marketing plan, not just a single shot at fame. For those who prefer the international pageantry of the Olympics, marketers have plenty of plans. The promotion of upcoming Olympics—both summer and winter—begins years in advance. Before the end of each Olympics, hosts of the next games unveil their logo, and the marketing takes off from there. Corporate sponsors like Adidas try to target the next Olympic gold medal winners, draping them in clothing and gear with company logos. The 2014 Winter Olympics in Sochi, Russia, afforded opportunities for hundreds of firms to provide food and drink for hospitality events,

Event marketing for the Olympics begins years in advance. Here is the logo for the 2018 Winter Games to be held in PyeongChang, South Korea.



grzegorz knec/Alamy

transportation vehicles, jewelry, retail merchandise, team uniforms, energy generation and temperature control systems, cold and flu remedies, and computer and accounting services.³¹

ORGANIZATION MARKETING

Organization marketing attempts to persuade people to accept the goals of, receive the services of, or contribute in some way to an organization. Organization marketing includes mutual-benefit organizations such as Service Employees International Union and the Republican and Democratic political parties; service and cultural organizations such as Purdue University, Baylor College of Medicine, St. Louis's Barnes-Jewish Hospital, and Little Rock's Clinton Presidential Library; and government organizations such as the U.S. Coast Guard, the Newark Police Department, the Sacramento Fire Department, and the U.S. Postal Service. Colleges and universities use organizational marketing to help raise funds. The University of Texas leads all colleges and universities in the sale of licensed merchandise—the school receives more than \$10 million a year from these sales.³²

organization marketing Marketing by mutual-benefit organizations, service organizations, and government organizations intended to persuade others to accept their goals, receive their services, or contribute to them in some way.



ASSESSMENT CHECK

- 5.1 Identify the five major categories of nontraditional marketing.
- 5.2 Give an example of a way in which two or more of these categories might overlap.

FROM TRANSACTION-BASED MARKETING TO RELATIONSHIP MARKETING

As marketing progresses through the 21st century, a significant change is taking place in the way companies interact with customers. The traditional view of marketing as a simple exchange process, or **transaction-based marketing**, is being replaced by a different, longer-term approach that emphasizes building relationships with one customer at a time. Traditional marketing strategies focused on attracting customers and closing deals. Today's marketers realize that, although it's important to attract new customers, it's even more important to establish and maintain a relationship with them so they become loyal repeat customers. These efforts must expand to include suppliers and employees as well. Over the long term, this relationship may be translated to the lifetime value of a customer—the revenues and intangible benefits that a customer brings to an organization over an average lifetime, minus the investment the firm has made to attract and keep the customer.

Marketers realize that consumers are becoming more and more sophisticated. They quickly recognize marketing messages and may turn away from them if the messages don't contain information that consumers want and need. So marketers need to develop new techniques to establish and build trusting relationships between companies and their customers. As defined earlier in this chapter, relationship marketing refers to the development, growth, and maintenance of long-term, cost-effective exchange relationships with individual customers, suppliers, employees, and other partners for mutual benefit. It broadens the scope of external marketing relationships to include suppliers, customers, and referral sources. In relationship marketing, the term *customer* takes on a new meaning. Employees serve customers within an organization as well as outside it; individual employees and their departments are customers of and suppliers to one another. They must apply the same high standards of customer satisfaction to intradepartmental relationships as they do to external customer relationships. Relationship marketing recognizes the critical importance of internal marketing to the success of external marketing plans. Programs that improve customer service inside a company also raise productivity and staff morale, resulting in better customer relationships outside the firm.

Explain the shift from transaction-based marketing to relationship and social marketing.

6

transaction-based marketing Buyer and seller exchanges characterized by limited communications and little or no ongoing relationships between the parties.

Briefly Speaking

"The best way to get what you want is to help other people get what they want."

—Zig Ziglar

U.S. motivational speaker

FIGURE 1.2
Converting New
Customers to
Advocates



Relationship marketing gives a company new opportunities to gain a competitive edge by moving customers up a loyalty ladder—from new customers to regular purchasers, then to loyal supporters of the firm and its goods and services, and finally to advocates who not only buy its products but recommend them to others, as shown in Figure 1.2.

Relationship building begins early in marketing. It starts with determining what customers need and want, then developing high-quality products to meet those needs. It continues with excellent customer service during and after purchase. It also includes programs that encourage repeat purchases and foster customer loyalty.

Marketers may try to rebuild damaged relationships or rejuvenate unprofitable customers with these practices as well. Sometimes modifying a product or tailoring customer service to meet the needs of these customers can go a long way toward rebuilding a relationship.

USING SOCIAL MARKETING TO BUILD RELATIONSHIPS

Today's technology allows people to transmit memos, reports, and drawings quickly and inexpensively over phone lines, cables, or wireless devices. People can subscribe to personalized news services that deliver article summaries on specified topics directly to their computers or smartphones. They can commu-

nicate via social media, email, voice mail, text messages, videoconferencing, and computer networks; pay bills using online banking services; and use online resources to get information about everything from theater events or restaurant reviews to a local Chevrolet dealer's special sale.

CONVERTING NEW CUSTOMERS TO ADVOCATES

As an increasing number of Internet users in the United States use wireless devices such as smartphones or tablets to access the Web and check their email, **mobile marketing**—marketing messages transmitted via wireless technology—has become extremely popular.

Interactive media technologies combine computers and telecommunications resources to create software that users can control. Putting power into the hands of customers allows better communication, which can build relationships. **Interactive marketing** refers to buyer–seller communications in which the customer controls the amount and type of information received from a marketer. This technique provides immediate access to key product information when the consumer wants it, and it is increasingly taking place on social media sites such as Facebook, Twitter, and Pinterest. **Social marketing** is the use of online social media as a communications channel for marketing messages.

Social media is now the top online activity. With almost 1.2 billion monthly active users, it's estimated that if Facebook were a country, it would be the third most populous in the world, right after India.³³ And, after going public with its recent IPO, Twitter announced that its more than 200 million active users post an average of 400 million tweets a day.³⁴ Over three-fourths of the Fortune 100 companies have joined Twitter, and more than 70 percent use Facebook.³⁵ The Weather Channel has used social media successfully to strengthen and expand its marketing approach. See “Marketing Success” for more details.

Interactive marketing allows marketers and consumers to customize their communication. Customers may come to companies for information, creating opportunities for one-to-one marketing. They also can tell the company what they like or dislike about a product, and they can just as easily click the exit button and move on to another area. As interactive promotions grow in number and popularity, the challenge is to attract and hold consumer attention.

One small business making good use of social media is Lolly Wolly Doodle, a children's clothing company in Lexington, North Carolina. Founder Brandi Temple started making clothes for her young daughters and realized she made more outfits than her two girls could possibly wear. So she sold the extra outfits on eBay. When her husband lost his job, they decided to move their small retail sales operation from eBay to Facebook, where they currently have more than 930,000 fans.

mobile marketing

Marketing messages transmitted via wireless technology.

interactive marketing

Buyer–seller communications in which the customer controls the amount and type of information received from a marketer through channels such as the Internet and virtual reality kiosks.

social marketing The use of online social media as a communications channel for marketing messages.



MARKETING SUCCESS

The Weather Channel Expands Its Social Reach

Background. The Weather Channel (WTC) began as a 24-hour television network delivering up-to-the-minute reporting about rain, sleet, snow, and sunshine.

The Challenge. As new electronic platforms emerged, WTC needed to find new ways to be relevant. How do you market the weather?

The Strategy. WTC expanded its brand through marketing strategies that tap directly into the digital world. Now it operates a cable channel with original reality-show programming, a website highlighting conditions and forecasts for 100,000 locations worldwide plus educational and seasonal features, a radio network with 700 affiliates, a popular mobile app, and a Twitter partnership called Weather Channel Social.

Weather Channel Social offers real-time tweets and forecasts across mobile, broadcast, and Web platforms. Weather.com provides a local Social page with weather-related tweets plus other customer-created content. The iPhone app hosts interactive conversations by users—weather-related and social—while the TV channel integrates real-time tweets into live programming, and viewers can participate. Cities with populations over 100,000 have 200 custom Twitter feeds offering local forecasts with three-hour updates.

The Outcome. “Adding Social to all of our platforms makes our storytelling more complete,” says WTC’s executive vice president of digital products. During catastrophic Superstorm Sandy, the Weather Channel put its social strategies to good use. Anticipating many people would lose power, the Weather Channel streamed its live, round-the-clock storm coverage online so people could receive updates via mobile devices. The company is in the midst of changing its focus from a cable network viewers watch during weather disasters to a company that forecasts consumer behavior by analyzing when, where, and how often consumers check the weather. It recently changed its name to The Weather Co. to reflect its expanding digital-data business.

Sources: Company website, www.weather.com, accessed January 3, 2014; Katherine Rosman, “Weather Channel Now Also Forecasts What You’ll Buy,” *The Wall Street Journal*, accessed January 3, 2014, <http://online.wsj.com>; Doug Henschen, “Big Data Reshapes Weather Channel Predictions,” *Information Week*, accessed January 3, 2014, www.informationweek.com; Brian Stelter, “Weather Channel’s Parent Company Is Renamed,” *The New York Times*, accessed January 3, 2014, www.nytimes.com; Katie Leslie, “Sandy Gives Weather Channel a Chance to Shine,” *Denver Post*, accessed January 3, 2014, www.denverpost.com; Amir Efrati, “Today’s Weather Channel Forecast: A Chance of Tweets,” *The Wall Street Journal*, accessed January 3, 2014, <http://blogs.wsj.com>.

Temple says the company’s followers have provided instant feedback about certain types of clothing and have become unofficial salespeople, posting pictures of their children wearing the company’s attractive outfits.³⁶

Social media also allows larger exchanges in which consumers communicate with one another using email or social networking sites. These electronic conversations can establish innovative relationships between users and the business, providing customized information based on users’ interests and levels of understanding.

The Ford Motor Company uses social media extensively to engage with the public around the globe. The company has created *FordSocial*, which serves as a social hub for consumers, fans, and others to gather information, interact with others, share their questions and stories, and provide feedback and suggestions to the company about its various brands. It hosts *ConnectFord*, an information portal where the company shares articles, videos, and other information that a company might typically share in its PR campaigns. Ford’s global head of social media says the site gives bloggers and other journalists a chance to get information directly from Ford, not just through press releases. Ford also hosts separate Facebook and Twitter sites in countries around the world. Its Facebook page in Brazil has more than 1.2 million fans.³⁷

The Ford Motor Company uses social media to engage with consumers across the globe through several sites, including *FordSocial*, *ConnectFord*, and separate Facebook and Twitter sites in many countries.



By converting indifferent customers into loyal ones, companies generate repeat sales. The cost of maintaining existing customers is far below the cost of finding new ones, and these loyal customers are profitable. Some of the best repeat customers are those who are also willing to spread the word—create a buzz—about a product. *Buzz marketing* can be very effective in attracting new customers by bridging the gap between a company and its products. Companies as diverse as Microsoft and KFC have tapped customers to create a buzz about their products. Firms that make the most efficient use of buzz marketing warn that it is not a “one-way” approach to building customer relationships.

Buzz can be purely visual, too. “Visual buzz” can be thought of as the tangible expression of an issue or position. To help create jobs in communities with high unemployment throughout America, Starbucks partnered with a financial consortium to launch Create Jobs for USA. Under the program, donors who gave \$5 or more received a distinctive red-white-and-blue wristband adorned with the message “Indivisible.” Starbucks gave \$5 million to seed the project, and the initiative has reached more than \$15 million in donations.³⁸ Effective relationship marketing often relies heavily on information technologies such as computer databases that record customers’ tastes, price preferences, and lifestyles. This technology helps companies become one-to-one marketers that gather customer-specific information and provide individually customized goods and services. The firms target their marketing programs to appropriate groups rather than relying on mass-marketing campaigns. Companies that study customer preferences and react accordingly gain distinct competitive advantages.

“Briefly Speaking”

“There are no traffic jams along the extra mile.”

—Roger Staubach

Businessman, former Dallas Cowboys quarterback, and Heisman Trophy winner

DEVELOPING PARTNERSHIPS AND STRATEGIC ALLIANCES

Relationship marketing does not apply just to individual consumers and employees. It also affects a wide range of other markets, including business-to-business relationships with the firm’s suppliers and distributors as well as other types of corporate partnerships. In the past, companies often have viewed their suppliers as adversaries against whom they must fiercely negotiate prices, playing one off against the other. But this attitude has changed radically as both marketers and their suppliers discover the benefits of collaborative relationships.

The formation of **strategic alliances**—partnerships that create competitive advantages—is also on the rise. Alliances take many forms, including product development partnerships that involve shared costs for research and development and marketing, and vertical alliances in which one company provides a product or component to another firm, which then distributes or sells it under its own brand. Under Armour and Nike pay millions of dollars to outfit college football teams in exchange for the publicity gained from the teams' sometimes outlandish uniforms.³⁹

Not-for-profit organizations often use strategic alliances to raise awareness and funds for their causes. Recently, cell service provider Straight Talk Wireless gave more than \$1 million to Make-A-Wish

Foundation as a result of its “Give a Minute, Help Make-A-Wish” program. Straight Talk donated \$1 for every consumer who took a minute to learn about its services at more than 3,000 participating Walmart stores. The charity helps grant wishes for children with life-threatening health conditions.⁴⁰

strategic alliances Partnerships in which two or more companies combine resources and capital to create competitive advantages in a new market.



ASSESSMENT CHECK

- 6.1 How does relationship marketing give companies a competitive edge?
- 6.2 Why are interactive and social marketing important tools for marketers?
- 6.3. What is a strategic alliance?

COSTS AND FUNCTIONS OF MARKETING

Firms must spend money to create time, place, and ownership utilities. Numerous attempts have been made to measure marketing costs in relation to overall product costs, and most estimates have ranged between 40 percent and 60 percent of total costs. On average, half of the costs involved in a product—such as a Subway sandwich, a pair of Gap jeans, or noise-canceling headphones— can be traced directly to marketing. These costs are not associated with wheat, metal, or other raw materials, nor are they associated with baking, welding, or any of the other production functions necessary for creating form utility. What functions does marketing perform, and why are they important in creating customer satisfaction?

As Figure 1.3 reveals, marketing is responsible for the performance of eight universal functions: buying, selling, transporting, storing, standardizing and grading, financing, risk taking, and

Identify the eight universal functions of marketing.



FIGURE 1.3
Eight Universal Marketing Functions

wholesalers

Intermediaries that operate between producers and resellers.

exchange functions

Buying and selling.

securing marketing information. Some functions are performed by manufacturers, others by retailers, and still others by marketing intermediaries called **wholesalers**.

Buying and selling represent **exchange functions**. Buying is important to marketing on several levels. Marketers must determine how and why consumers buy certain goods and services. To be successful, they must try to understand consumer behavior. In addition, retailers and other intermediaries must seek out products that will appeal to their customers. Marketers must also anticipate consumer preferences for purchases to be made several months later. Selling is the second half of the exchange process. It involves advertising, personal selling, and sales promotion in an attempt to match the firm's goods and services to consumer needs.

Transporting and storing are physical distribution functions. Transporting involves physically moving goods from the seller to the purchaser. Storing involves warehousing goods until they are needed for sale. Manufacturers, wholesalers, and retailers typically perform these functions.

The final four marketing functions—standardizing and grading, financing, risk taking, and securing marketing information—often are called facilitating functions because they help the marketer perform the exchange and physical distribution functions. Quality and quantity control standards and grades, frequently set by federal or state governments, reduce the need for purchasers to inspect each item. For example, if you request a certain size tire for your automobile, you expect to get it.

Financing is another marketing function because buyers often need access to funds to finance inventories prior to sales. Manufacturers often provide financing for their wholesale and retail customers. Some types of wholesalers perform similar functions for their markets. Finally, retailers frequently allow their customers to buy on credit with either store charge cards or major credit cards.

The seventh function, risk taking, is part of most ventures. Manufacturers create goods and services based on research and their belief that consumers need them. Wholesalers and retailers acquire inventory based on similar expectations of future consumer demand. Entrepreneurial risk takers accommodate these uncertainties about future consumer behavior when they market goods and services.

The final marketing function involves securing marketing information. Marketers gather information about potential customers: who they are, what they buy, where they buy, and how they buy. By collecting and analyzing marketing information, marketers can understand why consumers purchase some goods while passing others by. This information also helps determine what consumers want and need—and how to offer goods and services to satisfy them. So marketing is the direct connection between a firm and its customers, the link that helps build and maintain lasting relationships.

**ASSESSMENT CHECK**

- 7.1. Which two marketing functions represent exchange functions?
- 7.2. Which two functions represent physical distribution functions?
- 7.3. Which four functions are facilitating functions?

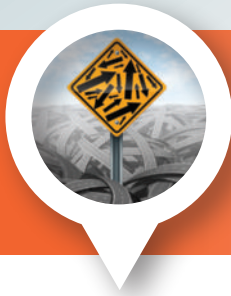
ethics Moral standards of behavior expected by a society.



8 Demonstrate the relationship between ethical business practices, social responsibility, sustainability, and marketplace success.

ETHICS AND SOCIAL RESPONSIBILITY: DOING WELL BY DOING GOOD

Ethics are moral standards of behavior expected by a society. Most companies do their best to abide by an ethical code of conduct, but sometimes organizations and their leaders fall short. Several years ago, the Houston-based energy giant Enron collapsed, taking with it the retirement savings of its employees and wiping out some investors. Similarly, executives from Tyco were convicted of using millions of company dollars for their personal benefit. And chemical manufacturer Monsanto was convicted not only of polluting water sources and soil in a rural Alabama area for decades but of ignoring evidence its own scientists had gathered indicating the extent and severity of the pollution. New ethics issues surface regularly. See the “Solving an Ethical Controversy” feature for a discussion about New York City’s recent ban on extra large, sugary drinks.



SOLVING AN ETHICAL CONTROVERSY

Banning Sugary Drinks

In an effort to help reduce obesity rates among its residents, New York City tried to restrict the sale of extra-large sodas and other sugary drinks in restaurants, stadiums, and movie theaters. The proposed ban would have begun in March of 2013. But one day before the ruling was to be enacted, a New York Supreme Court judge ruled that the city could not impose the ban. More recently the state's highest court, the Court of Appeals, ruled that the ban is illegal.

Should cities be allowed to try to prevent consumers from buying extra-large, sugary drinks?

PRO

1. Obesity in this country, particularly among children, is out of control, and any means to make it difficult to purchase sugary drinks will help.
2. By limiting the size of sugary drinks, cities will help consumers reduce their sugar intake, which should help them lose weight.

CON

1. Government should not intervene in consumers' freedom of choice when it comes to what type and size of drinks they can purchase.
2. Limiting the size of drinks for sale could have an adverse affect on small businesses whose profit margins will suffer.

Summary

The fight over extra-large sugary drinks appears to be ongoing. Even though former New York Mayor Michael Bloomberg believed selling smaller-sized drinks would have helped reduce obesity rates and make people healthier in the long run, the case is still in litigation. In July of 2014, San Francisco lawmakers voted to advance a proposal to tax sugary sodas. In November, if voters approve the measure, the tax will become the first of its kind in the nation.

Sources: Laila Kearney, "San Francisco Joins Sugary Drinks Fray with Tax Proposal," *Reuters*, accessed January 5, 2014, www.reuters.com; Michael M. Grynbaum, "New York Soda Ban to Go Before State's Top Court," *The New York Times*, accessed January 5, 2014, www.nytimes.com; Gary Strauss and Rebecca Castagna, "NYC Ban on Large Sugary Drinks Fizzles Again," *USA Today*, accessed January 5, 2014, www.usatoday.com.

Most businesspeople follow ethical practices. More than half of all major corporations now offer ethics training to employees, and most corporate mission statements include pledges to protect the environment, contribute to communities, and improve workers' lives. This book encourages you to follow the highest ethical standards throughout your business and marketing career.

Social responsibility includes marketing philosophies, policies, procedures, and actions whose primary objective is to enhance society and protect the environment through sustainable products and practices. Walmart, for instance, has made great strides in reducing its use of energy in its stores.

Social responsibility often takes the form of philanthropy, making gifts of money or time to humanitarian causes. Many firms, both large and small, include social responsibility programs as part of their overall mission. These programs often produce benefits such as improved customer relationships, increased employee loyalty, marketplace success, and improved financial performance.

social responsibility

Marketing philosophies, policies, procedures, and actions that have the enhancement of society's welfare as a primary objective.