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OF MARKETING**

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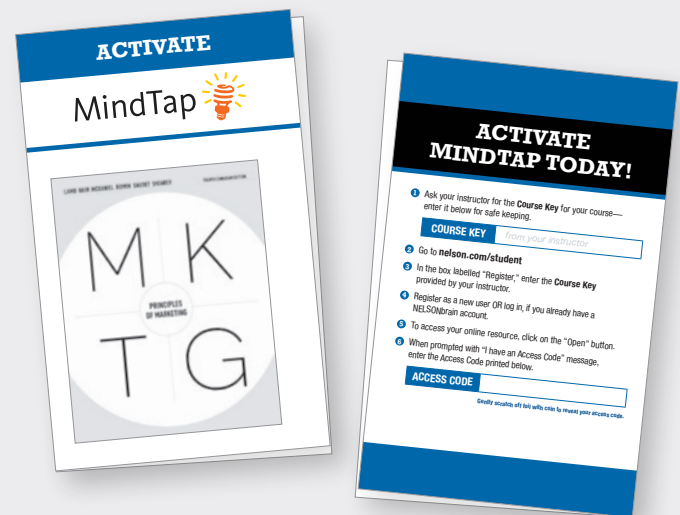
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PART 1 MARKETING—LET'S GET STARTED

- 1** An Introduction to Marketing 2
- 2** The Marketing Environment, Social Responsibility, and Ethics 14
- 3** Strategic Planning for Competitive Advantage 34
- 4** Developing a Global Vision 48

PART 2 ANALYZING MARKETING OPPORTUNITIES

- 5** Marketing Research 72
- 6** Consumer Decision Making 94
- 7** Business Marketing 116
- 8** Segmenting, Targeting, and Positioning 134
- 9** Customer Relationship Management (CRM) 152

PART 3 PRODUCT DECISIONS

- 10** Product Concepts 176
- 11** Developing and Managing Products 194
- 12** Services and Nonprofit Organization Marketing 212

PART 4 PRICING DECISIONS

- 13** Setting the Right Price 232

PART 5 DISTRIBUTING DECISIONS

- 14** Marketing Channels and Supply Chain Management 254
- 15** Retailing 274

PART 6 PROMOTION DECISIONS

- 16** Marketing Communications 296
- 17** Advertising, Public Relations, and Direct Response 316
- 18** Sales Promotion and Personal Selling 338
- 19** Social Media Strategies 354

Glossary 375

Endnotes 389

Index 397

Tear-out cards

CONTENTS

Part 1 MARKETING—LET'S GET STARTED



1 An Introduction to Marketing 2

- 1-1 What Is Marketing? 2
 - 1-1a What Is Marketing? 2
- 1-2 The Evolution of Marketing 4
 - 1-2a The Production Orientation 4
 - 1-2b The Sales Orientation 4
 - 1-2c The Marketing Company Orientation 5
 - 1-2d Societal Marketing Orientation 5
 - 1-2e Relationship Marketing Orientation 6
- 1-3 Key Marketing Terms 7
 - 1-3a Exchange 7
- 1-4 Why Marketing Matters 10
 - 1-4a Marketing Is Part of Every Company 10
 - 1-4b Marketing Is a Rewarding Career 10
 - 1-4c Marketing Provides an Important Skill Set 10
 - 1-4d Marketing Is Part of Everyday Life 11

**Side Launch Brewing Company Continuing Case:
Beer is Everywhere People Are 12**

2 The Marketing Environment, Social Responsibility, and Ethics 14

- 2-1 The External Marketing Environment 14
 - 2-1a Understanding the External Environment 15
- 2-2 Competitive Factors 16
- 2-3 Regulatory Factors 16
 - 2-3a Federal Legislation 17
 - 2-3b Provincial and Territorial Laws 17
 - 2-3c Self-Regulation 17
- 2-4 Economic Factors 18
 - 2-4a Consumers' Incomes 18
 - 2-4b Purchasing Power 19
 - 2-4c Inflation 19
 - 2-4d Recession 19
- 2-5 Social Factors 20
 - 2-5a Marketing-Oriented Values 20
 - 2-5b The Growth of Component Lifestyles 20
 - 2-5c Families Today 21
- 2-6 Demographic Factors 21
 - 2-6a Generation Z 21
 - 2-6b Generation Y 22
 - 2-6c Generation X 23
 - 2-6d Baby Boomers—A Mass Market 24
 - 2-6e Population Shifts in Canada 24
 - 2-6f Ethnic and Cultural Diversity 25
- 2-7 Technological Factors 25
 - 2-7a Research 26
 - 2-7b Technology and the Future of Businesses 26
- 2-8 Corporate Social Responsibility 26
 - 2-8a Growth of Social Responsibility 27
 - 2-8b Green Marketing 28
- 2-9 Ethical Behaviour in Business 28
 - 2-9a Morality and Business Ethics 29
 - 2-9b Ethical Decision Making 29
 - 2-9c Ethical Guidelines 30

**Side Launch Brewing Company Continuing Case:
Yeast Gone Wild 32**

3 Strategic Planning for Competitive Advantage 34

- 3-1 The Importance of Strategic Planning 34
- 3-2 Corporate Planning—Defining the Business Mission 36
- 3-3 Strategic Directions—Designing the Business Portfolio 37
 - 3-3a Conducting a SWOT Analysis 37
 - 3-3b Strategic Alternatives—Linking SWOT to Growth Strategies 38
- 3-4 Business Planning for Competitive Advantage 39
 - 3-4a Competitive Advantage 39
 - 3-4b Cost Competitive Advantage 39
 - 3-4c Product Differentiation Competitive Advantage 40
 - 3-4d Niche Competitive Advantage 41
 - 3-4e Building Sustainable Competitive Advantage 41
- 3-5 Marketing Planning—Setting the Objectives and Identifying the Target Market 42
 - 3-5a Setting Marketing Plan Objectives 42
 - 3-5b Target Market Strategy 42
- 3-6 The Marketing Mix 43
 - 3-6a Product Strategies 44
 - 3-6b Pricing Strategies 44
 - 3-6c Place (Distribution) Strategies 44
 - 3-6d Promotion Strategies 44
- 3-7 Marketing Plan Implementation, Evaluation, and Control 44
 - 3-7a Implementation 44
 - 3-7b Evaluation and Control 45
- 3-8 Effective Strategic Planning 45

Side Launch Brewing Company Continuing Case: Born to Grow 46

4 Developing a Global Vision 48

- 4-1 Rewards of Global Marketing 48
 - 4-1a Importance of Global Marketing to Canada 50
- 4-2 Multinational Firms 51
 - 4-2a Global Marketing Standardization 52
- 4-3 External Environment Facing Global Marketers 52
 - 4-3a Culture 52

- 4-3b Economic and Technological Development 53
 - 4-3c The Global Economy 54
 - 4-3d Political Structure and Actions 54
 - 4-3e Demographic Makeup 59
 - 4-3f Natural Resources 59
 - 4-4 Global Marketing by the Individual Firm 60
 - 4-4a Exporting 60
 - 4-4b Licensing and Franchising 61
 - 4-4c Contract Manufacturing 61
 - 4-4d Joint Venture 61
 - 4-4e Direct Investment 62
 - 4-5 The Global Marketing Mix 62
 - 4-5a Product Decisions 62
 - 4-5b Promotion Adaptation 63
 - 4-5c Place (Distribution) 64
 - 4-5d Pricing 64
 - 4-6 The Impact of the Internet 65
 - 4-6a Social Media and Global Marketing 66
- Side Launch Brewing Company Continuing Case: The Globalized Beer Drinker 67**

Part 1 Case: From Analysis to Action 69



5 Marketing Research 72

- 5-1 The Role of Marketing Research 72
- 5-2 The Marketing Research Process 73
 - 5-2a Step 1: Identify the Problem 73

- 5-2b Step 2: Design the Research 74
- 5-2c Step 3: Collect the Data 75
- 5-2d Step 4: Analyze the Data 85
- 5-2e Step 5: Present the Report 85
- 5-2f Step 6: Provide Follow-Up 86
- 5-3 The Impact of Technology on Marketing Research 86
 - 5-3a Online Surveys 87
 - 5-3b Online Research Panels 87
 - 5-3c Online Focus Groups 88
 - 5-3d Mobile Marketing Research 88
 - 5-3e Social Media Marketing Research 89
 - 5-3f The Rise of Big Data 89
- 5-4 When to Conduct Marketing Research 90
- Side Launch Brewing Company Continuing Case: Data in Absentia 92**

6 Consumer Decision Making 94

- 6-1 The Importance of Understanding Consumer Behaviour 94
- 6-2 The Consumer Decision-Making Process 95
 - 6-2a Need Recognition 96
 - 6-2b Information Search 96
 - 6-2c Evaluation of Alternatives and Purchase 97
 - 6-2d Postpurchase Behaviour 98
- 6-3 Types of Consumer Buying Decisions and Consumer Involvement 99
 - 6-3a Factors Determining the Level of Consumer Involvement 99
 - 6-3b Marketing Implications of Involvement 100
 - 6-3c Factors Influencing Consumer Buying Decisions 101
- 6-4 Cultural Influences on Consumer Buying Decisions 101
 - 6-4a Culture and Values 101
 - 6-4b Understanding Culture Differences 102
 - 6-4c Subculture 103
 - 6-4d Social Class 103
- 6-5 Social Influences on Consumer Buying Decisions 104
 - 6-5a Reference Groups 104
 - 6-5b Opinion Leaders 105
 - 6-5c Family 105
- 6-6 Individual Influences on Consumer Buying Decisions 106
 - 6-6a Gender 106
 - 6-6b Age and Family Life-Cycle Stage 106
 - 6-6c Personality, Self-Concept, and Lifestyle 107
- 6-7 Psychological Influences on Consumer Buying Decisions 108
 - 6-7a Perception 108
 - 6-7b Motivation 109
 - 6-7c Learning 110
 - 6-7d Beliefs and Attitudes 111
 - 6-7e Consumer Behaviour Elements—Working Together 112
- Side Launch Brewing Company Continuing Case: Looks Matter 113**

7 Business Marketing 116

- 7-1 What Is Business Marketing? 116
- 7-2 Business versus Consumer Marketing 117
- 7-3 The Network and Relationships Approach to Business Marketing 118
 - 7-3a Relationships in Business Marketing 118
 - 7-3b Interaction in Business Marketing 118
 - 7-3c Networks in Business Marketing 119
- 7-4 Fundamental Aspects of Business Marketing 121
 - 7-4a Types of Demand 121
 - 7-4b Number of Customers 122
 - 7-4c Location of Buyers 122
 - 7-4d Type of Negotiations 122
 - 7-4e Use of Reciprocity 123
 - 7-4f Use of Leasing 123
 - 7-4g Types of Business Products 123
- 7-5 Classifying Business Customers 124
 - 7-5a Major Categories of Business Customers 124
 - 7-5b Classification by Industry 126
- 7-6 Business Buying Behaviour 127
 - 7-6a Buying Centres 127
 - 7-6b Buying Situations 127
 - 7-6c Evaluative Criteria for Business Buyers 129
- 7-7 Business Marketing Online 129
 - 7-7a Trends in B2B Online Marketing 130

**Side Launch Brewing Company Continuing Case:
The Forbidden Fruit of Craft Brewers 132**

8 Segmenting, Targeting, and Positioning 134

- 8-1 Market Segmentation 134
- 8-2 The Importance of Market Segmentation 135
- 8-3 Bases for Segmenting Consumer Markets 135
 - 8-3a Geographic Segmentation 136
 - 8-3b Demographic Segmentation 136
 - 8-3c Psychographic Segmentation 140
 - 8-3d Benefit Segmentation 141
 - 8-3e Usage-Rate Segmentation 141
- 8-4 Criteria for Successful Segmentation 142
- 8-5 Bases for Segmenting Business Markets 142
 - 8-5a Company Characteristics 142
 - 8-5b Buying Processes 143
- 8-6 Steps in Segmenting a Market 143
- 8-7 Strategies for Selecting Target Markets 144
 - 8-7a Undifferentiated Targeting 144
 - 8-7b Concentrated Targeting 145
 - 8-7c Multisegment Targeting 145
 - 8-7d One-to-One Marketing 146
- 8-8 Positioning 147
 - 8-8a Perceptual Mapping 148
 - 8-8b Positioning Bases 148
 - 8-8c Repositioning 149
 - 8-8d Developing a Positioning Statement 149

**Side Launch Brewing Company Continuing Case:
Hipsterville Calling 150**

9 Customer Relationship Management (CRM) 152

- 9-1 What Is Customer Relationship Management? 152
 - 9-1a The Other CRM 153
- 9-2 The CRM Cycle 154
- 9-3 The CRM Cycle—Stage 1 (Marketing Research) 155
- 9-4 The CRM Cycle—Stage 2 (Business Development) 155
 - 9-4a Identify Customer Relationships 157
 - 9-4b Understand Interactions of the Current Customer Base 158

- 9-4c Capture Customer Data 159
- 9-4d Store and Integrate Customer Data 161
- 9-4e Identifying the Best Customers 162
- 9-5 The CRM Cycle—Stage 3 (Customer Feedback) 164
 - 9-5a Leverage Customer Information 164
- 9-6 Privacy Concerns and CRM 168
- 9-7 The Future of CRM 169

**Side Launch Brewing Company Continuing Case:
CSR in on Board 170**

Part 2 Case: Marketing Concept Review 172



10 Product Concepts 176

- 10-1 What Is a Product? 176
- 10-2 Types of Consumer Products 177
 - 10-2a Convenience Products 178
 - 10-2b Shopping Products 178
 - 10-2c Specialty Products 179
 - 10-2d Unsought Products 179
- 10-3 Product Items, Lines, and Mixes 179
 - 10-3a Adjustments to Product Items, Lines, and Mixes 180
- 10-4 Branding 182
 - 10-4a Benefits of Branding 183
 - 10-4b Branding Strategies 183
 - 10-4c Trademarks 186

- 10-5 Packaging 187
 - 10-5a Packaging Functions 187
 - 10-5b Labelling 188
 - 10-5c Universal Product Codes (UPCs) 188
- 10-6 Global Issues in Branding and Packaging 189
- 10-7 Product Warranties 190

**Side Launch Brewing Company Continuing Case:
The Art of Craft 191**

11 Developing and Managing Products 194

- 11-1 The Importance of New Products 194
 - 11-1a Categories of New Products 195
- 11-2 The New-Product Development Process 196
 - 11-2a New-Product Strategy 197
 - 11-2b Idea Generation 197
 - 11-2c Idea Screening 199
 - 11-2d Business Analysis 199
 - 11-2e Development 199
 - 11-2f Test Marketing 201
 - 11-2g Commercialization 202
- 11-3 Global Issues in New-Product Development 204
- 11-4 The Spread of New Products 204
 - 11-4a Diffusion of Innovation 204
 - 11-4b Product Characteristics and the Rate of Adoption 205
 - 11-4c Marketing Implications of the Adoption Process 206
- 11-5 Product Life Cycles 206
 - 11-5a Introductory Stage 207
 - 11-5b Growth Stage 208
 - 11-5c Maturity Stage 208
 - 11-5d Decline Stage 208
 - 11-5e Implications for Marketing Management 209

**Side Launch Brewing Company Continuing Case:
Balancing a Beer Portfolio 210**

12 Services and Nonprofit Organization Marketing 212

- 12-1 The Importance of Services 212
- 12-2 How Services Differ from Goods 213
 - 12-2a Intangibility 213
 - 12-2b Inseparability 214

- 12-2c Inconsistency 214
- 12-2d Inventory 214
- 12-3 Service Quality 215
 - 12-3a The Gap Model of Service Quality 215
- 12-4 Marketing Mixes for Services 217
 - 12-4a Product (Service) Strategy 218
 - 12-4b Process Strategy 219
 - 12-4c People Strategy 219
 - 12-4d Place (Distribution) Strategy 219
 - 12-4e Physical Evidence Strategy 220
 - 12-4f Promotion Strategy 220
 - 12-4g Price Strategy 221
 - 12-4h Productivity Strategy 221
- 12-5 Relationship Marketing in Services 221
- 12-6 Internal Marketing in Service Firms 222
- 12-7 Nonprofit Organization Marketing 223
 - 12-7a What Is Nonprofit Organization Marketing? 223
 - 12-7b Unique Aspects of Nonprofit Organization Marketing Strategies 224

**Side Launch Brewing Company Continuing Case:
Take Care of Your Back Yard 227**

Part 3 Case: Product Decisions 229

Part 4 PRICING DECISIONS



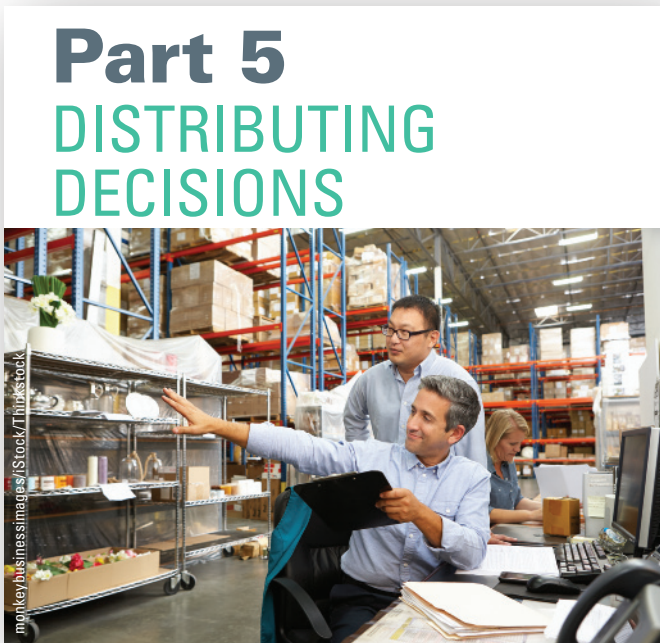
13 Setting the Right Price 232

- 13-1 The Importance of Price 232
 - 13-1a What Is Price? 232
 - 13-1b The Importance of Price to Marketing Managers 232

- 13-2 The Four-Step Pricing Process 233
 - 13-2a Step 1—Establish Pricing Objectives 234
 - 13-2b Step 2—Estimate Demand, Costs, and Profits 236
 - 13-2c Step 3—Choose a Price Strategy 239
 - 13-2d Step 4—Use a Price Tactic 241
- 13-3 The Legality and Ethics of Setting a Price 247
 - 13-3a Bait Pricing 247
 - 13-3b Deceptive Pricing 247
 - 13-3c Price Fixing 247
 - 13-3d Predatory Pricing 248
 - 13-3e Resale Price Maintenance 248
 - 13-3f Price Discrimination 248

Side Launch Brewing Company Continuing Case: An Accessible Price 249

Part 4 Case: Pricing Decisions 251



14 Marketing Channels and Supply Chain Management 254

- 14-1 The Nature of Marketing Channels 254
 - 14-1a A Plea for Place—The Forgotten P 254
 - 14-1b The Marketing Channel and Intermediaries Defined 256
 - 14-1c How Intermediaries Help the Supply Chain 256

- 14-2 Channel Intermediaries and their Functions 259
 - 14-2a Channel Functions Performed by Intermediaries 259
- 14-3 Types of Marketing Channels 260
 - 14-3a Channels for Consumer Products 260
 - 14-3b Channels for Business and Industrial Products 261
 - 14-3c Alternative Channel Arrangements 262
- 14-4 Making Channel Strategy Decisions 263
 - 14-4a Factors Affecting Channel Choice 263
 - 14-4b Levels of Distribution Intensity 264
- 14-5 Handling Channel Relationships 265
 - 14-5a Channel Power, Control, and Leadership 265
 - 14-5b Channel Conflict 266
 - 14-5c Channel Partnering 266
- 14-6 Managing the Supply Chain 267
 - 14-6a Benefits of Supply Chain Management 267
 - 14-6b Managing Logistics in the Supply Chain 268
 - 14-6c Sourcing and Procurement 268
 - 14-6d Production Scheduling 268
 - 14-6e Order Processing 269
 - 14-6f Inventory Control 270
- 14-7 Distribution Challenges in World Markets 270
 - 14-7a Developing Global Marketing Channels 270
 - 14-7b Global Logistics and Supply Chain Management 271

Side Launch Brewing Company Continuing Case: Getting Beer into Hands 272

15 Retailing 274

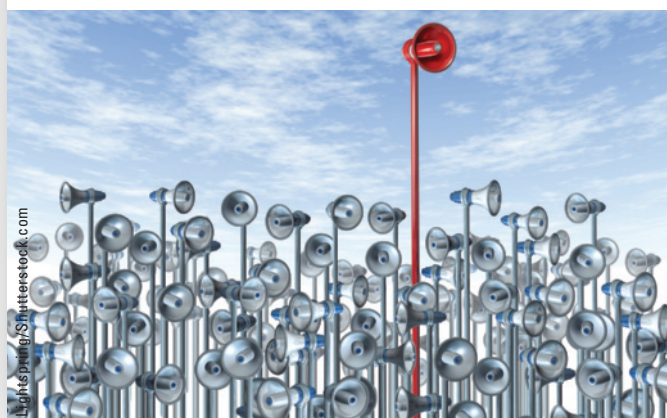
- 15-1 The Role of Retailing 274
- 15-2 Classification of Retail Operations 275
 - 15-2a Ownership 276
 - 15-2b Level of Service 276
 - 15-2c Product Assortment 276
 - 15-2d Price 276
- 15-3 Major Types of Retail Operations 276
- 15-4 The Rise of Nonstore Retailing 280
- 15-5 Franchising 282
- 15-6 Retail Marketing Strategy 283
 - 15-6a Defining a Target Market 283
 - 15-6b Choosing the Retailing Mix 284

- 15-7 Addressing Retail Product/Service Failures 288
- 15-8 Retailer and Retail Consumer Trends and Advancements 288

Side Launch Brewing Company Continuing Case: Dealing in a Duopoly 291

Part 5 Case: Distribution Decisions 293

Part 6 PROMOTION DECISIONS



16 Marketing Communications 296

- 16-1 The Role of Promotion in the Marketing Mix 296
- 16-2 Marketing Communication 297
 - 16-2a The Communication Process 298
- 16-3 The Goals of Promotion 300
 - 16-3a Informing 301
 - 16-3b Persuading 301
 - 16-3c Reminding 302
 - 16-3d Connecting 302
- 16-4 The Promotional Mix 302
 - 16-4a Advertising 302
 - 16-4b Publicity 303
 - 16-4c Sales Promotion 303
 - 16-4d Personal Selling 304
 - 16-4e Direct-Response Communication 304
 - 16-4f Online Marketing, Content Marketing, and Social Media 305

- 16-4g The Communication Process and the Promotional Mix 305
- 16-5 Promotional Goals and the AIDA Concept 307
 - 16-5a AIDA and the Promotional Mix 308
- 16-6 Integrated Marketing Communications 309
- 16-7 Factors Affecting the Promotional Mix 310
 - 16-7a Nature of the Product 310
 - 16-7b Stage in the Product Life Cycle 311
 - 16-7c Target Market Characteristics 312
 - 16-7d Type of Buying Decision 312
 - 16-7e Available Funds 312
 - 16-7f Push and Pull Strategies 313

Side Launch Brewing Company Continuing Case: On-Message Is More Than Words 314

17 Advertising, Public Relations, and Direct Response 316

- 17-1 What Is Advertising? 316
 - 17-1a Advertising and Market Share 317
 - 17-1b The Effects of Advertising on Consumers 317
- 17-2 Major Types of Advertising 318
 - 17-2a Institutional Advertising 318
 - 17-2b Product Advertising 319
- 17-3 Creative Decisions in Advertising 320
 - 17-3a Identifying Product Benefits 320
 - 17-3b Developing and Evaluating Advertising Appeals 320
 - 17-3c Executing the Message 321
 - 17-3d Postcampaign Evaluation 322
- 17-4 Media Decisions in Advertising 323
 - 17-4a Media Types 323
 - 17-4b Media Selection Considerations 327
 - 17-4c Media Scheduling 329
 - 17-4d Media Buying 329
- 17-5 Public Relations 330
 - 17-5a Major Public Relations Tools 330
 - 17-5b Managing Unfavourable Publicity 333
- 17-6 Direct-Response Communication 333
 - 17-6a The Tools of Direct-Response Communication 333

Side Launch Brewing Company Continuing Case: Reaching the Right Audience 335

18 Sales Promotion and Personal Selling 338

- 18-1 What Is Sales Promotion? 338
 - 18-1a The Sales Promotion Target 339
 - 18-1b The Objectives of Sales Promotion 339
- 18-2 Tools for Consumer Sales Promotion 340
 - 18-2a Coupons 341
 - 18-2b Rebates 341
 - 18-2c Premiums 341
 - 18-2d Loyalty Marketing Programs 342
 - 18-2e Contests and Sweepstakes 343
 - 18-2f Sampling 343
 - 18-2g Shopper Marketing 343
- 18-3 Tools for Trade Sales Promotion 344
- 18-4 Personal Selling 344
- 18-5 Relationship Selling 345
- 18-6 The Selling Process 346
 - 18-6a Some Key Issues in Each Step of the Selling Process 347
 - 18-6b Personal Selling in a Global Marketplace 350
 - 18-6c The Impact of Technology on Personal Selling 350

Side Launch Brewing Company Continuing Case: From Hard Work Come Good Things 352

19 Social Media Strategies 354

- 19-1 What Is Social Media's Role in Integrated Marketing Communications? 354
 - 19-1a How Canadians Use Social Media 356

- 19-2 Creating and Leveraging a Social Media Campaign 357
 - 19-2a The Listening System 359
 - 19-2b Social Media Strategies 360
- 19-3 Evaluation and Measurement of Social Media 360
- 19-4 Consumer Behaviour on Social Media 361
- 19-5 Social Media Tools: Consumer- and Corporate-Generated Content 362
 - 19-5a Blogs 363
 - 19-5b Microblogs 363
 - 19-5c Social Networks 364
 - 19-5d Media-Sharing Sites 364
 - 19-5e Social News Sites 365
 - 19-5f Location-Based Social Networking Sites 365
 - 19-5g Review Sites 366
 - 19-5h Virtual Worlds and Online Gaming 366
- 19-6 Social Media and Mobile Technology 366
 - 19-6a Mobile and Smartphone Technology 367
 - 19-6b Applications and Widgets 367
- 19-7 The Social Media Plan 368
 - 19-7a The Changing World of Social Media 368

Side Launch Brewing Company Continuing Case: Engagement by Listening 370

Part 6 Case: Promotion Decisions 372

- Glossary 375
- Endnotes 389
- Index 397
- Tear-out cards

1 An Introduction to Marketing

LEARNING OUTCOMES

- 1-1 Define marketing
- 1-2 Describe the evolution of marketing
- 1-3 Define key marketing terms
- 1-4 Explain why marketing matters

“Marketing is dead.”

—Kevin Roberts, CEO of Saatchi & Saatchi (top advertising agency)¹

1-1 WHAT IS MARKETING?

Marketing is a word that elicits much opinion and discussion. It is often defined by what it is not rather than by what it actually is. Marketing is one of the most misused words in business today. It is often reduced to a few words that are attached to the activities of marketing: sales, advertising, and promotion.

Sometimes marketing is seemingly written off entirely, as can be seen by the quote at start of this chapter from Kevin Roberts of Saatchi & Saatchi, a global communications and advertising company. Could this be true? Do we not need to worry about marketing anymore? Far from it. Without marketing, there is no customer. Most departments in a firm—whether

accounting or finance or operations—are internally focused on achieving goals related to their functional area. Marketing’s sole focus is on the customer and understanding what makes them tick. Without

marketing to identify a customer to create revenues and profit, there is no need for an accounting department or manufacturing facility.

So it has become a marketer’s job to understand the customer, and in doing so, transition marketing from something that used to be considered an afterthought to a key component in an organization. Being able to bring an external customer-based approach, marketing can inform other parts of the organization to focus on the needs of customers when undertaking any action or decision. Marketing is far from dead and, in fact, has never been so alive.

1-1a What Is Marketing?

Marketing is about understanding the **needs** of the customer. No other aspect of business has this focus. Marketing helps to shape the products and services of a firm, based on an understanding of what the customer is looking for. Marketing is about engaging in a conversation with that customer and guiding the delivery of what is required to satisfy those needs.

The goal of marketing is summarized nicely by the marketing concept. At its core, the marketing concept

marketing the activities that develop an offering in order to satisfy a customer need

need a state of being where we desire something that we do not possess but yearn to acquire





is about offering the customer what they are looking for. It includes the following:

- Focusing on customer wants and needs so that the organization can distinguish its offerings from those of its competitors.
- Integrating all the organization's activities, including production, to satisfy customers' wants.
- Achieving long-term goals for the organization by satisfying customers' wants and needs legally and responsibly.

Kevin Roberts was in fact not speaking of the demise of marketing in the provocative quote, but rather its rebirth. He implored marketing practitioners to change the way in which marketing is applied. He tasked his audience with seeing marketing differently and moving marketing from “interruption to interaction.”²

Marketing is becoming a conversation with the customer rather than a distraction. Companies are finding innovative ways in which to lead this conversation, and with access to more tools (Instagram, SnapChat), consumers are now, more than ever, able to talk back.



Source: DILBERT © 2010 Scott Adams. Used By permission of ANDREWS MCMEEL SYNDICATION. All rights reserved.

Marketing is not dead. Marketing is constantly changing, along with the customer it continually strives to better understand. We are heading into a new era of marketing—one that is reflective of the digital, online, and engaged world around us. Without marketing, there is no understanding this world.

1-2 THE EVOLUTION OF MARKETING

The misconceptions surrounding marketing come from the evolution of how marketing has been used in firms for more than a century. In their seminal article in the *Journal of Public Policy and Marketing*, renowned researchers William Wilkie and Elizabeth Moore described how today's marketing has resulted from many shifts in both the field of marketing and society. The authors note that the past century of marketing thought "has experienced periodic shifts in dominance of prevailing modes of thinking."³ Numerous terms and ideologies are used to describe these shifts in thinking, and below are a few of the orientations in marketing that have been part of these periodic shifts. It is important to investigate some prior perspectives on marketing to provide a better understanding of how marketing is perceived today and why there is so much confusion around what truly constitutes marketing.

1-2a The Production Orientation

The **production orientation** focuses on marketing as a messenger. Marketing is seen as a way to let customers know about products and assumes that those customers will beat a path to the producer's door.

This perspective can best be described as the "field of dreams" orientation, thanks to the movie of the same name in which a character states, "If you build it, they will come." The production orientation focuses on products because of a lack of product options in the marketplace.

Companies are free to create whatever products they deem appropriate, and customers have to accept what is offered.

production orientation a focus on manufacturing and production quantity in which customers are meant to choose based on what is most abundantly available

sales orientation hard selling to the customer, who has greater choice thanks to more competition in the marketplace

1-2b The Sales Orientation

The **sales orientation** is highlighted by the increased power of customer choice. Companies



Stocksearch/Alamy Stock Photo

Henry Ford of the Ford Motor Company once stated, "Any customer can have a car painted any colour that he wants, so long as it is black." Ford was describing the line of Model T cars that were available to the customer. His perspective is a great example of the production orientation way of thinking.

no longer simply produce a product and expect willing customers to be waiting to buy whatever they are selling. Sales techniques were established and evolved to convince consumers to buy, giving consumers choice and ensuring companies focused on creating market share and building sales volume in a highly competitive environment.

Sales pitches are encouraged under this orientation, in which savvy salespeople use their understanding of human nature to convince customers to purchase their products. Answer the door at home to a company using the sales orientation, and you may see a well-dressed person attempting to sell vacuum cleaners or encyclopedias.

The need to coax the customer is paramount in the sales orientation. Behind this belief, companies place resources, specifically sales materials (brochures, print ads, etc.) that are used in great quantities to encourage sales of their products. Companies respond to a marketplace with more competition by overwhelming customers with promotional activities that focus on the hard sell.

Today, some companies still believe in the importance of hard selling to customers. Companies are still



Old Visuals/Alamy Stock Photo

using aggressive sales tactics to entice customers, which is why consumers associate marketing with selling and why marketing is often considered intrusive.

The majority of companies and marketers do not subscribe to a marketing approach heavy only on selling. While sales makes up an important part of the marketing offering, it is only one part of the promotional tools available to today's marketer. Management thinker and innovator Peter Drucker put it best: "There will always, one can assume, be a need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy."⁴

1-2c The Marketing Company Orientation

The **marketing company orientation** is highlighted by the coordination of marketing activities—advertising, sales, and public relations—into one department in an organization. Much of how a marketing department is organized is based on the need to include those elements. The job of this department is to better understand the customer rather than just trying to sell to them.

As society evolves and consumers become more sophisticated, products and services previously seen as exclusive and out of reach are now seen as possible purchases. In this orientation, customers are grouped into market segments, with marketing professionals tasked with understanding their customer before making their move.

A term that is important in many orientations, and very much so in a marketing company orientation, is the *marketing concept*. The marketing concept focuses on

linking the needs of customers with the competencies of an organization seeking to meet those needs.

In bringing the elements of the marketing company orientation together, it becomes clear that marketing and persuasion are intermixed. Marketing professionals focus on how to be shrewder about convincing customers to buy. Emotions are tied to basic-need products, higher-order benefits are attached to everyday products, and the customer is as much of a target of focus as the product.

However, this stage in the marketing orientation process is not devoid of any counteraction from the customer. Consumers are becoming shrewd themselves, as they begin to ask for more from the companies providing them products and services. While consumers are focused on aspects of value and service, they begin to seek out new ways to satisfy their needs. As seen by the prominence of the sharing phenomenon, through companies like Uber and Airbnb, consumers flock towards new offerings that satisfy their needs in ways not considered before. Companies can no longer simply focus on persuasion to a passive customer. The customer begins to demand more from the companies that serve them, both for them and for society at large.

1-2d Societal Marketing Orientation

It is apparent when we distill the marketing concept down to a basic idea (give customers what they want) that its pursuit can have potentially unsavoury consequences (what if what they want isn't good for them?). Dealing with this challenge created the **societal marketing orientation**, where looking at not only what the customer wants but also what society wants becomes a dual emphasis.

Societal marketing examines the longer-term impacts on the customer and the environment when customers seek to satisfy needs. New movements, such as recycling and waste reduction, sought out companies' solutions to deal with greater consumerism. Health issues relating to product use are at the forefront of this orientation, with greater awareness of the safety and dietary issues attached to products. This orientation brings a greater

marketing company orientation a strong emphasis on the marketing concept and development of a more comprehensive approach to understanding the customer

societal marketing orientation looking not only at the customer but expanding marketing efforts to include aspects from the external environment that go beyond a firm's customers, suppliers, and competitors



EXimages/Alamy Stock Photo

government involvement in consumer needs and wants. Thanks to better customer education and extremely strict promotional restrictions, sales of products like cigarettes have dropped drastically. Industries and companies are placing an emphasis on self-regulation before more strict government involvement created bottom-line and public relations issues.

A signpost for change in societal marketing was the Happy Meal. McDonald's signature meal has long been a target for critics who argue that the fast-food giant has used it to attract young customers. In 2011, the Happy Meal began to offer more nutritious options, such as yogurt and a "mini" size of fries (31 grams). In 2012, apple slices were offered as a replacement for french fries. In 2013, McDonald's announced it would provide health information on the Happy Meal boxes that touts healthier food choices.

In 2016, McDonald's offered a rather unusual toy in its Happy Meals. In conjunction with the 2016 Rio Olympics, McDonald's offered a "Step-iT," a fitness tracker for kids. The device was in the form of a watch that children could wear to monitor the steps they take each day. This offer was clearly aimed at responding to concerns over the types of toys on offer at the food retailer. A recent study by the Robert John Wood Foundation showed that McDonald's most often targeted children with toys and movie tie-ins, rather than food. The Step-iT was an attempt to allay these concerns; however, the resulting fallout from the Step-iT distracted from any focus on the health of this new toy. The plastic wristband on the Step-iT was found to cause rashes and other skin irritations. This forced McDonald's to recall 3.9 million units.⁵ The company offered a

free replacement toy, yogurt tube, or apple slices as a replacement—no french fries or Chicken McNuggets to solve this problem.

1-2e Relationship Marketing Orientation

Today, the relationship marketing orientation is about developing a real and sustainable relationship with the customer. As Kevin Roberts (he of the "marketing is dead" proclamation) said, marketing has to go from "interruption to interaction."⁶ This phrase means that marketing can no longer look for a one-off sale; marketing has to focus on taking steps to truly engage with the customer. Engagement is the focus of this orientation, aided by the use of two essential customer-based strategies: customer satisfaction and relationship marketing.

CUSTOMER SATISFACTION Customer satisfaction is the customer's evaluation of a good or service in terms of whether that good or service has met the customer's needs and expectations. Failure to meet a customer's needs and expectations results in the customer's dissatisfaction with the good or service.⁷ Keeping current customers satisfied is just as important as attracting new customers—and a lot less expensive. One study showed that reducing customer attrition by just 5 to 10 percent could increase annual profits by as much as 75 percent.⁸ A 2 percent increase in customer retention has the same effect on profits as cutting costs by 10 percent.⁹ Firms that have a reputation for delivering high levels of customer satisfaction tend to do things differently from their competitors. When top management is obsessed with customer satisfaction, employees throughout the organization are more likely to understand the link between how they perform their job and the satisfaction of customers. The culture of such an organization focuses on delighting customers rather than on selling products.

RELATIONSHIP MARKETING Relationship marketing is a strategy that focuses on keeping and improving relationships with current customers. This strategy assumes that many consumers and business customers prefer to keep an ongoing relationship with one organization rather than to switch continually among providers in their search for value. Disney is a good example of an organization focused on building long-term relationships with its customers. Disney managers understand that their company creates products and experiences that become an important part of people's lives and memories. This understanding has made Disney a leader in doing "right by the customer"—starting with the front-line cast members who interact directly with

customer satisfaction customers' evaluation of a good or service in terms of whether it has met their needs and expectations

relationship marketing a strategy that focuses on keeping and improving relationships with current customers

the public and encompassing all employees in all departments, who assess each decision based on how it will affect the customers and their relationship with the Disney brand.

CUSTOMER RELATIONSHIP MANAGEMENT

An important result of the relationship marketing orientation has been the concept of customer relationship management (CRM). While born as a data-mining system to help marketers understand each customer on an individual level, CRM best serves the ultimate goal of meeting the needs of customers and building relationships.

A key aspect of relationships—and any CRM system—is trust. To build trust, companies have to be willing to share their stories with customers and listen to and act on what customers desire. Doing this has not always been possible when companies use data mining from various sources, but it is possible with social and mobile marketing.

Creating a 24/7/365 relationship with customers is now possible, if companies are willing to plug in to the online world, an arena not only for exchange but also for true communication.

In the days of Henry Ford, door-to-door salesmen, and real-life *Mad Men*, there was never the opportunity to understand and target individual customers. However, this goal is now possible. Just head to a popular social media site, and you will find an interactive world with endless potential.

An important chapter in this text (Chapter 9) is all about CRM and will pull all the pieces together and show the possibility of truly evolving from “interruption to interaction.”

1-3 KEY MARKETING TERMS

Now that we have seen the past and given an indication of the future of marketing, it is important to cover some of the fundamental aspects of marketing that every student of marketing should know. These ideas will form the basis of all remaining chapters and will provide you with the necessary tools to discuss and learn about marketing.

1-3a Exchange

One desired outcome of marketing is an **exchange**—people giving up one thing to receive another thing they would rather have. Normally, we think of money as the medium of exchange. We “give up” money to “receive”

CONDITIONS OF EXCHANGE

An exchange can take place only if the following five conditions exist:

1. At least two parties are involved.
2. Each party has something that may be of value to the other party.
3. Each party is capable of communication and delivery.
4. Each party is free to accept or reject the exchange offer.
5. Each party believes it is appropriate or desirable to deal with the other party.

Source: Philip Kotler, *Marketing Management*, 11th ed. (Upper Saddle River, NJ: Prentice-Hall, 2003), 12.

the goods and services we want. Exchange does not, however, require money. Two people may barter or trade such items as baseball cards or oil paintings.

CUSTOMER VALUE **Customer value** is the relationship between benefits and the sacrifice necessary to obtain those benefits. Customer value is not simply a matter of high quality. A high-quality product that is available only at a high price will not be perceived as good value, nor will bare-bones service or low-quality goods selling for a low price. Instead, customers value goods and services that are of the quality they expect and are sold at prices they are willing to pay. Value can be used to sell both a Mercedes-Benz and a \$3 frozen dinner.

MARKET SEGMENTS Market segments are groups of individuals, families, or companies that are placed together because it is believed that they share similar needs. As we saw in the discussion of the evolution of marketing earlier in this chapter, segmentation has gone from not being done at all to being done at an almost individual level. Market segments form the core of marketing efforts because they represent the source of customer needs.

To target specific market segments, much has to be done to research the lives, trends, and needs of a particular group. Later in the book, we will look at how marketing research (Chapter 5), consumer

exchange people giving up one thing to receive another thing they would rather have

customer value the relationship between benefits and the sacrifice necessary to obtain those benefits

The Force is with Disney

A recent example of Disney's relationship marketing was the case of an eight-year-old boy with autism who visited Disney World's Hollywood Studios theme park in Florida in June 2013. The boy, Josiah, had been looking forward to participating in the Jedi Training Academy—and just as he was to enter the stage to "fight" Darth Vader, the Florida skies opened up, and the rest of the event was rained out. Josiah was crestfallen, and his mother was worried he would retreat into his own world. The mother, Sharon Edwards, rushed over to the Disney employee playing the "Jedi Master" and explained the situation. The actor, David Piggott, told her in a hushed voice to meet him at the side of the building.

David, still in character as the Jedi Master, handed Josiah a lightsabre signed by Darth Vader. Josiah was ecstatic; he had gone from devastation to elation in minutes thanks to a kind act by this Disney employee.

Sharon decided she had to share this experience, so she wrote a post in her blog called "The Most Beautiful Ruined Moment," describing their encounter with an employee who went beyond his duty to make a memorable moment for her son. Soon, the blog was being passed around social media and on autism family support websites, and within days her blog had hundreds



Courtesy of Sharon Edwards and David Piggott

of thousands of views. As word spread, new media began to get involved, and the story travelled around the world. Sharon had been worried that the publicity from this incident might get David Piggott (the Jedi Master) in trouble for not following protocol. Instead, Disney responded by saying that it will be using this incident as an example of "good customer relations."

Sources: John I. Carney, "A Jedi Master and the Blog Side of the Force," *Times-Gazette*, June 19, 2013, www.t-g.com/story/1979291.html (accessed September 2013); and Sharon Edwards, "The Most Beautiful Ruined Moment," June 13, 2013, <http://writeshesays.wordpress.com/2013/06/13/the-most-beautiful-ruined-moment/> (accessed September 2013).

decision making (Chapter 6), and business marketing (Chapter 7) help provide the necessary tools to develop strong market segments (Chapter 8).

BUILDING RELATIONSHIPS Attracting new customers to a business is only the beginning. The best companies view new-customer attraction as the launching point for developing and enhancing a long-term relationship. Companies can expand their market share in three ways: attracting new customers, increasing business with existing customers, and retaining current customers. Building relationships with existing customers directly

addresses two of the three possibilities and indirectly addresses the other.

THE MARKETING MIX The marketing mix—also known as the 4Ps of marketing—refers to product, price, place, and promotion. Each of the 4Ps must be studied and developed to create a proper strategy to go after a market segment:

- **Product** relates to the tangible and intangible aspects of a company's offering. A product could be a can of soup or a virtuoso ballet performance; both

Research In Motion—A Cautionary Tale

In the early 2000s, Research In Motion (RIM) was touted as an unbelievable success story. BlackBerrys were omnipresent and seen in the hands of world leaders (Barack Obama) and celebrities (Kim Kardashian). With a security system beyond reproach and a messaging system that was as simple as it was addicting, the BlackBerry and Research In Motion had arrived. So what went wrong? Look at the magazine photo below that shows a BlackBerry beside ancient relics, showing it as a relic.

Among the many things that went wrong was RIM's lack of interest in researching and understanding customer needs. The BlackBerry was created to provide security and messaging—but what did consumers want? In 2007, research was showing that consumers were looking for “candy bar phones” that would have a simple user interface and a single touch screen. What did BlackBerry put out to market? The Pearl Flip, a flip phone that consumers were no longer interested in. A member of RIM's customer base management team noted the interaction between the sales team that wanted the candy bar phone and the company's development team: “All the sales guys were like...we asked you for big screens, touchscreens, more of these candy bar styles. And they were like ‘Yeah, but we came up

with this really cool technology about the hinge. Look at how this works.’ There is probably still a warehouse full of them.” In the end, customers stopped buying BlackBerrys, and app makers stopped producing applications for BlackBerry devices.



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Andrew Twort/Alamy Stock Photo

Research In Motion focused too much on its platform and security features and forgot about the customer. The makers of the BlackBerry failed to see that consumers, not businesses, would lead the smartphone market in the future. Consumers were looking for touch screens and a fully interactive communication device.

RIM gave consumers keyboards and security features they did not ask for. There was never an attempt to evolve with customers and their changing needs. BlackBerry suffered from the “Field of Dreams” belief—if you build it, they will come. Soon customers might have to visit a museum to see what a BlackBerry looks like.

Source: Felix Gillette, Diane Brady, and Caroline Winter, “The Rise and Fall of BlackBerry: An Oral History,” *BusinessWeek*, December 5, 2013, www.businessweek.com/articles/2013-12-05/the-rise-and-fall-of-blackberry-an-oral-history (accessed August 4, 2014).

companies will need to look at what needs are being satisfied and how to best package all the aspects of the offering so that the consumer will be satisfied.

- **Price** relates to the quantifying of a value in exchange for a company's offering. Competition is a significant issue here, as are customer perception and economic factors. Setting the right price is all about taking those factors into consideration and making the best decision that satisfies the bottom line and the customer.
- **Place** relates to much of the behind-the-scenes activities of making an offering available to the customer. This is the world of channels and logistics, where decisions made on how to get a company's product to market could be more important than the product itself.
- **Promotion** relates to what most people believe marketing to be about. These are the most visible activities of marketing, the ones that get into the news and