

GLOBAL
EDITION



Principles of Marketing

SEVENTEENTH EDITION

Philip Kotler • Gary Armstrong

 Pearson

Principles of
MARKETING

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Principles of **MARKETING**

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GLOBAL EDITION

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Northwestern University

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University of North Carolina

with

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St. Gallen Management Institute



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Authorized adaptation from the United States edition, entitled Principles of Marketing, 17th edition, ISBN 978-0-13-449251-3, by Philip Kotler and Gary Armstrong, published by Pearson Education © 2018.

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ISBN 10: 1-292-22017-1

ISBN 13: 978-1-292-22017-8

British Library Cataloguing-in-Publication Data

A catalogue record for this book is available from the British Library.

10 9 8 7 6 5 4 3 2 1
14 13 12 11 10

Typeset in Times LT Pro-Roman by Integra Software Services.
Printed and bound by Lego, Italy.

Dedication

To Kathy, Betty, Mandy, Matt, KC, Keri, Delaney, Molly, Macy, and Ben;
and Nancy, Amy, Melissa, and Jessica

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About the Authors

As a team, Philip Kotler and Gary Armstrong provide a blend of skills uniquely suited to writing an introductory marketing text. Professor Kotler is one of the world's leading authorities on marketing. Professor Armstrong is an award-winning teacher of undergraduate business students. Together, they make the complex world of marketing practical, approachable, and enjoyable.

Philip Kotler is S.C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University. He received his master's degree at the University of Chicago and his Ph.D. at M.I.T., both in economics. Dr. Kotler is the author of *Marketing Management* (Pearson), now in its fifteenth edition and the most widely used marketing textbook in graduate schools of business worldwide. He has authored more than 50 other successful books and has published more than 150 articles in leading journals. He is the only three-time winner of the coveted Alpha Kappa Psi award for the best annual article in the *Journal of Marketing*.

Professor Kotler was named the first recipient of four major awards: the *Distinguished Marketing Educator of the Year Award* and the *William L. Wilkie "Marketing for a Better World" Award*, both given by the American Marketing Association; the *Philip Kotler Award for Excellence in Health Care Marketing* presented by the Academy for Health Care Services Marketing; and the *Sheth Foundation Medal for Exceptional Contribution to Marketing Scholarship and Practice*. He is a charter member of the Marketing Hall of Fame, was voted the first Leader in Marketing Thought by the American Marketing Association, and was named the Founder of Modern Marketing Management in the *Handbook of Management Thinking*. His numerous other major honors include the Sales and Marketing Executives International *Marketing Educator of the Year Award*; the European Association of Marketing Consultants and Trainers *Marketing Excellence Award*; the *Charles Coolidge Parlin Marketing Research Award*; and the *Paul D. Converse Award*, given by the American Marketing Association to honor "outstanding contributions to science in marketing." A recent *Forbes* survey ranks Professor Kotler in the top 10 of the world's most influential business thinkers. And in a recent *Financial Times* poll of 1,000 senior executives across the world, Professor Kotler was ranked as the fourth "most influential business writer/guru" of the twenty-first century.

Dr. Kotler has served as chairman of the College of Marketing of the Institute of Management Sciences, a director of the American Marketing Association, and a trustee of the Marketing Science Institute. He has consulted with many major U.S. and international companies in the areas of marketing strategy and planning, marketing organization, and international marketing.

He has traveled and lectured extensively throughout Europe, Asia, and South America, advising companies and governments about global marketing practices and opportunities.

Gary Armstrong is Crist W. Blackwell Distinguished Professor Emeritus of Undergraduate Education in the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill. He holds undergraduate and master's degrees in business from Wayne State University in Detroit, and he received his Ph.D. in marketing from Northwestern University. Dr. Armstrong has contributed numerous articles to leading business journals. As a consultant and researcher, he has

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But Professor Armstrong's first love has always been teaching. His long-held Blackwell Distinguished Professorship is the only permanent endowed professorship for distinguished undergraduate teaching at the University of North Carolina at Chapel Hill. He has been very active in the teaching and administration of Kenan-Flagler's undergraduate program. His administrative posts have included Chair of Marketing, Associate Director of the Undergraduate Business Program, Director of the Business Honors Program, and many others. Through the years, he has worked closely with business student groups and has received several UNC campuswide and Business School teaching awards. He is the only repeat recipient of the school's highly regarded Award for Excellence in Undergraduate Teaching, which he received three times. Most recently, Professor Armstrong received the UNC Board of Governors Award for Excellence in Teaching, the highest teaching honor bestowed by the sixteen-campus University of North Carolina system.

Marc Oliver Opresnik is Professor of Marketing and Management and Member of the Board of Directors at SGMI St. Gallen Management Institute, a leading international business school. In addition, he is Professor of Business Administration at Luebeck University of Applied Sciences as well as a visiting professor to international universities such as the European Business School in London and East China University of Science and Technology in Shanghai. He has 10 years of experience working in senior management and marketing positions for Shell International Petroleum Co. Ltd. and is the author of numerous articles and books. Along with Kevin Keller and Phil Kotler, he is co-author of the German edition of *Marketing Management*. In addition, he is a co-editor and member of the editorial board of several international journals such as *Transnational Marketing*, *Journal of World Marketing Summit Group*, and *International Journal of New Technologies in Science and Engineering*. He was also appointed Chief Research Officer at Kotler Impact Inc., Philip Kotler's international company. His responsibilities include the global development, planning, implementation, and management of university courses and executive training as well as global research initiatives and cooperations.

As president of his consulting firm Opresnik Management Consulting, Professor Opresnik works as a coach, keynote speaker, and consultant for numerous institutions, governments, and international corporations, including Google, Coca-Cola, McDonald's, Dräger, RWE, SAP, Porsche, Audi, Volkswagen, Shell International Petroleum Co. Ltd., Procter & Gamble, Unilever, L'Oréal, Bayer, BASF, and Adidas. More than 100,000 people have benefited professionally and personally from his work as a coach in seminars on marketing, sales, and negotiation and as a speaker at conferences all over the world, including locations like St. Gallen, Davos, St. Moritz, Berlin, Houston, Moscow, London, Paris, Dubai, and Tokyo.

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Preface

The Seventeenth Edition of Kotler/Armstrong's *Principles of Marketing!* Setting the World Standard in Marketing Education

These are exciting times in marketing. Recent surges in digital technologies have created a new, more engaging, more connected marketing world. Beyond traditional tried-and-true marketing concepts and practices, today's marketers have added a host of new-age tools for engaging consumers, building brands, and creating customer value and relationships. In these digital times, sweeping advances in "the Internet of Things"—from social and mobile media, connected digital devices, and the new consumer empowerment to "big data" and new marketing analytics—have profoundly affected both marketers and the consumers they serve.

All around the world—across five continents, more than 40 countries, and 24 languages—students, professors, and business professionals have long relied on Kotler/Armstrong's *Principles of Marketing* as the most-trusted source for teaching and learning about the latest developments in basic marketing concepts and practices. More than ever, the seventeenth edition introduces new marketing students to the fascinating world of modern marketing in a complete and authoritative yet fresh, practical, and engaging way.

Once again, we've added substantial new content and poured over every page, table, figure, fact, and example in order to make this the best text from which to learn about and teach marketing. Enhanced by MyMarketingLab, our online homework and personalized study tool, the seventeenth edition of *Principles of Marketing* remains the world standard in introductory marketing education.

Marketing: Creating Customer Value and Engagement in the Digital and Social Age

Top marketers share a common goal: putting the consumer at the heart of marketing. Today's marketing is all about creating customer value and engagement in a fast-changing, increasingly digital and social marketplace.

Marketing starts with understanding consumer needs and wants, determining which target markets the organization can serve best, and developing a compelling value proposition by which the organization can attract and grow valued consumers. Then, more than just making a sale, today's marketers want to *engage* customers and build deep customer relationships that make their brands a meaningful part of consumers' conversations and lives.

In this digital age, to go along with their tried-and-true traditional marketing methods, marketers have a dazzling set of new online, mobile, and social media tools for engaging customers anytime, anyplace to jointly shape brand conversations, experiences, and community. If marketers do these things well, they will reap the rewards in terms of market share, profits, and customer equity. In the seventeenth edition of *Principles of Marketing*, you'll learn how *customer value* and *customer engagement* drive every good marketing strategy.

What's New in the Seventeenth Edition?

We've thoroughly revised the seventeenth edition of *Principles of Marketing* to reflect the major trends and forces that affect marketing in this digital age of customer value, engagement, and relationships. Here are just some of the major and continuing changes you'll find in this edition.

- The seventeenth edition adds fresh coverage in both traditional marketing areas and on fast-changing and trending topics such as customer engagement marketing, mobile and social media, big data and the new marketing analytics, the Internet of Things, omni-channel marketing and retailing, customer co-creation and empowerment, real-time customer listening and marketing, building brand community, marketing content creation and native advertising, B-to-B social media and social selling, monetizing social media, tiered and dynamic pricing, consumer privacy, sustainability, global marketing, and much more.
- This new edition continues to build on its *customer engagement* framework—creating direct and continuous customer involvement in shaping brands, brand conversations, brand experiences, and brand community. New coverage and fresh examples throughout the text address the latest customer engagement tools, practices, and developments. See especially Chapter 1 (refreshed sections on *Customer Engagement and Today's Digital and Social Media* and *Consumer-Generated Marketing*); Chapter 4 (big data and real-time research to gain deeper customer insights); Chapter 5 (creating social influence and customer community through digital and social media marketing); Chapter 9 (customer co-creation and customer-driven new-product development); Chapter 13 (omni-channel retailing); Chapters 14 and 15 (marketing content curation and native advertising); Chapter 16 (sales force social selling); and Chapter 17 (direct digital, online, social media, and mobile marketing).
- No area of marketing is changing faster than online, mobile, social media, and other digital marketing technologies. Keeping up with digital concepts, technologies, and practices has become a top priority and major challenge for today's marketers. The seventeenth edition of *Principles of Marketing* provides thoroughly refreshed, up-to-date coverage of these explosive developments in every chapter—from online, mobile, and social media engagement technologies discussed in Chapters 1, 5, 14, 15, and 17 to “real-time listening” and “big data” research tools in Chapter 4, real-time dynamic pricing in Chapter 11, omni-channel retailing in Chapter 13, and social selling in Chapter 16. A Chapter 1 section on *The Digital Age: Online, Mobile, and Social Media Marketing* introduces the exciting new developments in digital and social media marketing. Then a Chapter 17 section on *Direct, Online, Social Media, and Mobile Marketing* digs more deeply into digital marketing tools such as online sites, social media, mobile ads and apps, online video, email, blogs, and other digital platforms that engage consumers anywhere, anytime via their computers, smartphones, tablets, internet-ready TVs, and other digital devices.
- The seventeenth edition continues to track fast-changing developments in marketing communications and the creation of marketing content. Marketers are no longer simply creating integrated marketing communications programs; they are joining with customers and media to curate customer-driven marketing content in paid, owned, earned, and shared media. You won't find fresher coverage of these important topics in any other marketing text.
- The seventeenth edition of *Principles of Marketing* continues to improve on its innovative learning design. The text's active and integrative presentation includes learning enhancements such as annotated chapter-opening stories, a chapter-opening objective outline, explanatory author comments on major chapter sections and figures, and Real Marketing highlights that provide in-depth examples of marketing concepts and practices at work. The chapter-opening layout helps to preview and position the chapter and its key concepts. Figures annotated with author comments help students to simplify and organize chapter material. New and substantially revised end-of-chapter features help to summarize important chapter concepts and highlight important themes, such as marketing ethics, financial marketing analysis, and online, mobile, and social media marketing. This innovative learning design facilitates student understanding and eases learning.
- The seventeenth edition provides 18 new end-of-chapter company cases by which students can apply what they learn to actual company situations. It also features 16 new video cases, with brief end-of-chapter summaries and discussion questions. Finally, all of the chapter-opening stories, Real Marketing highlights, and end-of-chapter features in the seventeenth edition are either new or revised.
- New material throughout the seventeenth edition highlights the increasing importance of *sustainable marketing*. The discussion begins in Chapter 1 and ends in Chapter 20,

which pulls marketing together under a sustainable marketing framework. In between, frequent discussions and examples show how sustainable marketing calls for socially and environmentally responsible actions that meet both the immediate and the future needs of customers, companies, and society as a whole.

- The seventeenth edition provides new discussions and examples of the growth in *global marketing*. As the world becomes a smaller, more competitive place, marketers face new global marketing challenges and opportunities, especially in fast-growing emerging markets such as China, India, Brazil, Africa, and others. You'll find much new coverage of global marketing throughout the text, starting in Chapter 1 and discussed fully in Chapter 19.

Five Major Customer Value and Engagement Themes

The seventeenth edition of *Principles of Marketing* builds on five major customer value and engagement themes:

1. **Creating value for customers in order to capture value from customers in return.** Today's marketers must be good at *creating customer value, engaging customers, and managing customer relationships*. Outstanding marketing companies understand the marketplace and customer needs, design value-creating marketing strategies, develop integrated marketing programs that engage customers and deliver value and satisfaction, and build strong customer relationships and brand community. In return, they capture value from customers in the form of sales, profits, and customer equity.
This innovative *customer-value and engagement framework* is introduced at the start of Chapter 1 in a five-step marketing process model, which details how marketing *creates* customer value and *captures* value in return. The framework is carefully developed in the first two chapters and then fully integrated throughout the remainder of the text.
2. **Customer Engagement and Today's Digital and Social Media.** New digital and social media have taken today's marketing by storm, dramatically changing how companies and brands engage consumers and how consumers connect and influence each other's brand behaviors. The seventeenth edition introduces and thoroughly explores the contemporary concept of *customer engagement marketing* and the exciting new digital and social media technologies that help brands to engage customers more deeply and interactively. It starts with two major Chapter 1 sections: *Customer Engagement and Today's Digital and Social Media* and *The Digital Age: Online, Mobile, and Social Media*. A refreshed Chapter 17 on *Direct, Online, Social Media, and Mobile Marketing* summarizes the latest developments in digital engagement and relationship-building tools. Everywhere in between, you'll find revised and expanded coverage of the exploding use of digital and social tools to create customer engagement and build brand community.
3. **Building and managing strong, value-creating brands.** Well-positioned brands with strong brand equity provide the basis upon which to build customer value and profitable customer relationships. Today's marketers must position their brands powerfully and manage them well to create valued brand experiences. The seventeenth edition provides a deep focus on brands, anchored by a Chapter 8 section on *Branding Strategy: Building Strong Brands*.
4. **Measuring and managing return on marketing.** Especially in uneven economic times, marketing managers must ensure that their marketing dollars are being well spent. In the past, many marketers spent freely on big, expensive marketing programs, often without thinking carefully about the financial returns on their spending. But all that has changed rapidly. "Marketing accountability"—measuring and managing marketing return on investment—has now become an important part of strategic marketing decision making. This emphasis on marketing accountability is addressed in Chapter 2, in Appendix 2 (*Marketing by the Numbers*), and throughout the seventeenth edition.
5. **Sustainable marketing around the globe.** As technological developments make the world an increasingly smaller and more fragile place, marketers must be good at marketing their brands globally and in sustainable ways. New material throughout the

seventeenth edition emphasizes the concepts of global marketing and sustainable marketing—meeting the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs. The seventeenth edition integrates global marketing and sustainability topics throughout the text. It then provides focused coverage on each topic in Chapters 19 and 20, respectively.

An Emphasis on Real Marketing and Bringing Marketing to Life

Principles of Marketing, seventeenth edition, takes a practical marketing-management approach, providing countless in-depth, real-life examples and stories that engage students with marketing concepts and bring modern marketing to life. In the seventeenth edition, every chapter has an engaging opening story plus *Real Marketing* highlights that provide fresh insights into real marketing practices. Learn how:

- Samsung’s passion for creating superb online customer experiences has made it a poster child for direct and digital marketing.
- Nestlé has set up a customer-driven new product development process for finding and growing new market offerings while living up to its vision to make its products tastier and healthier.
- Apple’s outstanding success has never been about prices; it’s always been about creating “life-feels-good” user experiences that make its products fly off the shelves despite their premium prices.
- Emirates became a lifestyle brand by changing the way it reached out to customers. It framed itself as connecting peoples and cultures, creating meaningful experiences.
- Lenovo’s global success is rooted in its deep and sound understanding of customers and its ability to build profitable relationships. Its business model is thus built on customer satisfaction, innovation, and operational efficiency.
- Philips has realized that assessing multiple factors for change is vital to the understanding of current and probable future shifts in a marketing environment that is continuously shifting.
- Ferrero successfully analyzes and uses marketing information and customer insights to better tailor its offerings to the local market.
- Zara’s control of the entire distribution chain, from design and production to its own worldwide distribution network, has turned the brand into the world’s fastest-growing retailer.
- App-based car sharing service Uber is radically reshaping urban transportation channels in cities around the globe, but it is now facing stiff competition from local rivals like Careem.
- Industrial giant GE has unleashed a remarkable array of digital and social media content that connects the brand with its business customers and positions the 130-year-old company as a youthful, contemporary technology leader in the new digital industrial era.
- High-flying Mountain Dew is “Doin’ the Dew” with brand superfans to build a passionately loyal and engaged brand community. It doesn’t just market to customers; it makes them partners in building the brand.

Beyond such features, each chapter is packed with countless real, engaging, and timely examples that reinforce key concepts. No other text brings marketing to life like the seventeenth edition of *Principles of Marketing*.

Learning Aids That Create Value and Engagement

A wealth of chapter-opening, within-chapter, and end-of-chapter learning devices help students to learn, link, and apply major concepts:

- *Integrated chapter-opening preview sections.* The active and integrative chapter-opening spread in each chapter starts with a *Chapter Preview*, which briefly previews chapter concepts, links them with previous chapter concepts, and introduces the chapter-opening story. This leads to a chapter-opening vignette—an engaging, deeply developed, illustrated, and annotated marketing story that introduces the chapter material and sparks student interest. Finally, an *Objective Outline* provides a helpful preview of chapter contents and learning objectives, complete with page numbers.
- *Real Marketing highlights.* Each chapter contains two carefully developed highlight features that provide an in-depth look at real marketing practices of large and small companies.
- *Author comments and figure annotations.* Each figure contains author comments that ease student understanding and help organize major text sections.
- *Reviewing and Extending the Concepts.* Sections at the end of each chapter summarize key chapter concepts and provide questions and exercises by which students can review and apply what they've learned. The *Objectives Review and Key Terms* section reviews major chapter concepts and links them to chapter objectives. It also provides a helpful listing of chapter key terms by order of appearance with page numbers that facilitate easy reference. A *Discussion and Critical Thinking* section provides discussion questions and critical thinking exercises that help students to keep track of and apply what they've learned in the chapter.
- *Applications and Cases.* Brief *Online, Mobile, and Social Media Marketing; Marketing Ethics;* and *Marketing by the Numbers* sections at the end of each chapter provide short applications cases that facilitate discussion of current issues and company situations in areas such as mobile and social marketing, ethics, and financial marketing analysis. A *Video Case* section contains short vignettes with discussion questions to be used with a set four- to seven-minute videos that accompanied the seventeenth edition. End-of-chapter *Company Case* sections provide all-new or revised company cases that help students to apply major marketing concepts to real company and brand situations.
- *Marketing Plan appendix.* Appendix 1 contains a sample marketing plan that helps students to apply important marketing planning concepts.
- *Marketing by the Numbers appendix.* An innovative Appendix 2 provides students with a comprehensive introduction to the marketing financial analysis that helps to guide, assess, and support marketing decisions. An exercise at the end of each chapter lets students apply analytical and financial thinking to relevant chapter concepts and links the chapter to the Marketing by the Numbers appendix.

More than ever before, the seventeenth edition of *Principles of Marketing* creates value and engagement for you—it gives you all you need to know about marketing in an effective and enjoyable total learning package!

A Total Teaching and Learning Package

A successful marketing course requires more than a well-written book. Today's classroom requires a dedicated teacher, well-prepared students, and a fully integrated teaching system. A total package of teaching and learning supplements extends this edition's emphasis on creating value and engagement for both the student and instructor. The following aids support *Principles of Marketing*, seventeenth edition.

Instructor Resources

At the Instructor Resource Center, www.pearsonglobaleditions.com/kotler, instructors can easily register to gain access to a variety of instructor resources available with this text in downloadable format. If assistance is needed, a dedicated technical support team is ready to help with the media supplements that accompany the text. Visit <http://support.pearson.com/getsupport> for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available with this text:

- **Instructor's Resource Manual**
- **Test Bank**
- **TestGen[®] Computerized Test Bank**
- **PowerPoint Presentation**

Acknowledgments

No book is the work only of its authors. We greatly appreciate the valuable contributions of several people who helped make this new edition possible. As always, we owe extra-special thanks to Keri Jean Miksza for her dedicated and valuable contributions to *all* phases of the project and to her husband Pete and daughters Lucy and Mary for all the support they provide Keri during this very absorbing project.

We owe substantial thanks to Andy Norman of Drake University for his skillful help in developing chapter vignettes and highlights, company and video cases, PowerPoint presentations, and the marketing plan appendix. This and many previous editions have benefited greatly from Andy's assistance. We also thank Colette Wolfson of the Ivy Tech Community College School of Business for her dedicated efforts in preparing end-of-chapter materials. Additional thanks go to Carol Davis at California State University Monterey Bay for her work in updating the Instructor's Manual and Test Item File. Finally, we'd like to thank the professors who assisted with our work on MyMarketingLab: Arlene Green, Indian River State College; Mahmood Khan, Virginia Tech; Todd Korol, Monroe Community College; Susan Schanne, Eastern Michigan University; and Sarah Shepler, Ivy Tech Community College. All of these contributors are greatly appreciated in making the seventeenth edition of *Principles of Marketing* a robust teaching and learning system.

Many reviewers at other colleges and universities provided valuable comments and suggestions for this and previous editions. We are indebted to the following colleagues for their thoughtful input:

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Sucheta Ahlawat, Kean University
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Christina Chung, Ramapo College of New Jersey
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Mary Conran, Temple University
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Deb Utter, Boston University
Donna Waldron, Manchester Community College
Wendel Weaver, Oklahoma Wesleyan University
Susan D. Williams, New Jersey City University
Douglas Witt, Brigham Young University
Poh-Lin Yeoh, Bentley University

We also owe a great deal to the people at Pearson Education who helped develop this book. Portfolio Manager Dan Tylman provided resources and support during the revision. Editorial Coordinator Linda Albelli and Project Manager Karin Williams provided valuable assistance and advice in guiding this complex revision project through development, design, and production. We'd also like to thank Director of Portfolio Management Stephanie Wall for her strong guidance and support along the way as well as the expertise of Managing Producer Ashley Santora, Director of Production Jeff Holcomb, and Product Marketer Becky Brown. We are proud to be associated with the fine professionals at Pearson. We also owe a mighty debt of gratitude to Senior Project Manager Charles Fisher, Associate Managing Editor Allison Campbell, Design Manager Emily Friel, and the rest of the team at Integra for their fine work on this edition.

Finally, we owe many thanks to our families for all of their support and encouragement—Kathy, Betty, Mandy, Matt, KC, Keri, Delaney, Molly, Macy, and Ben from the Armstrong clan and Nancy, Amy, Melissa, and Jessica from the Kotler family. To them, we dedicate this book.

*Gary Armstrong
Philip Kotler*

Global Edition Acknowledgements

Pearson would like to thank the following people for their work on the Global Edition:

Contributors

Jan Charbonneau, University of Tasmania	Diane Sutherland
Geoff Fripp, The University of Sydney	Jon Sutherland
Ayantunji Gbadamosi, University of East London, United Kingdom	Nguyen Hai Anh Tran, University of East Anglia
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Principles of
MARKETING

PART 1: Defining Marketing and the Marketing Process (Chapters 1–2)

PART 2: Understanding the Marketplace and Consumer Value (Chapters 3–6)

PART 3: Designing a Customer Value–Driven Strategy and Mix (Chapters 7–17)

PART 4: Extending Marketing (Chapters 18–20)

1

Marketing

Creating Customer Value and Engagement

CHAPTER PREVIEW

This first chapter introduces you to the basic concepts of marketing. We start with the question: What is marketing? Simply put, marketing is engaging customers and managing profitable customer relationships. The aim of marketing is to create value for customers in order to capture value from customers in return. Next we discuss the five steps in the marketing process—from understanding customer needs, to designing customer value–driven marketing strategies and integrated marketing programs, to building customer relationships and capturing value for the firm. Finally, we discuss the major trends and forces affecting marketing in this new age of

digital, mobile, and social media. Understanding these basic concepts and forming your own ideas about what they really mean to you will provide a solid foundation for all that follows.

Let's start with a good story about marketing in action at Emirates, the largest international airline in the world and one of the best-known brands on the planet. Emirates's success results from much more than just offering a way to connect people from point A to point B. It's based on a customer-focused marketing strategy by which Emirates creates customer value through deep brand–customer engagement and close brand community with and among its customers.

EMIRATES' CUSTOMER VALUE—DRIVEN MARKETING: Engaging Customers and Building a Brand Community

The Emirates Group operates across six continents and 150 cities with a 95,000-strong team comprised of over 160 nationalities. The Emirates airline, headquartered in Dubai, UAE, was founded in 1985. The financial year ending March 31, 2016, saw the Group achieve its 28th consecutive year of profit in a financial year. The company successfully capitalized on its location—a small city-state strategically located to reach three-fourths of the world population in a flight of less than eight hours—to build a fast-growing and profitable hub-based business model, making it the largest international airline in the world.

Emirates set out to be an innovative, modern, and customer-oriented provider of high-quality air travel services. Through the years, Emirates has successfully and continuously created a customer-focused value proposition by offering a combination of products, services, information, and experiences customized for its market demographics for each of its destinations. This approach had led to an array of product offerings such as its on-board Information, Communication, and Entertainment (ICE) system, an all-in-one communications device accommodating

customer needs of surfing the Internet, emailing, or simply calling a land line while in the airplane, as well as exclusive lounges for its clientele. These offerings have allowed Emirates to deliver its value proposition to its customers and support its mission statement of committing to high standards.

The Skywards Program, the airlines' frequent traveler loyalty program, also plays a key role in helping Emirates build strong customer relationships. In an industry-leading innovation, members now earn miles by zone instead of actual miles flown. A "miles accelerator feature" offers bonus miles on specific flights and is designed to boost turnover on flights with less full flights.

Facing increased and fierce competition, Emirates has launched a range of customer service initiatives that support differentiation, including Dubai Connect, an incentive for premium-class passengers offering free luxury hotel accommodation, including meals, ground

transportation, and visa costs in Dubai. Another differentiating element of its customer service is Chauffeur-drive, a service offered to customers flying first-class or business-class. Emirates chauffeurs collect customers from their doorstep or will be present to take them to their final destination when they land. This could

Emirates is not just offering a way to connect people from point A to point B but is the catalyst to connect people's dreams, hopes, and aspirations.

be straight to the customer's hotel, their next meeting, their favorite restaurant, or even to the course for a round of golf. This service is available in over 70 cities worldwide.

As competitors continued to discount air fares close to loss levels, Emirates maintained fares while managing healthy yields supported by excellent load factors. The company was capable of doing this because of its customer value-driven marketing approach and its service proposition, for which customers continue to be willing to pay a premium. Whereas competitors emphasized low prices or well-maintained aircraft, Emirates built customer engagement and relationships. Beyond the functional benefit of air travel, Emirates marketed its services as "The Emirates Experience," a genuine passion for comfort and attention to detail. Customers didn't just fly Emirates; they experienced it.

Connecting with customers once required simply outspending competitors on big media ads and celebrity endorsers that talk at customers. In these digital times, however, Emirates is forging a new kind of customer relationship, a deeper, more personal, more engaging one. Emirates still invests in traditional advertising, but the brand now spends an increasing amount of its marketing budget on cutting-edge digital and social media marketing that interacts with customers to build brand engagement and community.

Emirates uses online, mobile, and social media marketing to connect with their customers. Emirates also creates brand "tribes"—large groups of highly engaged users—with the help of social media platforms such as Facebook, Twitter, Instagram, YouTube, and Pinterest. For example, the main Emirates Facebook page has more than 6.5 million likes. The Emirates Twitter page adds another 822,000; the Emirates Instagram page has 1.9 million subscribers, making it the largest in the industry; and the company's LinkedIn page has 667,000 followers, also no. 1 in the airline business. Emirates' social media presence engages customers at a high level, gets them talking with each other about the brand, and weaves the brand into their daily lives through cross-media campaigns that integrate digital media with traditional tools to connect with customers. A compelling example is the company's "Hello Tomorrow" campaign, which was launched in 2012 and positioned the global airline as the enabler of global connectivity and meaningful experiences. Emirates wanted to be perceived as a lifestyle choice and to ensure that more people than ever will fly Emirates. The target audience was "globalistas"—people who live to experience new cultures. Emirates was looking for a big idea that would build virtual bridges between globalistas and different cultures worldwide; inspire conversations on food, fashion, art, and music; and break the mold for a travel brand to engage with its audience and inspire discussions like never before.

Sir Maurice Flanagan, the founding CEO of Emirates and the former executive vice-chairman of The Emirates Group, emphasized that Emirates is not just offering a way to connect people from point A to point B but is the catalyst to connect people's dreams, hopes, and aspirations. He also stated that the



Emirates' success is due in part to its diverse product offerings.

Antony Nettle/Alamy Stock Photo

company is connecting people and cultures, creating relevant and meaningful experiences that are shaping the world.

The campaign launch featured print, TV, and digital advertising, including some iconic billboards in New York's Times Square and Milan's central train station. Launched in over 80 markets across the world, the new brand platform presented Emirates' new mindset through communication and engagement that celebrates global travel, conveying Emirates' commitment to connect with people and help them realize their potential through travel. Reflecting an effort to target a younger audience, the "Hello Tomorrow" campaign debuted with vignettes of the TV spots on Emirates' Facebook channel. Moreover, Emirates collaborated with the BBC to develop a new series called "Collaboration Culture," which followed 14 leading personalities who collaborated across their respective fields in music, food, fashion, and art. With CNN, Emirates created "Fusion Journeys," a concept that took artists to join fellow artists across the world to learn, teach, and even perform with them in their own country. Finally, Emirates' created the "Inspired Culture" channel on Yahoo! Globally, where globalistas can access recommendations, videos, and content, engaging with other people and being inspired by their creations.

The new global culture reached 43 million viewers across 85 countries through the BBC, CNN, and Yahoo! Emirates' consideration jumped from 38 percent to 69 percent among viewers and an impressive 84 percent of viewers exposed to the content reportedly believe Emirates was a brand that sought to connect the world and create a "brighter future."

Emirates has become the world's most valuable airline brand, with an estimated value of \$7.7 billion, according to the 2016 Brand Finance Global 500 report. It came out 47 places above the next closest airline brand. As a result of its customer-centric approach and integrated marketing campaigns (such as the Hello Tomorrow initiative), Emirates has demonstrated commitment, authenticity, relevance, and differentiation outside the travel industry. Emirates has successfully changed the way it reaches out to its customers by moving away from the product and creating a discourse of global customer engagement.¹

OBJECTIVES OUTLINE

OBJECTIVE 1-1	<p>Define marketing and outline the steps in the marketing process.</p> <p>What Is Marketing? (pp 28–30)</p>
OBJECTIVE 1-2	<p>Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.</p> <p>Understanding the Marketplace and Customer Needs (pp 30–34)</p>
OBJECTIVE 1-3	<p>Identify the key elements of a customer value–driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.</p> <p>Designing a Customer Value–Driven Marketing Strategy and Plan (pp 34–38)</p>
OBJECTIVE 1-4	<p>Discuss customer relationship management and identify strategies for creating value <i>for</i> customers and capturing value <i>from</i> customers in return.</p> <p>Managing Customer Relationships and Capturing Customer Value (pp 38–46)</p>
OBJECTIVE 1-5	<p>Describe the major trends and forces that are changing the marketing landscape in this age of relationships.</p> <p>The Changing Marketing Landscape (pp 46–55)</p>

Today’s successful companies have one thing in common: Like Emirates, they are strongly customer focused and heavily committed to marketing. These companies share a passion for satisfying customer needs in well-defined target markets. They motivate everyone in the organization to help build lasting customer relationships based on creating value.

Customer relationships and value are especially important today. Facing dramatic technological advances and deep economic, social, and environmental challenges, today’s customers are reassessing how they engage with brands. New digital, mobile, and social media developments have revolutionized how consumers shop and interact, in turn calling for new marketing strategies and tactics. It’s now more important than ever to build strong customer engagement, relationships, and advocacy based on real and enduring customer value.

We’ll discuss the exciting new challenges facing both customers and marketers later in the chapter. But first, let’s introduce the basics of marketing.

Author Comment | Pause here and think about how you’d answer this question before studying marketing. Then see how your answer changes as you read the chapter.

What Is Marketing?

Marketing, more than any other business function, deals with customers. Although we will soon explore more-detailed definitions of marketing, perhaps the simplest definition is this one: *Marketing is engaging customers and managing profitable customer relationships.* The two-fold goal of marketing is to attract new customers by promising superior value and to keep and grow current customers by delivering value and satisfaction.

For example, Nike leaves its competitors in the dust by delivering on its promise to inspire and help everyday athletes to “Just do it.” Amazon dominates the online marketplace by creating a world-class online buying experience that helps customers to “find and discover anything they might want to buy online.” Facebook has attracted more than 1.5 billion active web and mobile users worldwide by helping them to “connect and share with the people in their lives.” And Coca-Cola has earned an impressive 49 percent global share of the carbonated beverage market—more than twice Pepsi’s share—by fulfilling its

“Taste the Feeling” motto with products that provide “a simple pleasure that makes everyday moments more special.”²

Sound marketing is critical to the success of every organization. Large for-profit firms such as Google, Target, Procter & Gamble, Coca-Cola, and Microsoft use marketing. But so do not-for-profit organizations, such as colleges, hospitals, museums, symphony orchestras, and even churches.



● **Marketing is all around you, in good old traditional forms and in a host of new forms, from websites and mobile phone apps to videos and online social media.**

Westend61/Getty Images

You already know a lot about marketing—it’s all around you. Marketing comes to you in the good old traditional forms: You see it in the abundance of products at your nearby shopping mall and the ads that fill your TV screen, spice up your magazines, or stuff your mailbox. ● But in recent years, marketers have assembled a host of new marketing approaches, everything from imaginative websites and smartphone apps to blogs, online videos, and social media. These new approaches do more than just blast out messages to the masses. They reach you directly, personally, and interactively. Today’s marketers want to become a part of your life and enrich your experiences with their brands. They want to help you *live* their brands.

At home, at school, where you work, and where you play, you see marketing in almost everything you do. Yet there is much more to marketing than meets the consumer’s casual eye. Behind it all is a massive network of people, technologies, and activities competing for your attention and purchases. This book will give you a complete introduction to the basic concepts and practices of today’s marketing. In this chapter, we begin by defining marketing and the marketing process.

Marketing Defined

What *is* marketing? Many people think of marketing as only selling and advertising. We are bombarded every day with TV commercials, catalogs, spiels from salespeople, and online pitches. However, selling and advertising are only the tip of the marketing iceberg.

Today, marketing must be understood not in the old sense of making a sale—“telling and selling”—but in the new sense of *satisfying customer needs*. If the marketer engages consumers effectively, understands their needs, develops products that provide superior customer value, and prices, distributes, and promotes them well, these products will sell easily. In fact, according to management guru Peter Drucker, “The aim of marketing is to make selling unnecessary.”³ Selling and advertising are only part of a larger *marketing mix*—a set of marketing tools that work together to engage customers, satisfy customer needs, and build customer relationships.

Broadly defined, marketing is a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others. In a narrower business context, marketing involves building profitable, value-laden exchange relationships with customers. Hence, we define **marketing** as the process by which companies engage customers, build strong customer relationships, and create customer value in order to capture value from customers in return.⁴

Marketing

The process by which companies engage customers, build strong customer relationships, and create customer value in order to capture value from customers in return.

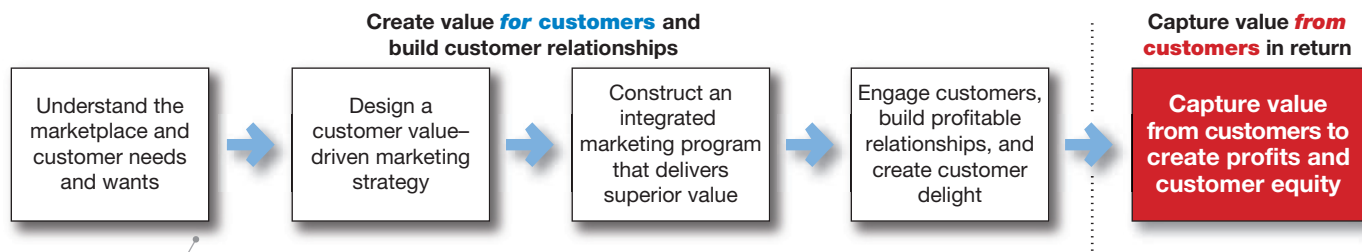
The Marketing Process

● **Figure 1.1** presents a simple, five-step model of the marketing process for creating and capturing customer value. In the first four steps, companies work to understand consumers, create customer value, and build strong customer relationships. In the final step, companies reap the rewards of creating superior customer value. By creating value *for* consumers, they in turn capture value *from* consumers in the form of sales, profits, and long-term customer equity.

In this chapter and the next, we will examine the steps of this simple model of marketing. In this chapter, we review each step but focus more on the customer relationship

● FIGURE | 1.1

The Marketing Process: Creating and Capturing Customer Value



This important figure shows marketing in a nutshell. By creating value *for* customers, marketers capture value *from* customers in return. This five-step process forms the marketing framework for the rest of the chapter and the remainder of the text.

steps—understanding customers, engaging and building relationships with customers, and capturing value from customers. In Chapter 2, we look more deeply into the second and third steps—designing value-creating marketing strategies and constructing marketing programs.

Author Comment Marketing is all about creating value for customers. So, as the first step in the marketing process, the company must fully understand customers and the marketplace.

Understanding the Marketplace and Customer Needs

As a first step, marketers need to understand customer needs and wants and the marketplace in which they operate. We examine five core customer and marketplace concepts: (1) *needs, wants, and demands*; (2) *market offerings (products, services, and experiences)*; (3) *value and satisfaction*; (4) *exchanges and relationships*; and (5) *markets*.

Needs

States of felt deprivation.

Wants

The form human needs take as they are shaped by culture and individual personality.

Demands

Human wants that are backed by buying power.

Customer Needs, Wants, and Demands

The most basic concept underlying marketing is that of human needs. Human **needs** are states of felt deprivation. They include basic *physical* needs for food, clothing, warmth, and safety; *social* needs for belonging and affection; and *individual* needs for knowledge and self-expression. Marketers did not create these needs; they are a basic part of the human makeup.

Wants are the form human needs take as they are shaped by culture and individual personality. An American *needs* food but *wants* a Big Mac, fries, and a soft drink. A person in Papua, New Guinea, *needs* food but *wants* taro, rice, yams, and pork. Wants are shaped by one's society and are described in terms of objects that will satisfy those needs. When backed by buying power, wants become **demands**. Given their wants and resources, people demand products and services with benefits that add up to the most value and satisfaction.

Companies go to great lengths to learn about and understand customer needs, wants, and demands. They conduct consumer research, analyze mountains of customer data, and observe customers as they shop and interact, offline and online. People at all levels of the company—including top management—stay close to customers:⁵

Target's energetic CEO, Brian Cornell, makes regular unannounced visits to Target stores, accompanied by local moms and loyal Target shoppers. ● Cornell likes nosing around stores and getting a real feel for what's going on. It gives him "great, genuine feedback." He and other Target executives even visit customers in their homes, opening closet doors and poking around in cupboards to understand their product choices and buying habits. Similarly, Boston Market CEO George Michel makes frequent visits to company restaurants, working in the dining room and engaging customers to learn about "the good, the bad, and the ugly." He also stays connected by reading customer messages on the Boston Market website and has even cold-called customers for insights. "Being close to the customer is critically important," says Michel. "I get to learn what they value, what they appreciate."



● **Staying close to customers: Energetic Target CEO Brian Cornell makes regular unannounced visits to Target stores, accompanied by local moms and loyal Target shoppers.**