

THIRTEENTH EDITION

MARKETING

Roger A. Kerin • Steven W. Hartley



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MARKETING

Thirteenth Edition

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MARKETING, THIRTEENTH EDITION

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WELCOME FROM THE AUTHORS!

Do words and phrases such as *social, mobile, digital, viral, gamification, big data, binge-watching, Internet of Things, wearable technology, brand storytelling, customer-centricity, value proposition, native advertising, or sustainability* sound familiar or interesting to you? If they do, you already have a great start to learning about some of the newest topics in the business world. These topics are just a few of the many new and emerging concepts and tools you'll learn about during the next several months as you undertake your study of marketing. It is our pleasure to provide a textbook to facilitate your introduction to this exciting discipline!

While this may be your first formal introduction to studying marketing we know you have important exposure to the world of marketing as a consumer, a volunteer, or possibly as an employee in a business. All of these experiences provide important perspectives on the role of marketing in our local, national, and global economies. We encourage you to use your past activities as reference points and build on your existing understanding of our marketplace and marketing practices. In addition, we hope that you will think about your future career aspirations as you navigate the many new marketing topics you will encounter.

The new aspects of marketing make this edition of our book particularly exciting. We believe our past experiences writing this book have given us many insights into the content, writing style, examples, exercises, and supporting materials that lead to effective learning. As the dramatic changes related to consumer values, global competition, digital technology, and regulation have taken place, we have integrated the new perspectives to give you the most up-to-date skills you will need as a marketing professional. Our approach to presenting the complexities of marketing is based on three important dimensions:

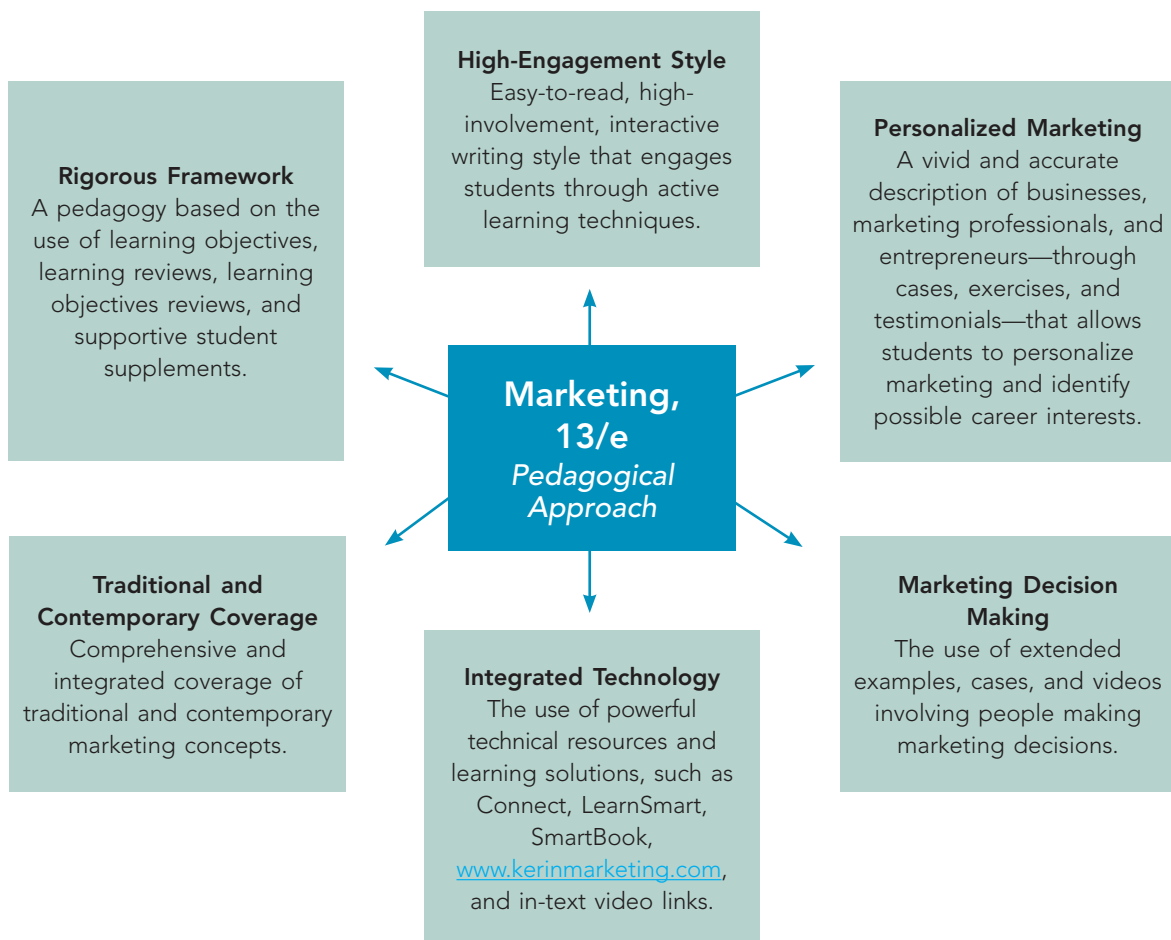
- **Engagement.** As professors we have benefited from interactions with many exceptional students, managers, and instructors. Their insights have contributed to our approach to teaching and learning and, subsequently, to our efforts as textbook authors. One of the essential elements of our approach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

Through the previous 12 U.S. editions, and 19 international editions in 11 languages, we have been gratified by the enthusiastic feedback we have received from students and instructors. We are very excited to have this opportunity to share our passion for this exciting discipline with you today. Welcome to the 13th edition of *Marketing!*

Roger A. Kerin
Steven W. Hartley

PREFACE

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



The goal of the 13th edition of *Marketing* is to create an exceptional experience for today's students and instructors of marketing. The development of *Marketing* was based on a rigorous process of assessment, and the outcome of the process is a text and package of learning tools that are based on *engagement*, *leadership*, and *innovation* in marketing education.

ENGAGEMENT

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

In-Class Activities. These activities are designed to engage students in discussions with the instructor and among themselves. They involve surveys, online resources, out-of-class assignments, and personal observations. Each activity illustrates a concept from the textbook and can be done individually or as a team. Examples include: Designing a Candy Bar, Marketing Yourself, Pepsi vs. Coke Taste Test, and What Makes a Memorable TV Commercial?

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

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

LEADERSHIP

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

Chapter 19: Using Social Media and Mobile Marketing to Connect with Consumers. *Marketing* features a dedicated chapter for social media and mobile marketing. This new environment is rapidly changing and constantly growing. The authors cover the building blocks of social media and mobile marketing and provide thorough, relevant content and examples. The authors discuss major social media platforms like Twitter, Facebook, LinkedIn, and YouTube. They explain how managers and companies can use those outlets for marketing purposes. Also discussed in Chapter 19 are methods of measuring a company's success with social media and mobile marketing. This chapter is one of many ways *Marketing* is on the cutting edge of the field.

Applying Marketing Metrics. The *Applying Marketing Metrics* feature in the text delivers two of the newest elements of the business and marketing environment today—performance metrics and dashboards to visualize them. Some of the metrics included in the text are: Category Development Index (CDI), Brand Development Index (BDI), Load Factor (a capacity management metric), Price Premium, Sales per Square Foot, Same-Store Sales Growth, Promotion-to-Sales Ratio, and Cost per Thousand (CPM) impressions. The feature is designed to allow readers to learn, practice, and apply marketing metrics.

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

New Video Cases. Each chapter ends with a case that is supported by a video to illustrate the issues in the chapter. New cases such as Amazon, Mall of America, and Taco Bell, and recent cases such as Chobani Greek Yogurt, X-1 Audio, Secret Deodorant, LA Galaxy, Carmex lip balm, and StuffDOT provide current and relevant examples that are familiar to students.

INNOVATION

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

In-text Links. You can see Internet links in magazine ads; on television programming; as part of catalogs, in-store displays, and product packaging; and throughout *Marketing, 13/e!* These links bring the text to life with ads and videos about products and companies that are discussed in the text. These videos also keep the text even more current. While each link in the text has a caption, the links are updated to reflect new campaigns and market changes. In addition, the links allow readers to stream the video cases at the end of each chapter. You can simply click on the links in the digital book or use your smartphone or computer to follow the links.

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

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

Innovative Test Bank. Containing almost 7,000 multiple-choice and essay questions, the *Marketing, 13/e* Test Bank reflects more than two decades of innovations. The Test Bank includes two Test Item Tables for each chapter that organize all the chapter's test items by Bloom's three levels of learning against both (1) the main sections in the chapter, and (2) the chapter's learning objectives. In addition, a number of "visual test questions" for each chapter reward students who have spent the effort to understand key graphs, tables, and images in the chapter.



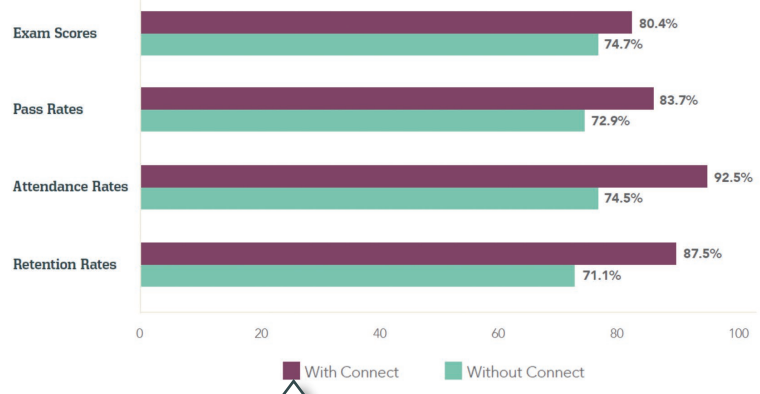
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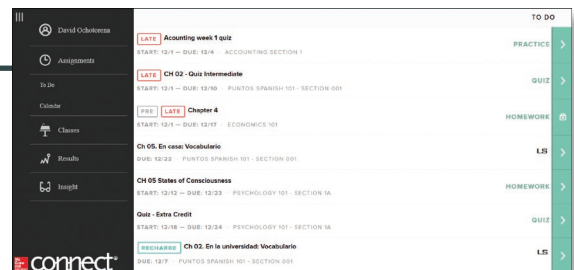


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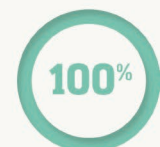
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*Findings based on a 2015 focus group survey at Pellissippi State Community College administered by McGraw-Hill Education

NEW AND REVISED CONTENT

Chapter 1: New Discussion of Marketing at Chobani, New Showstopper Analysis, and New Material on the Internet of Everything. Chapter 1 begins with an update of Chobani's saavy use of marketing to create a new food category. Examples include Chobani's use of a YouTube channel, its introduction of yogurt cafés, and its development of new products such as Chobani Flip. New product examples such as Apple Newton, StuffDOT, and Pepsi True have been added to the discussion of potential "showstoppers" for new-product launches. Discussion of "the Internet of everything" and how data analytics is used to form relationships with customers has also been added.

Chapter 2: Updated Chapter Opening Example, New Coverage of Social Entrepreneurship and Marketing Analytics, and the Addition of Apple Watch to the BCG Analysis. The Chapter 2 opening example discusses how marketing strategies, and "linked prosperity," contribute to the product, economic, and social aspects of Ben & Jerry's mission. Social entrepreneurship and *Forbes* magazine's *30 Under 30 Social Entrepreneurs* are now discussed in the Making Responsible Decisions box. In addition a new section discusses tracking strategic performance with marketing analytics. The application of the Boston Consulting Group business portfolio model to Apple's product line has been updated to include changes such as the introduction of the Apple Watch.

Chapter 3: New Discussion of Changes at Facebook, Update of New Trends in Marketing, and a New Section on Technology and Data Analytics. Recent changes at Facebook are discussed, including its purchase of Oculus, the use of drones to transmit Internet signals, and the creation of Creative Labs which is charged with trying to predict the future. In addition, discussion of new trends such as increases in binge-watching; the growing connectivity of cars, homes, and planes; and the dramatic rise of big data and data analytics has been added. A new section about data analytics reports that 50 percent of all

managers thought that improving information and analytics was a top priority.

Chapter 4: New Emphasis on Sustainable Marketing and the Ethics of Buying Counterfeit Products. New text explains how marketers have embraced societal responsibility through sustainable marketing, which seeks to meet economic, environmental, and social needs without compromising the opportunity for future generations to meet theirs. The financial impact of counterfeit products has been expanded and updated.

Chapter 5: New Evaluative Criteria Data and New Emphasis on Student Trial of VALS. The Alternative Evaluation discussion has been updated to show new data for Apple, HTC, Motorola Droid, and Samsung Galaxy phones. In addition, the Consumer Lifestyle section now includes additional discussion to increase student use of the VALS survey and self-assessment of their personal VALS profile.

Chapter 6: New Chapter Organization, New Marketing Insights About Me Box, and New Buying Function Section. The first section of the chapter has been reorganized to reflect the important distinction between organizational buyers and organizational markets. In addition, a new Marketing Insights About Me box has been added to allow students to assess the diversity practices of potential supplier organizations. A new section on the buying function in organizations has also been added.

Chapter 7: New Examples Related to World Trade, Countertrade, Exchange Rates, and Market Entry Strategies. The relative influence of the United States, China, and Germany in world trade has been updated. In addition, the countertrade discussion now includes an example of PepsiCo agreeing to purchase tomatoes in India for its Pizza

Hut division. Other new examples include Procter & Gamble's losses due to exchange rate fluctuations, and the significant cost of Target's entry and exit from Canada.

Chapter 8: Updated Chapter Opening Example, New Primary and Secondary Data Coverage, and New Section on Big Data and Data Analytics. The chapter opening example has been updated with new research methods such as "social listening" which uses Twitter, YouTube, Tumblr, and other social media to monitor movie campaigns. An update of secondary data sources is included in the Marketing Matters Box and a new discussion of the difficulties of obtaining an accurate assessment of television viewing behavior has been added. In addition, new examples of Procter & Gamble and IKEA using observational research techniques, an online version of the Wendy's survey, and a new section Big Data and Data Analytics have been added. New topics such as data visualization, the intelligent enterprise, and cloud computing are introduced.

Chapter 9: Update of Zappos Segmentation Approach and New Segmentation Examples. The discussion of Zappos.com's successful segmentation strategy has been updated. In addition, examples of segmentation for book series, movies, and theme parks have been added. Walmart's new strategy to compete for the discount chain (e.g., Dollar General) segment with Walmart Neighborhood Market stores is also discussed and the Wendy's product-market grid and discussion have been updated to reflect new products and digital marketing activities.

Chapter 10: Update of Apple's New-Product Development Successes and Failures and Greater Emphasis on Open Innovation. The chapter opening example has been updated to include a history of Apple's notable innovation successes and failures and the introduction of the Apple Watch. The concept of open innovation has been added and approaches to implementing open innovation are discussed in the

description of the new-product development process. A new Marketing Matters box discusses the introduction of Google Glass in 2012 and its withdrawal from the market in 2015. Other new examples include P&G's Swiffer WetJet, the Chevy Bolt, and Burger King's French fries.

Chapter 11: New Material on Brand Repositioning at Gatorade, and New Trademark Coverage. The Chapter 11 discussion of Gatorade now includes its efforts to reposition the brand and to develop different lines of Gatorade products for different types of athletes. New examples about Apple's iPhone 6, Gillette's Body line of shaving products for "manscaping," and American Express Green, Gold, Platinum, Optima Blue, and Centurion cards have been added. In addition, the Marketing Insights About Me box discusses how to check for a business name that features your name, and the text discusses how Kylie and Kendall Jenner have filed to have their first names trademarked.

Chapter 12: Updated Discussion of Airbnb, New Economic Impact Data, and New Advertisements. An update of Airbnb's success and its influence on the sharing economy has been added. In addition, global and U.S. services valuations have been updated. New advertisements from United Airline, Merrill Lynch, Outward Bound, United Way, American Red Cross, the United States Postal Service, Hertz, and Accenture have been added.

Chapter 13: New Chapter Opening Example about Vizio, and New Marketing Matters Boxes about Spirit Airlines and Big Data. The new chapter opening example describes VIZIO's approach to pricing smart televisions so that they are affordable for the average consumer. A new Marketing Matters box describes how Spirit Airlines offers fares that are 40 percent lower than other airlines and how customers assess the value of Spirit's offerings. In addition, another new Marketing Matters box describes the price elasticity of demand for cigarettes among different age groups.

Chapter 14: New Chapter Opening Example about the Pricing of E-books, New Discussion of Dynamic Pricing, and New Making Responsible Decisions Box about “Surge” Pricing. Chapter 14 now begins with a discussion of the pricing practices related to printed books and e-books, including the use of odd prices such as \$19.99. The section on dynamic pricing includes the concept of “surge” pricing, when a company raises the price of its product if there is a spike in demand. The new Making Responsible Decisions box asks students to evaluate the economic and ethical perspectives of surge pricing.

Chapter 15: New Amazon Video Case, New Disintermediation Example, Updated Making Responsible Decisions Box. A description of a disagreement between Amazon and Hachette Book Group about how e-book revenue should be divided between the two companies has been added to the disintermediation section. The Making Responsible Decisions box has been updated to reflect Hewlett-Packard’s use of recycled plastic in its ink and toner cartridges. The chapter ends with a new video case about Amazon, including coverage of its new drone initiative!

Chapter 16: New Chapter Opening Example about Wearable Technology, Updated Making Responsible Decisions Box, New Section on Data Analytics, and New Mall of America Video Case. Chapter 16 opens with a description of the potential impact of wearable technology on consumers and retailers. Products such as smartwatches, mobile apps, near field communication, and Apple Pay, and their use at retailers such as Target, Kohl’s, and Marsh Supermarkets are discussed. The Making Responsible Decisions box now includes information about *Newsweek’s* annual “green rankings” and encourages students to review the rankings of their favorite retailers. In addition, a new section describing data analytics as the “new science of retailing” has been added. Finally, the end-of-chapter video case on Mall of America is completely new!

Chapter 17: New Video Case on Taco Bell, Updated Discussion of Marketing to College Students, New

Advertisements, and New Example of an IMC Program for a Movie. The Marketing Matters Box has been updated to include the most recent suggestions for successful use of mobile marketing to reach college students. New advertisements include examples from The North Face, Klondike, M&M’s, Gulfstream, and Jurassic World. The IMC program used to promote the movie *Jurassic World* has been added to the Scheduling section. In addition, a new end-of-chapter video case about Taco Bell has been added.

Chapter 18: New Chapter Opening Example about Virtual Reality, New Advertisements and Sales Promotion Examples, and New Discussion of the Advertising Agency of the Year. The impact of virtual reality is the new topic of the chapter opening example. Current VR campaigns by Mountain Dew, Game of Thrones, and Marriott hotels, and future campaigns by Fox Sports and NASCAR are discussed. New advertising examples from Levi’s, Samsung, American Red Cross, Whole Foods, Milk Life, the Air Force, the Meth Project, Bebe, and Old Spice, and new sales promotion examples from Ben & Jerry’s, Plenti, and *The Tonight Show* have been added. In addition, the chapter includes new discussion of *Advertising Age’s* Agency of the Year—R/GA.

Chapter 19: New Chapter Opening Example, New Discussion of Web 3.0, New Section on Mobile Marketing at Facebook, and New Marketing Matters Box on Mobile Marketing. Chapter 19 opens with a discussion of the “ultimate marketing machine”—a smartphone. The discussion includes a summary of usage rates, current advertising revenue, and likely future developments. New discussion also includes the next-generation web, Web 3.0. A new section on mobile marketing has been added to the discussion of Facebook. Chapter 19 also includes a new Marketing Matters box about the importance of video in a mobile marketing campaign.

Chapter 20: Update of the Chapter Opening Example, New Discussion of the Importance of Personal Selling to Entrepreneurs, and New Photo Examples. The chapter opening example about GE’s Lindsey

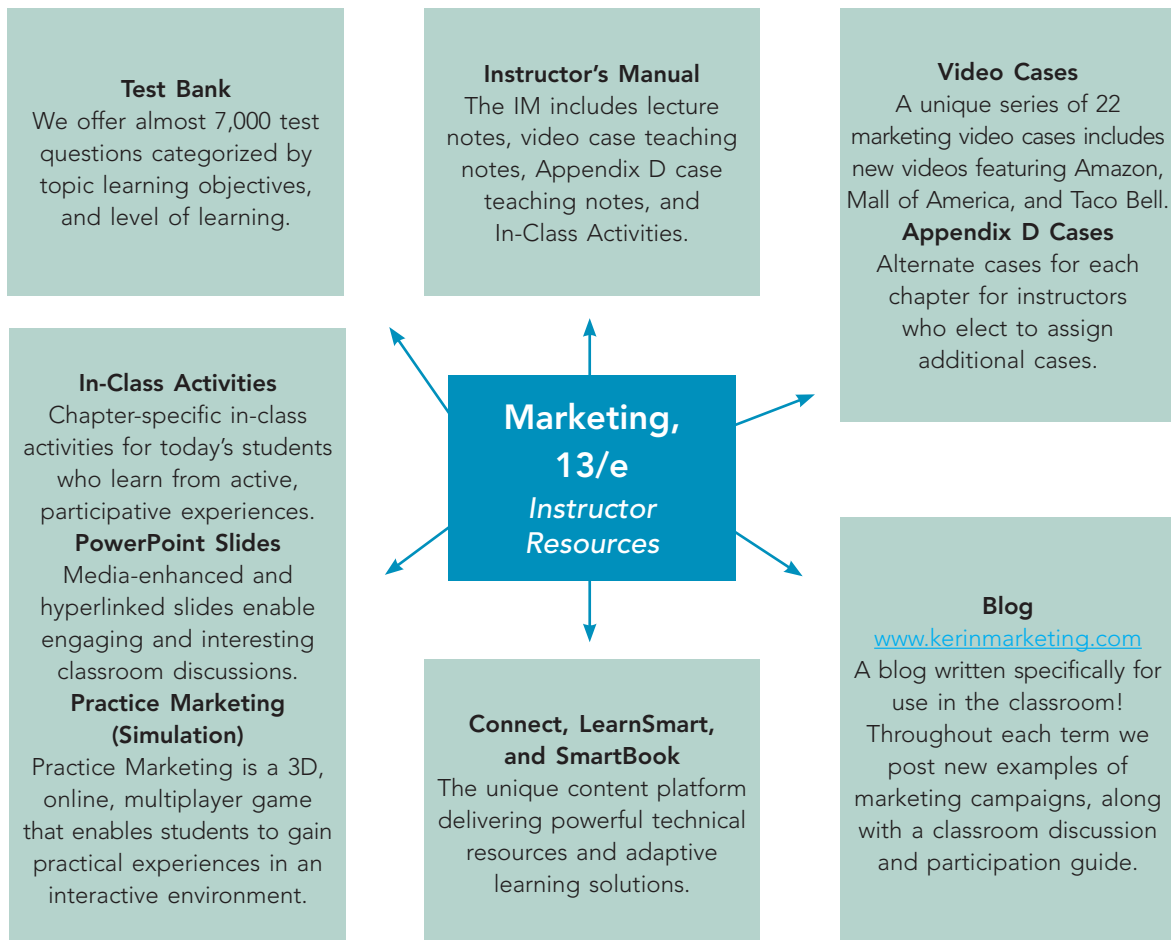
Smith has been updated to include a description of her new responsibilities and job title. A new discussion about the three reasons personal selling is critical to successful entrepreneurial efforts has been added. In addition, new photo examples of a Medtronic salesperson, team selling, and a trade show have also been added.

Chapter 21: Expanded Discussion about Marketing in Two Environments, New Marketing Insights About Me Box, and New Discussion about the Cross-Channel Consumer. The Marketing in Two Environments section now discusses how some retailers provide showrooms for consumers that purchase online, while some luxury fashion retailers don't have an online presence. A new Marketing Insights About

Me box discusses Internet shopping addiction. In addition, the Cross-Channel Consumer section discusses showrooming and webrooming.

Chapter 22: Updated Chapter Opening Example, Expanded Discussion of Resource Allocation, and New Marketing Matters Box. The chapter opening example has been updated to describe how the strategic marketing process at General Mills has led to many new products such as Fiber One snack bars, Chex gluten-free mix, and Warm Delights. The resource allocation discussion now introduces the concept of the capitalist's dilemma. Finally, a new Marketing Matters box discusses how to create innovation in the "blue oceans" of uncontested marketspace.

INSTRUCTOR RESOURCES



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MARKETING

Practice Marketing

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Assurance of Learning Ready

Many educational institutions today focus on the notion of *assurance of learning*, an important element of some accreditation standards. *Marketing* is designed specifically to support instructors' assurance of learning initiatives with a simple yet powerful solution. Each test bank question for *Marketing* maps to a specific chapter learning objective listed in the text. Instructors can use our test bank software, EZ Test and EZ Test Online, to easily query for learning objectives that directly relate to the learning outcomes for their course. Instructors can then use the reporting features of EZ Test to aggregate student results in similar fashion, making the collection and presentation of assurance of learning data simple and easy.



AACSB Tagging

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BRIEF CONTENTS

Part 1

Initiating the Marketing Process

- 1 Creating Customer Relationships and Value through Marketing 2
- 2 Developing Successful Organizational and Marketing Strategies 26
 - Appendix A Building an Effective Marketing Plan 54
- 3 Scanning the Marketing Environment 70
- 4 Ethical and Social Responsibility for Sustainable Marketing 100

Part 2

Understanding Buyers and Markets

- 5 Understanding Consumer Behavior 122
- 6 Understanding Organizations as Customers 152
- 7 Understanding and Reaching Global Consumers and Markets 174

Part 3

Targeting Marketing Opportunities

- 8 Marketing Research: From Customer Insights to Actions 204
- 9 Market Segmentation, Targeting, and Positioning 236

Part 4

Satisfying Marketing Opportunities

- 10 Developing New Products and Services 264
- 11 Managing Successful Products, Services, and Brands 290
- 12 Services Marketing 320
- 13 Building the Price Foundation 348
- 14 Arriving at the Final Price 370
 - Appendix B Financial Aspects of Marketing 397
- 15 Managing Marketing Channels and Supply Chains 406
- 16 Retailing and Wholesaling 434
- 17 Integrated Marketing Communications and Direct Marketing 468
- 18 Advertising, Sales Promotion, and Public Relations 498
- 19 Using Social Media and Mobile Marketing to Connect with Consumers 538
- 20 Personal Selling and Sales Management 566

Part 5

Managing the Marketing Process

- 21 Implementing Interactive and Multichannel Marketing 596
- 22 Pulling It All Together: The Strategic Marketing Process 620
 - Appendix C Planning a Career in Marketing 652
 - Appendix D Alternate Cases, available in SmartBook or Connect Instructor Resources

- Glossary 673
- Name Index 683
- Company/Product Index 691
- Subject Index 698

DETAILED CONTENTS

Part 1

Initiating the Marketing Process



1 CREATING CUSTOMER RELATIONSHIPS AND VALUE THROUGH MARKETING 2

At Chobani, Marketing Is “Nothing But Good”! 2

Understanding Consumers’ Food Values 2

Reaching Customers 2

Chobani Today 3

Chobani, Marketing, and You 3

What Is Marketing? 4

Marketing and Your Career 4

Marketing: Delivering Value to Customers 5

The Diverse Elements Influencing Marketing Actions 5

What Is Needed for Marketing to Occur 6

How Marketing Discovers and Satisfies Consumer Needs 7

Discovering Consumer Needs 7

The Challenge: Meeting Consumer Needs with New Products 7

Satisfying Consumer Needs 9

The Marketing Program: How Customer Relationships Are Built 10

Relationship Marketing: Easy to Understand, Hard to Do 10

The Marketing Program and Market Segments 12

3M’s Strategy and Marketing Program to Help Students Study 12

How Marketing Became So Important 14

Evolution of the Market Orientation 14

Focusing on Customer Relationship Management 15

Ethics and Social Responsibility in Marketing: Balancing the Interests of Different Groups 16

The Breadth and Depth of Marketing 17

Learning Objectives Review 19

Learning Review Answers 19

Focusing on Key Terms 20

Applying Marketing Knowledge 20

Building Your Marketing Plan 20

Video Case 1: Chobani®: Making Greek Yogurt a Household Name 21

Chapter Notes 24

2 DEVELOPING SUCCESSFUL ORGANIZATIONAL AND MARKETING STRATEGIES 26

Making the World a Better Place, One Scoop at a Time! 26



Today's Organizations	28
Kinds of Organizations	28
What Is Strategy?	28
The Structure of Today's Organizations	28
Making Responsible Decisions: Social Entrepreneurs Are Creating New Types of Organizations to Pursue Social Goals 29	
Strategy in Visionary Organizations	30
Organizational Foundation: Why Does It Exist?	30
Organizational Direction: What Will It Do?	32
Organizational Strategies: How Will It Do It?	33
Tracking Strategic Performance with Marketing Analytics	33
Applying Marketing Metrics: How Well Is Ben & Jerry's Doing? 35	
Setting Strategic Directions	35
A Look Around: Where Are We Now?	35
Growth Strategies: Where Do We Want to Go?	36
Marketing Matters: Filling the Shoes of Apple CEO Tim Cook: Where Will Apple's Projected Future Growth for Its Major SBUs Come From? 37	
The Strategic Marketing Process	40
The Planning Phase of the Strategic Marketing Process	40
The Implementation Phase of the Strategic Marketing Process	43
The Evaluation Phase of the Strategic Marketing Process	45
<i>Learning Objectives Review</i>	47
<i>Learning Review Answers</i>	48
<i>Focusing on Key Terms</i>	49
<i>Applying Marketing Knowledge</i>	49
<i>Building Your Marketing Plan</i>	49
<i>Video Case 2: IBM: Using Strategy to Build a "Smarter Planet"</i>	49
<i>Chapter Notes</i>	51
Appendix A Building an Effective Marketing Plan	54
3 SCANNING THE MARKETING ENVIRONMENT	70
Is "Connecting the World" an Ambitious Vision? Not If You Are Facebook!	70
Facebook in the Future	70
Environmental Scanning	72
Tracking Environmental Trends	72
An Environmental Scan of Today's Marketplace	73
Social Forces	74
Demographics	74



Making Responsible Decisions: Millennials Are a Force for Good 77

Culture 80

Economic Forces 82

Macroeconomic Conditions 82

Consumer Income 83

Marketing Insights About Me: American FactFinder: Your Source for Economic Information 83

Technological Forces 84

Technology of Tomorrow 84

Technology's Impact on Customer Value 85

Technology Enables Data Analytics 86

Competitive Forces 86

Alternative Forms of Competition 87

Components of Competition 87

Small Businesses as Competitors 88

Regulatory Forces 88

Protecting Competition 88

Product-Related Legislation 89

Pricing-Related Legislation 90

Distribution-Related Legislation 91

Advertising- and Promotion-Related Legislation 91

Marketing Matters: Online Tracking: Is Big Brother Watching? 92

Control through Self-Regulation 92

Learning Objectives Review 93

Learning Review Answers 93

Focusing on Key Terms 94

Applying Marketing Knowledge 94

Building Your Marketing Plan 94

Video Case 3: Geek Squad: A New Business for a New Environment 95

Chapter Notes 97

4 ETHICAL AND SOCIAL RESPONSIBILITY FOR SUSTAINABLE MARKETING 100

Anheuser–Busch: Becoming the Best Beer Company in a Better World 100

Alcohol Responsibility 100

Environmental Preservation 101

Nature and Significance of Marketing Ethics 102

An Ethical/Legal Framework for Marketing 102

Critical Perceptions of Ethical Behavior 103



Four Factors Affect Ethical Marketing Behavior	103
Societal Culture and Norms	103
Business Culture and Industry Practices	104
Making Responsible Decisions: Corporate Conscience in the Cola War	106
Corporate Culture and Expectations	106
Marketing Insights About Me: Is Commercial Bribery More or Less Common in My Country?	107
Your Personal Moral Philosophy and Ethical Behavior	107
Understanding Social Responsibility for Sustainable Marketing	110
Three Concepts of Social Responsibility	110
Marketing Matters: Will Consumers Switch Brands for a Cause? Yes, If . . .	112
The Social Audit and Sustainable Development: Doing Well by Doing Good	113
Turning the Table: Consumer Ethics and Social Responsibility	114
<i>Learning Objectives Review</i>	115
<i>Learning Review Answers</i>	116
<i>Focusing on Key Terms</i>	116
<i>Applying Marketing Knowledge</i>	116
<i>Building Your Marketing Plan</i>	117
Video Case 4: Toyota: Building Cleaner, Greener Cars	117
<i>Chapter Notes</i>	120

Part 2

Understanding Buyers and Markets



5 UNDERSTANDING CONSUMER BEHAVIOR	122
Enlightened Carmakers Know What Custom(h)ers and Influec(h)ers Value	122
Consumer Purchase Decision Process and Experience	124
Problem Recognition: Perceiving a Need	124
Information Search: Seeking Value	124
Alternative Evaluation: Assessing Value	124
Purchase Decision: Buying Value	125
Postpurchase Behavior: Realizing Value	126
Marketing Matters: How Much Is a Satisfied Customer Worth?	127
Consumer Involvement Affects Problem Solving	129
Situational Influences That Affect Purchase Decisions	129
Psychological Influences on Consumer Behavior	130
Consumer Motivation and Personality	130

Consumer Perception 131

Making Responsible Decisions: The Ethics of Subliminal Messages 132

Consumer Learning 133

Consumer Values, Beliefs, and Attitudes 134

Consumer Lifestyle 135

Marketing Insights About Me: What Motivates You?
Identifying Your VALS Profile 136

Sociocultural Influences on Consumer Behavior 137

Personal Influence 137

Reference Group Influence 138

Marketing Matters: BzzAgent—The Buzz Experience 139

Family Influence 140

Social Class Influence 142

Culture and Subculture Influences 142

Learning Objectives Review 144

Learning Review Answers 145

Focusing on Key Terms 146

Applying Marketing Knowledge 146

Building Your Marketing Plan 146

Video Case 5: Groupon: Helping Consumers with Purchase Decisions 146

Chapter Notes 149

6 UNDERSTANDING ORGANIZATIONS AS CUSTOMERS 152

Buying Is Marketing Too! Purchasing Publication Paper for JCPenney 152

Business-to-Business Marketing and Organizational Buyers 154

Organizational Buyers 154

Organizational Markets 154

Measuring Organizational Markets 155

Characteristics of Organizational Buying 156

Demand Characteristics 156

Size of the Order or Purchase 157

Number of Potential Buyers 157

Organizational Buying Objectives 157

Organizational Buying Criteria 158

Marketing Insights About Me: Do I Buy from Organizations That Promote Diversity among Their Suppliers and in Their Workplaces? 158

Buyer–Seller Relationships and Supply Partnerships 159

Marketing Matters: At Milsco Manufacturing, “Our Marketing Philosophy Is Designed to Develop Partnerships” and Deliver a Great Ride for Customers’ Seats 160



Making Responsible Decisions: Sustainable Procurement for Sustainable Growth at Starbucks 161

The Organizational Buying Function and Process and the Buying Center 161

The Buying Function in Organizations 161

Stages in the Organizational Buying Process 161

The Buying Center: A Cross-Functional Group 162

Online Buying in Business-to-Business Marketing 164

Prominence of Online Buying in Organizational Markets 164

E-Marketplaces: Virtual Organizational Markets 165

Marketing Matters: eBay Means Business for Entrepreneurs 165

Online Auctions in Organizational Markets 166

Learning Objectives Review 167

Learning Review Answers 168

Focusing on Key Terms 168

Applying Marketing Knowledge 168

Building Your Marketing Plan 169

[Video Case 6: Trek: Building Better Bikes through Organizational Buying](#) 169

Chapter Notes 172

7 UNDERSTANDING AND REACHING GLOBAL CONSUMERS AND MARKETS 174

Building a Two Billion Dollar Business in India the Dell Inc. Way 174

Dynamics of World Trade 176

Global Perspective on World Trade 176

U.S. Perspective on World Trade 177

Marketing in a Borderless Economic World 177

Decline of Economic Protectionism 178

Making Responsible Decisions: Global Ethics and Global Economics—The Case of Protectionism 178

Rise of Economic Integration 179

A New Reality: Global Competition among Global Companies for Global Consumers 181

Marketing Matters: The Global Teenager—A Market of 2 Billion Voracious Consumers 183

Emergence of a Networked Global Marketplace 184

Growing Prevalence of Economic Espionage 185

A Global Environmental Scan 185

Cultural Diversity 185

Economic Considerations 188

