MARKETING

SECOND EDITION

C. SHANE HUNT | JOHN E. MELLO | GEORGE DEITZ

because everyone is a marketer

McGraw Hill Education

MARKETING

MARKETING

Second Edition

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MARKETING, SECOND EDITION

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BRIEF CONTENTS

HELLO, MY NAME IS . . .

C. Shane Hunt

Dr. C. Shane Hunt received his PhD in marketing from Oklahoma State University. Shane has won numerous awards for his teaching, including the 2010 National Inspire Integrity Award from the National Society of Collegiate Scholars, the 2010 Lt. Col. Barney Smith Award as Professor of the Year at Arkansas State University, the 2011 Excellence in Undergraduate Teaching Award, and the 2015 Honors Professor of the Year Award.

Shane's research has appeared in *The Journal of Personal Selling and Sales Management, The Journal of Business Logistics,* and other leading marketing journals. He has presented to numerous organizations including the American Marketing Association and the National Conference in Sales Management.

After completing his MBA degree, Shane went to work for a Fortune 500 company in Tulsa, Oklahoma, and spent eight years working as a pricing analyst, product manager, and business development manager overseeing numerous strategic initiatives. In addition to his role as a professor, Shane also serves as a consultant, speaker, and board member for businesses and nonprofit organizations across the country.

Shane is now a professor of marketing at Arkansas State University and lives in Jonesboro, Arkansas, with his wife, Jenifer, and their two children, Andrew and Sarah.

John E. Mello

Dr. John E. Mello received his PhD from the University of Tennessee. John is a well-respected researcher and educator and is the recipient of the 2012 Excellence in Teaching Award and the 2014 Excellence in Research Award from the Arkansas State University College of Business. Prior to completing his PhD, John spent 28 years in the consumer packaged-goods industry in a variety of supply chain management positions. He holds a bachelor's degree from Central Connecticut State University and master's degrees from the University of New Haven and Wilmington College.

John's research has appeared in leading journals, including *The Journal of Business Logistics, Transportation Journal, Journal of Supply Chain Management,* and *The International Journal of Physical Distribution and Logistics Management.*

John is a professor of supply chain management at Arkansas State University. He lives in Jonesboro, Arkansas, with his wife, Sandra; they have two adult daughters, Abby and Katie.

George D. Deitz

Dr. George D. Deitz completed his PhD in marketing at The University of Alabama. He is currently the George Johnson Professor and Research Fellow in Marketing at The University of Memphis. George has enjoyed the opportunity to teach a wide variety of face-to-face and online courses at the undergraduate, MBA, and doctoral levels.

In 2013, George helped found the Consumer Neuroscience Research Laboratory (C-NRL) at Memphis, with the mission of advancing the use of physiological and neurological measurement systems to the study of marketing research questions. His research has been published in *Journal of Service Research, Journal of Business Venturing, Journal of Public Policy and Marketing, The Journal of Business Logistics,* and other leading marketing journals. He has presented at a number of different conferences, including the American Marketing Association and the Academy of Marketing Science.

After obtaining his master's degree at West Virginia University, George began his professional career working in college athletic administration at the United States Military Academy in West Point, NY. Following that, he spent nearly a decade working in a variety of sales and sales management roles with several start-up ventures in the software industry.

George currently lives in Germantown, Tennessee, with his wife, Kristine. They have three children, Luke, Mark, and Koren.

DEDICATION

To my mom, Debbie, whose love, sacrifice, and support
have helped me in every aspect of my life
for every day I have been alive.
I am forever thankful to have the best mom in the world.

Shane

To my daughter, Abby,
Assistant Professor of Psychology at Towson University,
who represents the third generation of our family
to teach at the collegiate level.

John

To my wife, Kristine,
for not being afraid to take chances.
Thank you for your strength, faith, passion,
and sense of humor. The future is ours to see. . .

George

PREFACE

Hello, and welcome to Hunt, Mello, and Deitz's **Marketing** 2e. Students, particularly non-marketing majors, want to know, *"Why does this course matter to me?"* We designed our product to emphasize the universal importance of marketing . . . ***because everyone is a marketer.***

We designed this product with an emphasis on student engagement and relevance, a focus embodied in these four key benefits:

- A **career focus,** to help students understand how marketing will support whatever career path they choose and how to develop their own *personal brand.*
- **Integration of key topics** that are part of the daily fabric of marketing—globalization, social media, ethics, and marketing analytics.
- Seamlessly integrated **results-driven technology.**
- The **right content** for a semester-long course.

Career Focus

The goal of higher education for most students, whatever their major, is to develop knowledge that can be put to use in productive careers. We've included features that focus on careers:

- *Executive Perspective interviews* illustrate the need for successful leaders in any organization to be effective marketers. These interviews represent a wide range of undergraduate majors, including finance, engineering, operations, and accounting.
- *Today's Professional interviews* highlight young marketing professionals who describe how developing their personal brand has helped advance their careers.
- *Career Tips* offer chapter-related ideas that can help students develop their own *personal brand*—a theme carried throughout.
- In the *Personal Marketing-Plan Exercise* threaded throughout, students apply the elements of a marketing plan in the context of *marketing themselves.* This project brings a marketing plan to life in a way that personally engages students.

Integration of Key Topics

Students won't find "Ethics Tuesdays," "Global Thursdays," or "Social Media Fridays" in their careers. Therefore, we chose to integrate the key topics of ***ethics, globalization, social media,*** and ***marketing analytics*** into chapter discussions where relevant. Integration of these four key topics efficiently delivers a fully rounded, three-dimensional view of each chapter topic, to help ensure that students are gaining sufficient knowledge and skills in these essential aspects of marketing.

Results-Driven Technology

This product is "digital-first," built from the ground up to integrate digital content seamlessly. We wrote the narrative and the digital content simultaneously, dovetailing print and digital delivery in McGraw-Hill's ***results-driven technology*** platform. The first edition leads the market with digital activations delivered via our adaptive ebook, **Smartbook.** In the second edition, we've added new exercises, videos, and video cases, further enhancing the digital integration. The close linkage of chapter content and *Connect* assignments allows students to practice how to use classroom content to inform marketing decisions.

The Right Content

We designed our chapters to include the most valuable content for a Principles of Marketing course. Chapters are direct, concise, and approachable in length. We don't overburden students (or instructors) with content that is more appropriate in advanced marketing courses. The chapters allow a bit of classroom "breathing time" for the discussions and activities that bring marketing alive for you and your students.

In the second edition, we've added new chapters on *retailing, personal selling,* and *social media and digital marketing* (Chapters 11, 12, and 13). McGraw-Hill Create enables you to arrange chapters in any sequence and any number to best fit the goals and organization of your course.

In addition, we've used market feedback to revise the existing chapters, as outlined in the section Chapter-by-Chapter Changes in the Second Edition. Content changes in the second edition add increased depth or breadth—more rigor where requested or fresh coverage of emerging areas of importance to marketing theory and practice. As a learning sciences company, McGraw-Hill Education uses data from both students and instructors to inform revisions to both print and digital content.

"Because Everyone Is a Marketer . . ."

Our goal is to build the best-possible principles of marketing product—one that captures the importance of marketing in a way that is relevant and adaptable to today's business students. Understanding and utilizing marketing to improve for-profit businesses, not-for-profit organizations, and students' career prospects are critical educational activities. These activities are relevant to *any student,* regardless of his or her area of focus. We have worked to produce an integrated print and digital experience that will inspire students to explore and apply the marketing experiences they need in order to leave your course prepared for future coursework and for careers.

It is our sincere hope that *Marketing* 2e will engage your students and demonstrate the universal importance of marketing . . . *because everyone is a marketer!*

C. Shane Hunt
Arkansas State University

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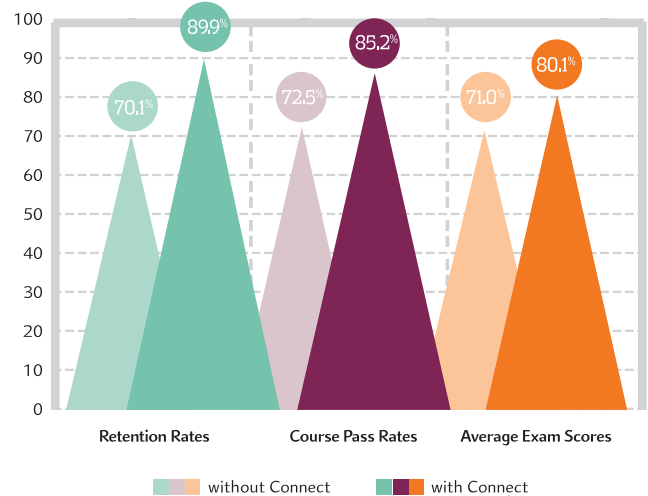
George D. Deitz
The University of Memphis

McGraw-Hill Connect® Learn Without Limits

Connect is a teaching and learning platform that is proven to deliver better results for students and instructors.

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	Retention Rates	Course Pass Rates	Average Exam Scores
without Connect	70.1%	72.5%	71.0%
with Connect	89.9%	85.2%	80.1%

without Connect █ with Connect

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Impact on Final Course Grade Distribution

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22.9%	A	31.0%
27.4%	B	34.3%
22.9%	C	18.7%
11.5%	D	6.1%
15.4%	F	9.9%
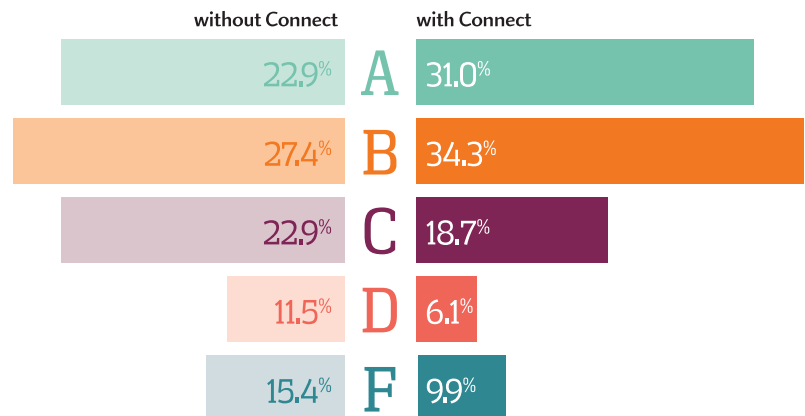
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Over **8 billion questions** have been answered, making McGraw-Hill Education products more intelligent, reliable, and precise.

Practice Marketing

McGraw Hill Education | Practice® Practice Marketing is a 3D, online, single- or multiplayer game that helps students apply the four Ps by taking on the role of Marketing Manager for a backpack company. By playing the game individually and/or in teams, students come to understand how their decisions and elements of the marketing mix affect one another. Practice Marketing is easy to use, fully mobile, and provides an interactive alternative to marketing plan projects. Log in to **mhpractice.com** with your Connect credentials to access a demo, or contact your local McGraw-Hill representative for more details.

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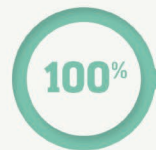
CHAPTER-BY-CHAPTER CHANGES IN THE SECOND EDITION

The second edition's revisions are driven by feedback from instructors and students.

Overall

- Sequence of Chapters 4 and 5 swapped, to put buying behavior before marketing research
- Three NEW chapters: Retailing (Chapter 11), Personal Selling (Chapter 12), and Digital and Social Marketing (Chapter 13)
- Former Chapter 14, "Measuring Marketing Performance," integrated throughout other chapters, in new marketing analytics discussions
- NEW marketing analytics *Connect* assignment in every chapter
- Five NEW video cases featuring dynamic organizations: PotBelly Sandwich Shop, iMotions, Mary Kay, and Gearhead Outfitters (2 separate cases)

Chapter 1: Why Marketing Matters to You

- New example of Amazon's use of relationship marketing
- Replaced Figure 1.1, showing percentages of adults who get the news from various social media sites
- Highlighted each of the four Ps as key terms
- New section Marketing Analytics as a trend affecting marketing
- Updated product examples, including Domino's use of social media marketing
- Updated global business/trade statistics
- Updated figure showing performance comparisons of the world's most ethical companies
- New Today's Professional profile
- New Ethical Challenge case focused on social media and consumer privacy

Chapter 2: Strategic Planning

- New Executive Perspective profile
- Moved discussion of mission statement earlier in chapter, to precede components of the marketing plan
- Replaced discussion of nonprofit strategy with marketing analytics
- New figure showing the elements of the strategic plan
- New discussion of how the marketing plan fits into the broader organizational plan
- Expanded/updated McDonald's example in internal and external considerations of the SWOT analysis
- Added short section on segmentation in the Marketing Strategy section
- New Social Media in Action Application Exercise about Burger King
- New section on four key marketing analytics measures: return on marketing investment, revenue analysis, market share analysis, and profitability analysis, with calculations of ROMI and gross margin

- Updated data and improved presentation of auto manufacturers' market share (Figure 2.6)
- New examples, including Macy's joint venture in China
- New Today's Professional profile
- New Ethical Challenge case focused on the marketing of daily fantasy sports

Chapter 3: The Global Environment

- Updated Figure 3.2 showing changes in average U.S. household income over time
- New Social Media Application Exercise on the impact of social media on financial-advice marketing
- Updated Figure 3.5 showing U.S. unemployment rate by education level
- Updated Figure 3.6 showing the changing ethnic breakdown in the U.S.
- Expanded discussion of how sociocultural and technological environmental factors affect marketing
- New section on using metrics to analyze international markets
- Updated Figure 3.9 showing total giving to U.S. nonprofit organizations
- New examples, including Amazon's lobbying efforts and pharmaceutical lobbying

Chapter 4: Consumer Behavior

- New section on understanding consumer behavior, including traditional and emerging perspectives on buying behavior; discusses what goes on in buyers' brains when they make decisions; refers to Daniel Kahneman's discussion of system 1 and system 2 modes of thought
- Moved cultural and social influences earlier in the chapter, and situational influences later in the chapter
- Revised discussion of consumer decision-making process, including revised Figure 4.1, differentiates between habitual and extended decision making
- Differentiates among attribute-based choices, affective choices, and attitude-based choices when evaluating alternatives
- Discusses unplanned purchases (reminder purchases and impulse purchases), what consumers do in the case of stockouts, and use of credit cards and mobile payment systems
- New section on cultural and social influences on consumer behavior discusses differences in national cultures, subcultures, and country-of-origin effects, and social factors including social networks, the six-degrees-of-separation concept, and family influences including children's influences on family purchases
- Grouped discussions of personality, lifestyle, and values into a new Individual Differences section, with its own learning objective (LO 4-4); added Johnson & Johnson example in the Lifestyle section; and added discussion of sustainability in the Values section
- Rearranged the sequencing of topics in the Psychological Influences section to: perception, motivation, attitudes, and learning
- Added subsection Perception, including new discussion of sensory marketing
- Expanded and updated with new examples and discussion of the love and belonging level of human needs

- Added new discussion of the ABC model (affective, behavioral, and cognitive) and its impact on consumer attitudes
- Rearranged Situational Influences section to cover only two topics: time and involvement
- New examples, including cognitive dimensions of attitudes for Taco Bell customers and Johnson & Johnson example

Chapter 5: Marketing Research

- Rearranged chapter topics to put the types of marketing information systems and their sources of information (Managing Market Information) before the marketing research process
- New discussion of the rise and impact of Big Data
- New section (LO 5-5) Marketing Research Trends including the use of social media for market research
- Revised graphic representation of a marketing information system (Figure 5.1)
- New discussions of predictive modeling and machine learning
- Rearranged subsections Internal Company Data and Competitive Intelligence in section Managing Market Information
- Moved content Design of the Research Instrument under step 2 of the marketing research process, to discuss the issues of reliability and validity
- Added brief mentions of panel data and scanner data in discussion of gathering secondary data
- In subsection Gathering Primary Data, rearranged topics and added subordinate headings for greater clarity; new mentions of ethnographic research, observation research, mystery shoppers, behavioral targeting; new Table 5.2 showing data about fast-food chains gathered by mystery shoppers
- Expanded discussions of survey data techniques, including paid online panels
- New discussion of neuromarketing (consumer neuroscience)
- Added discussion of data visualization, with images to illustrate
- Added content on using social media for research (participant blogs, blog mining), mobile marketing research, neuromarketing (brain-imaging techniques, eye-tracking, and automated facial coding)
- New Social Media in Action Application Exercise
- New Application Exercise that focuses on use of neuromarketing tools
- New second video case, featuring iMotions
- New examples, including the benefits of using Google Insight and Tweetdeck to analyze market information

Chapter 6: Product Development

- Expanded discussion of new-to-the-market products, including disruptive technology and service innovation, with examples of Uber, Netflix, and use of USPS by FedEx and UPS
- New discussion of open innovation
- New examples of new-product-development risk categories (very high, high, moderate)
- New discussion of sustainability issues surrounding product development
- New discussion of international product-adoption considerations

- New *Connect* Application Exercise on the product life cycle
- Subsumed section Estimating the Length of a Product's Life under The Product Life Cycle heading (LO 6-6)
- New discussion of product mix for companies that offer services
- New examples, including Uber, Netflix, USPS, Henkel AG, Unilever, Samsung, P&G, Coca-Cola, Google, Starbucks, Peperami, BlackBerry (RIM), Boeing, PepsiCo, Ford, Google, Under Armour, General Motors

Chapter 7: Segmentation, Targeting, and Positioning

- Moved the discussion of criteria for effective market segmentation into the chapter-opening section (LO 7-1)
- Expanded discussion of millennials as a market segment
- Updated Table 7.1, largest U.S. metropolitan areas
- Removed table showing VALS characteristics
- New Social Media in Action *Connect* Application Exercise relating to Advocate Health Care
- New discussion of target market analytics
- Expanded discussion of ethical issues in target marketing
- Expanded discussion on international market segmentation, including new examples like the National Football League's marketing efforts in Europe
- New examples, including how Advocate uses social media to segment and target markets

Chapter 8: Promotional Strategies

- Moved section on finding the optimal promotion mix into the opening Promotion Mix section
- Expanded coverage of public relations and its importance in modern marketing
- New discussion on measuring advertising effectiveness
- Updated Figure 8.2 showing the percentage share of global advertising expenditure by medium
- Rearranged sequence of advertising media to position television before Internet, and print before radio
- New discussion of premiums as a form of sales promotion
- New discussion of trade shows as a form of trade sales promotion
- New discussion of media kits, sponsorships, and event marketing as public relations tools
- New subsection The Impact of Social Media on Public Relations
- Significantly shortened the section Personal Selling, which now appears in new Chapter 12
- New section on promotional metrics discusses measures of advertising effectiveness (using pretest and posttest, recognition test, recall tests, reach, frequency, and revenue per ad dollar), and also discusses measures of social media effectiveness (e.g., Google Analytics, Klout, and others)
- New examples throughout, including the product placement of Microsoft tablets in National Football League games

Chapter 9: Supply Chain and Logistics Management

- Clarified discussion of upstream and downstream supply flows
- Added real-world examples (Walmart's Retail Link, Weyerhauser and Unilever) in discussion of supply chain integration
- Differentiated between promotion push and pull strategies and supply chain push, pull, and hybrid strategies
- Tightened discussion of the impact of logistics
- Added Dairy Queen as an example of logistics activities used by service companies
- Added discussion of third-party logistics (3PLs) companies
- New discussion on how logistics activities relate to each element of the marketing mix
- New discussion, with table, of calculating inventory carrying costs (using smartphones as an example)
- New section Supply Chains and Sustainability discusses how a company's supply chain and logistics strategies affect its sustainability profile; includes discussion of sustainable sourcing, near-shoring and onshoring, transportation modes including delivery to the last mile, facility location, disintermediation, closed-loop supply chains, with new figure (Figure 9.7)
- Added many real-world examples (in addition to those cited above): Williams-Sonoma, Mattel, Heinz, J.B. Hunt, Schneider, Frito-Lay, Uber Technologies, Ford Motor, Diaper Genie, Best Buy
- New Application Exercise on closed-loop supply chains

Chapter 10: Pricing

- Added general formulas for break-even point and markup pricing, to clarify calculated examples
- Added discussions of even pricing and loss-leader pricing
- New discussion of name-your-own-price auctions
- New discussion and examples of the role of break-even analysis in setting prices
- New examples, including a discussion of odd/even pricing at Target

Chapter 11: Retailing

- **ENTIRE NEW CHAPTER** devoted to retailing
- Discusses importance of retailing, including global retailing and e-commerce, and the role of retail in marketing channels
- Describes factors that differentiate retail marketing
- Describes how marketers classify retailers: by level of service, ownership and organization, breadth and depth of merchandise assortment, and price
- Describes the major types of physical-store retailers, summarized in Table 11.1: discount stores, supermarkets, warehouse clubs, convenience stores, drugstores, specialty stores, off-price retailers, department stores, leased departments, extreme-value retailers, factory outlets, services retailers
- Discusses the major types of nonstore retailing: online retailing, catalog marketing, shop-at-home TV networks, automated vending, direct selling

- Addresses the importance of retail store location, including location types and simple application of Reilly's law of retail gravitation
- Discusses key strategic issues in 21st-century retailing: operational efficiency; store image (atmospherics, layout and product display, and merchandise management); Big Data and retail analytics; competing on customer experience (journey mapping)
- Five new *Connect* Application Exercises, including Social Media in Action exercise about shopping on Facebook via Shopify
- New Ethical Challenge about reference pricing at Overstock.com
- New Video Case about Gearhead Outfitters
- New Career Tips about adjusting to life after college
- New examples, including Home Depot's use of its mobile app in retailing

Chapter 12: Personal Selling

- **ENTIRE NEW CHAPTER** devoted to sales
- Opening section discusses the strategic role of the sales force, the factors that influence the use of personal selling, personal selling in the digital era, and career opportunities in sales
- Describes different types of salespeople: new-business, order-takers, consultative sellers, missionary, key account sellers, sales management and support
- Explains the steps in the personal selling process, including the features-advantages-benefits (FAB) approach, techniques for handling objections, and common closing approaches
- Addresses foundational elements for sales success, such as a positive self-concept, market-related knowledge, and sales-related knowledge including $SPIN^{TM}$ selling
- Describes "Sales 2.0"—the impact of social network platforms and digital technologies on professional selling, including lead scoring
- Discusses the functions and issues in sales force management: sales forecasting; sales force structure (size of sales force, mix of generalists and specialists, design of sales territories, span of control); recruitment, selection, and retention; compensation; training and performance management
- Discusses ethical issues in personal selling and sales management
- Five new *Connect* Application Exercises in the chapter
- New Marketing Plan Exercise asks students to use SPIN selling to develop questions useful to sell oneself to potential employers or schools
- New Ethical Challenge addresses the federal rules about the role of fiduciary advisors
- New Video Case focuses on Arkansas State University
- New Career Tips offers ideas for how to break out of a sales (or other type of) slump

Chapter 13: Digital and Social Media Marketing

- **ENTIRE NEW CHAPTER** devoted to digital and social media marketing
- Discusses the impact of mobile and social technologies on consumers and marketing practice, including the possibly negative impacts of social media on individuals and society, fear of missing out (FOMO), and brand democratization

- Provides an overview of the steps in website design, including the seven reasons people go online; choosing a domain name and a hosting service; wire-framing; use of color, typography, and images; common pages included in any website; site friendliness and speed; testing website usability and launch; and post-launch monitoring

- Explains search marketing, including zero moment of truth, search engine optimization (SEO) and search engine marketing (SEM), and how online search works

- Analyzes the role of social media in modern marketing, including top social media platforms for B2C and B2B marketers; calls to action; use of social media to improve brand loyalty and customer advocacy; tips for improving CTA conversion rates and brand loyalty

- New Social Media in Action Application Exercise on Lancôme's Elite Reward program

- Discusses the importance of content marketing: techniques and sources; content categories (expert, user-generated, branded); trends (infographics, live streaming, emoji, the Streisand effect); location-based marketing and geo-fencing

- Discusses how social media monitoring (social listening) can improve customer service

- Presents social media marketing metrics (Table 13.1), with text discussion of the most important (volume, engagement, sentiment analysis, share of voice)

- Discusses social media marketing dashboards

- Five new *Connect* Application Exercises in the chapter

- Company examples cited: United Way of Northeast Arkansas, Costco, Ziploc, St. Jude's Research Hospital, Reese's Candy, Oreo, Red Bull, Bud Light, Dominos, Jell-O, Major League Baseball

- New Ethical Challenge looks at the NFL's decision to televise Thursday night games

- New Video Case about Gearhead Outfitters

- New Career Tips feature gives ideas for students looking to break into search engine marketing

Chapter 14: Customer Relationship Management

- New data about why companies should be concerned about customer service
- Updated Table 14.1 about best and worst customer-experience ratings
- New discussion of social media platforms
- Lists resources that enable NFP organizations to improve customer service: Zoomerang, Facebook Cause, Twitter, Google+
- New discussion and example for measuring the effectiveness of CRM strategies
- Expanded discussion of establishing customer value and delivering customer value
- Discusses commonsense steps to use to recover from a service failure
- New discussion of methods to determine customer service effectiveness
- Expanded discussion of privacy issues in relationships with customer
- Added use of ABC analysis as part of a CRM strategy to assess customer profitability
- New real-world company mentions: Olive Garden, Lowe's, Orvis, Territory Ahead, Macy's, American Eagle, Turnstyle Solutions, Amazon, Ruby Tuesday, Home Depot, Nordstrom, Kroger

Chapter 15: Branding

- Was Chapter 11 in first edition
- New discussion of customer lifetime value as a quantitative method to measure brand equity
- Updated Table 15.1, example of private-label-branded grocery products
- New examples of private-label brands that appeal to millennials, such as Target's Archer Farms brand and Burt's Bees products
- Updated Figure 15.2 about the primary reasons consumers connect with brands via social media
- Expanded discussion of the role of social media in branding, including examples of Oreo and McDonald's
- Added Talkwalker as a social media monitoring tool
- New Social Media in Action *Connect* Application Exercise about how luxury brands like Dior and Calvin Klein are shaping their image using social media
- Updated Table 15.2, the top 10 most valuable global brands, and Table 15.3, the most valuable nonprofit brands

Chapter 16: Social Responsibility and Sustainability

- Was Chapter 13 in first edition
- Revised discussion of volunteerism, including new example of Raytheon and updated Table 16.2, the 2014 "Civic 50"
- Updated sustainable marketing examples—General Mills, Levi's, Dow Chemical
- New discussion on the history of consumerism
- New examples of a proactive approach to making CSR activities known to customers—Mars Inc. and GE
- New discussion of analytics used for auditing corporate social responsibility programs
- New examples, including Stonyfield yogurt's embrace of sustainability and CSR, UPS's use of metrics to audit its CSR program, Jain Irrigation's use of microfinance loans, and the CSR audit by PNC Bank

ACKNOWLEDGMENTS

We are deeply indebted to the many marketing scholars and instructors, business leaders and professionals, and colleagues and friends who have contributed their time, ideas, and insights to the development of this product. We appreciate your help and your shared passion for maximizing the educational experience of our students and future leaders.

Second Edition Board of Advisors

Special thanks to the following instructors who served as a board of advisors for the second edition. These thought leaders in the teaching of marketing worked with the authors and the McGraw-Hill team to direct our efforts in refining the product's story, improving our digital assets, and reviewing the manuscript, all with an eye toward increasing student engagement. We are very grateful for their thoughtful feedback.

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Reviewers and Focus Group Participants

We are also thankful to have had the privilege to work with the talented and thoughtful colleagues who reviewed each chapter throughout the development of both editions of this product. Your expert feedback has helped improve and refine the content. This product is much better and more beneficial to students because of the work that you did. We extend our sincere appreciation to all of the review and focus group participants, of both the first and second editions, who have contributed so much to our efforts.

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Why Marketing Matters to You

At the beginning of each chapter, you'll see a list of learning objectives that identify the key topics you need to master. You can also use the list as an outline for taking notes as you read through the chapter.

Learning Objectives

After reading this chapter, you should be able to

LO 1-1 Describe a marketer's role in creating, communicating, and delivering value.

LO 1-2 Differentiate among the various eras in the history of marketing.

LO 1-3 Distinguish between consumer needs and consumer wants.

LO 1-4 Explain the four elements in the marketing mix.

LO 1-5 Discuss the importance of globalization in the field of marketing.

LO 1-6 Explain the role of analytics in marketing.

LO 1-7 Demonstrate the relationship between ethical business practices and marketplace success.

LO 1-8 Analyze the functions of marketing beyond the for-profit firm.

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Executive Perspective ... because everyone is a marketer

Steve DeVore
Senior Vice President and General Manager
Twin Oaks Integrated Marketing

Photo provided by Steve DeVore

Steve DeVore came to marketing late. He majored in journalism in college but discovered a passion for marketing during an introductory marketing course he took his last year of college. He then pursued marketing internships to prepare for his career. After graduation, DeVore worked for a traditional advertising agency for several years before joining Saatchi and Saatchi X, a creative communications company.

At Saatchi, DeVore worked with some of the largest companies in the world, including Walmart and Procter & Gamble, on their shopper marketing efforts. Shopper marketing is a rapidly growing area of marketing that is designed to drive sales growth by improving consumers' shopping experience. Today, DeVore leads Twin Oaks, a strategic sales and marketing resource that delivers integrated shopper-marketing solutions for consumer goods and retailer clients.

What has been the most important thing in making you successful at your job?

There actually are three important things:

1. Success depends heavily on relationships. No one gets to the top on their own, and if people don't respect you for doing the right thing or think you're a jerk, you'll never be in a position to lead.
2. You have to be restless. If you get complacent and don't work every day like you have something to prove, you're dead. Always "play up a level"–meaning, if you're a manager, begin to think like a director. Try to understand the *why* behind everything: every idea, every decision, every behavior.
3. A little luck goes a long way. But here's the thing: People who work hard are luckier than those who don't. There is a direct correlation. It helps to be sharp, but sometimes you just have to chalk it up to timing. Regardless, don't think of yourself as a victim. Those who persevere come out the other side much stronger and more determined.

What advice would you give soon-to-be graduates?

It's not enough to do your job well. That just keeps you from getting fired. Advancing in your career means adding value above and beyond your job requirements. A good litmus test for how valuable an asset you are is to imagine what would happen if you were to get pulled off your team or out of your organization. Would they suffer?

How is marketing relevant to your role at Twin Oaks?

I am the leader of a team whose focus is developing great marketing to improve the shopping experience of consumers. Our clients realize the importance of marketing. They ask for our help in giving consumers the best possible experience so that they will buy again and again from our clients. In addition, I'm always marketing myself to clients so they will want to work with me and my team.

What do you consider your personal brand to be?

I learned in college that a brand is a name, term, symbol, design, or any combination of these that identifies and differentiates a firm's products. Steve DeVore as a brand reflects what those around me think of when they hear my name. I hope my brand is that I'm someone who does the right thing, is passionate about the things that matter the most, and has a positive influence on others. Former Dallas Cowboys receiver Michael Irvin once said that the ability to influence others is the greatest gift someone can have, and I truly believe that.

> This chapter explores the importance of marketing to businesses of all sizes, to nonprofit organizations, and to individuals. It examines what marketing is, how it is affected by global forces, and the importance of corporate social responsibility and ethics in this dynamic field. You will see that marketing matters to each of us, regardless of background, college major, or future plans.

FORECAST

marketing

An organizational function and set of processes for creating, communicating, and delivering value to customers and managing customer relationships in ways that benefit the organization and its employees, customers, investors, and society as a whole.

customer value

The perceived benefits, both monetary and nonmonetary, that a customer receives from a product compared with the cost of obtaining it.

THE VALUE OF MARKETING

Welcome to marketing. Wherever your life and career take you after this course, you can be assured that knowing how to implement marketing principles will be an important part of your professional success.

In fact, if you've ever had a job in retail sales or customer service, there is a good chance you have already used marketing principles. Marketing is an organizational function and set of processes for creating, communicating, and delivering value to customers. Marketers manage customer relationships in ways that benefit the organization and its employees, its customers, its investors, and society as a whole. This is a fairly lengthy definition, and it is important to understand its three main components–creating, communicating, and delivering value–before we proceed.

Creating Value

Organizations today are constantly looking for new ways to create value for customers. This is true whether we are talking about a consumer product such as the Apple Watch, social networking applications like Instagram, or educational software like the McGraw-Hill *Connect* package that accompanies this text. Customer value refers to the perceived benefits, both monetary and nonmonetary, that customers receive from a product, compared with the cost associated with obtaining the product. Examples of perceived benefits might be making customers safer (ADT home security), saving them money (GEICO), or making their lives easier (Samsung Galaxy smartphone). If the benefit of the product or service equals or exceeds its cost, the organization has *created value.*

The key ingredient for creating value is providing consumers with benefits that meet their needs and wants. Merely creating a new product does not guarantee success. Over 80 percent of all new products fail, a percentage that remains consistent in both good and bad economic conditions.[1] To create value, a new good, service, or idea must

Apple can charge higher prices than its competitors without fear of losing sales because of the value customers place on Apple products. *© Scott Eells/Bloomberg via Getty Images*

satisfy a perceived marketplace demand. Understanding marketplace demands before competitors do is one of the secrets of great marketing.

In later chapters, we will explore specific strategies that support the effort of value creation. These strategies include analysis of the market environment, effective marketing research, and an understanding of customer behavior. Once a company has created a valuable product, it must communicate that value to potential customers.

Communicating Value

Business history is littered with failed companies that had a valuable offering but failed to get that message out to potential customers. For example, there may be a restaurant in the city where you live that serves great food; however, if the restaurant doesn't market itself well, you may never even know it exists. A firm must communicate not only what its product is but what value that product brings to potential customers. A new Subway restaurant near your college campus, for example, might use online advertisements to communicate its convenient location, healthy alternatives, and monthly student specials.

Communicating value also will be critical for you on a personal level as you begin looking for a job after you graduate. Imagine a human resources manager looking at a stack of 400 resumes, all from applicants with a college degree similar to yours. If your resume looks like every other resume in the stack, odds are your value will not be communicated. Countless job applicants who do not understand this fundamental point wonder why they do not get the interviews and opportunities that others, who are better at marketing themselves, do get.

This book will help you learn to communicate your professional value. It includes various features, like the Career Tips section at the end of each chapter, that will help you learn to market yourself. In this chapter, the Career Tips feature focuses on moving your resume out of the stack and getting you into an interview. Once you've landed a job, delivering on the value you communicated will be key, not only to keeping your job but also to moving up in your organization. In the same way, to be successful, firms must deliver on the value of the goods, services, and ideas they offer.

Many of the most successful firms in the world, including Coca-Cola, Walmart, and UPS, excel at managing their supply chains efficiently and have made delivering value a competitive advantage in their industries. © *Justin Sullivan/Getty Images News/Getty Images*

Delivering Value

Isn't it remarkable to think that you can buy Diet Coke at a grocery store in Chicago, a mall in San Francisco, a restaurant in Miami, a gas station in rural Arkansas, and practically everywhere in between? Millions of people throughout the world buy and enjoy Diet Coke. That phenomenon is made possible by Coca-Cola's ability to deliver its product to countless places. Coca-Cola's *supply chain* is critical in delivering value.

A firm's supply chain is a set of multiple companies directly linked by one or more of the upstream and downstream flows of products, services, finances, and information from a source to a customer.[2] Members of the supply chain can include manufacturers, wholesalers, retailers, transportation companies, and other groups, depending on the specific industry. The part of supply chain management that plans, implements, and controls the flow

supply chain
The linked set of companies that perform or support the delivery of a company's products to customers.

logistics
That part of supply chain management that plans, implements, and controls the flow of goods, services and information between the point of origin and the final customer.

LO 1-2
Differentiate among the various eras in the history of marketing.

production orientation
A marketing strategy in which the firm focused on efficient processes and production to create quality products and reduce unit costs.

of goods, services, and information between the point of origin and the final customer is called logistics. We will examine the challenges and strategies associated with logistics and supply chain management in a later chapter.

HISTORY OF MARKETING

Before we consider modern marketing, let's pause briefly to see how marketing has evolved to its current state.

Production Orientation

Prior to the 1920s, most firms in the United States and the rest of the developed world had a production orientation: They focused on efficient processes and production in order to create quality products and reduce unit costs. Firms with a production orientation believed that quality products would simply sell themselves. The production orientation is summarized in the old saying, "Build a better mousetrap, and the world will beat a path to your door."

In the mid-1920s, the growth in production outpaced consumer demand. To sell what they were able to produce, companies needed new strategies. In an effort to increase demand, firms sought to develop effective sales forces that could find customers for their growing production capacity.

Henry Ford's production line innovation and success manufacturing the Model A automobile represents the production-orientation era, during which firms believed that quality products would sell themselves. *© Omikron/Photo Researchers/Getty Images*
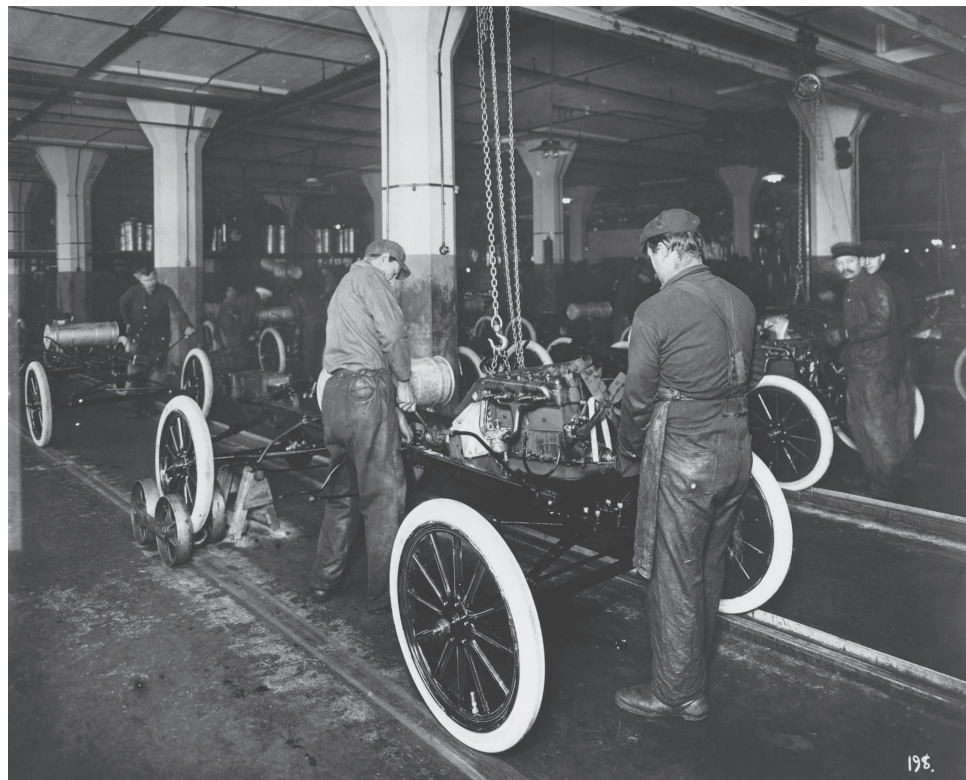
Sales Orientation

As the size and impact of sales forces grew, many firms shifted to a sales orientation: They used personal selling and advertising to persuade consumers to buy new products and more of existing products. This strategy was especially important during the Great Depression: Consumers had little money, so firms competed intensely for customers' dollars. Firms such as Ford could no longer sell all of their products, even though mass production had reduced manufacturing costs. Ford increasingly had to rely on personal selling and advertising to get consumers to buy its products instead of the products of competitors such as General Motors. The sales-orientation era continued until the end of World War II.

sales orientation
A marketing strategy in which personal selling and advertising are used to persuade consumers to buy new products and more of existing products.

Marketing Concept

After two decades of economic depression and world war, the U.S. entered an era of expansion beginning in the early 1950s. Demand for goods and services increased significantly. Products that had been in limited supply during the war flooded the market, forcing firms to develop new strategies to compete. As a result, a strategy focused on the consumer began to emerge. That strategy, the marketing concept, is the idea that a firm's long-term success must include a company-wide effort to satisfy customer needs.

The marketing concept is characterized by a *customer orientation,* which stresses the idea that everyone in a firm should assess, then satisfy, a consumer's needs. Walmart's focus on customer satisfaction is an example of the marketing concept in action: Employees in every department are expected to meet customer needs: the cashier checking out customers, the logistics department holding down costs, and a customer service representative handling product returns. The customer orientation has helped Walmart succeed in a very competitive environment, even though very few of the products it sells are unique to its stores. Rather than offering unique products, Walmart has focused on satisfying consumers' desire for lower prices, friendly service, and convenience.

The marketing concept continues to evolve. Technology now enables marketers to tailor offerings in a way that has never before been possible. Dell provides a historical example: It became a market leader in the 1990s by allowing individual consumers to customize computers to purchase exactly what they wanted. Customers now have come to like and look for options to customize.

Organizations today also focus on establishing relationships with customers. Relationship marketing, a strategy that focuses on attracting, maintaining, and enhancing customer relationships,[3] is of primary importance for today's most successful firms. Amazon, the largest e-retailer in the United States, uses technology and large amounts of data to develop a relationship with its customers. It provides personalized product recommendations and multiple delivery options to meet the individual needs of customers. This type of custom outreach helps marketers sell products. More importantly, it also helps the firm develop relationships with the customers who are most likely to buy its products.

marketing concept
The idea that a firm's long-term success must include a company-wide effort to satisfy customer needs and wants.

relationship marketing
A marketing strategy that focuses on attracting, maintaining, and enhancing customer relationships.

The Future of Marketing

More exciting than the history of marketing is thinking about how marketing will develop in the years ahead. As technology and other changes affect the business world, firms will need to explore new models that address what customers want and how they

prefer to receive information. For example, consider how these data might affect the way firms reach customers:

- In 2013, the number of Americans who pay for television service through cable, satellite, or fiber optics declined by over a quarter of a million for the first time ever.[4]
- At the same time, the number of Americans using the Internet or online streaming services such as Netflix and Hulu reached an all-time high.
- Newspaper circulation has decreased significantly over the past decade.
- The amount of news consumers get through social media platforms is at an all-time high. Products like Facebook and Twitter are changing how firms interact with customers.

Figure 1.1 details the number of adults who now get daily news from social media sites. In the coming years, marketers will no longer automatically think of television, newspaper, or magazine advertising as the first choice for reaching customers.

Regardless of how marketing evolves in the years ahead, remember that the basic goal of marketing—to create, communicate, and deliver value—doesn't change. To achieve this goal, marketers must use all the tools and strategies at their disposal to satisfy the needs and wants of customers.

FIGURE 1.1   Social Media as a Pathway to News: Facebook Leads the Way

Percentage of U.S. adults who use each social networking site and percentage of U.S. adults who get news from each social networking site

Use site
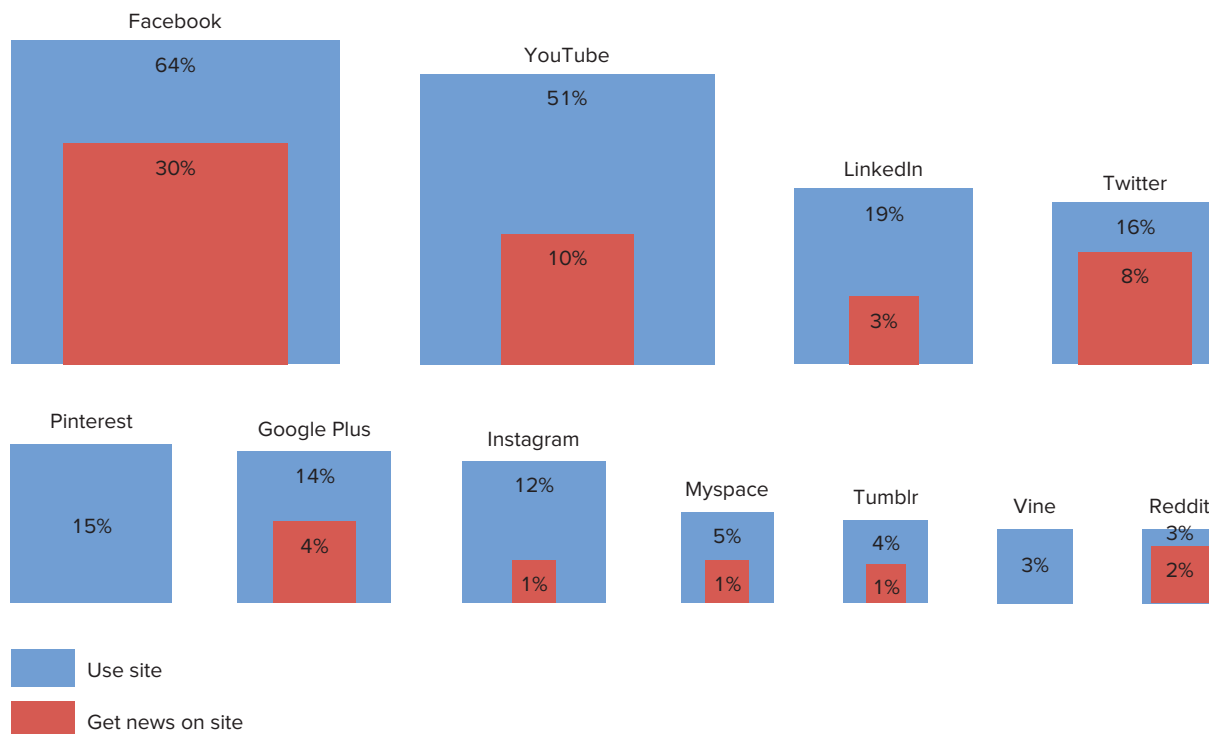
Get news on site

Note: The percentage of U.S. adults who get news on Pinterest and Vine each amount to less than 1 percent, Aug. 21–Sept. 2, 2013.
Source: Pew Research Center, "How social media is reshaping news," September 24, 2014, http://www.pewresearch.org/fact-tank/2014/09/24/how-social-media-is-reshaping-news/.

NEEDS VERSUS WANTS

Marketers create value for customers when they develop products that allow consumers to satisfy their needs and wants through exchange relationships. Exchange happens when a buyer and seller trade things of value, so that each is better off as a result. For example, Microsoft initiates its part of the exchange by *creating* a product like the Xbox game console. It then *communicates* the value and enjoyment of owning an Xbox through television ads and online content. Finally, it *delivers* the Xbox consoles to retailers like Best Buy and Amazon, from whom consumers can purchase them. Consumers complete their side of the exchange by providing the money necessary to purchase the Xbox. In addition to the financial exchange that has taken place, consumers have also likely exchanged information, such as their e-mail address or phone number.

Perhaps the most basic concept in marketing is the difference between consumer needs and wants. Needs are states of felt deprivation. Consumers feel deprivation when they lack something useful or desirable like food, clothing, shelter, transportation, or safety. Notice that marketers do not *create* needs; needs are a basic part of our human makeup. Regardless of whether you ever view an ad, talk to a salesperson, or receive an e-mail from an online retailer, you still need food, water, shelter, and transportation.

Marketing's role is to match your need with a want. Wants are the form that human needs take as they are shaped by personality, culture, and buying situation. Marketers seek to turn your need for food into a want or desire for, say, an In-n-Out hamburger or a salad from Panera. Likewise, consumers need shelter. Marketers work to turn that need into a want, perhaps for an apartment on a bus route near campus or a condo where someone else takes care of the yard.

Wants are influenced by numerous things, including a consumer's family, job, and background. For example, a college student might want a shirt from a specific store or shoes that reflect his personality and make him feel good about how he looks. The wants of that student may well differ from those of the person who sits next to him in class, if they have different backgrounds and interests.

Satisfying needs and wants can prove challenging for firms that do not fully appreciate the difference between the two. Distinguishing between needs and wants affects the way firms market their products to customers.

Distinguishing Needs from Wants

The distinction between needs and wants is not always black and white. For example, people need transportation to go to work, or to attend school, or to pick up their children. Consumers can meet their *need* for transportation in many ways—by driving a car, riding a bike, or taking a bus or some other form of mass transit. A luxury-car marketer bets on the fact that you *want* to fulfill your need for transportation to work by sitting on heated seats while listening to satellite radio.

The better a firm understands the difference between customers' needs and wants, the more effectively it can target its message to convince customers to buy its good or service. The marketer seeks to convince customers that the firm's offering will meet their needs and wants better than any competing good or service.

The Ethical Implications of Needs versus Wants

To avoid potential problems for the firm, and sometimes for society as a whole, evaluating customer needs and wants must be done through an ethical framework.

For example: The global economic recession that began in December 2007 was, in part, the result of a housing crisis in which the United States experienced the largest

LO 1-3

Distinguish between consumer needs and consumer wants.

exchange

An activity that occurs when a buyer and seller trade things of value so that each is better off as a result.

needs

States of felt deprivation. Consumers feel that deprivation when they lack something useful or desirable like food, clothing, shelter, transportation, or safety.

wants

The form that human needs take as they are shaped by personality, culture, and buying situation.

Most people need transportation of one kind or another; it's marketing's job to satisfy that need in a way that also meets the customer's wants, perhaps for a luxury car.
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