

Essentials of Marketing

A Marketing Strategy Planning Approach



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Perreault

Cannon

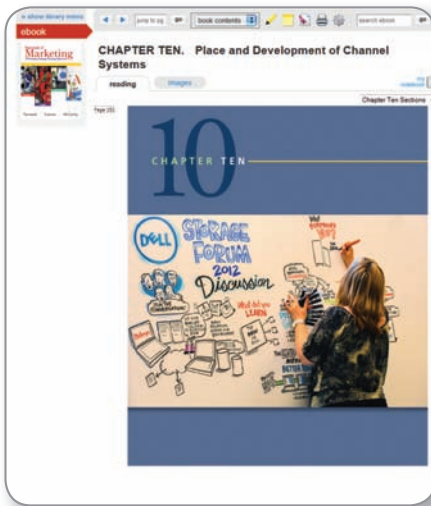
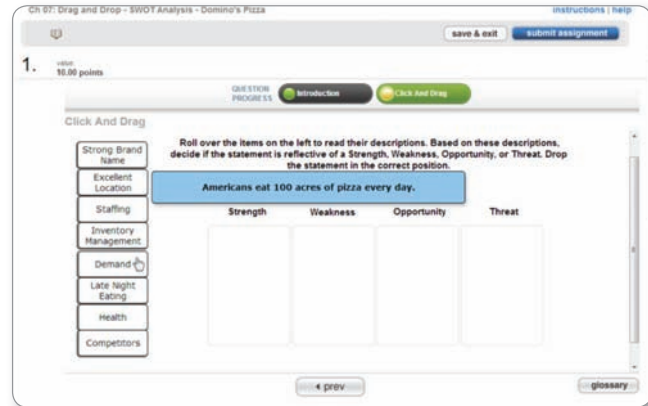
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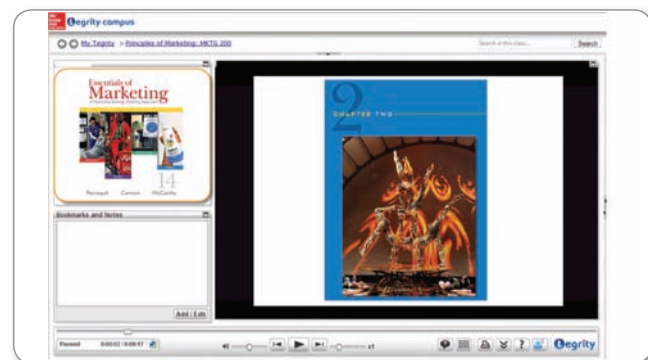


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14
EDITION

Essentials of Marketing

A Marketing Strategy Planning Approach

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ESSENTIALS OF MARKETING: A MARKETING STRATEGY PLANNING APPROACH, FOURTEENTH EDITION

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1 2 3 4 5 6 7 8 9 0 DOW/DOW 1 0 9 8 7 6 5 4

ISBN 978-0-07-786104-9

MHID 0-07-786104-3

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Printer: *R. R. Donnelley*

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Library of Congress Cataloging-in-Publication Data

Perreault, William D.

Essentials of marketing: a marketing strategy planning approach / William D. Perreault, Jr., Ph.D., University of North Carolina, Joseph P. Cannon, Ph.D. Colorado, State University, E. Jerome McCarthy, Ph.D., Michigan State University. — 14th Edition.

pages cm

Includes index.

ISBN-13: 978-0-07-786104-9 (alk. paper)

ISBN-10: 0-07-786104-3 (alk. paper)

1. Marketing. I. Cannon, Joseph P., Ph. D. II. McCarthy, E. Jerome (Edmund Jerome) III. Title.

HF5415.P4357 2015

658.8—dc23

2013050518

The Internet addresses listed in the text were accurate at the time of publication. The inclusion of a website does not indicate an endorsement by the authors or McGraw-Hill Education, and McGraw-Hill Education does not guarantee the accuracy of the information presented at these sites.

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William D. Perreault, Jr., is Kenan Professor of Business at the University of North Carolina. Dr. Perreault is the recipient of the two most prestigious awards in his field: the American Marketing Association Distinguished Educator Award and the Academy of Marketing Science Outstanding Educator Award. He also was selected for the Churchill Award, which honors career impact

on marketing research. He was editor of the *Journal of Marketing Research* and has been on the review board of the *Journal of Marketing* and other journals.

The Decision Sciences Institute has recognized Dr. Perreault for innovations in marketing education, and at UNC he has received several awards for teaching excellence. His books include two other widely used texts: *Basic Marketing* and *The Marketing Game!*

Dr. Perreault is a past president of the American Marketing Association Academic Council and served as chair of an advisory committee to the U.S. Census Bureau and as a trustee of the Marketing Science Institute. He has also worked as a consultant to organizations that range from GE and IBM to the Federal Trade Commission and Venezuelan Ministry of Education.

Joseph P. Cannon



Joseph P. Cannon is professor of marketing at Colorado State University. He has also taught at the University of North Carolina at Chapel Hill, Emory University, Instituto de Empresa (Madrid, Spain), INSEAD (Fontainebleau, France), and Thammasat University (Bangkok, Thailand). He has received several teaching awards and honors.

Dr. Cannon's research has been published in the *Journal of Marketing*, *Journal of Marketing Research*, *Journal of the Academy of Marketing Science*, *Journal of Operations Management*, *Journal of Personal Selling*

and *Sales Management*, *Journal of Public Policy and Marketing*, *Antitrust Bulletin*, and the *Academy of Management Review* among others. He is a two-time recipient of the Louis W. and Rhona L. Stern Award for high-impact research on interorganizational issues. He has also written many teaching cases. Dr. Cannon has served on the editorial review boards of the *Journal of Marketing*, *Journal of the Academy of Marketing Science*, *Journal of Personal Selling and Sales Management*, and *Journal of Marketing Education*. The *Journal of Marketing Education* has honored Dr. Cannon with several distinguished reviewer awards. He served as chair of the American Marketing Association's Interorganizational Special Interest Group (IOSIG). Before entering academics, Dr. Cannon worked for six years in sales and marketing for Eastman Kodak Company.

E. Jerome McCarthy



E. Jerome McCarthy received his Ph.D. from the University of Minnesota and was a Ford Foundation Fellow at the Harvard Business School. He has taught at the Universities of Oregon, Notre Dame, and Michigan State. He was honored with the American Marketing Association's Trailblazer Award in 1987, and he was voted one of the "top five" leaders in

marketing thought by marketing educators.

Besides publishing various articles, he is the author of books on data processing and social issues in marketing. He has been a frequent presenter at marketing conferences in the United States and internationally.

In addition to his academic interests, Dr. McCarthy has been involved in guiding the growth of organizations in the United States and overseas—both as a consultant and as a director. He has also been active in executive education. Throughout his career, his primary interests have been in (1) "converting" students to marketing and effective marketing strategy planning and (2) preparing teaching materials to help others do the same. This is why he has spent a large part of his career developing and improving marketing texts to reflect the most current thinking in the field.

Preface

Essentials of Marketing Is Designed to Satisfy Your Needs

This book is about marketing and marketing strategy planning. And, at its essence, marketing strategy planning is about figuring out how to do a superior job of satisfying customers. We take that point of view seriously and believe in practicing what we preach. So you can trust that this new edition of *Essentials of Marketing*—and all of the other teaching and learning materials that accompany it—will satisfy your needs. We’re excited about this 14th edition of *Essentials of Marketing* and we hope that you will be as well.

In developing this edition, we’ve made hundreds of big and small additions, changes, and improvements in the text and all of the supporting materials that accompany it. We’ll highlight some of those changes in this preface, but first some background on the evolution of *Essentials of Marketing*.

Building on Pioneering Strengths

Essentials of Marketing pioneered an innovative structure—using the “four Ps” (Product, Price, Promotion, and Place) with a managerial approach—for the introductory marketing course. It quickly became one of the most widely used business textbooks ever published because it organized the best ideas about marketing so that readers could both understand and apply them. The unifying focus of these ideas is: how does a marketing manager decide which customers to target, and what is the best way to meet their needs?

Over many editions of *Essentials of Marketing*, there have been constant changes in marketing management and the market environment. As a result, we have made ongoing changes to the text to reflect marketing’s best practices and ideas. Throughout all of these changes, *Essentials of Marketing* and the supporting materials that accompany it have been more widely used than any other teaching materials for introductory marketing. It is gratifying that the four Ps framework has proved to be an organizing structure that has worked well for millions of students and teachers.

The success of *Essentials of Marketing* is not the result of a single strength—or one long-lasting innovation. Other textbooks have adopted our four Ps framework, and we have continuously improved the book. And the text’s four Ps framework, managerial orientation, and strategy planning focus have proved to be foundation pillars that are remarkably robust for supporting new developments in the field and innovations in the text and package. Thus, with each new edition of *Essentials of Marketing* we have continued to innovate to better meet the needs of students and faculty. In fact, we have made ongoing changes in how we develop the logic of the four Ps and the marketing strategy planning process. As always, though, our objective is to provide a flexible, high-quality text and choices from comprehensive and reliable support materials—so that instructors and students can accomplish their learning objectives.

What’s Different about *Essentials of Marketing*?

The biggest distinguishing factor about *Essentials of Marketing* is our integrative approach to creating a teaching and learning package for the introductory marketing course. This integration makes it easier to learn about marketing, teach marketing, and apply it in the real world. For many students, the introductory marketing course will be the only marketing class they ever take. They need to come away with a strong understanding of the key concepts in marketing and how marketing operates in practice. So in *Essentials of Marketing*: (1) we examine *both* what marketing is and how to do it; (2) we integrate special topics like services, international marketing, ethics, and more, across the text with coverage in almost every chapter; and (3) we deliver a supplements package completely developed or closely managed by the authors—so each part links closely with the textbook content. See Exhibit P-1. The integration of these three elements delivers a proven product for instructors and students. Let us show you what we mean—and why and how instructors and students benefit from the *Essentials of Marketing* teaching and learning package.

Marketing operates in dynamic markets. Fast-changing global markets, environmental challenges

Exhibit P-1
Essentials of Marketing Integrates Marketing



and sustainability, and the blurring speed of technological advances—including an explosion in the use of digital tools by both consumers and businesses—are just a few of the current trends confronting today’s marketing manager. While some marketing texts merely attempt to describe this market environment, *Essentials of Marketing* teaches students *analytical abilities* and *how-to-do-it skills* that prepare them for success. To propel students in this direction, we deliberately include a variety of examples, explanations, frameworks, conceptual organizers, exercises, cases, and how-to-do-it techniques that relate to our overall framework for marketing strategy planning. Taken together, these different learning aids speed the development of “marketing sensibility” and enable students to analyze marketing situations and develop marketing plans in a confident and meaningful way. They are practical and they work. And because they are interesting and understandable, they motivate students to see marketing as the challenging and rewarding area it is. In the end, the *Essentials of Marketing* teaching and learning package prepares students to analyze marketing situations and develop exceptional marketing strategies—not just recite endless sets of lists.

In contrast to many other marketing textbooks, we emphasize careful *integration of special topics*. Some textbooks treat “special” topics—like marketing relationships, international marketing, services marketing,

the Internet, digital lifestyles, nonprofit organizations, marketing ethics, social issues, and business-to-business marketing—in separate chapters (or parts of chapters). We deliberately avoid doing this because we are convinced that treating such topics separately leads to an unfortunate compartmentalization of ideas. For example, to simply tack on a new chapter on e-commerce or Internet marketing applications completely ignores the reality that these are not isolated topics; rather, they must be considered broadly across the whole rubric of marketing decisions. Conversely, there is virtually no area of marketing decision making where it’s safe to ignore the impact of e-commerce, the Internet, or information technology. The same is true with other topics. Exhibit P-2 shows the coverage of some key topics across specific chapters.

The teaching and learning materials—designed and developed by the authors—are integrated to work effectively with *Essentials of Marketing*. We don’t tack on extras that have been outsourced and don’t integrate well with our package. Because of this, you (the instructor) have flexible tools that allow you to *teach marketing your way*. Marketing can be studied and used in many ways, and the *Essentials of Marketing* text material is only the central component of our Professional Learning Units System (*P.L.U.S.*) for students and teachers. Instructors and students can select from our units to develop their own personalized teaching and learning systems. Our objective is to offer you a *P.L.U.S.* “menu” so that you can conveniently select units you want—and disregard what you do not want. Many combinations of units are possible depending on course and learning objectives. Later in this Preface we highlight each *P.L.U.S.* element (full details can be found in the discussion of the Instructor’s Resource CD in the Instructor’s Manual).

Students only take the introductory marketing course once. They deserve the benefits of a highly innovative yet *proven* set of integrated learning materials. Our teaching and learning materials—from the textbook to the iPod videos to the test question bank to the online materials—have been constantly updated yet are proven to work for generations of students. Do you want to use an unproven textbook with your students?

What’s New in This Edition of *Essentials of Marketing*?

There are several big changes to this edition of *Essentials of Marketing* and hundreds of smaller ones. *Essentials of Marketing* is quick to recognize the many dramatic changes in the market environment and marketing strategy—we are also quick to jump on new pedagogical innovations. So here is a quick

Exhibit P-2 Coverage of Special Topics Across Chapters*

Special Topic	Chapter																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Marketing relationships	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
International	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		X
Ethics	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Services	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
B2B	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X
Technology, Internet, “Big Data” & digital lifestyle	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Environment & sustainability	X	X	X		X	X	X	X	X	X	X		X	X	X	X		X
Nonprofits	X	X	X	X		X	X	X			X		X		X	X		X
Quality	X	X	X	X	X	X	X	X	X		X		X	X	X	X	X	X
Customer value	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Marketing’s link with other functions	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

*“X” indicates coverage in the form of a section of the chapter, example, illustration, or discussion.

overview of what we changed for the fourteenth edition of *Essentials of Marketing*.

“Big data” and its implications. One of the most profound recent changes in marketing has been the explosion of what is being called “big data”—data sets too large and complex to work with typical database management tools. Organizations are using this to more narrowly target individual customers with tailored marketing mixes. It raises strategic and ethical questions. Almost every chapter in the book has a reference to this trend.

Shorter and easier to read. Students and instructors appreciate concise coverage. We have had to make some difficult decisions—because one instructor’s cut is another’s favorite topic. We may have cut one of your pet topics. If so, please let us know—in this edition we brought back some of our coverage of competition when feedback suggested it was trimmed too much.

Social media and digital lifestyles. A major thrust of the last edition of *Essentials of Marketing* addressed customers’ digital lifestyles. The growth in smartphone ownership and overall use of the Internet continues to march on, having an impact on all areas of marketing. We continued to make updates to reflect this market dynamic.

Up-to-date content, examples, exhibits, and images. We update *Essentials of Marketing* with each new edition. Students and instructors appreciate current and relevant examples that demonstrate important

marketing concepts. We update each and every chapter opening case scenario. There are dozens of new examples and specific concepts spread throughout the book. While we don’t have space to list all of these changes, we can provide you with some highlights of the more significant changes with this edition of *Essentials of Marketing*:

Chapter 1. We wrote a new chapter opener that features Nike, one of our students’ favorite brands. We added an extended example in the text describing how Chipotle adds value for its customers. *Triple bottom line* is a new concept and key term.

Chapter 2. We significantly modified our coverage of lifetime customer value and customer equity. Customer lifetime value is a new key term. A new boxed teaching note looks more closely at differentiation. We added *competitive advantage* as a key term. There is a new Internet Exercise on Levi’s in China.

Chapter 3. This has traditionally been one of the longest chapters in the book—so we made an effort to streamline coverage of all topics. The competitor, technology, and cultural and social environment sections were updated and re-written. We look at competition in the streaming music industry. We wrote a new boxed teaching note on the role of 3D printing. *Sustainable competitive advantage*, *gross national income*, and *Generation Z* are new key terms.

Chapter 4. A new chapter opener case features LEGO. The boxed teaching note in this chapter is the first extended treatment of “big data”—with a

look at how Target uses big data to predict what customers will want to buy. A new Internet exercise profiles different segments in the mobile phone market. While we cover customer relationship management (CRM) in several places in the text, we decided to add more substantial coverage in this chapter. We developed a new Ethics Question, which addresses issues around consumer privacy and gaming apps.

Chapter 5. This chapter has many changes related to the influence of the Internet on consumer behavior. Of significant importance, we expanded discussion of how the web drives needs by updating and offering more rigorous coverage of the web and social influence on consumer decision making. Drawing on Charles Duhigg's, *The Power of Habit*, we adapted our treatment of learning and introduced an extended example on Febreze. On the suggestion of a reviewer, we decided to pull culture out of "Social Influences" and give it more coverage, along with consumer behavior, in international markets. Cloud storage service, Dropbox, is featured as an extended example of the adoption process.

Chapter 6. After several editions of modest change, we made some bigger changes in the organizational buying chapter. These changes are based on feedback from our review team. We have reorganized the chapter and believe that it will teach even better. We more explicitly discuss differences between organizational customers and final consumers (see new Exhibit 6-2) and we provide a more structured model of organizational buying (see Exhibit 6-4). We further recognize the growing role of social media and online search as key sources of information for organizational buyers.

Chapter 7. Big data provides a natural extension to our traditional coverage of marketing information systems, data warehouses, and decision support systems. Consequently, we give students an important foundation of big data in the market research chapter. A new boxed teaching note, "Big Data. Big Opportunity," offers context and application. Related topics, including sentiment analysis, are covered later in the chapter along with a new Internet exercise on the topic. An extended example describes the marketing research Heinz used to develop new ketchup packages. We more carefully outline differences between primary and secondary data.

Chapter 8. We have increased coverage of goods and service combinations, product lines, and the "battle of the brands." An extended example on Coca-Cola replaces one on Yahoo! There's new coverage on international trademarks spurred by problems Apple had with "iPad" in China. A new boxed teaching note covers the Internet of Things—an

emerging technology concept with big implications for products. We refined our discussion of consumer product classes.

Chapter 9. Marketers have been giving a lot of attention to the topic of innovation; so we beefed up coverage of this critical area. We have new sections on: (1) idea generation, (2) "the pivot" as key to new product introduction, and (3) stimulating growth in mature markets, featuring the recent story of Philadelphia Cream Cheese and different types of innovations from the customer's perspective (with some great new examples). We discuss how big data can be used to generate new product ideas. A new boxed teaching note looks more closely at nature as a source of ideas through biomimicry. We also describe how big data is important to product quality. A trade-off in adding these new topics is a cutback in our treatment of product quality.

Chapter 10. The use of *multiple* channels of distribution continues to grow—and so does our coverage of this trend and related topics here and in Chapter 12. We provide a richer explanation of how product class relates to channel choice. We added discussion of firms using both direct and indirect channels and enhanced coverage of multichannel distribution. There is a new exhibit covering levels of market exposure. Following some feedback, we updated and now provide a more careful explanation of channel systems.

Chapter 11. We revised our discussion of the trade-offs among physical distribution costs, customer service level, and sales with a longer, but clearer treatment. We describe how transportation companies utilize big data to lower costs. We added a new Internet Exercise.

Chapter 12. Retail is ever-changing. Our chapter-opening case features the latest marketing tactics of Macy's—a retailer leading a renaissance in the department store world. Macy's use of big data and effective integration of brick-and-mortar and online retailing fueled its revival. Online retailing continues to evolve—and this section has received major revision, including extensive coverage of showrooming and big data. We also look at mobile shopping. To wrap things up, we discuss the ethics of big data and retailing.

Chapter 13. This chapter always has a lot of new examples—students notice dated examples and we aim to eliminate them. We refined our coverage of promotion objectives and cut back on direct response promotion. We added a distinction between inbound and outbound promotion. Inspired by a new book, *Youtility*, a new boxed teaching note examines firms that focus on using communications to help customers. We updated our treatment of budgeting for promotion.

Chapter 14. A new boxed teaching note describes the use of analytics to match customer service reps with customers—a kind of matchmaking that helped Assurant Solutions significantly increase customer retention. We updated our coverage of personal selling and information technology.

Chapter 15. This chapter on advertising, publicity, and sales promotion always has a lot of new coverage and new images. Readers notice when ads and photos are not up-to-date, so we pay special attention to presenting the latest-and-greatest here. Our revised coverage of media reflects changes being brought on by technology and big data. Online advertising became “Digital Advertising,” with greater attention to advertising on both the Internet and cell phones. We cover how big data is used for social targeting. We compare the advantages of advertising on Google vs. Facebook. Our groundbreaking treatment of social media as a form of publicity has been well-received; we built on that to cover new methods of social media. We now distinguish paid, earned, and owned forms of media. Finally, in order to better consolidate our coverage of sales promotion, we moved some topics from Chapter 13 to Chapter 15.

Chapter 16. We have a new chapter opening case scenario focusing on Method Products, Inc. We think you and your students will appreciate hearing more about this interesting company. New topics address the use of big data for dynamic pricing—which is now being used in more product-markets. We added coverage of paying over time (installment plans and leasing) and price-quality relationships. We also added a new Internet Exercise.

Chapter 17. The chapter opener, while still about TVs, was completely re-written around Samsung. There is also a new Internet exercise.

Chapter 18. We added coverage of the role of the Internet in keeping companies honest. Big data has lots of controversy around privacy, so we added a new section and a boxed teaching note, “Marketers Use Big Data—Cool or Creepy,” that helps students understand what this trend means.

Eighteen Chapters—with an Emphasis on Marketing Strategy Planning

The emphasis of *Essentials of Marketing* is on marketing strategy planning. Eighteen chapters introduce the important concepts in marketing and help the student see marketing through the eyes of the manager. The organization of the chapters and topics is carefully planned. We took special care in writing so that

- it is possible to rearrange and use the chapters in many different sequences—to fit different needs; and

- all of the topics and chapters fit together into a clear, overall framework for the marketing strategy planning process.

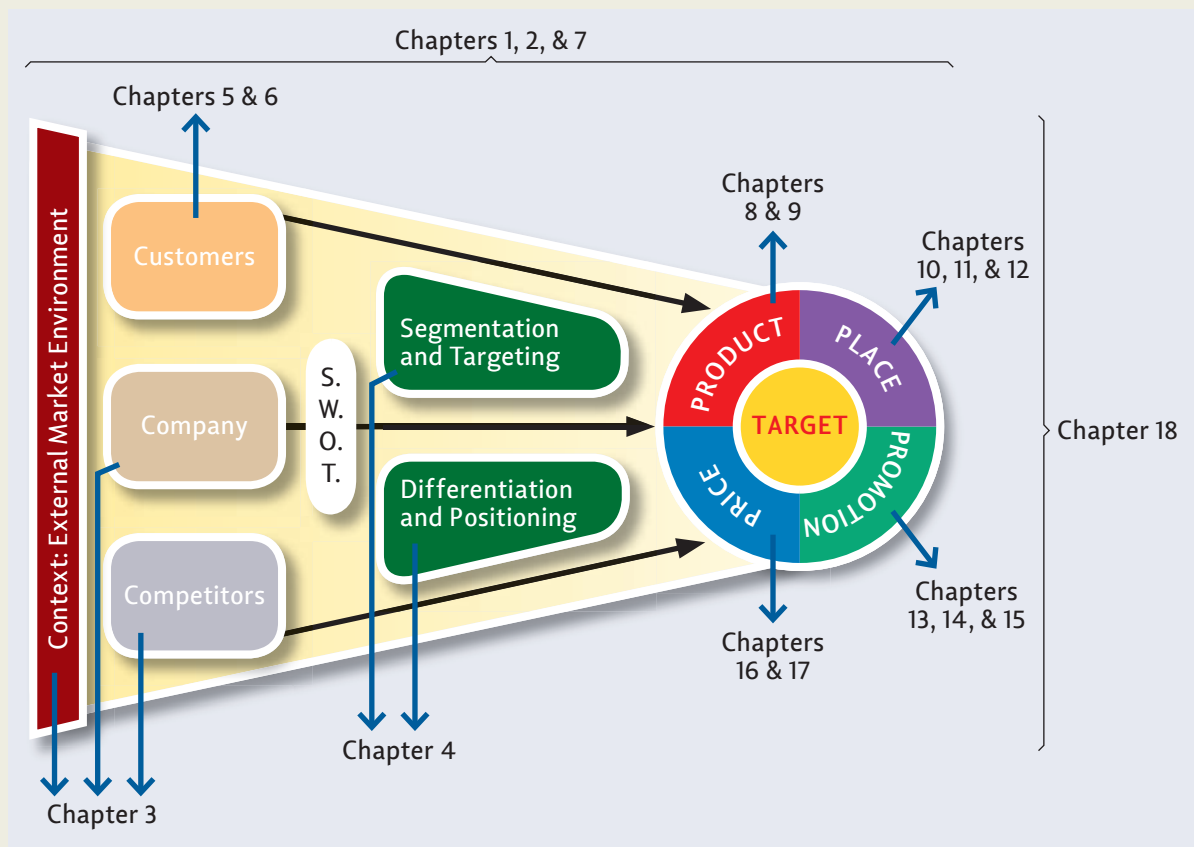
Broadly speaking, the chapters fall into three groupings. The first seven chapters introduce marketing and a broad view of the marketing strategy planning process. We introduce the marketing strategy planning process in Chapter 2 and use this framework as a structure for our coverage of marketing. See Exhibit P-3. Chapters 3–7 cover topics such as the market environment, competition, segmentation, differentiation, and buyer behavior, as well as how marketing information systems and research provide information about these forces to improve marketing decisions. The second part of the text goes into the details of planning the four Ps, with specific attention to the key strategy decisions in each area. Finally, we conclude with an integrative review and an assessment of marketing’s challenges and opportunities.

The first chapter deals with the important role of marketing—focusing not only on how a marketing orientation guides a business or nonprofit organization in the process of providing superior value to customers but also on the role of macro-marketing and how a market-directed economy shapes choices and quality of life for consumers. Chapter 2 builds on these ideas with a focus on the marketing strategy planning process and why it involves narrowing down to the selection of a specific target market and blending the four Ps into a marketing mix to meet the needs of those customers. With that foundation in place, Chapter 2 introduces an integrative model of the marketing strategy planning process that serves as an organizing framework for the rest of the text.

Chapter 3 introduces students to the importance of evaluating opportunities in the external environments affecting marketing. This chapter also highlights the critical role of screening criteria for narrowing down from all possible opportunities to those that the firm will pursue. Then, Chapter 4 shows how analysis of the market relates to segmentation and differentiation decisions, as well as the criteria for narrowing down to a specific target market and marketing mix.

You have to understand customers in order to segment markets and satisfy target market needs. So the next two chapters take a closer look at *customers*. Chapter 5 studies the behavioral aspects of the final consumer market. Chapter 6 looks at how business and organizational customers—like manufacturers, channel members, and government purchasers—are similar to and different from final consumers.

Chapter 7 presents a contemporary view of getting information—from marketing information systems and marketing research—for marketing



planning. Chapter 7 includes discussion of how information technology—ranging from intranets to speedy collection of market research data—is transforming the marketing job. This sets the stage for discussions in later chapters about how research and marketing information improve each area of marketing strategy planning.

The next group of chapters—Chapters 8 through 17—is concerned with developing a marketing mix out of the four Ps: Product, Place (involving channels of distribution, logistics, and distribution customer service), Promotion, and Price. These chapters are concerned with developing the “right” Product and making it available at the “right” Place with the “right” Promotion at the “right” Price to satisfy target customers and still meet the objectives of the business. These chapters are presented in an integrated, analytical way—as part of the overall framework for the marketing strategy planning process—so students’ thinking about planning marketing strategies develops logically.

Chapters 8 and 9 focus on product planning for goods and services as well as managing product quality, new-product development, and the different strategy decisions that are required at different

stages of the product life cycle. We emphasize the value of an organized new-product development process for developing truly new products that propel a firm to profitable growth. These chapters also detail how quality management approaches can improve implementation, including implementation of better service quality.

Chapters 10 through 12 focus on Place. Chapter 10 introduces decisions a manager must make about using direct distribution (for example, selling from the firm’s own website) or working with other firms in a channel of distribution. We put special emphasis on the need for channel members to cooperate and coordinate to better meet the needs of customers. Chapter 11 focuses on the fast-changing arena of logistics and the strides that firms are making in using e-commerce to reduce the costs of storing, transporting, and handling products while improving the distribution service they provide customers. Chapter 12 provides a clear picture of retailers, wholesalers, and their strategy planning, including exchanges taking place via the Internet. This composite chapter helps students see why the big changes taking place in retailing are reshaping the channel systems for many consumer products.

Chapters 13 through 15 deal with Promotion. These chapters build on the concepts of integrated marketing communications, direct-response promotion, and customer-initiated digital communication, which are introduced in Chapter 13. Chapter 14 deals with the roles of personal selling, customer service, and sales technology in the promotion blend. Chapter 15 covers advertising, publicity, and sales promotion, including the ways that managers are taking advantage of the Internet and other highly targeted media to communicate more effectively and efficiently.

Chapters 16 and 17 deal with Price. Chapter 16 focuses on pricing objectives and policies, including use of information technology to implement flexible pricing; pricing in the channel; and the use of discounts, allowances, and other variations from a list price. Chapter 17 covers cost-oriented and demand-oriented pricing approaches and how they fit in today's competitive environments. The careful coverage of marketing costs helps equip students to deal with the renewed cost-consciousness of the firms they will join.

The final chapter considers how efficient the marketing process is. Here we evaluate the effectiveness of both micro- and macro-marketing—and we consider the competitive, technological, ethical, and social challenges facing marketing managers now

and in the future. Chapter 18 also reinforces the integrative nature of marketing management and reviews the marketing strategy planning process that leads to creative marketing plans.

Three appendices can be used to supplement the main text material. Appendix A provides some traditional economic analysis of supply and demand that can be a useful tool in analyzing markets. Appendix B reviews some quantitative tools—or marketing arithmetic—which help marketing managers who want to use accounting data in analyzing marketing problems. Appendix B also reviews forecasting as a way to predict market potential and sales for a company's product. Finally, students especially appreciate Appendix C—which is about career opportunities in marketing.

Following Appendix C are 44 written cases. The first eight of these supplement video cases are available to instructors in their video package and online to students. Almost all of the next 36 short written cases have been updated with new information to make sure they reflect the realities of the current marketplace. The focus of these cases is on problem solving. They encourage students to apply, and really get involved with, the concepts developed in the text. At the end of each chapter, we recommend particular cases that best relate to that chapter's content.

Teaching and Learning Resources

The authors of *Essentials of Marketing* and McGraw-Hill Higher Education have put together a variety of resources to supplement your teaching and learning experience. We begin with a review of resources specific to the book and follow that with additional materials from McGraw-Hill Higher Education. The following section offers a walk-through for students and instructors.

Find the Resources for Teaching—Instructor’s Resource CD (IRCD) and Instructor Online Learning Center

Many of the resources here are available on the Instructor’s Resource CD, which can be obtained from your McGraw-Hill salesperson. All of these resources are available on the Instructor side of the Online Learning Center (accessible via www.mhhe.com/fourps). If you are not registered, please contact your McGraw-Hill salesperson. A secured Instructor Library/Resource Center stores your essential course materials to save you prep time before class.

Teach *Essentials of Marketing Your Way—Elements of P.L.U.S.*

Essentials of Marketing can be studied and used in many ways—the *Essentials of Marketing* text material is only the central component of our Professional Learning Units System (P.L.U.S.) for students and teachers. Instructors (and sometimes students) can select from our units to develop their own personalized systems. Many combinations of units are possible, depending on course objectives. As a quick overview, in addition to the *Essentials of Marketing* text, the P.L.U.S. package includes a variety of new and updated supplements.

- **Instructor’s Manual to Accompany *Essentials of Marketing*.** Includes suggestions on how to teach the introductory course. Plus, you will find comments on all of the exercises and problems in the textbook—Internet Exercises, Ethics Questions,

Creating Marketing Plans (for use with the Marketing Plan Coach) questions, end of chapter questions and problems, and Computer-Aided Problems.

- **Presentation Resources (PowerPoints).** Our “best in the business” multimedia lecture support package includes a variety of materials.
 - *Chapter PowerPoint Slides.* For each chapter there is a set of PowerPoint presentations for a complete lecture that includes television commercials and short video clip examples, examples of print advertisements that demonstrate important concepts, and questions to use with “clickers” or simply to check if students are getting it.
 - *Archive PowerPoint slides.* We also have a set of archive slides with a high-quality selection of ads and photos. The archive slides also include slides with material that we may have cut from this edition of the book.
 - *YouTube PowerPoint slides.* NEW with this edition, we have added more than 80 slides with embedded YouTube videos. Bring virtual guest speakers, viral videos, case studies, and new ads to your classroom presentations.
 - *Multimedia Lecture Support Guide.* This guide supports the presentation slides and includes detailed lecture scripts, outlines, and archives. It also includes a list of all the YouTube PowerPoints and suggestions for their use with each chapter.
- **Teaching Videos, Video Cases & Video Clips + Video Instructor’s Manual.** The video package includes 31 full-length videos. In addition, we have 138 short (1 to 4 minutes) video clips—many integrated into the PowerPoint presentation slides. See the Video Instructor’s Manual for more ideas about how to use the videos in class.
- **Bank of Objective Test Questions.** Our test bank includes more than 5,000 objective test questions—every question developed or edited by the authors to ensure it works seamlessly with the text. McGraw-Hill’s EZ-Test program facilitates the

creation of tests. We take great pride in having a test bank that works for students and instructors.

- **Computer-Aided Problems.** This easy-to-use spreadsheet software program works with exercises at the end of each chapter to help develop the analytical skills needed by today’s managers.
- **Marketing Plan Coach.** This online software tool helps students build marketing plans using materials and concepts directly from the textbook. It was created by the authors specifically for use with *Essentials of Marketing*.
- **Learning with Ads.** These are great for visual learners, allowing them to preview or study concepts from each chapter and examine applications in real print ads. About 10 to 15 ads per chapter.
- **Connect Marketing with LearnSmart (further details provided below).** The Connect package allows you to add any or all of the following teaching and learning resources to your class.
 - *Connect Interactive Applications*—an online assignment and assessment solution that connects students with the tools and resources they’ll need to achieve success. McGraw-Hill has partnered with Blackboard to deliver the content and tools directly inside your learning management system.
 - *LearnSmart*—an adaptive learning program that identifies what an individual student knows and doesn’t know. LearnSmart’s adaptive learning path helps students learn faster, study more efficiently, and retain more knowledge.
 - *Practice Marketing Simulation*—an online, interactive learning environment that simulates the full marketing mix as well as market segmentation and targeting.
- **Teach the 4 Ps Social Media Family.** This blog provides links to online articles, blog posts, videos, video clips, and commercials. The site is a great way to stay up-to-date and bring current content into your classroom. Many of these posts will also appear on the *Learn the 4 Ps* website that targets students.
- **Learn the 4 Ps Social Media Family.** A blog, Facebook page, and Twitter feed offer links to current online articles, websites, podcasts, and videos—providing motivated students more ways to learn about marketing.
- **Cartridges for Blackboard.** Our textbook package includes materials that can be integrated with this popular learning management system.

McGraw-Hill Connect



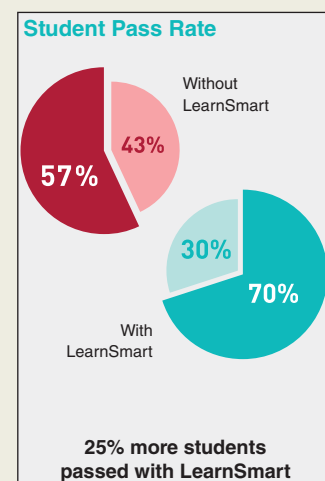
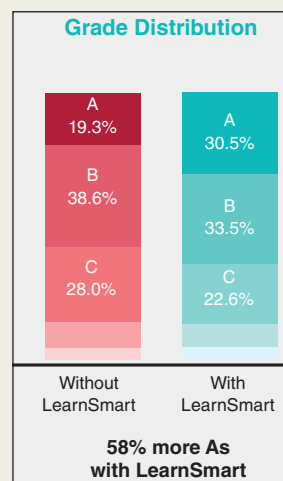
Connect is an all-digital teaching and learning environment designed from the ground up to

work with the way instructors and students think, teach, and learn. As a digital teaching, assignment, and assessment platform, *Connect* strengthens the link among faculty, students, and coursework, helping everyone accomplish more in less time.

LearnSmart

The smartest way to get from B to A

LearnSmart is the most widely used and intelligent adaptive learning resource. It is proven to strengthen memory recall, improve course retention, and boost grades by distinguishing between what students know and what they don’t know and honing in on the concepts that they are most likely to forget. LearnSmart continuously adapts to each student’s needs by building an individual learning path. As a result, students study smarter and retain more knowledge.



SmartBook

A revolution in reading

Fueled by LearnSmart, SmartBook is the first and only adaptive reading experience available today. SmartBook personalizes content for each student in a continuously adapting reading experience. Reading is no longer a passive and linear experience, but an engaging and dynamic one where students are more likely to master and retain important concepts, coming to class better prepared.

McGraw-Hill Connect Plus



McGraw-Hill Education reinvents the textbook-learning experience for

today’s students with *Connect Plus*, providing students with a cost-saving alternative to the traditional textbook. A seamless integration of a media rich eBook and *Connect*, *Connect Plus* provides all of the *Connect* features plus the following:

- A web-optimized eBook, allowing for anytime, anywhere online access to the textbook.
- Powerful search function to pinpoint and connect key concepts in a snap.
- Highlighting and note-taking capabilities as well as access to shared instructors' notations.

Create



create™

Instructors can now tailor their teaching resources to match the way they teach! With

McGraw-Hill Create, www.mcgrawhillcreate.com, instructors can easily rearrange chapters, combine material from other content sources, and quickly upload and integrate their own content, like course syllabi or teaching notes. Find the right content in Create by searching through thousands of leading McGraw-Hill textbooks. Arrange the material to fit your teaching style. Order a Create book and receive a complimentary print review copy in three to five business days or a complimentary electronic review copy via e-mail within one hour. Go to www.mcgrawhillcreate.com today and register.

Tegrity Campus



tegrity

Tegrity makes class time available 24/7 by automatically capturing every lecture in a searchable format for students

to review when they study and complete assignments. With a simple one-click start-and-stop process, you capture all computer screens and corresponding audio. Students can replay any part of any class with easy-to-use browser-based viewing on a PC or Mac. Educators know that the more students can see, hear, and experience class resources, the better they learn. In fact, studies prove it. With patented Tegrity “search anything” technology, students instantly recall key class moments for replay online or on iPods and mobile devices. Instructors can help turn all their students’ study time into learning moments immediately supported by their lecture. To learn more about Tegrity, watch a two-minute Flash demo at <http://tegritycampus.mhhe.com>.

Blackboard® Partnership

McGraw-Hill Education and Blackboard have teamed up to simplify your life. Now you and your students can access



The Best of Both Worlds

Connect and Create right from within your Blackboard course—all with one single sign-on. The grade books are seamless, so when a student completes an integrated *Connect* assignment, the grade for that assignment automatically (and instantly) feeds your Blackboard grade center. Learn more at www.domorenow.com.

McGraw-Hill Campus™



Campus

McGraw-Hill Campus is a new one-stop teaching and learning experience available to users

of any learning management system. This institutional service allows faculty and students to enjoy single sign-on (SSO) access to all McGraw-Hill Higher Education materials, including the award-winning McGraw-Hill *Connect* platform, from directly within the institution’s website. With McGraw-Hill Campus, faculty receive instant access to teaching materials (e.g., eTextbooks, test banks, PowerPoint slides, animations, learning objects, etc.), allowing them to browse, search, and use any instructor ancillary content in our vast library at no additional cost to instructor or students. In addition, students enjoy SSO access to a variety of free content (e.g., quizzes, flash cards, narrated presentations, etc.) and subscription-based products (e.g., McGraw-Hill *Connect*). With McGraw-Hill Campus enabled, faculty and students will never need to create another account to access McGraw-Hill products and services. Learn more at www.mhcampus.com.

Assurance of Learning Ready

Many educational institutions today focus on the notion of *assurance of learning*, an important element of some accreditation standards. *Essentials of Marketing* is designed specifically to support instructors’ assurance of learning initiatives with a simple yet powerful solution. Each test bank question for *Essentials of 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



McGraw-Hill Education is a proud corporate member of AACSB International.

Understanding the importance and value of AACSB accreditation, *Essentials of Marketing* recognizes the curricula guidelines detailed in the AACSB standards for business accreditation by connecting selected questions in the text and the test bank to the six general knowledge and skill guidelines in the AACSB standards. The statements contained in *Essentials of Marketing* are provided only as a guide for the users of this textbook. The AACSB leaves content coverage and assessment within the purview of individual schools, the mission of the school, and the faculty. While the *Essentials of Marketing* teaching package makes no claim of any specific AACSB qualification or evaluation, we have labeled selected questions according to the six general knowledge and skills areas.

McGraw-Hill Customer Experience Group Contact Information

At McGraw-Hill Education, we understand that getting the most from new technology can be challenging. That's why our services don't stop after you purchase our products. You can e-mail our Product Specialists 24 hours a day to get product training online. Or you can search our knowledge bank of Frequently Asked Questions on our support website. For Customer Support, call **800-331-5094** or visit **www.mhhe.com/support**. One of our Technical Support Analysts will be able to assist you in a timely fashion.

Responsibilities of Leadership

In closing, we return to a point raised at the beginning of this preface. *Essentials of Marketing* has been a leading textbook in marketing since its first edition. We take the responsibilities of that leadership seriously. We know that you want and deserve the very best teaching and learning materials possible. It is our commitment to bring you those materials—today with this edition and in the future with subsequent editions.

We recognize that fulfilling this commitment requires a process of continuous improvement. Revisions, updates, and development of new elements must be ongoing—because needs change. You are an important part of this evolution, of this leadership. We encourage your feedback. The most efficient way to get in touch with us is to send an e-mail message to Joe.Cannon@colostate.edu. If you prefer the traditional approach, send a letter to Joe Cannon at Colorado State University, College of Business, Fort Collins, CO 80528-1278, United States of America. Thoughtful criticisms and suggestions from students and teachers alike have helped to make *Essentials of Marketing* what it is. We hope that you will help make it what it will be in the future.

William D. Perreault, Jr.

Joseph P. Cannon

E. Jerome McCarthy

Let's Walk through Your *Essentials of Marketing* Textbook . . .

***Essentials of Marketing* Helps You Learn about Marketing and Marketing Strategy Planning**

At its essence, marketing strategy planning is about figuring out how to do a superior job of satisfying customers. With that in mind, the 14th edition of *Essentials of Marketing* was developed to satisfy your desire for knowledge and add value to your course experience. Not only will this text teach you about marketing and marketing strategy planning, but its design, pedagogy, and supplements package were developed to work well with the text and a variety of study situations.

Each person has a different approach to studying. Some may focus on reading that is covered during class, others prefer to prepare outside of the classroom and rely heavily on in-class interaction, and still others prefer more independence from the classroom. Some are more visual or more “hands on” in the way they learn, and others just want clear and interesting explanations. To address a variety of needs and course situations, many hours went into creating and designing the *Essentials of Marketing* textbook and other learning materials. We highlight how you can use these materials in the following section.

Take a moment now to learn more about all of the resources available to help you best prepare for this course and—whether you plan to work in marketing or not—for your future career.

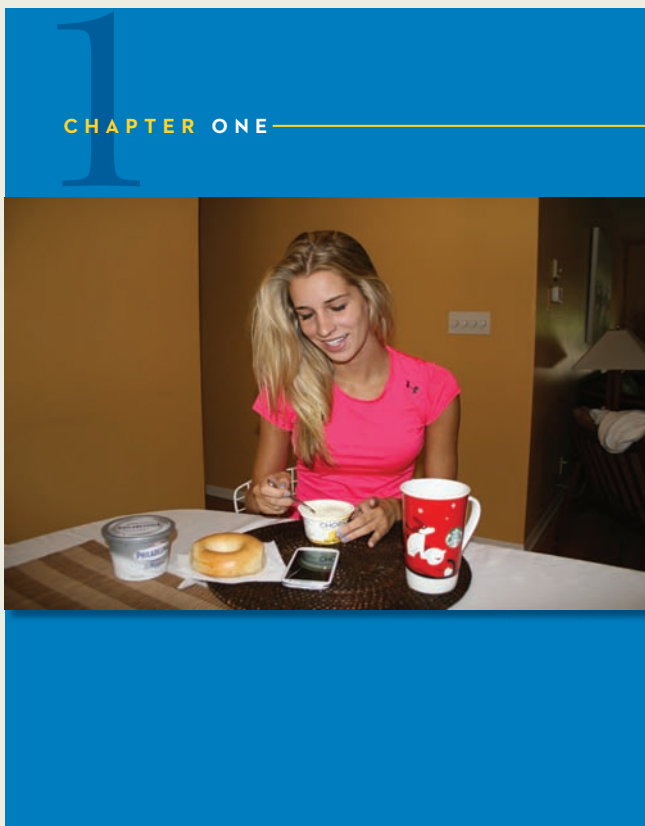
Essentials of Marketing: An Innovative Marketing Experience

With 18 chapters that introduce the important concepts in marketing management, you will see all aspects of marketing through the eyes of the marketing manager. The first seven chapters introduce marketing and give you a framework for understanding marketing strategy planning in any type of organization, and then the next section of the text takes you into planning the four Ps of marketing (Product, Place, Promotion, and Price) with specific attention to the key strategy decisions in each area. The text concludes with a review and assessment of marketing's challenges and opportunities.

Essentials of Marketing pioneered the “four Ps” approach to organize and describe managerial marketing for introductory marketing courses. This new edition covers the dynamic changes taking place in marketing management and the market environment. *Essentials of Marketing*, 14th edition, will help you understand today's best marketing practices and ideas.

Start each chapter with an overview

Each chapter begins with an in-depth case study developed specifically to motivate your interest and highlight a real-life example of the learning objectives and specific marketing decision areas covered in that chapter. Each case study is accompanied by a list of learning objectives that will help you understand and identify important terms and concepts covered in the chapter. We recommend you read the opening case and learning objectives and then take just a few minutes to skim through the chapter, check out the exhibits, pictures, and headings before reading the conclusion. This preview gives you a picture of the chapter and how it fits together—and research shows that it helps to increase your comprehension of the reading.



Marketing's Value to Consumers, Firms, and Society

When it's time to roll out of bed in the morning, does the Songza app on your Apple iPhone play the "Waking Up Happy" playlist, or is it your roommate blasting Luke Bryan? Do you start your day with a quick run while wearing your Adidas hoodie, Under Armour shorts, and Nike shoes? Not this morning. You slept in and now you barely have time to throw on your Levi's jeans, shirt from Zara, and new Sperry Top-Sider shoes before meeting a friend at Starbucks. You need a quick bite at home before you go. Will it be a Chobani pineapple flavored Greek yogurt and an Einstein's bagel with Philadelphia Cream Cheese? Or maybe a bowl of General Mills Cheerios topped with skim milk and sliced Chiquita banana, with a glass of calcium-fortified Simply Orange juice to start your day? If you hurry, your roommate can give you a ride to school in her new Ford C-Max Hybrid car, although you could ride your Specialized bike or take the bus that the city bought from Mercedes-Benz.

When you think about it, you can't get very far into a day without bumping into marketing—and what the whole marketing system does for you. It affects every aspect of our lives—often in ways we don't even consider.

In other parts of the world, people wake up each day to different kinds of experiences. A family in rural Africa may have little choice about what food they will eat or where their clothing will come from. In some countries, economic decisions are still made by government officials. But in the world's most developed countries, consumers determine what's on store shelves. If no one buys a particular color, size, or style, then companies no longer produce it. So you may have trouble finding Cheerios in Tokyo, where they are more likely to eat Kokuho Rose Rice for breakfast.

One brand found around the world is Nike. How has Nike become the choice for so many professional and casual athletes around the world? Is it the more than \$800 million Nike spends each year for endorsements from star athletes like Kevin Durant and Cristiano Ronaldo? Maybe it's the innovations, like Nike's lightweight Flyknit running shoes and the wearable technology in its Nike+ products. How do the 24,000 retailers that carry Nike products contribute? Do Nike's connections with customers on Twitter, Instagram, and

Facebook build customer relationships? Do these increase sales?

Almost 50 years ago Phil Knight and his college track coach, Bill Bowerman, founded Blue Ribbon Sports (later renamed Nike) to distribute Japanese running shoes. A few years later they were designing, producing, and selling athletic shoes. Today Nike is the 25th most valuable brand in the world, with annual sales of more than \$21 billion. Part of its success comes from adapting its marketing strategy to changing market conditions—but Nike hasn't always adapted quickly enough. Back in the early 1980s, Nike was so focused on running shoes that it missed the aerobics shoe craze and fell behind rival Reebok. Nike profits plummeted so quickly that only aggressive cost-cutting saved the company.

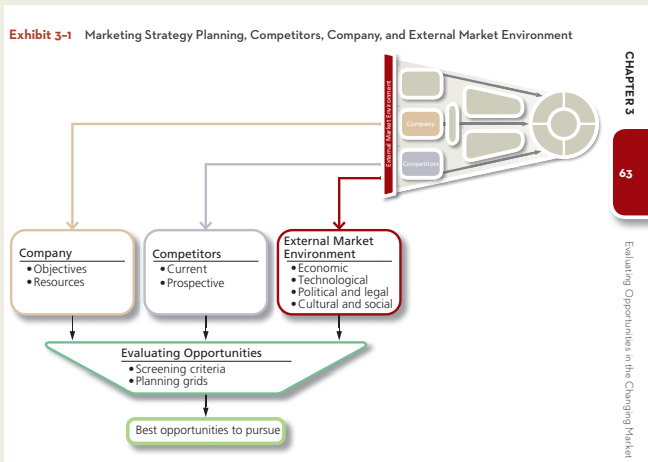
After Nike signed Michael Jordan to endorse its basketball shoes in 1984, the Air Jordan line took the market by storm. It didn't hurt when Nike's advertising agency came up with the "Just Do It" slogan and an advertising campaign that covered television, magazines, and billboards around the world. This helped carry Nike through the 1990s and its profits soared on rising sales aided by low-cost foreign production.

Then, in the late 1990s, the company came under attack when it was reported that some of its suppliers used child labor. At first Nike denied responsibility, claiming it couldn't control how its suppliers operated. But public protest showed that society expected more from a large, successful corporation, and Nike began to closely monitor its suppliers' labor practices.

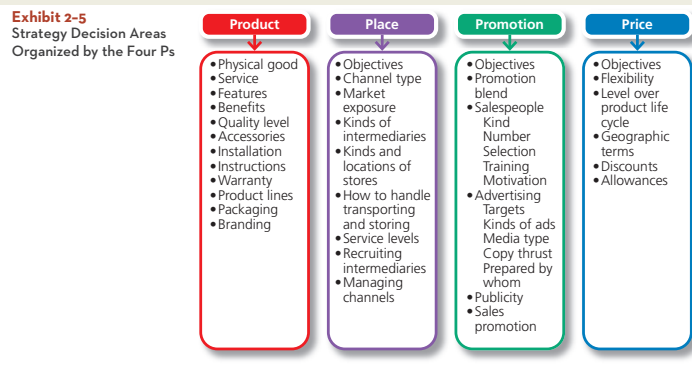
Since then Nike's social responsibility efforts have turned around its reputation. For example, Nike leads a group of 10 partners in the GreenExchange, a web-based marketplace where member firms collaborate and share ideas to foster sustainability. Nike's Reuse-A-Shoe program turns old shoes into Nike Grind, which is used as a surface on playgrounds, gym floors, and running tracks.

These days Nike targets growth in emerging markets like China. Nike's goal is to sell \$4 billion there by 2015—almost doubling what it sold there in 2010. Nike is courting Chinese consumers, who are crazy about basketball and LeBron

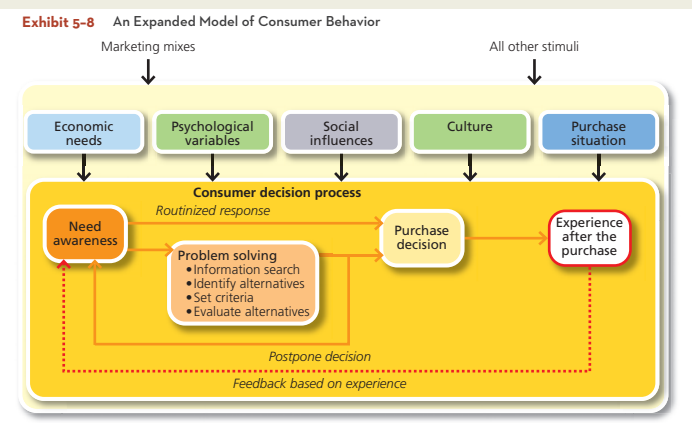
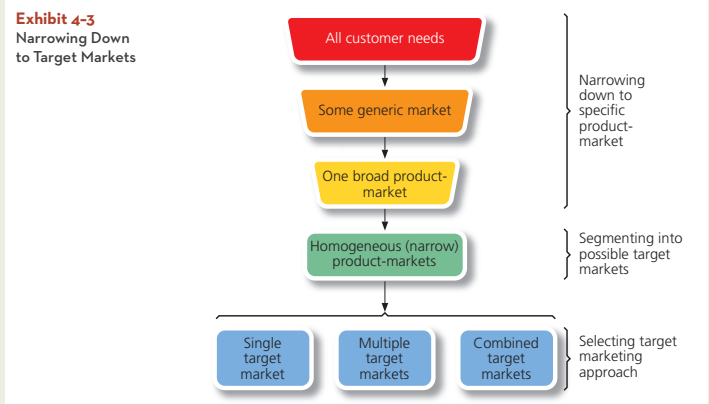
The exhibits, photos, and ads will help you understand the concepts . . .



After introducing the Marketing Strategy Planning Process model in Chapter 2, we begin each chapter with an exhibit that clearly organizes the chapter’s content. The exhibit does two things that you should notice. First, it shows how the topic in this chapter fits as a piece in the larger marketing strategy planning process—its fit with the rest of the content in the book. Second, the figure will show how that chapter’s concepts fit together—another way to “preview” the chapter.



The four Ps are just one way we organize marketing concepts for you. We know that many students learn best with “conceptual organizers,” figures, charts, and tables that help organize thinking and provide an easy way to remember key concepts. When you see these figures, study them for a minute and think about how they help you understand and learn new marketing concepts.



Full-color photos and current ads are carefully placed in every chapter. They provide a visual demonstration of key concepts and emphasize important ideas discussed in the chapter.

TOMS started by selling shoes on a one-for-one model; for each pair of shoes TOMS sells, it gives a pair to a person in need.



Think critically about the issues facing marketing managers . . .

This book includes a variety of different opportunities for you to learn about the types of decisions facing real marketing managers. Stop and think about the Ethics Questions you confront in your reading. Visit the websites we call out in the Internet Exercises and think about the questions posed. At the end of each chapter, we suggest some cases—which are interesting situations faced by real marketers. You can find the cases near the end of the book.

Ethics Question

You are a salesperson for a company that manufactures industrial lighting used in factories. During a recent sales call, an engineer at your customer firm comments about a new energy-saving lightbulb that his company is testing for a competing supplier. Your company was not aware of the competitor's new product—which you think may make one of your product lines obsolete. Should you pass this competitive intelligence to your sales manager? Should you question the engineer or others at the customer firm to learn more? If you gather more information, should you share that with your company?

Actively seek information about competitors

A marketing manager should actively seek information about current and potential competitors. Although most firms try to keep the specifics of their plans secret, much public information may be available. Sources of competitor information include trade publications, alert sales reps, suppliers, and other industry experts. In business markets, customers may be quick to explain what competing suppliers are offering.

Internet Exercise

A marketing manager for Netflix may find it helpful to know more about how competitors advertise on search pages (like Google and Yahoo!). The website KeywordSpy (www.keywordspy.com) offers that information and more. Go to this site and type "dvd rental" into its search bar. Click on the tab for PPC competitors. What competitors are identified? What information can you learn about Netflix and its competitors at this site? How could this information help Netflix's marketing manager?

SUGGESTED CASES

- 2. Golden Valley Foods
- 6. Applied Steel
- 22. Bright Light Innovations
- 33. Kennedy & Gaffney
- Video Case 4. Potbelly Sandwich
- Video Case 5. Suburban Regional Shopping Malls

Explore special topics . . .

Each chapter includes a boxed scenario to help you learn more about a particular marketing topic.

3D Printing Set to Save Time, Money, and Lives

affordable prostheses. At thousands of dollars, they were beyond what he could afford. Searching for help online, he ran across American special effects artist and puppeteer Ivan Owen, and the two developed an unlikely partnership that created technology to help Van As' dexterity. As publicity of their collaboration spread, they received a call from a woman whose five-year-old son was born without fingers on one hand. In less than a week, the two men created a crude mechanical hand, and later, using 3D printing, an improved version. The inventors posted the design and instructions for "Robohand" on a public website so others can download the plans. Now, with a small 3D printer and less than \$150 in parts, anyone can make a new hand.

Some day medical researchers expect to print human tissue, bones, and entire organs, but it doesn't stop there. Architectural engineers working with concrete hope to someday print whole buildings. An entrepreneur has already built a car using 3D printed plastic parts. And the military expects to use 3D printers on the battlefield to print parts to fix a tank or firearm.

While new technologies create opportunities, there can also be threats. Plans for printing guns have already been posted on the Internet. Counterfeit goods will become more widespread when physical goods can be very easily copied. As with most new technologies, ethics, norms, and laws will emerge to provide guidance. But it appears that 3D printing will lead to breakthrough opportunities—"hands down" it's a winner!

New approaches to manufacturing create fresh opportunities for marketing managers. 3D printing technology allows production of three-dimensional objects of any shape from a computer model. Computer-aided design (CAD) software is used to create a computer image of the object. A 3D printer uses that model to precisely build the object by adding layer upon layer of anything from plastic to titanium.

3D technology offers several benefits over traditional manufacturing. First, concepts go from idea to reality quickly. New product ideas can be prototyped, tested, and improved in hours, not weeks. Second, existing items can easily be scanned (in three dimensions) and quickly reproduced to create exact replicas or to improve an original. Third, 3D printing can offer cost savings on manufacturing through reduced shipping and packaging costs. This is especially true for custom, one-off items.

One promising application of 3D printing emerges from medicine, where the technology can be used to create body parts. Take the success story of Kalba Giordisic. A birth defect caused his windpipe to collapse—threatening his life. So at age three months, doctors designed a custom splint they placed in Kalba's throat to help him breathe. The printed splint uses a special plastic that degrades slowly (over three years) while Kalba's body creates healthy tissue to replace it. Kalba owes his life to a 3D printed part.

After a table saw accident mangled South African carpenter Richard Van As' fingers, he searched online for an

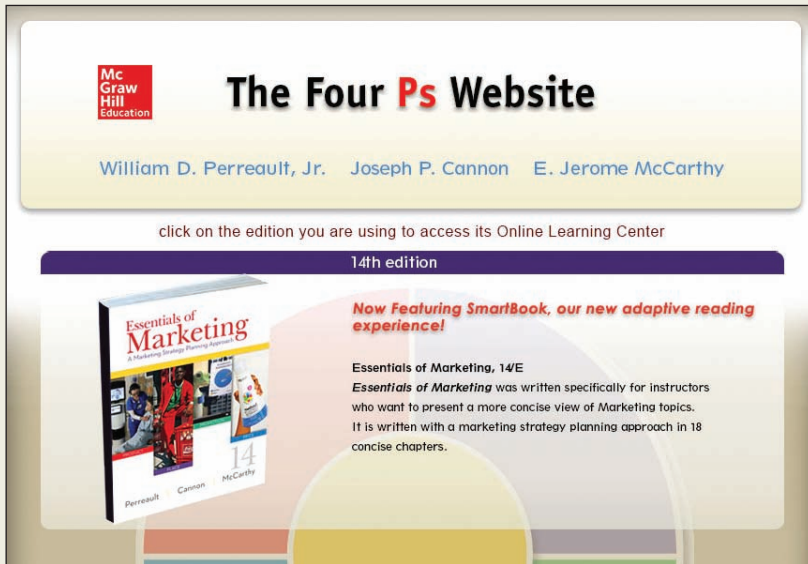
Beyond the book

Check out all the online resources for *Essentials of Marketing*. Through computers and the Internet, there are many additional features to help you learn about marketing. We have designed the *Essentials of Marketing* learning package to give you a variety of different ways to learn and study. So if you are looking for other pathways to learning, check out what you can find at the Online Learning Center (www.mhhe.com/fourps), *Learn the 4 Ps* website (www.learnthe4ps.com), and through *Connect Marketing* for *Essentials of Marketing*. See Exhibit W-1.

Exhibit W-1 Online Resources in the *Essentials of Marketing* Learning Package

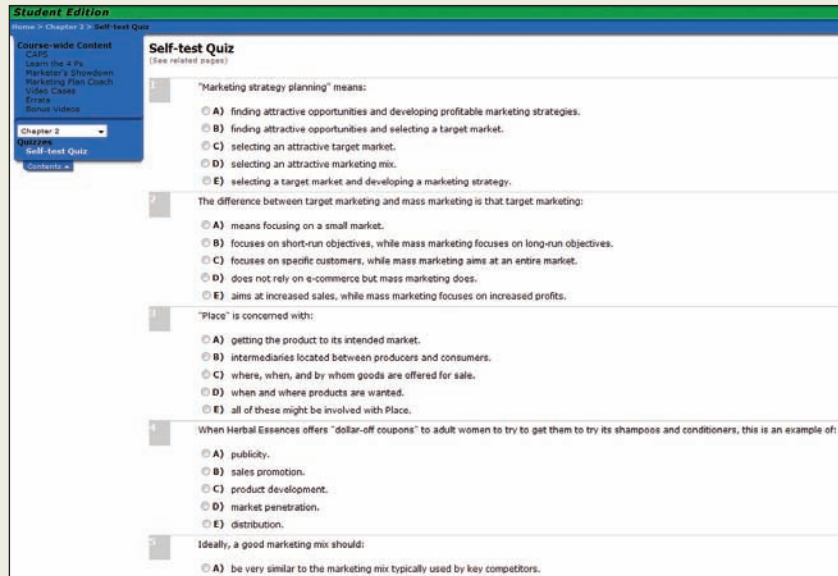
	Online Learning Center (OLC)	Learn the 4 Ps	Connect Marketing
Description	<i>Essentials of Marketing</i> site	Blog, Twitter, and Facebook sites	Available with some book packages.
Availability	www.mhhe.com/fourps	learnthe4ps.com	See your instructor
Student Chapter Quizzes —10 multiple-choice questions per chapter—check if you're ready for your next exam.	x		x
Computer-Aided Problems (CAPs) —easy-to-use spreadsheet software program works with exercises at the end of each chapter to develop analytical skills needed by today's managers.	x		x
Marketing Plan Coach —this online software tool helps students build marketing plans by drawing on concepts from <i>Essentials of Marketing</i> .	x		x
Learn the 4 Ps —pick your favorite way to stay current with online articles, websites, podcasts, and videos delivered on a blog, Twitter, and Facebook.		x	
Connect Quizzes —20 multiple-choice questions per chapter—check if you're ready for your next exam.			x
Learning with Ads —a great way to preview concepts from each chapter and see how they are applied in real print ads.			x
Video Cases —clips from video cases in the book.			x
LearnSmart —an adaptive learning system designed to help students learn faster, study more efficiently, and retain more knowledge.			x
Connect Homework —homework exercises (available with some book packages—instructor set-up required).			x

xxi



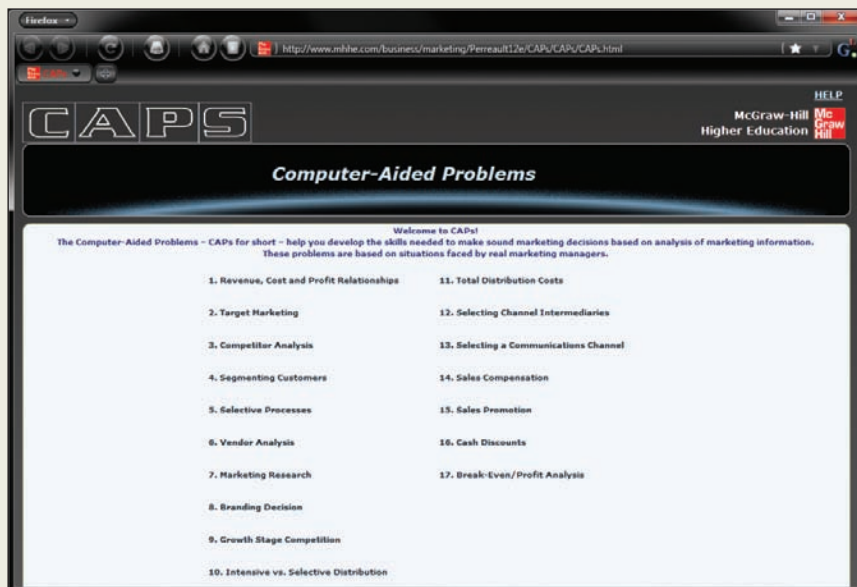
Help me study for my next test!

The *Essentials of Marketing* website has Student Chapter Quizzes—10 self-test questions for each chapter.



Learn how marketing managers use numbers and spreadsheets to analyze data and make marketing decisions!

Our Computer-Aided Problems (we call them CAPs) allow you to apply concepts from the book while you develop and hone analytical skills needed by today's marketing managers. The CAPs are also available in the student resources area of *Connect Marketing for Essentials of Marketing*.



MARKETING PLAN COACH

- Welcome
- Instructions
- Brief Outline
- Detailed Outline
- Marketing Plan - Hillside Veterinary Clinic
- Home

Brief Outline

Marketing Plan

What are the key elements of a marketing plan?

A marketing plan is a written statement of a marketing strategy and the time-related details for carrying out the strategy. The marketing plan includes an analysis of the company, customers, competitors, and external market environments. This information forms the basis for the development of a marketing strategy – which includes a target market and marketing mix. The marketing plan includes time-related details and controls.

You can see a sample marketing plan for [Hillside Veterinary Clinic](#) here.

The main sections of a marketing plan follow – you can drill down for more details on each section by clicking the hot links.

- [Executive Summary](#)
- [Situation Analysis](#)
 - [Company analysis](#) of objectives and resources
 - [Customer market analysis](#)
 - [Competitive market analysis](#)
 - [External market environment](#)
 - [SWOT analysis](#)
- [Marketing Plan Objectives](#)
- [Differentiation and positioning](#)
- [Marketing strategy](#)
- [Implementation and control](#)

I want to write a marketing plan!

Check out the *Marketing Plan Coach*—it connects the concepts in your textbook with a real marketing plan. This website was designed by the authors of *Essentials of Marketing*—so it really works with your book. The *Marketing Plan Coach* is also available in the student resources area of *Connect Marketing* for *Essentials of Marketing*.



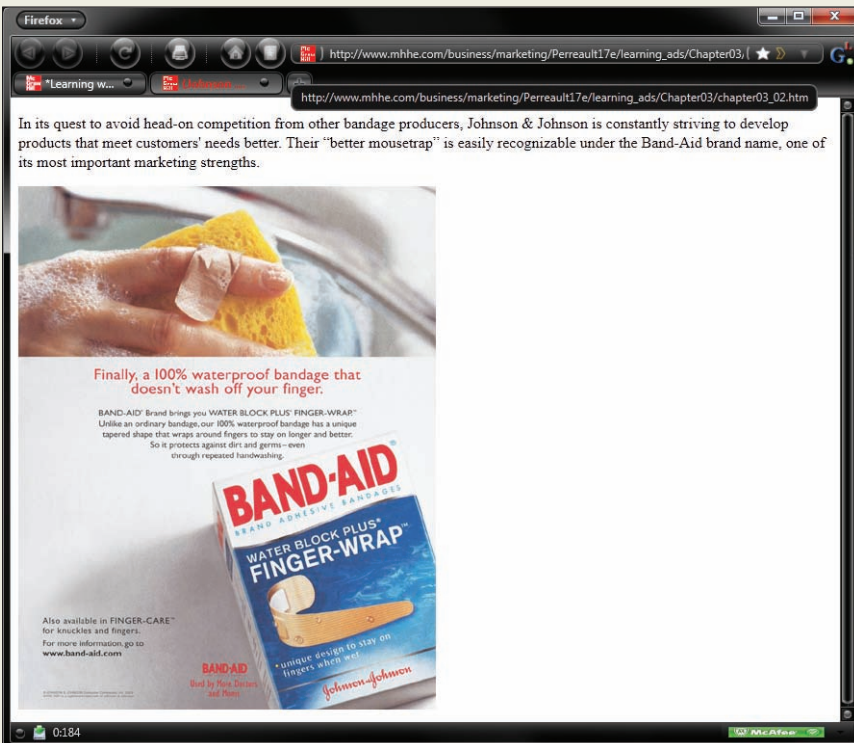
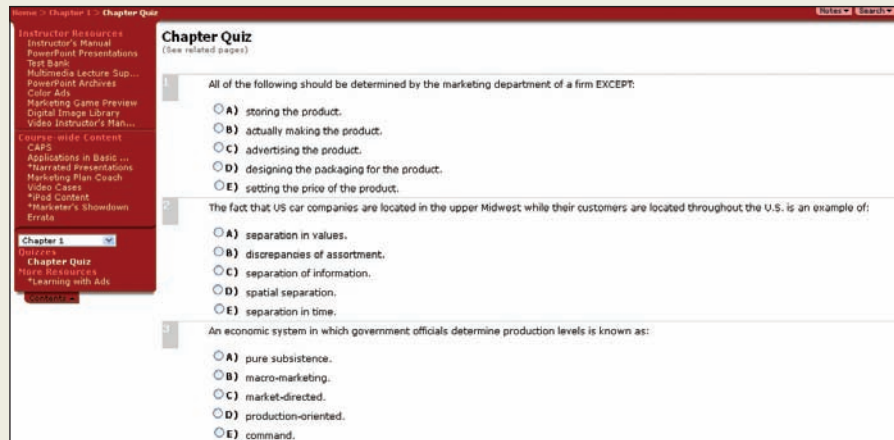
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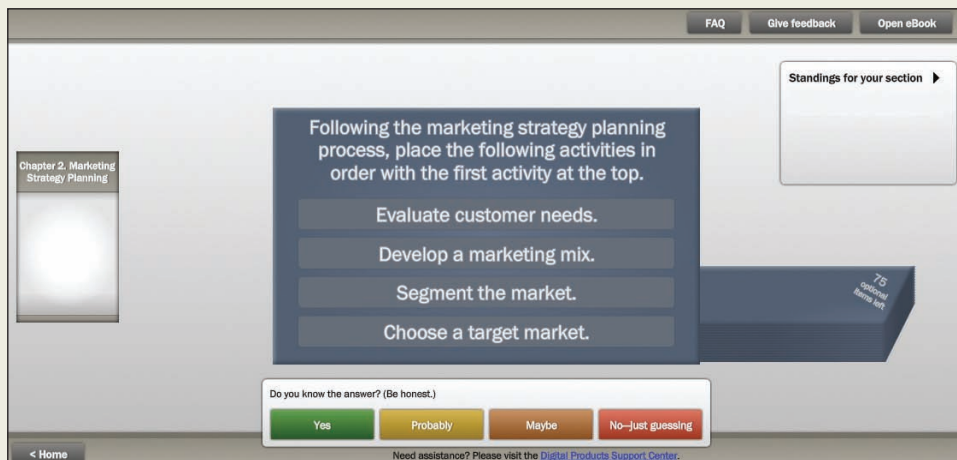
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Instructions | help

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key terms

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Target Market
PRICE PROMOTION

Ads Soups
Advertising Vending
Stores Discounts
Markups Cans

Health-conscious Elderly Consumers
College students looking for fast lunch
Ads

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Acknowledgments

Essentials of Marketing has been influenced and improved by the inputs of more people than it is possible to list. We want to express our appreciation to those who have played the most significant roles, especially in this edition.

We are especially grateful to our many students who have criticized and made comments about materials in *Essentials of Marketing*. Indeed, in many ways, our students have been our best teachers.

We owe our greatest debt of gratitude to Lin Davis. The book probably wouldn't exist if it weren't for her—because without her help it would have been just too overwhelming and we'd have quit! Lin has been part of this team for more than 25 years. During that time, she has made contributions in every aspect of the text and package. Over the years she spent countless hours researching photos and case histories, and she critiqued thousands of manuscript pages through countless revisions of the text and all the accompanying materials. She has reviewed, edited, and critiqued every word we've written. Her hard work, positive attitude, and dedication to quality throughout the whole process is without match. Lin cut back on the time she put into this edition of *Essentials of Marketing* as she moved into semi-retirement. Yet her mark on this project is indelible. We could not have asked for a better friend and colleague.

Many improvements in recent editions were stimulated by feedback from a number of colleagues around the country. Their feedback took many forms. In particular, we would like to recognize the helpful contributions of:

Cliff Ashmead Abdool, *CUNY College of Staten Island*
Roshan (Bob) Ahuja, *Ramapo College of New Jersey*
Thomas Ainscough, *University of South Florida*
Ian Alam, *Ramapo College of New Jersey*
Mary Albrecht, *Maryville University*
David Andrus, *Kansas State University at Manhattan*
Chris Anicich, *Broome Community College*
Maria Aria, *Missouri State University*
April Atwood, *University of Washington*
Ainsworth Bailey, *University of Toledo*
Turina Bakker, *University of Wisconsin*
Jeff Bauer, *University of Cincinnati—Batavia*
Leta Beard, *Washington University*
Amy Beattie, *Nichols College of Champlain*

Cathleen Behan, *Northern VA Community College*
Patty Bellamy, *Black Hills State University*
Suzeanne Benet, *Grand Valley State University*
Shahid Bhuian, *Louisiana Tech University*
John S. Bishop, Jr., *Ohio State University*
David Blackmore, *University of Pittsburgh*
Ross Blankenship, *University of California Berkeley*
Maurice Bode, *Delgado Community College*
Jonathan Bohlman, *Purdue School of Management*
William J. Bont, *Grand Valley State University*
Laurie Brachman, *University of Wisconsin*
Kit Brennan, *Northland Community College*
John Brennan, *Florida State University*
Richard Brien, *De Anza College*
Elten Briggs, *University of Texas—Austin*
Denny Bristow, *St. Cloud State University*
Susan Brudvig, *Ball State University*
Kendrick W. Brunson, *Liberty University*
Derrell Bulls, *Texas Women's University*
Helen Burdenski, *Notre Dame College of Ohio*
Nancy Bush, *Wingate University*
Carmen Calabrese, *University of North Carolina—Pembroke*
Catherine Campbell, *University of Maryland University College*
James Carlson, *Manatee Community College*
Donald Caudill, *Bluefield State College*
Karen Cayo, *Kettering University*
Kenny Chan, *California State University—Chico*
E. Wayne Chandler, *Eastern Illinois University*
Chen Ho Chao, *Baruch College, City University of New York*
Valeri Chukhlomin, *Empire State College*
Margaret Clark, *Cincinnati State Technical and Community College*
Paris Cleanthous, *New York University—Stern School*
Thomas Cline, *St. Vincent College*
Gloria Cockerell, *Collin County Community College*
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Barbara Conte, *Florida Atlantic University*
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Charles Davies, *Hillsdale College*
J. Charlene Davis, *Trinity University*
Scott Davis, *University of California at Davis*
Dwane Dean, *Manhattan College*

Larry Degaris, *California State University*
 Nicholas Didow, *University of North Carolina—Chapel Hill*
 Susan Higgins DeFago, *John Carroll University*
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 Deborah Baker Hulse, *University of Texas at Tyler*
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 Phil Hupfer, *Elmhurst College*
 Hector Iweka, *Lasell College*
 Annette Jajko, *Triton College/College of DuPage*
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 Timothy Johnston, *University of Tennessee at Martin*
 Keith Jones, *North Carolina A&T State University*
 Sungwoo Jung, *Saint Louis University*
 Fahri Karakaya, *University of Massachusetts*
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 Pat Karush, *Thomas College*
 Eileen Kearney, *Montgomery County Community College*
 James Kellaris, *University of Cincinnati*
 Robin Kelly, *Cuyahoga Community College*
 Courtney Kernek, *Texas A&M University—Commerce*
 Brian Kinard, *PennState University-University Park*
 Rob Kleine, *Ohio Northern University*
 Ken Knox, *Ohio State University-Athens*
 Kathleen Krentler, *San Diego State University*
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 Richard LaRosa, *Indiana University of Pennsylvania*
 Donald Larson, *The Ohio State University*
 Dana-Nicoleta Lascu, *Richmond University*
 Debra Laverie, *Texas Tech University*
 Marilyn Lavin, *University of Wisconsin—Whitewater*
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 Michele McCarren, *Southern State Community College*
 Kevin McEvoy, *University of Connecticut—Stamford*
 Rajiv Mehta, *New Jersey Institute of Technology*
 Rajiv Mehta, *Truman State University*
 Amit Mukherjee, *Providence College*
 Sanjay Mehta, *Sam Houston State University*
 Matt Meuter, *California State University—Chico*

Michael Mezja, *University of Las Vegas*
Margaret Klayton Mi, *Mary Washington College*
Herbert A. Miller, Jr., *University of Texas—Austin*
Linda Mitchell, *Lindon State College*
Ted Mitchell, *University of Nevada, Reno*
Robert Montgomery, *University of Evansville*
Todd Mooradian, *College of William and Mary*
Kelvyn A. Moore, *Clark Atlanta University*
Marlene Morris, *Georgetown University*
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Cynthia Newman, *Rider University*
Philip S. Nitse, *Idaho State University at Pocatello*
J. R. Ogden, *Kutztown University*
David Oh, *California State University—Los Angeles*
Sam Okoroafo, *University of Toledo*
Jeannie O’Laughlin, *Dakota Wesleyan University*
Louis Osuki, *Chicago State University*
Daniel Padgett, *Auburn University*
Esther S. Page-Wood, *Western Michigan University*
Karen Palumbo, *University of St. Francis*
Terry Paridon, *Cameron University*
Terry Paul, *Ohio State University*
Sheila Petcavage, *Cuyahoga Community College*
Stephen Peters, *Walla Walla Community College*
Man Phan, *Comsumnes River College*
Linda Plank, *Ferris State University*
Lucille Pointer, *University of Houston—Downtown*
Brenda Ponsford, *Clarion University*
Joel Poor, *University of Missouri*
Tracy Proulx, *Park University*
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Kathleen Radionoff, *Cardinal Stritch University*
Daniel Rajaratnam, *Baylor University*
Catherine Rich-Duval, *Merrimack College*
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Robert Roe, *University of Wyoming*
Ann R. Root, *Florida Atlantic University*
Ann R. Root, *Florida Atlantic University—Boca Raton*
Mark Rosenbaum, *Northern Illinois University*
Donald Roy, *Middle Tennessee State University*
Joel Saegert, *University of Texas at San Antonio*
Nate Scharff, *Grossmont College*
Henry Schrader, *Ramapo College of New Jersey*
C. M. Sashi, *Florida Atlantic University*
Erika Schlomer-Fischer, *California Lutheran University*
Lewis Schlossinger, *Community College of Aurora*
Charles Schwepker, *Central Missouri State University*
Murphy Sewell, *University of Connecticut—Storrs*
Kenneth Shamley, *Sinclair College*

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Jeremy Sierra, *New Mexico State University*
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Jane Wayland, *Eastern Illinois University*
Danny “Peter” Weathers, *Louisiana State University*
John Weiss, *Colorado State University*
M. G. M. Wetzeis, *Universiteit Maastricht, The Netherlands*
Fred Whitman, *Mary Washington College*
Judy Wilkinson, *Youngstown State University*
Phillip Wilson, *Midwestern State University*
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Brent Wren, *Manhattanville College*
Jim Wong, *Shenandoah University*
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Gary Young, *Worcester State College*
Freddy Lee, *California State University—Los Angeles*
Claudia Kubowicz, *Malhotra University of North
Carolina—Chapel Hill*
Yinghong (Susan) Wei, *Oklahoma State University*
Okey Peter Onyia, *Lindenwood University*
Jean Jaymes, *West California State University—
Bakersfield*

We've always believed that the best way to build consistency and quality into the text and the other P.L.U.S. units is to do as much as possible ourselves. With the growth of multimedia technologies, it's darn hard to be an expert on them all. But we've had spectacular help in that regard.

The lecture-support PowerPoints have been a tremendous effort over many editions. We appreciate the efforts of Jay Carlson, Mandy Noelle Carlson, David Urban, Milt Pressley, and Lewis Hershey for their creative work on the lecture-support PowerPoint presentation slides.

Nick Childers at Shadows and Light Creative Services has been the guru behind the scenes in production work on the video package for many editions. He also worked with us in developing the first versions of our CDs. Nick Childers and Debra Childers continue to play an important role not only in the videos but in multimedia innovations.

For several editions, Judy Wilkinson has played a big role as producer of the video series for the book. In that capacity, she worked closely with us to come up with ideas, and she provided guidance to the talented group of marketing professors and managers who created or revised videos for this edition. Judy also is the author of several outstanding video segments. We express respect for and deep appreciation to Judy for her work on the video series.

Of course, like other aspects of *Essentials of Marketing*, the video series has evolved and improved over time, and its current strength is partly due to the insights of Phil Niffenegger, who served as producer for our early video efforts. The video series also continues to benefit from the contributions of colleagues who developed videos in earlier editions. They are

Gary R. Brockway
James Burley
David Burns
Debra Childers
Martha O. Cooper
Carolyn Costley
Angie Fenton
W. Davis Folsom
Pam Girardo
Brenda Green
Douglas Hausknecht
Scott Johnson
Bart Kittle
Gene R. Lazniak
Bill Levy
Charles S. Madden
Don McBane
W. Glynn Mangold
Becky Manter
Robert Miller
J. R. Montgomery

Linda Mothersbaugh
Michael R. Mullen
Phillip Niffenegger
Deborah Owens
Thomas G. Ponzurick
George Prough
Peter Rainsford
Jane Reid
Clinton Schertzer
Roger Schoenfeldt
Thomas Sherer
Jeanne M. Simmons
Walter Strange
Jeff Tanner
Ron Tatham
Rollie O. Tillman
Carla Vallone
Robert Welsh
Holt Wilson
Poh-Lin Yeou

Faculty and students at our current and past academic institutions—Michigan State University, University of North Carolina, Colorado State University, Emory, Notre Dame, University of Georgia, Northwestern University, University of Oregon, University of Minnesota, and Stanford University—have significantly shaped the book. Professor Andrew A. Brogowicz of Western Michigan University contributed many fine ideas to early editions of the text and supplements. Neil Morgan, Charlotte Mason, Rich Gooner, Gary Hunter, John Workman, Nicholas Didow, Barry Bayus, Ken Manning, and Ajay Menon have provided a constant flow of helpful suggestions.

We are also grateful to the colleagues with whom we collaborate to produce international adaptations of the text. In particular, Lindsey Meredith, Lynne Ricker, Stan Shapiro, Ken Wong, and Pascale G. Quester have all had a significant impact on *Essentials of Marketing*.

The designers, artists, editors, and production people at McGraw-Hill/Irwin who worked with us on this edition warrant special recognition. All of them have shared our commitment to excellence and brought their own individual creativity to the project. First, we should salute Christine Vaughan, who has done a great (and patient) job as production manager for the project. Without her adaptive problem solving, we could not have succeeded with a (very) rapid-response production schedule—which is exactly what it takes to be certain that teachers and students get the most current information possible.

Gabriela Gonzalez worked as development editor on this edition; her insight and project management skills are much appreciated. Our executive editor, Sankha Basu, provides a valuable perspective on the *Essentials of Marketing* franchise. His ideas have had a great impact on the book.

The layout and design of the book included a great team of professionals. Keith McPherson is a long-time creative and valued contributor to *Essentials of Marketing*. He is a great talent and we sincerely appreciate his past efforts that continue to be reflected in the book's design. We sincerely appreciate the talents of Pam Verros who created the interior and cover for this edition of *Essentials of Marketing*. We also appreciate Mike Hruby, who again tracked down permissions for photos and ads we selected to use to illustrate important ideas. Kendra Miller helped edit this edition of the book and brought new energy and insight along with a sharp eye for detail.

Our marketing manager, Donielle Xu, has brought creativity, energy, and great ideas to the book. Her assistant, Liz Steiner, has also been extremely helpful.

Our families have been patient and consistent supporters through all phases in developing *Essentials of Marketing*. The support has been direct and substantive. Pam Perreault and Chris Cannon have provided valuable assistance and more encouragement than you could imagine. Our kids—Suzanne, Will, Kelly, Ally, and Mallory—provide valuable suggestions and ideas as well as encouragement and support while their dads are too often consumed with a never-ending set of deadlines.

We are indebted to all the firms that allowed us to reproduce their proprietary materials here. Similarly, we are grateful to associates from our business experiences who have shared their perspectives and feedback and enhanced our sensitivity to the key challenges of marketing management. In that regard, we especially acknowledge Kevin Clancy, Peter Krieg, and their colleagues at Copernicus Marketing Consulting. The combination of pragmatic experience and creative insight they bring to the table is very encouraging. If you want to see great marketing, watch them create it.

A textbook must capsule existing knowledge while bringing new perspectives and organization

to enhance it. Our thinking has been shaped by the writings of literally thousands of marketing scholars and practitioners. In some cases, it is impossible to give unique credit for a particular idea or concept because so many people have played important roles in anticipating, suggesting, shaping, and developing it. We gratefully acknowledge these contributors—from the early thought-leaders to contemporary authors and researchers—who have shared their creative ideas. We respect their impact on the development of marketing and more specifically this book.

To all of these persons—and to the many publishers who graciously granted permission to use their materials—we are deeply grateful. Responsibility for any errors or omissions is certainly ours, but the book would not have been possible without the assistance of many others. Our sincere appreciation goes to all who contributed.

William D. Perreault, Jr.
Joseph P. Cannon
E. Jerome McCarthy

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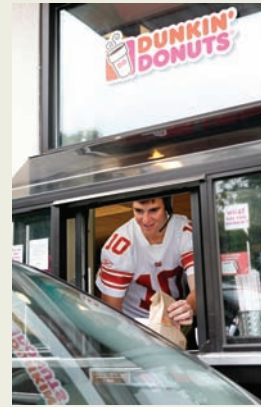
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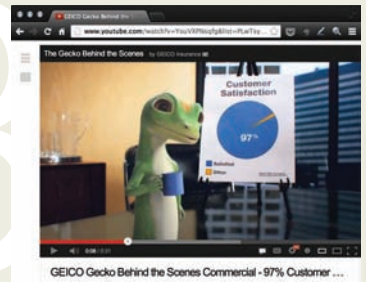
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Essentials of Marketing

A Marketing Strategy
Planning Approach

1

CHAPTER ONE



Marketing's Value to Consumers, Firms, and Society

When it's time to roll out of bed in the morning, does the Songza app on your Apple iPhone play the "Waking Up Happy" playlist, or is it your roommate blasting Luke Bryan? Do you start your day with a quick run while wearing your Adidas hoodie, Under Armour shorts, and Nike shoes? Not this morning. You slept in and now you barely have time to throw on your Levi's jeans, shirt from Zara, and new Sperry Top-Sider shoes before meeting a friend at Starbucks. You need a quick bite at home before you go. Will it be a Chobani pineapple flavored Greek yogurt and an Einstein's bagel with Philadelphia Cream Cheese? Or maybe a bowl of General Mills Cheerios topped with skim milk and sliced Chiquita banana, with a glass of calcium-fortified Simply Orange juice to start your day? If you hurry, your roommate can give you a ride to school in her new Ford C-Max Hybrid car, although you could ride your Specialized bike or take the bus that the city bought from Mercedes-Benz.

When you think about it, you can't get very far into a day without bumping into marketing—and what the whole marketing system does for you. It affects every aspect of our lives—often in ways we don't even consider.

In other parts of the world, people wake up each day to different kinds of experiences. A family in rural Africa may have little choice about what food they will eat or where their clothing will come from. In some countries, economic decisions are still made by government officials. But in the world's most developed countries, consumers determine what's on store shelves. If no one buys a particular color, size, or style, then companies no longer produce it. So you may have trouble finding Cheerios in Tokyo, where they are more likely to eat Kokuho Rose Rice for breakfast.

One brand found around the world is Nike. How has Nike become the choice for so many professional and casual athletes around the world? Is it the more than \$800 million Nike spends each year for endorsements from star athletes like Kevin Durant and Cristiano Ronaldo? Maybe it's the innovations, like Nike's lightweight Flyknit running shoes and the wearable technology in its Nike+ products. How do the 24,000 retailers that carry Nike products contribute? Do Nike's connections with customers on Twitter, Instagram, and

Facebook build customer relationships? Do these increase sales?

Almost 50 years ago Phil Knight and his college track coach, Bill Bowerman, founded Blue Ribbon Sports (later renamed Nike) to distribute Japanese running shoes. A few years later they were designing, producing, and selling athletic shoes. Today Nike is the 25th most valuable brand in the world, with annual sales of more than \$21 billion. Part of its success comes from adapting its marketing strategy to changing market conditions—but Nike hasn't always adapted quickly enough. Back in the early 1980s, Nike was so focused on running shoes that it missed the aerobics shoe craze and fell behind rival Reebok. Nike profits plummeted so quickly that only aggressive cost-cutting saved the company.

After Nike signed Michael Jordan to endorse its basketball shoes in 1984, the Air Jordan line took the market by storm. It didn't hurt when Nike's advertising agency came up with the "Just Do It!" slogan and an advertising campaign that covered television, magazines, and billboards around the world. This helped carry Nike through the 1990s and its profits soared on rising sales aided by low-cost foreign production.

Then, in the late 1990s, the company came under attack when it was reported that some of its suppliers used child labor. At first Nike denied responsibility, claiming it couldn't control how its suppliers operated. But public protest showed that society expected more from a large, successful corporation, and Nike began to closely monitor its suppliers' labor practices.

Since then Nike's social responsibility efforts have turned around its reputation. For example, Nike leads a group of 10 partners in the GreenXchange, a web-based marketplace where member firms collaborate and share ideas to foster sustainability. Nike's Reuse-A-Shoe program turns old shoes into Nike Grind, which is used as a surface on playgrounds, gym floors, and running tracks.

These days Nike targets growth in emerging markets like China. Nike's goal is to sell \$4 billion there by 2015—almost doubling what it sold there in 2010. Nike is courting Chinese consumers, who are crazy about basketball and LeBron

James, by touting the NBA star in its ads. Nike also relies on local stars like Olympic hurdler Liu Xiang and tennis player Li Na. Nike was one of the first brands to jump onto the Chinese mobile messaging service WeChat—allowing direct connection with hundreds of millions of Chinese consumers. To appeal to a more price-sensitive Chinese consumer, Nike’s product line includes lower-priced shoes than those it sells in the United States. And because China doesn’t have many large shopping malls, Nike worked with retail partners to open 5,000 small stores—many focusing on a single sport.

Recognizing the importance of innovation, Nike offers its customers the Nike+ line of online services in addition to sportswear and equipment. Runners can use the Nike+ SportsWatch or Nike+ Running app to track pace, time, and distance as well as calories burned for

each run. Sensors built into the Nike Hyperdunk+ basketball shoes track a player’s every move—so they know exactly how high, quick, and hard they play. Similarly, the Nike FuelBand fits on users’ wrists and tracks activity all day long. Innovations like these need to keep coming if Nike expects to continue to run ahead of a strong field of competitors that includes Adidas, Under Armour, and Chinese upstart Li Ning.¹

LEARNING OBJECTIVES

In this chapter, you’ll learn what marketing is all about and why it’s important to you as a consumer. We’ll also explore why it is so crucial to the success of individual firms and nonprofit organizations and the impact that it has on the quality of life in different societies.

When you finish this chapter, you should be able to:

- 1 know what marketing is and why you should learn about it.
- 2 understand the difference between marketing and macro-marketing.
- 3 know the marketing functions and why marketing specialists—including intermediaries and collaborators—develop to perform them.
- 4 understand what a market-driven economy is and how it adjusts the macro-marketing system.
- 5 know what the marketing concept is—and how it should guide a firm or nonprofit organization.
- 6 understand what customer value is and why it is important to customer satisfaction.
- 7 know how social responsibility and marketing ethics relate to the marketing concept.
- 8 understand the important new terms (shown in red).

Marketing—What’s It All About?

LO 1.1

Marketing is more than selling or advertising

How did all those bicycles get here?

Many people think that marketing means “selling” or “advertising.” It’s true that these are parts of marketing. But *marketing is much more than selling and advertising.*

To illustrate some of the other important things that are included in marketing, think about all the bicycles being pedaled with varying degrees of energy by bike riders around the world. Most of us don’t make our own bicycles. Instead, they are made by firms like Trek, Schwinn, Mongoose, and Electra.

Most bikes do the same thing—get the rider from one place to another. But a bike rider can choose from a wide assortment of models. They are designed in different sizes and with or without gears. Off-road bikes have large knobby tires. Kids and older people may want more wheels—to make balancing easier. Some bikes need baskets or even trailers for cargo. You can buy a basic bike for less than \$50. Or you can spend more than \$2,500 for a custom frame.



Marketing helps make sure that customers get the bicycle that best meets their needs.

This variety of styles and features complicates the production and sale of bicycles. The following list shows some of the things a manager should do before and after deciding to produce and sell a bike.

1. Analyze the needs of people who might buy a bike and decide if they want more or different models.
2. Determine how many of these people will want to buy bicycles, where in the world they live, and when they will want to buy.
3. Identify competing companies that also produce bikes, what kind they sell, and at what prices.
4. Predict the designs of bikes—based on handlebar styles, derailleurs, types of wheels, brakes, and other accessories—different customers will want and decide which of these people the firm will try to satisfy.
5. Determine whether to sell bikes directly to consumers or through retailers—and if retailers, which ones should be used.
6. Decide how to tell potential customers about the firm's bikes.
7. Estimate the prices potential customers are willing to pay for their bikes and if the firm can make a profit selling at those prices.
8. Figure out how to provide customer service if a customer has a problem after buying a bike.

The above activities are not part of **production**—actually making goods or performing services. Rather, they are part of a larger process—called *marketing*—that provides needed direction for production and helps make sure that the right goods and services are produced and find their way to consumers.

You'll learn much more about marketing activities in Chapter 2. For now, it's enough to see that marketing plays an essential role in providing consumers with need-satisfying goods and services and, more generally, in creating customer satisfaction. Simply put, **customer satisfaction** is the extent to which a firm fulfills a customer's needs, desires, and expectations.

Marketing Is Important to You

Marketing is important to every consumer

Marketing affects almost every aspect of your daily life. The choices you have among the goods and services you buy, the stores where you shop, and the radio and TV programs you tune in to are all possible because of marketing. In the

process of providing all these choices, marketing drives organizations to focus on what it takes to satisfy you, the customer. Most of the things you want or need are available conveniently *when* and *where* you want or need them.

Some courses are interesting when you take them but not directly relevant to your life once they're over. That's not so with marketing—you'll be a consumer dealing with marketing for the rest of your life regardless of what career you pursue. Moreover, as a consumer, you pay for the cost of marketing activities. In advanced economies, marketing costs about 50 cents of every consumer dollar. For some goods and services, the percentage is much higher. It makes sense to be an educated consumer and to understand what you get and don't get from all that spending.

Marketing will be important to your job

Another reason for studying marketing is that it offers many exciting and rewarding career opportunities. Throughout this book, you will find information about opportunities in different areas of marketing.

If you're aiming for a nonmarketing job, knowing about marketing will help you do your own job better. Throughout the book, we'll discuss ways that marketing relates to other functional areas. Further, marketing is important to the success of every organization. The same basic principles used to sell soap are also used to "sell" ideas, politicians, mass transportation, health care services, conservation, museums, and even colleges. Even your job résumé is part of a marketing campaign to sell yourself to some employer!²

Use a marketing approach to get your next job

You will probably be seeking a job sometime soon, offering your services—as an accountant, a salesperson, a computer programmer, a financial analyst, or perhaps a store manager. Or maybe you will be looking for an opportunity with more responsibility or higher pay where you currently work. You will have more success getting the job you want when you take a marketing approach and try to figure out how to best satisfy the needs, interests, and desires of a prospective employer the same way a business looks at customers. Much of what you learn about how businesses use marketing can be applied in the job market. See Appendix C for more details on how to write your personal marketing plan.

Marketing affects innovation and standard of living

An even more basic reason for studying marketing is that marketing plays a big part in economic growth and development. One key reason is that marketing encourages research and **innovation**—the development and spread of new ideas, goods, and services. As firms offer new and better ways of satisfying consumer needs, customers have more choices among products and this fosters competition for consumers' money. This competition drives down prices. Moreover, when firms develop products that really satisfy customers, fuller employment and higher incomes can result. The combination of these forces means that marketing has a big impact on consumers' standard of living—and it is important to the future of all nations.³

How Should We Define Marketing?

There are micro and macro views of marketing

In our bicycle example, we saw that a producer of bicycles has to perform many customer-related activities besides just making bikes. The same is true for an insurance company or an art museum. This supports the idea of marketing as a set of activities done by an individual organization to satisfy its customers.

On the other hand, people can't survive on bicycles and art museums alone! In advanced economies, it takes goods and services from thousands of organizations to satisfy the many needs of society. Further, a society needs some sort of marketing system to organize the efforts of all the producers, wholesalers,

and retailers needed to satisfy the varied needs of all its citizens. So marketing is also an important social process.

We can view marketing in two ways: *from a micro view as a set of activities performed by organizations and also from a macro view as a social process.* Yet, in everyday use when people talk about marketing, they have the micro view in mind. So that is the way we will define marketing here. However, the broader macro view that looks at the whole production-distribution system is also important, so later we will provide a separate definition and discussion of macro-marketing.

Marketing defined

Marketing is the performance of activities that seek to accomplish an organization's objectives by anticipating customer or client needs and directing a flow of need-satisfying goods and services from producer to customer or client. Let's look at this definition.⁴

Applies to profit and nonprofit organizations

Marketing applies to both profit and nonprofit organizations. Profit is the objective for most business firms. But other types of organizations may seek more members—or acceptance of an idea. Customers or clients may be individual consumers, business firms, nonprofit organizations, government agencies, or even foreign nations. While most customers and clients pay for the goods and services they receive, others may receive them free of charge or at a reduced cost through private or government support.

More than just persuading customers

Marketing isn't just selling and advertising. Unfortunately, some executives still think of it that way. They feel that the job of marketing is to "get rid of" whatever the company happens to produce. In fact, the aim of marketing is to identify customers' needs and meet those needs so well that the product almost "sells itself." This is true whether the product is a physical good, a service, or even an idea. If the whole marketing job has been done well, customers don't need much persuading. They should be ready to buy. And after they buy, they'll be satisfied and ready to buy the same way the next time.

Begins with customer needs

Marketing should begin with potential customer needs—not with the production process. Marketing should try to anticipate needs. And then marketing, rather than production, should determine what goods and services are to be developed—including decisions about product features; design and packaging;

Marketing aims to identify customer needs and meet those needs so well that the product sells itself. Help Remedies found many customers looking for simple solutions to minor health problems.



prices or fees; transporting and storing policies; advertising and sales tactics; and, after the sale, installation, customer service, warranty, and perhaps even disposal and recycling policies.

Does not do it alone

This does not mean that marketing should try to take over production, accounting, and financial activities. Rather, it means that marketing—by interpreting customers' needs—should provide direction for these activities and try to coordinate them.

Marketing involves exchanges

The idea that marketing involves a flow of need-satisfying offerings from a producer to a customer implies that there is an exchange of the need-satisfying offering for something else, such as the customer's money. Marketing focuses on facilitating exchanges. In fact, *marketing doesn't occur unless two or more parties are willing to exchange something for something else*. For example, in a **pure subsistence economy**—when each family unit produces everything it consumes—there is no need to exchange goods and services and no marketing is involved. (Although each producer-consumer unit is totally self-sufficient in such a situation, the standard of living is typically relatively low.)

Builds a relationship with the customer

Keep in mind that a marketing exchange is often part of an ongoing relationship, not just a single transaction. When marketing helps everyone in a firm really meet the needs of a customer before and after a purchase, the firm doesn't just get a single sale. Rather, it has a sale and an ongoing *relationship* with the customer. Then, in the future, when the customer has the same need again—or some other need that the firm can meet—other sales will follow. Often, the marketing *flow* of need-satisfying goods and services is not just for a single transaction but rather is part of building a long-lasting relationship that benefits both the firm and the customer.

The focus of this text—management-oriented micro-marketing

Since you are probably preparing for a career in management, the main focus of this text will be on managerial marketing, or the micro view of marketing. We will see marketing through the eyes of the marketing manager.

The marketing ideas we will be discussing throughout this text apply to a wide variety of situations. They are important for new ventures started by one person as well as big corporations, in domestic and international markets, and regardless of whether the focus is on marketing physical goods, services, or an idea or cause. They are equally critical whether the relevant customers or clients are individual consumers, businesses, or some other type of organization. For editorial convenience, we will sometimes use the term *firm* as a shorthand way of referring to any type of organization, whether it is a political party, a religious organization, a government agency, or the like. However, to reinforce the point that the ideas apply to all types of organizations, throughout the book we will illustrate marketing concepts in a wide variety of situations.

Although marketing within individual firms (micro-marketing) is the primary focus of the text, marketing managers must remember that their organizations are just small parts of a larger macro-marketing system. Therefore, next we will briefly look at the macro view of marketing. Then, we will develop the managerial view more fully in later chapters.

Macro-Marketing

LO 1.2

Macro-marketing is a social process that directs an economy's flow of goods and services from producers to consumers in a way that effectively matches supply and demand and accomplishes the objectives of society.⁵

Emphasis is on whole system

With macro-marketing we are still concerned with the flow of need-satisfying goods and services from producer to consumer. However, the emphasis with macro-marketing is not on the activities of individual organizations. Instead, the emphasis is on *how the whole marketing system works*. This includes looking at how marketing affects society and vice versa.

Every society needs a macro-marketing system to help match supply and demand. Different producers in a society have different objectives, resources, and skills. Likewise, not all consumers share the same needs, preferences, and wealth. In other words, within every society there are both heterogeneous (highly varied) supply capabilities and heterogeneous demands for goods and services. The role of a macro-marketing system is to effectively match this heterogeneous supply and demand *and* at the same time accomplish society's objectives.

An effective macro-marketing system delivers the goods and services that consumers want and need. It gets products to them at the right time, in the right place, and at a price they're willing to pay. It keeps consumers satisfied after the sale and brings them back to purchase again when they are ready. That's not an easy job—especially if you think about the variety of goods and services a highly developed economy can produce and the many kinds of goods and services consumers want.

Separation between producers and consumers

Effective marketing in an advanced economy is difficult because producers and consumers are often separated in several ways. As Exhibit 1-1 shows,

Exhibit 1-1 Marketing Facilitates Production and Consumption

