17e

CONTEMPORARY MARKETING



BIG DATA. SOCIAL MEDIA. TECHNOLOGY.

GLOBALIZATION. ENVIRONMENTAL CONCERNS.

ETHICS. EMERGING MARKETS.



- Shorter than the standard text of the day, the first edition is written to the student, not the professor-setting the standard for a truly "student-friendly"
- The first marketing text based on marketing research, Contemporary Marketing is written the way instructors actually teach the class - a breakthrough for class preparation.
- Classroom tested for a full year, the first edition equips instructors with a proven
- In the text's forward, consulting editors Paul Green and Philip Kotler state: " we feel that Contemporary Marketing is one of the most teachable marketing books to appear in years."
- Another example of its student-friendly features, Contemporary Marketing is the first business text to include cartoons in each chapter.

Separate chapters are devoted to international and services marketing.

- Third Edition

Supplemental cassette tapes feature famous marketers - including the real Colonel Sanders enabling students to hear directly from marketing icons.

The first full-color introduction to marketing text, Contemporary Marketing brings the vibrant field of marketing to life.

Fifth Edition

1986

Sixth

1989

It is also selected as the text for the first - and only - telecourse.

First |

Edition

- Delivering the first major supplements package for a principles text, Contemporary Marketing begins its tradition of unrivaled teaching and learning resources.
- It is also the first marketing text to remove all sexist language (common to the time) and is specifically reviewed for that objective.

Fourth Edition New emphasis on nonprofit applications highlight a key — but often overlookedmarketing sector.

An innovative new slide/lecture series added to the Boone/ Kurtz package is a first for the basic marketing course.

1983

Edition Boone & Kurtz adopt a new strategic orientation.

Contemporary Marketing introduces the first video cases with videos directly tied to a specific text - bringing new relevancy to the classroom.

The comprehensive Instructor's Manual expands to two volumes equipping instructors with a wealth of teaching tools and resources.

Available in both printed and customized formats, the Test Bank reaches 3,000 items.

The text's original fullcolor transparencies and slides expand to a rich collection of 150.

Second

CONTEMPORARY MARKETING REMAINS

1974

arketing continues to change at a record pace. Only one text keeps you well ahead of the curve — edition after edition. Boone & Kurtz's Contemporary Marketing remains synonymous with innovation, equipping instructors and students with the very best teaching and learning solutions on the market. Period.

Since the very beginning, Boone & Kurtz has set the market standard for excellence. Continuing to raise the bar, each new edition has introduced groundbreaking features and coverage, making the text the unrivaled leader in marketing again and again. Closely in tune with the ever-changing and expanding marketing environment, this unparalleled text continues to deliver the most innovative coverage available — giving students a hands-on, up-close experience with the dynamic field of marketing.

Current, relevant, and packed with student and instructor resources, the newest edition continues the tradition of innovation by going green. Now 17 editions strong, Contemporary Marketing remains ... In a Class by itself!

Contemporary Marketing is the first text to include a separate chapter on quality and customer satisfaction (now relationship marketing and customer relationship management). Ethical controto each chapter, Global market-Edition ing is integrated

Edition

Ninth

866

- versies are added challenging students with realworld dilemmas.
- New PowerPoint®/ CD-ROM Media Active Software is launched.
- 🖈 The Test Bank reaches 4,000 questions.

- Contemporary Marketing receives the William Holmes McGuffey Award for Excellence and Longevity.
- More than 2 million students have now used Contemporary Marketing.
- End-of-part continuing video cases are included.

Edition

Eleventh

Edition

Twelfth

2006

Edition

Thirteenth

2008

- Category management is discussed a topic overlooked by many texts.
- WebTutor™ with Blackboard® and WebCT® transform traditional teaching tools

includes extensive coverage of sustainability and green marketing through opening vignettes, boxed features, cases, and references designated by an eve-catching sustainability icon.

Edition

Fifteenth

2012

2014

Edition

Seventeenth

2016 -

Contemporary Marketing

- Cengage Learning's Marketing CourseMate brings course concepts to life with interactive learning, study, and exam preparation tools that support Contemporary Marketing. The CourseMate platform provides a wealth of student resources to heighten the learning experience.
- 💙 More than 4,000 Test Bank questions are tagged to meet AACSB, marketing discipline, and Rubin/Dierdorff managerial job skill requirements, each categorized by chapter objective, difficulty level, and question type.

An entire chapter is devoted to e-commerce.

- The Contemporary Marketing online course is added.
- Each chapter now includes a strategic implications section.

New Etiquette Tips for Marketing Professionals feature helps students develop professionalism before they hit the market.

- New end-of-part interviews give students fast. practical, realworld insight.
- Marketing concept checks are added.

Edition Contemporary Marketing goes GREEN!! The new text emphasizes the Fourteenth increasingly important environmental issue, as well as sets an example of green business practices. Plus, the book is printed on recycled paper. 2010

New Evolution of

a Brand Feature

gives readers an

in-depth look at

that have stood

the test of time.

The Certified Test

Bank is introduced,

ensuring the accu-

racy and relevance

4,000 questions.

of more than

successful brands

Contemporary Marketing is available in an eBook format through iChapters and CourseSmart. Find out more at www.iChapters .com or www.coursesmart .com.

Marketer's Minute

Edition Contemporary Marketing includes extensive new coverage of the impact that social media is having on marketing—both marketers and consumers—through opening vignettes, boxed Sixteenth features, cases, video cases, and a new chapter: Social Media: Living in the Connected World. Contemporary Marketing continues its cover-

- age of social media's impact on marketing speed via social media and other channelswhich is changing the way marketing research happens in the business world.
- analyze, apply, and improve thinking, allowing you to measure skills and outcomes with ease
- Personalized Teaching: Becomes yours with and when they see it. Use it as-is or match to your syllabus exactly-hide, rearrange, add and create your own content.
- of relevant readings, multimedia and activities that move students up the learncomprehension to analysis and application.
- Promote Better Outcomes: Empower lytics and reports that provide a snapshot of class progress, time in course, engagement
- The Career Transitions feature provides online resources for students to assess their skills and interests to explore appropriate career
- The Write Experience allows instructors to assess written communication skills without instantly and accurately but also to provide

Edition Eighth

1995

throughout -

🖈 The video package

and expanded.

The oversized

introduced.

format is

is again enhanced

textbooks.

Seventh

1992

a first in marketing

More than one million students 1.2 million to be exact — have now used Contemporary Marketing.

- Lecture Active Presentation software is added.
- An all-new set of video cases is included.
- Transparencies are now 250 strong.
- The New Media Instructor's Manual is introduced
- The comprehensive Test Bank now exceeds 3,500 questions.
- Marketing Career Software is also included in the Boone & Kurtz package, giving students insight into the exciting opportunities for them in real-world marketing.

Edition **Tenth** 2001

CONTEMPORARY MARKETING

17e

David L. KurtzUniversity of Arkansas







Contemporary Marketing, 17th Edition David L. Kurtz

Vice President, General Manager, Social Science & Qualitative Business: Erin Joyner

Product Director: Mike Schenk

Sr. Product Manager: Jason Fremder

Sr. Content Developer: Elizabeth Lowry

Sr. Product Assistant: Jamie Mack

Marketing Manager: Jeffrey Tousignant

Content Project Manager: Megan Guiliani

Sr. Media Developer: John Rich

Manufacturing Planner: Ron Montgomery Production Service: Integra Software Services

Pvt. Ltd

Sr. Art Director: Stacy Jenkins Shirley

Intellectual Property

Analyst: Diane Garrity

Project Manager: Betsy Hathaway

Cover/Internal Designer: Redhangar Design

Cover Image Background: © ouh_desire/

Shutterstock.com

Cover Image (Pizza Sign): © J.D.S/

Shutterstock.com

Cover Image (TV): © Stokkete/

Shutterstock.com

Shutterstock.com

Cover Image (Image on TV):

© iStockphoto.com /Photolyric

Tablet collage in chapter opener vignette:
Laurent davoust/iStock/Thinkstock and
Wavebreakmediamicrro/Veer

Evolution of a Brand Photo: © Serdar Tibet/ Shutterstock.com

Career Readiness: © wavebreakmedia/ Shutterstock.com and © Gts/

Shutterstock.com

Marketing Success: © ra2studio/

Shutterstock.com

© 2016, 2015 Cengage Learning

WCN: 02-200-203

ALL RIGHTS RESERVED. No part of this work covered by the copyright herein may be reproduced, transmitted, stored, or used in any form or by any means graphic, electronic, or mechanical, including but not limited to photocopying, recording, scanning, digitizing, taping, Web distribution, information networks, or information storage and retrieval systems, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the publisher.

For product information and technology assistance, contact us at Cengage Learning Customer & Sales Support, 1-800-354-9706

For permission to use material from this text or product, submit all requests online at www.cengage.com/permissions

Further permissions questions can be emailed to permissionrequest@cengage.com

Unless otherwise noted all items © Cengage Learning®.

Solving an Ethical Controversy: © Lightspring/ Shutterstock.com

Strategic Implications: © alphaspirit/ Shutterstock.com

EOC Case and Video Case: © wongwean/ Shutterstock.com

Part Case: © iStockphoto.com/ amygdala_imagery

Library of Congress Control Number: 2014954370 Student edition ISBN: 978-1-305-07536-8

Cengage Learning

20 Channel Center Street Boston, MA 02210

Cengage Learning is a leading provider of customized learning solutions with office locations around the globe, including Singapore, the United Kingdom, Australia, Mexico, Brazil, and Japan. Locate your local office at:

www.cengage.com/global

Cengage Learning products are represented in Canada by Nelson Education, Ltd.

To learn more about Cengage Learning Solutions, visit www.cengage.com

Purchase any of our products at your local college store or at our preferred online store **www.cengagebrain.com**

Printed in Canada Print Number: 01

Print Year: 2014

This edition of *Contemporary Marketing* is dedicated to the Cengage Learning sales representatives.

The sales representatives have been crucial in helping get the message out regarding the innovations in *Contemporary Marketing* and acting as my eyes and ears—providing insights that have allowed the author to continually innovate and improve his product.



ABOUT THE AUTHOR

DAVE KURTZ

During **Dave Kurtz's** high school days, no one in Salisbury, Maryland, would have mistaken him for a scholar. In fact, he was a mediocre student, so bad that his father steered him toward higher education by finding him a succession of backbreaking summer jobs. Thankfully, most of them have been erased from his memory, but a few linger, including picking peaches, loading watermelons on trucks headed for market, and working as a pipefitter's helper. Unfortunately, these jobs had zero impact on his academic standing. Worse yet for Dave's ego, he was no better than average as a high school athlete in football and track.

But four years at Davis & Elkins College in Elkins, West Virginia, turned him around. Excellent instructors helped get Dave on a sound academic footing. His grade point average soared—enough to get him accepted by the graduate business school at the University of Arkansas, where he met Gene Boone. Gene and Dave became longtime co-authors; together they produced more than 50 books. In addition to writing, Dave and Gene were involved in several business ventures. Unfortunately, Gene passed away, but Dave continues to carry on the tradition of *Contemporary Marketing*.

Dave wishes you the best of luck in your marketing course. If you have any questions or comments, you can contact Dave at profkurtz@gmail.com.

BRIEF CONTENTS



Preface xxiii

Designing Customer-Oriented Marketing Strategies 1

Chapter 1 Marketing: The Art and Science of Satisfying Customers 2
Chapter 2 Strategic Planning in Contemporary Marketing 34

Chapter 3 The Marketing Environment, Ethics, and Social Responsibility 60

Chapter 4 Social Media: Living in the Connected World 98
Chapter 5 E-Business: Managing the Customer Experience 134

Understanding Buyers and Markets 169

Chapter 6 Consumer Behavior 170

Chapter 7 Business-to-Business (B2B) Marketing 202

Chapter 8 Global Marketing 238

3 Target Market Selection 271

Chapter 9 Market Segmentation, Targeting, and Positioning 272

Chapter 10 Marketing Research in the Era of Big Data 308

Chapter 11 Relationship Marketing and Customer

Relationship Management (CRM) 338

Product Decisions 373

Chapter 12 Product and Service Strategies 374

Chapter 13 Developing and Managing Brand and Product Categories 408

Distribution Decisions 441

Chapter 14 Marketing Channels and Supply Chain Management 442

Chapter 15 Retailers, Wholesalers, and Direct Marketers 478

6 Promotional Decisions 513

Chapter 16 Integrated Marketing Communications, Advertising,

and Public Relations 514

Chapter 17 Personal Selling and Sales Promotion 554

Pricing Decisions 591

Chapter 18 Pricing Concepts 592

Chapter 19 Pricing Strategies 624

Appendix A Developing an Effective Marketing Plan A-1

Appendix B Financial Analysis in Marketing B-1

Online Appendix Your Career in Marketing (www.cengagebrain.com)

Glossary G-1

Name & Company Index I-1

Subject Index I-23

International Index I-53



Preface xxiii



Part 1 Designing Customer-Oriented Marketing Strategies

CHAPTER Marketing: The Art and Science of Satisfying Customers 2

OPENING VIGNETTE

Vineyard Vines Markets the Good Life 2

CAREER READINESS

Landing a Job in Social Media Marketing 12

MARKETING SUCCESS

The Weather Channel Expands Its Social Reach 21

SOLVING AN ETHICAL CONTROVERSY

Banning Sugary Drinks 25

Chapter Overview 4

What Is Marketing? 5

A Definition of Marketing 6 Today's Global Marketplace 7

Five Eras in the History of Marketing 8

The Production Era 9 | The Sales Era 9 | The Marketing Era 10 | The Relationship Era 11 | The Social Era 11 | Converting Needs to Wants 11

Avoiding Marketing Myopia 12

Extending the Traditional Boundaries of Marketing 13

Marketing in Not-For-Profit Organizations 13 | Characteristics of Not-For-Profit Marketing 14

Nontraditional Marketing 15

Person Marketing 16 | Place Marketing 17 | Cause Marketing 18 | Event Marketing 18 | Organization Marketing 19

From Transaction-Based Marketing to Relationship Marketing 19

Using Social Marketing to Build Relationships 20 | Converting New Customers to Advocates 20 | Developing Partnerships and Strategic Alliances 22

Costs and Functions of Marketing 23

Ethics and Social Responsibility: Doing Well by Doing Good 24

Strategic Implications of Marketing in the 21st Century 26

Review of Chapter Objectives 27

Assessment Check: Answers 28 | Marketing Terms You Need to Know 29 | Assurance of Learning Review 29 | Projects and Teamwork Exercises 29 | Critical-Thinking Exercises 30 | Ethics Exercise 30 | Internet Exercises 31

Case 1.1 Kraft Focuses on Brand Building 31

Video Case 1.2 Geoffrey B. Small Is Big on Quality, Customers, Community 32

viii Contents

CHAPTER 2 Strategic Planning in Contemporary Marketing 34

OPENING VIGNETTE

Driving Cultural Change at Yahoo 34

CAREER READINESS

Succeeding in Your First "Real" Job 38

SOLVING AN ETHICAL CONTROVERSY

Can a Team Save Face with Its Fans? 41

MARKETING SUCCESS

Layaway Programs a Big Hit with Shoppers 48

Chapter Overview 36

Marketing Planning: The Basis for Strategy and Tactics 36

Strategic Planning versus Tactical Planning 37 | Planning at Different Organizational Levels 38

Steps in the Marketing Planning Process 39

Defining the Organization's Mission and Objectives 40 | Assessing Organizational Resources and Evaluating Environmental Risks and Opportunities 40 | Formulating, Implementing, and Monitoring a Marketing Strategy 41

Successful Strategies: Tools and Techniques 42

Porter's Five Forces Model 42 | First Mover and Second Mover Strategies 43 | SWOT Analysis 44 | The Strategic Window 45

Elements of a Marketing Strategy 45

The Target Market 46 | Marketing Mix Variables 47 | The Marketing Environment 50

Methods for Marketing Planning 51

Business Portfolio Analysis 51 | The BCG Matrix 52

Strategic Implications of Marketing in the 21st Century 53

Review of Chapter Objectives 53

Assessment Check: Answers 54 | Marketing Terms You Need to Know 55 | Assurance of Learning Review 55 | Projects and Teamwork Exercises 56 | Critical-Thinking Exercises 56 | Ethics Exercise 57 | Internet Exercises 57

Case 2.1 Hotels Target Millennials with New Amenities 57

Video Case 2.2 Nederlander Producing Company Spotlights Customer Rewards 58

CHAPTER 3 The Marketing Environment, Ethics, and Social Responsibility 60

OPENING VIGNETTE

Aflac Leads the Way in Ethics 60

CAREER READINESS

Getting a Job in CSR 75

SOLVING AN ETHICAL CONTROVERSY

Was "Pink Slime" Coverage Fair or Foul? 79

MARKETING SUCCESS

IBM's CSR Initiatives 86

Chapter Overview 62

Environmental Scanning and Environmental Management 63

The Competitive Environment 64

Types of Competition 64 Developing a Competitive Strategy 65 Time-Based Competition 66

The Political–Legal Environment 67

Government Regulation 67 | Government Regulatory Agencies 70 | Other Regulatory Forces 71 | Controlling the Political–Legal Environment 71

The Economic Environment 72

Stages in the Business Cycle 72 | The Global Economic Crisis 73 | Inflation and Deflation 73 Resource Availability 74 | The International Economic Environment 75

The Technological Environment 76

Applying Technology 77

The Social–Cultural Environment 77

Consumerism 78

Contents

Ethical Issues in Marketing 81

Ethics in Marketing Research 82 | Ethics in Product Strategy 83 | Ethics in Distribution 84 | Ethics in Promotion 84 | Ethics in Pricing 85

Social Responsibility in Marketing 85

Marketing's Responsibilities 86 | Marketing and the Environment 87

Strategic Implications of Marketing in the 21st Century 89

Review of Chapter Objectives 90

Assessment Check: Answers 91 | Marketing Terms You Need to Know 92 | Assurance of Learning Review 92 | Projects and Teamwork Exercises 92 | Critical-Thinking Exercises 93 | Ethics Exercise 93 | Internet Exercises 93 | Ethics Questionnaire Answers 94

Case 3.1 General Mills and Its CSR Strategies 94

Video Case 3.2 Zappos Employees Do More Than Sell Shoes 95

CHAPTER 4

Social Media: Living in the Connected World 98

OPENING VIGNETTE

LinkedIn Lifts Off 98

MARKETING SUCCESS

Weight Watchers Gets Social 115

SOLVING AN ETHICAL CONTROVERSY

Barnes & Noble Security Breach: Who's to Blame? 122

CAREER READINESS

Job Hunting via Social Media 124

Chapter Overview 100

What Is Social Media? 100

Social Media Platforms 101 | Social Media Tools 102 | Why Should Marketers Turn to Social Media? 104

How Consumers and Businesses Use Social Media 107

Consumer Behavior 107 | Business Behavior 108 | Not-For-Profit Organizations 109

Creating a Social Media Marketing Plan 110

Goals and Strategies of a Social Media Marketing Plan 111

Setting Goals 111 Targeting the Audience 112 Developing Strategies and Choosing Tactics 113

Producing Content and Implementing the Plan 115

Creating Content 116 | Implementing the Plan 116 | Rules of Engagement for Social Media 117

Monitoring, Measuring, and Managing the SMM Campaign 118

Monitoring and Measuring 118 | Managing 120

Ethical and Legal Issues 121

Workplace Ethics 121 | Be Honest 121 | Respect Privacy 122 | Be Accountable 123

Careers in Social Media Marketing 123

Types of Jobs 123 | Tips for Landing a Job in Social Media Marketing 125

Strategic Implications of Marketing in the 21st Century 126

Review of Chapter Objectives 126

Assessment Check: Answers 127 | Marketing Terms You Need to Know 128 | Assurance of Learning Review 128 | Projects and Teamwork Exercises 129 | Critical-Thinking Exercises 129 | Ethics Exercise 130 | Internet Exercises 130

Case 4.1 Kellogg's Approach to Social Media 130

Video Case 4.2 Zappos Connects with Customers 131

X Contents

CHAPTER 5 E-Business: Managing the Customer Experience 134

OPENING VIGNETTE

Wayfair Makes a Name for Itself 134

MARKETING SUCCESS

Square Captures Mobile Payment Sector 149

SOLVING AN ETHICAL CONTROVERSY

Fake Online Reviews 153

CAREER READINESS

Tips for Applying for Jobs Online 156

Chapter Overview 136

The Digital World 137

E-Business and E-Marketing 138

Opportunities of E-Marketing 139 | Web Business Models 141

B2B E-Marketing 142

Proprietary B2B Transactions 142 | E-Procurement on Open Exchanges 143

B2C E-Marketing 144

Electronic Storefronts 144 | Benefits of B2C E-Marketing 144 | Online Buyers and Sellers 146

Challenges in E-Business and E-Marketing 147

Safety of Online Payment 147 | Privacy Issues 148 | Fraud and Scams 149 | Site Design and Customer Service 150 | Channel Conflicts and Copyright Disputes 151

Marketing and Web Communication 151

Online Communities 152 | Blogs and Podcasts 152 | Promotions on the Web 153

Building an Effective Web Presence 155

Successful Site Development 155 | Establishing Goals 155 | Implementation and Interest 156 | Pricing and Maintenance 157 | Assessing Site Effectiveness 157

Strategic Implications of Marketing in the 21st Century 159

Review of Chapter Objectives 159

Assessment Check: Answers 161 | Marketing Terms You Need to Know 162 | Assurance of Learning Review 162 | Projects and Teamwork Exercises 163 | Critical-Thinking Exercises 163 | Ethics Exercise 163 | Internet Exercises 164

Case 5.1 Walgreens Masters E-Commerce 164

Video Case 5.2 Hubway: Boston's Online Bike-Sharing System 165

Scripps Networks Interactive & Food Network Cooking Up Social Media Strategies 168



Part 2
Understanding Buyers and Markets

CHAPTER 6 Consumer Behavior 170

Chapter Overview 172

Interpersonal Determinants of Consumer Behavior 173

Cultural Influences 173 | Social Influences 176 | Family Influences 180

Contents

OPENING VIGNETTE

Hummus Is the New Salsa 170

MARKETING SUCCESS

Klout Measures Social Media Influence 178

SOLVING AN ETHICAL CONTROVERSY

Should Facial Recognition Technology Fade Away? 187

CAREER READINESS

Avoiding Major Distractions at Work 190

Personal Determinants of Consumer Behavior 182

Needs and Motives 182 | Perceptions 184 | Attitudes 186 | Learning 188 | Self-Concept Theory 189

The Consumer Decision Process 190

Problem or Opportunity Recognition 191

Search 192 | Evaluation of Alternatives 192 | Purchase Decision and Purchase Act 193 | Postpurchase Evaluation 193

Classifying Consumer Problem-Solving Processes 194

Routinized Response Behavior 194 | Limited Problem Solving 194 | Extended Problem Solving 194

Strategic Implications of Marketing in the 21st Century 195

Review of Chapter Objectives 195

Assessment Check: Answers 196 | Marketing Terms You Need to Know 197 | Assurance of Learning Review 197 | Projects and Teamwork Exercises 197 | Critical-Thinking Exercises 198 | Ethics Exercise 198 | Internet Exercises 198

Case 6.1 Amazon Drives Consumer Behavior 199

Video Case 6.2 Ski Butternut Offers Thrills—Not Spills 200

CHAPTER 7

Business-to-Business (B2B) Marketing 202

OPENING VIGNETTE

GE Goes Social for B2B 202

SOLVING AN ETHICAL CONTROVERSY

Making It Difficult for Phone Scammers 207

MARKETING SUCCESS

Foursquare Connects with Business Partners 209

CAREER READINESS

How to Negotiate with Customers 220

Chapter Overview 204

Nature of the Business Market 204

Components of the Business Market 206 B2B Markets: The Internet Connection 208 Differences In Foreign Business Markets 208

Segmenting B2B Markets 209

Segmentation by Demographic Characteristics 210 | Segmentation by Customer Type 210 | Segmentation by End-Use Application 211 | Segmentation by Purchase Categories 211

Characteristics of the B2B Market 212

Geographic Market Concentration 212 | Sizes and Numbers of Buyers 212 | The Purchase Decision Process 213 | Buyer–Seller Relationships 213 | Evaluating International Business Markets 213

Business Market Demand 214

Derived Demand 215 | Volatile Demand 215 | Joint Demand 215 | Inventory Adjustments 216

The Make, Buy, or Lease Decision 216

The Rise of Offshoring and Outsourcing 217 | Problems with Offshoring and Outsourcing 217

The Business Buying Process 218

Influences on Purchase Decisions 218 | Model of the Organizational Buying Process 221 | Classifying Business Buying Situations 223 | Analysis Tools 224

The Buying Center Concept 225

Buying Center Roles 225 | International Buying Centers 226

Developing Effective Business-to-Business Marketing Strategies 226

Challenges of Government Markets 226 | Challenges of Institutional Markets 227 | Challenges of International Markets 229

Xİİ Contents

Strategic Implications of Marketing in the 21st Century 230

Review of Chapter Objectives 230

Assessment Check: Answers 231 | Marketing Terms You Need to Know 233 | Assurance of Learning Review 233 | Projects and Teamwork Exercises 233 | Critical-Thinking Exercises 234 | Ethics Exercise 234 | Internet Exercises 234

Case 7.1 B2B Giant Scores Big with Mobile Apps 235

Video Case 7.2 Zappos Offers Insights into Other Businesses 235

CHAPTER Global Marketing 238

OPENING VIGNETTE

Walmart Extends Its Global Reach 238

CAREER READINESS

Tips for International Travel 244

SOLVING AN ETHICAL CONTROVERSY

Who's Responsible for Overseas Working Conditions? 249

MARKETING SUCCESS

McDonald's Thrives in France 257

Chapter Overview 240

The Importance of Global Marketing 241

Service and Retail Exports 242 | Benefits of Going Global 244

The International Marketing Environment 245

International Economic Environment 245 | International Social—Cultural Environment 246 | International Technological Environment 247 | International Political—Legal Environment 248 | Trade Barriers 249 | Dumping 251

Multinational Economic Integration 251

GATT and the World Trade Organization 252 | The NAFTA Accord 252 | The Free Trade Area of the Americas and CAFTA-DR 253 | The European Union 253

Going Global 254

Strategies for Entering Foreign Markets 255

Importing and Exporting 255 | Contractual Agreements 256 | International Direct Investment 257

From Multinational Corporation to Global Marketer 258

Developing an International Marketing Strategy 259

International Product and Promotional Strategies 260 | International Distribution Strategy 261 | Pricing Strategy 261 | Countertrade 262

The United States as a Target for International Marketers 262

Strategic Implications of Marketing in the 21st Century 263

Review of Chapter Objectives 263

Assessment Check: Answers 264 | Marketing Terms You Need to Know 265 | Assurance of Learning Review 265 | Projects and Teamwork Exercises 266 | Critical-Thinking Exercises 266 | Ethics Exercise 266 | Internet Exercises 267

Case 8.1 The NFL Takes Its Brand to London 267

Video Case 8.2 Nederlander Productions Hoof It Around the World 268

Scripps Networks Interactive & Food Network Everyone Eats 270

Contents



Part 3 Target Market Selection

CHAPTER Y

Market Segmentation, Targeting, and Positioning 272

OPENING VIGNETTE

PepsiCo Brands Target Different Markets 272

SOLVING AN ETHICAL CONTROVERSY

Should High-Fructose Corn Syrup Be Banned? 282

MARKETING SUCCESS

Hispanic Consumers Prime Target for Clorox 286

CAREER READINESS

Using Social Media to Reach Target Markets 296 **Chapter Overview** 274

Types of Markets 275

The Role of Market Segmentation 275

Criteria for Effective Segmentation 276

Segmenting Consumer Markets 277

Geographic Segmentation 277

Using Geographic Segmentation 279 | Geographic Information Systems (GISs) 280

Demographic Segmentation 280

Segmenting by Gender 281 | Segmenting by Age 281 | Segmenting by Ethnic Group 285 | Segmenting by Family Lifecycle Stages 288 | Segmenting by Household Type 288 | Segmenting by Income and Expenditure Patterns 289 | Demographic Segmentation Abroad 290

Psychographic Segmentation 291

Product-Related Segmentation 292

Segmenting by Benefits Sought 292 | Segmenting by Usage Rates 293 | Segmenting by Brand Loyalty 293 | Using Multiple Segmentation Bases 294

The Market Segmentation Process 294

Develop a Relevant Profile for Each Segment 294 | Forecast Market Potential 294 | Forecast Probable Market Share 294 | Select Specific Market Segments 295

Strategies for Reaching Target Markets 295

Undifferentiated Marketing 295 | Differentiated Marketing 296 | Concentrated Marketing 297 | Micromarketing 297

Selecting and Executing a Strategy 298

Strategic Implications of Marketing in the 21st Century 300

Review of Chapter Objectives 300

Assessment Check: Answers 301 | Marketing Terms You Need to Know 302 | Assurance of Learning Review 302 | Projects and Teamwork Exercises 303 | Critical-Thinking Exercises 303 | Ethics Exercise 304 | Internet Exercises 304

Case 9.1 Cruise Lines Cater to Travelers' Specific Interests 304

Video Case 9.2 Nederlander Targets Theatergoers Everywhere 305

Contents xiv

CHAPTER 10 Marketing Research in the Era of Big Data 308

OPENING VIGNETTE

Netflix Uses Big Data to Develop Content 308

SOLVING AN ETHICAL CONTROVERSY

Who Profits from Your Personal Data? 314

MARKETING SUCCESS

Febreze: From Revolutionary Failure to Best-Selling Success 325

CAREER READINESS

Creating Surveys for Mobile Devices 327

Chapter Overview 310

The Marketing Research Function 311

How Marketing Research Has Evolved 311 | Who Conducts Marketing Research? 311 | Marketing Intelligence 313 | Competitive Intelligence 313 | Data Mining and Predictive Analytics 313 | Key Performance Indicators 314

The Marketing Research Process 315

Define the Problem 316 | Conduct Exploratory Research 316 | Formulate a Hypothesis 317 | Create a Research Design 317 | Collect Data 318 | Interpret and Present Research Data 319

Data Collection in the Marketing Process 319

Secondary Data Collection 320 | Sampling Techniques 322

Primary Research Methods 323

Observation Method 323 | Interpretive Research 325 | Survey Methods 325 | Experimental Method 328

Conducting International Marketing Research 328

Interpretive Research 329

Ethnographic Studies 329

Strategic Implications of Marketing in the 21st Century 330

Review of Chapter Objectives 331

Assessment Check: Answers 332 | Marketing Terms You Need to Know 333 | Assurance of Learning Review 333 | Projects and Teamwork Exercises 333 | Critical-Thinking Exercises 334 | Ethics Exercise 334 | Internet Exercises 334

Case 10.1 Gamification: Game Changer for Marketing Research? 335

Video Case 10.2 GaGa SherBetter Forecasts Hot Sales, Cold Flavors 336

CHAPTER Relationship Marketing and Customer Relationship Management (CRM) 338

OPENING VIGNETTE

Publix's Culture Puts People First 338

MARKETING SUCCESS

Motel 6 Still Growing Strong After 50 343

SOLVING AN ETHICAL CONTROVERSY

Helping the Homeless? 351

CAREER READINESS

Ways to Build Customer Loyalty 354

Chapter Overview 340

The Shift from Transaction-Based Marketing to Relationship Marketing 340

Elements of Relationship Marketing 342 | Internal Marketing 342

Levels of Relationship Marketing 344

Level One: Focus on Price 345 Level Two: Social Interactions 345 | Level Three: Interdependent Partnership 346

Enhancing Customer Satisfaction 346

Understanding Customer Needs 346 | Obtaining Customer Feedback and Ensuring Satisfaction 347

Building Buyer-Seller Relationships 348

How Marketers Keep Customers 348 Database Marketing 349 Customers as Advocates 350

Customer Relationship Management 352

Benefits of CRM 352 | Problems with CRM 353 | Retrieving Lost Customers 353

Contents

Buyer-Seller Relationships in Business-to-Business Markets 355

Choosing Business Partners 356 | Types of Partnerships 356 | Cobranding and Comarketing 356

Improving Buyer–Seller Relationships in Business-to-Business Markets 357

National Account Selling 357 | Business-to-Business Databases 358 | Electronic Data Interchange and Web Services 358

Vendor-Managed Inventory 358

Managing the Supply Chain 358 | Business-to-Business Alliances 359

Evaluating Customer Relationship Programs 360

Sales Forecasting 361

Qualitative Forecasting Techniques 362 | Quantitative Forecasting Techniques 363

Strategic Implications of Marketing in the 21st Century 364

Review of Chapter Objectives 365

Assessment Check: Answers 366 | Marketing Terms You Need to Know 367 | Assurance of Learning Review 368 | Projects and Teamwork Exercises 368 | Critical-Thinking Exercises 368 | Ethics Exercise 369 | Internet Exercises 369

Case 11.1 Teaching Customer Service at the Disney Institute 369

Video Case 11.2 Pepe's Pizzeria Serves Success One Customer at a Time 370

Scripps Networks Interactive & Food Network Scooping Up Consumer Insight 372



Part 4 Product Decisions

CHAPTER 12 Product and Service Strategies 374

OPENING VIGNETTE

Apple's "A" for Innovation 374

MARKETING SUCCESS

Audi Goes Social to Promote Brand 382

SOLVING AN ETHICAL CONTROVERSY

Natural vs. Organic: Who Is Responsible for Knowing the Difference? 387

CAREER READINESS

Email: Think Before You Send 392 **Chapter Overview 376**

What Is a Product? 376

What Are Goods and Services? 377

Importance of the Service Sector 378

Classifying Goods and Services for Consumer and Business Markets 380

Types of Consumer Products 380 | Classifying Consumer Services 383 | Applying the Consumer Products Classification System 384

Types of Business Products 385

Quality as a Product Strategy 389

Worldwide Quality Programs 390 | Benchmarking 390 | Quality of Services 390

Development of Product Lines 392

Desire to Grow 392 | Enhancing the Company's Market Position 393

XVİ Contents

The Product Mix 393

Product Mix Width 393 | Product Mix Length 394 | Product Mix Depth 394 | Product Mix Decisions 394

The Product Lifecycle 395

Introductory Stage 395 | Growth Stage 396 | Maturity Stage 397 | Decline Stage 397

Extending the Product Lifecycle 398

Increasing Frequency of Use 398 | Increasing the Number of Users 398 | Finding New Uses 399 | Changing Package Sizes, Labels, or Product Quality 399

Product Deletion Decisions 399

Strategic Implications of Marketing in the 21st Century 400

Review of Chapter Objectives 401

Assessment Check: Answers 402 | Marketing Terms You Need to Know 403 | Assurance of Learning Review 403 | Projects and Teamwork Exercises 403 | Critical-Thinking Exercises 404 | Ethics Exercise 404 | Internet Exercises 405

Case 12.1 Nike Back in the Limelight 405

Video Case 12.2 BoltBus Gives Bus Travel a Jump Start 406

CHAPTER 13 Developing and Managing Brand and Product Categories 408

OPENING VIGNETTE

Under Armour Brand Soars 408

SOLVING AN ETHICAL CONTROVERSY

Who Is Responsible for the Truth of Advertising Claims? 412

MARKETING SUCCESS

Packaging Gives Heinz a Boost 419

CAREER READINESS

How to Be a Team Player 428

Chapter Overview 410

Managing Brands for Competitive Advantage 410

Brand Loyalty 411 | Types of Brands 412 | Brand Equity 414 | The Role of Category and Brand Management 415

Product Identification 416

Brand Names and Brand Marks 416 | Trademarks 417 | Developing Global Brand Names and Trademarks 418 | Packaging 418 | Brand Extensions 421 | Brand Licensing 422

New-Product Planning 423

Product Development Strategies 423 | The Consumer Adoption Process 424 | Adopter Categories 425 | Identifying Early Adopters 426 | Organizing for New-Product Development 427

The New-Product Development Process 429

Screening 430 | Business Analysis 430 | Development 430 | Test Marketing 431 | Commercialization 431

Product Safety and Liability 431

Strategic Implications of Marketing in the 21st Century 432

Review of Chapter Objectives 433

Assessment Check: Answers 434 | Marketing Terms You Need to Know 435 | Assurance of Learning Review 435 | Projects and Teamwork Exercises 435 | Critical-Thinking Exercises 435 | Ethics Exercise 436 | Internet Exercises 436

Case 13.1 Chobani Greek Yogurt Focuses on Tradition 437

Video Case 13.2 At Zappos, Passion Is Paramount 437

Scripps Networks Interactive & Food Network The Line between Content and Commerce 440

Contents



Part 5 Distribution Decisions

CHAPTER 14

Marketing Channels and Supply Chain Management 442

OPENING VIGNETTE

Terra Technology Helps Manage Global Supply Chain 442

CAREER READINESS

How to Successfully Close a Sale 447

SOLVING AN ETHICAL CONTROVERSY

Hershey's Takes Responsibility for Its Supply Chain 451

MARKETING SUCCESS

Red Lobster "Seas" Food Differently 460

Chapter Overview 444

The Role of Marketing Channels in Marketing Strategy 444

Types of Marketing Channels 445

Direct Selling 447 | Channels Using Marketing Intermediaries 448 | Dual Distribution 449 | Reverse Channels 449

Channel Strategy Decisions 450

Selection of a Marketing Channel 450 Determining Distribution Intensity 453 Who Should Perform Channel Functions? 454

Channel Management and Leadership 455

Channel Conflict 455 | Achieving Channel Cooperation 456

Vertical Marketing Systems 457

Corporate and Administered Systems 457 | Contractual Systems 457

Logistics and Supply Chain Management 459

Radio Frequency Identification 460 | Enterprise Resource Planning 461 | Logistical Cost Control 461

Physical Distribution 462

The Problem of Suboptimization 462 | Customer Service Standards 463 |
Transportation 463 | Major Transportation Modes 464 | Freight Forwarders and Supplemental
Carriers 467 | Intermodal Coordination 467 | Warehousing 468 | Inventory Control
Systems 469 | Order Processing 469 | Protective Packaging and Materials Handling 469

Strategic Implications of Marketing in the 21st Century 470

Review of Chapter Objectives 470

Assessment Check: Answers 471 | Marketing Terms You Need to Know 472 | Assurance of Learning Review 473 | Projects and Teamwork Exercises 473 | Critical-Thinking Exercises 473 | Ethics Exercise 474 | Internet Exercises 474

Case 14.1 Superstorm Sandy Disrupts Global Supply Chain 475

Video Case 14.2 Geoffrey B. Small Keeps Marketing Channels Tight 475

xviii Contents

CHAPTER 15 Retailers, Wholesalers, and Direct Marketers 478

OPENING VIGNETTE

Macy's Multi-Level Plan Yields Big Rewards 478

MARKETING SUCCESS

College Towns Help Whole Foods Expand 482

SOLVING AN ETHICAL CONTROVERSY

Who Should Control the Spread of Fake Stores and Counterfeit Products? 489

CAREER READINESS

Tips on Knowing Your Competition 495 Chapter Overview 480

Retailing 480

Evolution of Retailing 481

Retailing Strategy 481

Selecting a Target Market 483

Merchandising Strategy 483 | Customer Service Strategy 484 | Pricing Strategy 485 | Location/Distribution Strategy 486 | Promotional Strategy 487 | Store Atmospherics 488

Types of Retailers 490

Classification of Retailers by Form of Ownership 490 | Classification by Shopping Effort 491 | Classification by Services Provided 491 | Classification by Product Lines 492 | Classification of Retail Transactions by Location 494 | Retail Convergence and Scrambled Merchandising 494

Wholesaling Intermediaries 495

Functions of Wholesaling Intermediaries 496 | Types of Wholesaling Intermediaries 497 | Retailer-Owned Cooperatives and Buying Offices 502

Direct Marketing and Other Nonstore Retailing 502

Direct Mail 502 | Direct Selling 503 | Direct-Response Retailing 503 | Telemarketing 503 | Internet Retailing 503 | Automatic Merchandising 504

Strategic Implications of Marketing in the 21st Century 504

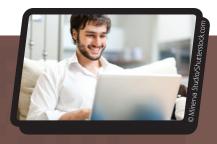
Review of Chapter Objectives 505

Assessment Check: Answers 506 | Marketing Terms You Need to Know 509 | Assurance of Learning Review 507 | Projects and Teamwork Exercises 507 | Critical-Thinking Exercises 508 | Ethics Exercise 508 | Internet Exercises 509

Case 15.1 Costco Plays Catch-Up in Online Sales 509

Video Case 15.2 GaGa SherBetter: Coming to a Market Near You? 510

Scripps Networks Interactive & Food Network Pushing Content into New Channels 512



Part 6 Promotional Decisions

CHAPTER 16 Integrated Marketing Communications, Advertising, and Public Relations 514

Chapter Overview 516

Integrated Marketing Communications 517

Importance of Teamwork 518 Role of Databases in Effective IMC Programs 519

Contents

OPENING VIGNETTE

Starbucks Serves Up Successful Marketing "Brew" 514

MARKETING SUCCESS

H&M Integrates Its Beckham Campaign 518

CAREER READINESS

Tips for Career Networking 519

SOLVING AN ETHICAL CONTROVERSY

Fast-Food Advertising Directed to Children 539

The Communication Process 520

Elements of the Promotional Mix 522

Personal Selling 522 Nonpersonal Selling 522 Advertising 522 Product Placement 523 Sales Promotion 523 Direct Marketing 523 Public Relations 523 Guerrilla Marketing 524 Advantages and Disadvantages of Types of Promotion 524 Sponsorships 525

Advertising 526

Types of Advertising 526 | Objectives of Advertising 526

Advertising Strategies 527

Comparative Advertising 527 | Celebrity Testimonials 527 | Retail Advertising 528 | Interactive Advertising 529 | Creating an Advertisement 529 | Translating Advertising Objectives into Advertising Plans 529 | Advertising Messages 530

Advertising Appeals 530

Fear Appeals 530 | Humor in Advertising Messages 530 | Ads Based on Sex 531 | Developing and Preparing Ads 531 | Creating Interactive Ads 532

Media Selection and Scheduling 533

Television 533 Radio 534 Newspapers 535 Magazines 535 Direct Mail 536 Outdoor Advertising 536 Interactive Media 536 Media Scheduling 537

Public Relations 538

Publicity 538 | Cross-Promotion 538 | Ethics and Promotional Strategies 539

Promotional Mix Effectiveness 540

Nature of the Market 540 | Nature of the Product 540 | Stage in the Product Lifecycle 541 | Price 541 | Funds Available for Promotion 541 | Evaluating Promotional Effectiveness 542 | Measuring Advertising Effectiveness 542 | Media and Message Research 543 | Measuring Public Relations Effectiveness 544 | Evaluating Interactive Media 544

Strategic Implications of Marketing in 21st Century 545

Review of Chapter Objectives 546

Assessment Check: Answers 547 | Marketing Terms You Need to Know 548 | Assurance of Learning Review 549 | Projects and Teamwork Exercises 549 | Critical-Thinking Exercises 549 | Ethics Exercise 550 | Internet Exercises 550

Case 16.1 The Richards Group: A Unique Advertising Group 550

Video Case 16.2 Pepe's Pizzeria Delivers Every Day 551

CHAPTER 17 Personal Selling and Sales Promotion 554

Chapter Overview 556

The Evolution of Personal Selling 557

The Four Sales Channels 557

Over-the-Counter Selling 557 | Field Selling 559 | Telemarketing 560 | Inside Selling 561 | Integrating the Various Selling Channels 561

Trends in Personal Selling 562

Relationship Selling 562 | Consultative Selling 563 | Team Selling 564

Sales Tasks 565

Order Processing 565 | Creative Selling 566 | Missionary Selling 566

XX Contents

OPENING VIGNETTE

Salesforce.com Expands Its Marketing Cloud 554

MARKETING SUCCESS

Successful Cross-Selling Strategies at WellsFargo 564

CAREER READINESS

How to Make a Successful Cold Call 569

SOLVING AN ETHICAL CONTROVERSY

When the Sale Doesn't Benefit the Customer 573

The Sales Process 567

Prospecting and Qualifying 567 | Approach 567 | Presentation 568 | Demonstration 569 | Handling Objections 570 | Closing 570 | Follow-Up 570

Managing the Sales Effort 571

Recruitment and Selection 571 | Training 572 | Organization 573 | Supervision 574 | Motivation 574 | Compensation 575 | Evaluation and Control 576

Ethical Issues in Sales 577

Sales Promotion 578 | Consumer-Oriented Sales Promotions 579 | Trade-Oriented Promotions 581 | Trade Allowances 581 | Point-of-Purchase Advertising 581 | Trade Shows 582 | Dealer Incentives, Contests, and Training Programs 582

Strategic Implications of Marketing in the 21st Century 583

Review of Chapter Objectives 583

Assessment Check: Answers 584 | Marketing Terms You Need to Know 585 | Assurance of Learning Review 586 | Projects and Teamwork Exercises 586 | Critical-Thinking Exercises 586 | Ethics Exercise 587 | Internet Exercises 587

Case 17.1 Shaq Promotes His Personal Brand 587

Video Case 17.2 Hubway Rolls Out Partners and Promotions 588

Scripps Networks Interactive & Food Network Generating Buzz 590



Part 7 Pricing Decisions

CHAPTER 18 Pricing Concepts 592

OPENING VIGNETTE

Dollar General Attracts Shoppers on Price Points, Not Price 592

MARKETING SUCCESS

The Pricey Smell of Success 597

SOLVING AN ETHICAL CONTROVERSY

Differential Pricing for Highway Tolls 605

CAREER READINESS

Getting the Best Car Price 610

Chapter Overview 594

Pricing and the Law 594

Robinson-Patman Act 595 | Unfair-Trade Laws 596 | Fair-Trade Laws 596

Pricing Objectives and the Marketing Mix 597

Profitability Objectives 598 | Volume Objectives 599 | Prestige Objectives 601 | Pricing Objectives of Not-For-Profit Organizations 602

Methods for Determining Prices 603

Price Determination in Economic Theory 604 | Cost and Revenue Curves 605 | The Concept of Elasticity in Pricing Strategy 607 | Practical Problems of Price Theory 609

Price Determination in Practice 609

Alternative Pricing Procedures 609 | Breakeven Analysis 611

The Modified Breakeven Concept 613

Yield Management 614

Contents

Global Issues in Price Determination 615

Strategic Implications of Marketing in the 21st Century 616

Review of Chapter Objectives 617

Assersment Check: Answers 618 | Marketing Terms You Need to Know 619 |
Assurance of Learning Review 619 | Projects and Teamwork Exercises 620 |
Critical-Thinking Exercises 620 | Ethics Exercise 620 | Internet Exercises 621

Case 18.1 ScoreBig: Name Your Price for Live Events 621

Video Case 18.2 Ski Butternut: Great Prices for Winter Fun 622

CHAPTER 19 Pricing Strategies 624

OPENING VIGNETTE

Discounts Reduce Abandoned E-Carts 624

MARKETING SUCCESS

Chili's Serves Everyday Value 630

SOLVING AN ETHICAL CONTROVERSY

Throttling "Unlimited" Data Plans 638

CAREER READINESS

Using Apps for Comparison Shopping 643

Chapter Overview 626

Pricing Strategies 626

Skimming Pricing Strategy 627 | Penetration Pricing Strategy 628 | Competitive Pricing Strategy 630

Price Quotations 631

Reductions from List Price 631 | Geographic Considerations 634

Pricing Policies 635

Psychological Pricing 636 | Price Flexibility 636 | Product-Line Pricing 636 | Promotional Pricing 637

Price-Quality Relationships 639

Competitive Bidding and Negotiated Prices 639

Negotiating Prices Online 640

The Transfer Pricing Dilemma 641

Global Considerations and Online Pricing 642

Traditional Global Pricing Strategies 642 | Characteristics of Online Pricing 642 | Bundle Pricing 644

Strategic Implications of Marketing in the 21st Century 645

Review of Chapter Objectives 645

Assessment Check: Answers 646 | Marketing Terms You Need to Know 647 | Assurance of Learning Review 647 | Projects and Teamwork Exercises 648 | Critical-Thinking Exercises 648 | Ethics Exercise 649 | Internet Exercises 649

Case 19.1 Who Needs the U.S. Penny? 649

Video Case 19.2 BoltBus: Ride for the Right Price 650

Scripps Networks Interactive & Food Network Good, Better, Best 652

xxii Contents

Appendix A

Developing an Effective Marketing Plan A-1

Appendix B

Financial Analysis in Marketing B-1

Online Appendix

Your Career in Marketing

Glossary G-1

Name & Company Index I-1

Subject Index I-23

International Index I-53



The Contemporary Marketing Resource Package

Since the first edition of this book was published, Boone & Kurtz has exceeded the expectations of instructors, and it quickly became the benchmark for other texts. With its precedent-setting learning materials, *Contemporary Marketing* has continued to improve on its signature package features—equipping students and instructors with the most comprehensive collection of learning tools, teaching materials, and innovative resources available. As expected, the 17th edition continues to serve as the industry benchmark by delivering the most extensive, technologically advanced, user-friendly package on the market.

NEW TO THIS EDITION

Expanding on the social media insights added in the previous edition, the 17th edition features an updated marketing research chapter. Chapter 10, "Marketing Research in the Era of Big Data," discusses how advances in technology continue to impact the collection of consumer and business data. Big data—information that originates in unprecedented volume and speed from the world around us—is changing the way companies collect and use pertinent information as part of their marketing research strategies.

In addition, chapter pedagogy, including opening stories, boxed features, and end-of-chapter cases are new or updated, and business, consumer, and government statistics throughout the text have been researched and refreshed to reflect current trends in marketing and business in both domestic and global settings.

MINDTAP

MindTap is a personalized teaching experience with relevant assignments that guide students to analyze, apply, and improve thinking, allowing you to measure skills and outcomes with ease.

- Personalize Teaching: Becomes yours with a Learning Path that is built with key student objectives. Control what students see and when they see it. Use it as is or match to your syllabus exactly—hide, rearrange, add, and create your own content.
- Guide Students: A unique Learning Path of relevant readings, multimedia, and activities that
 move students up the learning taxonomy from basic knowledge and comprehension to analysis
 and application.
- Promote Better Outcomes: Empowers instructors and motivate students with analytics and reports that provide a snapshot of class progress, time in course, engagement, and completion rates.

By combining readings, multimedia, activities, and assessments into a singular Learning Path, MindTap guides students through their course with ease and engagement. Instructors personalize the Learning Path by customizing Cengage Learning resources and adding their own content via apps that integrate into the MindTap framework seamlessly with Learning Management Systems. *Contemporary Marketing* students can also find Basic PowerPoints, videos, quizzes, animated figures, homework, and more.

xxiii

XXIV Preface

CHAPTER VIDEO CASES AND SCRIPPS NETWORKS INTERACTIVE & FOOD NETWORK CONTINUING CASE ON DVD (ISBN: 9781305253506)

End-of-chapter video cases for every chapter of the text focus on successful real companies' processes, strategies, and procedures. Real employees explain real marketing situations, bringing key concepts from the chapter to life. The end-of-part videos focus on Scripps Networks Interactive & Food Network's marketing strategies and innovative approach to connecting with consumers through a variety of channels. The written and video cases are divided into seven sections and are tailored to be used at the end of each part of the text.

CERTIFIED TEST BANK POWERED BY COGNERO

Containing more than 3,800 questions, this Test Bank has been thoroughly verified to ensure accuracy—with each question and answer read and reviewed. The Test Bank includes true/false, multiple-choice, essay, and matching questions. Each question in the Test Bank is labeled with text objective, level of difficulty, and A-heads. Each question is also tagged to Interdisciplinary Learning Outcomes, Marketing Disciplinary Learning Outcomes, and Bloom's Taxonomy. The Test Bank is available via Cognero, can be loaded to your SSO account, or PDFs can found on the product support website.

Cengage Learning Testing Powered by Cognero is a flexible, online system that allows you to:

- author, edit, and manage test bank content from multiple Cengage Learning solutions
- create multiple test versions in an instant
- deliver tests from your LMS, your classroom, or wherever you want

Start Right Away!

Cengage Learning Testing Powered by Cognero works on any operating system or browser.

- No special installs or downloads needed
- Create tests from school, home, the coffee shop—anywhere you have Internet access

What Will You Find?

- Simplicity at every step. A desktop-inspired interface features drop-down menus and familiar, intuitive tools that take you through content creation and management with ease.
- Full-featured test generator. Create ideal assessments with your choice of 15 question types (including true/false, multiple choice, opinion scale/likert, and essay). Multi-language support, an equation editor, and unlimited metadata help ensure your tests are complete and compliant.
- Cross-platform capability. Import and export content into other systems.

CONTEMPORARY MARKETING, 17TH EDITION WEBSITE

Our text website is filled with a whole set of useful tools. Instructors will find all the key instructor resources in electronic format: Test Bank, PowerPoint collections, and Instructor's Manual with Media Guide, and Collaborative Learning Exercises.

To access additional course materials and companion resources, please visit www.cengagebrain.com. At the CengageBrain.com home page, search for the ISBN of your title (from the back cover of your book) using the search box at the top of the page. This will take you to the product page where free companion resources can be found.

CUSTOM SOLUTIONS FOR *CONTEMPORARY MARKETING*, 17TH EDITION

Cengage Learning Custom Solutions develops personalized solutions to meet your business education needs. Match your learning materials to your syllabus, and create the perfect learning solution. Consider the following when looking at your customization options for *Contemporary Marketing*, 17th edition:

- Remove chapters you do not cover, or rearrange their order, creating a streamlined and efficient text students will appreciate.
- Add your own material to cover new topics or information, saving you time and providing students with a fully integrated course resource.

Cengage Learning Custom Solutions offers the fastest and easiest way to create unique, customized learning materials delivered the way you want. Our custom solutions also include accessing ondemand cases from leading business case providers such as **Harvard Business School Publishing**, **Ivey, Darden**, and **NACRA**, and building a tailored text online with our online custom publishing system, which allows you to incorporate your original materials. For more information about custom publishing options, contact your local Cengage Learning representative.

ACKNOWLEDGMENTS

Over the years, *Contemporary Marketing* has benefited from the suggestions of hundreds of marketing instructors. I am most appreciative of their efforts and thoughts.

Reviewers and contributors include the following: Keith Absher, Kerri L. Acheson, Zafar U. Ahmed, Alicia T. Aldridge, M. Wayne Alexander, Bruce Allen, Linda Anglin, Allen Appell, Paul Arsenault, Dub Ashton, Amardeep Assar, Tom F. Badgett, Joe K. Ballenger, Wayne Bascom, Richard D. Becherer, Tom Becker, Richard F. Beltramini, Michael Bernacchi, Daniel W. Biddlecom, Robert Bielski, Carol C. Bienstock, Roger D. Blackwell, David Blanchette, Jocelyn C. Bojack, Barbara Brown, Reginald E. Brown, Michele D. Bunn, Marvin Burnett, Scott Burton, James Camerius, Les Carlson, John Carmichael, Jacob Chacko, Irene Woods Clampet, Robert Collins, Elizabeth Cooper-Martin, Bruce Coscia, Deborah L. Cowles, Howard B. Cox, James Coyle, John E. Crawford, Elizabeth Creyer, Geoff Crosslin, Michael R. Czinkota, Kathy Daruty, Grant Davis, Gilberto de los Santos, William Demkey, Carol W. DeMoranville, Fran DePaul, Gordon Di Paolo, John G. Doering, Curt J. Dommeyer, Jeffrey T. Doutt, Michael Drafke, Sid Dudley, John W. Earnest, Joanne Eckstein, Philip E. Egdorf, Larry T. Eiler, Michael Elliot, Amy Enders, Bob Farris, Lori Feldman, Sandra M. Ferriter, Dale Fodness, Gary T. Ford, Michael Fowler, John Frankel, Edward Friese, Sam Fullerton, Ralph M. Gaedeke, G. P. Gallo, Nimish Gandhi, Debbie Gaspard, Sheryl A. Gatto, Robert Georgen, Don Gibson, David W. Glascoff, Jeffrey L. Goldberg, Robert Googins, James Gould, Donald Granbois, John Grant, Arlene Green, Paul E. Green, William Green, Blaine Greenfield, Matthew Gross, Robert F. Gwinner, Raymond M. Haas, John H. Hallaq, Dana Harris, Cary Hawthorn, E. Paul Hayes, Hoyt Hayes, Joel Haynes, Betty Jean Hebel, Debbora Heflin-Bullock, John (Jack) J. Heinsius, Charlane Held, Sanford B. Helman, Nathan Himelstein, Robert D. Hisrich, Mabre Holder, Ray S. House, Andrew W. Honeycutt, George Housewright, Dr. H. Houston, Donald Howard, John Howe, Michael D. Hutt, Gregory P. Iwaniuk, Don L. James, James Jeck, Tom Jensen, Candida Johnson, David Johnson, Eugene M. Johnson, James C. Johnson, Harold H. Kassarjian, Bernard Katz, Stephen K. Keiser, Michelle Keller, J. Steven Kelly, Marcella Kelly, James H. Kennedy, Charles Keuthan, Maryon King, Stephen C. King, Randall S. Kingsbury, Gail H. Kirby, Donald L. Knight, Linda S. Koffel, Philip Kotler, Kathleen Krentler, Terrence Kroeten, Russell Laczniak, Martha Laham, L. Keith Larimore, Edwin Laube, Ken Lawrence, Francis J. Leary, Jr., Mary Lou Lockerby, Laddie Logan, James Lollar, Paul Londrigan, David L. Loudon, Kent Lundin, Dorothy Maass, Patricia Macro, James C. Makens, Lou Mansfield, Frank Markley, Tom Marshall, Warren Martin, Dennis C. Mathern, James McCormick, Carl McDaniel, Lee McGinnis, Michael McGinnis, James McHugh, Faye McIntyre, Robert M. McMillen, H. Lee Meadow, Norma Mendoza, Mohan Menon, William **XXVI** Preface

E. (Gene) Merkle, John D. Milewicz, Robert D. Miller, Laura M. Milner, Banwari Mittal, Anthony Miyazaki, Harry J. Moak, J. Dale Molander, John F. Monoky, James R. Moore, Jerry W. Moorman, Linda Morable, Thomas M. Moran, Diane Moretz, Eugene Moynihan, Margaret Myers, Mark A. Neckes, Susan Logan Nelson, Colin F. Neuhaus, Robert T. Newcomb, Steven Nichols, Jacqueline Z. Nicholson, Thomas S. O'Connor, Robert O'Keefe, Nita Paden, Sukgoo Pak, George Palz, Eric Panitz, Anurag Pant, Dennis D. Pappas, Constantine Petrides, Barbara Piasta, Dennis D. Pitta, Barbara Pletcher, Carolyn E. Predmore, Arthur E. Prell, George Prough, Warren Purdy, Bill Quain, Salim Qureshi, Rosemary Ramsey, Thomas Read, Thomas C. Reading, Joel Reedy, Gary Edward Reiman, Dominic Rella, Ken Ridgedell, Glen Riecken, Arnold M. Rieger, C. Richard Roberts, Patrick J. Robinson, William C. Rodgers, Fernando Rodriguez, William H. Ronald, Jack J. Rose, Bert Rosenbloom, Barbara Rosenthal, Carol Rowery, Lillian Roy, Ronald S. Rubin, Don Ryktarsyk, Arthur Saltzman, Rafael Santos, Elise T. Sautter, Duane Schecter, Buffie Schmidt, Dennis W. Schneider, Jonathan E. Schroeder, Larry J. Schuetz, Bruce Seaton, Howard Seigelman, Jack Seitz, Steven L. Shapiro, Farouk Shaaban, F. Kelly Shuptrine, Ricardo Singson, Norman Smothers, John Sondey, Carol S. Soroos, James Spiers, Miriam B. Stamps, William Staples, David Starr, Bob Stassen, David Steenstra, Bruce Stern, Robert Stevens, Kermit Swanson, G. Knude Swenson, Cathy Owens Swift, Clint B. Tankersley, Ruth Taylor, Sue Taylor, Donald L. Temple, Vern Terpstra, Nancy J. Thannert, Ann Marie Thompson, Howard A. Thompson, Lars Thording, John E. Timmerman, Frank Titlow, Rex Toh, Dennis H. Tootelian, Fred Trawick, Pam Uhlenkamp, Richard Lee Utecht, Rajiv Vaidyanathan, Toni Valdez, Peter Vanderhagen, Dinoo T. Vanier, Sal Veas, Charles Vitaska, Cortez Walker, Roger Waller, Gayle D. Wasson, Mary M. Weber, Donald Weinrauch, Fred Weinthal, Paul M. Wellen, Susan B. Wessels, Vicki L. West, Elizabeth White, John J. Whithey, Debbora Whitson, David Wiley, William Wilkinson, James Williams, Robert J. Williams, Nicholas C. Williamson, Cecilia Wittmayer, Mary Wolfindarger, Joyce Wood, Van R. Wood, Julian Yudelson, and Robert J. Zimmer.

IN CONCLUSION

I would like to thank my associate Cate Rzasa. Her ability to meet tight deadlines is truly appreciated. Let me conclude by mentioning that the new edition would never have become a reality without the superior efforts of the Cengage Learning editorial, production, and marketing teams. My editors—Jason Fremder, Elizabeth Lowry, and John Rich; my long-serving designer Stacy Shirley; my production editor Megan Guiliani; and my marketing team—Courtney Doyle-Chambers and Chris Walz—all helped to produce another *Contemporary Marketing* winner.





Marketing: The Art and Science of Satisfying Customers

Define marketing and how it creates utility.

Contrast marketing activities during the five eras in the history of marketing.

Explain the importance of avoiding marketing myopia.

Describe the characteristics of not-for-profit marketing.

Explain each of the five types of nontraditional marketing.

Explain the shift from transaction-based marketing to relationship and social marketing.

Identify the eight universal functions of marketing.

Demonstrate the relationship between ethical business practices, social responsibility, sustainability, and marketplace success.

Inspiration came to brothers Shep and Ian Murray, then in their 20s, when they started

meeting for lunch and complaining about how they disliked their desk jobs and the business suits and ties that went with them. They decided to go into business for themselves and settled on a product they knew nothing about: neckties. If they sold enough ties, they reasoned, they could stop wearing them.

VINEYARD

VINES MARKETS THE GOOD LIFE

Today, more than 15 years later, Connecticut-based Vineyard Vines has grown into a multimillion-dollar business. It sells a full line of high-quality clothing for men, women, and children in 30 company stores nationwide, in major retail chains, via catalog and website, and through

Copyright 2016 Cengage Learning. All Rights Reserved. May not be copied, scanned, or duplicated, in whole or in part. Due to electronic rights, some third party content may be suppressed from the eBook and/or eChapter(s). Editorial review has deemed that any suppressed content does not materially affect the overall learning experience. Cengage Learning reserves the right to remove additional content at any time if subsequent rights restrictions require in

licensing partnerships with Major League Baseball, the National Hockey League, and the NFL.

Those familiar with the firm's success credit the Murrays' understanding of their customers' needs and their determination to make customers happy. The brothers say they're interested in dressing people not merely to go to work but rather to "take some fun to work." Their company sells clothes, but also a carefree lifestyle image many people want to adopt.

For instance, one of Shep and lan's first decisions, when they quit their jobs and began selling ties out of their cars, was to create whimsical designs that reflected the happy summers they spent on Martha's Vineyard while growing up. Thus was born the sporty vacation theme that runs through all their bright pastel designs, featuring lobster pots, sailboats, whales, crabs, and sports paraphernalia such as tennis racquets, golf balls, and hockey sticks. Customers who would rather be sailing, swimming,

golfing, or fishing are quickly drawn to the light-hearted images and the lifestyle they conjure up.

The Murrays recognize that, like themselves, most men dislike suits and ties and prefer dressing for work to be as simple as possible. The brothers believe their customers share their desire not so much to impress but to live a comfortable, casual, and enjoyable life. The rapid growth of their firm, fueled largely by word-of-mouth, suggests

have sported Vineyard Vines neckwear are U.S. presidents, New York City mayors, and billionaire investor Warren Buffet.¹

they are on to something.

And among those who

EVOLUTION OF A



Shep and Ian Murray started their company, Vineyard Vines, as a way to leave their corporate careers behind. Taking a big risk, they quit their day jobs, maxed out their credit cards, and began selling island-inspired ties as a whimsical way to the good life. More than 15 years later, their decision to leave corporate life has paid off, with annual sales topping \$100 million in a recent year. Vineyard Vines' marketing strategy is simple yet effective: Market a lifestyle experience to people who want to live the good life the company's brand represents.

 The company's motto is, "Every day should feel this good." How can the marketing team at Vineyard Vines continue to keep this branding approach fresh while attracting new customers and keeping repeat customers?

- Currently more than half of the company's sales are devoted to men's clothing. What strategies can the company use to open up new markets? New licensing partnerships? How can the company use social media to market its products, expand its brand, and capitalize on its laidback image?
- According to recent data, e-commerce accounts for about 30 percent of the company's annual sales. What steps should the company take to increase online sales in both the United States and abroad?

Chapter Nuerniem

"I'll only drink Coke."

"I buy all my clothes at The Gap."

"I like to hang out with my friends at Buffalo Wild Wings."

"I go to Orioles games at Camden Yards."

These words are music to a marketer's ears. They may echo the click of an online purchase, the ping of a cash register, the cheers of fans at a stadium. Customer loyalty is the watchword of 21st-century marketing. Individual consumers and business purchasers have so many goods and services from which to choose—and so many different ways to purchase them—that marketers must continually seek out new and better ways to attract and keep customers. When the world learned that Facebook had assigned two dozen engineers to improve the site's search engine, users and investors were abuzz. A more powerful search engine would mean significantly enhanced capability for Facebook users—and a direct assault on Google, the market leader in search engines and one of Facebook's chief rivals.²

The technology revolution continues to change the rules of marketing in the 21st century and will continue to do so in years beyond. The combined power of telecommunications and computer technology creates inexpensive global networks that transfer voice messages, text, graphics, and data within seconds. These sophisticated technologies create new types of products and demand new approaches to marketing existing products. Newspapers are learning this lesson the

hard way, as circulation continues to decline around the country, victim in large part to the rising popularity of social media and online websites. On the other hand, e-book readers such as the Amazon Kindle and Apple's iPad are changing the way people read books.³

Communications technology also contributes to the

globalization of today's marketplace, where businesses manufacture, buy, and sell across national borders. You can bid at eBay on a potential bargain or eat a Big Mac or drink Coca-Cola almost anywhere in the world. Your MP3 player was probably manufactured in China or South Korea; and BMWs are manufactured in South Carolina, Hyundai SUVs are assembled in Alabama, and some Volkswagens are imported from Mexico. Finished products and components routinely cross international borders, but successful global marketing also requires knowledge to tailor products to regional tastes. A chain restaurant in the South might offer grits as an alternative to hash browns on its breakfast menu.

Rapidly changing business landscapes create new challenges for companies, whether they are giant multinational firms or small boutiques, profit-oriented or not-for-profit. Organizations must react quickly to shifts in consumer tastes, competitive offerings, and other market dynamics. Fortunately, information technologies give organizations fast new ways to interact and develop long-term relationships with their customers and suppliers. Such links have become a core element of marketing today.

Every company must serve customer

needs—create customer satisfaction—to succeed. We call customer satisfaction an art because it requires imagination and creativity, and a science because it requires technical knowledge, skill, and experience. Marketing strategies are the tools that marketers use to identify and analyze customers'



"A lot of companies have chosen to downsize, and maybe that was the right thing for them. We chose a different path. Our belief was that if we kept putting great products in front of customers, they would continue to open their wallets."

—Steve Jobs Late co-founder, Apple Inc.

needs, then show that their company's goods and services can meet those needs. Tomorrow's market leaders will be companies that can make the most of these strategies to create satisfied customers.

This edition of *Contemporary Marketing* focuses on the strategies that allow companies to succeed in today's interactive marketplace. This chapter sets the stage for the entire text, examining the importance of cre-

ating satisfaction through customer relationships. Initial sections describe the historical development of marketing and its contributions to society. Later sections introduce the universal functions of marketing and the relationship between ethical business practices and marketplace success. Throughout the chapter—and the entire book—we discuss customer loyalty and the lifetime value of a customer.

WHAT IS MARKETING?

The production and marketing of goods and services, whether it's a new crop of organically grown vegetables or digital cable service, are the essence of business in any society. Like most business disciplines, marketing had its origins in economics. Later, marketing borrowed concepts from areas such as psychology and sociology to explain how people made purchase decisions. Mathematics, anthropology, and other disciplines also contributed to the evolution of marketing. These will be discussed in later chapters.

Economists contributed the concept of **utility**—the want-satisfying power of a good or service. Table 1.1 describes the four basic kinds of utility: form, time, place, and ownership.

Form utility is created when the company converts raw materials and component inputs into finished goods and services. Because of its appearance, gold can serve as a beautiful piece of jewelry, but because it also conducts electricity well and does not corrode, it has many applications in the manufacture of electronic devices such as cell phones and global positioning satellite units. By combining glass, plastic, metals, circuit boards, and other components, Canon makes a digital camera and Sharp produces flat-screen TVs. With fabric and leather, Coach manufactures its high-fashion line of handbags. With a ship and the ocean, a captain and staff, food and entertainment, Royal Caribbean creates a cruise. Although the marketing function focuses on

Define marketing and how it creates utility.



utility Want-satisfying power of a good or service.

TABLE 1.1 Four Types of Utility

Туре	Description	Examples	Organizational Function Responsible		
Form	Conversion of raw materials and components into finished goods and services	Dinner at Applebee's; Samsung Galaxy phone; Levi jeans	Production*		
Time	Availability of goods and services when consumers want them	Dental appointment; digital photo- graphs; 1-800-PetMeds guarantee; UPS Next Day Air delivery	Marketing		
Place	Availability of goods and services at convenient locations	Technicians available at an auto repair facility; onsite day care; banks in grocery stores	Marketing		
Ownership (possession)	Ability to transfer title to goods or services from marketer to buyer	Retail sales (in exchange for currency, credit, or debit card payment)	Marketing		
*Marketing provides inputs related to consumer preferences, but creating form utility is the responsibility of the production function.					



PepsiCo's special interactive vending machines allow you to "like" the company's Facebook page and receive a free sample of Pepsi products, connecting the time and place utility of marketing to social media.

66 Briefly 99

"The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself."

—Peter F. Drucker

U.S. management theorist

influencing consumer and audience preferences, the organization's production function creates form utility.

Redbox takes advantage of time and place utility, positioning its kiosks for renting movies and games in high-traffic spots like supermarkets and drug stores around the country. Marketing creates time, place, and ownership utilities. *Time and place utility* occur when consumers find goods and services available when and where they want to purchase them. Vending machines and convenience stores focus on providing place utility for people buying newspapers, snacks, and soft drinks. PepsiCo's recently launched "Like" Vending Machine takes touchscreen and wireless technology even further. The specialized vending machine gives out free samples, but you have to "like" it on Facebook before it dispenses a free can of Pepsi. Consumers can use their smartphones to "like" the Pepsi Facebook page, choose a beverage flavor, and get a free can of Pepsi right away. Or, if they don't have a smartphone handy, the vending machine has a large built-in touchscreen that consumers can use to log into Facebook and "like" Pepsi.⁴

The transfer of title to goods or services at the time of purchase creates ownership utility. Signing up for a Sandals tropical vacation or buying a TV creates ownership utility. All organizations must create utility to survive. Designing and marketing want-satisfying goods, services, and ideas are the foundation for the creation of utility. But where does the process start? In the toy industry, manufacturers try to come up with items that children will want to play with—creating utility. But that's not as simple as it sounds. At the Toy Fair held each February in New York, retailers pore through the booths of manufacturers and suppliers, looking for the next Webkinz toys or Lego building blocks—trends that turn into classics and generate millions in revenues over the years. Marketers also look for ways to revive flagging brands and bring them into the digital

age. Classic board games such as Monopoly and the Game of Life now have electronic versions that use tablet computers to count money and spin the game wheel—complete with the sound of the old plastic spinner.⁵

But how does an organization create a customer? Most take a three-step approach: identifying needs in the marketplace, finding out which needs the organization can profitably serve, and developing goods and services to convert potential buyers into customers. Marketing specialists are responsible for most of the activities necessary to create the customers the organization wants. These activities include the following:

- identifying customer needs;
- designing products that meet those needs;
- communicating information about those goods and services to prospective buyers;
- making the items available at times and places that meet customers' needs;
- pricing merchandise and services to reflect costs, competition, and customers' ability to buy; and
- providing the necessary service and follow-up to ensure customer satisfaction after the purchase.⁶

A DEFINITION OF MARKETING

The word *marketing* encompasses such a broad scope of activities and ideas that settling on one definition is often difficult. Ask three people to define marketing, and three different definitions are likely to follow. We are exposed to so much advertising and personal selling that most people link marketing only to those activities. But marketing begins long before a product hits the shelf. It involves analyzing customer needs, obtaining the information necessary to design and produce goods or services that match buyer expectations, satisfying customer preferences, and creating and

maintaining relationships with customers and suppliers. Marketing activities apply to profit-oriented businesses such as Microsoft and Overstock.com as well as to not-for-profit organizations such as the Juvenile Diabetes Research Foundation and the Red Cross. Even government-related agencies such as the U.S. Postal Service engage in marketing activities. Today's definition takes all these factors into account. **Marketing** is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have values for customers, clients, partners, and society at large.⁷

The expanded concept of marketing activities permeates all functions in businesses and not-for-profit organizations. It assumes that organizations conduct their marketing efforts ethically and that these efforts serve the best interests of both society and the organization. The concept also identifies the marketing variables—product, price, promotion, and distribution—that combine to provide customer satisfaction. In addition, it assumes that the organization begins by identifying and analyzing who its potential customers are and what they need. At all points, the concept emphasizes creating and maintaining long-term relationships with customers and suppliers.

marketing The activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

TODAY'S GLOBAL MARKETPLACE

Several factors have forced marketers—and entire nations—to extend their economic views to events outside their own national borders. First, international agreements are negotiated to expand trade among nations. Second, the growth of electronic business and related computer technologies allows previously isolated countries to enter the marketplace for buyers and sellers around the globe. Third, the interdependence of the world's economies is a reality because no nation produces all of the raw materials and finished goods its citizens need or consumes all of its output without exporting some to other countries. Evidence of this interdependence is illustrated by the introduction of the euro as a common currency to facilitate trade among the nations of the European Union and the creation of trade agreements such as the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO).

Rising oil prices affect the price that U.S. consumers pay for just about everything—not just gasoline at the pump. Dow Chemical raised the prices of its products up to 20 percent to adjust to



"The Internet is becoming the town square for the global village of tomorrow."

—Bill Gates

Co-Founder, Microsoft



FedEx serves its global market by enabling customers in many countries to access the FedEx website in their first language. its rising cost for energy. The largest U.S. chemical company, Dow, supplies companies in industries from agriculture to health care, all of whom were affected by the price hike. Airlines, too, responded to a near-doubling of the cost of jet fuel. Most carriers now charge customers for redeeming reward miles, and nearly all impose fees for checked baggage on domestic flights.⁸

To remain competitive, companies must continually search for the most efficient manufacturing sites and most lucrative markets for their products. U.S. marketers now find tremendous opportunities serving customers not only in traditional industrialized nations but also in Latin America and emerging economies in central Europe, the Middle East, Asia, and Africa, where rising standards of living create increased customer demand for the latest products. Expanding operations beyond the U.S. market gives domestic companies access to more than 7 billion international customers. China is now the second-largest market in the world—only the United States is larger. And industry observers estimate that Chinese customers purchased 20 million cars in a recent year, so automakers worldwide extended their operations to China. Interestingly, however, signs are mounting that China's increasing prosperity may be reducing its attractiveness as a low-cost labor source. Rising costs already are driving some U.S. manufacturers out of the country, according to the American Chamber of Commerce. Mexico has taken the lead as the lowest-cost country for outsourced production, with India and Vietnam second and third; China stands in sixth place. In the manufacturers of the country of the country of the country of the American Chamber of Commerce. Mexico has taken the lead as the lowest-cost country for outsourced production, with India and Vietnam second and third; China stands in sixth place.

Service firms also play a major role in today's global marketplace. Telecommunications firms such as South Africa's MTN, Luxembourg's Millicom International, and Egypt's Global Telecom Holding have carved out new global markets for their products by following the lead of Finnish firm Nokia, among the first high-tech firms to create durable and affordable mobile phones specifically designed for emerging markets. Nokia's mobile-phone business was recently acquired by Microsoft. The opportunities for such telecom innovators will continue to grow as long as electricity-reliant personal computers remain out of reach for millions in the developing world. The United States is also an attractive market for foreign competitors because of its size and the high standard of living American consumers enjoy. Companies such as Nissan, Sony, and Sun Life Financial of Canada operate production, distribution, service, and retail facilities in the United States. Foreign ownership of U.S. companies has also increased. Ben & Jerry's is a well-known firm with a foreign parent (Unilever).



ASSESSMENT CHECK

- Define marketing, and explain how it creates utility.
- 1.2 What three factors have forced marketers to embrace a global marketplace?

Although many global marketing strategies are almost identical to those used in domestic markets, more and more companies are tailoring their marketing efforts to the needs and preferences of consumers in foreign markets. It is often difficult to standardize a brand name on a global basis. The Japanese, for example, like the names of flowers or girls for their automobiles—names such as Bluebonnet, Violet, and Gloria. Americans, on the other hand, prefer rugged outdoorsy names such as Chevy Tahoe, Jeep Cherokee, and Dodge Challenger.

FIVE ERAS IN THE HISTORY OF MARKETING

Contrast marketing activities during the five eras in the history of marketing.

exchange process Activity in which two or more parties give something of value to each other to satisfy perceived needs. The essence of marketing includes managing customer relationships and the **exchange process**, in which two or more parties give something of value to each other to satisfy perceived needs. Often, people exchange money for tangible goods such as groceries, clothes, a car, or a house. In other situations, they exchange money for intangible services such as a haircut or a college education. Many exchanges involve a combination of goods and services, such as dinner in a restaurant, where dinner represents the good and the wait staff represents the service. People also make exchanges when they donate money or time to a charitable cause such as Habitat for Humanity. Managing customer relationships like these are the essence of successful marketing.

Although marketing has always been a part of business, its importance has varied greatly. Figure 1.1 identifies five eras in the history of marketing: (1) the production era, (2) the sales era, (3) the marketing era, (4) the relationship era, and (5) the social era.

ERA Production "A good PREVAILING product **ATTITUDE** will sell

Sales "Creative advertising and selling will overcome consumers' resistance and persuade them to buy."

Marketing "The consumer rules! Find a need and fill it.' Since 1950s

Relationship "Long-term relationships with customers and other partners lead to success.

Social "Connecting to consumers via Internet and social media sites is an effective tool.

FIGURE 1.1 **Five Eras of Marketing** History

APPROXIMATE TIME PERIOD

Prior to 1920s

Prior to 1950s

Since 1990s

Since 2000s

THE PRODUCTION ERA

Before 1925, most firms—even those operating in highly developed economies in western Europe and North America—focused narrowly on production. Manufacturers stressed production of quality products and then looked for people to purchase them. The prevailing attitude of this era held that a high-quality product would sell itself. This **production orientation** dominated business philosophy for decades; business success often was defined solely in terms of production success.

The production era reached its peak during the early part of the 20th century. Henry Ford's mass-production line exemplifies this orientation. Ford's slogan, "They [customers] can have any color they want, as long as it's black," reflected the prevalent attitude toward marketing. Production shortages and intense consumer demand ruled the day. It is easy to understand how production activities took precedence.

However, building a new product is no guarantee of success, and marketing history is cluttered with the bones of miserable product failures despite major innovations—more than 80 percent of new products fail. Inventing an outstanding new product is not enough, because it must also fill a perceived marketplace need. Otherwise, even the best-engineered, highest-quality product will fail. Even Henry Ford's horseless carriage took a while to catch on. People were afraid of motor vehicles: They spat out exhaust, stirred up dust on dirt roads, got stuck in mud, and tied up horse traffic. Besides, at the speed of seven miles per hour, they caused all kinds of accidents and disruption. It took savvy marketing by some early salespeople—and eventually a widespread perceived need—to change people's minds about the product. Today, most of us could not imagine life without a car and have refined that need to preferences for certain types of vehicles, including SUVs, convertibles, trucks, and hybrids.

production orientation Business philosophy stressing efficiency in producing a quality product, with the attitude toward marketing that "a good product will sell itself."

THE SALES ERA

As production techniques in the United States and Europe became more sophisticated, output grew from the 1920s into the early 1950s. As a result, manufacturers began to increase their emphasis on effective sales forces to find customers for their output. In this era, firms attempted to match their output to the potential number of customers who would want it. Companies with a sales orientation assume that customers will resist purchasing nonessential goods and services and that the task of personal selling and advertising is to persuade them to buy.

Although marketing departments began to emerge from the shadows of production and engineering during the sales era, they tended to remain in subordinate positions. Many chief marketing executives held the title of sales manager. But selling is only one component of marketing. As marketing scholar Theodore Levitt once pointed out, "Marketing is as different from selling as chemistry is from alchemy, astronomy from astrology, chess from checkers."

sales orientation Belief that consumers will resist purchasing nonessential goods and services, with the attitude toward marketing that only creative advertising and personal selling can overcome consumers' resistance and persuade them to buy.