

ARMSTRONG KOTLER TRIFTS BUCHWITZ

MARKETING

AN INTRODUCTION



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Professor Kotler was named the first recipient of two major awards: the Distinguished Marketing Educator of the Year Award given by the American Marketing Association and the Philip Kotler Award for Excellence in Health Care Marketing presented by the Academy for Health Care Services Marketing. His numerous other major honours include the Sales and Marketing Executives International Marketing Educator of the Year Award; The European Association of Marketing Consultants and Trainers Marketing Excellence Award; the Charles Coolidge Parlin Marketing Research Award; and the Paul D. Converse Award, given by the American Marketing Association to honour "outstanding contributions to science in marketing." In a recent *Financial Times* poll of 1000 senior executives across the world, Professor Kotler was ranked as the fourth "most influential business writer/guru" of the 21st century.

Dr. Kotler has served as chairman of the College on Marketing of the Institute of Management Sciences, a director of the American Marketing Association, and a trustee of the Marketing Science Institute. He has consulted with many major U.S. and international companies in the areas of marketing strategy and planning, marketing organization, and international marketing. He has travelled and lectured extensively throughout Europe, Asia, and South America, advising companies and governments about global marketing practices and opportunities.

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Gaudet's professional career began in broadcasting, after earning his diploma of Applied Arts in 1983. He went on to assist in the successful launch of multiple radio stations, and ultimately held down programming duties in some of the country's most listened to and influential rock radio outlets. His passion for media converged with his entrepreneurial DNA in the early 90's when he started his first business, a media market research company, providing listener/viewer data to clients. He has added a plethora of marketing services to his portfolio over the last 25 years, providing corporate communications, project management, business analysis, crisis communications, media training, public relations, copywriting, web design, content management and strategic planning all under his third business startup, "Triceratops Brand Logic Inc".

Preface

The Sixth Canadian Edition of *Marketing: An Introduction: Creating More Value for You!*

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

Marketing starts with understanding consumer needs and wants, deciding which target markets the organization can serve best, and developing a compelling value proposition by which the organization can attract, keep, and grow targeted consumers. Then, more than just making a sale, today's marketers want to engage customers and build deep customer relationships that make their brands a meaningful part of consumers' conversations and lives. In this digital age, to go along with their tried-and-true traditional marketing methods, marketers have access to a dazzling set of new customer relationship-building tools—from the Internet, smartphones, and tablets to online, mobile, and social media—for engaging customers any time, anyplace to shape brand conversations, experiences, and community. If marketers do these things well, they will reap the rewards in terms of market share, profits, and customer equity. In the sixth Canadian edition of *Marketing: An Introduction*, you'll learn how *customer value* and *customer engagement* drive every good marketing strategy.

Marketing: An Introduction makes learning and teaching marketing more productive and enjoyable than ever. The sixth Canadian edition's streamlined approach strikes an effective balance between depth of coverage and ease of learning. Unlike more abbreviated texts, it provides complete and timely coverage of all the latest marketing thinking and practice. And unlike longer, more complex texts, its moderate length makes it easy to digest in a given semester.

Marketing: An Introduction's approachable organization, style, and design are well suited to beginning marketing students. The sixth Canadian edition's learning design helps students to learn, link, and apply important concepts. Its simple organization and writing style present even the most advanced topics in an approachable, exciting way. The sixth Canadian edition brings marketing to life with deep and relevant examples and illustrations throughout. And when combined with MyMarketingLab, our online homework and personalized study tool, *Marketing: An Introduction* ensures that students will come to class well prepared and leave class with a richer understanding of basic marketing concepts, strategies, and practices.

What's New in the Sixth Canadian Edition?

We've thoroughly revised the sixth Canadian edition of *Marketing: An Introduction* to reflect the major trends and forces impacting marketing in this digital age of customer value, engagement, and relationships. Here are just some of the changes you'll find in this edition:

- More than any other developments, sweeping new **online, social media, mobile, and other digital technologies** are now affecting how marketers, brands, and customers engage with each other. The sixth Canadian edition

features new and revised discussions and examples of the explosive impact of exciting *new digital marketing technologies* shaping marketing strategy and practice—from online, mobile, and social media engagement technologies discussed in Chapters 1, 6, 12, 13, and 15 to “online listening” and research tools in Chapter 5, online influence and brand communities in Chapter 6, and location-based marketing in Chapter 8, to the use of social media in business-to-business marketing and sales in Chapters 7 and 14, and to consumer Web, social media, and mobile marketing, as well as other new communications technologies, in Chapters 1, 6, 13, 15, and throughout.

A new Chapter 1 section, *The Digital Age: Online, Mobile, and Social Media Marketing*, introduces the exciting new developments in digital and social media marketing. A completely revised Chapter 15, *Direct, Online, Social Media, and Mobile Marketing*, digs deeply into digital marketing tools such as websites, social media, mobile ads and apps, online video, email, blogs, and other digital platforms that engage consumers anywhere, any time via their computers, smartphones, tablets, Internet-ready TVs, and other digital devices. The sixth Canadian edition is packed with new stories and examples illustrating how companies employ digital technology to gain competitive advantage—from traditional marketing all-stars such as Nike, P&G, Southwest, and McDonald’s to new-age digital competitors such as Google, Amazon.com, Apple, Netflix, Pinterest, and Facebook.

- The sixth Canadian edition features completely new and revised coverage of the emerging trend toward **customer engagement marketing**—building direct and continuous customer involvement in shaping brands, brand conversations, brand experiences, and brand community. The Internet and social media have created better-informed, more-connected, and more-empowered consumers. Thus, today’s marketers must now *engage* consumers rather than interrupting them. Marketers are augmenting their mass-media marketing efforts with a rich mix of online, mobile, and social media marketing that promotes deep consumer involvement and a sense of customer community surrounding their brands. Today’s new engagement-building tools include everything from websites, blogs, in-person events, and video sharing to online communities and social media such as Facebook, YouTube, Pinterest, Twitter, and a company’s own social networking sites.

In all, today’s more engaged consumers are giving as much as they get in the form of two-way brand relationships. The sixth Canadian edition contains substantial new material on **customer engagement** and related developments such as **consumer empowerment, crowdsourcing, customer co-creation, and consumer-generated marketing**. A new Chapter 1 section—*Engaging Customers*—introduces customer engagement marketing. This and other related customer engagement topics are presented in Chapter 1 (new sections: *Customer Engagement and Today’s Digital and Social Media* and *Consumer-Generated Marketing*), Chapter 5 (qualitative approaches to gaining deeper customer insights), Chapter 6 (managing online influence and customer community through digital and social media marketing), Chapter 8 (crowdsourcing and customer-driven new-product development), Chapter 13 (the new, more engaging marketing communications model), and Chapter 15 (direct digital, online, social media, and mobile marketing).

- The sixth Canadian edition continues to build on and extend the innovative **customer value framework** from previous editions. The customer value model presented in the first chapter is fully integrated throughout the remainder of the

book. No other marketing text presents such a clear and compelling customer value approach.

- The sixth Canadian edition provides revised and expanded coverage of developments in the fast-changing area of **integrated marketing communications**. It tells how marketers are blending the new digital and social media tools—everything from Internet and mobile marketing to blogs, viral videos, and social media—with traditional media to create more targeted, personal, and engaging customer relationships. Marketers are no longer simply creating integrated promotion programs; they are practising *marketing content management* in paid, owned, earned, and shared media. No other text provides more current or encompassing coverage of these exciting developments.
- Revised coverage in the sixth Canadian edition shows how companies and consumers continue to deal with **marketing in an uncertain economy** in the lingering aftermath of the recession. Starting with a section in Chapter 1 and continuing with revised discussions in Chapters 4, 10, and elsewhere throughout the text, the sixth Canadian edition shows how now, even as the economy recovers, marketers must focus on creating customer value and sharpening their value propositions in this era of more sensible consumption.
- New material throughout the sixth Canadian edition highlights the increasing importance of **sustainable marketing**. The discussion begins in Chapter 1 and continues in more detail in Chapter 3, which pulls marketing concepts together under a sustainable marketing framework. Frequent discussions and examples showing how sustainable marketing calls for socially and environmentally responsible actions that meet both the immediate and the future needs of customers, companies, and society as a whole are presented throughout the text.
- The sixth Canadian edition provides new discussions and examples of the growth in **global marketing**. As the world becomes a smaller, more competitive place, marketers face new global marketing challenges and opportunities, especially in fast-growing emerging markets such as China, India, Africa, and others. You'll find much new coverage of global marketing throughout the text, starting in Chapter 1 and discussed fully in Chapter 16.
- The sixth Canadian edition continues its emphasis on **measuring and managing return on marketing**, including many new end-of-chapter financial and quantitative marketing exercises that let students apply analytical thinking to relevant concepts in each chapter and link chapter concepts to the text's innovative and comprehensive Appendix 3, *Marketing by the Numbers*.
- The sixth Canadian edition continues to engage students with this title's most unique feature, **the comprehensive case**. For this edition, we are offering two cases, one with a business-to-consumer (B-to-C) focus and one with a business-to-business (B-to-B) focus. Used to further illustrate a chapter's key learnings, the B-to-C case runs throughout the book, and examines Boston Pizza's marketing strategy as it relates to the content being discussed.
- The B-to-B comprehensive case, featuring Farmers Edge, is available. Contact your local Pearson sales representative for more details.
- The sixth Canadian edition provides new end-of-chapter company cases by which students can apply what they learn to actual company situations. Additionally, all of the chapter-opening stories and **MARKETING@WORK** highlights in the sixth Canadian edition are either new or revised for currency.

Five Major Customer Value and Engagement Themes

The sixth Canadian edition of *Marketing: An Introduction* builds on five major customer value and engagement themes:

1. ***Creating value for customers in order to capture value from customers in return.*** Today's marketers must be good at *creating customer value*, *engaging customers*, and *managing customer relationships*. Outstanding marketing companies understand the marketplace and customer needs, design value-creating marketing strategies, develop integrated marketing programs that engage customers and deliver value and satisfaction, and build strong customer relationships and brand community. In return, they capture value from customers in the form of sales, profits, and customer equity.

This innovative *customer value framework* is introduced at the start of Chapter 1 in a five-step marketing process model, which details how marketing *creates* customer value and engagement and *captures* value in return. The framework is carefully explained in the first two chapters and then integrated throughout the remainder of the text.

2. ***Customer engagement and today's digital and social media.*** New digital and social media have taken today's marketing by storm, dramatically changing how companies and brands engage consumers and how consumers connect and influence each other's brand behaviours. The sixth Canadian edition introduces and thoroughly explores the contemporary concept of *customer engagement marketing* and the exciting new digital and social media technologies that help brands to engage customers more deeply and interactively. It starts with two major new Chapter 1 sections: *Customer Engagement and Today's Digital and Social Media* and *The Digital Age: Online, Mobile, and Social Media*. A completely revised Chapter 15, *Direct, Online, Social Media, and Mobile Marketing*, summarizes the latest developments in digital engagement and relationship-building tools. Everywhere in between, you'll find revised and expanded coverage of the exploding use of digital and social tools to create customer engagement and build brand community.
3. ***Building and managing strong brands to create brand equity.*** Well-positioned brands with strong brand equity provide the basis upon which to build profitable customer relationships. Today's marketers must position their brands powerfully and manage them well to create valued customer brand experiences. The sixth Canadian edition provides a deep focus on brands, anchored by the discussion in Chapter 9.
4. ***Measuring and managing return on marketing.*** Especially in uneven economic times, marketing managers must ensure that their marketing dollars are being well spent. In the past, many marketers spent freely on big, expensive marketing programs, often without thinking carefully about the financial returns on their spending. But all that has changed rapidly. "Marketing accountability"—measuring and managing marketing return on investment—has now become an important part of strategic marketing decision making. This emphasis on marketing accountability is addressed in Chapter 2; Appendix 3, *Marketing by the Numbers*; and throughout the sixth Canadian edition.
5. ***Sustainable marketing around the globe.*** As new technologies make the world an increasingly smaller and more fragile place, marketers must be good at marketing their brands globally and in sustainable ways. New material throughout the sixth Canadian edition emphasizes the concepts of *global marketing* and *sustainable marketing*—meeting the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs. This edition integrates global marketing and sustainability topics throughout the text. It provides focused coverage on each topic in Chapters 16 and 3, respectively.

Real Experiences: MARKETING@WORK

Marketing: An Introduction, sixth Canadian edition, guides new marketing students down the intriguing, discovery-laden road to learning marketing in an applied and practical way. The text takes a practical marketing-management approach, providing countless in-depth, real-life examples and stories that engage students with basic marketing concepts and bring the marketing journey to life. Every chapter contains an opening story plus *Marketing@Work* highlight features that reveal the drama of modern marketing. Students learn, for example, about the following:

- Loblaw’s Joe Fresh brand is creating exceptional value for its customers.
- Nike’s outstanding success results from more than just making and selling good sports gear. It’s based on a customer-focused strategy through which Nike creates brand engagement and close brand community with and among its customers.
- Sony’s dizzying fall from market leadership provides a cautionary tale of what can happen when a company—even a dominant marketing leader—fails to adapt to its changing environment.
- Chipotle’s sustainability mission isn’t an add-on, created just to position the company as “socially responsible”—doing good is ingrained in everything the company does.
- At T-shirt and apparel maker Life is good, engagement and social media are about building meaningful customer engagement, measured by the depth of consumer commenting and community that surround the brand.
- Giant social network Facebook promises to become one of the world’s most powerful and profitable digital marketers—but it’s just getting started.
- Innovator Samsung has transformed itself by creating a seemingly endless flow of inspired new products that feature stunning design, innovative technology, life-enriching features, and a big dose of “Wow!”
- The explosion of the Internet, social media, mobile devices, and other technologies has some marketers asking, “Who needs face-to-face selling anymore?”
- For Coca-Cola, marketing in Africa is like “sticking its hand into a bees’ nest to get some honey.”
- Under its “Conscious Consumption” mission, outdoor apparel and gear maker Patagonia takes sustainability to new extremes by telling consumers to buy *less*.

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

MARKETING@WORK 1.1

Canada Goose: Authenticity Is Key to Customer Value

In 1957, Sam Tick founded Metro Sportswear, which produced a modest line of jackets and woolen shirts in a small manufacturing facility in Toronto. The 1970s saw the business expand to include the production of custom-ordered down-filled coats for the Canadian Rangers, city police forces, and other government workers. In 1985, the company was renamed Snow Goose, and in the early 1990s it began selling its products in Europe under the name Canada Goose. By the late 1990s, the modern era of Canada Goose had begun and the real expansion of the brand began. Over the past 10 years or so, Canada Goose parka sales have soared within Canada and in more than 40 other countries worldwide. In fact, Canada Goose placed 102nd on the 2014 Profit 500 list of fastest growing Canadian companies, with a 941 percent growth in revenues over the previous five years.

How did Canada Goose achieve such phenomenal growth? A number of factors have contributed to the company's success. First, Canada Goose very carefully chose spokespeople who are highly credible users of the brand. Lance Mackey, a four-time Iditarod and Yukon Quest champion, grew up in Alaska and is known as one of the best dog-sled mushers in the world. Ray Zibohs, ultra marathon runner and adventurer, and Laurie Skreslet, the first Canadian to reach the summit of Mount Everest, also joined the list of Canada Goose spokespeople. These individuals have enormous credibility with the company's core customer segment, which consists of polar expeditioners, oil riggers, and police departments alike. Well-known Canadian athletes have also joined the list of "Goose People," including Olympic soccer player Karina LeBlanc, Toronto Raptors NBA player Amir Johnson, and tennis superstar Milos Raonic.

Rather than using traditional advertising campaigns to develop brand awareness, Canada Goose relied on consumer-driven marketing tactics to

build its brand. In the early stages of the company's marketing efforts, product was placed on people who worked outdoors in cold environments, such as bouncers at nightclubs or doormen at hotels, who could give the brand credibility. Today, Canada Goose still employs several nontraditional forms of promotion to build brand awareness, from supplying Fairmont Hotels' doormen and valets with Expedition parkas to running a Canada Goose coat check at Toronto Maple Leafs and Toronto Raptors games, where fans are offered the chance to try on parkas while checking their own garments.

Celebrities caught on camera and actors in feature films wearing the brand have also contributed to Canada Goose's success. Hayden Christensen was photographed wearing one at the Vancouver 2010 Winter Olympics. Daniel Radcliffe is often spotted wearing his Canada Goose parka. The brand has been used in the film industry for decades behind the scenes, but now appears on screen as well in such movies as *The Day After Tomorrow*, *Eight Below*, *National Treasure*, *Good Luck Chuck*, and *Whiteout*.

While Canada Goose has long been a bestseller in Europe, it has also been successful in the highly competitive U.S. fashion market. It currently sells its products at premium department stores such as Barneys and Saks Fifth Avenue and is expanding its product offerings via collaborations with Italian cashmere and wool

manufacturer Loro Piana and Japanese designer Yuki Matsuda.

Canada Goose is a company that has always chosen its own path and stayed true to its brand. As a result, it has attracted a diverse base of customers who are interested in everything from function to fashion. This is perhaps the biggest reason why Canada Goose has been able to build lasting customer relationships by creating superior customer value and satisfaction. Customers know what to expect when they buy a Canada Goose product. For example, despite the growing trend in the textile industry to ship production to overseas markets, Canada Goose still manufactures approximately 250 000 parkas per year at its plant in Toronto. An in-house designer cuts the fabric, and dozens of



Exhibit 1.6 Quality, functionality, and style are central to the Canada Goose brand and are key to building customer-perceived value.

Photo: Tom Patterson/Photo Credits and Images/Photo

Valuable Learning Aids

A wealth of chapter-opening, within-chapter, and end-of-chapter learning devices helps students to engage with marketing by learning, linking, and applying major concepts:

- **Chapter openers.** Each active and integrative chapter-opening spread features an outline of chapter contents and learning objectives, a brief *Previewing the Concepts* section that introduces chapter concepts, and an opening vignette—an engaging, deeply developed, illustrated, and annotated marketing story that introduces the chapter material and sparks student interest.
- **Marketing@Work highlights.** Each chapter contains two highlight features that provide an in-depth look at the real marketing practices of large and small companies.
- **Reviewing the Concepts.** A summary at the end of each chapter reviews major chapter concepts and links them to chapter objectives.
- **Discussion Questions and Critical Thinking Exercises.** These sections at the end of each chapter help students keep track of and apply what they've learned in the chapter.
- **Applications and End-of-Chapter Cases.** Brief *Online, Mobile, and Social Media Marketing*; *Think Like a Marketing Manager*; *Marketing Ethics*; and *Marketing by the Numbers* sections at the end of each chapter provide short application cases that facilitate discussion of current issues and company situations in areas such as digital and social media marketing, ethics, and financial marketing analysis. The *End-of-Chapter Case* feature provides many new company cases for further analysis.

Additional resources include the following:

- **General Company Information: Boston Pizza.** Appendix 1 tells the story of Boston Pizza and illustrates how its marketing strategy has been a key element of its success.
- **Abbreviated Sample Marketing Plan: Boston Pizza.** Appendix 2 contains a sample marketing plan that helps students apply important marketing planning concepts.
- **Marketing by the Numbers.** An innovative Appendix 3 provides students with a comprehensive introduction to the marketing financial analysis that helps to guide, assess, and support marketing decisions.

More than ever before, the sixth Canadian edition of *Marketing: An Introduction* provides an effective and enjoyable total package for engaging students and moving them down the road to learning marketing!

DISCUSSION QUESTIONS

1. Name and briefly describe the elements of an organization's microenvironment and discuss how they affect marketing.
2. What is demography, and why is it so important for marketers?
3. Who are the Millennials, and why are they of so much interest to marketers?
4. Discuss trends in the natural environment of which marketers must be aware, and provide examples of companies' responses to them.
5. Compare and contrast core beliefs/values and secondary beliefs/values. Provide an example of each and discuss the potential impact marketers have on each.
6. How should marketers respond to the changing environment?

CRITICAL THINKING EXERCISES

1. Research a current or emerging change in the legal or regulatory environment affecting marketing. Explain its impact on marketing and how companies are reacting to the law or regulation.
2. Cause-related marketing has grown considerably over the past 10 years. Visit www.causemarketingforum.com to learn about companies that have won Halo Awards for outstanding cause-related marketing programs. Present an award-winning case study to your class.

ONLINE, MOBILE, AND SOCIAL MEDIA MARKETING

If you have a great product idea but no money, never fear: There's Kickstarter, an online crowdfunding site. Founded in 2008, Kickstarter enables companies to raise money from multiple individuals; since its founding, it has helped launch more than 91 000 projects. For example, when Pebble Technology Corporation created a "smart" wrist-watch called Pebble, which works with iPhones or Android phones, it didn't have the funding to produce and market the device. So young CEO Eric Migicovsky turned to Kickstarter for crowdfunding. His modest goal was to raise US\$100 000—but the company raised US\$11 million in only one day and a total of US\$10.27 million in just over one month! Nearly 70 000 people pre-ordered the \$15 watch, and Pebble had to deliver on the promise. Kickstarter takes a 5 percent fee on the total funds raised, with Amazon Payments handling the processing of the funds. Kickstarter charges pledgers' credit cards, and the project creator receives the funds within only a few weeks.

The JOBS Act legislation in the United States, signed into law in 2012, provides a legal framework for this type of financing, which is expected to grow even faster as a result. (Canadian legislators have been slow to regulate the crowdfunding industry, although a few provinces have proposed guidelines to do so.) However, Kickstarter and similar sites don't guarantee that the projects will be delivered as promised, and some people are concerned that crowdfunding will beget crowdfunding.

QUESTIONS

1. Find another crowdfunding site and describe two projects featured on that site.
2. Learn more about the JOBS Act and how it impacts crowdfunding for start-up businesses. What protections are in place for investors with regard to crowdfunding? What types of regulation exist in Canada for Canadian start-ups?

THINK LIKE A MARKETING MANAGER

Customer loyalty for online travel companies is low because the average consumer checks several different travel sites for the best prices on air travel, hotels, and rental cars before booking. With consumers highly motivated to make their selections based on price, online travel companies are trying to figure out other ways to differentiate themselves from the competition.

QUESTIONS

1. What macroenvironmental forces do you think are having the greatest positive and negative impact on online travel companies?
2. What do you think will be the most significant environmental issues facing the online travel industry in the next five years?

Comprehensive Case: Boston Pizza


Despite its name, Boston Pizza is a purely Canadian success story. Well, Canadian-Greek success story, as it was Greek Gus Agioritis who opened the first BP restaurant in 1964 in Edmonton. It is still the subject of debate as to why “Boston” was chosen as the name of the now international Canadian chain. That seems inconsequential, however, as Boston Pizza has reached iconic status as Canada’s casual family dining establishment meets sports bar hangout. With a 400-store milestone now in sight, and its 50th anniversary in the rear-view mirror, BP signs hover alongside Tim Hortons and Canadian Tire as this country’s most familiar brands. From small things, big things one day do come.

We’ve used Boston Pizza as our comprehensive case in the sixth Canadian edition. This case material can be found in three key areas of the text:

1. *Comprehensive Cases: Boston Pizza.* At the end of each chapter is a short case about the company that illustrates how it employs the topics covered in that chapter.
2. *Appendix 1—General Company Information: Boston Pizza.* This appendix tells the story of Boston Pizza and illustrates how its marketing strategy has been a key element of its success.
3. *Appendix 2—Abbreviated Sample Marketing Plan: Boston Pizza.* Our second appendix contains a sample Boston Pizza marketing plan that helps you see how marketing concepts translate into real-life marketing strategies.

An alternative Comprehensive Case featuring Farmers Edge (which includes alternative Appendices 1 and 2) is available. Contact your local Pearson sales representative for more details.

BOSTON PIZZA COMPREHENSIVE CASE



The Wings Two-Four

Consumer behaviour is one of the most important concepts in marketing, and it focuses squarely on the importance of knowing your market—right down to personal habits, traits, and preferences. Successful Canadian consumer brands such as Tim Hortons, Canadian Tire, and Boston Pizza have stood the test of time because, above all else, they were built by Canadians for Canadians. And that identity has never been forgotten.

In early 2015, as Boston Pizza began the second half of its first century, it launched a brand-new promotional campaign called “We’ll Make You a Fan.” More than just a catchy tagline coined by an ad agency, the statement deliberately lends itself to multiple interpretations. While one intent was to emphasize BP’s commitment to earn consumers’ business, another was to reinforce BP’s position in the sports bar category. And what better way to resonate with the quintessential Canadian sports fan than with a quintessential and uniquely Canadian icon—the two-four?

“If there’s one thing Canadians know and love, it’s the two-four. It’s a part of our culture, especially during playoffs and summer weekends. But, until now, Canadians have never been able to eat one,” said Steve Silverstone, Boston Pizza International’s executive vice-president of marketing. “Unlike other two-fours, Canadians can crack open a Wings Two-Four virtually anywhere, any time they want. It really is the perfect union of BP’s famous wings and the ubiquitous two-four.” BP cleverly led in the chicken wing two-four with a hockey-glove-shaped pitcher to serve Molson Canadian beer during the 2015 Stanley Cup Playoffs.

Consumers have a lot of choices in where to eat out, and what to eat once they get there. Understanding the psychological triggers, such as the Canadian hockey fan’s emotional tie to the social aspect of watching the playoffs, helps develop product and promotional ideas, and ultimately assists fans and foodies in their purchase decision.

QUESTIONS

1. Using the steps in the consumer purchase decision process, describe the thought process that a guest at Boston Pizza’s Sports Bar might go through before deciding on the Wings Two-Four.
2. While the purchase decision has five known steps, a variety of decision influencers come into play as well. List these categories and provide an example as it pertains to a diner at Boston Pizza.

APPENDIX

2

**Abbreviated Sample Marketing Plan:
Boston Pizza**

This appendix provides a sample marketing plan for a new product offered by Boston Pizza. Deciding on a new product is no small feat, and it’s a decision that is not made lightly. Although its main product is in its name, Boston Pizza continually monitors trends, listens to its customers, and updates its menu accordingly. Over its first 50 years, BP’s menu has grown from pizza and spaghetti to a wide range of appetizers and main courses, expanding far beyond the original product offering as the demands of its customers have evolved. This is typically the origin of a new product idea for Boston Pizza, which must keep with the times in order to stay in business. But how are new product ideas fully developed, and how do they come to market?

Although a SWOT analysis appears several pages into a marketing plan, it’s actually one of the first tasks required in product development. The determination of a new product idea either results from, or is validated by, a thorough SWOT analysis, followed by brainstorming ideas based on what the SWOT analysis reveals. For instance, if Boston Pizza were faced with a competitive threat, whereby fast-casual, quick-service, and family restaurants had introduced a product type that BP didn’t currently carry, it would compel the marketing team to at least consider its suitability for BP’s menu.

This situation might be compounded by a social opportunity identified by demand among BP’s target market for a similar product. However, there may be hindrances exposed through the SWOT process as well, such as a specific weakness that BP would have to fix in order to proceed in developing the product idea. The main takeaway is that a thorough SWOT analysis is one of the first steps toward discovering an appropriate new-product idea.

After executing a SWOT analysis, the new-product development process must be deep and rigorous. While Boston Pizza may introduce several new menu items in any given year, none of them arrive on a guest’s table without having been subjected to the checkpoints in this process. We recommend that you review Chapter 8, *Developing and Managing Products and Services*, as you go through the following example. The steps covered in that chapter, coupled with management’s thorough analysis of Boston Pizza’s current situation, can provide a number of plausible new product ideas.

Finally, whatever the new product idea is, management must ensure that it’s consistent with the Boston Pizza brand—an intangible quality that speaks to the essence of the company. Typical Boston Pizza offerings exemplify such descriptors as *family-oriented*, *high quality*, *hearty*, and *delicious*. That’s why nachos and wings make it in while other offerings, despite being trendy and healthy, would not make the cut.

What follows is marketing plan for a hypothetical new-product launch for Boston Pizza. This plan is structured using sections and sequencing similar to those of an actual marketing plan, but in no way are these reflective of Boston Pizza’s objectives or strategies, which remain confidential. As such, everything that follows should be treated as a guideline only. The sample in part draws from the primary and secondary research used in the creation of the text’s end-of-chapter comprehensive cases, but, again, it’s not intended to represent Boston Pizza’s actual marketing plan. It is deliberately hypothetical.

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Teaching and Learning Support

A successful marketing course requires more than a well-written book. Today's classroom requires a dedicated teacher and a fully integrated teaching package. A total package of teaching and learning supplements extends this edition's emphasis on effective teaching and learning. The following aids support *Marketing: An Introduction*.

Farmers Edge. This alternative B-to-B comprehensive case (which includes alternative Appendices 1 and 2) is available and can be included in your text. Your local Pearson sales representative can provide you with more details.

Instructor's Resource Manual. This invaluable resource not only includes chapter-by-chapter teaching strategies; it also features notes about the PowerPoint slides and the video cases. This supplement is available through Pearson Canada's online catalogue at catalogue.pearsoned.ca

Computerized Test Bank. Pearson's computerized test banks allow instructors to filter and select questions to create quizzes, tests, or homework. Instructors can revise questions or add their own, and may be able to choose print or online options. These questions are also available in Microsoft Word format.

PowerPoint Presentations. Point slides are available with this edition that help bring marketing concepts to life. The PowerPoints are also available to instructors through Pearson Canada's online catalogue at catalogue.pearsoned.ca

Learning Solutions Managers. Pearson's Learning Solutions Managers work with faculty and campus course designers to ensure that Pearson technology products, assessment tools, and online course materials are tailored to meet your specific needs. This highly qualified team is dedicated to helping schools take full advantage of a wide range of educational resources by assisting in the integration of a variety of instructional materials and media formats. Your local Pearson Canada sales representative can provide you with more details on this service program.

Pearson eText

The Pearson eText gives students access to their textbook any time, anywhere. In addition to enabling note taking, highlighting, and bookmarking, the Pearson eText offers interactive and sharing features. Rich media options may include videos, animations, interactive figures, and built-in assessments, all embedded in the text. Instructors can share their comments or highlights, and students can add their own, creating a tight community of learners within the class.

The Pearson eText may include a responsive design for easy viewing on smartphones and tablets. Many of these eTexts now have configurable reading settings, including resizable type and night-reading mode.

MyMarketingLab Resources

MyMarketingLab delivers **proven results** in helping individual students succeed. It provides **engaging experiences** that personalize, stimulate, and measure learning for each student. For the second Canadian edition, MyMarketingLab includes powerful new learning resources, including a new set of online lesson presentations to help students work through and master key business topics, a completely restructured Study Plan

for student self-study, and a wealth of engaging assessment and teaching aids to help students and instructors explore unique learning pathways. MyMarketingLab online resources include:

- **NEW Interactive Lesson Presentations.** Students can now study key chapter topics and work through interactive assessments to test their knowledge and mastery of business concepts. Each presentation allows students to explore through expertly designed steps of reading, practising, and testing to ensure that students not only experience the content, but truly engage with each topic. Instructors also have the ability to assign quizzes, projects, and follow-up discussion questions relating to the online lessons to further develop the valuable learning experiences from the presentations.
- **NEW Study Plan.** MyMarketingLab offers students an engaging and focused self-study experience that is driven by a powerful new Study Plan. Students work through assessments in each chapter to gauge their understanding and target the topics that require additional practice. Along the way, they are recognized for their mastery of each topic and guided toward resources in areas that they might be struggling to understand.
- **NEW Dynamic Study Modules.** These new study modules allow students to work through groups of questions and check their understanding of foundational business topics. As students work through questions, the Dynamic Study Modules assess their knowledge and only show questions that still require practice. Dynamic Study Modules can be completed online using your computer, tablet, or mobile device.
- **Decision-Making Simulations.** Decision-Making Mini-Simulations walk students through key marketing decision-making scenarios to help them understand how marketing decisions are made. Students are asked to make important decisions relating to core marketing concepts. At each point, students receive feedback to help them understand the implications of their choices in the marketing environment. These simulations can now be assigned by instructors and graded directly through MyMarketingLab.
- **NEW Business Today Video Database.** Business Today is a dynamic and expanding database of videos that covers the disciplines of business, marketing, management, and more. In addition to the videos that have been specifically correlated to this text, you will find new videos posted regularly. Check back regularly to see up-to-date video examples that are perfect for classroom use.
- **Writing Assignments.** Each assisted-graded writing assignment is based on a question from the text and provides the perfect framework for instructors to efficiently assign, review, and grade students' written work. Questions are accompanied by a clickable rubric that allows instructors to review written work, provide immediate feedback, and assign a grade quickly and consistently.
- **NEW Learning Catalytics.** Learning Catalytics is a “bring your own device” student engagement, assessment, and classroom intelligence system. It allows instructors to engage students in class with a variety of question types designed to gauge student understanding.
- **Glossary Flashcards.** The Glossary Flashcards provide a targeted review of the Key Terms in each chapter. They allow learners to select the specific terms and chapters that they would like to study. The cards can also be sorted by Key Term or by definition to give students greater flexibility when studying.

- **NEW Canadian Sketch Animation Series.** Explore a NEW animation series that presents key marketing and business concepts from a uniquely Canadian perspective. This interesting and lively series of videos will help your students grasp course concepts that they find difficult.
- **NEW Marketing Metrics Activities.** This unique assignment type allows your students to practise their marketing metrics and analytics skills, improving their understanding of the quantitative aspects of marketing.

Acknowledgments

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We owe many thanks to our families for their constant support and encouragement.

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—Valerie Trifts

”“

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—Lilly Buchwitz

”



Jason Merritt/Getty Images

AFTER STUDYING THIS CHAPTER, YOU SHOULD BE ABLE TO

- 1 define marketing and outline the steps in the marketing process
- 2 explain the importance of understanding customers and the marketplace, and identify the five core marketplace concepts
- 3 identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy
- 4 discuss customer relationship management and identify strategies for creating value *for* customers and capturing value *from* customers in return
- 5 describe the major trends and forces that are changing the marketing landscape in this age of relationships

Marketing: Creating and Capturing Customer Value

PREVIEWING THE CONCEPTS

This chapter introduces you to the basic concepts of marketing. We start with the question, *What is marketing?* Simply put, marketing is managing profitable customer relationships. The aim of marketing is to create value *for* customers and to capture value *from* customers in return. Next, we discuss the five steps in the marketing process—from understanding customer needs to designing customer-driven marketing strategies and integrated marketing programs, to building customer relationships and capturing value for the firm. Finally, we discuss the major trends and forces affecting marketing in this age of customer relationships. Understanding these basic concepts and forming your own ideas about what they really mean to you will give you a solid foundation for all that follows.

Let's start with a good story about marketing in action at Loblaw, whose clothing line, Joe Fresh, has become one of Canada's most successful apparel brands. The secret to Joe Fresh's success? It's really no secret at all: Creating customer value through its "Fresh style. Fresh price" philosophy is what keeps customers coming back. You'll see this theme of creating customer value to capture value in return repeated throughout this chapter and throughout the text.

LOBLAW'S DEVELOPMENT OF JOE FRESH: HOW "FRESH" IS CREATING VALUE FOR ITS CUSTOMERS

In the ever-changing and highly competitive fashion industry, Canadian brand Joe Fresh stands out as one of the best success stories in Canadian retail. How has it done that? By providing customers with fresh and affordable fashion in a retail setting where they shop every week—the grocery store!

As the largest food distributor and leading provider of general merchandise, drugstore, and financial products and services in Canada, Loblaw Companies operates more than 1050 stores under 22 different banners, including Superstore, Loblaw, Provigo, and Save Easy, to name a few. More than 14 million Canadians shop at a Loblaw store every week.

In an effort to compete with large U.S.-based retailers such as Walmart and Target, Loblaw began an aggressive expansion strategy to better satisfy the needs of its customers. In 2012, Loblaw spent approximately \$40 million on customer-friendly initiatives such as pricing, store execution, and customer service in order to set itself apart from rivals like Sobeys and Walmart. And its strategy appears to be paying off, both financially and in

terms of customer satisfaction. Corporate revenues in the first quarter of 2013 topped \$7.2 billion, an increase of over 3.8 percent from the first quarter of 2012, and marketing research polls continue to show significant gains in in-store customer satisfaction for the company. In July 2013, Loblaw also announced what may be one of the largest mergers in Canadian retail history: a \$12.4 billion deal to take over Canada's biggest drugstore chain, Shoppers Drug Mart. By 2015, Loblaw had grown to become one of Canada's largest private-sector employers, with approximately 192 000 full- and part-time employees; its second-quarter revenue had reached \$10.5 billion.

Since the introduction of The Decadent Chocolate Chip Cookie, Loblaw has continued to provide the Canadian marketplace with a number of brands, such as PC GREEN, PC Organics, and PC Blue Menu. In fact, three of Canada's top brands include Loblaw's Life Brand, no name, and President's Choice brands. But perhaps the company's most successful (and, some would argue, surprising) brand creation is Joe Fresh, which helps set the shopping experience apart from other grocery stores and has grown to become the largest apparel brand in Canada in terms of both units sold and dollars.

Joe Fresh was launched in 2006, when Loblaw hired designer Joe Mimran (the designer of the Alfred Sung and Club Monaco labels) to create an affordable brand to be sold in the Canadian grocery stores. His involvement in the project, as well as the company's decision to hold its own fashion shows twice yearly, gave instant credibility to the Joe Fresh brand and led to rapid success in a very short time frame. In its first year alone, Joe Fresh was launched in over 100 retail locations in Canada, and by its third year it had grown to over 330 stores. After the hugely successful launch of the women's clothing line, Joe Fresh expanded to children's wear. "Kids and food shopping really go hand-in-hand," Mimran says, and "there is no better place for the mom to shop for kids' apparel than in the food store." The brand has further expanded to include menswear and a line of cosmetics.

In 2010, Joe Fresh launched its first stand-alone store in downtown Vancouver, targeting the younger fashionista market. Like everything else about the Joe Fresh brand, the stand-alone store concept was an instant success, and the company now operates 16 such stores in Canada. But Joe Fresh set its sights on an even more aggressive expansion strategy: entry into the highly competitive U.S. marketplace. Five years after the initial launch in Canada, the Joe Fresh brand was poised to take the United States by storm. It opened its first U.S.-based stand-alone store in March 2012 on Fifth Avenue in New York City. It was the brand's biggest store, with the largest assortment of merchandise, and it made the Joe Fresh brand visible to the entire world. It even prompted New York's then-mayor Michael Bloomberg to remark that it was "the greatest Canadian export since Justin Bieber." Since then, Joe Fresh has opened five other U.S.-based stand-alone stores and currently sells its merchandise in over 650 JCPenney stores across the United States. It appears that this brand truly resonates with consumers.

But what is it that makes Joe Fresh so successful? Although price is a key differentiator, what really makes the brand work is that it's highly accessible, and its styles are constantly changing to meet the demands of consumers. In fact, new product arrives at the stores every four weeks to maintain the brand's relevancy in the fickle fashion market. The company realized quickly that customers were in the store on a weekly basis, so the assortment had to constantly change to stay "fresh."

However, the company did face an initial challenge of selling clothing in a grocery store, as customers had to adapt their buying habits. "We quickly realized we couldn't merchandise like a grocery store," said Craig Hutchinson, senior vice-president of marketing and

public relations (PR). Joe Fresh's success as a major fashion brand came about largely as a result of extensive PR efforts, with over 1 billion PR hits in the brand's first five years.

Joe Fresh maintains a consistent style and image in all its promotional materials and ties its brand to its original music. The 2013 spring collection premiered at Toronto's Fashion Week. "It's the ultimate compliment when people want to come and see what we're up to," said Joe Mimran. "It's not something you would normally expect from a brand that trades at these price points and that trades the way we do—in supermarkets." And, as he went on to explain, "We tend to be a brand that filters the trends and offers it to consumers. We distill it more and are a little more realistic about our customer base." In essence, Joe Fresh has succeeded by providing customers with value—perceived customer value based on providing affordable high fashion that is accessible and constantly changing to meet customers' lifestyles.

Despite the departure of founder Joe Mimran in early 2015, the future of the Joe Fresh brand looks bright. For example, Aldo Group, one of Canada's largest shoe retailers, has signed a deal to design a shoe line exclusively for Joe Fresh. And at Toronto's 2015 Fashion Week, Joe Fresh announced that it was investing in Canada's fashion future by donating \$1 million to Ryerson University's Fashion Zone in order to create Canada's first fashion innovation centre. Finally, Loblaw's continued commitment to the Save the Children Bangladesh and the Centre for Rehabilitation of the Paralysed after the 2013 factory collapse in Bangladesh certainly extends the creation and capturing of customer value well beyond merely making a great product.¹

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

Customer relationships and value have become especially important. Facing dramatic technological advances and deep economic, social, and environmental challenges, today's customers are relating digitally with companies and each other, spending more carefully, and reassessing their relationships with brands. Digital, mobile, and social media developments have revolutionized how consumers shop and interact, in turn calling for new marketing strategies and tactics. In these fast-changing times, it's more important than ever to build strong customer relationships based on real and enduring customer value.

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

What Is Marketing? LO1

 [Simulate on MyMarketingLab](#)

What is Marketing?

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

For example, McDonald's fulfills its "i'm lovin' it" motto by being "our customers' favourite place and way to eat" the world over, giving it nearly as much market share as its nearest four competitors combined. Walmart has become the world's largest retailer—and the world's second-largest company—by delivering on its promise, "Save Money. Live Better." Facebook has attracted more than a billion active web and mobile users worldwide