

grewal, levy marketing

SEVENTH EDITION

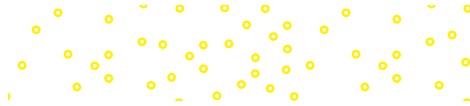




mar·ket·ing

Marketing is the activity, set of institutions, and processes
for creating, *capturing*, communicating, delivering, and
exchanging offerings that have value for customers, clients,
partners, and society at large.

*The definition of marketing, established by the American Marketing Association,
October 2007. Word in italics was added by authors.*



Marketing

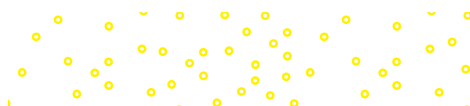
Seventh Edition

Dhruv Grewal, PhD

Babson College

Michael Levy, PhD

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MARKETING, SEVENTH EDITION

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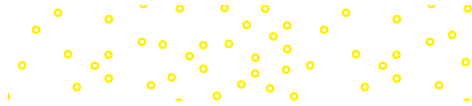
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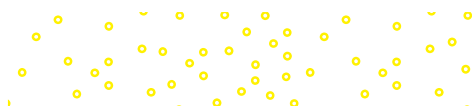


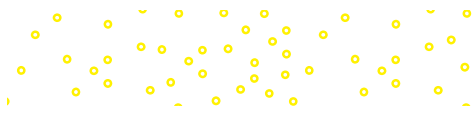
To our families for their never-ending support.
To my wife, Diana, my daughter, Lauren, my son-in-law, Chet, and my son, Alex.

—**Dhruv Grewal**

To my wife, Marcia, my daughter, Eva, and my son-in-law, Alex.

—**Michael Levy**





about the authors



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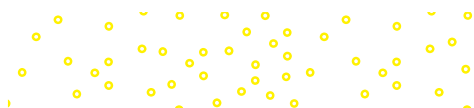
Dhruv Grewal (PhD, Virginia Tech) is the Toyota Chair in Commerce and Electronic Business and a professor of marketing at Babson College. His research and teaching interests focus on direct marketing and e-commerce, marketing research, the broad areas of value-based marketing strategies, services and retailing, and pricing. He is listed in Thomson Reuters' 2014 World's Most Influential Scientific Minds list (only 8 from the marketing field and 95 from economics and business are listed). He is an Honorary Distinguished Visiting Professor of Retailing and Marketing, Center for Retailing, Stockholm School of Economics; an Honorary Distinguished Visiting Professor of Retailing and Marketing, Tecnológico de Monterrey; a GSBE Extramural Fellow, Maastricht University; a Global Chair in Marketing at University of Bath; and has been a Visiting Scholar at Dartmouth. He has also served as a faculty member at the University of Miami, where he was a department chair.

Professor Grewal was ranked first in the marketing field in terms of publications in the top-six marketing journals during the 1991–1998 period and again for the 2000–2007 period, and ranked eighth in terms of publications in *Journal of Marketing* and *Journal of Marketing Research* during the 2009–2013 period. He was also ranked first in terms of publications and third in citations for pricing research for the time period 1980–2010 in 20 marketing and business publications. He has published over 150 articles in *Journal of Marketing*, *Journal of Consumer Research*, *Journal of Marketing Research*, *Journal of Retailing*, *Journal of Consumer Psychology*, *Journal of Applied Psychology*, and *Journal of the Academy of Marketing Science*, as well as many other journals. He has over 45,000 citations based on Google Scholar. He currently serves on numerous editorial review boards, such as *Journal of Marketing* (area editor), *Journal of the Academy of Marketing Science* (area editor), *Journal of Marketing Research*, *Academy of Marketing Science Review*, *Journal of Interactive Marketing*, *Journal of Business Research*, *Journal of Public Policy & Marketing*, and the advisory board for *Journal of Retailing*. He has also served on the boards of *Journal of Consumer Psychology* and *Journal of World Business*. He also received Best Reviewer Awards (*Journal of Retailing*, 2008, *Journal of Marketing*, 2014), Outstanding Area Editor (*Journal of Marketing*, 2017, *Journal of the Academy of Marketing Science*, 2016), and a Distinguished Service Award (*Journal of Retailing*, 2009).

Professor Grewal was awarded the 2017 Robert B. Clarke Outstanding Educator Award (Marketing Edge, formerly DMEF),

2013 university-wide Distinguished Graduate Alumnus from his alma mater Virginia Tech, the 2012 Lifetime Achievement Award in Pricing (American Marketing Association Retailing & Pricing SIG), the 2010 Lifetime Achievement Award in Retailing (American Marketing Association Retailing SIG), the 2005 Lifetime Achievement in Behavioral Pricing Award (Fordham University, November 2005), and the Academy of Marketing Science Cutco/Vector Distinguished Educator Award in May 2010. He is a Distinguished Fellow of the Academy of Marketing Science. He has served as VP Research and Conferences, American Marketing Association Academic Council (1999–2001) and as VP Development for the Academy of Marketing Science (2000–2002). He was coeditor of *Journal of Retailing* (2001–2007).

He has won a number of awards for his research: 2018 William R. Davidson *Journal of Retailing* Best Paper Award (for paper published in 2016); 2017 *Journal of Interactive Marketing* Best Paper Award (for paper published in 2016); 2016 *Journal of Marketing* Sheth Award; 2016 William R. Davidson *Journal of Retailing* Best Paper Award (for paper published in 2014); 2015 Louis W. Stern Award (American Marketing Association Interorganizational SIG); Babson College Faculty Scholarship Award (2015); William R. Davidson *Journal of Retailing* Best Paper Award 2012 (for paper published in 2010); 2011 Best Paper Award (La Londe Conference for Marketing Communications and Consumer Behavior); 2011 Louis W. Stern Award (American Marketing Association Interorganizational SIG); William R. Davidson *Journal of Retailing* Honorable Mention Award 2011 (for paper published in 2009); Babson College Faculty Scholarship Award (2010); William R. Davidson *Journal of Retailing* Best Paper Award 2010 (for paper published in 2008); William R. Davidson *Journal of Retailing* Honorable Mention Award 2010 (for paper published in 2008); 2017 Best Paper Award, Connecting for Good Track, Winter AMA Conference; Stanley C. Hollander Best Retailing Paper, Academy of Marketing Science Conference 2002, 2008, and 2016; M. Wayne DeLozier Best Conference Paper, Academy of Marketing Science 2002 and 2008; Best Paper, CB Track, Winter AMA 2009; Best Paper, Technology & e-Business Track, AMA Summer 2007; Best Paper Award, Pricing Track, Best Services Paper Award (2002), from the American Marketing Association Services SIG presented at the Service Frontier Conference, October 2003; Winter American Marketing Association Conference 2001; Best Paper Award, Technology Track, Summer American Marketing Association Educators' Conference 2000; and University of Miami School of Business Research Excellence Award for 1991, 1995, 1996, and 1998. He has also been a finalist for the 2014 *Journal of Marketing* Harold H. Maynard Award, the 2012 Paul D. Converse Award, and the 2005 Best Services Paper Award from the Services SIG.



Professor Grewal has coedited a number of special issues including *Journal of Public Policy & Marketing* "Pricing & Public Policy" (Spring 1999); *Journal of the Academy of Marketing Science*, "Serving Customers and Consumers Effectively in the 21st Century: Emerging Issues and Solutions" (Winter 2000); *Journal of Retailing*, "Creating and Delivering Value through Supply-Chain Management" (2000); *Journal of Retailing*, "Branding and Customer Loyalty" (2004); *Journal of Retailing*, "Service Excellence" (2007); *Journal of Retailing*, "Customer Experience Management" (2009); and *Journal of Retailing*, "Pricing in a Global Arena" (2012).

He cochaired the 1993 Academy of Marketing Science Conference; the 1998 Winter American Marketing Association Conference "Reflections & Future Directions for Marketing"; Marketing Science Institute Conference (December 1998) "Serving Customers and Consumers Effectively in the 21st Century: Emerging Issues and Solutions"; the 2001 AMA doctoral consortium; the American Marketing Association 2006 Summer Educator's Conference; the 2008 Customer Experience Management Conference; the 2010 Pricing Conference; the 2011 DMEF research summit; the 2012 AMA/ACRA First Triennial Retailing Conference; the 2013 Pricing & Retailing Conferences; the 2014 Shopper Marketing conference at SSE; and the 2015 AMA/ACRA Second Triennial Retailing Conference.

Professor Grewal has also coauthored *Marketing* (publisher McGraw-Hill, 1e 2008; 2e 2010—Awarded Revision of the Year, McGraw-Hill Corporate Achievement Award with Connect-Marketing in the category of Content and Analytical Excellence; 3e 2012; 4e 2014; 5e 2016; 6e 2018); *M Series: Marketing* (publisher McGraw-Hill, 1e 2009, 2e 2011, 3e 2013, 4e 2015, 5e 2017, 6e 2019); *Retailing Management* (publisher McGraw-Hill, 9e 2014, 10e 2018—is the leading textbook in the field); and *Marketing Research* (publisher Houghton Mifflin Co., 1e 2004, 2e 2007). He was ranked #86 for Books in Business and Investing by Amazon in 2013.

Professor Grewal has won many awards for his teaching: 2005 Sherwin-Williams Distinguished Teaching Award, Society for Marketing Advances; 2003 American Marketing Association, Award for Innovative Excellence in Marketing Education; 1999 Academy of Marketing Science Great Teachers in Marketing Award; Executive MBA Teaching Excellence Award (1998); School of Business Teaching Excellence Awards (1993, 1999); and Virginia Tech Certificate of Recognition for Outstanding Teaching (1989).

He has taught executive seminars/courses and/or worked on research projects with numerous firms such as Dell, ExxonMobil, IRI, RadioShack, Telcordia, Khimetrics Profit-Logic, McKinsey, Ericsson, Motorola, Nextel, FP&L, Lucent, Sabre, Goodyear Tire & Rubber Company, Sherwin-Williams, and Asahi. He has delivered seminars in the United States, Europe, Latin America, and Asia. He has served as an expert witness or worked as a consultant on numerous legal cases. He serves on the Board of Directors of Babson Global, and on the Board of Trustees of Marketing Edge.



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Michael Levy

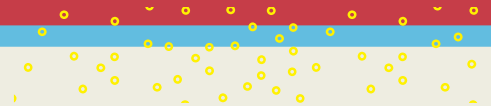
Michael Levy, PhD (Ohio State University), is the Charles Clarke Reynolds Professor of Marketing Emeritus at Babson College and CEO of RetailProf LLC. He received his PhD in business administration from The Ohio State University and his undergraduate and MS degrees in business administration from the University of Colorado at

Boulder. He taught at Southern Methodist University before joining the faculty as professor and chair of the marketing department at the University of Miami.

Professor Levy received the inaugural ACRA Academic Lifetime Achievement Award presented at the 2015 AMA/ACRA (American Marketing Association/American Collegiate Retailing Association) Triennial Conference; and was recognized for 25 years of dedicated service to the editorial review board of the *Journal of Retailing* in 2011. He won the McGraw-Hill Corporate Achievement Award for Grewal-Levy *Marketing 2e* with Connect in the category of excellence in content and analytics (2010); Revision of the Year for *Marketing 2e* (Grewal-Levy) from McGraw-Hill/Irwin (2010); the 2009 Lifetime Achievement Award, American Marketing Association, Retailing Special Interest Group (SIG); the Babson Faculty Scholarship Award (2009); and the Distinguished Service Award, *Journal of Retailing* (2009) (at winter AMA).

He was rated as one of the best researchers in marketing in a survey published in *Marketing Educator* (Summer 1997). He has developed a strong stream of research in retailing, business logistics, financial retailing strategy, pricing, and sales management. He has published over 50 articles in leading marketing and logistics journals, including the *Journal of Retailing*, *Journal of Marketing*, *Journal of the Academy of Marketing Science*, and *Journal of Marketing Research*. He has served on the editorial review boards of the *Journal of Retailing*, *Journal of the Academy of Marketing Science*, *International Journal of Physical Distribution and Materials Management*, *International Journal of Business Logistics*, *ECR Journal*, and *European Business Review*, and has been on the editorial advisory boards of *European Retail Research* and *the European Business Review*. He is coauthor of *Retailing Management*, 10e (2019), the best-selling college-level retailing text in the world. Professor Levy was coeditor of the *Journal of Retailing* from 2001 to 2007. He cochaired the 1993 Academy of Marketing Science conference and the 2006 summer AMA conference.

Professor Levy has worked in retailing and related disciplines throughout his professional life. Prior to his academic career, he worked for several retailers and a housewares distributor in Colorado. He has performed research projects with many retailers and retail technology firms, including Accenture, Federated Department Stores, Khimetrics (SAP), Mervyn's, Neiman Marcus, ProfitLogic (Oracle), Zale Corporation, and numerous law firms.



New to the Seventh Edition

Some exciting new additions to the Seventh Edition!

The seventh edition of *Marketing* sees significant changes. As always, every example, fact, and key term has been checked, updated, and/or replaced. What follows are major changes in the text, chapter-by-chapter.

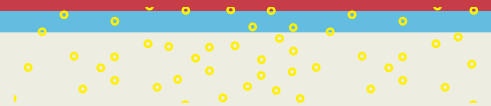
Chapter 1: Overview of Marketing starts with a discussion of how different brands are marketing meal replacement bars, such as protein, whole food, and snack bars, to emphasize the text's cover—how marketing adds value to the meal replacement bar market. Examples using these bars are placed throughout the chapter. There are three new Adding Value boxes: the product line extension of Baby Dove, kids recycling and selling products on e-commerce platforms, and Amazon's new cashless stores. A new Ethical & Societal Dilemma box discusses gender inequality in the coffee market. At the end of the chapter is a new section that sets up the rationale for each of the special boxes included in the text. Finally, we conclude with a new case study highlighting KIND Bars' marketing strategy, a nice tie-back to the opener and the cover concept.

Chapter 2: Developing Marketing Strategies and a Marketing Plan begins with a discussion of PepsiCo's Frito-Lay snack brand, and this product line is used in examples throughout the chapter. We also introduce a new Adding Value box highlighting Sally Beauty's updated loyalty program.

Chapter 3: Digital Marketing: Online, Social, and Mobile has seen a line-by-line revision to reflect the rapid changes in digital marketing. We have added a new section that discusses the 7C framework for online marketing: core goals, context elements (design and navigation), content, community, communication, commerce, and connection. The chapter starts by highlighting the success that L'Oréal has experienced with its innovative digital marketing efforts. There are two new Ethical & Societal Dilemma boxes: Facebook's emphasis on personal posts over public content, and how Google and YouTube are helping advertisers avoid controversy. A new Adding Value box on Amazon's marketing universe appears. There is also a new Social & Mobile Marketing box that discusses P&G's responsibility in the "Tide Pod Challenge."

Chapter 4: Conscious Marketing, Corporate Social Responsibility, and Ethics begins by highlighting how sustainability is at the core of Unilever's development of its Love Beauty and Planet line. We showcase how firms must consider pertinent issues when implementing their marketing strategy using TOMS shoes. There are two new Adding Value boxes, one about a philanthropic partnership between Elbi and David Yurman, and another about Patagonia's challenge to keep conscious marketing a guiding principle in the face of growing its business. A new Ethical & Societal Dilemma box describes how Google has banned the advertising of financial products that may do more harm than good. We end the chapter with a new case study on Daily Table, a nonprofit, membership-based grocery store that serves lower-income areas.

Chapter 5: Analyzing the Marketing Environment has gone through a major revision. There is an entirely new section that describes how the physical environment of the store affects the immediate marketing environment. The Social Trends section includes new subsections about sustainability and the utilization and distribution of food. There is also a new section on technological advances and how they influence the marketing environment. The chapter begins with a discussion of how Tesla is responding to customer needs by introducing the Model 3, its first affordable electric car. A new example using Verizon and Sprint shows how competitors affect the marketing environment. There are two new Ethical & Societal Dilemma boxes: The first examines how the electric car is leading to shifts in the auto industry. The second discusses the backlash General Mills faced when it introduced its all-natural Trix cereal. A new Social & Mobile Marketing box describes Pokémon Go. We also include a new example highlighting how women might be the next big market for the gaming industry. A new example examines the response of many companies to the United States



leaving the Paris Accord, and highlights how companies are responding to the environment. Finally, the chapter ends with a new case study on the rise of the electric car.

Chapter 6: Consumer Behavior has also undergone a significant revision. The Noncompensatory section now discusses choice architecture, nudges, defaults, and opt out and opt in. The Learning and Memory section now discusses the information encoding stage, information storage stage, and retrieval stage. The Situational Factors section now includes information on the sensory situation, which discusses how the five senses (visual, auditory, olfactory, tactile, and taste) affect marketing. The opener ties in the openers for Chapters 3 and 4 to discuss how consumer behavior influenced L'Oréal's new vegan hair dyes. There are two new Ethical & Societal Dilemma boxes: The first is on CVS' focus on customer health, while the second is about how "certified" may not mean safe. There are also three new Adding Value boxes: The first is about Pirsch's functional showrooms. The second focuses on how La Croix has entered customers' evoked set using social media, and the third highlights how brands are meeting customer demands for healthy snacks with salty alternatives. Finally, the fourth is about Taco Bell's vile deep-fried taco that everyone seems to love. There is also a new Social & Mobile Marketing box about the partnership between Snapchat and Rent the Runway. The chapter ends with a new case study on Amazon's, Google's, and Apple's connected home devices.

Chapter 7: Business-to-Business Marketing starts with an interesting discussion on LinkedIn and its new "native video" feature. A new Marketing Analytics box about the artificial intelligence chip being manufactured by Intel with Facebook's help is included. A new Ethical & Societal Dilemma box concerns whether Facebook should be able to block competing advertisers. There is also a new Adding Value box about how Intel is prompting problem recognition with a new advertising campaign featuring Lady Gaga. Finally, a new Social & Mobile Marketing box examines Snapchat's use of advertising.

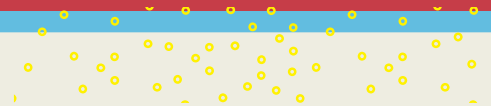
Chapter 8: Global Marketing has a new opener highlighting Apple's global strategy. There is a new Social & Mobile Marketing box about how a social media campaign helped save Nigeria's national currency. There are two new Adding Value boxes: The first explains why Whirlpool is raising prices in foreign markets, while the second describes Starbucks' foray into Italy. There are also two new Ethical & Societal Dilemma boxes. The first examines how fast-food chains are entering no-beef markets, while the second examines how advertising and privacy regulations are causing concern for Google in France. A new example featuring Uber and Spotify is used to highlight strategic alliances.

Chapter 9: Segmentation, Targeting, and Positioning opens with how lululemon is targeting male customers. There are two new Adding Value boxes: The first highlights how Nintendo is targeting a more mature market with its Nintendo Switch, while the second examines Under Armour's advertising campaign for extreme runners. There is a new Social & Mobile Marketing box about how teens love to share on social media. A new Ethical & Societal Dilemma box examines how Sanderson Farms targets a market that doesn't mind antibiotics in its poultry. A new example uses the NFL to highlight how brands can use differentiated targeting strategies. A P&G example is used to showcase micromarketing.

Chapter 10: Marketing Research begins with a discussion of how American Express uses analytics to better serve customers and businesses. There are two new Adding Value boxes: The first examines the use of data analytics in the restaurant industry, while the second is about how universities are using research to determine what students want to see in their fitness centers. There are also two new Marketing Analytics boxes: The first highlights Under Armour's "connected fitness" program, while the second discusses how big data are used to predict box office revenues. Finally, a new Ethical & Societal Dilemma box discusses the ethical concerns of Roomba's collecting personal data.

Chapter 11: Product, Branding, and Packaging Decisions begins with a new opener on Aston Martin's branding strategy. There is also a new Adding Value box about how B&G Foods is bringing back the Jolly Green Giant mascot. New examples include how Häagen-Dazs ice cream has increased its product depth and P&G's use of sustainable packaging.

Chapter 12: Developing New Products begins with a discussion of GE's FirstBuild independent innovation arm. A new Adding Value box discusses Mars' Goodness Knows brand's marketing campaign, which films people trying to do something new. There is also a new Ethical & Societal Dilemma box on privacy concerns surrounding smart toys. The shape of



the product life cycle is highlighted with a new example featuring Microsoft's Xbox Kinect. The chapter ends with a new case study on how Mattel is reinventing itself.

Chapter 13: Services: The Intangible Product includes an opening vignette that describes how Lyft is innovating the ride-sharing industry by partnering with Taco Bell for its new "Taco Mode." Three new Adding Value boxes appear: The first discusses how a start-up company, Cabin, is delivering a service innovation with its hotels on wheels, the second outlines how virtual reality is enabling travelers to virtually test drive their next vacation; and the third examines how luxury resorts are teaming up with auto manufacturers. A new Social & Mobile Marketing box looks at customer responses to Starbucks' mobile app—while efficient, some customers prefer the old days when baristas wrote misspelled names on the cups, followed by a smiley face. A new example showcases the tech company Motley Fool's peer-to-peer employee recognition system. A new section is outlined in Exhibit 13.6 that discusses the various ways in which technology is augmenting the human effort. A new case study examining artificial intelligence in customer service closes the chapter.

Chapter 14: Pricing Concepts for Capturing Value describes new pricing strategies at Kroger in the opening vignette, including the pricing of its different private brands, digital pricing shelf tags, the use of dynamic pricing, and in-store mobile applications. An Adding Value box examines the trade-off that Taco Bell customers apparently do not make with regard to trading off price and value. How dynamic pricing is used to price tickets for Major League Baseball is examined in a new Marketing Analytics box.

Chapter 15: Strategic Pricing Methods and Tactics opens with an examination of Tiffany & Co.'s unsuccessful product line expansion. A new Adding Value box describes the price drop at Whole Foods following its acquisition by Amazon. The chapter also includes new examples featuring UberXL and Apple.

Chapter 16: Supply Chain and Channel Management opens with a new vignette highlighting Nike's supply chain. There is a new Adding Value box about how grocers are developing their own dairy farms, forming a vertically integrated marketing channel. There are two new Ethical & Societal Dilemma boxes: The first examines the pros and cons associated with driverless trucking, while the second discusses how technology advances adversely affect retail workers. The importance of supply chain management is highlighted in a new example about Brown Betty Dessert Boutique.

Chapter 17: Retailing and Omnichannel Marketing begins with a discussion of the implications of Amazon's acquisition of Whole Foods. The 4Ps of retailing have been expanded to the 6Ps with the addition of *presentation* and *personnel*. Target's private-label expansion is examined in a new Adding Value box. A Social & Mobile Marketing box examines Sephora's clever and risqué tactics. The chapter ends with a new case study about how Ashley Stewart, a once-struggling apparel brand catering to African American women, became the largest plus-size retailer in the United States.

Chapter 18: Integrated Marketing Communications opens with a description of how Toyota is creating ads to spice up the Camry's image and appeal to different demographic groups. There is a new Social & Mobile Marketing box on how BuzzFeed's Tasty, the division responsible for producing the site's vastly popular and widely viewed videos, is revolutionizing marketing. A new Adding Value box appears highlighting how Eggo has leveraged its role in the TV show *Stranger Things*.

Chapter 19: Advertising, Public Relations, and Sales Promotions starts with examinations of Volkswagen's nostalgic campaign. Exhibit 19.2 showcases new examples of emotional appeals in advertising. There are two new Ethical & Societal Dilemma boxes. The first examines some old advertising campaigns that would shock today's viewers, like the one that attempts to get mothers to give chewing gum to their toddlers. The second describes how Volkswagen is trying to put its emissions standards scandal behind it with its new "Think New" advertising campaign. A new example compares the advertising campaigns of the new Hyundai Kona and the Subaru Outback. The Mastercard end-of-chapter case study has been updated to include its most recent "Start Something Priceless" campaign.

Chapter 20: Personal Selling and Sales Management includes a new Marketing Analytics box on how technology and data are changing sales management. A new Adding Value box describes how Tupperware is empowering Indonesian women.

a letter from the authors

We are pleased to welcome you to the seventh edition of *Marketing*! Since the first edition, we have been committed to emphasizing a basic, yet essential, theme: **Marketing adds value**. This theme comes through not only in our instructional features but also in our covers. With each edition's cover, we have featured a product that, because of marketing, has become more valuable in the eyes of consumers than it might have otherwise become. Last edition we featured chocolate; in previous editions we featured coffee, water, and jeans. For this seventh edition, we feature energy bars. These are all familiar products that started out as commodities but became high-value branded products because of marketing.

How We Show That Marketing Adds Value

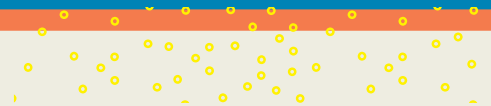
As with previous editions of *Marketing*, we continue to emphasize how marketing has evolved into its present-day, integral business function of creating value. We also focus on how firms maintain value and rely on value for establishing lasting relationships with their customers.

To keep students engaged with this theme, we offer the following features:

- **Adding Value**—illustrate how companies add value not only in providing products and services but also in making contributions to society.
- **Ethical & Societal Dilemmas**—emphasize the role of marketing in society.
- **Marketing Analytics**—feature companies that rely on sophisticated data analytics to define and refine their approaches to their customers and their markets.
- **Marketing Digitally**—illustrate how marketers successfully use digital media in their marketing campaigns and efforts.
- **Social & Mobile Marketing**—discuss how social media are used in marketing products.

How We Teach the Basics of Marketing

We understand that for students to appreciate discussions of how marketing adds value, they must first develop a basic understanding of key marketing principles and core concepts. In this effort, we believe students learn best when they see how a subject relates to them. Throughout this edition and all those prior, we provide numerous examples of how students engage in marketing activities every day of their lives—either as consumers or sellers of a product or service. In addition to providing the traditional study and reinforcement tools of most principles of marketing products, we also offer ways to help students think critically about and apply core concepts:



Chapter-Opening Vignettes focus on some of the marketplace challenges faced by such well-known companies as KIND and Kashi bars, L'Oréal, Kroger, PepsiCo, and others.

Marketing Applications encourage students to apply what they have learned to marketing scenarios that are relevant to their lives.

End-of-Chapter Cases help students develop analytical, critical-thinking, and technology skills.

Progress Checks throughout each chapter give students the opportunity to stop and consider whether their understanding of key concepts is progressing as it should.

Auto-Graded Application Exercises in Connect (such as video cases, case analyses, and click and drags) challenge students to apply marketing concepts to real-life marketing scenarios, which fosters their critical-thinking skills in lecture and beyond.

Why We Believe in the Value of Marketing

Beyond teaching a principles of marketing course and developing a product to be taught, we also want to impress upon our students why **marketing in and of itself is valuable**. Marketing creates enduring and mutually valuable relationships between companies and their consumers. Marketing identifies what customers value at the local level in order to make it possible for firms to expand at the global level. Without marketing, it would be difficult for any of us to learn about new products and services. In fact, an understanding of marketing can help students find jobs after they finish school. If we can inspire this understanding of the value of marketing in our students, then we will have succeeded in demonstrating how **marketing adds value . . .** to their education, their careers, and their lives.

Dhruv Grewal,
Babson College

Michael Levy,
Babson College

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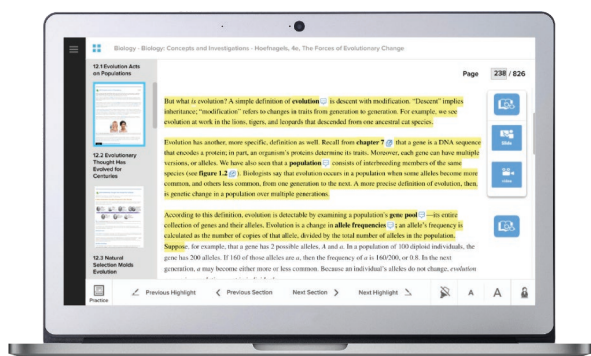
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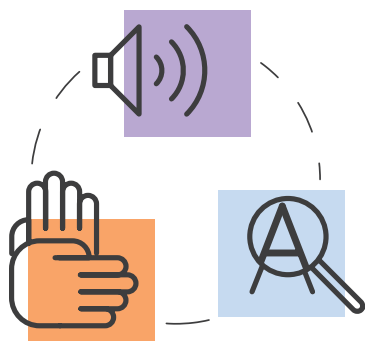
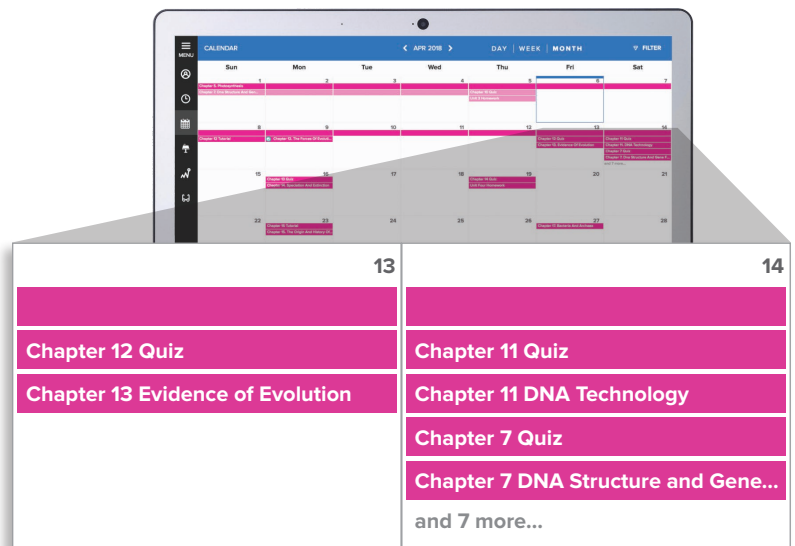
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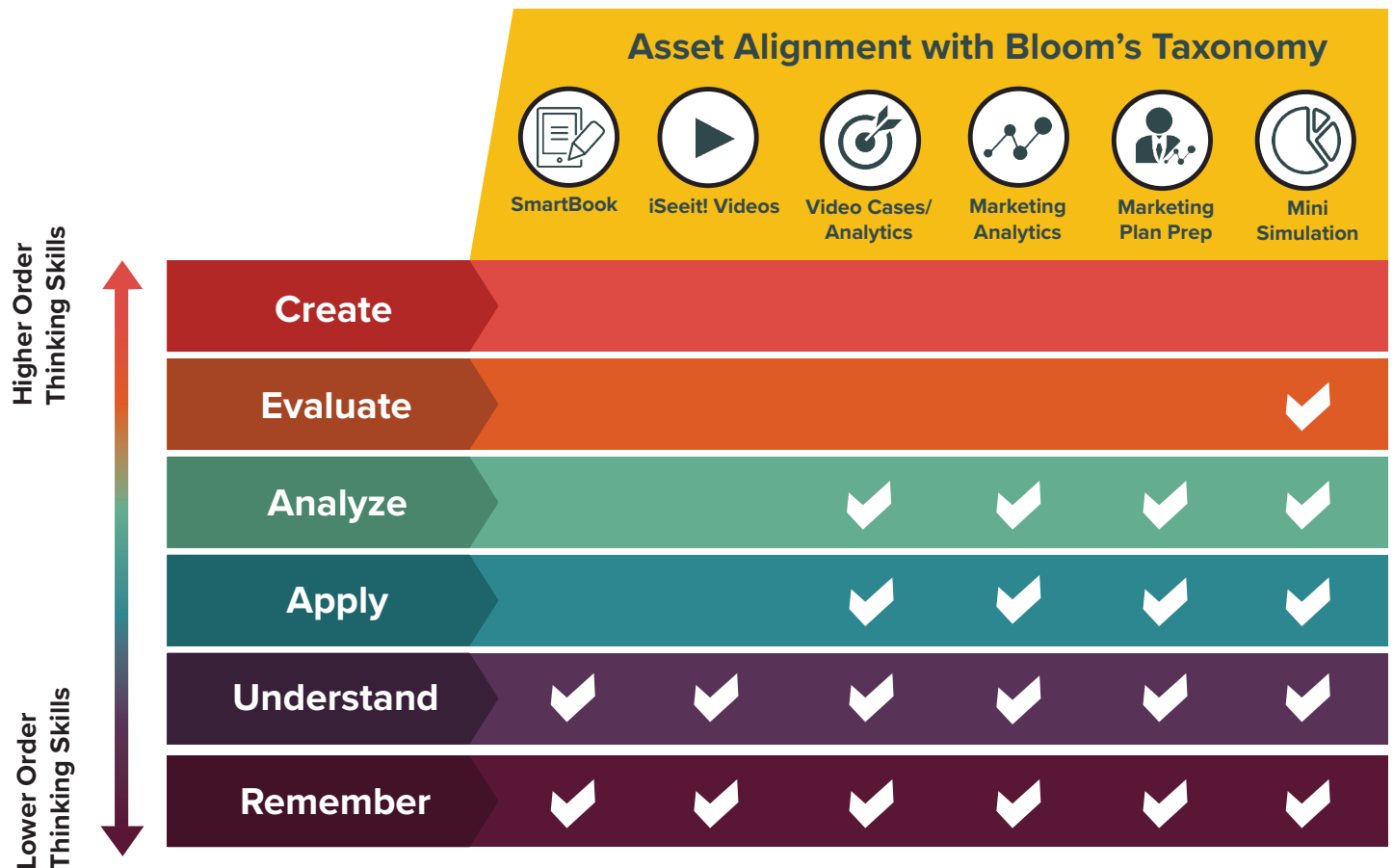
Asset Alignment with Bloom's Taxonomy

Principles of Marketing

We Take Students Higher

As a learning science company we create content that supports higher order thinking skills. Interactive learning tools within *McGraw-Hill Connect* are tagged accordingly, so you can filter, search, assign, and receive reports on your students' level of learning. The result—increased pedagogical insights and learning process efficiency that facilitate a stronger connection between the course material and the student.

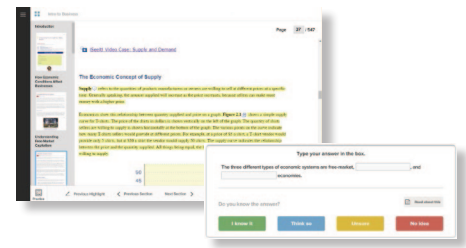
The chart below shows a few of the key assignable marketing assets with *McGraw-Hill Connect* aligned with Bloom's Taxonomy. Take your students higher by assigning a variety of applications, moving them from simple memorization to concept application.



SmartBook



- Adaptively aids students to study more efficiently by highlighting where in the chapter to focus, asking review questions and pointing them to resources until they understand.



iSeeit! Videos



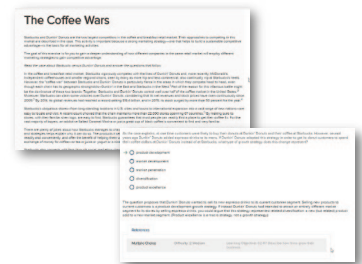
- Short, contemporary videos provide engaging, animated introductions to key course concepts. Available at the chapter level. Perfect for launching lectures and assigning pre- or post-lecture.



Video Cases & Case Analyses



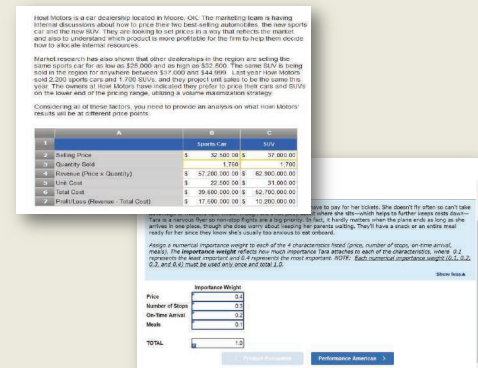
- Mini-cases and scenarios of real-world firms accompanied by questions that help students analyze and apply marketing theory and other core concepts.



Marketing Analytics



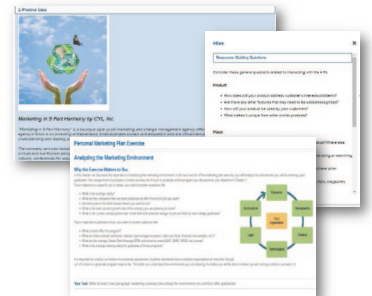
- These newest auto-graded, data analytics activities challenge students to make decisions using metrics commonly seen across Marketing professions. The goal of this activity is to give students practice analyzing and using marketing data to make decisions.



Marketing Plan Prep



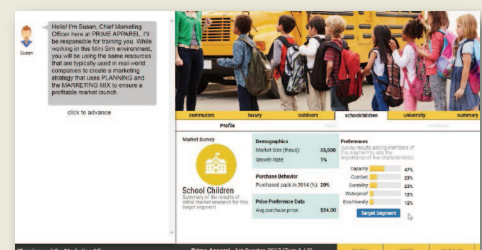
- These exercises use guided activities and examples to help students understand and differentiate the various elements of a marketing plan.



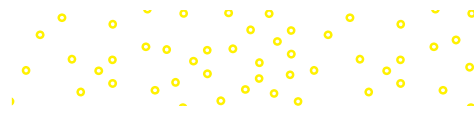
Mini Simulation



- Marketing Mini Sims help students apply and understand the interconnections of elements in the marketing mix by having them take on the role of Marketing Manager for a backpack manufacturing company.
- Mini Sims can be assigned by topic or in its entirety.



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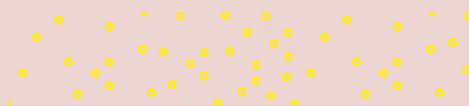
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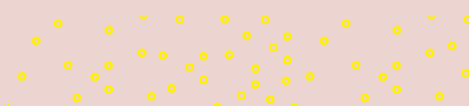
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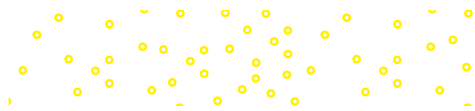
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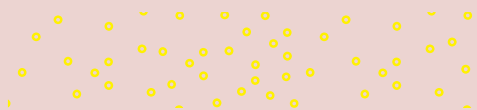
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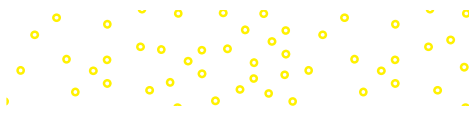
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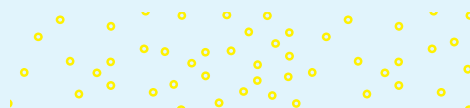
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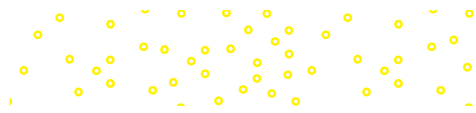


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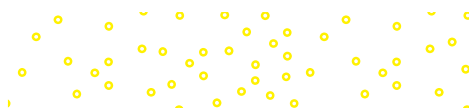
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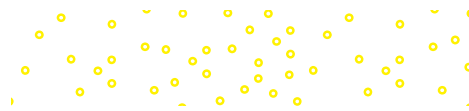
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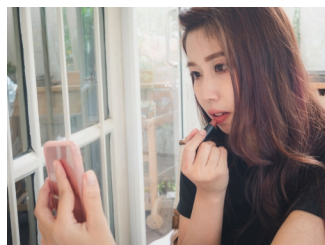
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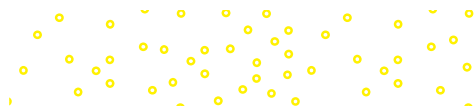
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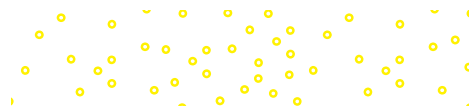
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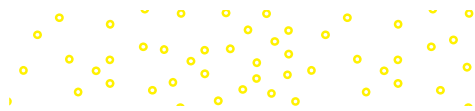
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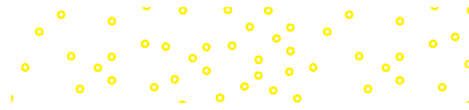
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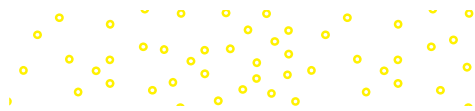
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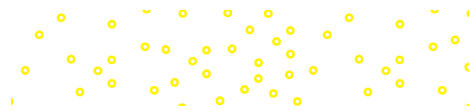
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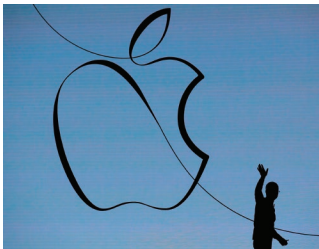


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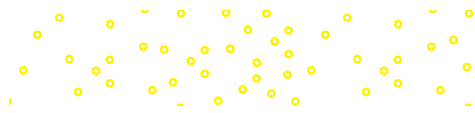
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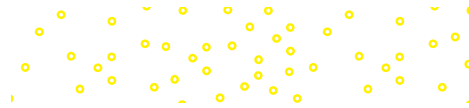
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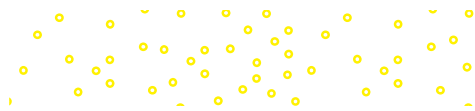
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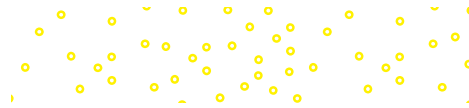
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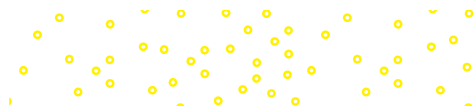
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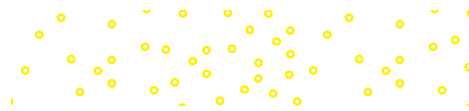
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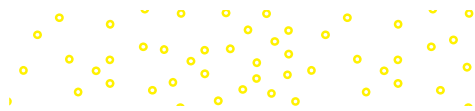
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SECTION 1

Assessing the Marketplace

Understanding the Marketplace

Targeting the Marketplace

Value Creation

Value Capture

Value Delivery: Designing the
Channel and Supply Chain

Value Communication



ASSESSING THE MARKETPLACE

CHAPTER 1

Overview of Marketing

CHAPTER 2

Developing Marketing Strategies and a
Marketing Plan

CHAPTER 3

Digital Marketing: Online, Social, and Mobile

CHAPTER 4

Conscious Marketing, Corporate Social
Responsibility, and Ethics

CHAPTER 5

Analyzing the Marketing Environment

Section One: Assessing the Marketplace contains five chapters. Following an introduction to marketing in Chapter 1, Chapter 2 focuses on how a firm develops its marketing strategy and a marketing plan. A central theme of that chapter is how firms can effectively create, capture, deliver, and communicate value to their customers. Chapter 3 is devoted to understanding how to develop social and mobile marketing strategies. In Chapter 4, conscious marketing is introduced, and corporate social responsibility is woven into the overarching conscious marketing framework. Then the role of the stakeholders in conscious marketing, both internal and external to the firm, is examined. An ethical decision framework is developed and presented. Finally, Chapter 5, Analyzing the Marketing Environment, focuses on how marketers can systematically uncover and evaluate opportunities.



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LEARNING OBJECTIVES

After reading this chapter, you should be able to:

- L01-1** Define the role of marketing.
- L01-2** Detail the evolution of marketing over time.
- L01-3** Describe how marketers create value for a product or service.

CHAPTER 1

OVERVIEW OF MARKETING



On your way to class today, did you grab a bite to eat? If you're like many students, you did not have enough time or the ingredients needed to prepare a fresh meal and sit down to eat it. Instead, you might have pulled an energy bar from your cupboard or snagged one from the coffee shop on the way to campus. Why do so many people lean on these energy bars—pressed rectangles of various grains, fruits, nuts, and so forth—rather than other options as meal replacements or snacks throughout the day?

Your individual answers might vary, but the overriding answer has a lot to do with marketing. Companies that produce and sell energy bars work hard to position them as appealing, convenient, tasty, healthy, socially responsible, and energy-dense foods that can help nearly any consumer meet his or her consumption needs. By making a product that can satisfy virtually every demand a consumer might have, these marketers ensure that their offerings provide value.

Consider, for example, the umbrella term often used to describe these prepared foods. By highlighting the term *energy*, marketers inform consumers that they can expect a boost when they eat one of these products. But energy really is just another word for calories; every food item a human being ever consumes provides energy.¹ Still, with this emphasis, the marketing surrounding energy bars offers a valuable promise to consumers, namely, that they will be energized and able to continue on with their day after they eat one.

Beyond this basic premise, various brands leverage other elements to communicate the value of their products. According to one classification, this market consists of five general types: meal replacement bars, protein bars, whole food bars, snack bars, and others.² Other classifications are even more specific, reflecting more detailed, unique benefits, such as paleo, gluten-free, low-carb, low-calorie, and workout recovery options.³

For example, the brand name adopted by Phyter bars refers to their unique contents: phytonutrient-dense vegetable and fruit purees.⁴ KIND puts its healthy bars' promised benefits even more obviously in its brand name. With a positioning that suggests that consuming these bars supports a healthy lifestyle, KIND's marketing department emphasizes its natural ingredients—along with its commitment to being “kind” and proactively seeking the good of the world overall (as we discuss further in the case study that concludes this chapter).⁵

In establishing an even more specific promise of natural ingredients, Kashi's emphasis is largely on the organic contents of its products, as well as its efforts to encourage expanded organic production of wheat and other ingredients. For farmers, switching from conventional to organic methods is costly and time-consuming. To position itself as the organic option in this market, Kashi has developed a program to help farmers make the transition, then publicizes this information widely to ensure customers regard it as an appealing choice.⁶

But other brands are less interested in healthy or natural offerings and more oriented to appealing to consumers' sense of pleasure. For example, Fiber One bars might promise the healthy benefit of more fiber, but General Mills also works hard to communicate their products' great taste. The bars themselves, and the pictures on the boxes, sport heavy "drizzles" of chocolate, as well as pretzels, salty nuts, and candy pieces mixed in with the grains and fruits.⁷ Even confectionary brands such as Snickers and Mars offer entries in this market, placing what are essentially candy bars in store aisles next to more protein-dense offerings.⁸

The pictures on the boxes are not the only packaging elements that are critical to the appeal of energy bars. By

designing the products as single-serve, relatively small portions, the companies provide convenience benefits for consumers.⁹ They can be tucked easily into a backpack or suitcase. Most of them contain preservatives, such that they can sit in a pantry or desk drawer for months without going bad.

That may be exactly why you grabbed one on your way to class today: It was readily available from your kitchen and easy to stick in your bag. A banana or apple, as well as a conventional candy bar, might offer some similar benefits and convenience. Yet the value established by good marketing, which helps consumers see the appeal of energy bars, makes it more likely that you opted for one of these snacks instead.

L01-1

Define the role of marketing.

WHAT IS MARKETING?

Unlike other subjects you may have studied, marketing already is very familiar to you. You start your day by agreeing to do the dishes if your roommate will make the coffee. But doing the dishes makes you late for class, so you dash out the door and make a quick stop to fill up your car with gas and grab an energy bar for breakfast. You attend a class that you have chosen and paid for. After class, you pick up lunch at the cafeteria, which you eat while reading a book on your iPad. Then you leave campus to have your hair cut and take in a movie. On

your bus ride back to school, you pass the time by buying a few songs from Apple's iTunes. In each case, you have acted as the buyer and made a decision about whether you should part with your time and/or money to receive a particular product or service. If, after you return home, you decide to sell some clothes on eBay that you don't wear much anymore, you have become a seller. In each of these transactions, you were engaged in marketing.

The American Marketing Association (AMA) states that **marketing** is "the activity, set of institutions, and processes for creating, *capturing*, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."¹⁰ Good marketing is not a random activity; it requires thoughtful planning with an emphasis on the ethical implications of any of those decisions on society in general. That is, good marketing should mean doing good for the world at large, while also benefiting the firm and its customers. To achieve these long-term goals, firms develop a **marketing plan** (Chapter 2) that specifies the marketing activities for a specific period of time. The marketing plan also is broken down into various

EXHIBIT 1.1 Core Aspects of Marketing



components—how the product or service will be conceived or designed, how much it should cost, where and how it will be promoted, and how it will get to the consumer. In any exchange, the parties to the transaction should be satisfied. In our previous example, you should be satisfied or even delighted with the power bar you selected, and Kashi or KIND should be satisfied with the amount of money it received from you. Thus, the core aspects of marketing are found in Exhibit 1.1. Let's see how these core aspects look in practice.

Marketing Is about Satisfying Customer Needs and Wants

Understanding the marketplace, and especially consumer needs and wants, is fundamental to marketing success. In the broadest terms, the marketplace refers to the world of trade. More narrowly, however, the marketplace can be segmented or divided into groups of people who are pertinent to an organization for particular reasons. For example, the entire world needs to eat, but makers of energy bars first identify people who might consume their products (which excludes, for example, babies). Then they divide that marketplace into various categories: busy people who want a convenient snack, as well as those who replace entire meals with energy bars; elite athletes who seek high-calorie contents; health-conscious consumers who demand high levels of protein and low sugars; snackers who instead demand great taste, without worrying too much about the nutrition label; and even socially conscious buyers who believe that purchasing an organic product gives them a way to help farmers. If you manufacture and sell energy bars, you need to know for which marketplace segments your product is most relevant, then make sure you build a marketing strategy that targets those groups. If instead you are the maker of Dove beauty products, you introduce an extended range of products to appeal to more of the various groups, as Adding Value 1.1 explains.



Adding Value 1.1

The Baby Dove Product Line Extension and Its Contextⁱ

For years, Dove marketed only cleaning and personal care products for women. A few years ago, it added the Dove Men+Care line, and today, it is expanding into products for babies, including wipes, lotions, and baby washes. Although the extension certainly seems like a reasonable move, it also might constitute a competitive strategy, designed to take advantage of the struggles of other big names in the baby care market.

Dove is well known for its moisturizing products, so it argues that an extension that leverages this expertise for a different type of consumer is utterly appropriate. In addition, it gained recent experience with product line extensions when it introduced its lines of products for men. Much of the advertising Dove already uses (targeting both male and female consumers) features families too, such that it does not seem like much of a stretch to focus on the babies that already appear in the ads.

Moreover, the approach Dove is taking when introducing the new product lines resonates with its long-standing efforts to support consumers' sense of self-worth. The marketing communications used to introduce the new products strongly emphasize the idea that there is no "perfect parent" and that there are innumerable, appropriate ways to take care of a baby. Dove is there to help in all those situations, never to make parents feel as if they are failing to do their jobs well enough. Similarly, in advertising to male consumers, Dove seeks to acknowledge and recognize modern men's caregiving roles, so it can link these communications to its baby care products too.

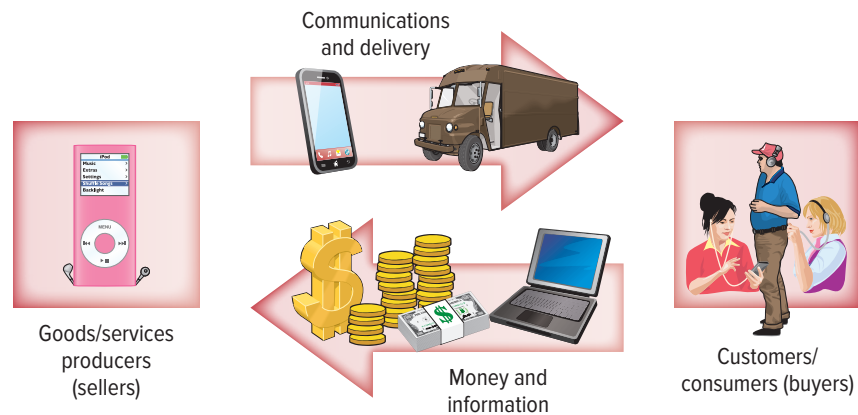


Dove seeks to acknowledge and recognize modern men's caregiving roles, so it can link these communications to its baby care products.

Source: Unilever

These discussions and rationales make it seem like the product line extension is a no-brainer. But history also shows that many companies struggle to gain a foothold in markets for baby care products. For example, Huggies has great name recognition for diapers, but it was unable to get parents to purchase bath products under that brand. As Dove moves its baby products into more and more markets, both domestically and abroad, it hopes that the consistency of its approach will lead to success instead.

EXHIBIT 1.2 Exchange: The Underpinning of Seller–Buyer Relationships



Marketing Entails an Exchange

Marketing is about an **exchange**—the trade of things of value between the buyer and the seller so that each is better off as a result. As depicted in Exhibit 1.2, sellers provide products or services, then communicate and facilitate the delivery of their offering to consumers. Buyers complete the exchange by giving money and information to the seller. Suppose you learn about the new Phyter bar from a friend’s tweet or a foodie newsletter to which you subscribe.¹¹

To learn more, you might visit the company’s website, where you learn that the bars are available mainly in stores in the Chicagoland area, but you can order a box for delivery. To complete the order, you have to give the company your billing and address information, which represents another exchange. If you sense that you are giving up too much in the exchange, because it takes too long to fill in all your billing information for every individual site you visit, you might prefer to search for another energy bar option on Amazon, where you place orders all the time, so you do not have to enter your credit card number or other information again. Furthermore, Amazon creates a record of your purchase, which it uses, together with your other purchase trends, to create personalized recommendations of other luscious treats that you might like. Thus, Amazon uses the valuable information you provide to facilitate future exchanges and solidify its relationship with you.



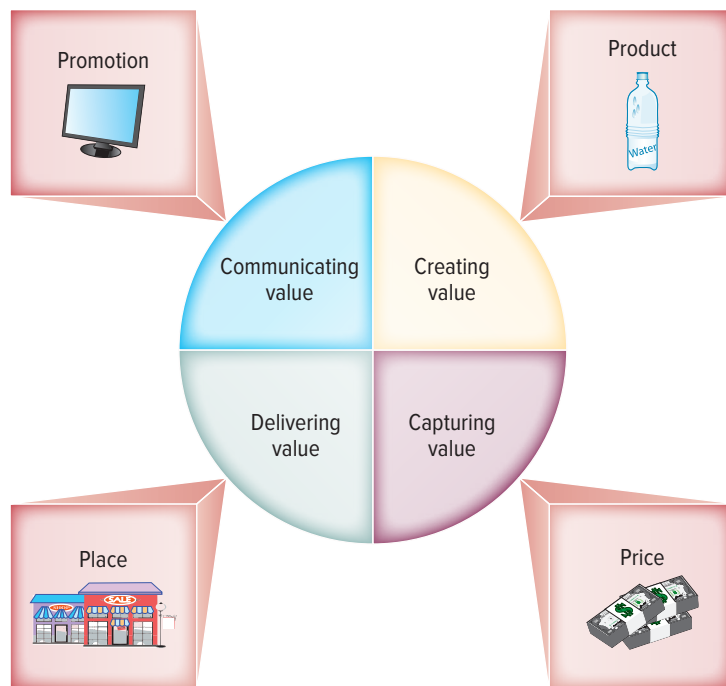
Marketing is about an exchange—you give your time, information, and money to Phyter, and they give you a great energy bar.

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Marketing Creates Value through Product, Price, Place, and Promotion Decisions

Marketing traditionally has been divided into a set of four interrelated decisions and consequent actions known as the **marketing mix**, or **four Ps**: product, price, place, and promotion (as defined in Exhibit 1.3).¹² The four Ps are the controllable set of decisions or activities that the firm uses to respond to the wants of its target markets. But what does each of these activities in the marketing mix entail?

Product: Creating Value The first of the four Ps is product. Although marketing is a multifaceted function, its fundamental purpose is to create value by developing a variety of offerings, including goods, services, and ideas, to satisfy customer needs. Energy bars have gained traction in the market because consumers had needs that were not being met by existing offerings, such as cold cereal, fruit, or traditional candy bars. The first bars were designed for astronauts; in the 1960s, people thrilled with the space race snapped up

EXHIBIT 1.3 The Marketing Mix

Pillsbury Space Food Sticks, right alongside their Tang.¹³ But the more modern iterations started off with PowerBar marketed as dense nutrition options for marathoners and other extreme athletes who have to consume massive amounts of calories to maintain their body mass. As PowerBar flew off the shelves, competitors such as Clif Bar and Balance Bar entered the market. People liked the idea of eating like an elite athlete, even if they were not one.¹⁴ This market continued to grow, so new brands designed new products that would appeal to different audiences. Weight Watchers produced a bar that it touted, mostly to women, as a diet aid. Moving away from the space-age image of the first bar, Lärabar and RXBAR promise all-natural, “real” food ingredients.¹⁵ Thus the many different product versions in the general category of energy bars each create value in specific ways (as we discussed in the opener to this chapter), whether by offering convenience, taste, or a sense of healthiness.¹⁶

Goods are items that you can physically touch. A KIND or Kashi bar, a Rolex watch, Nike shoes, Pepsi-Cola, a Frappuccino, Kraft cheese, Tide, an iPad, and countless other products are examples of goods. Goods primarily function to fulfill some need, such as satiating hunger or cleaning clothing. But their ultimate value stems from what they provide—and how they are marketed—in terms of convenience (e.g., energy bars instead of a cooked breakfast), status (e.g., Rolex instead of Timex watch), performance (innovative Nike sneakers), taste, and so forth.

Unlike goods, **services** are intangible customer benefits that are produced by people or machines and cannot be separated from the producer. When people buy tickets—whether for airline travel, a sporting event, or the theater—they are paying not for the physical ticket stub but, of course, for the experience they



A watch is a watch is a watch, right? Wrong! All watches are goods, and they tell the time. But Rolex is marketed as a status brand.

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JetBlue has enhanced its customer experience by enabling its fliers to peruse Amazon content or invest in a Prime membership.

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When you attend a Bruno Mars concert, you are paying for a service.

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Marketing creates value by promoting ideas, such as bicycle safety.

Source: Street Smart, a public safety campaign of Metro, the District of Columbia, Maryland, and Virginia.

gain. For example, JetBlue offers Wi-Fi-enabled flights at no charge as a service to customers.¹⁷ It also realized that many passengers used this service to visit shopping websites, so it expanded its service offerings, in partnership with Amazon, to make it easy for fliers to peruse Amazon content or invest in a Prime membership. Hotels, insurance agencies, and spas provide services too. Getting money from your bank, whether through an ATM or from a teller, is another example of using a service. In this case, cash machines usually add value to the banking experience because they are conveniently located, fast, and easy to use.

Many offerings in the market combine goods and services.

When you go to an optical center, you get your eyes examined (a service) and purchase new contact lenses (a good). If you attend a Bruno Mars concert, you can be enthralled by the world-class performance. To remember the event, you might want to pick up a shirt or a souvenir from the concert. With these tangible goods, you can relive and remember the enjoyment of the experience over and over again.

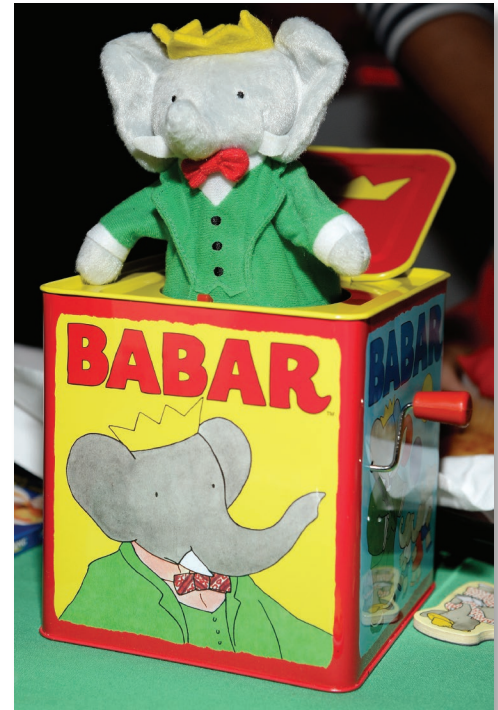
Ideas include thoughts, opinions, and philosophies; intellectual concepts such as these also can be marketed. Groups promoting bicycle safety go to schools, give speeches, and sponsor bike helmet poster contests for the members of their primary market—children. Then their secondary target market segment, parents and siblings, gets involved through their interactions with the young contest participants. The exchange of value occurs when the children listen to the sponsors' presentation and wear their helmets while bicycling, which means they have adopted, or become “purchasers” of, the safety idea that the group marketed.

Price: Capturing Value The second of the four Ps is price. Everything has a price, although it doesn't always have to be monetary. Price, therefore, is everything the buyer gives up—money, time, and/or energy—in exchange for the product.¹⁸ Marketers must determine the price of a product carefully on the basis of the potential buyer's belief about its value. For example, JetBlue Airways can take you from New York to Denver. The price you pay for that service depends on how far in advance you book the ticket, the time of year, and whether you want to fly coach or business class. If you value the convenience of buying your ticket at the last minute for a ski trip between Christmas and New Year's Day and you want to fly business class, you can expect to pay four or five times as much as you would for the cheapest available ticket. That is, you have traded off a lower price for convenience. For marketers, the key to determining prices is figuring out how much customers are willing to pay so that they are satisfied with the purchase, while the seller still achieves a reasonable profit.

Place: Delivering the Value Proposition The third P, place, represents all the activities necessary to get the product to the right customer when that customer wants it. For Starbucks, for example, that means expanding its store-fronts constantly and proactively, so that it is easy for caffeine junkies to find their fix. Creative locations, such as kiosks at the baggage claim in airports or small booths in grocery stores, represent the chain's effort to improve its offering on this dimension of the marketing mix.

Place also deals specifically with retailing and **marketing channel management**, also known as **supply chain management**. Supply chain management is the set of approaches and techniques that firms employ to efficiently and effectively integrate their suppliers, manufacturers, warehouses, stores, and other firms involved in the transaction (e.g., transportation companies) into a seamless value chain in which merchandise is produced and distributed in the right quantities, to the right locations, and at the right time, while minimizing systemwide costs and satisfying the service levels required by the customers. Many marketing students initially overlook the importance of marketing channel management because a lot of these activities are behind the scenes. But without a strong and efficient marketing channel system, merchandise isn't available when customers want it. Then customers are disappointed, and sales and profits suffer.

Promotion: Communicating the Value Proposition The fourth P is promotion. Even the best products and services will go unsold if marketers cannot communicate their value to customers. Promotion is communication by a marketer that informs, persuades, and reminds potential buyers about a product or service to influence their opinions and elicit a response. Promotion generally can enhance a product's or service's value. When the publisher of the well-known Babar books wanted to celebrate the 80th anniversary of the series, it initiated a \$100,000 campaign. Working in collaboration with toy stores and bookstores, the campaign did not just suggest people buy the books and read about an elephant king. Instead, it embraced a sense of nostalgia and evoked a simpler time, in which grandparents might read pleasant stories to their grandchildren.¹⁹

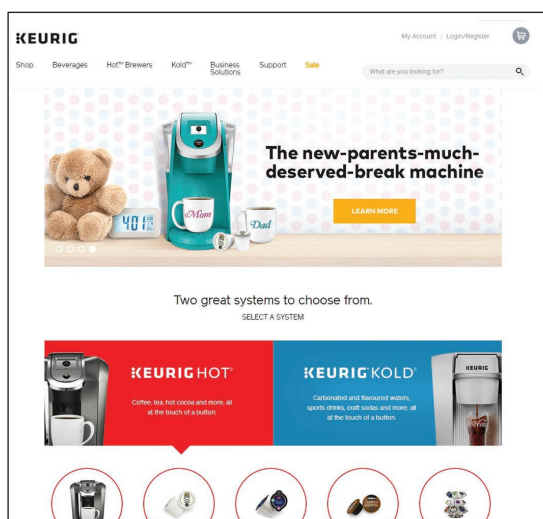


The promotion for Babar's 80th anniversary was not only designed to sell books; it also embraced a sense of nostalgia for the beloved character.

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Marketing Can Be Performed by Individuals and Organizations

Imagine how complicated the world would be if you had to buy everything you consumed directly from producers or manufacturers. You would have to go from farm to farm buying



When Keurig sells its machines and coffee to you on its website (left), it is a B2C sale, but when it sells similar items for office use, it is a B2B transaction (right).

(Left): Source: Keurig Green Mountain, Inc.; (right): ©Sergi Alexander/Getty Images