

SEVENTH EDITION



Marketing Management

AN ASIAN PERSPECTIVE

Philip Kotler
Kevin Lane Keller
Swee Hoon Ang
Chin Tiong Tan
Siew Meng Leong

 **Pearson**

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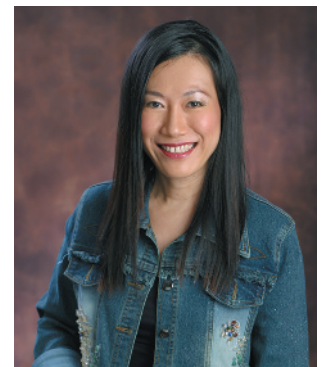
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MARKETING MANAGEMENT

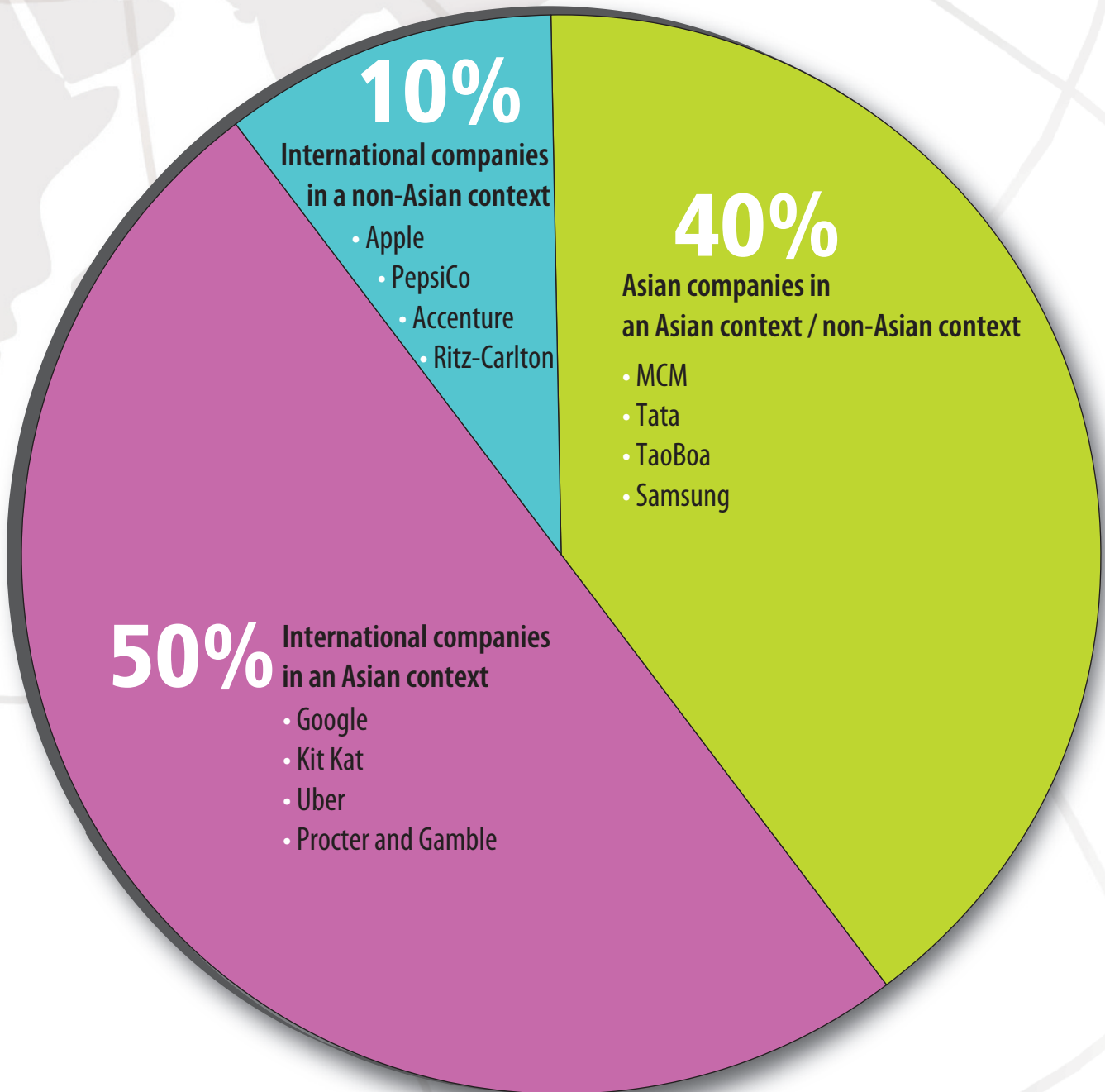
AN ASIA PERSPECTIVE Now into its seventh edition, this book continues to showcase the excellent content that Kotler has created with examples and case studies that are easily recognized. This enables students to relate to and grasp marketing concepts better.

IN THIS EDITION, YOU WILL FIND THAT WE HAVE:

- 1** Global brand names to provide a balanced look at Marketing Management
- 2** An in-depth look at Asian concepts and practices such as Islamic marketing, *guanxi*, online marketing, etc.
- 3** An emphasis on 3 key marketing changes—Economic, Environmental, and Technological

Global brand names to provide a balanced look at Marketing Management

The cases and examples in *Marketing Management: An Asian Perspective* (Seventh Edition) have been carefully selected to provide your students with a comprehensive understanding of marketing in today's world.



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What's New in the Seventh Edition

Welcome to the seventh edition of *Marketing Management: An Asian Perspective*. With the seventh edition, a great care was taken to truly reflect the modern realities of marketing in Asia brought on by technology and the increasing role of social responsibility; while in selected parts of Asia, culture and heritage nuances suggest adaptation of marketing practices.

Throughout the text, three broad forces—growth and downturns, technology, and social responsibility—are identified as critical to the success of marketing programmes. These three topics are evident throughout the text.

As has been the case for a number of editions now, the overriding goal of the revision for the seventh edition of *Marketing Management: An Asian Perspective* is to create as comprehensive, current, and engaging a marketing textbook as possible. Wherever appropriate, new materials have been added, old materials updated, and no longer relevant or necessary material removed.

While marketing is changing in many significant ways, yet many core elements remain. We feel that a balanced approach of classic and contemporary approaches and perspectives is the way to go. *Marketing Management: An Asian Perspective* seventh edition allows instructors to build on what they have prepared for teaching previously while at the same time offering a text that is unsurpassed in breadth, depth, and relevance for students experiencing *Marketing Management: An Asian Perspective* for the first time.

Many of the favourably received chapter features such as topical chapter opening vignettes, in-text boxes highlighting noteworthy companies or issues, and the **Marketing Insight** and **Marketing Memo** boxes that provide in-depth conceptual and practical commentary, have been retained.

At the end of each chapter, the **Summary** page consolidates the students' knowledge and serves as a speedy revision tool.

The organizational structure of *Marketing Management: An Asian Perspective* has largely been preserved although several adjustments have been made to improve student understanding, as described below.

Significant changes to the seventh edition include:

- Brand-new opening vignettes for over 80 per cent of the chapters set the stage for the chapter material to follow. By covering topical brands or companies, the vignettes are great classroom discussion starters.
- Almost half of the in-text boxes are new. These boxes provide vivid illustrations of chapters using actual companies and situations. The boxes cover a variety of products, services, and markets. **Marketing Insight** boxes include contemporary issues such as “The Value of Whatsapp to Facebook.” They also delve into important marketing topics such as the use of technology in services marketing in “Tapping on Technology for Service Excellence: Henn-na Hotel” and developing effective brand names in “Driving Deeper Brand Connection in China.” **Marketing Memo** boxes offer practical advice and direction in dealing with various decisions at all the stages of the marketing management process. Topics covered include “Lessons from South Korea's Mobile Retailers” and “Service Excellence: Five Pointers from SIA.”
- Several of the in-text box materials are from *Think Business*, the knowledge portal of the National University of Singapore Business School, which carries a wide range of business articles and videos.
- Each end-of-chapter section includes two expanded Marketing Lessons for case problem solving. Over 75 per cent of Marketing Lessons are new cases. The rest have been updated. These cases highlight challenges that companies face in Asia as well as innovative, insightful marketing accomplishments by leading organizations that businesses, including those in Asia, can learn from. Each case includes questions that promote classroom discussion and analysis. Almost all the cases are new. They include companies such as MCM, Yum, Uber, Unilever, 7-Eleven, Heinz, and Nintendo.
- A brand new Chapter 19 on *Managing Digital Communications: Online, Social Media, and Mobile* gives the deserved attention to the impact of the digital revolution on marketing.

What Is Marketing Management All About?

Changes are observed in the marketing discipline like fundamental topics such as segmentation, targeting, and positioning as well as concepts such as brand equity, customer value analysis, database marketing, e-commerce, value networks, hybrid channels, supply chain management, and integrated marketing communications.

Asian businesses must acknowledge and respond to the new elements in today's marketplace. Firms now sell goods and services through a variety of direct and indirect channels. Mass advertising is not nearly as effective as it was, so marketers are exploring new forms of communication, such as experiential, entertainment, and viral marketing. Asian consumers are telling companies what types of product or services they want and when, where, and how they want to buy them. They are increasingly reporting to other consumers what they think of specific companies and products—using email, blogs, and other digital media to do so. Company messages are becoming a smaller fraction of the total “conversation” about products and services.

In response, forward-thinking Asian companies are shifting gears from managing product portfolios to managing customer portfolios. They are compiling databases on individual customers to better understand them and to construct individualized offerings and messages. They are doing less product and service standardization and more niching and customization and are replacing monologues with customer dialogues. They are improving their methods of measuring customer profitability and customer lifetime value. They are measuring the return on their marketing investment and its impact on shareholder value. Ethical and social implications of their marketing decisions are also their area of concern.

As companies change, so does their marketing organization. Marketing is no longer a company department charged with a limited number of tasks—it is a company-wide undertaking. It drives the company's vision, mission, and strategic planning. Marketing includes decisions like who the company wants as its customers; which of their needs to satisfy; what products and services to offer; what prices to set; what communications to send and receive; what channels of distribution to use; and what partnerships to develop. Marketing succeeds only when all departments work together to achieve goals: when engineering designs the right products, finance furnishes the required funds, purchasing buys high-quality materials, production makes high-quality products on time, and accounting measures the profitability of different customers, products, and areas.

To address all these different shifts, good marketers are practicing holistic marketing. *Holistic marketing* is the development, design, and implementation of marketing programs, processes, and activities that recognize the breadth and interdependencies of today's marketing environment. Four key dimensions of holistic marketing are:

1. **Internal marketing**—ensuring everyone in the organization embraces appropriate marketing principles, especially senior management.
2. **Integrated marketing**—ensuring that multiple means of creating, delivering, and communicating value are employed and combined in the best way.
3. **Relationship marketing**—having rich, multifaceted relationships with customers, channel members, and other marketing partners.
4. **Performance marketing**—understanding returns to the business from marketing activities and programs, as well as addressing broader concerns and their legal, ethical, social, and environmental effects.

These four dimensions are woven throughout the book and at times spelled out explicitly. The text specifically addresses the following tasks that constitute modern marketing management:

1. Developing marketing strategies and plans
2. Capturing marketing insights
3. Connecting with customers

4. Building strong brands
5. Creating value
6. Delivering value
7. Communicating value
8. Conducting marketing responsibly for long-term success

What Makes *Marketing Management* the Marketing Leader?

As marketing has maintained its respected position among students, educators, and businesspeople, *Marketing Management: An Asian Perspective* has kept up-to-date and remains contemporary. Students (and instructors) feel that the book is talking directly to them in terms of both content and delivery.

Marketing Management: An Asian Perspective owes its marketplace success to its ability to maximize three dimensions that characterize the best marketing texts—depth, breadth, and relevance—as measured by the following criteria:

- **Depth.** Does the book have solid academic grounding? Does it contain important theoretical concepts, models, and frameworks? Does it provide conceptual guidance to solve practical problems?
- **Breadth.** Does the book cover all the right topics? Does it provide the proper amount of emphasis on those topics?
- **Relevance.** Does the book engage the reader? Is it interesting to read? Does it have lots of compelling examples?

This seventh edition builds on the fundamental strengths of past editions that collectively distinguish it from all other marketing management texts:

- **Managerial Orientation.** The book focuses on the major decisions that marketing managers and top management face in their efforts to harmonize the organization's objectives, capabilities, and resources with marketplace needs and opportunities.
- **Analytical Approach.** *Marketing Management: An Asian Perspective* presents conceptual tools and frameworks for analyzing recurring problems in marketing management. Cases and examples illustrate effective marketing principles, strategies, and practices.
- **Multidisciplinary Perspective.** The book draws on the rich findings of various scientific disciplines—economics, behavioral science, management theory, and mathematics—for fundamental concepts and tools directly applicable to marketing challenges.
- **Universal Applications.** The book applies strategic thinking to the complete spectrum of marketing: products, services, persons, places, information, ideas and causes; consumer and business markets; profit and nonprofit organizations; domestic and foreign companies; small and large firms; manufacturing and intermediary businesses; and low and high-tech industries.
- **Asian Insights.** This book provides insights with an Asian flavour, drawing from regional thinkers and business leaders (from Confucius and Sun Tzu to Jong-Yong Yun and Carlos Ghosn, among others), institutions (*chaebol*, *keiretsu*, and so on), Asian trends and events (China's reliance on its domestic market, demographic changes, etc.), and practices that impact Asian marketing (*guanxi*, *mianzi*, *feng shui*, counterfeiting, etc.).
- **Comprehensive and Balanced Coverage.** *Marketing Management: An Asian Perspective* covers all the topics an informed marketing manager needs to understand to execute strategic, tactical, and administrative marketing.

The Teaching and Learning Package

Marketing Management: An Asian Perspective is an entire package of materials available to students and instructors. This edition includes a number of ancillaries designed to make the marketing management course an exciting, dynamic, interactive experience.

INSTRUCTOR'S MANUAL

The Instructor's Manual includes chapter/summary overviews, key teaching objectives, answers to end-of-chapter materials, exercises, projects, and detailed lecture outlines. Also included is the feature, "Professors on the Go!" which was created with the busy professor in mind. It brings key material upfront, where an instructor who is short on time can find key points and assignments that can be incorporated into the lecture, without having to page through all the material provided for each chapter.

TEST ITEM FILE

The Test Item File contains more than 3,000 multiple-choice, true-false, short-answer, and essay questions, with page reference and difficulty level provided for each question. Please note that an entire section is dedicated to application questions. These real-life situations take students beyond basic chapter concepts and vocabulary and ask them to apply marketing skills.

The Test Item File supports Association to Advance Collegiate Schools of Business (AACSB) International Accreditation. Each chapter of the Test Item File was prepared with the AACSB curricula standards in mind. Where appropriate, the answer line of each question* indicates a category within which the question falls. This AACSB reference helps instructors identify those test questions that support that organization's learning goals.

*Please note that not all the questions will offer an AACSB reference.

POWERPOINT SLIDES

Teaching slides are available for easy customization and sharing.

Acknowledgements

The seventh edition of *Marketing Management: An Asian Perspective* bears the imprint of many people. Our colleagues at the Kellogg Graduate School at Northwestern University, Dartmouth College, the National University of Singapore Business School, and the Singapore Management University continue to have an impact on our thinking. We also want to thank our respective academic leaders, Deans Dipak Jain at Kellogg, Paul Danos at Tuck, and Bernard Yeung at National University of Singapore Business School for their continuous support of our research and writing efforts.

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Sigg Switzerland AG

NTUC Fairprice Cooperative Limited

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Marketing Management

AN ASIAN PERSPECTIVE

PART 1



Understanding Marketing Management

Defining Marketing for the New Realities

Formally or informally, people and organizations engage in a vast number of activities called marketing. In the face of digital revolution and other major changes in the business environment, good marketing is both increasingly vital and radically new.

Under the leadership of ex-P&G marketing executive Paul Polman and marketing whiz Keith Weed, Unilever is steering in an aggressive new direction. Its marketing model “Crafting Brands for Life” establishes social, economic, and product missions for each brand, including Dove, Ben & Jerry’s, Lifebuoy, and Knorr. Polman states, “I have a vision of all of our brands, including a force for good, with each having a billion fans or more to help drive change.” One part of the mission, for instance, is sustainability—specifically, to halve its ecological footprint while doubling revenues. To improve advertising and marketing communications, Unilever aims to strike a balance between “magic” and “logic,” doubling marketing training expenditures and

emphasizing ad research. To better understand the digital world, Weed took Unilever’s top marketing executives to Silicon Valley to visit Google and Facebook, and he took a similar group to visit Hollywood executives at Disney and Universal. Unilever has set its sights on developing and emerging (D&E) markets, hoping to grow by 15 percent to 20 percent annually in China and to draw 70 percent to 75 percent of its business from D&E markets by 2020. The company has adopted “reverse innovation” by applying branding and packaging innovations from developing markets to recession-hit developed markets. In Indonesia and the Philippines, it sells its detergents and shampoos in small satchets.¹

In this chapter, we will address the following questions:

1. Why is marketing important?
2. What is the scope of marketing?
3. What are some fundamental marketing concepts?
4. How has marketing management changed?
5. What are the tasks necessary for successful marketing management?

Good marketing is no accident, but a result of careful planning and execution. Marketing practices are continually being refined and reformed in virtually all industries to increase the chances of success. But marketing excellence is rare and difficult to achieve. Marketing is both an “art” and a “science”—there is constant tension between the formulated side of marketing and the creative side. It is easier to learn the formulated side, which will occupy most of our attention in this book; but we will also describe how creativity and passion operate in many companies. This book will help to improve your understanding of marketing and your ability to make the right marketing decisions. In this chapter, we lay the foundation for our study by reviewing important marketing concepts, tools, frameworks, and issues.

1.1 The Importance of Marketing

The first decade of the 21st century challenged firms to prosper financially and even survive in the face of an unforgiving economic environment. The second decade is also financially challenging. Marketing is playing a key role in addressing these challenges. Without demand for products and services, business functions such as finance, operations, and accounting will not exist. Thus, financial success often depends on marketing ability.

Marketing’s broader importance extends to society as a whole. Marketing has helped introduce and win acceptance for new products that have eased or enriched people’s lives. It can inspire enhancements in existing products as marketers innovate to improve their position in the marketplace. Successful marketing builds demand for products and services, which, in turn, creates jobs. By contributing to the bottom line, successful marketing also allows firms to more fully engage in socially responsible activities.²

Making the right decisions is not always easy. Marketing managers must decide what features to design into a new product, what prices to offer customers, where to sell products, and how much to spend on advertising, sales, the Internet, or mobile marketing. They must make those decisions in an Internet-fueled environment where consumers, competition, technology, and economic forces change rapidly and the consequences of the marketer’s words and actions can quickly multiply.

1.2 The Scope of Marketing

To prepare to become a marketer, you need to understand what marketing is, how it works, and what is marketed.

1.2.1 What Is Marketing?

Marketing is about identifying and meeting human and social needs. One of the shortest definitions of marketing is “meeting needs profitably.” When eBay and Taobao recognized that people were unable to locate some of the items they desired most and created an online auction clearing-house, or when IKEA noticed that people wanted good furniture at a substantially lower price and created knock-down furniture, they demonstrated their marketing savvy and turned a private or social need into a profitable business opportunity.

The American Marketing Association offers the following formal definition: *Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.*³ Coping with exchange processes calls for a considerable amount of work and skill.

Marketing management takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties. We see **marketing management** as the art and science of *choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.*

We can distinguish between a social and a managerial definition of marketing. A social definition shows the role marketing plays in society. A social definition that serves our purpose is: *Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.* Managers sometimes think of marketing as “the art of selling products,” but people are surprised when they hear that the most important part of marketing is not selling! Selling is only the tip of the marketing iceberg. Peter Drucker, a leading management theorist, puts it this way:

There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available.⁴

When Apple designed its iPhone and when Toyota introduced its Lexus automobile, they were swamped with orders because they had designed the “right” product based on careful marketing homework.

1.2.2 What Is Marketed?

Marketers are involved in marketing 10 types of entities: goods, services, events, experiences, people, places, properties, organizations, information, and ideas.

Goods

Physical goods constitute the bulk of most countries’ production and marketing efforts. Each year, companies worldwide market billions of fresh, canned, bagged, and frozen food products and millions of automobiles, refrigerators, television sets, machines, and various other mainstays of a modern and global economy.

Services

As economies advance, a growing proportion of their activities is focused on the production of services. Developed economies usually have a 70–30 services-to-goods mix. Services include the work of airlines, hotels, automobile rental firms, hairstylists and beauticians, maintenance and repair people, as well as professionals working within or for companies, such as accountants, bankers, lawyers, engineers, doctors, software programmers, and management consultants. Many market offerings consist of a variable mix of goods and services. At a fast-food restaurant, for example, the customer consumes both a product and a service.

Maidreamin Café—Japan’s Maidreamin Café has become very popular, especially with those who seek companionship. The service attendants are young women who serve customers with deference. They can personalize pancakes for customers, for instance, drawing pictures of a cat, taking pictures with you, or even putting on a dance performance—all for a fee, of course. Warm and welcoming, they chat with guests and invite them into their dream-like world for a special dining experience.



Apple introduced its watch for a more complete ecosystem consisting of its iPod, iPhone, and iPad that its competitors find difficult to compete with.



At Maidreamin Café, Japan, service comes with personalized decoration of pancakes for customers.



Maidreamin Café is a popular Japanese theme café that provides an opportunity for guests to relax and enjoy innocent fun.



Singapore Night Safari, the world's first wildlife night park, offers unique experiences—walking trails and tram rides for its visitors.

Events

Marketers promote time-based events, such as major trade shows, artistic performances, and company anniversaries. Global sporting events, such as the Olympics or World Cup, are promoted aggressively to both companies and fans.

Experiences

By orchestrating several services and goods, a firm can create, stage, and market experiences. Tokyo Disneyland and DisneySea represent experiential marketing: customers visit a fairy kingdom or a pirate ship. There is also a market for customized experiences, such as spending a week on eco-tourism in remote natural habitats in Asia, or learning about wildlife at the Singapore Night Safari.

People

Celebrity marketing is a major business. Today, every major film star has an agent, a personal manager, and ties to a public relations agency. Artists, musicians, and even CEOs, physicians, high-profile lawyers and financiers, and other professionals are also getting help from celebrity marketers.⁵ Some people have done a masterful job of marketing themselves—think of Korean singing sensation Girls' Generation, and film stars Jackie Chan and Zhang Ziyi.

Places

Cities, states, regions, and whole nations compete actively to attract tourists, factories, company headquarters, and new residents.⁶ Place marketers include national tourism agencies, economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies. For example, Asian tourism promotion boards market their respective countries to woo regional and international visitors. Some campaign taglines used include: "Malaysia—Truly Asia," "Amazing Thailand," "Hong Kong: Live It. Love It!," "Your Singapore," Macau's "A Heritage of Two Cultures," and Taiwan's "The Heart of Asia."



Properties

Properties are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds). Properties are bought and sold, and this requires marketing. Real estate agents work for property owners or sellers, or buy residential or commercial real estate. Investment companies and banks are involved in marketing securities to both institutional and individual investors.

Organizations

Organizations actively work to build a strong, favorable, and unique image in the minds of their target public. Companies spend money on corporate identity ads. This is certainly the case with Philips “Sense and Simplicity” campaign.

Royal Philips—Philips researchers asked 1,650 consumers and 180 customers in dozens of in-depth and quantitative interviews and focus groups what was most important to them in using technology. Respondents from the United Kingdom, the United States, France, Germany, the Netherlands, Hong Kong, China, and Brazil agreed on one thing: they wanted the benefits of technology without the hassle. With its “Sense and Simplicity” advertising campaign and focus, Philips believes “our brand now reflects our belief that simplicity can be a goal of technology. It just makes sense.” The campaign consists of print, online, and television advertising directed by five experts from the worlds of health care, lifestyle, and technology whose role is to provide “additional outside perspectives on the journey to simplicity.”⁷

Information

The production, packaging, and distribution of information are major industries.⁸ The former CEO of Siemens Medical Solutions, Tom McCausland, says, “[our product] is not necessarily an X-ray or an MRI, but information. Our business is really health-care information technology, and our end product is really an electronic patient record: information on lab tests, pathology, and drugs as well as voice dictation.”⁹

Ideas

Every market offering includes a basic idea. Charles Revson of Revlon observed: “In the factory, we make cosmetics; in the store we sell hope.” Products and services are platforms for delivering some idea or benefit. Social marketers are busy promoting such ideas as “Say No to Drugs,”

“Exercise Daily,” and “Eat Healthy Food.” In Asia, governments often engage in social marketing. In Thailand, there is a campaign against driving when sleepy. The Singapore government is noted for its social marketing, including encouraging graduate women to get married and have more children.

1.2.3 Who Markets?

Marketers and Prospects

A **marketer** is someone who seeks a response (attention, a purchase, a vote, a donation) from another party, called the **prospect**. If two parties are seeking to sell something to each other, we call them both marketers.

Marketers are skilled at stimulating demand for a company’s products, but this is a limited view of the tasks they perform. Just as production and logistics professionals are responsible for supply management, marketers are responsible for demand management. Marketing managers seek to influence the level, timing, and composition of demand to meet the organization’s objectives.

Eight demand states are possible:

1. **Negative demand**—Consumers dislike the product and may even pay a price to avoid it.
2. **Non-existent demand**—Consumers may be unaware or uninterested in the product.
3. **Latent demand**—Consumers may share a strong need that cannot be satisfied by an existing product.
4. **Declining demand**—Consumers begin to buy the product less frequently or not at all.
5. **Irregular demand**—Consumer purchases vary on a seasonal, monthly, weekly, daily, or even hourly basis.
6. **Full demand**—Consumers are adequately buying all products put into the marketplace.
7. **Overfull demand**—More consumers would like to buy the product than can be satisfied.
8. **Unwholesome demand**—Consumers may be attracted to products that have undesirable social consequences.

In each case, marketers must identify the underlying cause(s) of the demand state and then determine a plan of action to shift the demand to a more desired state.

Markets

Traditionally, a “market” was a physical place where buyers and sellers gathered to buy and sell goods. Economists describe a **market** as a collection of buyers and sellers who transact over a particular product or product class (e.g., the housing market or grain market).

Five basic markets and their connecting flows are shown in **Figure 1.1**. Manufacturers go to resource markets (raw material markets, labor markets, money markets), buy resources and turn them into goods and services, and then sell finished products to intermediaries, who sell them to consumers. Consumers sell their labor and receive money with which they pay for goods and services. The government collects tax revenues to buy goods from resource, manufacturer, and intermediary markets, and uses these goods and services to provide public services. Each nation’s economy and the global economy consist of complex interacting sets of markets linked through exchange processes.

Marketers often use the term *market* to cover various groupings of customers. They view the sellers as constituting the industry and the buyers as constituting the market. They talk about need markets (the slimming-seeking market), product markets (the shoe market), demographic markets (the youth market), and geographic markets (the China market); or they extend the concept to cover other markets, such as voter markets, labor markets, and donor markets.

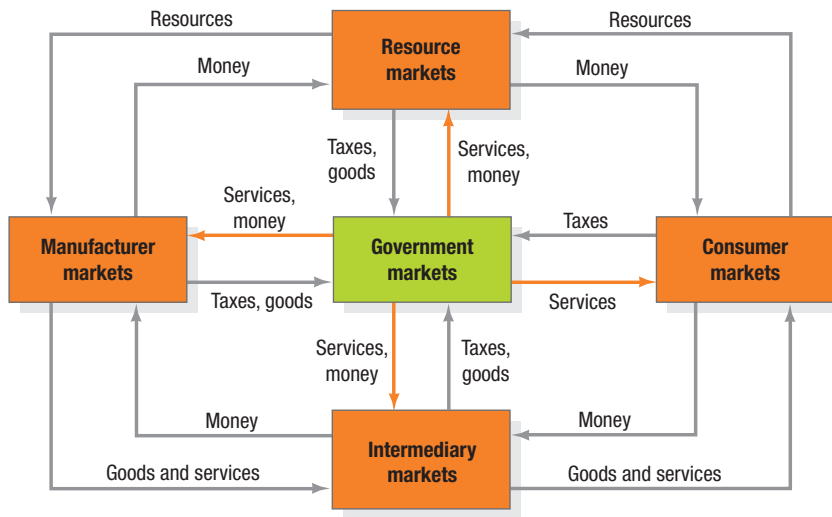


Figure 1.1 Structure of Flows in a Modern Exchange Economy

Figure 1.2 shows the relationship between the industry and the market. Sellers and buyers are connected by four flows. The sellers send goods and services and communications (ads, direct mail) to the market; in return they receive money and information (attitudes, sales data). The inner loop shows an exchange of money for goods and services; the outer loop shows an exchange of information.

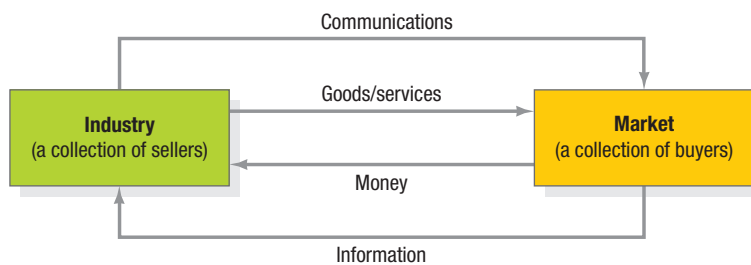


Figure 1.2 A Simple Marketing System

Key Customer Markets

Consider the following key customer markets: consumer, business, global, and non-profit and governmental.

Consumer Markets

Companies selling mass consumer goods and services, such as soft drinks, cosmetics, air travel, and athletic shoes and equipment, spend a great deal of time trying to establish a superior brand image. Much of a brand's strength depends on developing a superior product and packaging, ensuring its availability, and backing it with engaging communications and reliable service.

Business Markets

Companies selling business goods and services often face well-trained and well-informed professional buyers who are skilled in evaluating competitive offerings. Business buyers buy goods to make or resell a product to others at a profit. Business marketers must demonstrate how their products will help these buyers achieve higher revenue or lower costs. Advertising can play a role, but the sales force, the price, and the company's reputation may play a greater one.