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FOUNDATIONS OF
MARKETING

WILLIAM M. PRIDE

Texas A & M University

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Auburn University



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William M. Pride and O.C. Ferrell

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*To Nancy, Allen, Carmen, Gracie, Marie, Mike, Ashley,
Charlie, J.R., and Anderson Pride*

To Linda Ferrell

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Appendix C: Careers in Marketing

THE IMPORTANCE OF MARKETING TO BUSINESS

The environment of marketing has significantly changed over the last few years. Although this revision reflects these changes, the foundational concepts of marketing continue to be important. All business students need to understand how marketing activities and functions are necessary for success. The 9th edition of *Foundations of Marketing* has been revised to provide a complete understanding of marketing by engaging students in decision making. We use active learning through the use of examples, exercises, cases, and MindTap. MindTap is an online personalized teaching experience with relevant assignments that guide students to analyze, apply, and improve thinking, allowing skills and outcomes to be measured with ease. What we teach students today could be obsolete in 5 to 10 years. We need to prepare them to engage in critical thinking and in continuous self-development.

Pride and Ferrell's *Foundations of Marketing* facilitates students in mastering essential concepts. Therefore, evolving marketing areas such as digital marketing and social networking, marketing ethics and social responsibility, as well as major decision variables related to product, price, distribution, and promotion have received complete revision based on available research and marketing best practices. Examples and boxed features have been replaced to be as up-to-date as possible.

We address how technology is changing the marketing environment. As students prepare for the new digital world, they will also need to practice developing communication skills, especially teamwork, that go beyond their personal interaction with digital devices. As internet retailing and online business-to-business marketing advances, the importance of supply chain management becomes important in connecting and integrating members of the distribution system. Marketing requires an understanding of both supply and demand. Marketing analytics and artificial intelligence (AI) are defining how decisions are made and implemented. All of these advances related to technology are changing marketing activities, strategies, and business models. We address all of these developments to prepare students for the future.

MindTap, available for *Foundations of Marketing 9e*, is the digital course solution that moves students from motivation to mastery. MindTap delivers content in bite-sized activities, ensuring students learn one concept before moving on to the next. It consistently challenges students to apply and synthesize concepts in real business scenarios, developing strong critical thinking skills.

MindTap increases students' confidence throughout the course by providing personalized direction—connecting students with opportunities to learn more through multiple explanations or contexts, even on the go through our Cengage Mobile App.

Additionally, the instructor companion site hosts readily available video cases, tied to chapter content, and numerous ancillary materials to aid in class preparation and assessment.

The decline of established ways of shopping is changing the retailing landscape, promotion, and consumer engagement. As consumers change the way they purchase products, department stores such as Macy's are closing stores. About two-thirds of books, music, films, and office supplies are now purchased online. It is not just that consumers are shopping and

obtaining product information online, but also that consumer behavior is changing. We have addressed these changes and recognize that it is not just shopping from home. Consumers are increasingly focused on trust, value, and convenience. They are more aware of the best place to obtain products they want.

Specific details of this extensive revision are available in the transition guide in the *Instructor's Manual*. We have also made efforts to improve all teaching ancillaries and student learning tools. PowerPoint presentations continue to be a very popular teaching device, and a special effort has been made to upgrade the PowerPoint program to enhance classroom teaching. The *Instructor's Manual* continues to be a valuable tool, updated with engaging in-class activities and projects. The authors and publisher have worked together to provide a comprehensive teaching package and ancillaries that are unsurpassed in the marketplace.

The authors have maintained a hands-on approach to teaching this material and revising the text and its ancillaries. This results in an integrated teaching package and approach that is accurate, sound, and successful in reaching students. The outcome of this involvement fosters trust and confidence in the teaching package and in student learning outcomes. Student feedback regarding this textbook is highly favorable.

WHAT'S NEW TO THIS EDITION?

Our goal is to provide the most up-to-date content possible, including concepts, examples, cases, exercises, and data. Therefore, in this revision there are significant changes that make learning more engaging and interesting to the students. The following information highlights the types of changes that were made in this revision.

- **Foundational content.** Each chapter has been updated with the latest knowledge available related to frameworks, concepts, and academic research. These additions have been seamlessly integrated into the text. Many examples are new and a review of footnotes at the end of the chapters reveals where new content has been added. Most of the other examples have been updated.
- **Opening vignettes: *Marketing Insights*.** All of the chapter-opening vignettes are new. They are written to introduce the general content of each chapter by focusing on actual entrepreneurial companies and how they deal with real-world situations.

- **Boxed features.** Each chapter includes new or updated boxed features that highlight disruptive marketing, integrity in marketing, creative marketing, or entrepreneurship in marketing. The majority of the boxed features are new to this edition.
- **New Snapshot features.** All of the Snapshot features are new and engage students by highlighting interesting, up-to-date statistics that link marketing theory to the real world.
- **New research.** Throughout the text we have updated content with the most recent research that supports the frameworks and best practices for marketing.
- **New illustrations and examples.** New advertisements from well-known firms are employed



How Confident Are You That Your Organization's Marketing Team...



SNAPSHOT

■ Not Confident ■ Confident

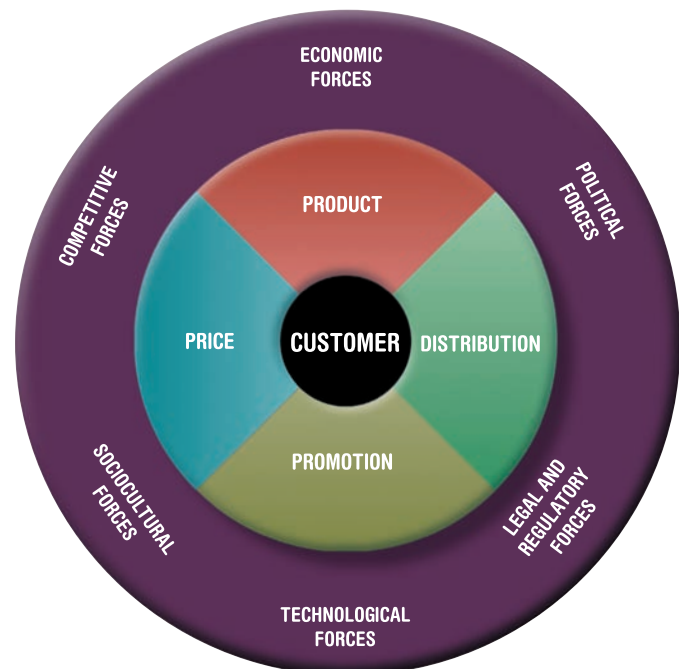


to illustrate chapter topics. Experiences of real-world companies are used to exemplify marketing concepts and strategies throughout the text. Most examples are new or updated to include digital marketing concepts as well as several new sustainable marketing illustrations.

- **End-of-chapter cases.** Each chapter contains one case, profiling a firm to illustrate concrete application of marketing concepts and strategies. Some of our cases are new and others have been revised.
- **YouTube videos.** Each chapter has a YouTube video related to a concept. Student worksheets are available for application. These are all available on the instructor companion site.

FEATURES OF THE BOOK

As with previous editions, this edition of the text provides a comprehensive and practical introduction to marketing that is both easy to teach and to learn. *Foundations of Marketing* continues to be one of the most widely adopted introductory marketing textbooks in the world. We appreciate the confidence that adopters have placed in our textbooks and continue to work hard to make sure that, as in previous editions, this edition keeps pace with changes. The entire text is structured to excite students about the subject and to help them learn completely and efficiently.



- An *organizational model* at the beginning of each part provides a “road map” of the text and a visual tool for understanding the connections among various components.
- *Objectives* at the start of each chapter present concrete expectations about what students are to learn as they read the chapter.
- Every chapter begins with an *opening vignette*. This feature provides an example of the real world of marketing that relates to the topic covered in the chapter. After reading the vignette, the student should be motivated to want to learn more about concepts and strategies that relate to the varying topics. Students will be introduced to such companies as Away, Kroger, Buc-ee’s, Amazon, Craftsman, and Primark.

DISRUPTIVE MARKETING

Jiminy Crickets: Are Chirps Chips the Snack of the Future?

Chirps Chips, marketed by Six Foods, are crunchy tortilla-style chips with one surprising ingredient: crickets. The chips are all-natural, gluten-free, and high-protein, made from ground corn, navy beans, spices, and a healthy helping of cricket flour. Yes, they contain ground-up bugs, an excellent source of protein. Crickets have six legs, which is why the company is called Six Foods.

Founders Rose Wang, Laura D'Asaro, and Meryl (Natow) Breidbart got the idea for Chirps Chips after tasting foods made from bugs. They knew

one gallon of water needed to produce a pound of cricket flour.

The goal of Six Foods is to "help spread the eating of insects as an alternative protein source," says Meryl (Natow) Breidbart. The company attracted a hefty investment from billionaire entrepreneur Mark Cuban after pitching Chirps Chips on *Shark Tank*. Six Foods is targeting consumers who care about the environment, live a healthy lifestyle, and like the novelty and nutrition of gluten-free chips made from



- The *Disruptive Marketing* boxes cover such marketing phenomena as block-chain, apparel rental, and flash sales. Featured companies include Tractor Supply, Dollar Shave Club, and Chirps Chips.

- The *Creative Marketing* feature captures dynamic changes in marketing. It explores unique marketing approaches at IBM, Uber, and Casper.

CREATIVE MARKETING

Some Clicks Are Becoming Click and Brick

Amazon, Bonobos, Casper, and Warby Parker began as online retailers, building market share and customer loyalty without a single brick-and-mortar store. Amazon rose to fame marketing books, while Bonobos became known for men's pants, Casper for mattresses, and Warby Parker for eyeglasses. All four are now part of a growing trend: online retailers opening actual stores. What's more, customers are flocking through the doors.

Amazon has been experimenting with a variety of creative retail formats for books and for groceries,

20 permanent stores, with plans for up to 200 in the coming years. Warby Parker eased into traditional retailing after receiving requests to try on eyeglass frames in person. Today, the company has 100 stores in North America, with more on the way.

Thanks to their detailed databases, online retailers can pinpoint clusters of customers, very important when deciding where to locate new stores. Many see physical locations as a good way to test or showcase selected products, meet customers in person, and enhance the buying experience. In some cases,



INTEGRITY IN MARKETING

Recycling, Zara Style

Zara is famous worldwide as a fast-fashion retailer, speeding the latest styles from its Spanish headquarters to a global network of 2,200 stores as new trends emerge. Its designers study the tastes and buying behavior of customers in 96 geographic regions to plan products suited to each market's preferences. After design and manufacture, the company sends each store two new-product shipments weekly so customers can choose from an ever-changing selection of sizes, colors, and styles.

For example, Zara's Join Life product line features "garments with a past," all manufactured from a newly-developed fabric made entirely from recycled materials such as recycled cotton.

The retailer also invites customers to drop used and unwanted garments into collection bins at hundreds of stores in 30 countries. The idea is to give these items a second life by donating them to charitable organizations such as the Red Cross and the Salvation Army. Not only does this recycling effort

- In the *Integrity in Marketing* boxed features, topics such as ethics, sustainability, privacy, and social responsibility are considered. Featured companies include Zara, Pepsi, and Everlane.

- The *Entrepreneurship in Marketing* feature focuses on the role of entrepreneurship and the need for creativity in developing successful marketing strategies by featuring successful entrepreneurial companies like WeWork, SpotHero, and Brandless.

ENTREPRENEURSHIP IN MARKETING

Skin in The Game: Rodan + Fields Gets Personal with Direct Selling

Rodan + Fields was founded by dermatologists Katie Rodan and Kathy Fields, the doctors who founded Proactiv, a popular line of skincare for treating acne. Having attained wide-reaching success with Proactiv, the duo marketed Rodan + Fields as skincare for a more "mature" population. The company initially chose to sell product through high-end department stores, having been purchased by Estée Lauder. However, with limited success in stores, the founders bought back the company and decided to relaunch it as a digital, direct selling firm.

The founders recognized that social commerce is the future. Instead of selling products in stores, Rodan +

its website. Consultants are likely to use Facebook and Instagram to connect with customers, and interested parties are directed to the consultant's personal Rodan + Fields website to fill orders. The company believes this digital direct-selling model is crucial to reaching consumers across large geographic areas.

Rodan + Fields' business model has been a major success. In recent years, the company has earned \$1.5 billion in annual revenue. The skincare company launched a new line called Spotless to target teenagers and young adults. Only time will tell if the new teen-oriented line will take off, but clearly Rodan + Fields has proved to be a successful personal selling



- *Key term definitions* appear in the margins to help students build their marketing vocabulary.
- Figures, tables, photographs, advertisements, and Snapshot features increase comprehension and stimulate interest.
- A complete *Chapter Review* covers the major topics discussed and is organized based upon the chapter objectives.
- The list of *Key Concepts* provides another end-of-chapter study aid to expand students' marketing vocabulary.
- The *Developing Your Marketing Plan* feature allows students to explore each chapter topic in relation to developing and implementing a marketing plan.
- *Issues for Discussion and Review* at the end of each chapter encourage further study and exploration of chapter content.

- Each chapter has an end-of-chapter case to help students understand the application of chapter concepts. Some examples of companies highlighted in the cases are Instagram, Alibaba, Tesla, and Gainsight.
- *Online appendices* discuss marketing career opportunities, explore financial analysis in marketing, and present a sample marketing plan. All of these appendices appear online on the instructor and student companion sites and in MindTap.
- A comprehensive *glossary* defines more than 600 important marketing terms.

TEXT ORGANIZATION

We have organized the six parts of *Foundations of Marketing* to give students a theoretical and practical understanding of marketing decision making.

Part 1 Strategic Marketing and Its Environment

In **Chapter 1**, we define marketing and explore several key concepts: customers and target markets, the marketing mix, relationship marketing, the marketing concept, and value-driven marketing. In **Chapter 2**, we look at an overview of strategic marketing topics, such as the strategic planning process; corporate, business-unit, and marketing strategies; the implementation of marketing strategies; performance evaluation of marketing strategies; and the components of the marketing plan. We examine competitive, economic, political, legal and regulatory, technological, and sociocultural forces as well as social responsibility and ethical issues in marketing decisions that can have profound effects on marketing strategies in **Chapter 3**.

Part 2 Marketing Research and Target Markets

In **Chapter 4**, we provide a foundation for analyzing buyers with a look at the basic steps in the marketing research process. We also discuss the importance of marketing analytics. We look at elements that affect buying decisions to better analyze customers' needs and evaluate how specific marketing strategies can satisfy those needs. In **Chapter 5**, we deal with how to select and analyze target markets—one of the major steps in marketing strategy development.

Part 3 Customer Behavior and E-Marketing

We examine consumer buying decision processes and factors that influence buying decisions in **Chapter 6**. In **Chapter 7**, we explore business markets, business customers, the buying center, and the business buying decision process. **Chapter 8** focuses on the actions, involvement, and strategies of marketers that serve international customers. In **Chapter 9**, we discuss digital marketing, social media, and social networking.

Part 4 Product and Price Decisions

In **Chapter 10**, we introduce basic concepts and relationships that must be understood to make effective product decisions as well as branding, packaging, and labeling. We analyze a variety of dimensions regarding product management in **Chapter 11**, including line extensions and product modification, new-product development, product deletions, and the nature, importance, and characteristics of services. In **Chapter 12**, we initially discuss price and non-price competition. Then we analyze the eight stages of the process marketers use to establish prices. We explore a variety of pricing topics such as demand, elasticity, marginal analysis, break-even analysis, the basis for pricing, and pricing strategies.

Part 5 Distribution Decisions

In **Chapter 13**, we look at supply chain management, marketing channels, and the decisions and activities associated with the physical distribution of products,

such as order processing, materials handling, warehousing, inventory management, and transportation. **Chapter 14** explores retailing and wholesaling, including types of retailers and wholesalers, direct marketing and selling, and strategic retailing issues.

Part 6 Promotion Decisions

We discuss integrated marketing communications in **Chapter 15**. The communication process and major promotional methods that can be included in promotion mixes are described. In **Chapter 16**, we analyze the major steps in developing an advertising campaign. We also define public relations and how it can be used. **Chapter 17** deals with personal selling and the role it can play in a firm's promotional efforts. We also explore the general characteristics of sales promotion and describe sales-promotion techniques.

A COMPREHENSIVE INSTRUCTIONAL RESOURCE PACKAGE

For instructors, this edition of *Foundations of Marketing* includes an exceptionally comprehensive package of teaching materials.

Instructor's Manual

The *Instructor's Manual* has been revamped to meet the needs of an engaging classroom environment. It has been updated with diverse and dynamic discussion starters, classroom activities, and group exercises.

Test Bank

The test bank provides more than 3,000 test items including true/false, multiple-choice, and essay questions. Each objective test item is accompanied by the correct answer, appropriate Learning Objective, level of difficulty, Bloom's level of thinking, Interdisciplinary Learning Outcomes, and Marketing Disciplinary Learning Outcomes. Cengage Learning Testing Powered by Cognero is a flexible, online system that allows you to:

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

American Marketing Association Professional Certified Marketer®

The American Marketing Association offers marketing graduates the opportunity of adding the AMA PCM® credentials to their undergraduate or MBA degree, which can serve as a symbol of professional excellence that affirms mastery of marketing knowledge and commitment to quality in the practice of marketing. Certification, which is voluntary, requires passing a rigorous and comprehensive exam and then maintaining your certification through continuing education. Earning your AMA PCM® certification demonstrates to employers, peers, and clients that you:

- Have mastered essential marketing knowledge and practices
- Go the extra mile to stay current in the marketing field
- Follow the highest professional standards

The AMA recommends Pride and Ferrell's *Foundations of Marketing* as a suggested resource for AMA PCM® students to utilize as they prepare for taking the AMA PCM® Certification exam, and the text was used as a source to design the course and as a source for suitable examination questions. Now, more than ever, you need to stand out in the marketplace. AMA's Professional Certified Marketer (PCM®) program is the perfect way to showcase your expertise and set yourself apart.

To learn more about the American Marketing Association and the AMA PCM® exam, visit <https://www.ama.org/digital-marketing-certification/>.

PowerPoint Slides

PowerPoint continues to be a very popular teaching device, and a special effort has been made to upgrade the PowerPoint program to enhance classroom teaching. Premium lecture slides, containing such content as advertisements, Web links, and unique graphs and data, have been created to provide instructors with up-to-date, unique content to increase student application and interest.

Marketing Case Series

This series contains the cases that can be found at the end of each chapter that include information about exciting companies, such as Salesforce.com, Impossible Foods, and The Cocoa Exchange.

MindTap for Marketing

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

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

Your Comments and Suggestions Are Valued

As authors, our major focus has been on teaching and preparing learning materials for introductory marketing students. We have traveled extensively to work with students and to understand the needs of professors of introductory marketing courses. We both teach introductory marketing courses on a regular basis and test the materials included in this book, test bank, and other ancillary materials to make sure they are effective in the classroom. Using our book, Bill Pride has recently developed an online principles of marketing course at Texas A&M University.

Through the years, professors and students have sent us many helpful suggestions for improving the text and ancillary components. We invite your comments, questions, and criticisms. We want to do our best to provide materials that enhance the teaching and learning of marketing concepts and strategies. Your suggestions will be sincerely appreciated. Please write us, or e-mail us at w-pride@tamu.edu or ocf0003@auburn.edu, or call 979-845-5857 (Bill Pride).

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Tony Henthorne, *University of Nevada, Las Vegas*
Elizabeth C. Hirschman, *University of Virginia at Wise*
Charlie Hofacker, *Florida State University*
Ron Johnson, *University of Pittsburg*
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Jerome Katrichis, *University of Hartford*
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John Krupa, Jr., *Johnson & Wales University*
Barbara Lafferty, *University of South Florida*
Patricia Laidler, *Massasoit Community College*
Bernard LaLonde, *Ohio State University*
Richard A. Lancioni, *L&H Marketing Consultants*
Geoffrey P. Lantos, *Stonehill College*
John Lavin, *Strategic Media Group*
Marilyn Lavin, *University of Wisconsin–Whitewater*
Monle Lee, *Indiana University–South Bend*
Richard C. Leventhal, *Ashford University*
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 Ruth Taylor, *Texas State University*

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 Ira Teich, *Touro College*
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William M. Pride
 O.C. Ferrell

About the Authors

William M. Pride

Texas A&M University

William M. Pride is Professor of Marketing, Mays Business School, at Texas A&M University. He received his PhD from Louisiana State University. In addition to this text, he is the co-author of Cengage Learning's *Business MindTap* and *Foundations of Business*, market leaders. Dr. Pride has taught Principles of Marketing and other marketing courses for more than 40 years at both the undergraduate and graduate levels.

Dr. Pride's research interests are in advertising, promotion, and distribution channels. His research articles have appeared in major journals in the fields of marketing, such as the *Journal of Marketing*, the *Journal of Marketing Research*, the *Journal of the Academy of Marketing Science*, and the *Journal of Advertising*.

Dr. Pride is a member of the American Marketing Association, Academy of Marketing Science, Society for Marketing Advances, and the Marketing Management Association. He has received the Marketing Fellow Award from the Society for Marketing Advances and the Marketing Innovation Award from the Marketing Management Association. Both of these are lifetime-achievement awards.

O.C. Ferrell

Auburn University

O.C. Ferrell is the James T. Pursell Sr. Eminent Scholar in Ethics and Director of the Center for Ethical Organizational Cultures, Auburn University. He served as the Distinguished Professor of Leadership and Ethics at Belmont University and University Distinguished Professor of Marketing in the Anderson School of Management at University of New Mexico. He has also been on the faculties of University of Wyoming, Colorado State University, University of Memphis, Texas A&M University, Illinois State University, and Southern Illinois University. He received his PhD in Marketing from Louisiana State University.

He is immediate past president of the Academy of Marketing Science and past vice president of publications. He is past president of the Academic Council of the American Marketing Association and chaired the American Marketing Association Ethics Committee. Under his leadership, the committee developed the AMA Code of Ethics and the AMA Code of Ethics for Marketing on the internet. In addition, he is a member of the Academy of Marketing Science Board of Governors and is a Society of Marketing Advances and Southwestern Marketing Association Fellow and an Academy of Marketing Science Distinguished Fellow. He was the first recipient of the Marketing Education Innovation Award from the Marketing Management Association. He received a Lifetime Achievement Award from the Macromarketing Society and a special award for service to doctoral students from the Southeast Doctoral Consortium. He received the Harold Berkman Lifetime Service Award from the Academy of Marketing Science and the Cutco/Vector Distinguished Marketing Educator Award.

Dr. Ferrell is the co-author of 20 books and more than 100 published articles and papers. His articles have been published in the *Journal of Marketing Research*, the *Journal of Marketing*, the *Journal of Business Ethics*, the *Journal of Business Research*, the *Journal of the Academy of Marketing Science*, and the *Journal of Public Policy & Marketing*, as well as other journals.

Strategic Marketing and Its Environment



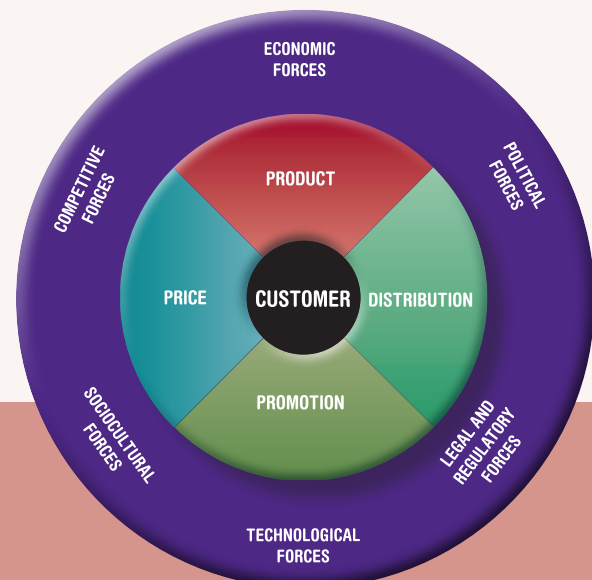
- 1 Customer-Driven Strategic Marketing
- 2 Planning, Implementing, and Evaluating Marketing Strategies
- 3 The Marketing Environment, Social Responsibility, and Ethics

PART 1 introduces the field of marketing and offers a broad perspective from which to explore and analyze various components of the marketing discipline.

CHAPTER 1 defines marketing and explores some key concepts, including customers and target markets, the marketing mix, relationship marketing, the marketing concept, and value.

CHAPTER 2 provides an overview of strategic marketing issues, such as the effect of organizational resources and opportunities on the planning process; the role of the mission statement; corporate, business-unit, and marketing strategies; and the creation of the marketing plan.

CHAPTER 3 deals with environmental forces and with the role of social responsibility and ethics in marketing decisions.





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CHAPTER

1

Customer-Driven Strategic Marketing

LEARNING OBJECTIVES

- 1-1** Define marketing.
- 1-2** Explain the different variables of the marketing mix.
- 1-3** Describe how marketing creates value.
- 1-4** Briefly describe the marketing environment.
- 1-5** Summarize the marketing concept.
- 1-6** Identify the importance of building customer relationships.
- 1-7** Explain why marketing is important to our global economy.

M A R K E T I N G I N S I G H T S



Whole Foods Is the Whole Package

Two entrepreneurs, John Mackey and Renee Lawson Hardy, began a challenging venture to create a company that incorporated the values of healthy living and conscious capitalism, all with a \$45,000 loan. Their efforts led them to open a small natural foods store named SaferWay, which later became Whole Foods. The values held by Whole Foods have enabled the company to turn its mission into a reality. The core values of the company involve meeting customer needs and committing to selling the highest quality natural and organic products. Whole Foods, now owned by Amazon, also aims to create positive and ethical ongoing partnerships with suppliers and to create growth and profit while caring about the community and the environment.

In order to market to Amazon shoppers, Whole Foods offers discounts for Amazon Prime customers, and grocery delivery is available with Prime Now. Amazon has been strategic in the changes it has made since acquiring Whole Foods. For example, earlier this year Amazon decided to end construction of new 365 stores, a type of store created to offer more affordable natural products. Since acquiring the grocery chain, Amazon has been cutting costs and, therefore, feels that creating additional 365 stores is unnecessary. The good news for customers who shop at the existing 365 stores is that they will remain in business. Whole Foods and their new owner, Amazon, continue to implement successful marketing strategies for their customers, and Amazon has promised additional changes as well.¹

Amazon is working to evolve Whole Foods grocery stores so its high-quality, natural food becomes more affordable. However, it is faced with competitors such as Trader Joe's, Sprouts Farmers Market, and The Fresh Market. Like all organizations, Whole Foods and Amazon must make marketing decisions and create a satisfying exchange relationship.

This chapter introduces the strategic marketing concepts and decisions covered throughout the text. First, we develop a definition of *marketing* and explore each element of the definition in detail. Next, we explore the importance of value-driven marketing. We also introduce the marketing concept and consider several issues associated with its implementation. Additionally, we take a look at the management of customer relationships and relationship marketing. Finally, we examine the importance of marketing in a global society.

Learning Objective 1-1

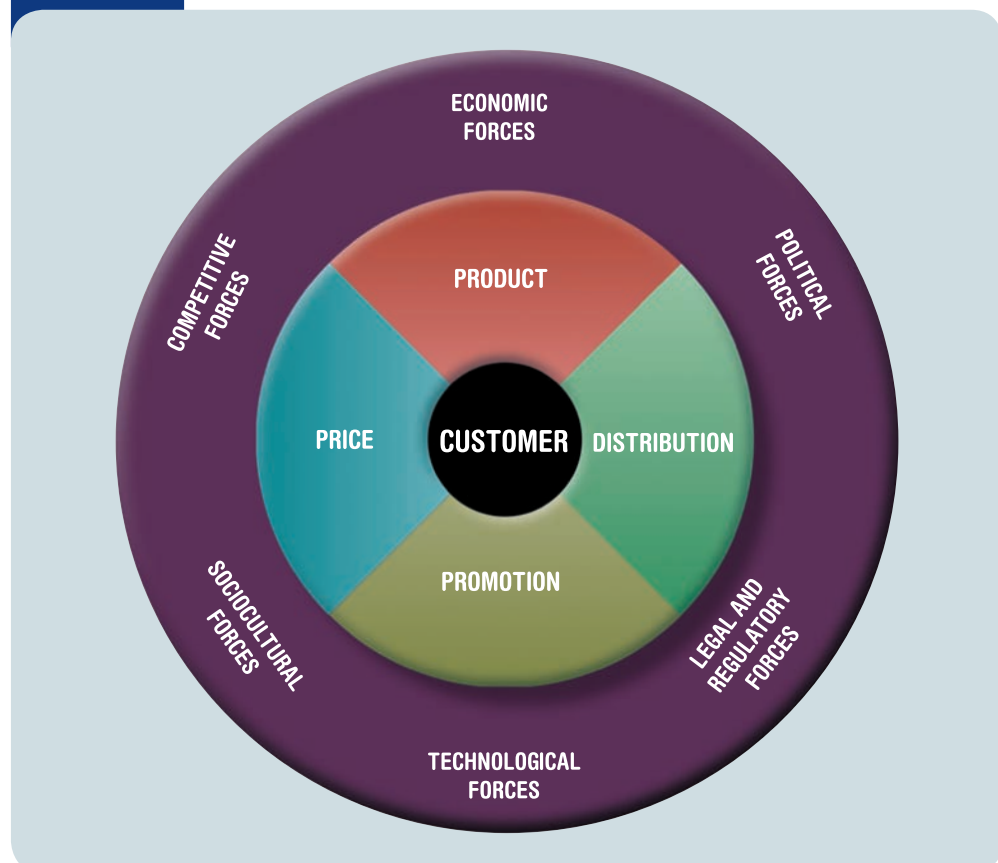
Define marketing.

marketing The process of creating, pricing, distributing, and promoting goods, services, and ideas to facilitate satisfying exchange relationships with customers and to develop and maintain favorable relationships with stakeholders in a dynamic environment

1-1 DEFINING MARKETING

If you ask several people what *marketing* is, you are likely to hear a variety of descriptions. Although many people think marketing is advertising or selling, marketing is much more complex than most people realize. In this book we define **marketing** as the process of creating, pricing, distributing, and promoting goods, services, and ideas to facilitate satisfying exchange relationships with customers and to develop and maintain favorable relationships with stakeholders in a dynamic environment. Our definition is consistent with that of the American Marketing Association (AMA), which defines marketing as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”²

Figure 1.1 Components of Strategic Marketing



Marketing-mix variables are often viewed as controllable because they can be modified. However, there are limits to how much marketing managers can alter them. Economic conditions, competitive structure, and government regulations may prevent a manager from adjusting the marketing mix frequently or significantly. Making changes in the size, shape, and design of most tangible goods is expensive; therefore, such product features are not altered very often. Services are easier to adjust, and there could be an opportunity for the consumer to select a service. In addition, promotional campaigns and methods used to communicate with and persuade consumers ordinarily cannot be revised overnight. Changes in the way products are distributed are much easier than in the past due to e-commerce. Pricing may be the easiest marketing-mix variable to change.

1-1a Marketing Focuses on Customers

As the purchasers of the products that organizations develop, price, distribute, and promote, **customers** are the focal point of marketing activities (see Figure 1.1). Companies define their products not as what they make or produce, but as what they do to satisfy customers. The Walt Disney Company is not in the business of establishing theme parks; it is in the business of entertainment and making people happy. At Disney World, customers are guests and employees are cast members providing a performance and entertainment experience.

The essence of marketing is to develop satisfying exchanges from which both customers and marketers benefit. The customer expects to gain a reward or benefit greater than the costs incurred in a marketing transaction. The marketer expects to gain something of value in return, generally the price charged for the product. Through buyer–seller interaction, a customer develops expectations about the seller’s future behavior. To fulfill these expectations, the marketer must deliver on promises made. Over time, this interaction results in relationships between the two parties. Fast-food restaurants such as Wendy’s and Subway depend on repeat purchases from satisfied customers—many often live or work a few miles from these restaurants—whereas customer expectations revolve around tasty food, value, and dependable service.

Organizations generally focus their marketing efforts on a specific group of customers, called a **target market**. Looking at the ad for Kraft, parents who want snacks that will satisfy both themselves as well as their children are its target market.

Marketing managers may define a target market as a vast number of people, or as a relatively small group. Often companies target multiple markets with different products, prices, distribution systems, and promotions for each one. Others focus on a smaller, niche market. For example, Cruzbike, based in North Carolina, designs high-quality recumbent road bikes that accommodate riders with saddle, back, neck, or wrist pain or injury, which is a relatively small market.³ Home Depot, on the other hand, targets multiple markets with thousands of products.

customers The purchasers of organizations’ products; the focal point of all marketing activities
target market A specific group of customers on whom an organization focuses its marketing efforts

**They want snack food.
You want food-food.
And yet, everyone wins.**

Kraft
Family Greatly

Kraft
Fun Snacks
Kids Love

Kraft
string cheese
The String Cheese
Kids Really
Want

Kraft
80% MORE!
Full Snacks
to Satisfy
Your Family

SOURCE: KRAFT FOODS GROUP, INC.

Appealing to a Target Market

Kraft makes snack food designed for the whole family.

Learning Objective 1-2

Explain the different variables of the marketing mix.

1-2 **MARKETING DEALS WITH PRODUCTS, PRICE, DISTRIBUTION, AND PROMOTION**

Marketing involves developing and managing a product that will satisfy customer needs. It also requires promotion to help customers learn about the product and determine if it will satisfy their needs. It focuses on communicating availability in the right place and at the right price. Activities are planned, organized, implemented, and controlled to meet the needs of customers within the target market. Marketers refer to four variables—product, price, distribution, and promotion—as the **marketing mix**. Marketing creates value through the marketing mix. A primary goal of marketing managers is to create and maintain the right mix of these variables to satisfy customers' needs for a general product type. They decide what type of each variable to use and how to synchronize the variables. (Note in Figure 1.1 that the marketing mix is built around the customer.) Amazon is well-known for its implementation of the marketing mix. It routinely engages in research and development to create new products such as its digital assistant, Echo. It promotes its products through advertising, social media, and media events. Best Buy and other retailers provide Amazon products at a premium price to convey their quality and effectiveness.

Marketing managers strive to develop a marketing mix that matches the needs of customers in the target market. For example, many restaurants, like Modern Market Eatery, offer half portions to appeal to guests seeking greater control over calorie consumption.⁴ Marketing managers must constantly monitor the competition and adapt their product, pricing, distribution, and promotion decisions to create long-term success.

Before marketers can develop a marketing mix, they must collect in-depth, up-to-date information about customer needs. Such information might include data about the age, income, ethnicity, gender, and educational level of people in the target market, their preferences for product features, their attitudes toward competitors' products, and the frequency with which they use the product. Today, marketers have access to a large amount of data about their customers by tracking purchases using social media and other sources. For example, Chrome Industries, a cycling apparel and accessories company, closely monitors trends to adjust its marketing mix to provide constant functional as well as style changes. Armed with market information, marketing managers are better able to develop a marketing mix that satisfies a specific target market.

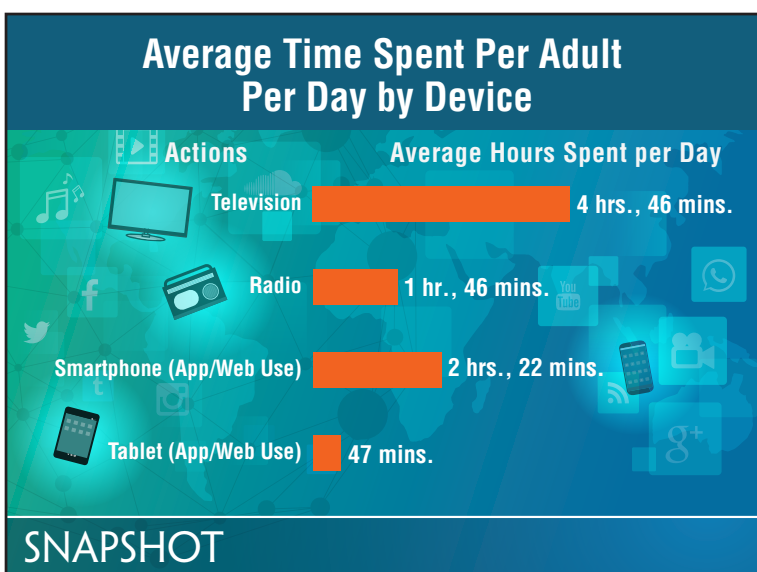
marketing mix Four marketing variables—product, price, distribution, and promotion—that a firm controls to meet the needs of customers within its target market

product A good, a service, or an idea

Let's look more closely at the decisions and activities related to each marketing-mix variable.

1-2a **Product**

Successful marketing efforts result in products that become part of everyday life. Consider the satisfaction customers have had over the years from Coca-Cola, Levi's jeans, Visa credit cards, Tylenol pain relievers, and the Microsoft Surface. The product variable of the marketing mix deals with researching customers' needs and wants and designing a product that satisfies them. A product could be considered a bundle of satisfaction that provides value to the consumer. A **product** can be a good, a service, or an idea. A good is a physical entity you can touch. Oakley sunglasses, Nike running shoes, and Tesla automobiles are all examples of products. A service is the application of human and mechanical efforts to people or objects to



Note: Some amount of simultaneous usage may occur across devices.
Source: Q1 2018 Nielsen Total Audience Report

provide intangible benefits to customers. Air travel, education, lodging, banking, medical care, and day care are examples of services. Ideas include concepts, philosophies, images, and issues. For instance, a personal trainer, for a fee, helps clients exercise and manage their health and wellness. Other marketers of ideas include political parties, churches, and animal protection groups. Products can also be designed for personal use—consumer product—or for use by businesses. In the advertisement, Slack, a team communication platform, targets business professionals with its collaboration tools.

The product variable also involves creating or modifying brand names and packaging, and it may include decisions regarding warranty and repair services. For example, Coca-Cola released a new global design for its products that features the traditional red as the main color. The “one brand” strategy is to create a unified global presence for its flagship soda.

Product variable decisions and related activities are important because they are directly involved with creating products that address customers’ needs and wants. Apple continues to upgrade its iPhone using different model names such as 11, SE, and XR to signal new modifications. To maintain an assortment of products that helps an organization achieve its goals, marketers must develop new products, modify existing ones, and eliminate those that no longer satisfy enough buyers or that yield unacceptable profits.

1-2b Price

The price charged for a product helps establish its value. A company’s established pricing objectives and policies determine its products’ prices. Price is a critical component of the marketing mix because customers are concerned about benefits, roles, and costs. Price is an important competitive tool that provides an advantage. Higher prices can be used competitively to establish a product’s premium image. J Brand and 7 For All Mankind jeans, for example, have an image of high quality and high price that has given them significant status. Other companies are skilled at providing products at prices lower than their competitors’ (consider Walmart’s tagline “Save Money. Live Better.”). Amazon uses its vast network of partnerships and cost efficiencies to provide products at low prices. Brick-and-mortar retailers have not been able to offer comparable products at such low prices, providing Amazon with a considerable competitive advantage. Pricing is the most flexible marketing-mix variable and can be changed very quickly. Also, price multiplied by quantity sold establishes revenue, which is the responsibility of the marketing function.

1-2c Distribution

To satisfy customers, products must be available at the right time and in appropriate locations. Subway, for example, locates not only in strip malls but also inside Walmart and Home Depot stores, laundromats, churches, and hospitals, as well as inside Goodwill stores, car dealerships, and appliance stores. There are approximately 45,000 Subways worldwide, surpassing McDonald’s as the world’s largest chain.

Dev launched a campaign without sending a single email.

slack
Where work happens

That's collaboration in Slack.

Learn more at slack.com

SOURCE: SLACK.COM

Types of Products

Slack, a cloud-based company with collaboration tools, is an example of a company that targets business markets.

SELF-TANNING THAT IS EFFORTLESSLY SUBLIME.
YOU'RE GOLDEN.

SUBLIME BRONZE

- LIGHTWEIGHT MILK WITH VITAMIN E HYDRATES AND NOURISHES SKIN.
- DELIVERS A BUILDABLE, NATURAL-LOOKING GLOW THAT'S EVEN AND STREAK-FREE.

Available at **Walgreens**

L'OREAL PARIS

Worth It Earn rewards: Join now at: lorealparisusa.com/worthitrewards
BECAUSE YOU'RE WORTH IT.™ ©2018 L'Oréal USA, Inc.

SOURCE: L'OREAL

Promotion

L'Oréal uses singer-songwriter Camila Cabello to promote its Sublime Bronze self-tanner.

In dealing with the distribution variable, a marketing manager makes products available in the quantities desired to as many target market customers as possible, keeping total inventory, transportation, and storage costs as low as possible. A marketing manager also may select and motivate intermediaries (wholesalers and retailers), establish and maintain inventory control procedures, and develop and manage transportation and storage systems.

Supply chain management (SCM) involves maintaining a flow of products through logistics activities. This includes acquiring resources, inventory, and the interlinked networks that make products available to customers through purchasing, logistics, and operations. SCM has become very important to the success of online marketers. Companies now can make their products available throughout the world without maintaining facilities in each country. For example, Netflix started in the United States with its DVD by mail service in 1998. Today, because of its internet presence, Netflix is available in over 190 countries. We examine distribution issues in Chapters 13 and 14.

1-2d Promotion

The promotion variable relates to activities used to inform and persuade to create a desired response. Promotion can increase public awareness of the organization and of new or existing products. In the self-tanner advertisement, L'Oréal uses a celebrity who appeals to its target market. Promotion can help create a direct response such as accessing a website to order a product. GEICO uses television and radio advertising to encourage people to spend 15 minutes “to save 15% or more on car insurance.” GEICO’s tagline encourages consumers to call GEICO to save money.

Promotional activities educate customers about product features. Promotion can also urge people to take a particular stance on a political or social issue, such as voting, smoking, or drug abuse. It is a mistake to think promotion just involves advertising. Personal selling is needed for almost every type of product and provides the revenue that the firm must have to be successful. Sales promotions such as coupons and other incentives like online discount codes keep sales dynamic. Publicity that provides information, often in the mass media, is another form of promotion that firms try to manage. The promotion mix focuses integrated marketing communication to inform and persuade consumers to purchase a product.⁵

Promotion can help to sustain interest in established products, such as Jell-O and Tide detergent, that have been available for decades. Many companies use websites, apps, or social media to communicate information about themselves and their products. Betty Crocker and Kraft Foods maintain two of the most popular recipe websites.⁶

Learning Objective 1-3

Describe how marketing creates value.

value A customer’s subjective assessment of benefits relative to costs in determining the worth of a product

1-3 MARKETING CREATES VALUE

Value is an important element of managing long-term customer relationships and implementing the marketing concept. We view **value** as a customer’s subjective assessment of benefits relative to costs in determining the worth of a product (customer value = customer benefits – customer costs). Consumers develop a concept of value through the integration of their perceptions of product quality and financial sacrifice.⁷ From a company’s perspective, there is a trade-off between maintaining the desired value and achieving profit objectives.⁸

DISRUPTIVE MARKETING

COVID-19 Mixes Up the Marketing Mix

The COVID-19 (coronavirus) pandemic, which struck the United States in 2020, majorly disrupted the global economy. The respiratory disease posed a serious public health risk and resulted in travel bans, stay-at-home orders, and the closing of nonessential businesses. In the face of a new economy, many brands had to adjust their marketing mix to remain competitive.

Impossible Foods adjusted its distribution strategy by securing a spot for its plant-based burger meat alternative in 1,700 Kroger grocery stores nationwide. Companies also adjusted their product strategies. Pathr, a spatial intelligence platform, created a simulator to allow businesses to identify how people move through their stores, so they could prepare to reopen.

COVID-19 also had an impact on prices. With professional, recreational, and youth sports on hold, sporting goods saw a dramatic price drop. And, as airline, hotel, and gasoline sales plunged, prices plummeted. Promotion strategies also changed. For example, Unilever changed its “Dirt Is Good” campaigns of Omo and Persil laundry detergents to “Home Is Good” to encourage people to stay inside.

One thing that marketers learned is that consumers can be more resilient than expected and are willing to adapt to changing situations. The full long-term impacts of COVID-19 on business are still evolving as the global economy finds its balance and consumer confidence increases.⁹



Customer benefits include anything a buyer receives in an exchange. Hotels and motels, for example, basically provide a room with a bed and bathroom, but each brand provides a different level of service, amenities, and atmosphere to satisfy its guests. Ramada Inn offers the minimum services necessary to maintain a quality, efficient, low-price overnight accommodation. In contrast, The Ritz-Carlton provides every imaginable service a guest might desire. The hotel even allows its staff members to spend up to \$2,000 to settle customer complaints.⁹ Airbnb competes with these traditional hotels and motels by providing almost no services other than access to a property at a price the consumer considers a good value. Customers judge which type of accommodation offers the best value according to the benefits they desire and their willingness and ability to pay for the costs associated with the benefits.

Customer costs include anything a buyer must give up to obtain the benefits the product provides. The most obvious cost is the monetary price of the product, but nonmonetary costs can be equally important in a customer’s determination of value. Two nonmonetary costs are the time and effort customers expend to find and purchase desired products. To reduce time and effort, a company can increase product availability, thereby making it more convenient for buyers to purchase the firm’s products. Another nonmonetary cost is risk, which can be reduced by offering good, basic warranties or extended warranties for an additional charge.¹⁰ One risk-reduction strategy is the offer of a 100 percent satisfaction guarantee. This strategy is increasingly popular in today’s catalog/telephone/internet shopping environment. Zappos, which carries more than 1,300 brands of shoes and apparel, has a 100 percent satisfaction guarantee, and shoes can be returned for free within 365 days.

The processes which people use to determine the value of a product may differ widely. All of us tend to get a feel for the worth of products based on our own expectations and previous experience. We can, for example, compare the value of auto rental, airfare, and computers directly with the value of competing products. We evaluate movies, sporting events, and performances by entertainers on the more subjective basis of personal preferences and emotions. For most purchases, we do not consciously calculate the associated benefits and costs. It becomes an instinctive feeling that General Mills’ Cheerios is a good value or that McDonald’s is a good place to take children for a quick lunch. The purchase of an automobile