

This International Student Edition is for use outside of the U.S.

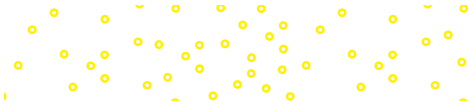
SIXTEENTH EDITION

MARKETING

Roger A. Kerin
Steven W. Hartley



Mc
Graw
Hill



MARKETING

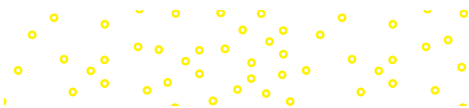
Sixteenth Edition

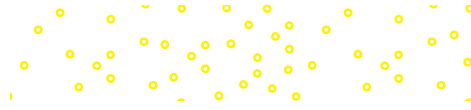
Roger A. Kerin

Southern Methodist University

Steven W. Hartley

University of Denver





MARKETING

Published by McGraw Hill LLC, 1325 Avenue of the Americas, New York, NY 10019. Copyright ©2023 by McGraw Hill LLC. All rights reserved. Printed in the United States of America. No part of this publication may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written consent of McGraw Hill LLC, including, but not limited to, in any network or other electronic storage or transmission, or broadcast for distance learning

Some ancillaries, including electronic and print components, may not be available to customers outside the United States.

This book is printed on acid-free paper.

1 2 3 4 5 6 7 8 9 LWI 27 26 25 24 23 22

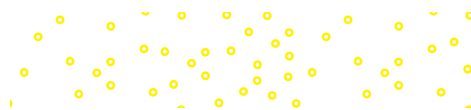
ISBN 978-1-265-11194-6

MHID 1-265-11194-4

Cover Image: *mbbirdy/Getty Images*

All credits appearing on page or at the end of the book are considered to be an extension of the copyright page.

The Internet addresses listed in the text were accurate at the time of publication. The inclusion of a website does not indicate an endorsement by the authors or McGraw Hill LLC, and McGraw Hill LLC does not guarantee the accuracy of the information presented at these sites.



WELCOME FROM THE AUTHORS!

The National Association of Colleges and Employers recently reported that college student hiring has rebounded from reductions experienced during the pandemic. The reopening of businesses, vaccine distribution, and new types of jobs are all contributing to a strong recovery. Many of the new jobs are in marketing, including digital interface manager, Internet sales representative, and customer communication specialist. In addition, pre-pandemic marketing jobs such as brand ambassador, content strategist, event coordinator, marketing analytics manager, and social media manager are also growing. The most recent CMO Survey reported that 72 percent of companies saw increasing importance in the role of marketing. The growth of marketing reflects the exciting changes occurring in the marketplace and the integral role marketing professionals will play in businesses, nonprofit organizations, government agencies, and all parts of our economic and social environment. We are excited to have the opportunity to participate in your journey as a student of marketing, and we hope that this textbook will help you discover your personal goals related to a career of compassion and purpose in marketing or any of the fields it will influence!

Many of the changes in the marketplace are the result of the pandemic, of course. Delivery services, curbside pickup, and touchless payment are just a few of the obvious pandemic-generated changes marketers have adopted. The integration of many new technologies, consumer interests, and social trends was already under way, but it accelerated during the pandemic. For example, artificial intelligence, consumer demands for environmentally friendly products, and the growing interest in diversity, equity, and inclusion are all becoming integral elements of the practice of marketing. To help you see the links these trends have with marketing actions we have included many current, interesting, and relevant examples, such as Elon Musk's Mission to Mars and Neuralink businesses, Bombas's efforts to help solve a social problem with its business model, Chipotle's "food with integrity" approach to business, IBM's "Let's Put Smart To Work" strategy, the Minnesota Lynx efforts to build a team brand and be a vehicle for social change, and Toyota's hydrogen fuel-cell vehicle, the Mirai. In addition, we have brought into the discussion many of the most popular marketing tools available to practitioners, including net promoter scores, customer lifetime value, and blue ocean strategy analysis.

The dynamic nature of the marketing discipline necessitates equally dynamic learning resources, so we have focused on ensuring that our textbook provides the most insightful and comprehensive coverage of the marketplace today. We have included many features that reflect the dramatic changes in student learning styles, from traditional observational styles to contemporary collaborative styles. Our approach to presenting the complexities of marketing and facilitating the changes in learning is based on three important dimensions:

- **Engagement.** As professors we have benefited from interactions with many exceptional students, managers, and instructors. Their insights have contributed to our approach to teaching and, subsequently, to our efforts as textbook authors. One of the essential elements of our approach is a commitment to active learning through engaging, integrated, and timely materials. In-class activities, an interactive blog, marketing plan exercises, and in-text links to online ads and web pages are just a few examples of our engagement model.
- **Leadership.** Our approach is also based on a commitment to taking a leadership role in the development and presentation of new ideas, principles, theories, and practices in marketing. This is more important now than ever before, as the pace of change in our discipline accelerates and influences almost every aspect of traditional marketing. We are certain that exposure to leading-edge material related to topics such as social media, data analytics, and marketing metrics can help students become leaders in their jobs and careers.
- **Innovation.** New educational technologies and innovative teaching tools have magnified the engagement and leadership aspects of our approach. Connect, LearnSmart, and SmartBook provide a digital and interactive platform that embraces the "anytime and anywhere" style of today's students. In addition, we have provided new videos and increased the visual impact of the text and PowerPoint materials to facilitate multimedia approaches to learning.

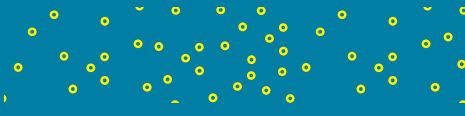
Through the previous 15 U.S. editions—and 20 international editions in 12 languages—we have been gratified by the enthusiastic feedback we have received from students and instructors. We are very excited to have this opportunity to share our passion for this exciting discipline with you today. Welcome to the 16th edition of *Marketing*!

Roger A. Kerin
Steven W. Hartley

PREFACE

Marketing utilizes a unique, innovative, and effective pedagogical approach developed by the authors through the integration of their combined classroom, college, and university experiences. The elements of this approach have been the foundation for each edition of *Marketing* as they have evolved and adapted to changes in student learning styles, the growth of the marketing discipline, and the development of new instructional technologies, and they serve as the core of the 16th edition of the text and its supplements. The distinctive features of our approach are illustrated below:





The goal of the 16th edition of *Marketing* is to create an exceptional learning experience for today's students and instructors of marketing. The development of the new edition of *Marketing* was based on a rigorous process of assessment, and the outcome of the process is a text and package of learning tools that are based on *engagement*, *leadership*, and *innovation* in marketing education.

ENGAGEMENT

The author team has benefited from extraordinary experiences as instructors, researchers, and consultants, as well as the feedback of users of previous editions of *Marketing*—now more than 1 million students! The authors believe that success in marketing education in the future will require the highest levels of engagement. They ensure engagement by facilitating interaction between students and four learning partners—the instructor, other students, businesses, and the publisher. Some examples of the high-engagement elements of *Marketing*:

In-Class Activities and Digital In-Class Activities. The in-class activities, located in the *Instructor's Manual*, are designed to engage students in discussions with the instructor and among themselves. They involve surveys, online resources, out-of-class assignments, and personal observations. Each activity illustrates a concept from the textbook and can be done individually or as a team. Examples include: Designing a Candy Bar, Marketing Yourself, Pepsi vs. Coke Taste Test, and What Makes a Memorable TV Commercial? In addition, digital in-class activities have been added to selected chapters. These activities, located in the Instructor Resources, focus on the use of web resources and the marketing data they can provide students.

Interactive Web Page (www.kerinmarketing.com). Students can access recent articles about marketing and post comments for other students.

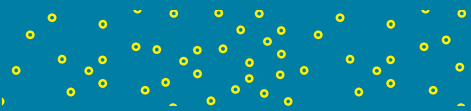
Building Your Marketing Plan. The Building Your Marketing Plan guides at the end of each chapter are based on the format of the marketing plan presented in Appendix A. On the basis of self-study or as part of a course assignment, students can use the activities to organize interactions with businesses to build a marketing plan. Students and employers often suggest that a well-written plan in a student's portfolio is an asset in today's competitive job market.

LEADERSHIP

The popularity of *Marketing* in the United States and around the globe is the result, in part, of the leadership role of the authors in developing and presenting new marketing content and pedagogies. For example, *Marketing* was the first text to meaningfully integrate ethics, interactive and social media marketing, and marketing metrics and dashboards. It was also the first text to develop custom-made videos to help illustrate marketing principles and practices and bring them to life for students as they read the text. The authors have also been leaders in developing new learning tools, such as a three-step learning process that includes learning objectives, learning reviews, and learning objectives reviews and new testing materials that are based on Bloom's learning taxonomy. Other elements that illustrate how *Marketing* is a leader in the discipline include:

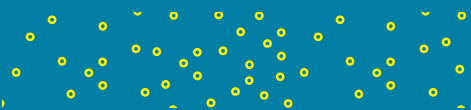
Chapter 20: Using Social Media and Mobile Marketing to Connect with Consumers. *Marketing* features a dedicated and up-to-date chapter on social media and mobile marketing. This new environment is rapidly changing and constantly growing. The authors cover the building blocks of social media and mobile marketing and provide thorough, relevant content and examples. The authors describe major social media platforms like Facebook, Instagram, Twitter, YouTube, Pinterest, and LinkedIn. They explain how managers and companies can use those platforms for marketing purposes, including influencer marketing, and highlight user privacy issues with each platform. Chapter 20 also includes a new section titled Social Media Marketing Programs and Customer Engagement that describes criteria for selecting social media platforms and social media content, how social media can produce sales, and methods of measuring a company's success with social media and mobile marketing. This chapter is an example of one of many ways *Marketing* is on the cutting edge of marketing practice.

Applying Marketing Metrics. The Applying Marketing Metrics feature in the text delivers two important measurement elements in business and marketing management today—performance metrics and the dashboards to visualize them. The text includes 15 examples of proven marketing performance metrics, including their purpose, calculation, application, interpretation, and display in marketing dashboards. Some of the metrics included are net promoter scores (NPS), customer lifetime value (CLV), New Product Vitality Index, category development index (CDI), brand development index (BDI), load factor (a capacity management metric), price premium, sales per square foot, same-store sales growth, promotion-to-sales ratio, cost per thousand (CPM) impressions, and customer engagement with social media. The text's Applying Marketing Metrics feature is designed to encourage readers to learn, practice, display, and apply marketing metrics in a meaningful manner for decision-making purposes.



Color-Coded Graphs and Tables. The use of color in the graphs and tables enhances their readability and adds a visual level of learning to the textbook for readers. These color highlights increase student comprehension by linking the text discussion to colored elements in the graphs and tables.

New Video Cases. Each chapter ends with a case that is supported by a video to illustrate the issues in the chapter. New cases such as Bombas, Mary Kay China, Minnesota Lynx, Poshmark, Chipotle, and Ford Mach-E, and recent cases such as Fallon Worldwide, Body Glove, and Cascade Maverik provide current and relevant examples that are familiar to students.



INNOVATION

In today's fast-paced and demanding educational environment, innovation is essential to effective learning. To maintain *Marketing's* leadership position in the marketplace, the author team consistently creates innovative pedagogical tools that match contemporary students' learning styles and interests. The authors keep their fingers on the pulse of technology to bring real innovation to their text and package. Innovations such as in-text links, hyperlinked PowerPoint slides, and an online blog augment the McGraw Hill Education online innovations such as Connect, LearnSmart, and SmartBook.

In-Text Links. You can see Internet links in magazine ads; on television programming; as part of catalogs, in-store displays, and product packaging; and throughout *Marketing!* These links bring the text to life with ads and videos about products and companies that are discussed in the text. These videos also keep the text even more current. While each link in the text has a caption, the links are updated to reflect new campaigns and market changes. In addition, the links allow readers to stream the video cases at the end of each chapter. You can simply click on the links in the digital book or use your smartphone or computer to follow the links.

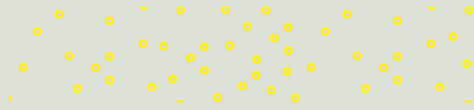
Online Blog. Visit www.kermarketing.com to participate in *Marketing's* online blog discussion.

Connect and SmartBook 2.0 Integration. These McGraw Hill Education products provide a comprehensive package of online resources to enable students to learn faster, study more efficiently, and increase knowledge retention. The products represent the gold standard in online, interactive, and adaptive learning tools and have received accolades from industry experts for their Library and Study Center elements, filtering and reporting functions, and immediate student feedback capabilities. In addition, the authors have developed book-specific interactive assignments, including (a) auto-graded applications based on the marketing plan exercises, and (b) activities based on the Applying Marketing Metrics boxes and marketing metrics presented in the text.

Innovative Test Bank. Containing more than 5,000 multiple-choice and essay questions, the *Marketing* Test Bank reflects more than two decades of innovations. The Test Bank also includes "visual test questions" in each chapter to reward students who make an effort to understand key graphs, tables, and images in the chapter.



connect[®]



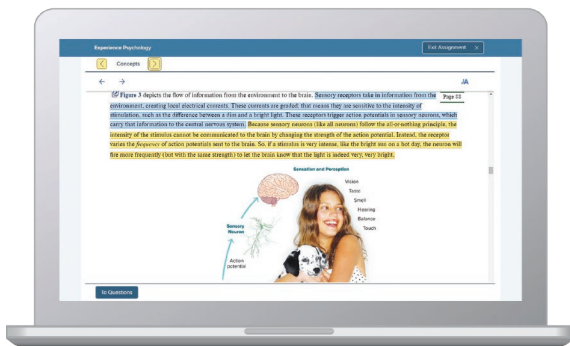
Instructors: Student Success Starts with You

Tools to enhance your unique voice

Want to build your own course? No problem. Prefer to use an OLC-aligned, prebuilt course? Easy. Want to make changes throughout the semester? Sure. And you'll save time with Connect's auto-grading too.

65%

Less Time Grading



Laptop: McGraw Hill; Woman/dog: George Doyle/Getty Images

Study made personal

Incorporate adaptive study resources like SmartBook[®] 2.0 into your course and help your students be better prepared in less time. Learn more about the powerful personalized learning experience available in SmartBook 2.0 at www.mheducation.com/highered/connect/smartbook

Affordable solutions, added value



Make technology work for you with LMS integration for single sign-on access, mobile access to the digital textbook, and reports to quickly show you how each of your students is doing. And with our Inclusive Access program you can provide all these tools at a discount to your students. Ask your McGraw Hill representative for more information.

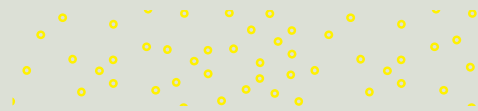
Padlock: Jobalou/Getty Images

Solutions for your challenges



A product isn't a solution. Real solutions are affordable, reliable, and come with training and ongoing support when you need it and how you want it. Visit www.supportateverystep.com for videos and resources both you and your students can use throughout the semester.

Checkmark: Jobalou/Getty Images



SUPPORT ^{AT}
every step

Students: Get Learning that Fits You

Effective tools for efficient studying

Connect is designed to help you be more productive with simple, flexible, intuitive tools that maximize your study time and meet your individual learning needs. Get learning that works for you with Connect.

Study anytime, anywhere

Download the free ReadAnywhere app and access your online eBook, SmartBook 2.0, or Adaptive Learning Assignments when it's convenient, even if you're offline. And since the app automatically syncs with your Connect account, all of your work is available every time you open it. Find out more at www.mheducation.com/readanywhere

"I really liked this app—it made it easy to study when you don't have your textbook in front of you."
- Jordan Cunningham,
Eastern Washington University



Calendar: owattaphotos/Getty Images

Everything you need in one place

Your Connect course has everything you need—whether reading on your digital eBook or completing assignments for class, Connect makes it easy to get your work done.

Learning for everyone

McGraw Hill works directly with Accessibility Services Departments and faculty to meet the learning needs of all students. Please contact your Accessibility Services Office and ask them to email accessibility@mheducation.com, or visit www.mheducation.com/about/accessibility for more information.

Top: Jenner Images/Getty Images, Left: Hero Images/Getty Images, Right: Hero Images/Getty Images



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. Within McGraw Hill Connect®, we tag content accordingly so you can filter your search, assign it, and receive reporting on it. These content asset types can be associated with one or more levels of Bloom's.

The chart below shows a few of the key assignable marketing assets with 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® 2.0	Click & Drags	iSeeit! Video Cases	Video Cases/Case Analyses	Marketing Analytics	Marketing Plan Prep Exercises	Application-Based Activities	Writing Assignment Plus
Higher Order Thinking Skills	CREATE							✓
	EVALUATE						✓	✓
	ANALYZE			✓	✓	✓	✓	✓
	APPLY	✓	✓	✓	✓	✓	✓	✓
	UNDERSTAND	✓	✓	✓	✓	✓	✓	✓
Lower Order Thinking Skills	REMEMBER	✓	✓	✓	✓	✓	✓	✓

SmartBook 2.0

SmartBook 2.0 personalizes learning to individual student needs, continually adapting to pinpoint knowledge gaps and focus learning on concepts requiring additional study.

Click & Drags

These activities help make the connection between theory and application through matching, ranking, or grouping activities.

iSeeit! Video Cases

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

Video Cases & Case Analyses

Video cases and case analyses, featuring real companies, are assignable with corresponding comprehension questions that help students analyze and apply key marketing concepts.

Marketing Analytics

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

Marketing Plan Prep Exercises

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

Application-Based Activities

Highly interactive, application-based activities immerse students in real-world business environments. Placed in the role of a marketing manager or business professional, students are challenged to make data-informed decisions and apply multiple concepts while seeing the impact of their decisions immediately.

Writing Assignment Plus

Writing Assignment Plus delivers a learning experience that helps students improve their written communication skills and conceptual understanding. Faculty can assign, monitor, grade, and provide feedback on writing projects efficiently. Built-in grammar and writing review helps students improve writing quality while an originality check helps students correct potential plagiarism before submission. End result? Improved workplace writing and critical thinking skills.

NEW AND REVISED CONTENT

This edition has been updated with a variety of new features, examples, and discussions that address key topics such as social responsibility in marketing, pandemic and post-pandemic marketing and customer experience implications, purpose-driven marketing and the customer value proposition, and technology.

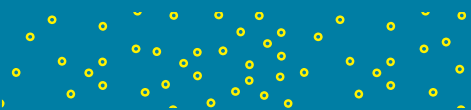
For example, six new, timely, interesting and relevant end-of-chapter cases and videos that address topics such as social missions, marketing in China, social change, new marketplace technology, integrity-based business models, and sustainability have been added. In addition, *Marketing 16e* has expanded its coverage of social responsibility and sustainability topics such as as privacy, social entrepreneurship, diversity, equity, inclusion, and environmental impact. Many marketplace changes related to the pandemic such as curbside pickup, touchless payment, and delivery have been integrated, and many examples of the growing trend toward purpose-driven brands such as Bombas and Chipotle have been added. And, this edition has expanded the discussion of the many applications and implications of new and emerging technologies.

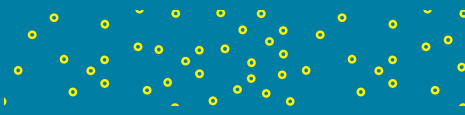
Chapter 1: New Bombas Chapter Opener and Video Case, New Robotics Example, and New Material on Facebook’s Privacy Concerns. Chapter 1 now begins with a discussion of Bombas and its founders David Heath and Randy Goldberg. The company’s social mission to give away millions of socks to homeless shelters and its buy-one-give-one model are presented. Discussion of Elon Musk’s new businesses such as the Hyperloop, OpenAI, Neuralink, and The Boring Company in the Marketing and Your Career section has been updated. Technological breakthroughs such as personal robots are discussed as possible influences on environmental forces. New discussion of Facebook’s efforts to address privacy concerns has been added. The chapter ends with a new video case about Bombas and its successful marketing program.

Chapter 2: Updated Chapter Opening Example, Addition of a New Example of Social Entrepreneurship, an Updated Application of Business Portfolio

Analysis, and New Extended Coverage of Consumer Value Propositions. The Chapter 2 opening example has been updated to discuss the growing interest in social, economic, and environmental changes that will make the world a better place. The social entrepreneur venture Recidiviz has been added to the *Forbes 30 Under 30: Social Entrepreneurs* discussion in the Making Responsible Decisions box. The discussion of business definitions and business models now describes how Uber has added Uber Health to its portfolio of offerings. The concept of key performance indicators (KPIs) has been added to the Goals or Objectives discussion. The application of the Boston Consulting Group business portfolio model to Apple’s product line has been updated to include changes related to the Apple Card, the iPhone, and the iPad/iPad mini tablet devices. New discussion of the value of customer experiences has been added, including a new figure (Figure 2-8) showing the value placed on different types of consumer experiences.

Chapter 3: Update of Facebook’s Response to the Changing Marketing Environment, Update of New Trends in Marketing, and Updated Discussion of Gender-Neutral Marketing Actions. The chapter opening example is updated to reflect the dramatic environmental changes Facebook is facing. The discussion of new trends, such as the increasing focus on meaning and purpose in business, the shift to subscription-based business models, the decline in the use of cookies, the digital transformation of many businesses, and the changing regulatory environment in industries such as ride sharing, cannabis, and health care has been expanded. Discussion of *Ad Age’s* Multicultural Agency of the Year, Nimbus, and its advertising campaign for Papa John’s Pizza has been added. A discussion of new trends in technology, such as 3D printing, cryptocurrency, and autonomous vehicles, has also been added. The Competitive Forces discussion now reflects the merger of T-Mobile and Sprint to create a three-carrier oligopoly in the wireless telephone industry.





Chapter 4: Updated Chapter Opening Example, Expanded Descriptions of Consumer Ethics, Sustainable Marketing, and Sustainable Consumption, and New Discussion on Diversity, Equity, and Inclusion. The chapter opening example has been updated to include social media campaigns such as the “Drink Wiser” campaign. The issue of robocalls is added to the discussion in the Ethics of Exchange section. In addition, the chapter ends with a completely new discussion of diversity, equity, and inclusion initiatives as part of companies’ sustainable development programs.

Chapter 5: Updated Chapter Opening Example about New-Car-Buying Decisions, an Expanded Discussion of Impulse Buying Online, and an Update of the Section on Asian American Buying Patterns. The chapter opening example has been updated to reflect the pivotal role of women in the conversion from internal combustion engines to all-electric powered cars. The discussion of situation effects on the purchase process has been expanded to highlight impulse buying online and during natural disasters such as the COVID-19 pandemic. In addition the Asian American Buying Patterns section has been updated to reflect this group’s growing economic influence.

Chapter 6: Updated Discussion of Organizational Buying Objectives to Include Diversity and Inclusion Considerations, and a New Example of Super-computer Purchase in the Buyer–Seller Relationships and Supply Partnerships section. The description of organizational buying objectives has been updated to include Target’s commitment to spend more than \$2 billion with Black-owned advertising agencies and vendors. In addition, the U.S. Department of Energy’s purchase of an AMD supercomputer has been added to the Buyer–Seller Relationships discussion.

Chapter 7: Inclusion of a New Video Case Featuring the Recent Brand Building Program by Mary Kay, Inc., in China, and a New Section Covering the Regional Comprehensive Economic Partnership. The discussion on the economic integration among countries has been expanded to include a section on the

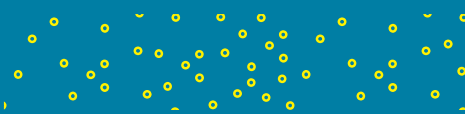
Regional Comprehensive Economic Partnership (RCEP) consisting of 15 Asian and Pacific countries. The chapter now ends with a new video case on Mary Kay’s launch of Pink Young in China. The case covers Mary Kay’s global market-entry strategy and its product and promotion programs.

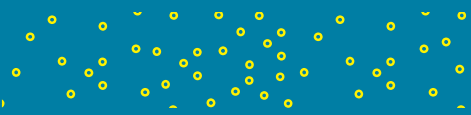
Chapter 8: Updated Chapter Opening Example, an Update of Nielsen Television Program Rankings, and an Updated Example of Forecasting Sales for a New Running Shoe. The chapter opening example has been updated to reflect the use of marketing research in Hollywood and its potential influence on movies such as *Black Widow*, *Harley Quinn: Birds of Prey*, and *Toy Story*. The discussion of national TV ratings data collected by Nielsen, as an example of a mechanical method of data collection, has been updated. In addition, the discussion of direct forecasting has been updated to include the New Balance Fuel Cell Rebel as an example.

Chapter 9: Update of Zappos’s Use of Segmentation, New Examples, and New Simmons National Consumer Survey Data. The chapter opening example has been updated to describe how Zappos uses behavioral segmentation, and to show examples of its new single shoe and mixed-size offerings. The Patronage of Fast-Food Restaurants section offers updated Simmons National Consumer Survey data.

Chapter 10: New Discussion of Data Analytics and an Expanded Discussion of Open versus Closed Innovation in the New-Product Development Process. The Stage 4: Business Analysis section has new discussion about big data, analytics, and artificial intelligence technologies. The new-product development process is expanded by comparing the open versus closed innovation process at PepsiCo and Apple, respectively.

Chapter 11: The Latest Brand Extension for Gatorade, an Expanded Example of the Product Life Cycle for Fashion Products, New Brand Equity Discussion, New Material on Brand Purpose in Brand





Equity Development, and New Packaging Examples. The Chapter 11 discussion of Gatorade in the chapter opener now includes material on Gatorade’s new Gx Sweat Patch and App. An expanded discussion of the product life cycle for a fashion product now includes the rebirth of Crocs as an example. Coca-Cola’s introduction of Coca-Cola Energy is presented as a failed example in the brand extension discussion. The latest thinking on brand purpose in brand equity development is introduced and illustrated by Nike and Patagonia examples.

Chapter 12: New Video Case Featuring the Minnesota Lynx, New Discussion of Airbnb’s Response to the Pandemic, New Loyalty Program Discussion, New Services Examples, and New Advertisements. Discussion of Airbnb’s response to the pandemic through an emphasis on close family-friendly destinations, services such as Online Experiences, and its “Made Possible by Hosts” advertising campaign have been added to the chapter opener. Discussion of loyalty program member expectations and new service example, Amazon Fresh, have been added. The Services in the Future section now includes a discussion of the Samsung Smart Trainer, which uses motion-detecting AI to improve workouts. In addition, new advertisements from Delta Air Lines, Merrill Lynch, the United Way, the American Red Cross, the United States Postal Service, Reputation Defender, Accenture, Amazon Fresh, and Samsung Smart Trainer have been added. The chapter ends with a new video case about the WNBA’s Minnesota Lynx and its use of marketing to build a team brand and to facilitate being a vehicle for social change.

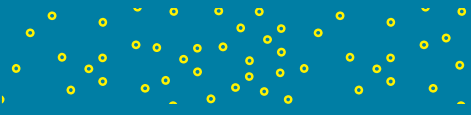
Chapter 13: Updated Chapter Opening Example, Update of the Bugatti Chiron Pricing Example, Expanded Discussion of Survival as a Pricing Objective, New Discussion of the Impact of the Pandemic on the Frozen Pizza Demand Curve, and New Discussion of the Profit Impact of Price Changes. The chapter opening example has been updated to include VIZIO’s introduction of its first OLED TV. The example of the calculation of a final price for a Bugatti Chiron, with a Mini-Cooper trade-in, has been updated. The discussion of survival as a pricing objective has

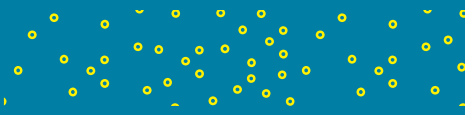
been expanded to include the influence of the pandemic. The impact of the coronavirus pandemic on frozen pizza demand has been added to the discussion of a shift in the demand curve. In addition, a new discussion highlighting how price changes affect profitability adds rigor to the understanding of the effect of raising and reducing prices and price elasticity of demand.

Chapter 14: Updated Description of Demand-Oriented Pricing for Microsoft’s Xbox Series X Video Game Console versus Sony’s PlayStation 5 and Amazon. The rationale behind the demand-oriented pricing strategies used by Microsoft’s Xbox Series X and Sony’s PlayStation 5 in the game console market has been updated to reflect changes in the competitive environment. The odd-even pricing description is expanded to include a discussion of the left-digit bias common in price perceptions.

Chapter 15: Updated Chapter Opening Example, Expanded Section on Direct to Consumer Marketing, and New Example in Buyer Requirements Section. The chapter opening example has been updated to include Eddie Bauer’s expanded multichannel strategy by selling through Kohl’s department stores. The popularity of direct to consumer marketing now includes examples of PepsiCo and Heinz selling through Snacks.com and Heinz to Home, respectively. The discussion of the influence of buyer requirements in channel selection has been expanded to include the incentives General Motors is offering dealerships to add charging stations for electric vehicles.

Chapter 16: Updated Chapter Opening Example about Malls Reinventing Themselves, Update of the Top Franchises, New Discussion about Safety and Convenience in the Current Trends in Retailing Section. Chapter 16 opens with a description of the changes malls have undertaken in response to new shopping behaviors that resulted from the COVID-19 pandemic. A discussion of the growing importance of speed, convenience, touchless technology, and safety as retailers responded to the coronavirus pandemic has been added.





Chapter 17: New Video Case Featuring Poshmark, Updated Discussion of the Balance between the Traditional Marketplace and the Digital Marketplace, Update of Product Classes Purchased Online following the Growth of E-commerce, and Changes in the Use of Third-Party Cookies. The Marketing Challenges in Two Environments discussion has been expanded to describe the growth of physical showrooms and their use by digital natives. The product categories purchased online have been updated to include the seven categories that account for 90 percent of online purchases brought about by the pandemic. The Why Consumers Shop and Buy Online section has been expanded to describe the elimination of third-party cookies from popular browsers. Chapter 17 ends with a new video case on Poshmark, an online platform that offers a “completely new way to shop.”

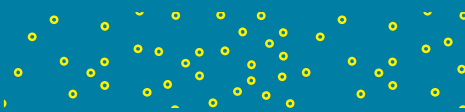
Chapter 18: New Video Case Featuring Chipotle Mexican Grill, Updated Chapter Opening Example Featuring the Taco Bell “Taco Moon” Campaign, New Advertisements, New Discussion of the Media Agency of the Year, and Addition of Opt-In Approaches to Direct Marketing Discussion. The chapter opening example has been completely updated to reflect Taco Bell’s recent IMC activities. The company’s “Taco Moon” campaign promotions in Guatemala, India, the UK, Australia, and Puerto Rico are all discussed. New advertisements include examples from The North Face, Oculus, Pepsi/Doritos, and T-Mobile. The IMC program used to promote the movie *No Time To Die* has been added to the Scheduling the Promotion section. The work of *Ad Age*’s Media Agency of the Year, Initiative, is discussed. The chapter ends with a new video case titled Chipotle Mexican Grill: Where IMC Helps Deliver Food “For Real” that describes Chipotle’s “food with integrity” business model and its many IMC activities.

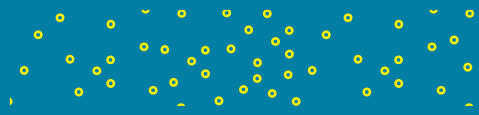
Chapter 19: New Chapter Opening Example about Advertising without Cookies and to Smart Audiences, Inclusion of Message Creativity in Content Creation, New Advertisements, New Discussion of the Advertising Agency of the Year, and Updated Examples of Sales Promotions. Google’s decision to stop using

cookies to track web browsing is discussed in the chapter opening example. Examples of new approaches to ensure that consumers see relevant advertising are presented. New advertising examples from Lexus, Microsoft, Floras & Bouquets, IBM, KPMG, Milk Life, the U.S. Army, Under Armour, Rocket Mortgage, the World Health Organization, bebe, Liberty Mutual, and Chase and new sales promotion examples from the Food Network, Ben & Jerry’s, and Starbucks have been added. The Message Content and Creativity section now includes a discussion of advertising creativity dimensions such as originality and appropriateness. The chapter also includes new discussion of *Ad Age*’s Agency of the Year—Droga5. In addition, new sales promotion examples such as Food Network’s Blended Burger Contest, and Tabasco, Sony, and Barnum’s product placements in *Captain Marvel* are discussed.

Chapter 20: Updated Chapter Opening Example about Connected Cars, New Section on the Growth of Influencer Marketing, and New Sections on the Emergence of Social Shopping and Social Media Privacy. The chapter opening example has been updated to reflect the growth of connected cars which can serve as transportation, entertainment centers, workplaces, and often as dining spaces! In addition, a new section titled Social Media and Influencer Marketing addresses the role and growth of social media influencers. Another section titled Social Media and Social Shopping introduces social proof as a concept that explains how customers are influenced by their peers’ purchases and recommendations online. The section A Look at Six Prominent Social Media has been expanded to include Instagram and Pinterest, privacy issues in social media, and scheduling social media posts for improved customer engagement.

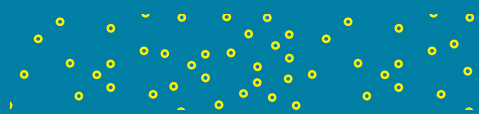
Chapter 21: New Discussion of Sales Enablement, and Updated Marketing Automation Discussion Now Includes Artificial Intelligence. A new section titled Sales Enablement discusses the process of providing a sales organization with the information, content, and tools that help salespeople sell more effectively. In addition, the Marketing Automation section discusses the growth of artificial intelligence applications.





Chapter 22: New Video Case Featuring the Ford Motor Company, Update of Chapter Opening Example Discusses the General Mills “Accelerate” Strategy, New Example of Differentiation Focus Strategy, and Updated Example of Starbucks in the Marketing Evaluation Section. The chapter opening example has been updated to include the General Mills “Accelerate” strategy, and examples of several of its new products such as Epic performance bars and ready-to-eat Soft Baked Cookies. In addition, Bombas has been added as an example of a

company using a differentiation focus strategy. The discussion of actual results exceeding goals includes Starbucks’s marketing actions to introduce new flavors such as Mocha Cookie Crumble, open its largest Reserve Roastery store in Malaysia, test reusable cups, and build 20,000 additional stores by 2030. The chapter features a new case titled Ford Motor Company: Applying the Strategic Marketing Process to Build a Better World, which describes the strategic marketing process at Ford and its application to the introduction of the Mustang Mach-E.



INSTRUCTOR RESOURCES



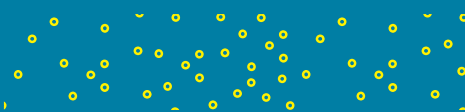
Test Builder in Connect

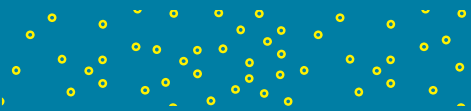
Available within Connect, Test Builder is a Cloud-based tool that enables instructors to format tests that can be printed or administered within an LMS. Test Builder offers a modern, streamlined interface for easy content configuration that matches course needs, without requiring a download.

Test Builder allows you to:

- Access all Test Bank content from a particular title.
- Easily pinpoint the most relevant content through robust filtering options.
- Manipulate the order of questions or scramble questions and/or answers.
- Pin questions to a specific location within a test.
- Determine your preferred treatment of algorithmic questions.
- Choose the layout and spacing.
- Add instructions and configure default settings.

Test Builder provides a secure interface for better protection of content and allows for just-in-time updates to flow directly into assessments.





Tegrity: Lectures 24/7

Tegrity in Connect is a tool that makes class time available 24/7 by automatically capturing every lecture. With a simple one-click start-and-stop process, you capture all computer screens and corresponding audio in a format that is easy to search, frame by frame. Students can replay any part of any class with easy-to-use, browser-based viewing on a PC, Mac, iPod, or other mobile device.

Educators know that the more students can see, hear, and experience class resources, the better they learn. In fact, studies prove it. Tegrity's unique search feature helps students efficiently find what they need, when they need it, across an entire semester of class recordings. Help turn your students' study time into learning moments immediately supported by your lecture. With Tegrity, you also increase intent listening and class participation by easing students' concerns about note-taking. Using Tegrity in Connect will make it more likely you will see students' faces, not the tops of their heads.



Practice Marketing

Practice Marketing is a 3D, online, single or multiplayer game that helps students apply the four Ps by taking on the role of marketing manager for a backpack company. By playing the game individually and/or in teams, students come to understand how their decisions and elements of the marketing mix affect one another. Practice Marketing is easy to use, fully mobile, and provides an interactive alternative to marketing plan projects. Log in to mhpractice.com with your Connect credentials to access a demo, or contact your local McGraw Hill representative for more details.

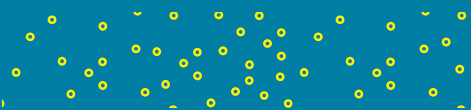


Application-Based Activities/Marketing Mini Sims

Application-Based Activities (ABAs) are highly interactive activities that immerse students in real-world business environments. Placed in the role of a marketing manager or business professional, students are challenged to apply multiple concepts and make data-informed decisions.

Role-Playing ABAs compel students to think critically to solve real-world problems and apply the skills needed in the Principles of Marketing course. These often involve multiple decision-making paths which allow students to see the impact of their decisions immediately. Each ABA focuses on one topic and is intended to take approximately 15–20 minutes to complete.

Marketing Mini Sims put students in the role of a marketing decision maker for a backpack manufacturing company. Each Marketing Mini Sim focuses on one aspect of the marketing mix where they are supported by their marketing colleagues who offer them background information on core concepts, provide relevant information and offer periodic checks for understanding as well as provide feedback. Each Marketing Mini Sim takes approximately 30 minutes to complete and can be assigned on its own OR as building-block experiences leading up to the assignment of our full Practice Marketing simulation.



Acknowledgments

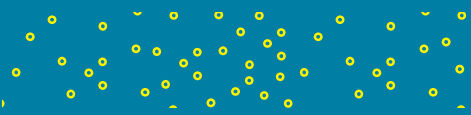
To ensure continuous improvement of our textbook and supplements we have utilized an extensive review and development process for each of our past editions. Building on that history, the *Marketing*, 16th edition, development process included several phases of evaluation and a variety of stakeholder audiences (e.g., students, instructors, etc.).

Reviewers who were vital in the changes that were made to the 16th and previous editions of *Marketing* and its supplements include:

A. Diane Barlar
Abe Qastin
Abhay Shah
Abhi Biswas
Abhik Roy
Adrienne Hinds
Ahmed Maamoun
Al Holden
Alan Bush
Alexander Edsel
Alicia Revely
Allan Palmer
Allen Smith
Amy Frank
Anand Kumar
Andrei Strijnev
Andrew Dartt
Andrew Thacker
Andy Aylesworth
Angela Stanton
Anil Pandya
Ann Kuzma
Ann Little
Ann Lucht
Ann Veeck
Annette George
Anthony Koh
Anthony R. Fruzzetti
Aysen Bakir
Barbara Evans
Barbara Ribbens
Barnett Greenberg
Barry Bunn
Bashar Gammoh
Beibei Dong
Ben Oumlil
Beth Deinert
Bill Curtis
Bill Murphy
Bill Peterson

Blaise Waguespack Jr.
Bob Dahlstrom
Bob Dwyer
Bob E. Smiley
Bob McMillen
Bob Newberry
Brent Cunningham
Brian Kinard
Brian Murray
Bronis J. Verhage
Bruce Brown
Bruce Chadbourne
Bruce Ramsey
Bruce Robertson
Bryan Hayes
Bryan Hochstein
Carl Obermiller
Carmen Powers
Carmina Cavazos
Carol Bienstock
Carol M. Motley
Carolyn Massiah
Casey Donoho
Catherine Campbell
Cathie Rich-Duval
Cathleen H. Behan
Cathleen Hohner
Cecil Leonard
Cesar Maloles
Chad Autry
Charla Mathwick
Charles Bodkin
Charles Ford
Charles Schewe
Cheryl Stansfield
Chiranjeev Kohli
Chris Anicich
Chris Ratcliffe
Christie Amato
Christine Lai

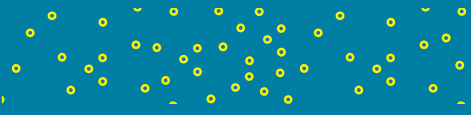
Christopher Blocker
Christopher Kondo
Christopher Ziemnowicz
Chuck Pickett
Cindy Leverenz
Clare Comm
Clark Compton
Clay Rasmussen
Clint Tankersley
Clyde Rupert
Connie Bateman
Corinne Asher
Craig Stacey
Cristanna Cook
Cydney Johnson
Dan Darrow
Dan Goebel
Dan Sherrel
Dan Toy
Daniel Butler
Daniel Rajaratnam
Darrell Goudge
Dave Olson
David Erickson
David Gerth
David J. Burns
David Jamison
David Kuhlmeier
David Smith
David Terry Paul
Deana Ray
Deb Jansky
Debbie Coleman
Debra Laverie
Deepa Pillai
Dennis Pappas
Diana Joy Colarusso
Diane Dowdell
Diane T. McCrohan
Don Weinrauch

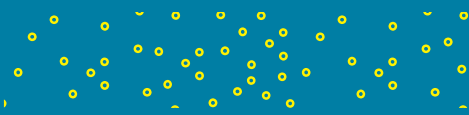


Donald Chang
Donald F. Mulvihill
Donald Fuller
Donald G. Norris
Donald Hoffer
Donald Larson
Donald R. Jackson
Donald V. Harper
Donna Wertalik
Doris M. Shaw
Dotty Harpool
Douglas Kornemann
Duncan G. LaBay
Eberhard Scheuling
Ed Gonsalves
Ed Laube
Ed McLaughlin
Eddie V. Easley
Edna Ragins
Edwin Nelson
Efua Obeng
Elaine Notarantonio
Eldon L. Little
Elena Martinez
Elizabeth R. Flynn
Ellen Benowitz
Eric Ecklund
Eric Newman
Eric Shaw
Erin Baca Blaugrund
Erin Cavusgil
Erin Wilkinson
Ernan Haruvy
Eugene Flynn
Farrokh Moshiri
Fekri Meziou
Frances Depaul
Francis DeFea
Francisco Coronel
Frank A. Chiaverini
Fred Honerkamp
Fred Hurvitz
Fred Morgan
Fred Trawick
Gail M. Zank
Gary Carson
Gary F. McKinnon
Gary Law
Gary Poorman
Gary Tucker

George Kelley
George Miaoulis
George Young
Gerald O. Cavallo
Gerald Waddle
Gerard Athaide
Glen Brodowsky
Glen Gelderloos
Godwin Ariguzo
Gonca Soysal
Gordon Mosley
Greg Kitzmiller
Gregory Arend
Guy Lochiatto
Haiyan Hu
Harlan Wallingford
Harold Lucius
Harold S. Sekiguchi
Havva Jale Meric
Heidi Rottier
Heikki Rinne
Helen Koons
Herbert A. Miller
Herbert Katzenstein
Howard Combs
Hsin-Min Tong
Hugh Daubek
Imran Khan
Irene Dickey
Irene Lange
Ismet Anitsal
J. Ford Laumer
Jacqueline Karen
Jacqueline Williams
James A. Henley Jr.
James A. Muncy
James C. Johnson
James Cross
James Garry Smith
James Gaubert
James Ginther
James Gould
James H. Barnes
James H. Donnelly
James L. Grimm
James Lollar
James Marco
James McAlexander
James Meszaros
James Munch

James Olver
James P. Rakowski
James V. Spiers
James Wilkins
James Zemanek
Jane Cromartie
Jane Lang
Jane Machin
Jane McKay-Nesbitt
Janet Ciccarelli
Janet Murray
Janice Karlen
Janice Taylor
Janice Williams
Jarrett Hudnal
Jason Little
Jay Lambe
Jean Murray
Jean Romeo
Jeanne Munger
Jeff Blodgett
Jeff Finley
Jeffrey W. von Freymann
Jefrey R. Woodall
Jennie Mitchell
Jennifer Nelson
Jerry Peerbolte
Jerry W. Wilson
Jianfeng Jiang
Jim McHugh
Jo Ann McManamy
Joan Williams
Joanne Orabone
Jobie Devinney-Walsh
Joe Cronin
Joe Kim
Joe M. Garza
Joe Puzi
Joe Ricks
Joe Stasio
John Benavidez
John Brandon
John C. Keyt
John Coppett
John Cox
John Finlayson
John Fitzpatrick
John Gaskins
John H. Cunningham
John Kuzma

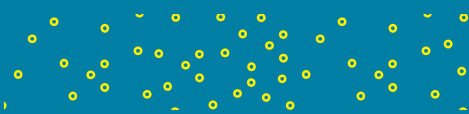


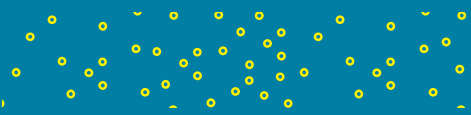


John Penrose
John Striebich
Jonathan Hibbard
Joseph Belonax
Joseph Defilippe
Joseph Myslivec
Joseph Wisenblit
Juan (Gloria) Meng
Judy Bulin
Judy Foxman
Judy Wagner
Julie Haworth
Julie Sneath
Jun Ma
June E. Parr
Karen Becker-Olsen
Karen Berger
Karen Flaherty
Karen Gore
Karen LeMasters
Kasia Firlej
Katalin Eibel-Spanyi
Kathleen Krentler
Kathleen Stuenkel
Kathleen Williamson
Kathryn Schifferle
Kathy Meyer
Katie Kemp
Kay Chomic
Kaylene Williams
Keith B. Murray
Keith Jones
Keith Murray
Kellie Emrich
Ken Crocker
Ken Fairweather
Ken Herbst
Ken Murdock
Ken Shaw
Kenneth Goodenday
Kenneth Jameson
Kenneth Maricle
Kerri Acheson
Kevin Feldt
Kevin W. Bittle
Kim Montney
Kim Richmond
Kim Sebastiano
Kim Wong
Kimberly D. Smith

Kimberly Grantham
Kin Thompson
Kirti Celly
Koren Borges
Kristen Regine
Kristine Hovsepian
Kristy McManus
Kumar Sarangee
Kunal Sethi
Lan Wu
Larry Borgen
Larry Carter
Larry Feick
Larry Goldstein
Larry Marks
Larry Rottmeyer
Laura Dwyer
Lauren Wright
Lawrence Duke
Lee Meadow
Leigh McAlister
Leon Zurawicki
Leonard Lindenmuth
Leslie A. Goldgehn
Leta Beard
Linda Anglin
Linda M. Delene
Linda Morable
Linda Munilla
Linda N. LaMarca
Linda Rochford
Lindell Phillip Chew
Lisa M. Sciulli
Lisa Siegal
Lisa Simon
Lisa Troy
Lisa Zingaro
Lori Feldman
Lowell E. Crow
Luke Hopkins
Lynn Harris
Lynn Loudonback
Marc Goldberg
Maria McConnell
Maria Randazzo-Nardin
Maria Sanella
Marilyn Lavin
Mark Collins
Mark Weber
Mark Young

Martin Bressler
Martin Decatur
Martin St. John
Marton L. Macchiete
Martyn Kingston
Marva Hunt
Mary Ann McGrath
Mary Beth DeConinck
Mary Conran
Mary Joyce
Mary Schramm
Mary Tripp
Matt Meuter
Max White
Mayukh Dass
Melissa Clark
Melissa Moore
Michael Callow
Michael Drafke
Michael Fowler
Michael Mayo
Michael Peters
Michael Pontikos
Michael R. Luthy
Michael Swenson
Michelle Kunz
Michelle Wetherbee
Miguel Ángel Zúñiga
Mike Hagan
Mike Hyman
Mike Luckett
Milton Pressley
Miriam B. Stamps
Nadia J. Abgrab
Nancy Bloom
Nancy Boykin
Nancy Grassilli
Nanda Kumar
Nathan Himelstein
Neel Das
Nikolai Ostapenko
Norman Smothers
Notis Pagiavlas
Ottilia Voegtle
Pamela Grimm
Pamela Hulén
Parimal Bhagat
Pat Spirou
Patricia Baconride
Patricia Bernson

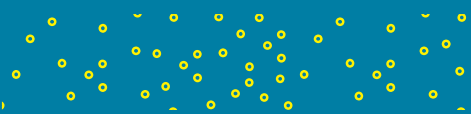


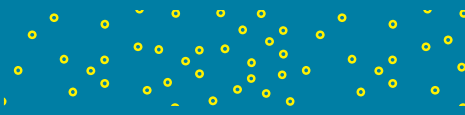


Patricia Manninen
Paul Dion
Paul Dowling
Paul Jackson
Paul Londrigan
Paul Myer
Peter J. McClure
Philip Kearney
Philip Parron
Philip Shum
Phyllis Fein
Phyllis McGinnis
Poh-Lin Yeoh
Pola B. Gupta
Priscilla G. Aaltonen
Priyali Rajagopal
Rae Caloura
Rajesh Iyer
Rajiv Kashyap
Ram Kesaran
Randall E. Wade
Randy Stuart
Ravi Shanmugam
Raymond Marzilli
Reid Claxton
Renee Foster
Renee Pfeifer-Luckett
Rex Moody
Rhonda Mack
Rhonda Taylor
Richard C. Leventhal
Richard D. Parker
Richard Hansen
Richard Hargrove
Richard J. Lutz
Richard Lapidus
Richard M. Hill
Richard Penn
Rick Sweeney
Rita Dynan
Robert Battle
Robert C. Harris
Robert Jones
Robert Lawson
Robert Luke
Robert Morris
Robert S. Welsh
Robert Swerdlow
Robert W. Ruekert
Robert Williams

Robert Witherspoon
Roberta Schultz
Roger McIntyre
Roger W. Egerton
Ron Dougherty
Ron Hasty
Ron Larson
Ron Weston
Ronald A. Feinberg
Ronald Michaels
Rosa Lemel
Rosemary Ramsey
Roy Adler
Roy Klages
Ruth Ann Smith
Ruth Rosales
Ruth Taylor
S. Choi Chan
S. Tamer Cavusgil
Sally Sledge
Samuel E. McNeely
Sanal Mazvancheryl
Sandipan Sen
Sandra Robertson
Sandra Smith
Sandra Young
Sang Choe
Sanjay S. Mehta
Santhi Harvey
Scott Cragin
Scott Swan
Scott Thorne
Shabnam Zanjani
Sheila Wexler
Sherry Cook
Shweta Singh
Siva Balasubramanian
Soon Hong Min
Srdan Zdravkovic
Stacia Gray
Stan Garfunkel
Stan Scott
Starr F. Schlobohm
Stephen Calcich
Stephen Garrott
Stephen Pirog
Stephen W. Miller
Steve Hertenberg
Steve Taylor
Steven Engel

Steven Moff
Sucheta Ahlawat
Sudhir Karunakaran
Sue Lewis
Sue McGorry
Sue Umashankar
Suman Basuroy
Sundaram Dorai
Sunder Narayanan
Susan Godar
Susan Peterson
Susan Sieloff
Susan Stanix
Susie Pryor
Suzanne Murray
Sylvia Keyes
Tamara Masters
Teri Root
Terrance Kevin McNamara
Terry Kroeten
Theodore Mitchell
Theresa Flaherty
Thom J. Belich
Thomas Brashear
Thomas J. Karam
Thomas L. Trittipio
Thomas M. Bertsch
Thomas Passero
Tim Aurand
Tim Landry
Timothy Donahue
Timothy Reisenwitz
Tina L. Williams
Tino DeMarco
Tom Castle
Tom Deckelman
Tom Marshall
Tom Rossi
Tom Stevenson
Tom Thompson
Tracy Fulce
Vahwere Kavota
Van R. Wood
Vicki Rostedt
Victoria Miller
Vincent P. Taiani
Vladimir Pashkevich
Vonda Powell
Walter Kendall
Wendy Achey





Wendy Wood
Wesley Johnston
William B. Dodds
William Brown
William D. Ash
William Foxx

William G. Browne
William G. Mitchell
William J. Carner
William Motz
William Pertula
William R. Wynd

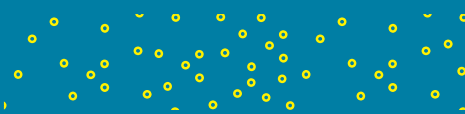
William Rodgers
William S. Piper
Wilton Lelund
Yi He
Yue Pan
Yunchuan Liu

Thanks are due to many people, including current and past students, marketing educators around the globe, university staff, business journal and periodical authors, company representatives, and marketing professionals of every kind. Their assistance has been essential in our efforts to continue to provide the most comprehensive, up-to-date, and integrated teaching and learning package available. We have been fortunate to have so many people be part of our team! In particular, however, we continue to benefit from the insights and guidance of our long-time friend, colleague, and coauthor, William Rudelius. His contributions to the textbook are truly timeless.

Nancy Harrower of Concordia University, St. Paul, led our efforts on the *Instructor's Manual*, the PowerPoint slides, the In-Class Activities, and the Digital In-Class Activities. In addition, she provides the content for our blog (www.kerinmarketing.com). Tia Quinlan-Wilder of the University of Denver was responsible for the Test Bank and Quizzes. Erin Steffes of Towson University was responsible for the Connect and the Marketing Analytics exercises. All of these professors are exceptional educators and we are very fortunate that they are part of our team. Michael Vessey, our long-time collaborator who passed away several years ago, also provided assistance in the preparation of materials that are still in use.

Thanks are also due to many other colleagues who contributed to the text, cases, and supplements. They include: Richard Lutz of the University of Florida; Linda Rochford of the University of Minnesota–Duluth; Kevin Upton of the University of Minnesota–Twin Cities; Nancy Nentl of Metropolitan State University; Leslie Kendrick of Johns Hopkins University; Lau Geok Theng of the National University of Singapore; and Leigh McAlister of the University of Texas at Austin. Rick Armstrong of Armstrong Photography, Dan Hundley and George Heck of Token Media, Nick Kaufman and Michelle Morgan of NKP Media, Bruce McLean of World Class Communication Technologies, Paul Fagan of Fagan Productions, Martin Walter of White Room Digital, Scott Bolin of Bolin Marketing, and Andrew Schones of Pure Imagination produced the videos.

Many businesspeople also provided substantial assistance by making available information that appears in the text, videos, and supplements—much of it for the first time in college materials. Thanks are due to Randy Goldberg, David Heath, Kate Huyett, and Imani Rodman of Bombas; Rachel Sweet of Turner (public relations); Sheryl Adkins-Green, Katherine Weng, and Stephen Webster of Mary Kay, Inc.; Andy Rhode, Charlie Wolff, Jordan Hofferber, Tiffany Luong, and Stacy Runkel of Fallon Worldwide; Tim Ellsworth, Debbie Errante, and Laura Edward of Cascade Maverik; Ann Rubin, Teresa Yoo, and Kathleen Cremmins of IBM; Jana Hartline, Rommel Momen, Joanie Swearingen, and Amy Ulloa of Toyota; Justin Gold and Mike Guanella of Justin's; Lisa Selk of CytoSport; Jeff Ettinger of Hormel; Russ Lesser, Billy Meistrell, Nick Meistrell, and Jenna Meistrell of Body Glove; Peter Maule of Marquee Brands; Daniel Jasper, Jill Renslow, and Sarah Schmidt of Mall of America; Mike Pohl of ACES Flight Simulation; Cheryl Reeve, Carley Knox, Cymonne New, and Danielle Lund of the Minnesota Lynx; Stephanie Perdue, Jason Scoggins, and Erin Wolford of Chipotle Mexican Grill; David Ford and Don Rylander of Ford Consulting Group; Mark Rehborg of Tony's Pizza; Vivian Callaway, Sandy Proctor, and Anna Stoesz of General Mills; David Windorski, Tom Barnidge, and Erica Schiebel of 3M; Nicholas Skally, Jeremy Stonier, and Joe Olivas of Prince Sports; Tom Cassady of JCPenney, Inc.; Charles Besio of the Sewell Automotive Group, Inc.; Lindsey Smith of GE Healthcare; Beverly





Roberts of the U.S. Census Bureau; Mattison Crowe of Seven Cycles, Inc.; Alisa Allen, Kirk Hodgdon, Patrick Hodgdon, and Nick Naumann of Altus Marketing and Business Development; and Nelson Ng from Dundas Data Visualization, Inc.

Those who provided the resources for use in the *Marketing*, 16th edition, textbook, *Instructor's Manual*, and/or PowerPoint presentations include Todd Walker and Jean Golden of Million Dollar Idea; Karen Cohick of Susan G. Komen for the Cure; Liz Stewart of Ben & Jerry's; John Formella and Patricia Lipari of Kodak; Erica Schiebel of 3M; Joe Diliberti of *Consumer Reports*; Patricia Breman of Strategic Business Insights (VALS); Brian Nielsen of the Nielsen Company; David Walonick of StatPac; Mark Rehborg of Schwan's Consumer Brands (Tony's Pizza); Jennifer Olson of Experian Simmons; Kitty Munger and Mary Wykoff of Wendy's; Mark Heller of RetailSails; Nicky Hutcheon of ZenithOptimedia; Amy Thompson and Jennifer Allison of Dell, Inc.; Adriana Carlton of Walmart and Rick Hill of Bernstein-Rein Advertising (Walmart); Janine Bolin of Saks, Inc.; Dr. Yory Wurmser of the Data and Marketing Association; and Elizabeth Clendenin of Unilever (Caress).

We also want to thank the following people who generously provided assistance with our *Marketing*, 16th edition, In-Class Activities (ICAs) and associated PowerPoint presentations: Mitch Forster and Carla Silveira of Ghirardelli Chocolate Company; Karolyn Warfel and Betsy Boyer of Woodstream Corp. (Victor Pest); Leonard Fuld of Fuld & Co.; Maggie Jantzen of Starbucks Coffee Company; Michelle Green and Victoria Glazier of the U.S. Census Bureau; Lisa Castaldo of Pepsi; Muffie Taggart of General Mills; Robert M. McMath, formerly of NewProductWorks; Greg Rodriguez; Jeremy Tucker, Julia Wells, and Lisa Cone of Frito-Lay (Doritos); Susan Carroll and Bob Robinson of Apple, Inc.; Willard Oberton of Fastenal Company; Scott Wosniak and Jennifer Arnold of Toro; Kim Eskro of Fallon Worldwide (Gold'n Plump); Robin Grayson of TBWA/Chiat/Day (Apple); Katie Kramer of Valassis Communications, Inc. (Nutella/Advil); Triestina Greco of Nutella/Ferrero; Tim Stauber of Wyeth Consumer Healthcare (Advil); and Yvonne Pendleton and Lucille Storms of Mary Kay.

Staff support from the Southern Methodist University and the University of Denver was essential. We gratefully acknowledge the help of Jeanne Milazzo and Briana Dominguez for their many contributions.

Checking countless details related to layout, graphics, and photos, and managing last-minute text changes are essential for a sound and accurate textbook. This also involves coordinating activities of authors, designers, editors, composers, and production specialists. Christine Vaughan, our lead content project manager, of McGraw Hill Education's production staff provided the necessary oversight and attention to detail while retaining an extraordinary level of professionalism, often under tight deadlines. We are very fortunate that Christine was part of our team. Thank you again!

Finally, we acknowledge the professional efforts of the McGraw Hill Education staff. Completion of our book and its many supplements required the attention and commitment of many editorial, production, marketing, and research personnel. Our McGraw Hill team included Terri Schiesl, Meredith Fossel, Nicole Young, Kelly Pekelder, Emily Windelborn, Susan Culbertson, Matt Diamond, Jacob Sullivan, and many others. In addition, we relied on David Tietz for constant attention regarding the photo elements of the text, and Sara Blasco for management of the details of the online authoring system. Handling the countless details of our text, supplement, and support technologies has become an incredibly complex challenge. We thank all these people for their efforts!

Roger A. Kerin
Steven W. Hartley

BRIEF CONTENTS

Part 1

Initiating the Marketing Process

- 1 Creating Customer Relationships and Value through Marketing 2
- 2 Developing Successful Organizational and Marketing Strategies 26
 - Appendix A Building an Effective Marketing Plan 58
- 3 Scanning the Marketing Environment 74
- 4 Ethical and Social Responsibility for Sustainable Marketing 106

Part 2

Understanding Buyers and Markets

- 5 Understanding Consumer Behavior 130
- 6 Understanding Organizations as Customers 162
- 7 Understanding and Reaching Global Consumers and Markets 182

Part 3

Targeting Marketing Opportunities

- 8 Marketing Research: From Customer Insights to Actions 212
- 9 Market Segmentation, Targeting, and Positioning 246

Part 4

Satisfying Marketing Opportunities

- 10 Developing New Products and Services 274
- 11 Managing Successful Products, Services, and Brands 300
- 12 Services Marketing 330
- 13 Building the Price Foundation 358
- 14 Arriving at the Final Price 380
 - Appendix B Financial Aspects of Marketing 408
- 15 Managing Marketing Channels and Supply Chains 416
- 16 Retailing and Wholesaling 444
- 17 Implementing Interactive and Multichannel Marketing 476
- 18 Integrated Marketing Communications and Direct Marketing 500
- 19 Advertising, Sales Promotion, and Public Relations 530
- 20 Using Social Media and Mobile Marketing to Connect with Consumers 570
- 21 Personal Selling and Sales Management 602
- 22 Pulling It All Together: The Strategic Marketing Process 632

Part 5

Appendices

- Appendix C Planning a Career in Marketing 657
- Appendix D Alternate Cases, available in Connect at www.connect.mheducation.com

- Glossary 678
- Name Index 688
- Company/Product Index 701
- Subject Index 711

DETAILED CONTENTS

Part 1

Initiating the Marketing Process



Reuters/Alamy Stock Photo

1 CREATING CUSTOMER RELATIONSHIPS AND VALUE THROUGH MARKETING 2

Bombas Is Solving Social Problems with Great Socks and Great Marketing! 2

Creating Better Socks 2

Building a Brand with a Purpose 2

Bombas Today 4

Bombas, Marketing, and You 4

What Is Marketing? 4

Marketing and Your Career 5

Marketing: Delivering Value to Customers 5

The Diverse Elements Influencing Marketing Actions 6

What Is Needed for Marketing to Occur 6

How Marketing Discovers and Satisfies Consumer Needs 7

Discovering Consumer Needs 7

The Challenge: Meeting Consumer Needs with New Products 8

Satisfying Consumer Needs 10

The Marketing Program: How Customer Relationships Are Built 11

Relationship Marketing: Easy to Understand, Hard to Do 11

The Marketing Program and Market Segments 13

3M's Strategy and Marketing Program to Help Students Study 13

How Marketing Became So Important 15

Evolution toward a Market Orientation 15

Focusing on Customer Relationship Management 16

Ethics and Social Responsibility in Marketing: Balancing the Interests of Different Groups 17

The Breadth and Depth of Marketing 18

Learning Objectives Review 20

Learning Review Answers 20

Focusing on Key Terms 21

Applying Marketing Knowledge 21

Building Your Marketing Plan 21

Video Case 1: Bombas: Creating Socks with a Purpose! 22

2 DEVELOPING SUCCESSFUL ORGANIZATIONAL AND MARKETING STRATEGIES 26

I Scream, You Scream, We All Scream for . . . 26

Today's Organizations 28

Kinds of Organizations 28

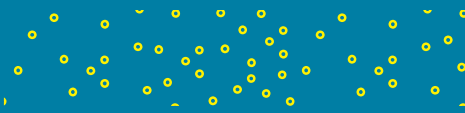
What Is Strategy? 28

The Structure of Today's Organizations 28

Making Responsible Decisions: New Types of Organizations Help Entrepreneurs Focus on Passion and Purpose 29



Heorshe/Alamy Stock Photo



Strategy in Visionary Organizations 31
 Organizational Foundation: Why Does It Exist? 31
 Organizational Direction: What Will It Do? 33
 Organizational Strategies: How Will It Do It? 34
 Tracking Strategic Performance with Marketing Analytics 34

Applying Marketing Metrics: How Well Is Ben & Jerry's Doing? 36

Setting Strategic Directions 37
 A Look Around: Where Are We Now? 37
 Growth Strategies: Where Do We Want to Go? 37

Marketing Matters: Filling the Shoes of Apple CEO Tim Cook: Where Will Apple's Projected Future Growth for Its Major SBUs Come From? 38

The Strategic Marketing Process 41
 Guiding Principles Underlying the Strategic Marketing Process 42
 The Planning Phase of the Strategic Marketing Process 42
 The Implementation Phase of the Strategic Marketing Process 46
 The Evaluation Phase of the Strategic Marketing Process 48
 Pulling It All Together 49

Learning Objectives Review 50
Learning Review Answers 51
Focusing on Key Terms 52
Applying Marketing Knowledge 52
Building Your Marketing Plan 52

Video Case 2: IBM: Putting Smart Strategy to Work 53

Appendix A Building an Effective Marketing Plan 58

3 SCANNING THE MARKETING ENVIRONMENT 74

Change Is Constant for Marketers at Facebook 74
 Facebook in the Future 75

Environmental Scanning 76
 Tracking Environmental Trends 76
 An Environmental Scan of Today's Marketplace 77

Social Forces 78
 Demographics 78

Making Responsible Decisions: Balancing Profits and Purpose—Millennial Style 81

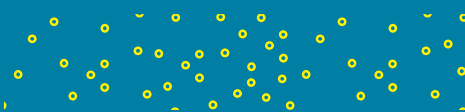
Culture 84

Economic Forces 87
 Macroeconomic Conditions 87
 Consumer Income 88

Marketing Insights About Me: The Census Bureau: Your Source for Economic Information 89



Serhii Chrucky/Alamy Stock Photo

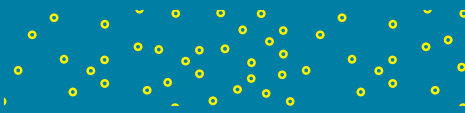


Technological Forces	90
Technology of Tomorrow	90
Technology's Impact on Customer Value	90
Technology Enables Data Analytics	91
Competitive Forces	92
Alternative Forms of Competition	92
Components of Competition	93
Small Businesses as Competitors	93
Regulatory Forces	94
Protecting Competition	94
Product-Related Legislation	94
Pricing-Related Legislation	96
Distribution-Related Legislation	96
Advertising- and Promotion-Related Legislation	96
Marketing Matters: Does Protecting Privacy Hurt the Web?	97
Control through Self-Regulation	97
<i>Learning Objectives Review</i>	98
<i>Learning Review Answers</i>	98
<i>Focusing on Key Terms</i>	99
<i>Applying Marketing Knowledge</i>	99
<i>Building Your Marketing Plan</i>	100
<i>Video Case 3: Geek Squad: A New Business for a New Environment</i>	100



Richard Ulrich/ZUMA Press/
Newscom

4 ETHICAL AND SOCIAL RESPONSIBILITY FOR SUSTAINABLE MARKETING	106
Anheuser-Busch: Becoming the Best Beer Company in a Better World	106
Responsible Drinking	106
Environmental Sustainability	106
Nature and Significance of Marketing Ethics	108
An Ethical/Legal Framework for Marketing	108
Critical Perceptions of Ethical Behavior	109
Four Factors Affect Ethical Marketing Behavior	109
Societal Culture and Norms	109
Business Culture and Industry Practices	110
Making Responsible Decisions: Corporate Conscience in the Cola War	112
Marketing Insights About Me: Is Corruption More or Less Common in My Country?	113
Corporate Culture and Expectations	113
Your Personal Moral Philosophy and Ethical Behavior	114
Understanding Social Responsibility for Sustainable Marketing	116
Three Concepts of Social Responsibility	116



Marketing Matters: Will Consumers Switch Brands for a Cause? Yes, If . . . 119

The Social Audit and Sustainable Development: Doing Well by Doing Good 119

Turning the Tables: Consumer Ethics and Social Responsibility 121

Learning Objectives Review 122

Learning Review Answers 123

Focusing on Key Terms 124

Applying Marketing Knowledge 124

Building Your Marketing Plan 124

Video Case 4: Toyota: Where the Future Is Available Today 124

Part 2

Understanding Buyers and Markets



praetorianphoto/E+/Getty Images

5 UNDERSTANDING CONSUMER BEHAVIOR 130

Enlightened Carmakers Know What Custom(h)ers and Influenc(h)ers Value 130

Consumer Purchase Decision Process and Experience 131

Problem Recognition: Perceiving a Need 132

Information Search: Seeking Value 132

Alternative Evaluation: Assessing Value 132

Purchase Decision: Buying Value 133

Postpurchase Behavior: Realizing Value 134

Marketing Matters: How Much Is a Satisfied Customer Worth? 135

Consumer Involvement Affects Problem Solving 135

Situational Influences That Affect Purchase Decisions 137

Putting the Purchase Decision Process into Practice: Consumer Touchpoints and Consumer Journey Maps 137

Psychological Influences on Consumer Behavior 139

Consumer Motivation and Personality 139

Consumer Perception 140

Making Responsible Decisions: The Ethics of Subliminal Messages 142

Consumer Learning 142

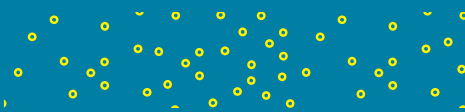
Consumer Values, Beliefs, and Attitudes 143

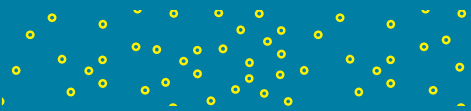
Consumer Lifestyle 144

Marketing Insights About Me: What Motivates You? It Depends on Your Mindset 145

Sociocultural Influences on Consumer Behavior 146

Personal Influence 146





Marketing Matters: BzzAgent—the Buzz Experience 147

Reference Group Influence 148

Applying Marketing Metrics: Are Your Customers
Recommending Your Company or Brand? 149

Social Class Influence 150

Family Influence 150

Culture and Subculture Influences 152

Learning Objectives Review 155

Learning Review Answers 155

Focusing on Key Terms 156

Applying Marketing Knowledge 156

Building Your Marketing Plan 156

*Video Case 5: Coppertone: Creating the Leading Sun Care
Brand by Understanding Consumers 157*

6 UNDERSTANDING ORGANIZATIONS AS CUSTOMERS 162

Organizational Buying Is Marketing, Too! Purchasing Publication
Paper for JCPenney 162

Business-to-Business Marketing and Organizational Buyers 163

Organizational Buyers 163

Organizational Markets 164

Measuring Organizational Markets 164

Characteristics of Organizational Buying 165

Demand Characteristics 165

Size of the Order or Purchase 166

Number of Potential Buyers 166

Organizational Buying Objectives 167

Organizational Buying Criteria 167

Buyer–Seller Relationships and Supply Partnerships 168

Marketing Matters: At Milsco Manufacturing, “Our Marketing
Philosophy Is Designed to Develop Partnerships” and Deliver
a Great Ride for Customers’ Seats 169

The Organizational Buying Function, Process, and Buying
Center 169

The Buying Function in Organizations 169

Making Responsible Decisions: Sustainable Procurement for
Sustainable Growth at Starbucks 170

Stages in the Organizational Buying Process 170

The Buying Center: A Cross-Functional Group 170

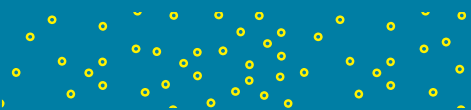
Online Buying in Business-to-Business Marketing 173

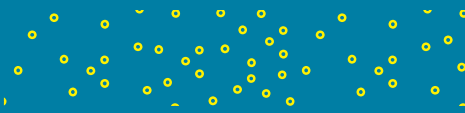
Prominence of Online Buying in Organizational Markets 173

E-Marketplaces: Virtual Organizational Markets 173



ChameleonsEye/Shutterstock





Marketing Matters: eBay Means Business for Business-to-Business Marketing Entrepreneurs, Too! 174

Online Auctions in Organizational Markets 175

Learning Objectives Review 176

Learning Review Answers 177

Focusing on Key Terms 177

Applying Marketing Knowledge 177

Building Your Marketing Plan 177

Video Case 6: Trek: Building Better Bikes through Organizational Buying 178



(Amazon logo): rvlsoft/Shutterstock;
(woman): Andrey Arkusha/
Shutterstock

7 UNDERSTANDING AND REACHING GLOBAL CONSUMERS AND MARKETS 182

Transforming the Way India Sells and Buys: Amazon India Builds a Multibillion-Dollar Operation from the Ground up to the Cloud 182

Amazon's Awesome Opportunity in India 182

Amazon's Awesome Challenges in India 182

Failure Was Not an Option 183

Dynamics of World Trade 184

Global Perspective on World Trade 184

United States' Perspective on World Trade 185

Marketing in a Dynamic Global Economy 186

Economic Protectionism by Individual Countries 186

Making Responsible Decisions: Global Ethics and Global Economics—The Case of Protectionism 187

Economic Integration among Countries 188

Global Competition among Global Companies for Global Consumers 190

Marketing Matters: The Global Teenager—A Market of Voracious Consumers 192

The Presence of a Networked Global Marketspace 192

The Prevalence of Economic Espionage 193

A Global Environmental Scan 194

Cultural Diversity 194

Economic Considerations 197

Political-Regulatory Climate 199

Comparing Global Market-Entry Strategies 200

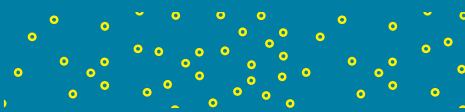
Marketing Matters: Creative Cosmetics and Creative Export Marketing in Japan 201

Exporting 201

Licensing 202

Joint Venture 202

Direct Investment 203



Crafting a Worldwide Marketing Program	203
Product and Promotion Strategies	203
Distribution Strategy	205
Pricing Strategy	206

<i>Learning Objectives Review</i>	206
<i>Learning Review Answers</i>	207
<i>Focusing on Key Terms</i>	207
<i>Applying Marketing Knowledge</i>	208
<i>Building Your Marketing Plan</i>	208

Video Case 7: Mary Kay, Inc.: Launching Pink Young in China 208

Part 3

Targeting Marketing Opportunities



BFA/Alamy Stock Photo

8 MARKETING RESEARCH: FROM CUSTOMER INSIGHTS TO ACTIONS 212

Hollywood Loves Marketing Research!	212
A Film Industry Secret	212
The Role of Marketing Research	215
What Is Marketing Research?	215
The Challenges in Doing Good Marketing Research	215
Five-Step Marketing Research Approach	215
Step 1: Define the Problem	216
Set the Research Objectives	216
Identify Possible Marketing Actions	217
Step 2: Develop the Research Plan	217
Specify Constraints	217
Identify Data Needed for Marketing Actions	217
Determine How to Collect Data	217
Step 3: Collect Relevant Information	218
Secondary Data: Internal	218
Secondary Data: External	219

Marketing Matters: Online Databases and Internet Resources Useful to Marketers 220

Advantages and Disadvantages of Secondary Data	220
Primary Data: Watching People	221
Primary Data: Asking People	223
Primary Data: Other Sources	227

Applying Marketing Metrics: Are the Carmex Social Media Programs Working Well? 228

Making Responsible Decisions: Your Digital Life Is Transparent: The Downside of Data Mining 231

Advantages and Disadvantages of Primary Data	231
Analyzing Primary Data Using Cross Tabulations	232

Step 4: Develop Findings 233
 Analyze the Data 234
 Present the Findings 234
 Step 5: Take Marketing Actions 235
 Make Action Recommendations 236
 Implement the Action Recommendations 236
 Evaluate the Results 236
 Sales Forecasting Techniques 236
 Judgments of the Decision Maker 237
 Surveys of Knowledgeable Groups 237
 Statistical Methods 237

Learning Objectives Review 238

Learning Review Answers 239

Focusing on Key Terms 240

Applying Marketing Knowledge 240

Building Your Marketing Plan 240

Video Case 8: Carmex® (A): Leveraging Facebook for Marketing Research 241

9 MARKET SEGMENTATION, TARGETING, AND POSITIONING 246

There Is Only One Word for the Zappos Experience:

WOW! 246

Segmentation Is Zappos's Secret to Success 246

Delivering WOW through Customer Service 246

Why Segment Markets? 247

What Market Segmentation Means 247

When and How to Segment Markets 249

Steps in Segmenting and Targeting Markets 251

Step 1: Group Potential Buyers into Segments 252

Marketing Insights About Me: To Which "Flock" Do You Belong? 253

Applying Marketing Metrics: What Is the Lifetime Value of a McDonald's and Burger King Customer? 257

Step 2: Group Products to Be Sold into Categories 259

Step 3: Develop a Market-Product Grid and Estimate the Size of Markets 260

Step 4: Select Target Markets 260

Step 5: Take Marketing Actions to Reach Target Markets 262

Market-Product Synergies: A Balancing Act 264

Marketing Matters: Apple's Segmentation Strategy—Camp Runamok No Longer 265



C/Ell/Shutterstock

Positioning the Product	266
Two Approaches to Product Positioning	266
Writing a Product Positioning Statement	266
Product Positioning Using Perceptual Maps	267
A Perceptual Map to Reposition Chocolate Milk for Adults	267

<i>Learning Objectives Review</i>	268
<i>Learning Review Answers</i>	269
<i>Focusing on Key Terms</i>	269
<i>Applying Marketing Knowledge</i>	269
<i>Building Your Marketing Plan</i>	270

Video Case 9: Prince Sports, Inc.: Tennis Racquets for Every Segment 270

Part 4

Satisfying Marketing Opportunities



10 DEVELOPING NEW PRODUCTS AND SERVICES 274

Apple: The World-Class New-Product Machine	274
Apple's New-Product Development Successes	274
Apple's New-Product Development Stumbles	274
The Next Chapter in Apple's Story: An Apple-Enabled iCar?	275
What Are Products and Services?	276
A Look at Goods, Services, and Ideas	276
Classifying Products	276
Classifying Services	278
Product Classes, Forms, Items, Lines, and Mixes	278
New Products and Why They Succeed or Fail	279
What Is a New Product?	279

Marketing Matters: Too Much of a Good Thing: Feature Bloat and Feature Fatigue in New-Product Development 280

Why Products and Services Succeed or Fail	281
Tracking New-Product Performance	284

Applying Marketing Metrics: Do Your New Products Have Vitality? 285

The New-Product Development Process	285
Stage 1: New-Product Strategy Development	285
Stage 2: Idea Generation	286
Stage 3: Screening and Evaluation	289
Stage 4: Business Analysis	289

Marketing Matters: Was the Google Glass Half Full or Half Empty? 290

Stage 5: Development	290
Stage 6: Market Testing	291
Stage 7: Commercialization	292

Learning Objectives Review 293
Learning Review Answers 294
Focusing on Key Terms 295
Applying Marketing Knowledge 295
Building Your Marketing Plan 295

Video Case 10: GoPro: Making All of Us Heroes with Exciting New Products 295



J. Meric/Getty Images

11 MANAGING SUCCESSFUL PRODUCTS, SERVICES, AND BRANDS 300

Gatorade: Bringing Science to Sweat for 60 Years 300
 Creating the Gatorade Brand 300
 Building the Gatorade Brand 300
 Charting the Product Life Cycle 302
 Introduction Stage 302
 Growth Stage 304
 Maturity Stage 304
 Decline Stage 305
 Three Aspects of the Product Life Cycle 305

Marketing Matters: Will E-Mail Spell Extinction for Fax Machines? 306

The Product Life Cycle and the Diffusion of Innovation 308

Managing the Product Life Cycle 309
 Role of a Product Manager 309
 Modifying the Product 310
 Modifying the Market 310

Applying Marketing Metrics: Knowing Your CDI and BDI 311

Repositioning the Product 311

Making Responsible Decisions: Consumer Economics of Shrinkflation—Get Less, Pay More 312

Branding and Brand Management 313

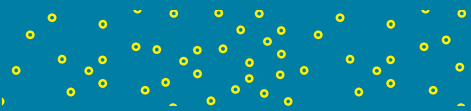
Marketing Insights About Me: Do You Want to Start a Business Using Your Own Name? Better Check First! 314

Brand Personality and Brand Equity 314
 Picking a Good Brand Name 316
 Branding Strategies 318

Packaging and Labeling Products 320
 Creating Customer Value and Competitive Advantage through Packaging and Labeling 320

Marketing Matters: Creating Customer Value through Packaging—Pez Heads Dispense More Than Candy 321

Packaging and Labeling Challenges and Responses 322



Learning Objectives Review 323
Learning Review Answers 324
Focusing on Key Terms 324
Applying Marketing Knowledge 324
Building Your Marketing Plan 325

Video Case 11: Justin's: Managing a Successful Product with Passion 325



imageBROKER/Alamy Stock Photo

12 SERVICES MARKETING 330

Marketing Helped Airbnb Survive the Pandemic,
 Now Demand Exceeds Supply! 330

The Uniqueness of Services 331

The Four I's of Services 333

The Service Continuum 335

Classifying Services 336

Marketing Matters: Social Marketing Is a Must for
 Nonprofits 338

How Consumers Purchase Services 339

The Purchase Process 339

Assessing Service Quality 339

Customer Contact and Relationship Marketing 340

Marketing Matters: Managing Service Failures:
 The Importance of Monitoring and Guarantees 341

Managing the Marketing of Services 342

Product (Service) 343

Price 343

Place (Distribution) 343

Promotion 344

People 345

Physical Environment 345

Process 346

Applying Marketing Metrics: Are JetBlue's Flights Profitably
 Loaded? 347

Services in the Future 347

Learning Objectives Review 348

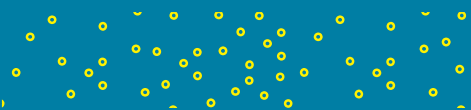
Learning Review Answers 349

Focusing on Key Terms 350

Applying Marketing Knowledge 350

Building Your Marketing Plan 350

*Video Case 12: Minnesota Lynx: Building a Team Brand and
 Being a Vehicle for Change!* 350





supermodel/Shutterstock

13 BUILDING THE PRICE FOUNDATION 358

VIZIO, Inc.—Building a Smart TV Brand at a Great Value 358

Nature and Importance of Price 360

What Is a Price? 360

Price Is What a Consumer Pays, Value Is What

a Consumer Receives 361

Marketing Matters: Does Spirit Airlines Engage in Value Pricing? For Some Yes, for Others No 362

Price in the Marketing Mix 362

Step 1: Identify Pricing Objectives and Constraints 363

Identifying Pricing Objectives 363

Identifying Pricing Constraints 365

Step 2: Estimate Demand and Revenue 368

Estimating Demand 368

Price Elasticity of Demand 370

Fundamentals of Estimating Revenue 370

Marketing Matters: Using Big Data to Curb Smoking:

Uncovering the Price Elasticity of Demand for Cigarettes 371

Step 3: Determine Cost, Volume, and Profit Relationships 371

The Importance of Costs and Margins 371

Break-Even Analysis 372

Learning Objectives Review 374

Learning Review Answers 375

Focusing on Key Terms 376

Applying Marketing Knowledge 376

Building Your Marketing Plan 377

Video Case 13: Washburn Guitars: Using Break-Even Points to Make Pricing Decisions 377

14 ARRIVING AT THE FINAL PRICE 380

E-Books and E-Economics: A Twisted Tale of Pricing for Profit 380

Setting the Stage with e-Readers: Amazon's Kindle 380

Printed Book Pricing Practices 380

Enter e-Books 380

Pricing e-Books . . . Profitably 381

Step 4: Select an Approximate Price Level 382

Demand-Oriented Pricing Approaches 382

Marketing Matters: Energizer's Lesson in Price Perception—Value Lies in the Eye of the Beholder 384

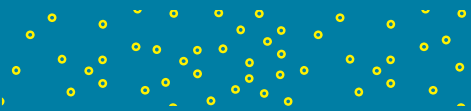
Cost-Oriented Pricing Approaches 385

Profit-Oriented Pricing Approaches 387

Competition-Oriented Pricing Approaches 388



Daniilantiq/Getty Images



Applying Marketing Metrics: Are Red Bull Prices Above, At, or Below the Market? 390

Step 5: Set the List or Quoted Price 391
Choose a Price Policy 391

Making Responsible Decisions: The Ethics and Economics of Surge Pricing 392

Consider Company, Customer, and Competitive Effects on Pricing 392

Balance Incremental Costs and Revenues 394

Step 6: Make Special Adjustments to the List or Quoted Price 395

Discounts 395

Allowances 397

Geographical Adjustments 397

Marketing Matters: Everyday Low Prices at the Supermarket = Everyday Low Profits—Creating Customer Value at a Cost 398

Legal and Regulatory Aspects of Pricing 399

Learning Objectives Review 401

Learning Review Answers 402

Focusing on Key Terms 403

Applying Marketing Knowledge 403

Building Your Marketing Plan 403

Video Case 14: Carmex (B): Setting the Price of the Number One Lip Balm 404

Appendix B Financial Aspects of Marketing 408

15 MANAGING MARKETING CHANNELS AND SUPPLY CHAINS 416

Eddie Bauer: The “Brick, Click, and Flip” Pick for the Active Outdoor Enthusiast 416

Eddie Bauer’s Multichannel Marketing Strategy 416

Supply Chain Dynamics at Eddie Bauer 416

Nature and Importance of Marketing Channels 418

What Is a Marketing Channel of Distribution? 418

How Customer Value Is Created by Intermediaries 418

Marketing Channel Structure and Organization 420

Marketing Channels for Consumer Products and Services 420

Marketing Channels for Business Products and Services 421

Digital Marketing Channels 422

Direct to Consumer and Multichannel Marketing 422

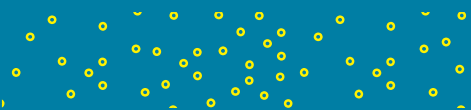
Dual Distribution and Strategic Channel Alliances 423

Marketing Matters: Nestlé and General Mills—Cereal Partners Worldwide 424

Vertical Marketing Systems 424



JHVEPhoto/Shutterstock



Marketing Channel Choice and Management	426
Factors Affecting Channel Choice and Management	426
Managing Channel Relationships: Conflict and Cooperation	428

Applying Marketing Metrics: Channel Sales and Profit at Charlesburg Furniture 429

Logistics and Supply Chain Management	431
Supply Chains versus Marketing Channels	432
Sourcing, Assembling, and Delivering a New Car: The Automotive Supply Chain	433
Supply Chain Management and Marketing Strategy	433

Marketing Matters: IBM's Watson Supply Chain—Delivering a Total Solution for Its Customers 434

Two Concepts of Logistics Management in a Supply Chain	435
Total Logistics Cost Concept	436
Customer Service Concept	436

Closing the Loop in the Circular Economy: Reverse Logistics	437
---	-----

Making Responsible Decisions: Reverse Logistics and Green Marketing Go Together at Hewlett-Packard: Recycling e-Waste 438

Learning Objectives Review 438

Learning Review Answers 439

Focusing on Key Terms 440

Applying Marketing Knowledge 440

Building Your Marketing Plan 440

Video Case 15: Amazon: Delivering the Earth's Biggest Selection! 441

16 RETAILING AND WHOLESALING 444

Malls Are Reinventing Themselves, for You! 444

The Value of Retailing 445

 Consumer Utilities Offered by Retailing 446

 The Global Economic Impact of Retailing 446

Classifying Retail Outlets 447

Making Responsible Decisions: Retailers Are Getting Serious about Sustainability! 448

 Form of Ownership 448

 Level of Service 450

 Type of Merchandise Line 451

Nonstore Retailing 453

 Automatic Vending 453

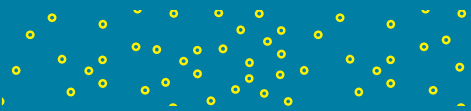
 Direct Mail and Catalogs 454

 Television Home Shopping 455

 Online Retailing 455



Ruben M Ramos/Shutterstock



Telemarketing 456
 Direct Selling 456
 Formulating a Retail Strategy 457
 Positioning in a Retail Setting 457
 Retailing Mix 459

Applying Marketing Metrics: Why Apple Stores
 May Be the Best in the United States! 462

The Evolution of Retailing 463
 The Wheel of Retailing 463
 The Retail Life Cycle 464
 Current Trends in Retailing 465
 Safety and Convenience 465

Marketing Matters: The Multichannel Marketing
 Multiplier 466

Multichannel Retailing 466
 Data Analytics 467
 Wholesaling Functions and Firms 467
 Merchant Wholesalers 467
 Agents and Brokers 468
 Manufacturers' Branches and Offices 468

Learning Objectives Review 469
Learning Review Answers 469
Focusing on Key Terms 470
Applying Marketing Knowledge 470
Building Your Marketing Plan 471

*Video Case 16: Mall of America®: America's Biggest Mall
 Knows the Secret to Successful Retailing! 471*

**17 IMPLEMENTING INTERACTIVE AND MULTICHANNEL
 MARKETING 476**

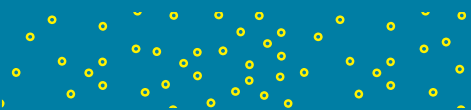
Seven Cycles Delivers Just One Bike. Yours. 476
 Creating Customer Value, Relationships, and Experiences
 in a Digital Environment 478
 Marketing Challenges in Two Environments 478
 Creating Customer Value in a Digital Environment 478
 Interactivity and Individuality Create Customer
 Relationships 479
 Creating a Compelling Online Customer Experience 481

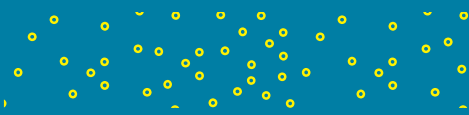
Applying Marketing Metrics: Sizing Up Site Stickiness at
 Sewell Automotive Companies 483

Online Consumer Behavior and Marketing Opportunities
 and Practices 484
 Who Is the Online Consumer? 484
 What Consumers Buy Online 484



Fuse/Getty Images





Why Consumers Shop and Buy Online 484

Making Responsible Decisions: Who Is Responsible for Internet Privacy and Security? 489

When and Where Consumers Shop and Buy Online 490

How Consumers Shop and Buy Online 490

Cross-Channel Consumers and Multichannel Marketing 490

Who Is the Cross-Channel Consumer? 490

Implementing Multichannel Marketing 491

Learning Objectives Review 493

Learning Review Answers 494

Focusing on Key Terms 494

Applying Marketing Knowledge 494

Building Your Marketing Plan 495

Video Case 17: Poshmark: Succeeding at Social Commerce 495



Sundry Photography/Shutterstock

18 INTEGRATED MARKETING COMMUNICATIONS AND DIRECT MARKETING 500

Taco Bell Has the World's Biggest Billboard:

The Taco Moon! 500

The Communication Process 502

Encoding and Decoding 502

Feedback 503

Noise 503

The Promotional Elements 503

Advertising 504

Personal Selling 505

Public Relations 505

Sales Promotion 506

Direct Marketing 506

Integrated Marketing Communications—Developing the Promotional Mix 507

The Target Audience 507

Marketing Matters: Marketers Want to Go to College, and on Spring Break, with You! 508

The Product Life Cycle 508

Product Characteristics 509

Stages of the Consumer Journey 510

Channel Strategies 511

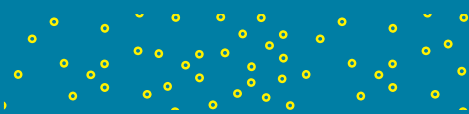
Developing an Integrated Marketing Communications Program 512

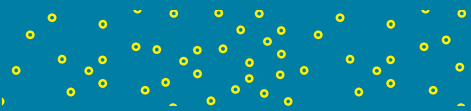
Identifying the Target Audience 513

Specifying Promotion Objectives 513

Setting the Promotion Budget 514

Applying Marketing Metrics: How Much Should You Spend on IMC? 515





- Selecting the Right Promotional Tools 515
- Designing the Promotion 516
- Scheduling the Promotion 516
- Executing and Assessing the Promotion Program 517
- Direct Marketing 518
 - The Growth of Direct Marketing 518
 - The Value of Direct Marketing 519
 - Technological, Global, and Ethical Issues in Direct Marketing 520
- Making Responsible Decisions: What Is the Future of Your Privacy? 521

- Learning Objectives Review* 522
- Learning Review Answers* 522
- Focusing on Key Terms* 523
- Applying Marketing Knowledge* 523
- Building Your Marketing Plan* 524

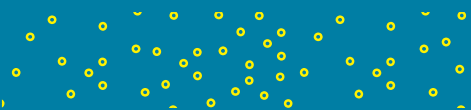
Video Case 18: Chipotle Mexican Grill: Where IMC Helps Deliver Food “For Real”! 524

19 ADVERTISING, SALES PROMOTION, AND PUBLIC RELATIONS 530

- Advertisers Prepare for a Cookieless Future and “Smart Audiences”! 530
- Types of Advertisements 532
 - Product Advertisements 532
 - Institutional Advertisements 533
- Developing the Advertising Program 534
 - Identifying the Target Audience 534
 - Specifying Advertising Objectives 535
 - Setting the Advertising Budget 535
- Marketing Insights About Me: Are You an Expert at Picking the Best Super Bowl Ads? 537
- Designing the Advertisement 537
- Selecting the Right Media 541
- Applying Marketing Metrics: What Is the Best Way to Reach 1,000 Customers? 542
- Different Media Alternatives 542
- Making Responsible Decisions: Who Is Responsible for Preventing Click Fraud? 548
- Scheduling the Advertising 550
- Executing the Advertising Program 550
 - Pretesting the Advertising 550
 - Carrying Out the Advertising Program 551



Kena Betancur/AFP/Getty Images



Assessing the Advertising Program	552
Posttesting the Advertising	552
Making Needed Changes	553
Sales Promotion	553
Consumer-Oriented Sales Promotions	553
Trade-Oriented Sales Promotions	558
Public Relations	559
Publicity Tools	560
Increasing the Value of Promotion	560
Building Long-Term Relationships	560
Self-Regulation	561
<i>Learning Objectives Review</i>	561
<i>Learning Review Answers</i>	562
<i>Focusing on Key Terms</i>	563
<i>Applying Marketing Knowledge</i>	563
<i>Building Your Marketing Plan</i>	563

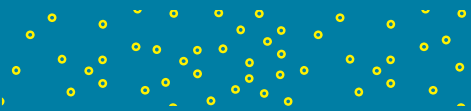
Video Case 19: Fallon Worldwide: Creating a Competitive Advantage with Creativity 564

20 USING SOCIAL MEDIA AND MOBILE MARKETING TO CONNECT WITH CONSUMERS 570

Consumers Are Social, Mobile, and Connected—In Their Cars!	570
Understanding Social Media	571
Defining Social Media	571
Classifying Social Media	572
Social Networks, Social Media, Influencer Marketing, and Social Shopping	573
Social Media and Influencer Marketing	573
Social Media and Social Shopping	574
A Look at Six Prominent Social Media	575
Facebook	576
Instagram	577
Twitter	579
YouTube	580
Marketing Matters: Vloggers Are the New Power Players, Worldwide!	581
Pinterest	581
LinkedIn	583
Social Media and User Privacy	584
Social Media Marketing Programs and Customer Engagement	584
Applying Marketing Metrics: Measuring Your Customer Engagement Rate on Social Media	585
Selecting Social Media	586



metamorworks/Shutterstock



Selecting Social Media Content 587
 Measuring the Results of Social Media Marketing Programs 588
 Carmex Goes Viral with Luck and a LeBron James Bear Hug 590

The Future: Convergence and Mobility 591
 The Convergence of Real and Digital Worlds 591
 Mobile Marketing: Tightening Links to Marketing Actions 593

Learning Objectives Review 594
Learning Review Answers 595
Focusing on Key Terms 596
Applying Marketing Knowledge 596
Building Your Marketing Plan 596

Video Case 20: Body Glove: Helping Consumers Do What They Love! 597

21 PERSONAL SELLING AND SALES MANAGEMENT 602

Meet Today's Sales Professional 602
 Scope and Significance of Personal Selling and Sales Management 603
 Nature of Personal Selling and Sales Management 604
 Selling Happens Almost Everywhere 604
 Personal Selling in Marketing and Entrepreneurship 604
 Creating Customer Solutions and Value through Salespeople: Relationship Selling 605

Marketing Matters: Science and Selling: Is Customer Value Creation in Your Genes? 606

The Many Forms of Personal Selling 607
 Order-Taking Salespeople 607
 Order-Getting Salespeople 607
 Customer Sales Support Personnel 608

Marketing Matters: Creating and Sustaining Customer Value through Cross-Functional Team Selling 609

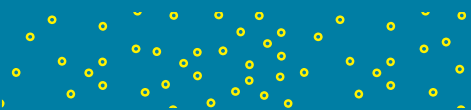
The Personal Selling Process: Building Relationships 610
 Prospecting: Identifying and Qualifying Prospective Customers 610
 Preapproach: Preparing for the Sales Call 611
 Approach: Making the First Impression 612
 Presentation: Tailoring a Solution for a Customer's Needs 612

Marketing Matters: Imagine This . . . Putting the Customer into Customer Solutions! 614

Close: Asking for the Customer's Order or Business 615
 Follow-Up: Solidifying the Relationship 615



Hillsman Stuart Jackson



The Sales Management Process	616
Sales Plan Formulation: Setting Direction	616
Making Responsible Decisions: The Ethics of Asking Customers about Competitors	617
Sales Plan Implementation: Putting the Plan into Action	620
Marketing Insights About Me: What Is Your Emotional Intelligence? You Might Be Surprised.	621
Salesforce Evaluation: Measuring Results	622
Customer Relationship Management Systems and Technology	623
Applying Marketing Metrics: Tracking Salesperson Performance at Moore Chemical & Sanitation Supply, Inc.	624

Learning Objectives Review 626

Learning Review Answers 626

Focusing on Key Terms 627

Applying Marketing Knowledge 627

Building Your Marketing Plan 628

Video Case 21: Cascade Maverik: Creating an Amazing Success Story with Exceptional Salespeople 628

22 PULLING IT ALL TOGETHER: THE STRATEGIC MARKETING PROCESS 632

Strategic Marketing Helps General Mills “Accelerate” to Success! 632

 Planning for Even More Change 632

 Creative Initiatives at General Mills 633

Marketing Basics: Doing What Works and Allocating Resources 634

 Finding and Using What Really Works 634

 Allocating Marketing Resources Using Sales Response Functions 635

The Planning Phase of the Strategic Marketing Process 638

 The Use of Marketing Metrics in Marketing Planning 638

 The Time Horizon of Marketing Plans 638

 Competing Planning Perspectives for Pursuing Growth and Profit 639

 Some Marketing Planning and Strategy Lessons 642

The Implementation Phase of the Strategic Marketing Process 643

 Is Planning or Implementation the Problem? 643

 Increasing Emphasis on Marketing Implementation 644

 Improving Implementation of Marketing Programs 644

 Organizing for Marketing 645

The Evaluation Phase of the Strategic Marketing Process 647

 The Marketing Evaluation Process 647

 Marketing ROI, Metrics, and Dashboards 648

 Evaluation Using Marketing Metrics and Marketing Dashboards at General Mills 649



Charles LaGreca/Shutterstock

Learning Objectives Review 651
Learning Review Answers 651
Focusing on Key Terms 652
Applying Marketing Knowledge 652
Building Your Marketing Plan 652

Video Case 22: Ford Motor Company: Applying the Strategic Marketing Process to Build a Better World 653

Part 5

Appendices

Appendix C *Planning a Career in Marketing* 657
Appendix D *Alternate Cases, available in Connect at www.connect.mheducation.com*

PART 1

D-1 *Chobani®: Making Greek Yogurt a Household Name*
D-2 *Daktronics, Inc.: Global Displays in 68 Billion Colors*
D-3 *Jamba Juice: Scanning the Marketing Environment*
D-4 *BP's Deepwater Horizon: Ethics and Environmental Effects*

PART 2

D-5 *Groupon: Helping Consumers with Purchase Decisions*
D-6 *Motetronix Technology: Marketing Smart Dust*
D-7 *Callaway Golf: The Global Challenge*

PART 3

D-8 *HOM Furniture: Where Keen Observation Pays*
D-9 *Lawn Mowers: Segmentation Challenges*

PART 4

D-10 *Medtronic in China: Where "Simpler" Serves Patients Better*
D-11 *P&G's Secret Deodorant: Finding Inspiration in Perspiration*
D-12 *Philadelphia Phillies, Inc.: Sports Marketing 101*
D-13 *Wellness Getaways, Inc.: The Challenge of Setting a Price*
D-14 *Glitzz: Devising a Pricing Strategy*
D-15 *Shiseido: Channeling Cosmetics in China*
D-16 *Trader Joe's: Upscale Value*
D-17 *Crate and Barrel: Multichannel Marketing*
D-18 *Banyan Tree Holdings: Creating a Brand with IMC*
D-19 *Google, Inc.: The Right Ads at the Right Time*
D-20 *AOI Marketing: Using Facebook to Launch Bitter Girls®*
D-21 *Selling College Textbooks*
D-22 *Naked® Juice: Strategy for Growth*

Glossary 678
Name Index 688
Company/Product Index 701
Subject Index 711

MARKETING

Chapter 1

Creating Customer Relationships and Value through Marketing

LEARNING OBJECTIVES

After reading this chapter you should be able to:

- LO 1-1** Define marketing and identify the diverse factors that influence marketing actions.
- LO 1-2** Explain how marketing discovers and satisfies consumer needs.
- LO 1-3** Distinguish between marketing mix factors and environmental forces.
- LO 1-4** Explain how organizations build strong customer relationships and customer value through marketing.
- LO 1-5** Describe the characteristics of a market orientation.

Bombas Is Solving Social Problems with Great Socks and Great Marketing!

Randy Goldberg and David Heath are on a mission—a social mission—to give away millions of socks to homeless shelters. You may know the company they founded, Bombas, for its comfortable socks. And if you’ve purchased a pair you also helped them achieve their mission because for every pair of socks purchased at Bombas, they donate a pair to someone affected by homelessness!

Their story started when Goldberg and Heath were co-workers at another company and learned that socks are the most requested item at homeless shelters. They decided to build a company that could solve the problem using the buy-one-give-one model. Today Bombas has annual sales of more than \$250 million and has donated more than 50 million clothing items.¹

What is the secret to Bombas’s success? Read on to hear the rest of the story!

Creating Better Socks

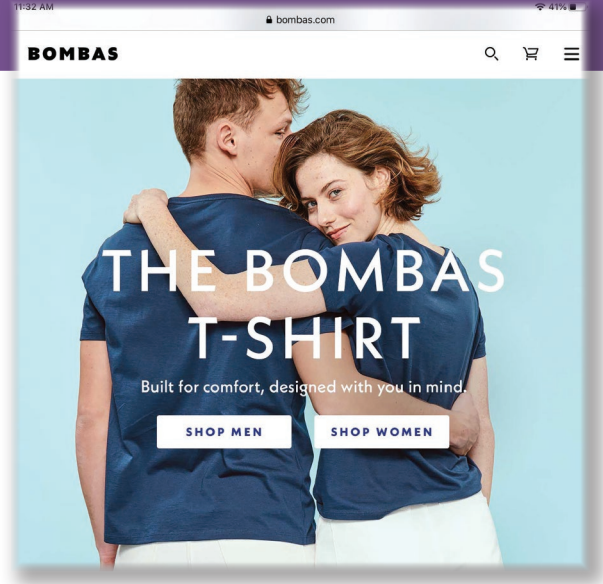
Once they decided on the mission, the two entrepreneurs began to research the sock market. They discovered that most consumers were in “replenishment mode”—simply buying socks to replace old ones.² In addition, socks were not viewed as being very comfortable. Goldberg and Heath concluded that better socks would attract more consumers and allow them to donate more socks, so they began the process of designing “the most comfortable socks in the history of feet.” They spent several years conducting research and testing prototypes with features they thought made better socks. The result was a sock with a seamless toe, a cushioned foot bed, an arch support system, elastic construction to keep the socks up, and blister tabs on the backs of ankle socks. The donated socks, specifically designed for people experiencing homelessness are dark-colored, reinforced, and antimicrobial-treated.³

Building a Brand with a Purpose

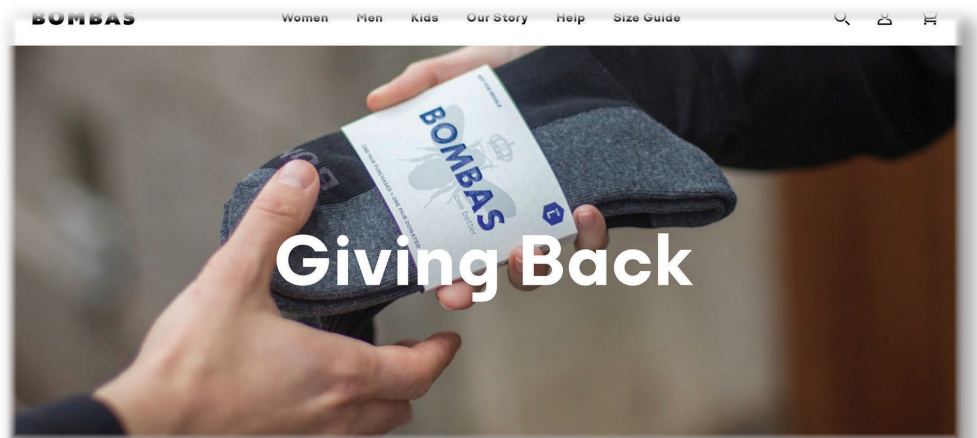
The combination of their social mission and their exceptional product was an important platform for starting their company. From there the co-founders used many elements of marketing to build their brand. First, the name Bombas comes from the Latin word for “bumblebee,” and is significant because bees live in a hive and work together to make their world a better place. They added a bee as their logo and adopted “Bee Better” as their motto to describe a mantra or a way of approaching every day. All of these elements were designed to communicate that the brand is driven by more than profits.



Source: Bombas, LLC/Instagram, Inc.



Source: Bombas, LLC



Source: Bombas, LLC


VIDEO 1-1
 Bombas Video
kerin.tv/16e/v1-1

The new company raised money on crowdfunding site Indiegogo (www.indiegogo.com), created a direct-to-consumer website to sell its socks, and relied heavily on word of mouth to reach customers. Then Bombas received additional funding through a television appearance on *Shark Tank* and needed a marketing program that could reach a national audience and also communicate its messages of social impact and product quality.

Podcasts and video ads were logical communication tools because they could attract attention with audio and visual messages and they provided enough time to explain the social cause and the details of the product quality. Bombas also began using advertising on Facebook, Instagram, and YouTube. You may have seen some of Bombas's TV ads for its "The Greatest Sock Never Sold" campaign. The Bombas website features a video titled "Most Important Socks in the World" with more than 4 million views!⁴



David Heath and Randy Goldberg started Bombas to help solve a social problem: Socks are the most requested item at homeless shelters. Their buy-one-give-one model has allowed them to donate millions of pairs of socks!

Courtesy of Bombas

Bombas Today

The Bombas web page says “We’re Bombas. We believe that a more comfortable world is a better world. That everyone, no matter their circumstances, deserves to put on clean clothes that make them feel good.” Bombas has certainly succeeded at this goal and it continues to grow. The company recently expanded its distribution through retail partners such as Nordstrom, Dick’s Sporting Goods, Scheels, and Athleta stores. The company also expanded its product line to include T-shirts, underwear, and is looking at other possible products to offer. According to Heath, “I think when we look to the future, we could easily be a billion-dollar brand in revenue in the next 5 to 10 years.” The company’s commitment to responsible growth is also emphasized by its B-Corp certification which is given to Bombas for meeting the highest standards of social and environmental performance, transparency, and accountability to balance profit and purpose.⁵

Bombas, Marketing, and You

Will Randy Goldberg and David Heath continue their success story—particularly with the appearance of many other sock competitors and many new companies building altruism into their business models? For Bombas, one key factor will be how well it understands and uses marketing—the subject of this book. Bombas is also the subject of Video Case 1 at the end of this chapter!

WHAT IS MARKETING?

The good news is that you are already a marketing expert! You perform many marketing activities and make marketing-related decisions every day. For example, would you sell more Samsung 110-inch MicroLED “The Wall” TVs at \$100,000 or \$24,999? You answered \$24,999, right? So your experience in shopping gives you some expertise in marketing. As a consumer, you’ve been involved in thousands of marketing decisions, mostly on the buying and not the selling side. But to test your expertise, answer the “marketing expert” questions posed in [Figure 1-1](#). You’ll find the answers within the next several pages.

Are you a marketing expert? If so, what would you pay for this cutting-edge TV?

Source: Samsung



FIGURE 1-1
The see-if-you're-really-a-marketing-expert test.

Answer the questions below. The correct answers are given later in the chapter.

1. What is the name of the zero-calorie, sugar-free, gluten-free, vegan soft drink that is sweetened with natural ingredient stevia? (a) Coca-Cola, (b) Coca-Cola Zero Sugar, (c) Pepsi Zero Sugar, (d) Zevia.
2. True or False: The 65-year lifetime value of a loyal auto repair center customer is \$147,000.
3. To be socially responsible Patagonia encourages its customers to do which of the following with its products? (a) repair, (b) trade, (c) recycle, (d) all three.



Elon Musk, the chief executive officer of Tesla and SpaceX, began building businesses shortly after graduating from college.
Reuters/Alamy Stock Photo

The bad news is that good marketing isn't always easy. That's why every year thousands of new products fail in the marketplace and then quietly slide into oblivion.

Marketing and Your Career

Marketing affects all individuals, all organizations, all industries, and all countries. This book seeks to teach you marketing concepts, often by having you actually “do marketing”—by putting you in the shoes of a marketing manager facing actual marketing decisions. The book also shows marketing's many applications and how it affects our lives. This knowledge should make you a better consumer and enable you to be a more informed citizen, and it may even help you in your career planning.

Perhaps your future will involve doing sales and marketing for a large organization. Working for a well-known company—Apple, Ford, Facebook, or General Mills—can be personally satisfying and financially rewarding, and you may gain special respect from your friends.

Start-ups and small businesses also offer marketing careers. Small businesses are the source of the majority of new U.S. jobs. So you might become your own boss by being an entrepreneur and starting your own business.

Shortly after leaving Stanford, Elon Musk, for example, started and sold a web software company called Zip2. With the proceeds from that business he started another business that merged with another and became PayPal. When PayPal was purchased by eBay, Musk founded another venture called SpaceX, which develops and manufactures space launch vehicles and hopes to send a mission to Mars “well before 2030.” Since those initial business start-ups, Musk also started the electric car company Tesla and a solar power company called SolarCity. In addition, he has started a design competition for a high-speed transportation system called Hyperloop, a nonprofit artificial intelligence company called OpenAI, a neurotechnology company called Neuralink, and a tunnel construction firm called The Boring Company. Perhaps your interest in marketing will lead to new business successes like Musk's!⁶

Marketing: Delivering Value to Customers

The American Marketing Association represents individuals and organizations involved in the development and practice of marketing worldwide. It 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.⁷ This definition shows that marketing is far more than simply advertising or personal selling. It stresses the need to deliver genuine value in the offerings of goods, services, and ideas marketed to customers. Also, notice that an organization's marketing activities should also create value for its partners and for society.

LO 1-1
Define marketing and identify the diverse factors that influence marketing actions.

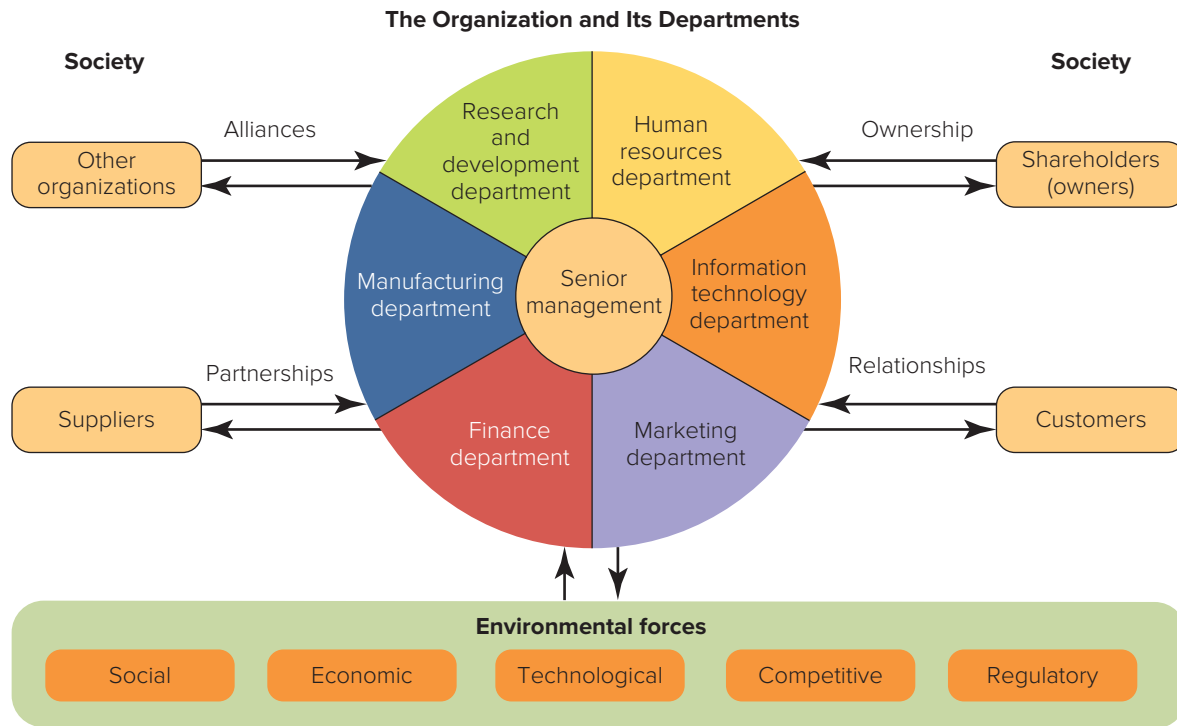


FIGURE 1-2
 A marketing department relates to many people, organizations, and forces. Note that the marketing department both *shapes* and *is shaped* by its relationship with these internal and external groups.

To serve both buyers and sellers, marketing seeks (1) to discover the needs and wants of prospective customers and (2) to satisfy them. These prospective customers include both individuals, buying for themselves and their households, and organizations, buying for their own use (such as manufacturers) or for resale (such as wholesalers and retailers). The key to achieving these two objectives is the idea of **exchange**, which is the trade of things of value between a buyer and a seller so that each is better off after the trade.⁸

The Diverse Elements Influencing Marketing Actions

Although an organization’s marketing activity focuses on assessing and satisfying consumer needs, countless other people, groups, and forces interact to shape the nature of its actions (see Figure 1-2). Foremost is the organization itself, whose mission and objectives determine what business it is in and what goals it seeks. Within the organization, management is responsible for establishing these goals. The marketing department works closely with a network of other departments and employees to help provide the customer-satisfying products required for the organization to survive and prosper.

Figure 1-2 also shows the key people, groups, and forces outside the organization that influence its marketing activities. The marketing department is responsible for facilitating relationships, partnerships, and alliances with the organization’s customers, its shareholders (or often representatives of nonprofit organizations), its suppliers, and other organizations. Environmental forces involving social, economic, technological, competitive, and regulatory considerations also shape an organization’s marketing actions. Finally, an organization’s marketing decisions are affected by and, in turn, often have an important impact on society as a whole.

The organization must strike a balance among the sometimes differing interests of these groups. For example, it is not possible to simultaneously provide the lowest-priced and highest-quality products to customers and pay the highest prices to suppliers, the highest wages to employees, and the maximum dividends to shareholders.

What Is Needed for Marketing to Occur

For marketing to occur, at least four factors are required: (1) two or more parties (individuals or organizations) with unsatisfied needs, (2) a desire and ability on their part to



Marketing doesn't happen in a vacuum. The text describes the four factors needed to buy a product from Domino's and possibly have it delivered by its self-driving delivery robot, Nuro.

Source: Domino's IP Holder LLC

have their needs satisfied, (3) a way for the parties to communicate, and (4) something to exchange.

Two or More Parties with Unsatisfied Needs Suppose you've developed an unmet need—a desire for a late-night meal after studying for an exam—but you don't yet know that Domino's has a location in your area. Also unknown to you is that Domino's has a special “mix & match” offer for any two or more of its menu items, just waiting to be ordered and picked up or delivered by its self-driving delivery robot, Nuro. This is an example of two parties with unmet needs: you, desiring a meal, and your local Domino's owner, needing someone to place an order.

Desire and Ability to Satisfy These Needs Both you and the Domino's owner want to satisfy these unmet needs. Furthermore, you have the money to pay for a purchase and the time to place an order. The Domino's owner has the desire to

sell its products but also the ability to do so since the items are easily made and delivered to (or picked up by) you.

A Way for the Parties to Communicate The marketing transaction of purchasing a Domino's pizza or one of its other products will never occur unless you are aware the product exists and you know how to make a purchase (at a Domino's location, on Dominos.com, or via a store phone number). Similarly, Domino's won't be able to sell its products unless there's a market of potential buyers nearby. When you receive a coupon on your phone or drive by and see the Domino's store location, this communication barrier between you (the buyer) and the Domino's owner (the seller) is overcome.

Something to Exchange Marketing occurs when the transaction takes place and both the buyer and seller exchange something of value. In this case, you exchange your money (\$5.99) for each item ordered from Domino's Mix & Match menu. Both you and the Domino's owner have gained and also given up something, but you are both better off because each of you has satisfied the other's unmet needs. You have the opportunity to eat Domino's food items to satisfy your hunger, but you gave up some money to do so; the Domino's owner gave up the pizza, salad, and other items but received money, which will help the owner remain in business. The ethical and regulatory foundations of this exchange process are central to marketing and are discussed in Chapter 3.

LEARNING REVIEW

- 1-1. What is marketing?
- 1-2. Marketing focuses on _____ and _____ consumer needs.
- 1-3. What four factors are needed for marketing to occur?

HOW MARKETING DISCOVERS AND SATISFIES CONSUMER NEEDS



LO 1-2

Explain how marketing discovers and satisfies consumer needs.

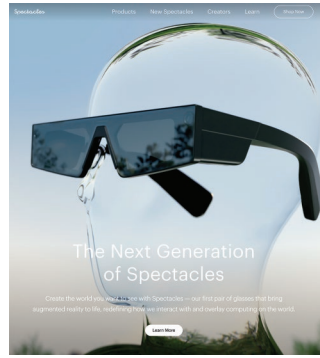
The importance of discovering and satisfying consumer needs in order to develop and offer successful products is so critical to understanding marketing that we look at each of these two steps in detail next. Let's start by asking you to analyze the following three products.

Discovering Consumer Needs

The first objective in marketing is discovering the needs of prospective customers. Marketers often use customer surveys, concept tests, and other forms of marketing

For these three products, identify (1) what benefits the product provides buyers and (2) what factors or “showstoppers” might doom the product in the marketplace. Answers are discussed in the text.

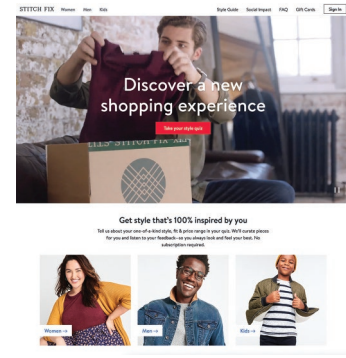
(Left) Source: Snap Inc.;
 (Center) ZUMA Press, Inc./
 Alamy Stock Photo; (Right)
 Source: Stitch Fix, Inc.



Smart glasses.



No-sugar sodas.



A clothing subscription service.

research (discussed in detail in Chapter 8) to better understand customer ideas. Many firms also use “crowdsourcing” or “innovation tournaments” to solicit and evaluate ideas from customers. At LEGO Group, for example, ideas that are submitted to LEGO Ideas (ideas.lego.com) and receive 10,000 votes from site visitors are considered for possible addition to the product line. LEGO Group products that were discovered through the website include its *Big Bang Theory* model, its Women of NASA set, its Central Perk coffee shop model (the coffee shop featured in the *Friends* TV show), and a model based on the Winnie-the-Pooh franchise! Sometimes, however, customers may not know or be able to describe what they need and want. Smartphones, connected homes, and electric cars are all examples of this, in which case an accurate long-term prediction of consumer needs is essential.⁹

The Challenge: Meeting Consumer Needs with New Products

While marketers are improving the ways they can generate new-product ideas, experts estimate that it takes 3,000 raw ideas to generate one commercial success. Market intelligence agency Mintel estimates that 38,000 new products are introduced worldwide each month. In addition, studies of new-product launches indicate that about 40 percent of the products fail. Robert M. McMath, who has studied more than 110,000 new-product launches, has two key suggestions: (1) focus on what the customer benefit is, and (2) learn from past mistakes.¹⁰

The solution to preventing product failures seems deceptively obvious. First, find out what consumers need and want. Second, produce what they need and want, and don't produce what they don't need and want. The three products shown previously illustrate just how difficult it is to achieve new-product success, a topic covered in more detail in Chapter 10.

Without reading further, think about the potential benefits to customers and possible “showstoppers”—factors that might doom the product—for each of the three products pictured. Some of the products may come out of your past, and others may be on your horizon. Here's a quick analysis of the three products:

- *Smart Glasses.* Several years ago Google launched a brand of smart glasses called Google Glass. The new product was head-mounted and similar in appearance to a pair of glasses. In addition, though, the glasses had Internet capabilities, a camera, phone, speaker, microphone, touchpad, and a heads-up display. While the product was popular among technology enthusiasts it did not attract a mass market. Showstoppers included its \$1,500 price tag, a general perception that it looked “nerdy,” and concerns that wearing the device might violate privacy

VIDEO 1-2
 Spectacles Smart Glasses
kerin.tv/16e/v1-2



rights. Google discontinued the product, although it has recently reintroduced the concept as an Enterprise Edition for businesses, and other brands such as Spectacles, Focals and Vuzix are offering models that are trying to attract the consumer market!¹¹

- *Zevia No-Sugar Soda.* As consumer preferences have shifted, beverage companies have expanded their offerings to include drinks with less sugar. Soda producers, for example, have offered new products such as Coca-Cola Zero Sugar and Pepsi Zero Sugar which are made with the artificial sweetener aspartame. New products are also being developed as the U.S. Food & Drug Administration's Nutrition Facts label requirements provide more information about added sugars. Zevia, for example, produces a zero-calorie, sugar-free, gluten-free, vegan, soft drink that is sweetened only with the natural ingredient stevia. A potential show-stopper: In the past, consumers reported that products with stevia sweetener had a bitter aftertaste. Will Zevia be different? As always, as a consumer you will be the judge!¹²
- *Stitch Fix Subscription.* Approximately 5 million consumers buy brands through subscription services today. Stitch Fix hopes to appeal to customers with an array of clothing and accessories from top brands and private labels. Each delivery, or Fix, uses expert stylists and clothing fit technology to build your personalized wardrobe. The service is available in two-week, or one-, two-, or three-month options and allows consumers to specify their price preferences. What are potential showstoppers? First, the competition is growing—there are already 400–600 subscription box services in the United States. Second, consumers may tire of receiving new products each month, particularly if they find several brands that meet their needs.¹³

Firms spend billions of dollars annually on marketing and technical research that significantly reduces, but doesn't eliminate, new-product failure. So meeting the changing needs of consumers is a continuing challenge for firms around the world.

Consumer Needs and Consumer Wants Should marketing try to satisfy consumer needs or consumer wants? Marketing tries to do both. Heated debates rage over this question, fueled by the definitions of needs and wants and the amount of freedom given to prospective customers to make their own buying decisions.

A *need* occurs when a person feels deprived of basic necessities such as food, clothing, and shelter. A *want* is a need that is shaped by a person's knowledge, culture, and personality. So if you feel hungry, you have developed a basic need and desire to eat something. Let's say you then want to eat a Chocolate Chip or Peanut Butter Banana Clif Bar because, based on your past experience, you know it will satisfy your hunger need. Effective marketing, in the form of creating an awareness of good products at fair prices and convenient locations, can clearly shape a person's wants.

Certainly, marketing tries to influence what we buy. A question then arises: At what point do we want government and society to step in to protect consumers? Most consumers would say they want government to protect them from harmful drugs and unsafe cars but not from candy bars and soft drinks. To protect college students, should government restrict their use of credit cards?¹⁴ Such questions have no clear-cut answers, which is why legal and ethical issues are central to marketing. Because even psychologists and economists still debate the exact meanings of *need* and *want*, we shall use the terms interchangeably throughout the book.

As shown on the left side of [Figure 1-3](#) on the next page, discovering needs involves looking carefully at prospective customers, whether they are children buying M&M's candy, college students buying Chobani Greek Yogurt, athletes buying Bombas socks, or firms buying Xerox color copiers. A principal activity of a firm's marketing department is to scrutinize its consumers to understand what they need and want and the forces that shape those needs and wants.



Studying late at night for an exam and being hungry, you decide to eat a Chocolate Chip or Peanut Butter Banana Clif Bar. Is this a need or a want? The text discusses the role of marketing in influencing decisions like this one.

Michael Neelon Food/Alamy Stock Photo