

C. SHANE HUNT • JOHN E. MELLO • GEORGE D. DEITZ

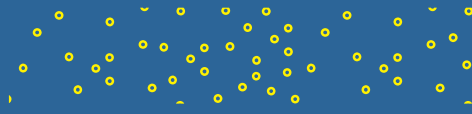
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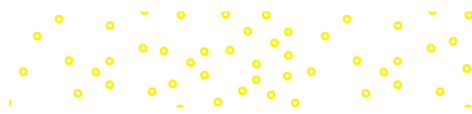


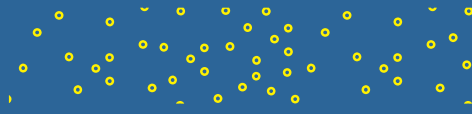
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THIRD EDITION



Marketing





Marketing

Third Edition

C. Shane Hunt

Arkansas State University

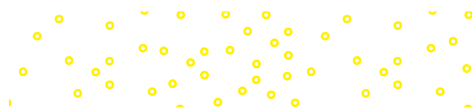
John E. Mello

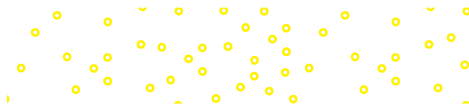
Arkansas State University

George D. Deitz

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MARKETING

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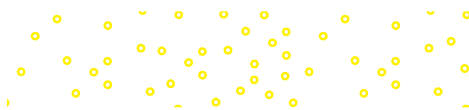
ISBN 978-1-260-57593-4

MHID 1-260-57593-4

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HELLO, MY NAME IS . . .



C. Shane Hunt

Dr. C. Shane Hunt received his PhD in marketing from Oklahoma State University. Shane has won numerous awards for his teaching, including the 2010 National Inspire Integrity Award from the National Society of Collegiate Scholars, the 2010 Lt. Col. Barney Smith Award as Professor of the Year at Arkansas State University, the 2011 Excellence in Undergraduate Teaching Award, the 2015 Honors Professor of the Year Award, and the 2018 Outstanding Faculty Member for the Advancement of Learning.

Shane's research has appeared in the *Journal of Personal Selling and Sales Management*, the *Journal of Business Logistics*, and other leading marketing journals. He has presented to numerous organizations including the American Marketing Association and the National Conference in Sales Management.

After completing his MBA degree, Shane went to work for a Fortune 500 company in Tulsa, Oklahoma, and spent eight years working as a pricing analyst, product manager, and business development manager overseeing numerous strategic initiatives. In addition to his role as a professor, Shane also serves as a consultant, speaker, and board member for businesses and nonprofit organizations across the country.

Shane is now the R.M. "Bob" Wood Endowed Professor in Sales Leadership and a professor of marketing at Arkansas State University. He lives in Jonesboro, Arkansas, with his wife, Jenifer, and their two children, Andrew and Sarah.

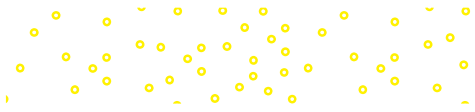


John E. Mello

Dr. John E. Mello received his PhD from the University of Tennessee. John is a well-respected researcher and educator and is the recipient of the 2012 Excellence in Teaching Award and the 2014 Excellence in Research Award from the Arkansas State University College of Business. Prior to completing his PhD, John spent 28 years in the consumer packaged-goods industry in a variety of supply chain management positions. He holds a bachelor's degree from Central Connecticut State University and master's degrees from the University of New Haven and Wilmington College.

John's research has appeared in leading journals, including the *Journal of Business Logistics*, *Transportation Journal*, *Journal of Supply Chain Management*, and the *International Journal of Physical Distribution and Logistics Management*.

John is a professor of supply chain management at Arkansas State University. He lives in Jonesboro, Arkansas, with his wife, Sandra; they have two adult daughters, Abby and Katie.



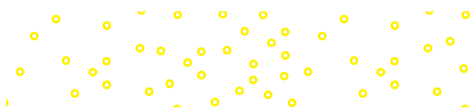
George D. Deitz

Dr. George D. Deitz completed his PhD in marketing at the University of Alabama. He is currently the George Johnson Professor in Marketing at the University of Memphis. George has enjoyed the opportunity to teach a wide variety of face-to-face and online courses at the undergraduate, MBA, and doctoral levels.

In 2013, George helped found the Consumer Neuroscience Research Laboratory (C-NRL) at Memphis, with the mission of advancing the use of physiological and neurological measurement systems to the study of marketing research questions. His research has been published in *Journal of Service Research*, *Journal of Business Venturing*, *Journal of Public Policy and Marketing*, the *Journal of Advertising Research*, *Journal of Business Logistics*, and other leading marketing journals. He has presented at a number of different conferences, including the American Marketing Association and the Academy of Marketing Science.

After obtaining his master's degree at West Virginia University, George began his professional career working in college athletic administration at the United States Military Academy at West Point, New York. Following that, he spent nearly a decade working in a variety of sales and sales management roles with several start-up ventures in the software industry.

George currently lives in Germantown, Tennessee, with his wife, Kristine. They have three children, Luke, Mark, and Koren.





DEDICATION

To my wife, Jenifer, whose love, support, and friendship have made my life better in every possible way. I am forever thankful for the life we have built together.

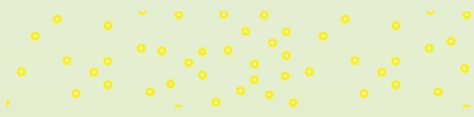
Shane

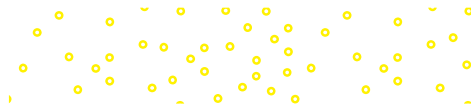
To my parents, Edmund B. Mello and Arlene A. Arms, who were teachers both inside and outside the classroom. Their examples were an inspiration to me for embarking on my career as a college professor, which is the best job in the world.

John

To my dad and mom, Jaye and Nikki, whose love, fun-loving sense of adventure, and unwavering support continue to inspire and guide me on my own journey. Thank you for being such wonderful parents and grandparents.

George





PREFACE

Hello, and welcome to Hunt, Mello, and Deitz’s *Marketing* 3e. Students, particularly non-marketing majors, want to know, “*Why does this course matter to me?*” We designed our product to emphasize the universal importance of marketing . . . *because everyone is a marketer.*

We designed this product with an emphasis on student engagement and relevance, a focus embodied in these four key benefits:

- A **career focus**, to help students understand how marketing will support whatever career path they choose and how to develop their own *personal brand*.
- **Integration of key topics** that are part of the daily fabric of marketing—globalization, social media, ethics, and marketing analytics.
- Seamlessly integrated **results-driven technology**.
- The **right content** for a semester-long course.

Career Focus

The goal of higher education for most students, whatever their major, is to develop knowledge that can be put to use in productive careers. We’ve included features that focus on careers:

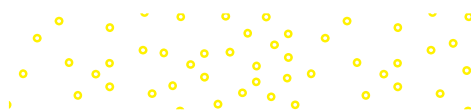
- *Executive Perspective interviews* illustrate the need for successful leaders in any organization to be effective marketers. These interviews represent a wide range of undergraduate majors, including finance, engineering, operations, and accounting.
- *Today’s Professional interviews* highlight young marketing professionals who describe how developing their personal brand has helped advance their careers.
- *Career Tips* offer chapter-related ideas that can help students develop their own *personal brand*—a theme carried throughout.
- In the *Marketing Plan Exercise* threaded throughout, students apply the elements of a marketing plan in the context of *marketing themselves*. This project brings a marketing plan to life in a way that personally engages students.
- New *Marketing Insights* Podcast Series featuring content from the authors and executives profiles throughout the textbook.

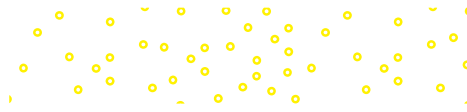
Integration of Key Topics

Students won’t find “Ethics Tuesdays,” “Global Thursdays,” or “Social Media Fridays” in their careers. Therefore, we chose to integrate the key topics of *ethics*, *globalization*, *social media*, and *marketing analytics* into chapter discussions where relevant. Integration of these four key topics efficiently delivers a fully rounded, three-dimensional view of each chapter topic, to help ensure that students are gaining sufficient knowledge and skills in these essential aspects of marketing.

Results-Driven Technology

This product is “digital-first,” built from the ground up to integrate digital content seamlessly. We wrote the narrative and the digital content simultaneously, dovetailing print and digital delivery in McGraw-Hill’s *results-driven technology* platform. The first edition leads the market with digital activations delivered via our adaptive eBook, *Smartbook*. In the third edition, we’ve added new exercises, videos, and video cases,





further enhancing the digital integration. The close linkage of chapter content and *Connect* assignments allows students to practice how to use classroom content to inform marketing decisions.

The Right Content

We designed our chapters to include the most valuable content for a Principles of Marketing course. Chapters are direct, concise, and approachable in length. We don't overburden students (or instructors) with content that is more appropriate in advanced marketing courses. The chapters allow a bit of classroom "breathing time" for the discussions and activities that bring marketing alive for you and your students.

In the third edition, we've changed the order of several chapters, moving "Personal Selling" and "Branding" to earlier in the textbook. McGraw-Hill Create enables you to arrange chapters in any sequence and any number to best fit the goals and organization of your course.

In addition, we've used market feedback to revise the existing chapters, as outlined in the section Chapter-by-Chapter Changes in the Third Edition. Content changes in the third edition add increased depth or breadth—more rigor where requested or fresh coverage of emerging areas of importance to marketing theory and practice. As a learning sciences company, McGraw-Hill Education uses data from both students and instructors to inform revisions to both print and digital content.

"Because Everyone Is a Marketer . . ."

Our goal is to build the best-possible principles of marketing product—one that captures the importance of marketing in a way that is relevant and adaptable to today's business students. Understanding and utilizing marketing to improve for-profit businesses, nonprofit organizations, and students' career prospects are critical educational activities. These activities are relevant to *any student*, regardless of his or her area of focus. We have worked to produce an integrated print and digital experience that will inspire students to explore and apply the marketing experiences they need in order to leave your course prepared for future coursework and for careers.

It is our sincere hope that *Marketing* 3e will engage your students and demonstrate the universal importance of marketing . . . *because everyone is a marketer!*

C. Shane Hunt

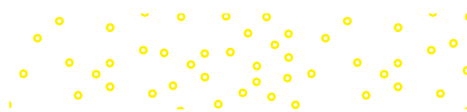
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John E. Mello

Arkansas State University

George D. Deitz

University of Memphis



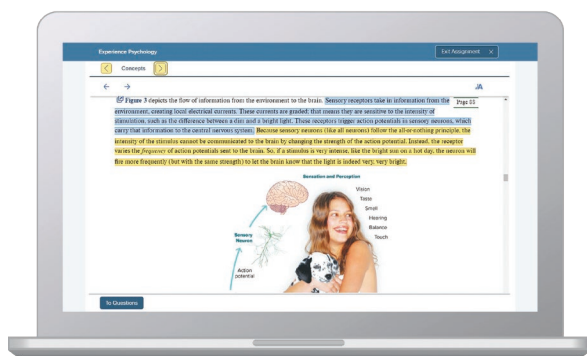
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"I really liked this app—it made it easy to study when you don't have your textbook in front of you."

- Jordan Cunningham,
Eastern Washington University



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CHAPTER-BY-CHAPTER CHANGES IN THE THIRD EDITION

The third edition's revisions are driven by feedback from instructors and students.

Overall

- The “Personal Selling” chapter is now Chapter 9, immediately following Chapter 8, “Promotional Strategies.”
- New Marketing Insights Podcast Links in every chapter featuring the textbook authors and several of the executives profiled.
- New examples highlighting the role of marketing in a rapidly changing world.
- Four NEW video cases featuring dynamic organizations: National Park Service, Hershey, State Farm, and Dell.

Chapter 1: Why Marketing Matters to You

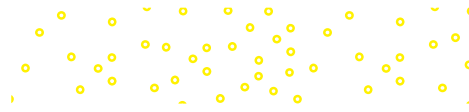
- New examples and discussion on the impact of social media on modern marketing.
- Replaced Figure 1.1, showing percentage of U.S. adults who use each social networking site and percentage of U.S. adults who get news from each social networking site.
- Updated product examples, including Kay Jewelers’ marketing efforts supporting St. Jude Children’s Research Hospital.
- Updated global business/trade statistics.
- New Executive Perspective profile.
- New Today’s Professional profile.

Chapter 2: Strategic Planning

- New Executive Perspective profile.
- New ethical challenge focused on legalized sports gambling.
- Expanded/updated McDonald’s example in internal and external considerations of the SWOT analysis.
- Updated data throughout the chapter including new presentation of auto manufacturers’ market share (Figure 2.6).
- New examples, including Disney’s diversification strategy.
- New Today’s Professional profile.

Chapter 3: The Global Environment

- Updated Figure 3.2 showing changes in average U.S. household income over time.
- New discussion on the marketing impact of Brexit.
- Updated Figure 3.5 showing U.S. unemployment rate by education level.
- New discussion on marketing to Gen Zers.
- New Today’s Professional profile.
- New examples, including Amazon’s lobbying efforts and pharmaceutical lobbying.



Chapter 4: Consumer Behavior

- New discussion of how marketers are using Instagram, Pinterest, and other social media platforms to empower consumer information search.
- Revised section on individual influences on consumer decision making, including introduction of the O-C-E-A-N personality model.
- New examples throughout the chapter, including Ford's use of social media influencers in building awareness for its new subcompact Fiesta line and Toyota's "Start Your Impossible" campaign that highlighted real-life mobility stories of Olympic and Paralympic athletes.
- New Today's Professional profile.

Chapter 5: Marketing Research

- Bulleted Improved international marketing research section, including new content on challenges that are specific to international marketing research.
- Updated section on automated facial coding in Neuromarketing section.
- New discussion on the Marketing Research Association's (MRA) updated *Code of Marketing Research Standards*.

Chapter 6: Product Development

- Brand-new section on "design thinking" to the idea generation stage of NPD.
- New discussion on "crowdsourcing" in the idea screening stage of NPD.
- New examples and discussion of services, differentiating them from products, and why this is important to the subject of NPD.
- New Today's Professional profile.

Chapter 7: Segmentation, Targeting, and Positioning

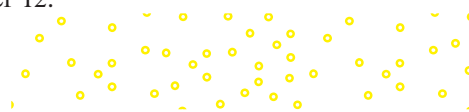
- Updated Table 7.1, 10 largest U.S. metropolitan areas.
- New Executive Perspective profile.
- Expanded discussion of target market analytics.
- New examples, including how Elmer's Glue is marketing to the growing number of consumers who enjoy making slime.

Chapter 8: Promotional Strategies

- New Executive Perspective profile.
- Expanded coverage of changes in advertising.
- Updated Figure 8.2 showing the percentage share of global advertising expenditure by medium.
- New Today's Professional profile.
- New examples throughout, including the impact of Instagram on organizations' promotional strategies.

Chapter 9: Personal Selling

- Updated content on sales technology and social selling, including a new feature on the use of artificial intelligence (AI) in sales.
- Introduced Sales and Marketing Executives International (SMEI) code of ethical sales conduct.
- Formerly Chapter 12.



- Added a new section on sales force strategy, design, and evaluation.
- New Today's Professional profile.

Chapter 10: Supply Chain and Logistics Management

- New discussion of the role of information technology in enabling supply chain processes.
- New examples and expanded content on the concept of “omnichannels” in the discussion of channels of distribution options for companies.
- Increased emphasis on the learning objectives of this chapter being tied into meeting customer needs.
- New Today's Professional profile.
- Formerly Chapter 9.

Chapter 11: Pricing

- New Today's Professional profile.
- New discussion of *shrinkflation*, which is the process of items shrinking in size or quantity while their prices remain the same or increase.
- Expanded discussion on the marketing impact of recent tariffs.
- New examples, including a discussion of Coke's introduction and pricing of 8.5-ounce bottles.
- Formerly Chapter 10.

Chapter 12: Retailing

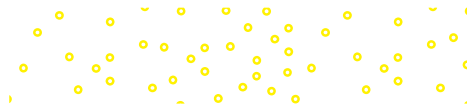
- New and improved section on twenty-first-century retailing, with new content and examples of retail technology, including retail applications of technology such as artificial intelligence (AI), voice-activated search, geofencing, and VR/AR.
- Expanded section introducing students to career opportunities in retail management.
- A more streamlined discussion of physical-store retailer types with key examples.
- Extensive new discussion of Amazon's strategy in the online retail section.
- Formerly Chapter 11.

Chapter 13: Digital and Social Media Marketing

- Digital and social media marketing practices are fast-paced and constantly changing. We've updated content and examples throughout the chapter.
- New and improved social media marketing section, with special features on how managers at LEGO and Blenders Eyewear are utilizing social media marketing as a key element to their marketing strategies.
- A brand-new section on ethical issues and best practices for digital/social media marketing.
- New Executive Perspective profile.

Chapter 14: Branding

- Was Chapter 15 in second edition.
- New Executive Perspective profile featuring a brand manager.
- Expanded discussion of the role of social media in branding.



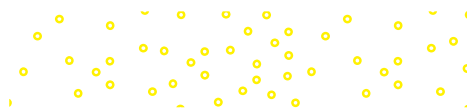
- Added discussion on UTM Parameters and Hootsuite Impact as social media monitoring tools.
- Updated Table 14.2, the top-10 most valuable global brands, and Table 14.3, the most valuable nonprofit brands.
- New Today's Professional profile.

Chapter 15: Customer Relationship Management

- Brand-new section on the GAP Model and its use in addressing customer needs.
- New discussion on the concept of Net Promoter Score as a method of gauging how effectively a company is in providing customer satisfaction.
- New Today's Professional profile.

Chapter 16: Social Responsibility and Sustainability

- New discussion on ethical and marketing challenges surrounding the Volkswagen emissions scandal.
- New Today's Professional profile.
- Expanded discussion of sustainable tourism.
- New examples, including Royal Caribbean Cruise Lines, which requires that all the operators of its shore excursions be certified to meet sustainability targets.





ACKNOWLEDGMENTS

We are deeply indebted to the many marketing scholars and instructors, business leaders and professionals, and colleagues and friends who have contributed their time, ideas, and insights to the development of this product. We appreciate your help and your shared passion for maximizing the educational experience of our students and future leaders.

Special Thanks to Our Reviewers

Reviewers who provided feedback that was essential to the development of the third edition and previous editions include:

Praveen Aggarwal,
University of Minnesota, Duluth

Raj Agnihotri,
University of Texas at Arlington

Bob Ahuja,
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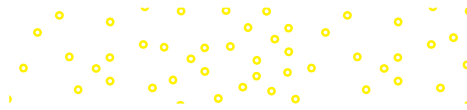
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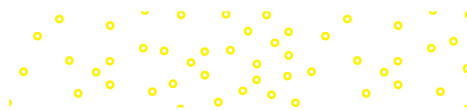
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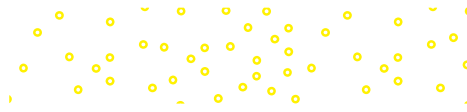
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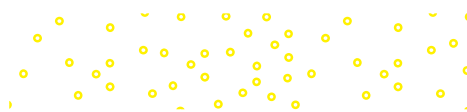
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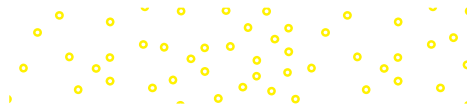
This product would not have been possible without the effort and expertise of many people. First and foremost, we would like to recognize and thank the entire editorial and marketing teams at McGraw-Hill Education who have made this product possible. We are very thankful to Meredith Fossel, who surrounded us with the best team in all of higher education publishing. We are thankful for our development editors, Gabriela Velasco and Haley Burmeister, for keeping us on track and focused on all of the integrated aspects of the product. We are thankful for Nicole Young, a truly amazing marketing manager, whose vision was instrumental in communicating the message of our product.

In addition, we are thankful for Kelly Delso, Christine Vaughan, Kelly Luchtman, Jacob Sullivan, Keri Johnson, and all of the talented people McGraw-Hill assembled whose guidance and feedback made the product much better. It has been our pleasure and privilege to work with these incredibly talented and skilled professionals who have shaped the final product that you are about to read.

We are thankful for Cortney Kieffer, who was Shane's and John's McGraw-Hill field representative at Arkansas State University. Cortney was our first exposure to McGraw-Hill, and her professionalism, dedication to our students, and friendship made us want to be part of the McGraw-Hill family.

We thank Mohammed Rawwas, University of Northern Iowa, for his work in helping develop our new marketing analytics exercises in *Connect*. We also want to thank our colleagues at Arkansas State University and the University of Memphis. It is an honor every day to get to work with brilliant people who genuinely and passionately care about the education of our students. In particular, our work on this edition was greatly enhanced by feedback from Melodie Philhours, Sarath Nonis, Gail Hudson, Travis Simkins, Emin Babakus, Dan Sherrell, Mike Peasley, Jennifer Tatara, and Subhash Jha. Their support and friendship is priceless, and we feel very thankful to be part of these truly world-class institutions.

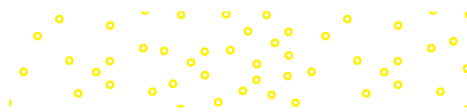
We want to thank our families for their love, support, and patience while we developed this edition. We want to thank the great faculty members at Oklahoma State University, the University of Tennessee, and the University of Alabama for the training and knowledge they gave us during our doctoral programs. We want to thank our many great colleagues in the private sector, at companies including Williams, Citynet, Playtex, and Unilever, who provided us with experiences that sharpened our



focus on the practical applications of marketing and preparing our students for today's competitive job market.

Finally, we want to thank our students. Being a marketing professor is the best job in the world because of the students we get to teach, help, and learn from. The great students at Arkansas State University, the University of Memphis, and throughout the country and the world drove our decision to create this product. Marketing is an extremely important topic for their careers and their lives, and we hope we have developed a product to help them succeed and achieve their dreams.

Shane Hunt, John Mello, and George Deitz



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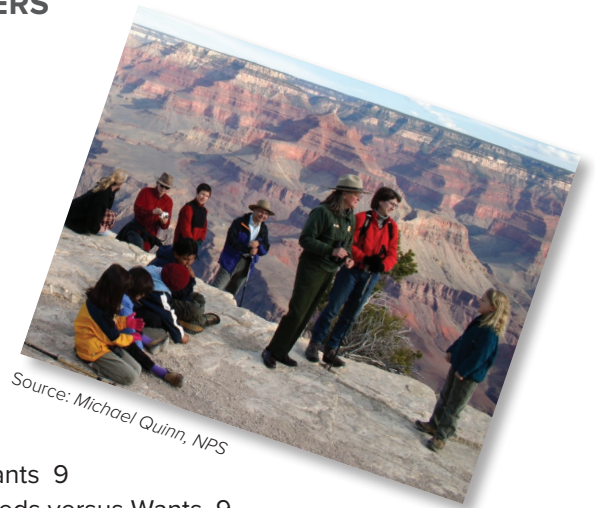
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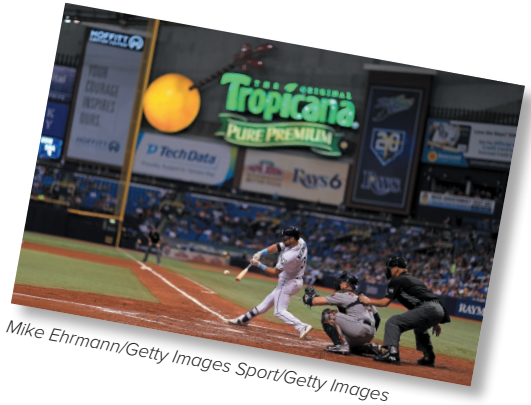
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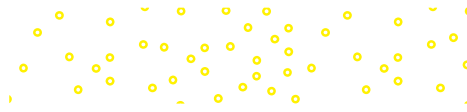
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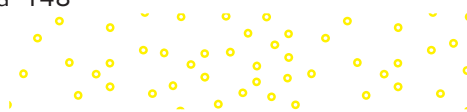
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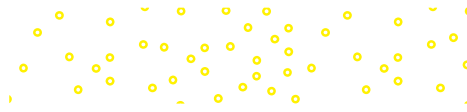
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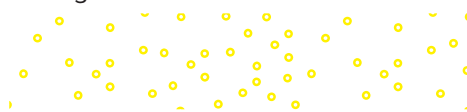
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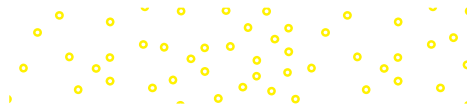
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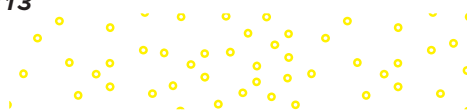
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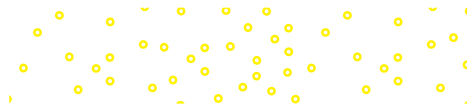
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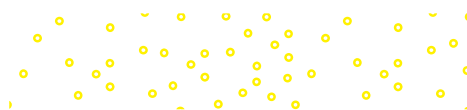
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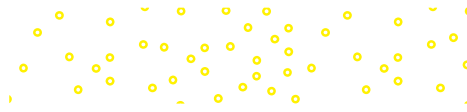
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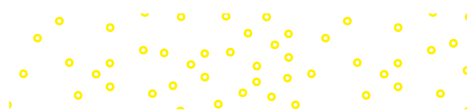
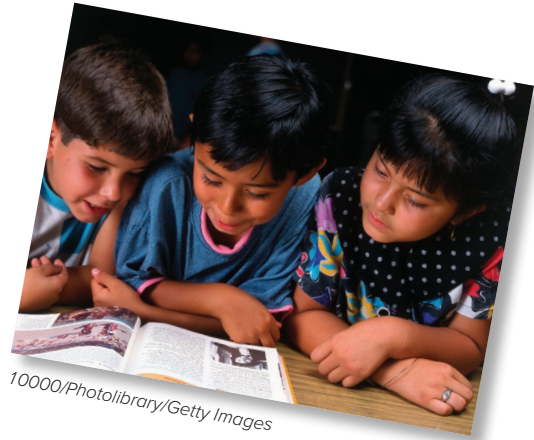
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Part ONE

Marketing in the Twenty-First Century



Source: Michael Quinn, NPS

Chapter 1

Why Marketing Matters to You



Mike Ehrmann/Getty Images Sport/Getty Images

Chapter 2

Strategic Planning



Don Hammond/Design Pics

Chapter 3

The Global Environment

Chapter 1

Why Marketing Matters to You

At the beginning of each chapter, you'll see a list of learning objectives that identify the key topics you need to master. You can also use the list as an outline for taking notes as you read through the chapter.

Learning Objectives

After reading this chapter, you should be able to

- LO 1-1** Describe a marketer's role in creating, communicating, and delivering value.
- LO 1-2** Differentiate among the various eras in the history of marketing.
- LO 1-3** Distinguish between consumer needs and consumer wants.
- LO 1-4** Explain the four elements in the marketing mix.
- LO 1-5** Discuss the importance of globalization in the field of marketing.
- LO 1-6** Explain the role of analytics in marketing.
- LO 1-7** Demonstrate the relationship between ethical business practices and marketplace success.
- LO 1-8** Analyze the functions of marketing beyond the for-profit firm.



Source: Michael Quinn, NPS

Each chapter opens with an executive's perspective on his or her organization. The executives come from backgrounds outside of marketing, and their perspectives illustrate the need for successful leaders in any organization to be effective marketers.

Executive Perspective . . . because everyone is a marketer

April Slayton majored in journalism where she learned a lot about identifying and speaking to different audiences. She worked for the American Veterinary Medical Association and the USDA before going to work for the National Park Service. Public service is April's passion and she knew in high school that she wanted to work in government and to demonstrate how government can be a positive part of people's lives. Working for the National Park Service allows April to do that every day.

At the National Park Service, Slayton serves as the National Park Service's top strategic communications executive and is responsible for planning, directing, and executing national campaigns to convey information about NPS programs, research, and activities.

What has been the most important thing in making you successful at your job?

Understanding the overlapping audiences at play with every message I create is the single most critical building block for almost everything I do. Whether I'm creating a strategic communications plan, responding to a crisis, or just trying to get buy-in for an idea or project, I'm always looking for unique approaches that will appeal to the people I need to influence or engage around a given issue.

What advice would you give soon-to-be graduates?

Take advantage of every learning opportunity that comes your way. Even if it won't connect you to your dream job, be open to possibilities that present themselves. You are likely learn things that will help you along the way and position you to discover new opportunities that could take your career in exciting and unexpected directions.

Early in my career, I raised my hand to help staff the office during the holiday season. It happened that a communications crisis developed, and because I was on call, I got the opportunity to sit with senior leadership during the process of developing policy and public communications around a complex issue that every media outlet across the country was covering. I worked with media outlets that

April Slayton Communications Director National Park Service



Photo provided by April Slayton

usually spoke only to our head of communications, and I experienced crisis communications happening in real time. When you're in the right place at the right time, especially if you have the right attitude, amazing opportunities present themselves.

How is marketing relevant to your role at the National Park Service?

The National Park Service is one of the few government organizations responsible for helping people have fun as part of its primary mission. When you enter Yellowstone National Park, the iconic Roosevelt Arch reminds visitors that parks were created "For the Benefit and Enjoyment of the People." As we connect Americans to their national parks through our communications efforts, this concept of parks for the people guides everything that my team does.

The linchpin of the National Park Service's marketing approach and messaging honors the deep traditions of the National Park Service, while pursuing a modern communications approach that invites younger generations to make their own connections to national parks.

What do you consider your personal brand to be?

Positive when possible, humorous when appropriate, and team oriented always.

One of my colleagues pointed out the other day that while they appreciate my skills, particularly in moments of crisis, they want me at the table when there are tough issues to tackle because of the positive energy and outside-the-box thinking that I bring to situations. That is a reputation I've worked hard to build and maintain throughout my career.

LO 1-1

Describe a marketer's role in creating, communicating, and delivering value.

marketing

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.

customer value

The perceived benefits, both monetary and nonmonetary, that a customer receives from a product compared with the cost of obtaining it.

THE VALUE OF MARKETING

Welcome to marketing. Wherever your life and career take you after this course, you can be assured that knowing how to implement marketing principles will be an important part of your professional success.

In fact, if you've ever had a job in retail sales or customer service, there is a good chance you have already used marketing principles. **Marketing** is 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. Marketers manage customer relationships in ways that benefit the organization and its employees, its customers, its investors, and society as a whole. This is a fairly lengthy definition, and it is important to understand three main components—creating, communicating, and delivering value—before we proceed.

Creating Value

Organizations today are constantly looking for new ways to create value for customers. This is true whether we are talking about a consumer product such as the Apple Watch, social networking applications like Instagram, or educational software like the McGraw-Hill *Connect* package that accompanies this text. **Customer value** refers to the perceived benefits, both monetary and nonmonetary, that customers receive from a product, compared with the cost associated with obtaining the product. Examples of perceived benefits might be making customers safer (ADT home security), saving them money (GEICO), or making their lives easier (Samsung Galaxy smartphone). If the benefit of the product or service equals or exceeds its cost, the organization has *created value*.

The key ingredient for creating value is providing consumers with benefits that meet their needs and wants. Merely creating a new product does not guarantee success. Over



Apple can charge higher prices than its competitors without fear of losing sales because of the value customers place on Apple products. *Canadapanda/Shutterstock*

80 percent of all new products fail, a percentage that remains consistent in both good and bad economic conditions.¹ To create value, a new good, service, or idea must satisfy a perceived marketplace demand. Understanding marketplace demands before competitors do is one of the secrets of great marketing.

In later chapters, we will explore specific strategies that support the effort of value creation. These strategies include analysis of the market environment, effective marketing research, and an understanding of customer behavior. Once a company has created a valuable product, it must communicate that value to potential customers.

Communicating Value

Business history is littered with failed companies that had a valuable offering but failed to get that message out to potential customers. For example, there may be a restaurant in the city where you live that serves great food; however, if the restaurant doesn't market itself well, you may never even know it exists. A firm must communicate not only what its product is but what value that product brings to potential customers. A new Subway restaurant near your college campus, for example, might use online advertisements to communicate its convenient location, healthy alternatives, and monthly student specials.

Communicating value also will be critical for you on a personal level as you begin looking for a job after you graduate. Imagine a human resource manager looking at a stack of 400 resumes, all from applicants with a college degree similar to yours. If your resume looks like every other resume in the stack, odds are your value will not be communicated. Countless job applicants who do not understand this fundamental point wonder why they do not get the interviews and opportunities that others, who are better at marketing themselves, do get.

This book will help you learn to communicate your professional value. It includes various features, like the Career Tips section at the end of each chapter, that will help you learn to market yourself. In this chapter, the Career Tips feature focuses on moving your resume out of the stack and getting you into an interview. Once you've landed a job, delivering on the value you communicated will be key, not only to keeping your job but also to moving up in your organization. In the same way, to be successful, firms must deliver on the value of the goods, services, and ideas they offer.

Delivering Value

Isn't it remarkable to think that you can buy Diet Coke at a grocery store in Chicago, a mall in San Francisco, a restaurant in Miami, a gas station in rural Arkansas, and practically everywhere in between? Millions of people throughout the world buy and enjoy Diet Coke. That phenomenon is made possible by Coca-Cola's ability to deliver its product to countless places. Coca-Cola's *supply chain* is critical in delivering value.

A firm's **supply chain** is a set of multiple companies directly linked by one or more of the upstream and downstream flows of products, services, finances, and information



Many of the most successful firms in the world, including Coca-Cola, Walmart, and UPS, excel at managing their supply chains efficiently and have made delivering value a competitive advantage in their industries. *Justin Sullivan/Getty Images News/Getty Images*

supply chain

The linked set of companies that perform or support the delivery of a company's products to customers. More formally, "a set of three or more companies directly linked by one or more of the upstream and downstream flows of products, services, finances, and information from a source to a customer" (from J. T. Mentzer, *Supply Chain Management*, p. 14).

logistics

That part of supply chain management that plans, implements, and controls the flow of goods, services, and information between the point of origin and the final customer.

LO 1-2

Differentiate among the various eras in the history of marketing.

production orientation

A marketing strategy in which the firm focused on efficient processes and production to create quality products and reduce unit costs.

from a source to a customer.² Members of the supply chain can include manufacturers, wholesalers, retailers, transportation companies, and other groups, depending on the specific industry. The part of supply chain management that plans, implements, and controls the flow of goods, services, and information between the point of origin and the final customer is called **logistics**. We will examine the challenges and strategies associated with logistics and supply chain management in a later chapter.

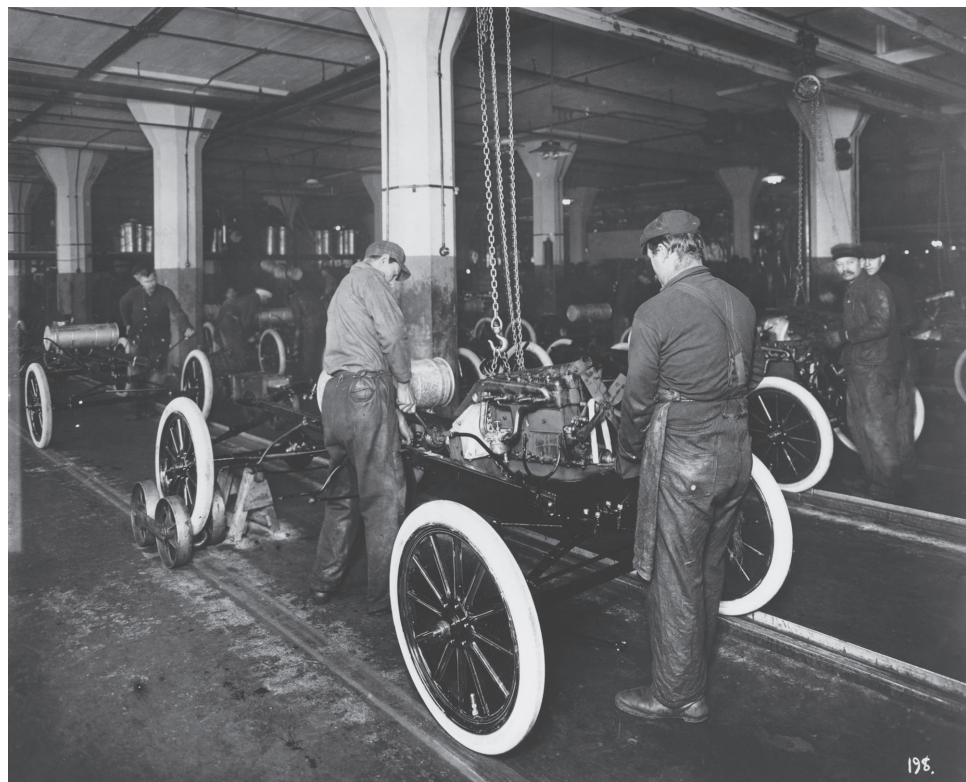
HISTORY OF MARKETING

Before we consider modern marketing, let's pause briefly to see how marketing has evolved to its current state.

Production Orientation

Prior to the 1920s, most firms in the United States and the rest of the developed world had a **production orientation**: They focused on efficient processes and production in order to create quality products and reduce unit costs. Firms with a production orientation believed that quality products would simply sell themselves. The production orientation is summarized in the old saying, "Build a better mousetrap, and the world will beat a path to your door."

In the mid-1920s, the growth in production outpaced consumer demand. To sell what they were able to produce, companies needed new strategies. In an effort to increase demand, firms sought to develop effective sales forces that could find customers for their growing production capacity.



Henry Ford's production line innovation and success manufacturing the Model A automobile represents the production-orientation era, during which firms believed that quality products would sell themselves. *Omikron/Photo Researchers/Getty Images*

Sales Orientation

As the size and impact of sales forces grew, many firms shifted to a **sales orientation**: They used personal selling and advertising to persuade consumers to buy new products and more of existing products. This strategy was especially important during the Great Depression: Consumers had little money, so firms competed intensely for customers' dollars. Firms such as Ford could no longer sell all of their products, even though mass production had reduced manufacturing costs. Ford increasingly had to rely on personal selling and advertising to get consumers to buy its products instead of the products of competitors such as General Motors. The sales-orientation era continued until the end of World War II.

sales orientation

A marketing strategy in which personal selling and advertising are used to persuade consumers to buy new products and more of existing products.

Marketing Concept

After two decades of economic depression and world war, the U.S. entered an era of expansion beginning in the early 1950s. Demand for goods and services increased significantly. Products that had been in limited supply during the war flooded the market, forcing firms to develop new strategies to compete. As a result, a strategy focused on the consumer began to emerge. That strategy, the **marketing concept**, is the idea that a firm's long-term success must include a companywide effort to satisfy customer needs.

marketing concept

The idea that a firm's long-term success must include a companywide effort to satisfy customer needs and wants.

The marketing concept is characterized by a *customer orientation*, which stresses the idea that everyone in a firm should assess, then satisfy, a consumer's needs. Walmart's focus on customer satisfaction is an example of the marketing concept in action: Employees in every department are expected to meet customer needs: the cashier checking out customers, the logistics department holding down costs, and a customer service representative handling product returns. The customer orientation has helped Walmart succeed in a competitive environment, even though very few of the products it sells are unique to its stores. Rather than offering unique products, Walmart has focused on satisfying consumers' desire for lower prices, friendly service, and convenience.

The marketing concept continues to evolve. Technology now enables marketers to tailor offerings in a way that has never before been possible. Dell provides a historical example: It became a market leader in the 1990s by allowing individual consumers to customize computers to purchase exactly what they wanted. Customers now have come to like and look for options to customize.

Organizations today also focus on establishing relationships with customers. **Relationship marketing**, a strategy that focuses on attracting, maintaining, and enhancing customer relationships,³ is of primary importance for today's most successful firms. Amazon, the largest e-retailer in the United States, uses technology and large amounts of data to develop a relationship with its customers. It provides personalized product recommendations and multiple delivery options to meet the individual needs of customers. This type of custom outreach helps marketers sell products. More importantly, it also helps the firm develop relationships with the customers who are most likely to buy its products.

relationship marketing

A marketing strategy that focuses on attracting, maintaining, and enhancing customer relationships.

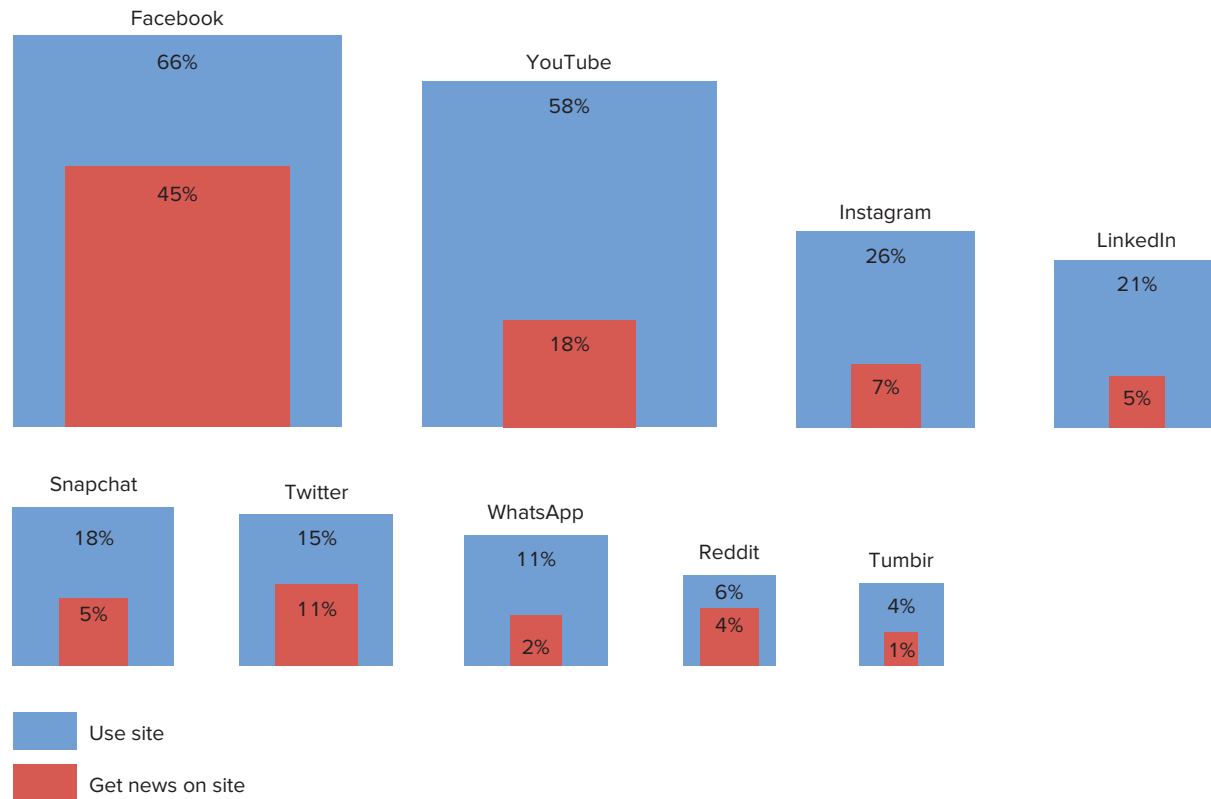
The Future of Marketing

More exciting than the history of marketing is thinking about how marketing will develop in the years ahead. As technology and other changes affect the business world, firms will need to explore new models that address what customers want and how they prefer to receive information. For example, consider how these data might affect the way firms reach customers:

- By 2018, the number of Americans who pay for television service through cable or satellite had declined by over 5 million since 2012.⁴
- At the same time, the number of Americans using the Internet or online streaming services such as Netflix and Hulu reached an all-time high.

FIGURE 1.1 Social Media as a Pathway to News: Facebook Leads the Way

Percentage of U.S. adults who use each social networking site and percentage of U.S. adults who get news from each social networking site



Source: Pew Research Center, “News Use across Social Media Platforms 2017,” September 7, 2017, <http://www.journalism.org/2017/09/07/news-use-across-social-media-platforms-2017/>.

exchange

An activity that occurs when a buyer and seller trade things of value so that each is better off as a result.

- Newspaper circulation has decreased significantly over the past decade.
- The amount of news consumers get through social media platforms is at an all-time high. Products like Facebook, Instagram and Twitter are changing how firms interact with customers.

Figure 1.1 details the number of adults who now get daily news from social media sites. In the coming years, marketers will no longer automatically think of television, newspaper, or magazine advertising as the first choice for reaching customers.

Regardless of how marketing evolves in the years ahead, remember that the basic goal of marketing—to create, communicate, and deliver value—doesn’t change. To achieve this goal, marketers must use all the tools and strategies at their disposal to satisfy the needs and wants of customers.

LO 1-3

NEEDS VERSUS WANTS

Distinguish between consumer needs and consumer wants.

Marketers create value for customers when they develop products that allow consumers to satisfy their needs and wants through exchange relationships. **Exchange** happens when a buyer and seller trade things of value, so that each is better off as a result.

For example, Microsoft initiates its part of the exchange by *creating* a product like the Xbox game console. It then *communicates* the value and enjoyment of owning an Xbox through television ads and online content. Finally, it *delivers* the Xbox consoles to retailers like Best Buy and Amazon, from whom consumers can purchase them. Consumers complete their side of the exchange by providing the money necessary to purchase the Xbox. In addition to the financial exchange that has taken place, consumers have also likely exchanged information, such as their e-mail address or phone number.

Perhaps the most basic concept in marketing is the difference between consumer needs and wants. **Needs** are states of felt deprivation. Consumers feel deprivation when they lack something useful or desirable like food, clothing, shelter, transportation, or safety. Notice that marketers do not *create* needs; needs are a basic part of our human makeup. Regardless of whether you ever view an ad, talk to a salesperson, or receive an e-mail from an online retailer, you still need food, water, shelter, and transportation.

Marketing's role is to match your need with a want. **Wants** are the form that human needs take as they are shaped by personality, culture, and buying situation. Marketers seek to turn your need for food into a want or desire for, say, an In-n-Out hamburger or a salad from Panera. Likewise, consumers need shelter. Marketers work to turn that need into a want, perhaps for an apartment on a bus route near campus or a condo where someone else takes care of the yard.

Wants are influenced by numerous things, including a consumer's family, job, and background. For example, a college student might want a shirt from a specific store or shoes that reflect his personality and make him feel good about how he looks. The wants of that student may well differ from those of the person who sits next to him in class, if they have different backgrounds and interests.

Satisfying needs and wants can prove challenging for firms that do not fully appreciate the difference between the two. Distinguishing between needs and wants affects the way firms market their products to customers.

Distinguishing Needs from Wants

The distinction between needs and wants is not always black and white. For example, people need transportation to go to work, or to attend school, or to pick up their children. Consumers can meet their *need* for transportation in many ways—by driving a car, riding a bike, or taking a bus or some other form of mass transit. A luxury-car marketer bets on the fact that you *want* to fulfill your need for transportation to work by sitting on heated seats while listening to satellite radio.

The better a firm understands the difference between customers' needs and wants, the more effectively it can target its message to convince customers to buy its good or service. The marketer seeks to convince customers that the firm's offering will meet their needs and wants better than any competing good or service.

The Ethical Implications of Needs versus Wants

To avoid potential problems for the firm, and sometimes for society as a whole, evaluating customer needs and wants must be done through an ethical framework.

For example: The global economic recession that began in December 2007 was, in part, the result of a housing crisis in which the United States experienced the largest increase in home foreclosures and drop in home prices

needs

States of felt deprivation. Consumers feel that deprivation when they lack something useful or desirable like food, clothing, shelter, transportation, or safety.

wants

The form that human needs take as they are shaped by personality, culture, and buying situation.



Most people need transportation of one kind or another; it's marketing's job to satisfy that need in a way that also meets the customer's wants, perhaps for a luxury car. *Don Mason/Getty Images*