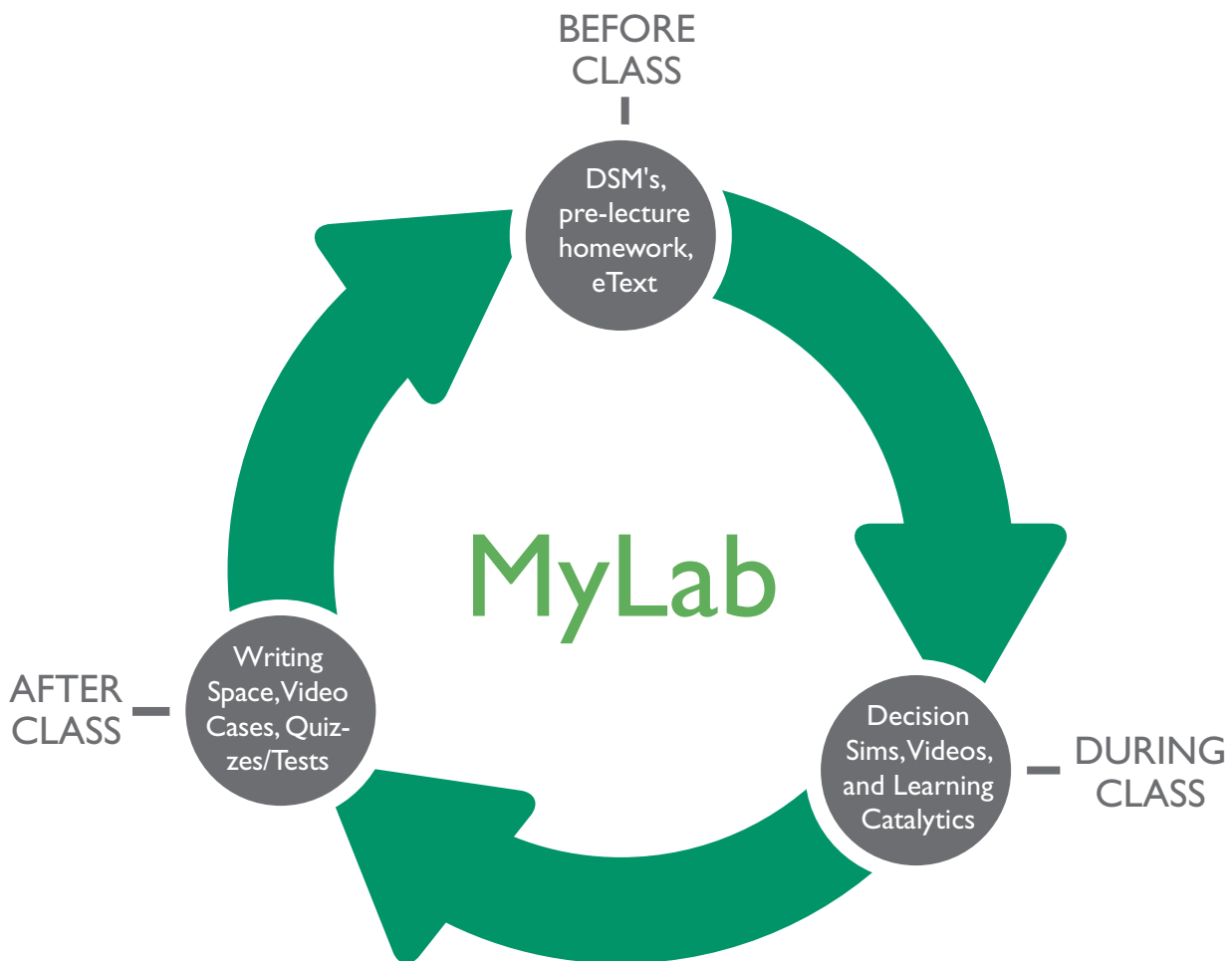


VALUE AND SATISFACTION
CUSTOMER LIFE VALUE CUSTOMER PARTICIPATION SOCIAL RESPONSIBILITY
CUSTOMER COMPETITORS CHANNELS SUPPLIERS
BRAND POSITIONING E-COMMERCE
BIG DATA FORECASTING DEMAND CROWDSOURCING
SOCIAL MEDIA MOBILE MARKETING
IDENTIFYING OPPORTUNITIES CUSTOMER LOYALTY BRAND EQUITY
MARKETING 15E
MANAGEMENT
KOTLER KELLER
NEW PRODUCT DEVELOPMENT PUBLIC RELATIONS METRICS
MARKET SHARE PROFITS ADVERTISING
CONSUMER BEHAVIOR DIGITAL COMMUNICATIONS PRODUCT
ENVIRONMENT STAKEHOLDERS LIFE CYCLE
PRICING STRATEGIES CO-CREATION CUSTOMER VALUE ANALYSIS
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Marketing Management

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This book is dedicated to my wife and best friend, Nancy, with love.

—PK

This book is dedicated to my wife, Punam, and my two daughters, Carolyn and Allison, with much love and thanks.

—KLK

About the Authors

Philip Kotler



Philip Kotler is one of the world's leading authorities on marketing. He is the S. C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University. He received his master's degree at the University of Chicago and his Ph.D. at MIT, both in economics. He did postdoctoral work in mathematics at Harvard University and in behavioral science at the University of Chicago.

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Dr. Kotler's other books include Marketing Models; The New Competition; Marketing Professional Services; Strategic Marketing for Educational Institutions; Marketing for Health Care Organizations; Marketing Congregations; High Visibility; Social Marketing; Marketing Places; The Marketing of Nations; Marketing for Hospitality and Tourism; Standing Room Only—Strategies for Marketing the Performing Arts; Museum Strategy and Marketing; Marketing Moves; Kotler on Marketing; Lateral Marketing; Winning at Innovation; Ten Deadly Marketing Sins; Chaotics; Marketing Your Way to Growth; Winning Global Markets; and Corporate Social Responsibility.

In addition, he has published more than 150 articles in leading journals, including the Harvard Business Review, Sloan Management Review, Business Horizons, California Management Review, the Journal of Marketing, the Journal of Marketing Research, Management Science, the Journal of Business Strategy, and Futurist. He is the only three-time winner of the coveted Alpha Kappa Psi award for the best annual article published in the Journal of Marketing.

Professor Kotler was the first recipient of the American Marketing Association's (AMA) Distinguished Marketing Educator Award (1985). The European Association of Marketing Consultants and Sales Trainers awarded him their Prize for Marketing Excellence. He was chosen as the Leader in Marketing Thought by the Academic Members of the AMA in a 1975 survey. He also received the 1978 Paul Converse Award of the AMA, honoring his original contribution to marketing. In 1995, the Sales and Marketing Executives International (SMEI) named him Marketer of the Year. In 2002, Professor Kotler received the Distinguished Educator Award from the Academy of Marketing Science. In 2013, he received the William L. Wilkie "Marketing for a Better World" Award and subsequently received the Sheth Foundation Medal for Exceptional Contribution to Marketing Scholarship and Practice. In 2014, he was inducted in the Marketing Hall of Fame.

He has received honorary doctoral degrees from Stockholm University, the University of Zurich, Athens University of Economics and Business, DePaul University, the Cracow School of Business and Economics, Groupe H.E.C. in Paris, the Budapest School of Economic Science and Public Administration, the University of Economics and Business Administration in Vienna, and Plekhanov Russian Academy of Economics. Professor Kotler has been a consultant to many major U.S. and foreign companies, including IBM, General Electric, AT&T, Honeywell, Bank of America, Merck, SAS Airlines, Michelin, and others in the areas of marketing strategy and planning, marketing organization, and international marketing.

He has been Chairman of the College of Marketing of the Institute of Management Sciences, a Director of the American Marketing Association, a Trustee of the Marketing Science Institute, a Director of the MAC Group, a member of the Yankelovich Advisory Board, and a member of the Copernicus Advisory Board. He was a member of the Board of Governors of the School of the Art Institute of Chicago and a member of the Advisory Board of the Drucker Foundation. He has traveled extensively throughout Europe, Asia, and South America, advising and lecturing to many companies about global marketing opportunities.



Kevin Lane Keller is the E. B. Osborn Professor of Marketing at the Tuck School of Business at Dartmouth College. Professor Keller has degrees from Cornell, Carnegie-Mellon, and Duke universities. At Dartmouth, he teaches MBA courses on marketing management and strategic brand management and lectures in executive programs on those topics.

Previously, Professor Keller was on the faculty at Stanford University, where he also served as the head of the marketing group. Additionally, he has been on the faculty at the University of California at Berkeley and the University of North Carolina at Chapel Hill, has been a visiting professor at Duke University and the Australian

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Professor Keller's general area of expertise lies in marketing strategy and planning and branding. His specific research interest is in how understanding theories and concepts related to consumer behavior can improve marketing strategies. His research has been published in three of the major marketing journals: the *Journal of Marketing*, the *Journal of Marketing Research*, and the *Journal of Consumer Research*. He also has served on the Editorial Review Boards of those journals. With more than 90 published papers, his research has been widely cited and has received numerous awards.

Actively involved with industry, he has worked on a host of different types of marketing projects. He has served as a long-term consultant and advisor to marketers for some of the world's most successful brands, including Accenture, American Express, Disney, Ford, Intel, Levi Strauss, Procter & Gamble, and Samsung. Additional brand consulting activities have been with other top companies such as Allstate, Beiersdorf (Nivea), BlueCross BlueShield, Campbell, Colgate, Eli Lilly, ExxonMobil, General Mills, GfK, Goodyear, Hasbro, Intuit, Johnson & Johnson, Kodak, L.L.Bean, Mayo Clinic, MTV, Nordstrom, Ocean Spray, Red Hat, SAB Miller, Shell Oil, Starbucks, Unilever, and Young & Rubicam. He has also served as an academic trustee for the Marketing Science Institute and served as their Executive Director from July 1, 2013, to July 1, 2015.

A popular and highly sought-after speaker, he has made speeches and conducted marketing seminars to top executives in a variety of forums. Some of his senior management and marketing training clients have included include such diverse business organizations as Cisco, Coca-Cola, Deutsche Telekom, ExxonMobil, GE, Google, IBM, Macy's, Microsoft, Nestle, Novartis, Pepsico, SC Johnson and Wyeth. He has lectured all over the world, from Seoul to Johannesburg, from Sydney to Stockholm, and from Sao Paulo to Mumbai. He has served as keynote speaker at conferences with hundreds to thousands of participants.

Professor Keller is currently conducting a variety of studies that address strategies to build, measure, and manage brand equity. His textbook on those subjects, *Strategic Brand Management*, in its fourth edition, has been adopted at top business schools and leading firms around the world and has been heralded as the "bible of branding."

An avid sports, music, and film enthusiast, in his so-called spare time, he has helped to manage and market, as well as serve as executive producer for, one of Australia's great rock-and-roll treasures, *The Church*, as well as American power-pop legends Tommy Keene and Dwight Twilley. He also serves on the Board of Directors for *The Doug Flutie, Jr. Foundation for Autism*, the *Lebanon Opera House*, and the *Montshire Museum of Science*. Professor Keller lives in Etna, NH, with his wife, Punam (also a Tuck marketing professor), and his two daughters, Carolyn and Allison.

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Preface

What's New in the 15th Edition

The 15th edition of *Marketing Management* is a landmark entry in the long successful history of the market leader. With the 15th edition, great care was taken to provide an introductory guide to marketing management that truly reflects the modern realities of marketing. In doing so, classic concepts, guidelines, and examples were retained while new ones were added as appropriate. Three broad forces—globalization, technology, and social responsibility—were identified as critical to the success of modern marketing programs. These three topics are evident all through the text.

As has been the case for a number of editions now, the overriding goal of the revision for the 15th edition of *Marketing Management* was to create as comprehensive, current, and engaging a MBA marketing textbook as possible. Where appropriate, new material was added, old material was updated, and no longer relevant or necessary material was deleted.

Even though marketing is changing in many significant ways these days, many core elements remain, and we feel strongly that a balanced approach of classic and contemporary approaches and perspectives is the way to go. *Marketing Management*, 15th edition, allows those instructors who have used the 14th edition to build on what they have learned and done while at the same time offering a text that is unsurpassed in breadth, depth, and relevance for students experiencing *Marketing Management* for the first time.

The successful across-chapter reorganization into eight parts that began with the 12th edition of *Marketing Management* has largely been preserved, although several adjustments have been made to improve student understanding, as described below. Many of the favorably received within-chapter features that have been introduced through the years, such as topical chapter openers, in-text boxes highlighting noteworthy companies or issues, and the Marketing Insight and Marketing Memo boxes that provide in-depth conceptual and practical commentary, have been retained.

Significant changes to the 15th edition include:

- Brand-new opening vignettes for each chapter set the stage for the chapter material to follow. By covering topical brands or companies, the vignettes are great classroom discussion starters.
- Almost half of the in-text boxes are new. These boxes provide vivid illustrations of chapter concepts using actual companies and situations. The boxes cover a variety of products, services, and markets, and many have accompanying illustrations in the form of ads or product shots.
- Each end-of-chapter section now includes two expanded Marketing Excellence mini-cases highlighting innovative, insightful marketing accomplishments by leading organizations. Each case includes questions that promote classroom discussion and student analysis.
- The global chapter (8, previously Chapter 21) has been moved into Part 3 on Connecting with Customers and the new products chapter (15, previously Chapter 20) has been moved into Part 5 on Creating Value. The positioning and brand chapters (10 and 11) have been switched to allow for the conventional STP sequencing. These moves permit richer coverage of the topics and better align with many instructors' teaching strategy.
- A new chapter (21) titled Managing Digital Communications: Online, Social Media, and Mobile has been added to better highlight that important topic. Significant attention is paid throughout the text to what a new section in Chapter 1 calls "the digital revolution."
- The concluding chapter (23) has been retitled "Managing a Holistic Marketing Organization for the Long Run" and addresses corporate social responsibility, business ethics, and sustainability, among other topics.
- Chapter 12 (previously Chapter 11) has been retitled "Addressing Competition and Driving Growth" to acknowledge the importance of growth to an organization.

What Is *Marketing Management* All About?

Marketing Management is the leading marketing text because its content and organization consistently reflect changes in marketing theory and practice. The very first edition of *Marketing Management*, published in 1967, introduced the concept that companies must be customer and market driven. But there was little mention of

what have now become fundamental topics such as segmentation, targeting, and positioning. Concepts such as brand equity, customer value analysis, database marketing, e-commerce, value networks, hybrid channels, supply chain management, and integrated marketing communications were not even part of the marketing vocabulary then. *Marketing Management* continues to reflect the changes in the marketing discipline over the past almost 50 years.

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

In response, companies have shifted gears from managing product portfolios to managing *customer* portfolios, compiling databases on individual customers so they can understand them better and construct individualized offerings and messages. They are doing less product and service standardization and more niching and customization. They are replacing monologues with customer dialogues. They are improving their methods of measuring customer profitability and customer lifetime value. They are intent on measuring the return on their marketing investment and its impact on shareholder value. They are also concerned with the ethical and social implications of their marketing decisions.

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

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

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

These four dimensions are woven throughout the book and at times spelled out explicitly. The text is organized to specifically address the following eight tasks that constitute modern marketing management in the 21st century:

1. Developing marketing strategies and plans
2. Capturing marketing insights
3. Connecting with customers
4. Building strong brands
5. Creating value
6. Delivering value
7. Communicating value
8. Conducting marketing responsibly for long-term success

What Makes *Marketing Management* the Marketing Leader?

Marketing is of interest to everyone, whether they are marketing goods, services, properties, persons, places, events, information, ideas, or organizations. As it has maintained its respected position among students, educators, and businesspeople, *Marketing Management* has kept up to date and contemporary. Students (and instructors) feel that the book is talking directly to them in terms of both content and delivery.

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

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

The 15th edition builds on the fundamental strengths of past editions that collectively distinguish it from all other marketing management texts:

- **Managerial orientation.** The book focuses on the major decisions that marketing managers and top management face in their efforts to harmonize the organization's objectives, capabilities, and resources with marketplace needs and opportunities.
- **Analytical approach.** *Marketing Management* presents conceptual tools and frameworks for analyzing recurring problems in marketing management. Cases and examples illustrate effective marketing principles, strategies, and practices.
- **Multidisciplinary perspective.** The book draws on the rich findings of various scientific disciplines—economics, behavioral science, management theory, and mathematics—for fundamental concepts and tools directly applicable to marketing challenges.
- **Universal applications.** The book applies strategic thinking to the complete spectrum of marketing: products, services, persons, places, information, ideas, and causes; consumer and business markets; profit and nonprofit organizations; domestic and foreign companies; small and large firms; manufacturing and intermediary businesses; and low- and high-tech industries.
- **Comprehensive and balanced coverage.** *Marketing Management* covers all the topics an informed marketing manager needs to understand to execute strategic, tactical, and administrative marketing.

Instructor Resources

At the Instructor Resource Center, www.pearsonhighered.com/irc, instructors can easily register to gain access to a variety of instructor resources available with this text in downloadable format. If assistance is needed, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit <http://247.pearsoned.com> for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available with this text:

- **Instructor's Resource Manual**
- **Test Bank**
- **TestGen® Computerized Test Bank**
- **PowerPoint Presentation**
- **Instructor Video Library**
- **Image Library**

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Part 1 Understanding Marketing Management

Chapter 1 Defining Marketing for the New Realities

Chapter 2 Developing Marketing Strategies and Plans



In This Chapter, We Will Address the Following **Questions**

1. Why is marketing important? (p. 3)
2. What is the scope of marketing? (p. 5)
3. What are some core marketing concepts? (p. 9)
4. What forces are defining the new marketing realities? (p. 13)
5. What new capabilities have these forces given consumers and companies? (p. 16)
6. What does a holistic marketing philosophy include? (p. 20)
7. What tasks are necessary for successful marketing management? (p. 27)

Unilever is fundamentally changing how it is doing its marketing, including putting more emphasis on developing markets.

Source: Bloomberg via Getty Images

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1 Defining Marketing for the New Realities

Formally and informally, people and organizations engage in a vast number of activities we can call marketing. In the face of a digital revolution and other major changes in the business environment, good marketing today is both increasingly vital and radically new. Consider Unilever.¹



Under the leadership of ex-P&G marketing executive Paul Polman and marketing whiz Keith Weed, Unilever is steering in an aggressive new direction. Its new marketing model “Crafting Brands for Life” establishes social, economic, and product missions for each brand, including Dove, Ben & Jerry’s, Lifebuoy, and Knorr. Polman states, “I have a vision of all of our brands being a force for good, with each having over a billion fans or more to help drive change.” One part of the mission, for instance, is sustainability—specifically, to halve its ecological footprint while doubling revenues. To improve advertising and marketing communications, it aims to strike a balance between “magic” and “logic,” doubling marketing training expenditures and emphasizing ad research. To better understand the digital world, CMO Weed took 26 top marketing executives to Silicon Valley to visit Google, Facebook, and Hulu and led a similar group to visit Hollywood executives at Disney and Universal. Unilever has set its sights on developing and emerging (D&E) markets, hoping to grow 15 percent to 20 percent annually in China and to draw 70 percent to 75 percent of business from D&E markets by 2020. The company has also adopted “reverse innovation” by applying branding and packaging innovations from developing markets to recession-hit developed markets. In Spain, it now sells Surf detergent in five-wash packs. In Greece, it offers mashed potatoes and mayonnaise in small packages.

Good marketing is no accident. It is both an art and a science, and it results from careful planning and execution using state-of-the-art tools and techniques. In this book, we describe how skillful marketers are updating classic practices and inventing new ones to find creative, practical solutions to new marketing realities. In the first chapter, we lay our foundation by reviewing important marketing concepts, tools, frameworks, and issues.

The Value of Marketing

Finance, operations, accounting, and other business functions won’t really matter without sufficient demand for products and services so the firm can make a profit. In other words, there must be a top line for there to be a bottom line. Thus, financial success often depends on marketing ability. Marketing’s value extends to society as a whole. It has helped introduce new or enhanced products that ease or enrich people’s lives. Successful marketing builds demand for products and services, which, in turn, creates jobs. By contributing to the bottom line, successful marketing also allows firms to more fully engage in socially responsible activities.²

MARKETING DECISION MAKING

CEOs recognize that marketing builds strong brands and a loyal customer base, intangible assets that contribute heavily to the value of a firm.³ Many firms, even service and nonprofit, now have a chief marketing officer (CMO) to put marketing on a more equal footing with other C-level executives such as the chief financial officer (CFO) or chief information officer (CIO).⁴

In an Internet-fueled environment where consumers, competition, technology, and economic forces change rapidly and consequences quickly multiply, marketers must choose features, prices, and markets and decide how much to spend on advertising, sales, and online and mobile marketing. Meanwhile, the economic downturn that began globally in 2008 and the sluggish recovery since have brought budget cuts and intense pressure to make every marketing dollar count.

There is little margin for error in marketing. Just a short time ago, MySpace, Yahoo!, Blockbuster, and Barnes & Noble were admired leaders in their industries. What a difference a few years can make! Each of these brands has been completely overtaken by an upstart challenger—Facebook, Google, Netflix, and Amazon—and they now struggle, sometimes unsuccessfully, for mere survival. Firms must constantly move forward. At greatest risk are those that fail to carefully monitor their customers and competitors, continuously improve their value offerings and marketing strategies, or satisfy their employees, stockholders, suppliers, and channel partners in the process.

WINNING MARKETING

Skillful marketing is a never-ending pursuit, but some businesses are adapting and thriving in these changing times. Consider American Express.⁵

AMERICAN EXPRESS: SMALL BUSINESS SATURDAY Launched in 2010 via radio and TV ads, social media, and PR, American Express's Small Business Saturday program encouraged people to shop at smaller, local retailers on the Saturday after Thanksgiving. Among businesses that participated, sales rose 28 percent. In 2012, American Express provided social media marketing kits, e-mail templates, and signage to help spread the word. More than 350 small business organizations supported the initiative, more than 3 million users "liked" the Small Business Saturday Facebook page, and 213,000 related tweets were posted on Twitter. President Obama tweeted, "Today, support small businesses in your community by shopping at your favorite store" and took his daughters to local bookstores. American Express cardholders got a \$25 rebate for shopping at local, independent stores on Small Business Saturday. The company reported a roughly 21 percent increase in transactions for both 2011 and 2012 due to the program.

Other top marketers are following suit. Using a Web-only campaign, BMW claimed a \$110 million revenue gain for its 1-series. More than 3 million people saw a five-video teaser campaign, and 20,000 gave their contact details. BMW also targeted influential bloggers and used feedback from social media as input to styling and sales forecasts.⁶

Even business-to-business firms are getting into the action. Corning has struggled transcending its reputation as sellers of Pyrex cookware—a business it sold more than a decade ago—to its current status as makers of highly engineered specialty glass and ceramic products. To expand the vision on Wall Street as a company with a rich portfolio, Corning created a YouTube video, "A Day Made of Glass...Made Possible by Corning." Unconventionally long but beautifully put together, within three weeks it attracted more than a million views. Much of the social conversation it created revolved around themes of glass, product toughness, and hope for the future—exactly what Corning wanted.⁷

American Express' Small Business Saturday has struck a chord with consumers, including TV celebrity Katie Couric.



Source: WireImage for American Express

The Scope of Marketing

To be a marketer, you need to understand what marketing is, how it works, who does it, and what is marketed.

WHAT IS MARKETING?

Marketing is about identifying and meeting human and social needs. One of the shortest good definitions of marketing is “meeting needs profitably.” When Google recognized that people needed to more effectively and efficiently access information on the Internet, it created a powerful search engine that organized and prioritized queries. When IKEA noticed that people wanted good furnishings at substantially lower prices, it created knock-down furniture. These two firms demonstrated marketing savvy and turned a private or social need into a profitable business opportunity.

The American Marketing Association offers the following formal definition: *Marketing is 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.*⁸ Coping with these exchange processes calls for a considerable amount of work and skill. *Marketing management* takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties. Thus, we see **marketing management** as *the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.*

We can distinguish between a social and a managerial definition of marketing. A social definition shows the role marketing plays in society; for example, one marketer has said that marketing’s role is to “deliver a higher standard of living.” Here is a social definition that serves our purpose: *Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.* Cocreation of value among consumers and with businesses and the importance of value creation and sharing have become important themes in the development of modern marketing thought.⁹

Managers sometimes think of marketing as “the art of selling products,” but many people are surprised when they hear that selling is *not* the most important part of marketing! Selling is only the tip of the marketing iceberg. Peter Drucker, famed management theorist, put it this way:¹⁰

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

When Nintendo designed its Wii game system, when Apple launched its iPad tablet computer, and when Toyota introduced its Prius hybrid automobile, these manufacturers were swamped with orders because they had designed the right product, based on careful marketing homework about consumers, competition, and all the external factors that affect cost and demand.

WHAT IS MARKETED?

Marketers market 10 main types of entities: goods, services, events, experiences, persons, places, properties, organizations, information, and ideas. Let’s take a quick look at these categories.

GOODS Physical goods constitute the bulk of most countries’ production and marketing efforts. Each year, U.S. companies market billions of fresh, canned, bagged, and frozen food products and millions of cars, refrigerators, televisions, machines, and other mainstays of a modern economy.

SERVICES As economies advance, a growing proportion of their activities focuses on the production of services. The U.S. economy today produces a services-to-goods mix of roughly two-thirds to one-third.¹¹ Services include the work of airlines, hotels, car rental firms, barbers and beauticians, maintenance and repair people, and accountants, bankers, lawyers, engineers, doctors, software programmers, and management consultants. Many market offerings mix goods and services, such as a fast-food meal.

EVENTS Marketers promote time-based events, such as major trade shows, artistic performances, and company anniversaries. Global sporting events such as the Olympics and the World Cup are promoted aggressively to companies and fans. Local events include craft fairs, bookstore readings, and farmer’s markets.

EXPERIENCES By orchestrating several services and goods, a firm can create, stage, and market experiences. Walt Disney World’s Magic Kingdom lets customers visit a fairy kingdom, a pirate ship, or a haunted house.

The pageantry of the Olympics, shown here in Sochi, Russia, adds to its marketability.



Source: © McClatchy-Tribune Information Services /Alamy

Customized experiences include a week at a baseball camp with retired baseball greats, a four-day rock and roll fantasy camp, and a climb up Mount Everest.

PERSONS Artists, musicians, CEOs, physicians, high-profile lawyers and financiers, and other professionals often get help from marketers.¹² Many athletes and entertainers have done a masterful job of marketing themselves—NFL quarterback Peyton Manning, talk show veteran Oprah Winfrey, and rock and roll legends The Rolling Stones. Management consultant Tom Peters, himself a master at self-branding, has advised each person to become a “brand.”

PLACES Cities, states, regions, and whole nations compete to attract tourists, residents, factories, and company headquarters.¹³ Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies. The Las Vegas Convention & Visitors Authority has met with much success with its provocative ad campaign “What Happens Here, Stays Here,” portraying Las Vegas as “an adult playground.”

PROPERTIES Properties are intangible rights of ownership to either real property (real estate) or financial property (stocks and bonds). They are bought and sold, and these exchanges require marketing. Real estate agents work for property owners or sellers, or they buy and sell residential or commercial real estate. Investment companies and banks market securities to both institutional and individual investors.

ORGANIZATIONS Museums, performing arts organizations, corporations, and nonprofits all use marketing to boost their public images and compete for audiences and funds. Some universities have created chief marketing officer (CMO) positions to better manage their school identity and image, via everything from admission brochures and Twitter feeds to brand strategy.¹⁴

Oprah Winfrey has built a personal brand worth billions which she has used across many lines of business.



Source: Chris Pizzello/Invision/AP

INFORMATION Information is essentially what books, schools, and universities produce, market, and distribute at a price to parents, students, and communities. Firms make business decisions using information supplied by organizations like Thomson Reuters: “We combine industry expertise with innovative technology to deliver critical information to leading decision makers in the financial, legal, tax and accounting, healthcare, science and media markets, powered by the world’s most trusted news organization.”¹⁵

IDEAS Every market offering includes a basic idea. Charles Revson of Revlon once observed: “In the factory we make cosmetics; in the drugstore we sell hope.” Products and services are platforms for delivering some idea or benefit. Social marketers promote such ideas as “Friends Don’t Let Friends Drive Drunk” and “A Mind Is a Terrible Thing to Waste.”

WHO MARKETS?

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

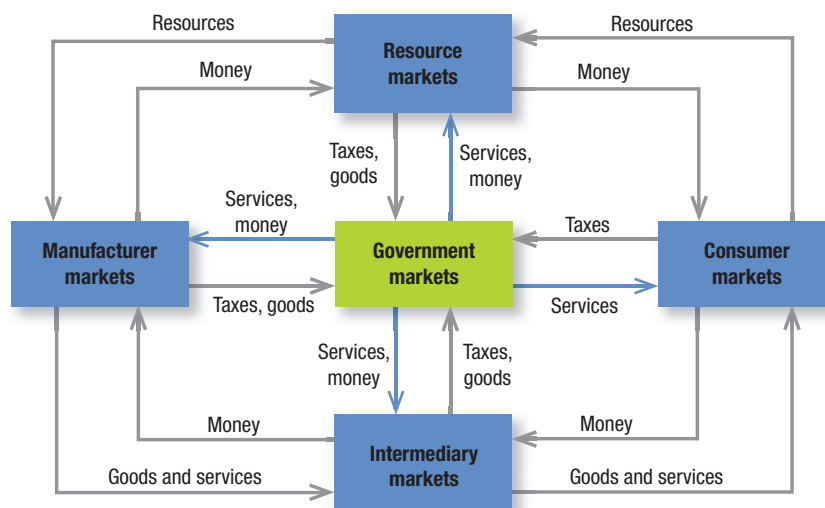
Marketers are skilled at stimulating demand for their products, but that’s a limited view of what they do. They also seek to influence the level, timing, and composition of demand to meet the organization’s objectives. Eight demand states are possible:

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

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

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

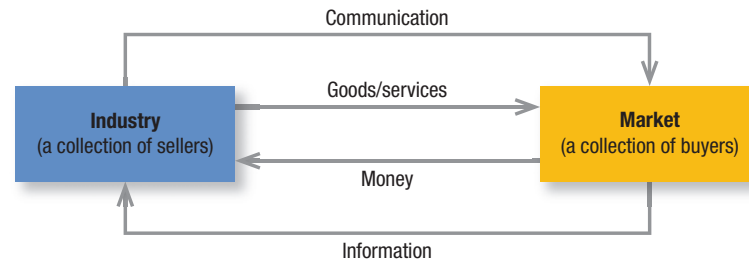
Five basic markets and their connecting flows are shown in Figure 1.1. Manufacturers go to resource markets (raw material markets, labor markets, money markets), buy resources and turn them into goods and services, and sell finished products to intermediaries, who sell them to consumers. Consumers sell their labor and receive money with which they pay for goods and services. The government collects tax revenues to buy goods from resource,



| Fig. 1.1 |
Structure of Flows in a Modern Exchange Economy

| Fig. 1.2 |

A Simple Marketing System



manufacturer, and intermediary markets and uses these goods and services to provide public services. Each nation's economy, and the global economy, consists of interacting sets of markets linked through exchange processes.

Marketers view sellers as the industry and use the term **market** to describe customer groups. They talk about need markets (the diet-seeking market), product markets (the shoe market), demographic markets (the "millennium" youth market), geographic markets (the Chinese market), or voter markets, labor markets, and donor markets.

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

KEY CUSTOMER MARKETS Consider the following key customer markets: consumer, business, global, and nonprofit.

Consumer Markets Companies selling mass consumer goods and services such as juices, cosmetics, athletic shoes, and air travel establish a strong brand image by developing a superior product or service, ensuring its availability, and backing it with engaging communications and reliable performance.

Business Markets Companies selling business goods and services often face well-informed professional buyers skilled at evaluating competitive offerings. Advertising and Web sites can play a role, but the sales force, the price, and the seller's reputation may play a greater one.

Global Markets Companies in the global marketplace navigate cultural, language, legal, and political differences while deciding which countries to enter, how to enter each (as exporter, licensor, joint venture partner, contract manufacturer, or solo manufacturer), how to adapt product and service features to each country, how to set prices, and how to communicate in different cultures.

Nonprofit and Governmental Markets Companies selling to nonprofit organizations with limited purchasing power such as churches, universities, charitable organizations, and government agencies need to price carefully. Much government purchasing requires bids; buyers often focus on practical solutions and favor the lowest bid, other things equal.¹⁶

Governments are a key customer market for many companies.



Source: © Travel Pictures/Alamy

Core Marketing Concepts

To understand the marketing function, we need to understand the following core set of concepts (see Table 1.1).

NEEDS, WANTS, AND DEMANDS

Needs are the basic human requirements such as for air, food, water, clothing, and shelter. Humans also have strong needs for recreation, education, and entertainment. These needs become *wants* when directed to specific objects that might satisfy the need. A U.S. consumer needs food but may want a Chicago-style “deep-dish” pizza and a craft beer. A person in Afghanistan needs food but may want rice, lamb, and carrots. Our wants are shaped by our society.

Demands are wants for specific products backed by an ability to pay. Many people want a Mercedes; only a few can buy one. Companies must measure not only how many people want their product, but also how many are willing and able to buy it.

These distinctions shed light on the criticism that “marketers get people to buy things they don’t want.” Marketers do not create needs: Needs pre-exist marketers. Marketers might promote the idea that a Mercedes satisfies a person’s need for social status. They do not, however, create the need for social status.

Some customers have needs of which they are not fully conscious or cannot articulate. What does the customer mean in asking for a “powerful” lawn mower or a “peaceful” hotel? The marketer must probe further. We can distinguish five types of needs:

1. Stated needs (The customer wants an inexpensive car.)
2. Real needs (The customer wants a car whose operating cost, not initial price, is low.)
3. Unstated needs (The customer expects good service from the dealer.)
4. Delight needs (The customer would like the dealer to include an onboard GPS system.)
5. Secret needs (The customer wants friends to see him or her as a savvy consumer.)

Responding only to the stated need may shortchange the customer.¹⁷ Consumers did not know much about tablet computers when they were first introduced, but Apple worked hard to shape consumer perceptions of them. To gain an edge, companies must help customers learn what they want.

TARGET MARKETS, POSITIONING, AND SEGMENTATION

Not everyone likes the same cereal, restaurant, university, or movie. Marketers therefore identify distinct segments of buyers by identifying demographic, psychographic, and behavioral differences between them. They then decide which segment(s) present the greatest opportunities. For each of these *target markets*, the firm develops a *market*

TABLE 1.1 Core Marketing Concepts

Needs, Wants, and Demands

Target Markets, Positioning, and Segmentation

Offerings and Brands

Marketing Channels

Paid, Owned, and Earned Media

Impressions and Engagement

Value and Satisfaction

Supply Chain

Competition

Marketing Environment