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TWELFTH EDITION

# MARKETING

KERIN HARTLEY RUDELIUS

# MARKETING

12/e

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MARKETING, TWELFTH EDITION

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## A MESSAGE FROM THE AUTHORS

Welcome to the next step in your journey to learn about the exciting world of marketing! You could not have chosen a more dynamic time to become involved in the discipline. Changes in consumers' values, efforts at an economic recovery, new technologies related to social media and data analytics, global competition, and increasing regulation related to privacy and e-commerce are all contributing to a marketing environment that changes every day. In addition, the relationships between capitalism and democracy and other market and governance perspectives are evolving rapidly. We are thrilled to provide a textbook that helps you navigate the challenges of studying marketing during the next several months, and possibly your entire career!

Our efforts to provide you with exceptional learning resources have focused on three important elements of the text and its supplements: Engagement, Leadership, and Innovation. We believe that each of these elements is essential to students and instructors and can contribute to the development of marketing expertise while facilitating the integration of the many complexities of marketing.

**Engagement.** Our experiences with thousands of students, managers, and instructors have given us many insights into important aspects of education in colleges and universities around the globe. For example, active, high-involvement, real-life, and current materials are essential to effective teaching and learning. In addition, we believe that higher education must embrace a new "age of engagement" in which interactions hold your attention and integrate all elements of study. Our text and supplements encourage interaction between students and four learning partners—the instructor, other students, businesses, and the publisher. In-class activities, an interactive web page and blog, "building-your-marketing-plan" guides, and an online learning center are just a few examples of our efforts to encourage engagement in the learning process.

**Leadership.** Through 12 U.S. editions and 18 international editions in 10 languages, we have been committed to taking a leadership role in the development and presentation of new ideas, principles, theories, and practices in marketing. We are at the forefront of coverage of ethics, social responsibility, technology, social media, marketing dashboards and metrics, and new research in the marketing discipline. Perspectives from an extraordinary variety of companies, industries, trading blocs, and countries are integrated in our package to create learning resources that help students become leaders in marketing.

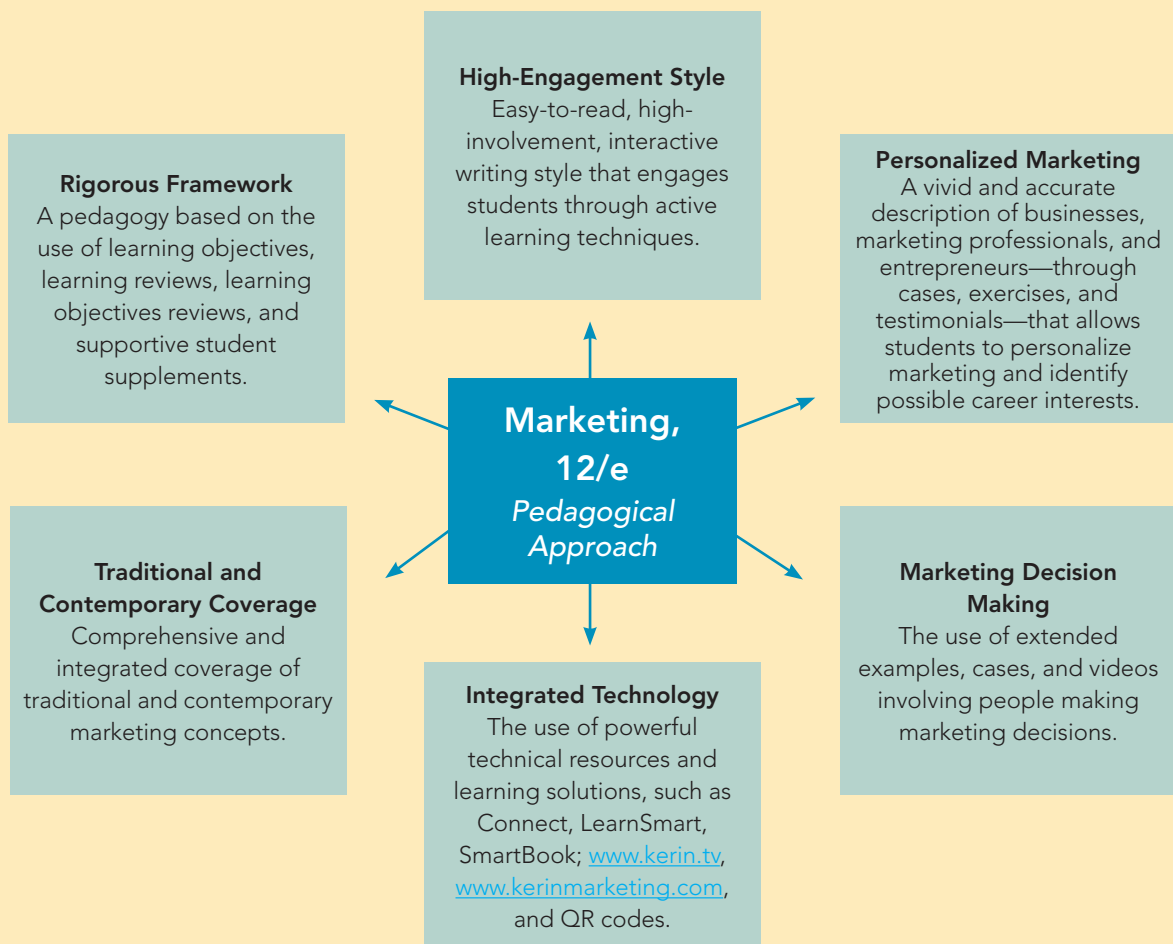
**Innovation.** We have been diligent in our efforts to use innovation in our text and its supplements to serve the many learning styles of today's students. For example, we have included QR (quick response) codes in the margins of each chapter to allow easy access to online materials; we added new videos about Chobani Greek Yogurt, X-1 audio equipment, Secret Deodorant, the LA Galaxy soccer club, Carmex lip balm, and StuffDOT social loyalty service, and made them available through streaming links; and we increased the visual impact of text, PowerPoint, and testing materials to facilitate visual learning styles.

We believe these and many other aspects of *Marketing* and its supplements create a unique learning package, and we are very excited to have this opportunity to share our interests, insights, and experiences with you. We hope you enjoy your marketing studies. Welcome to the 12th edition of *Marketing*!

Roger A. Kerin  
Steven W. Hartley  
William Rudelius

# PREFACE

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



The goal of the 12th edition of *Marketing* is to create an exceptional experience for today's students and instructors of marketing. The development of *Marketing* was based on a rigorous process of assessment, and the outcome of the process is a text and package of learning tools that are based on *engagement*, *leadership*, and *innovation* in marketing education.

# ENGAGEMENT

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

## ICA 1-1: IN-CLASS ACTIVITY

### Designing a Candy Bar

**Learning Objectives.** To have students work in teams to (1) define a target market for a candy bar and (2) develop a simple marketing program for it.

**Nature of the Activity.** To engage students actively in a realistic marketing task in their first class meeting and have them share their ideas with classmates.

**Interactive Web Page and Blog** ([www.kerinmarketing.com](http://www.kerinmarketing.com)). Students can access recent articles about marketing and post comments for other students. The site also provides access to the videos and a *Marketing* Twitter feed!

## BUILDING YOUR MARKETING PLAN

If your instructor assigns a marketing plan for your class, don't make a face and complain about the work—for two special reasons. First, you will get insights into trying to actually “do marketing” that often go beyond what you can get by simply reading the textbook. Second, thousands of graduating students every year get their first job by showing prospective employers a “portfolio” of samples of their written work from college—often a marketing plan if they have one. This can work for you.

This “Building Your Marketing Plan” section at the end of each chapter suggests ways to improve and focus your marketing plan. You will use the sample marketing plan in Appendix A (following Chapter 2) as a guide, and this section after each chapter will help you apply those Appendix A ideas to your own marketing plan.

The first step in writing a good marketing plan is to have a business or product that enthralls you and for which you can get detailed information, so you can avoid

**Online Learning Center** ([www.kerin.tv](http://www.kerin.tv)). The Online Learning Center provides a connection between students and the text publisher, McGraw-Hill Education. The Learning Center provides Marketing Dashboard practice activities, QR code links, video case transcripts, links to stream the video cases, and PowerPoint presentations and quizzes for each chapter. The center also offers “Help” and “Feedback” functions.

**In-Class Activities.** These activities are designed to engage students in discussions with the instructor and among themselves. They involve surveys, online resources, out-of-class assignments, and personal observations. Each activity illustrates a concept from the textbook and can be done individually or as a team. Examples include: Designing a Candy Bar, Marketing Yourself, Pepsi vs. Coke Taste Test, and What Makes a Memorable TV Commercial?



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



# LEADERSHIP

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

## Chapter 19: Using Social Media to Connect with Consumers.

*Marketing* features a dedicated chapter for social media marketing. This new environment is rapidly changing and constantly growing. The authors cover the building blocks of social media marketing and provide thorough, relevant content and examples. The authors discuss major social media platforms like Twitter, Facebook, LinkedIn, and YouTube. They explain how managers and companies can use those outlets for marketing purposes. Also discussed in Chapter 19 are methods of measuring a company's success with social media marketing. This chapter is one of many ways *Marketing* is on the cutting edge of the field.

**19 Using Social Media to Connect with Consumers**

**LEARNING OBJECTIVES**  
After reading this chapter, you should be able to:

- 1. describe how they differ from traditional advertising media.
- 2. identify how major social networks and how social managers integrate them into marketing activities.
- 3. describe the offering of mobile marketing through Facebook versus social media and how social managers utilize a mobile device.
- 4. explain how social media can be used to create a brand and compare the performance measures in social media.
- 5. explain the advantages of the social media and digital world after the launch of social media.

**HOW TO CONNECT WITH TODAY'S COLLEGE STUDENT USE FACEBOOK AND TWITTER?**  
Lila Kanyo, business in the University of North Carolina, is one of the people. Thousands of "brand ambassadors" at U.S. colleges and universities have a specific challenge: get business students' attention.

**LEARNING OBJECTIVES**  
After reading this chapter, you should be able to:

- 1. describe how they differ from traditional advertising media.
- 2. identify how major social networks and how social managers integrate them into marketing activities.
- 3. describe the offering of mobile marketing through Facebook versus social media and how social managers utilize a mobile device.
- 4. explain how social media can be used to create a brand and compare the performance measures in social media.
- 5. explain the advantages of the social media and digital world after the launch of social media.

**Marketing Dashboards and Marketing Metrics.** The *Using Marketing Dashboards* feature in the text delivers two of the newest elements of the business and marketing environment today—performance metrics and dashboards to visualize them. Some of the metrics included in the text are: Category Development Index (CDI), Brand Development Index (BDI), Load Factor (a capacity management metric), Price Premium, Sales per Square Foot, Same-Store Sales Growth, Promotion-to-Sales Ratio, and Cost per Thousand (CPM) impressions. The Dashboard feature is designed to allow readers to learn, practice, and apply the concepts.



MARKET SEGMENTS	PRODUCT GROUPINGS: MEAL OCCASION			
	Lunch	Between-Meal Snack	Dinner	After-Dinner Snack
Dormitory Students	1	3	0	3
Apartment Students	3	3	1	1
Day Commuter Students	3	2	1	0
Night Commuter Students	0	1	3	2

Key: 3 = Large market; 2 = Medium market; 1 = Small market; and 0 = No market

Ad on flyer under windshield wipers of cars in right parking lot: "Show ID with this coupon when you buy a drive thru meal between 5:00 and 6:00 P.M."

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

**New Video Cases.** Each chapter ends with a case that is supported by a video to illustrate the issues in the chapter. New cases such as Chobani Greek Yogurt, X-1 Audio, Secret Deodorant, LA Galaxy, Carmex lip balm, and StuffDOT, and recent cases such as IBM, Groupon, Trek Bicycles, Google, and Mountain Dew provide current and relevant examples that are familiar to students.

**VIDEO CASE 1** Chobani®: Making Greek Yogurt a Household Name

QR 1-6 Chobani Video Case

"Everybody should be able to enjoy a pure, simple cup of yogurt. And that's what Chobani is," says Hamdi Ulukaya, founder and chief executive officer of Chobani, Inc., in summarizing his vision for the company.

As the winner of the 2013 Ernst & Young World Entrepreneur of the Year award, his words and success story carry great credibility.

strained version that produces a thick content, and with little or no fat. Wimer Kraft employees and yogurt m (at left in photo), Ulukaya worked 14 recipe for Chobani Greek Yogurt.

The very first cup for sale of Ul appeared on shelves of a small g New York, in 2007. The new-prod classic "4Ps" elements of m product, price, place, and promotio

# INNOVATION

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

**QR Codes.** You can see QR codes in magazine ads; on television programming; as part of catalogs, in-store displays, and product packaging; and throughout *Marketing, 12/e!* These codes bring the text to life with ads and videos about products and companies that are discussed in the text. These videos also keep the text even more current. While each code in the text has a caption (as shown to the right), the links are updated to reflect new campaigns and market changes. In addition, the QR codes provide links to stream the video cases at the end of each chapter. You can use your smartphone to download any QR code reader to use the QR codes found throughout the book. If you don't have access to a smartphone, go to [www.kerin.tv](http://www.kerin.tv) to find the links through your computer.

**QR 1-2**  
Terrafugia  
Transition  
Video




**Twitter Feed and Online Blog.** Visit [www.kerinmarketing.com](http://www.kerinmarketing.com) to participate in *Marketing's* online blog discussion and to see Twitter feed updates. You can also subscribe to the Twitter feed to receive the Marketing Question of the Day and respond with the #QotD hashtag.

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



**CHAPTER 2: MASTER TEST BANK**

**DEVELOPING SUCCESSFUL ORGANIZATIONAL AND MARKETING STRATEGIES**

Test Item Table by Learning Objective and Bloom's Level of Learning

Learning Objective (LO)	Bloom's Level of Learning (LL)		
	Level 1 Knowledge (Knows Basic Terms & Facts)	Level 2 Comprehension (Understands Concepts & Principles)	Level 3 Application (Applies Principles)
LO 1-1 Describe two kinds of organizations and the three levels of strategy in them. (pp. 22-24)	9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 24, 25, 28, 29, 30, 32, 33, 41, 42, 49, 50, 51, 52, 54, 55, 59, 62, 63, 354	21, 22, 26, 27, 31, 34, 35, 36, 37, 38, 39, 40, 43, 44, 45, 47, 48, 53, 56, 57, 60, 61, 64, <b>358, 359, 361</b>	23, 46, 58, 65, 66, <b>360</b>

NOTE: Bold numbers indicate short essay questions. Underlined numbers indicate visually enhanced questions.

**Innovative Test Bank.** Containing almost 7,000 multiple-choice and essay questions, the *Marketing, 12/e* Test Bank reflects more than two decades of innovations. The Test Bank includes two Test Item Tables for each chapter that organize all the chapter's test items by Bloom's three levels of learning against both (1) the main sections in the chapter, and (2) the chapter's learning objectives. In addition, a number of "visual test questions" for each chapter reward students who have spent the effort to understand key graphs, tables, and images in the chapter.



# New and Revised Content



**Chapter 1: New Chapter Opening Example and New Case on Chobani Greek Yogurt.** Chapter 1 begins by describing Chobani's development of its Greek Yogurt as a new food category and its use of word-of-mouth advertising, sponsorship of the Olympics, and Facebook as marketing activities to help it grow to a brand with more than \$1 billion in sales. New examples from Domino's, Target, and US Bank have been added, and the discussion of the customer relationship era has been expanded. The chapter ends with a new case and supporting video about Chobani.

## **Chapter 2: New Coverage of B-Corp Certification and Business Definition, and New Application of BCG Model to Apple Products.**

The Chapter 2 opening example now includes discussion of Ben & Jerry's "B-Corp" certification, which reflects its efforts to solve social and environmental problems. A new Marketing Matters box discusses how the developers of the Angry Birds video game now define their business. The chapter also includes an in-depth application of the Boston Consulting Group's business portfolio analysis model to selected Apple products (including the iPod, iMac, iPhone, and iPad) and a planning gap analysis for Apple's goals and results.



## **Chapter 3: Update of Environmental Scan for Facebook and Discussion of New Trends in Marketing.**

Facebook's management mantra, "Move fast and break things," is discussed in the context of a rapidly changing marketing environment. In addition, discussion of new trends such as consumers constantly switching media, robots becoming viable technologies, and peer-to-peer websites generating growth in microbusinesses has been added. Coverage of changes in the regulatory environment, such as proposed legislation related to the labeling of genetically modified food, has also been included.



## **Chapter 4: New Discussion of Anheuser-Busch's Practices Related to Ethics and Social Responsibility.**

Chapter 4 now includes a discussion of the Anheuser-Busch "Our World: Our Responsibility" campaign designed to help Anheuser-Busch become the "Best Beer Company in a Better World." Other new examples include green marketing and cause marketing activities by Levi Strauss and Procter & Gamble.

## **Chapter 5: Update of Evaluative Criteria Example and Addition of Brand Community Discussion.**

The discussion of alternative evaluation and evaluative criteria has been updated with recent smartphone ratings and Apple iPhone-versus-Motorola Droid comparisons. In addition, the Reference Group Influence section now includes a new discussion of associative, aspiration, and dissociative groups and the definition and description of a brand community.



## **Chapter 6: Updated Coverage of Buyer-Seller Relationships and Supply Partnerships.**

An updated discussion describes the supply partnership between Harley-Davidson and Milsco Manufacturing, a company that has designed and manufactured Harley-Davidson motorcycle seats for 80 years. The chapter also includes new examples related to Siemens, AT&T, IBM, and Macy's.



## **Chapter 7: New Material on Dell's Retail Stores in India and China's Growth in World Trade.**

The chapter-opening example has been updated to describe Dell's retail growth strategy in India, which includes shop-in-a-shop stores and Dell-exclusive stores. In addition, the discussion on world trade flows describes how China will become the country with the largest amount of world trade by 2015.





**Chapter 8: Updated Test Screening Examples, New In-Depth Example Using LEGO, and New Coverage of the Impact of Social Media and the Use of Cross Tabulations.** The discussion of movie studios using marketing research is updated with movies such as *The Hobbit*, *The Surrogate*, and *The Hunger Games* sequels (*Catching Fire* and *Mockingjay*). The discussions related to Step 1 and Step 2 of the Marketing Research Approach are completely updated with LEGO's research as an example. In addition, the discussion of the use of social media in marketing research has been expanded to include Frito-Lay's use of Facebook as a substitute for focus groups. Finally, an extensive discussion of the use of cross tabulations has been added.

**Chapter 9: Updated Zappos, Wendy's, and Apple Examples.** The chapter-opening example has been updated to reflect Zappos's expansion to products other than shoes. In addition, the Wendy's example now includes discussion of Wendy's new upscale menu, and the Apple examples include updated discussions of the Apple product-market grid.



**Chapter 10: Expanded Discussions of Disruptive Innovation, Idea Generation, Crowdfunding, and Development; a New Marketing Matters Box; and New X-1 Audio Video Case.** Chapter 10 has added new examples of disruptive innovation, a discussion about using internal training to generate new-product ideas, a description of crowdsourcing sites where inventors can obtain early-stage funding, and a detailed discussion of Google's driverless car in the development stage of the new-product process. A new Marketing Matters box describes the source of the idea for Netflix and how its business model keeps changing. A new case, X-1 Audio, gives a detailed description of the development of new waterproof audio equipment for athletes of any kind!

**Chapter 11: Updated Examples, New Counterfeit Product and Brand Name Discussions, and New Secret Deodorant Video.** Chapter 11 includes new examples about General Motors, Microsoft, LEGO, Unilever, Android, Caress, ConAgra Foods, and Pepsi-Cola. In addition, an expanded discussion describes the most counterfeited branded products and adds to the list of criteria to use when selecting a good brand name. The chapter ends with a new video case about Secret deodorant.



**Chapter 12: New Chapter-Opening Example about the Sharing Economy, Updated Concepts, and New LA Galaxy Video Case.** The "sharing economy" being pioneered by service companies such as Airbnb, Sidecar, Parking Panda, DogVacay, SnapGoods, and TaskRabbit is introduced and discussed in the chapter-opening example. New concepts such as co-creation of services, innovation of core and supplementary services, and service blueprints are now included in Chapter 12. The chapter ends with a new video case that describes the sports marketing activities of the LA Galaxy soccer team.

**Chapters 13 and 14: New Marketing Matters Boxes, Updated Discussions of Price Elasticity, Break-Even Analysis, and Dynamic Pricing, and New Video Case on Carmex lip balm.** A new Marketing Matters box describing the Dollar Shave Club illustrates how price transparency has led to new online businesses that use price and convenience to attract customers. Another new Marketing Matters box explains how some retailers are using price-match guarantees to stop "showrooming"—the practice of shopping in a store and then buying online. New and expanded discussions include the factors that determine price elasticity, a "color-coded" explanation of break-even analysis and a break-even chart, and updated use of dynamic pricing and fixed-pricing terminology. A new case discusses pricing practices for Carmex lip balm.





**Chapter 15. Updated Examples and Advertisements.** The chapter-opening example has been updated to reflect that Callaway Golf's online store is now one of the largest Internet retailers, with \$30 million in annual sales. New examples and ads include IBM, Eddie Bauer, Jiffy Lube, and PetSmart.



edition, is completely updated to reflect the incredible impact of social media on marketing. New examples include Facebook Home, YouTube channels, near field communications, and many others. The chapter ends with a new StuffDOT video case.

**Chapter 16. New Chapter-Opening Example, Updated Material on Green Retailing, and Expanded Marketing inSite Box on Showrooming and Flash Sales.** Google Glass(es) and its potential impact on retailing are now the topic of the chapter-opening example. The discussion of green retailing now includes the *Newsweek* ranking of retailers with the best green practices, and the Marketing inSite box describes "showrooming" and watching for "flash" sales as new forms of shopping.



**Chapter 20: Update about the Sales Organization at GE Healthcare and New Discussion on Genetic Predisposition to Create Value.** The chapter-opening example has been updated to describe the success of sales professional Lindsey Smith at General Electric's Healthcare division. In addition, the chapter now includes new material about genetic markers that may indicate a salesperson's predisposition or willingness to interact with customers and learn about their problems in order to meet their needs.



**Chapter 17: New Chapter-Opening Example, Updated Coverage of Mobile Marketing, and Updated Discussion of Privacy Issues in Marketing.** Taco Bell's integrated marketing campaign is discussed in the chapter-opening example. In addition, an updated discussion of the use of mobile marketing to reach today's college students is part of the Marketing Matters box, and expanded coverage of do-not-call, do-not-mail, and do-not-track legislation is provided.



**Chapter 21: Updated Examples, Data, and Information about Interactive Marketing.** The chapter-opening example is updated to describe the interactive marketing process at custom bike builder, Seven Cycles. In addition, new data on the number of online shoppers and the level of online retail sales emphasize the growth and importance of interactive marketing. New data regarding what online consumers buy indicate that just five product categories account for two-thirds of all online sales.

**Chapter 18: New Coverage of Online Television, New Advertising Campaigns, and New Discussion of Advertising Agency of the Year.** Chapter 18 begins with a discussion of the dramatic changes in television, a medium that is now available through broadcast, cable, satellite, and the Internet. New examples of advertising include campaigns from Dasani, Fidelity, Coca-Cola, Samsung, GoDaddy, K-Swiss, and Hilton. In addition, the chapter includes a new discussion of *Advertising Age's* Agency of the Year—72andSunny.



**Chapter 22: New Coverage of Disruptive Innovations, New Learning Objectives, and New Marketing Matters Box on Implementation.** New material and a Marketing Matters box provide coverage of disruptive innovations, which create new markets by displacing low-end products. New and updated material address two new learning objectives—"Use a time-based agenda and action item lists to conduct a meeting," and "Describe an organization's marketing department and the role of a product manager." A new Marketing Matters box describes how successful implementation requires that managers reward success rather than punish failure.



**Chapter 19: New Material on Facebook, Twitter, LinkedIn, YouTube, and Other Social Media, and New StuffDOT Video Case.** This chapter, new in the last

# ENGAGING FEATURES

Chapter-opening vignettes introduce students to chapter concepts by using an exciting company as an example. Students are immediately engaged while learning about real-world companies.

## 10 Developing New Products and Services

**LEARNING OBJECTIVES**  
After reading this chapter you should be able to:

- 1. Recognize the various terms that pertain to products and services.
- 2. Identify the ways in which consumer and business products and services can be classified.
- 3. Explain the significance of "newness" in new products and services as it relates to the degree of consumer learning involved.
- 4. Describe the factors contributing to the success or failure of a new product or service.

### APPLE: THE WORLD-CLASS NEW-PRODUCT MACHINE

The stage in front of an auditorium was empty, except for a chair, a table, and a huge screen with a large white logo. Then, in walked a legend ready for his magic show in his black mock turtleneck, jeans, and gray Nike Balance sneakers.

Apple's Innovation Machine.

The legend, of course, was Steve Jobs (opposite page, at left), co-founder and former chairman of the board of Apple Inc., who died in October 2011. Advertising Age honored Steve Jobs as Marketer of the Decade. Fortune named Apple as the world's most-admired company, while Bloomberg Businessweek has perennially identified Apple as the world's most innovative company. The magic show Jobs orchestrated over the years introduced many to Apple's market-changing innovations, such as the:

- Apple II—the first commercial personal computer (1977).
- Macintosh—the first personal computer (PC) with a mouse and a graphical user interface (1978).
- iPod—the first and most successful MP3 music player (2001).
- iPhone—the world's best multitouch smartphone and media player with almost one million apps (2007).
- iPad (2010) and iPad mini (2012)—the thin tablet devices that allow users to read books, newspapers, magazines, and even textbooks!
- Mac Pro—the innovative black cylinder that will be the fastest desktop PC on the planet (2013).

Jobs revolutionized six industries: personal computers, music, mobile phones, music, digital publishing. Jobs even fits the pattern on the business seen in major Apple ads. "You want that starway so people believe they're special."

Jobs named Tim Cook (opposite page, at right) to be the first CEO to change to Cook as his impact. "Just do it under Cook, Apple has continued to deliver record

**Marketing Matters**

**What Are Some of Your Other Favorite Social Networks?**

Other social networks that are popular among college students with diverse interests include the following:

- vimeo**—A community of creative people who are passionate about sharing the videos they make.
- Google+**—A social-sharing network from Google that allows you to organize friends in "circles" for easy sharing, host "hangouts," and more.
- foursquare**—A location-based mobile platform that helps you explore cities through "check-ins" and rewards.
- StumbleUpon**—A discovery engine for finding and sharing the best content on the Web.

**technology**

**flickr**—An online photo management and sharing network that allows you to show off and organize your favorite photos and videos.

**Pinterest**—A content sharing network where members "pin" images, videos, and more to "boards" they create, which are categorized into different themes.

**tumblr**—A feature-rich, micro-blogging platform that allows users to share text, photos, music, links, videos, and more.

**Instagram**—A fast and fun way to share photos; users simply snap a photo, choose a specialized filter to alter the look and feel of the image, and share the image with family and friends.

**Cloud: Where the Digital Lifestyle Is Heading**

Because many consumers now use multiple devices (smartphones like the iPhone, PCs like the Mac, and tablet devices like the iPad), all of them need a way to share the music, photos, videos, files, and apps that reside on any one device.

Making Responsible Decisions boxes focus on social responsibility, sustainability, and ethics. These boxes provide exciting, current examples of how companies approach these subjects in their marketing strategy.

## Marketing inSite

### Identifying Your VALS Profile: What Motivates You?

The VALS™ system run by Strategic Business Insights has identified eight unique consumer segments based on a person's primary motivation and resources. The text provides a brief description of each segment.

Do you wish to know your VALS profile? If you do, respond to the questions on the

VALS survey at [www.strategicbusinessinsights.com](http://www.strategicbusinessinsights.com). Simply click "VALS." Next, click the "Take the VALS Survey" link. In addition to obtaining your profile in real time, you can examine the characteristics of your own and other profiles in greater detail.

Building Your Marketing Plan is an end-of-chapter feature that requires students to go through the practical application of creating their own marketing plan.

## Making Responsible Decisions

### Millennials Are Going to Change the World—through Environmental Sustainability!

Millennials are determined to make a difference in the world and, by doing so, make the world a better place. They are idealistic and eager to get started, particularly when it comes to environmental sustainability, which millennials believe is part of what it means to be socially responsible. The group includes students in college and graduate school and many early career employees. In different ways each group is making its voice heard.

There are approximately 17 million undergraduate millennials who expect sustainable campus communities that include LEED (Leadership in Energy and Environmental Design)-certified housing, campus transit systems, and recycling programs.

They view themselves as part of the "ecoRenaissance" movement. Graduate students are looking for programs with sustainability electives, case studies, and potential for involvement with organizations such as Net Impact ([www.netimpact.org](http://www.netimpact.org)).

**sustainability**

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CHAPTER 3 Scanning the Marketing Environment

as social responsibility officer, environmental consultant, and sustainability database specialist at companies that are eco-conscious and advocate good citizenship.

Sara Hochman is a typical example. She was interested in environmental issues in college, and her first job was as an environmental consultant. To make a bigger impact on her clients, she decided she needed to "boost up" her business skills, so she enrolled in graduate school at the University of Chicago where she could take an elective on renewable energy and join the Energy Club. Similarly, a recent college graduate joined the Peace Corps because, she said, "I want to be part of something bigger than just me-me-me."

Have you made similar choices or decisions based on your interest and concern about sustainability? What will the world look like after the millennials have made their changes? It is difficult to predict. As reports Robert Layton and Ruy T. ...

Marketing inSite exercises are integrated in the text and ask students to go online and think critically about a specific company's use of the Internet, helping students apply knowledge of key chapter concepts, terms, and topics, as well as evaluate the success or failure of the company's efforts.

### BUILDING YOUR MARKETING PLAN

To develop the promotion strategy for your marketing plan, follow the steps suggested in the planning phase of the promotion decision process described in Figure 17-6.

- 1 You should (a) identify the target audience, (b) specify the promotion objectives, (c) set the promotion budget, (d) select the right promotion tools, (e) design the promotion, and (f) schedule the promotion.
- 2 Also specify the pretesting and posttesting procedures needed in the implementation and evaluation phases.
- 3 Finally, describe how each of your promotion tools is integrated to provide a consistent message.

# INSTRUCTOR RESOURCES



The *Marketing 12/e Course Planning Roadmap* is designed to help you select elements from the textbook and supplements to plan and deliver a course tailored to your students' needs. The Roadmap is available for download at [www.12e.kerin.tv/roadmap](http://www.12e.kerin.tv/roadmap).

**Course Planning Checklist**

Chapters (CH)	Video Cases (VC)	Using Marketing Dashboards (UMD)	Quick Response Codes (QR)	In-Class Activities (ICA)
CH 1: Creating Customer Relationships and Value through Marketing	<input type="checkbox"/> VC 1: Chobani®: Making Greek Yogurt a Household Name		<input type="checkbox"/> QR 1-1: Chobani Ad <input type="checkbox"/> QR 1-2: Terrafugia Transition Video <input type="checkbox"/> QR 1-3: Pepsi Next Ad <input type="checkbox"/> QR 1-4: 3M Flag Highlighters Ad <input type="checkbox"/> QR 1-5: Hermitage Tour Video <input type="checkbox"/> QR 1-6: Chobani Video Case	<input type="checkbox"/> ICA 1-1: Designing a Candy Bar <input type="checkbox"/> ICA 1-2: What Makes a Better Mousetrap?
CH 2: Developing Successful Organizational and Marketing Strategies	<input type="checkbox"/> VC 2: IBM: Using Strategy to Build a "Smarter Planet"	<input type="checkbox"/> UMD 2: How Well is Ben & Jerry's Doing? Dollar Sales and Dollar Market Share	<input type="checkbox"/> QR 2-1: Cree LED Bulb Ad <input type="checkbox"/> QR 2-2: Medtronic Video <input type="checkbox"/> QR 2-3: Angry Birds Video <input type="checkbox"/> QR 2-4: B&J's Bonaroo Buzz Ad <input type="checkbox"/> QR 2-5: IBM Video Case	<input type="checkbox"/> ICA 2-1: Calculating a "Fog Index" for Your Own Writing <input type="checkbox"/> ICA 2-2: Marketing Yourself



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## Assurance of Learning Ready

Many educational institutions today focus on the notion of *assurance of learning*, an important element of some accreditation standards. *Marketing* is designed specifically to support instructors’ assurance of learning initiatives with a simple yet powerful solution. Each test bank question for *Marketing* maps to a specific chapter learning objective listed in the text. Instructors can use our test bank software, EZ Test and EZ Test Online, to easily query for learning objectives that directly relate to the learning outcomes for their course. Instructors can then use the reporting features of EZ Test to aggregate student results in similar fashion, making the collection and presentation of assurance of learning data simple and easy.



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# Marketing

# 1

# Creating Customer Relationships and Value through Marketing

## LEARNING OBJECTIVES

After reading this chapter you should be able to:

- LO 1-1 Define marketing and identify the diverse factors that influence marketing actions.
- LO 1-2 Explain how marketing discovers and satisfies consumer needs.
- LO 1-3 Distinguish between marketing mix factors and environmental forces.
- LO 1-4 Explain how organizations build strong customer relationships and customer value through marketing.
- LO 1-5 Describe how today's customer relationship era differs from prior eras.

## LAUNCHING A NEW BILLION-DOLLAR FOOD CATEGORY—IN JUST SEVEN YEARS!

Thousands of newly launched consumer products quietly fail every year. How could an entirely new food category skyrocket to success? The answer: Look at Chobani® Greek Yogurt!

In 2005, Turkish immigrant Hamdi Ulukaya opened his mail in New Berlin, New York, and saw an ad that said, “Fully equipped yogurt factory for sale.” He bought it, painted the walls, hired a yogurt master from Turkey, and turned his attention to the task of developing high-quality Greek yogurt. He named it Chobani, which means “shepherd” in Turkish.<sup>1</sup>

### Developing Chobani's Unique Greek Yogurt

Hamdi Ulukaya is not fond of American-style yogurt. “It was full of sugar and preservatives, nothing like I had enjoyed growing up,” he says. “In Turkey we eat strained yogurt, which is rich and creamy, at every meal.” The straining process removes much of the liquid whey while leaving behind more protein than the unstrained American yogurts marketed by Yoplait and Dannon.

“I was very picky. It took us 18 months to get the recipe right. But in 2007, we had it. I knew I had only one shot, and it had to be perfect,” says Ulukaya.<sup>2</sup>

### Reaching Customers

From the very beginning, Ulukaya and team pushed for distribution in major grocery chains and in their main dairy cases, *not* confined to the specialty or health food sections of these chains or in smaller, niche stores. He was convinced that Americans would really like Greek yogurt if they tried it. Ulukaya's conviction paid off. By 2009, Chobani could be found in the main dairy cases of chains like Stop & Shop, BJ's, and Costco. And by 2013, Chobani Greek Yogurt was sold nationwide in the United States, the United Kingdom, and Australia.<sup>3</sup>

Chobani had little money for traditional advertising at the start, so it relied on positive word of mouth, with one happy customer telling another about this new Chobani Greek Yogurt. In 2010, Chobani's “CHOMobile” started to tour the country, handing out free samples

# CHOBANI®



To access this QR code link, see the instructions in the Preface.

QR 1-1  
Chobani Ad



from the van at events to encourage consumers to try Chobani's Greek Yogurt for the first time. Perhaps the biggest breakthrough in gaining public awareness was its sponsorship of the 2012 and 2014 U.S. Olympic and Paralympic Teams. During the 2012 opening ceremonies, Chobani premiered its "Proudly with You" TV advertisement.

Just over five years from launch, Chobani boasts nearly 800,000 Facebook fans. The company has created a YouTube channel that features "Just Add Good" recipes to show customers how to use its tasty products in meals and desserts. It also interacts with consumers through a half-dozen other social media sites such as Twitter and Instagram, acknowledging everyone who mentions the brand.<sup>4</sup>





Located in New York City, Chobani SoHo is the brand's first-of-its-kind retail concept, serving yogurt creations with innovative toppings.

### Chobani Today

In 2010, Chobani introduced its Champions Greek Yogurt line of 3.5-ounce cups for kids as a good source of vitamin D and protein. To promote the Champions brand, in 2012 Chobani hired former two-time U.S. Olympian women's softball pitcher—and mother—Jennie Finch as spokesperson for the first television commercial for Champions. Also in 2012, Chobani opened Chobani SoHo in a New York City neighborhood, a unique retail store featuring a collection of yogurt creations with original Chobani toppings.<sup>5</sup>

For Chobani, 2013 was a banner year that included introducing several new product lines, which are described in the video case at the end of the chapter.

Chobani also expanded its main product line by adding more flavors like coconut, banana, and key lime, which were suggested by customers.<sup>6</sup>

So how successful has Chobani been? In 2013, Chobani, with sales of over \$1 billion annually, held 20 percent of the entire U.S. yogurt market. Greek yogurt accounted for about 36 percent of all yogurt sales in the United States, and Chobani garnered a huge 39 percent share of this segment—ahead of both Yoplait's Greek and Dannon's Oikos brands.<sup>7</sup>

### Chobani, Marketing, and You

Will Hamdi Ulukaya and his Chobani Greek Yogurt continue this fantastic success—especially with the recent appearance of competing Greek yogurts from Yoplait, Dannon, and PepsiCo? For Ulukaya, one key factor will be how well Chobani understands and uses marketing—the subject of this book.

## WHAT IS MARKETING?

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



The good news is that you are already a marketing expert! You perform many marketing activities and make marketing-related decisions every day. For example, would you sell more LG 55-inch 3D OLED HD Smart TVs at \$9,999 or \$999 each? You answered \$999, right? So your experience in shopping gives you some expertise in marketing. As a consumer, you've been involved in thousands of marketing decisions, but mostly on the buying and not the selling side. But to test your expertise, answer the "marketing expert" questions posed in [Figure 1–1](#). You'll find the answers within the next several pages.

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

### Marketing and Your Career

Marketing affects all individuals, all organizations, all industries, and all countries. This book seeks to teach you marketing concepts, often by having you actually "do marketing"—by putting you in the shoes of a marketing manager facing actual marketing decisions. The book also shows marketing's many applications and how it affects our lives. This knowledge should make you a

**FIGURE 1-1**

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

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

1. True or false. In 2014, you will be able to buy a flying car for about \$279,000 that takes off or lands at most airports, has a safety parachute, drives on any roadway, gets 35 mpg, and can fill up at most gasoline stations.
2. True or false. The 60-year lifetime value of a loyal Kleenex customer is \$994.
3. To be socially responsible, 3M puts what recycled material into its very successful Scotch-Brite® Never Rust™ soap pads? (a) aluminum cans, (b) steel-belted tires, (c) plastic bottles, (d) computer screens.



For time to think and write software code, the chief executive officer of the world's largest social media company sometimes hides out at a restaurant near his Silicon Valley headquarters.

better consumer and enable you to be a more informed citizen, and it may even help you in your career planning.

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

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

In February 2004, a 19-year-old college sophomore from Harvard University started his own small web service business from his dorm room. He billed it as “an online directory

that connects people through social networks at colleges.” That student, of course, was Mark Zuckerberg.<sup>8</sup> The success of the Facebook launch defies comprehension. Zuckerberg’s Thefacebook.com website signed up 900 Harvard students in the four days after it appeared in early 2004. By the second week, there were almost 5,000 members. Unlike Facebook, not every Internet start-up reaches over a billion users a few years after its launch. In fact, more than half of all new businesses fail within five years of their start-up.

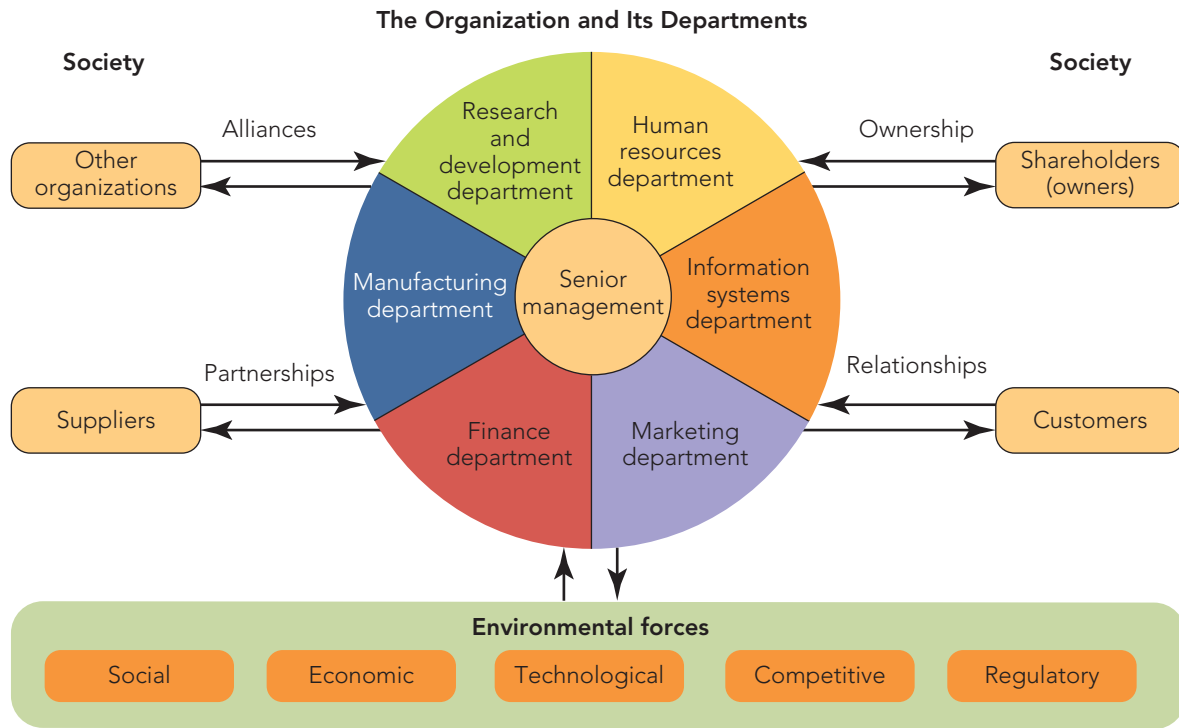
## Marketing: Delivering Benefits to the Organization, Its Stakeholders, and Society

LO 1-1

Define marketing and identify the diverse factors that influence marketing actions.

The American Marketing Association represents marketing professionals. Combining its 2004 and 2007 definitions, “**marketing** is the activity for creating, communicating, delivering, and exchanging offerings that benefit its customers, the organization, its stakeholders, and society at large.”<sup>9</sup> This definition shows that marketing is far more than simply advertising or personal selling. It stresses the need to deliver genuine benefits in the offerings of goods, services, and ideas marketed to customers. Also, note that the organization doing the marketing, the stakeholders affected (such as customers, employees, suppliers, and shareholders), and society should all benefit.

To serve both buyers and sellers, marketing seeks (1) to discover the needs and wants of prospective customers and (2) to satisfy them. These prospective customers include both individuals, buying for themselves and their households, and organizations, buying for their own use (such as manufacturers) or for resale (such as wholesalers and retailers). The key to achieving these two objectives is the idea of **exchange**, which is the trade of things of value between a buyer and a seller so that each is better off after the trade.<sup>10</sup>



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

### The Diverse Elements Influencing Marketing Actions

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

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

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

### What Is Needed for Marketing to Occur

For marketing to occur, at least four factors are required: (1) two or more parties (individuals or organizations) with unsatisfied needs, (2) a desire and ability on their part to have their needs satisfied, (3) a way for the parties to communicate, and (4) something to exchange.

**Two or More Parties with Unsatisfied Needs** Suppose you've developed an unmet need—a desire for a late-night dinner after studying for an exam—but you don't yet know that Domino's Pizza has a location in your area. Also unknown to you is that Domino's recently introduced its tasty Handmade Pan Pizza, just waiting to be ordered, handmade, and delivered. This is an example of two parties with unmet needs: you, desiring a meal, and your local Domino's Pizza owner, needing someone to buy a Handmade Pan Pizza.



Marketing doesn't happen in a vacuum. The text describes the four factors needed to buy a product like a Domino's Handmade Pan Pizza.

**Desire and Ability to Satisfy These Needs** Both you and the Domino's Pizza owner want to satisfy these unmet needs. Furthermore, you have the money to buy the Domino's Handmade Pan Pizza and the time to order it online or over the telephone. The Domino's owner has not only the desire to sell its Handmade Pan Pizza but also the ability to do so since the pizza is easily made and delivered to (or picked up by) you.

**A Way for the Parties to Communicate** The marketing transaction of purchasing a Domino's Handmade Pan Pizza will never occur unless you know the product exists and its location (street/web address and/or phone number). Similarly, the Domino's Pizza owner won't sell the Handmade Pan Pizza unless there's a market of potential buyers nearby. When you receive a coupon in the mail or drive by the Domino's store location, this communication barrier between you (the buyer) and the Domino's Pizza owner (the seller) is overcome.

**Something to Exchange** Marketing occurs when the transaction takes place and both the buyer and seller exchange something of value. In this case, you exchange your money (\$7.99) for the Domino's Handmade Pan Pizza. Both you and the Domino's Pizza owner have gained and also given up something, but you are both better off because each of you has satisfied the other's unmet needs. You have the opportunity to eat a Domino's Handmade Pan Pizza to satisfy your hunger, but you gave up some money to do so; the Domino's Pizza owner gave up the Handmade Pan Pizza but received money, which will help the owner remain in business. The ethical and legal foundations of this exchange process are central to marketing and are discussed in Chapter 4.

## learning review

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

## HOW MARKETING DISCOVERS AND SATISFIES CONSUMER NEEDS

LO 1-2

Explain how marketing discovers and satisfies consumer needs.

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

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



Vanilla-mint-flavored toothpaste in an aerosol container



A flying car—available in 2014



A mid-calorie diet cola

## Discovering Consumer Needs

The first objective in marketing is discovering the needs of prospective customers. But these prospective customers may not always know or be able to describe what they need and want. When Apple built its first Apple II personal computer and started a new industry, consumers didn't really know what the benefits would be and had to be educated about how to use personal computers. In contrast, Bell, a U.S. bicycle helmet maker, listened to its customers, collected hundreds of their ideas, and put several into its new products.<sup>11</sup> This is where effective marketing research, the topic of Chapter 8, can help.

## The Challenge: Meeting Consumer Needs with New Products

New-product experts generally estimate that up to 94 percent of the more than 40,000 new consumer products (food, beverage, health, beauty, and other household and pet products) introduced in the United States annually “don't succeed in the long run.”<sup>12</sup> Robert M. McMath, who has studied more than 110,000 of these new-product launches, has two key suggestions: (1) focus on what the customer benefit is, and (2) learn from past mistakes.<sup>13</sup>

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

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

- *Dr. Care Toothpaste.* After extensive research, Dr. Care family toothpaste in its aerosol container was introduced more than two decades ago. The vanilla-mint-flavored product's benefits were advertised as being easy to use and sanitary. Pretend for a minute that you are five years old and left alone in the bathroom to brush your teeth using your Dr. Care toothpaste. Hmm! Apparently, surprised parents were not enthusiastic about the bathroom wall paintings sprayed by their future Rembrandts—a showstopper that doomed this creative product.<sup>14</sup>
- *Terrafugia Transition.* In 2014, Terrafugia plans to introduce the Transition<sup>®</sup> roadable aircraft, the world's first combination personal airplane and car. The Transition's flexibility allows it to land at most of the 5,200 general aviation airports in the United States. As a car, it can fold its wings, making it drivable on

QR 1-2  
Terrafugia  
Transition  
Video



a roadway—from highways to residential streets! The Transition comes with a safety parachute and has a 23-gallon tank that can be filled at most gasoline stations. The proposed cost? About \$279,000; you can reserve one for just a \$10,000 deposit (see question 1, Figure 1–1). Potential showstoppers: The price and a potential buyer’s concern that a vehicle bumped in a fender bender on a road might not be something to fly around in.<sup>15</sup>

- *Pepsi Next*. In early 2012, PepsiCo launched a new cola brand—Pepsi Next. It is “tastefully” sweetened with a combination of high fructose corn sugar and three artificial sweeteners, resulting in a soft drink that has 60 calories—60 percent less than regular Pepsi-Cola. Pepsi Next will battle for market share in the mid-calorie segment of soft drinkers who want both taste and low calories. A potential showstopper: In the past, mid-calorie soft drinks Pepsi XL (1995), Pepsi Edge (2004), and Coca-Cola C2 (2004) all failed as “transition” sodas from regular to diet. Will Pepsi Next be next? As always, you’ll be the judge!<sup>16</sup>

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

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

A *need* occurs when a person feels deprived of basic necessities such as food, clothing, and shelter. A *want* is a need that is shaped by a person’s knowledge, culture, and personality. So if you feel hungry, you have developed a basic need and desire to eat something. Let’s say you then want to eat an apple or a Hot Pockets Bacon Cheddar Cheese Melt microwave sandwich because, based on your past experience, you know these will satisfy your hunger need. Effective marketing, in the form of creating an awareness of good products at convenient locations, can clearly shape a person’s wants.

Certainly, marketing tries to influence what we buy. A question then arises: At what point do we want government and society to step in to protect consumers? Most consumers would say they want government to protect us from harmful drugs and unsafe cars but not from candy bars and soft drinks. To protect college students, should government restrict their use of credit cards?<sup>17</sup> Such questions have no clear-cut answers, which is why legal and ethical issues are central to marketing. Because

even psychologists and economists still debate the exact meanings of *need* and *want*, we shall use the terms interchangeably throughout the book.

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

**What a Market Is** Potential consumers make up a **market**, which is people with both the desire and the ability to buy a specific offering. All markets ultimately are people. Even when we say a firm bought a Xerox copier, we mean one or several people in the firm decided to buy it. People who are aware of their unmet needs may have the desire to buy the product, but that alone isn’t sufficient. People must also have the ability to buy, such as the authority, time, and money. People may even “buy” an idea that results in an action, such as having their blood pressure checked annually or turning down their thermostat to save energy.

QR 1-3  
Pepsi Next Ad



Studying late at night for an exam and being hungry, you decide to microwave a Hot Pockets Bacon Cheddar Cheese Melt sandwich. Is this a need or want? The text discusses the role of marketing in influencing decisions like this.