



# marketing | 5e

GREWAL | LEVY



M is Motivation. M is Momentum. M is Moving Forward. M is McGraw-Hill.

# marketing

Fifth Edition

Dhruv Grewal, PhD  
Babson College

Michael Levy, PhD  
Babson College





# marketing, fifth edition

SENIOR VICE PRESIDENT, PRODUCTS & MARKETS: **KURT L. STRAND**  
VICE PRESIDENT, GENERAL MANAGER, PRODUCTS & MARKETS: **MICHAEL RYAN**  
VICE PRESIDENT, CONTENT DESIGN & DELIVERY: **KIMBERLY MERIWETHER DAVID**  
MANAGING DIRECTOR: **SUSAN GOUIJNSTOOK**  
BRAND MANAGER: **KIM LEISTNER**  
DIRECTOR, PRODUCT DEVELOPMENT: **MEGHAN CAMPBELL**  
LEAD PRODUCT DEVELOPER: **KELLY DELSO**  
PRODUCT DEVELOPER: **LAI MOY**  
MARKETING MANAGER: **ELIZABETH SCHONAGEN**  
DIRECTOR, CONTENT DESIGN & DELIVERY: **TERRI SCHIESL**  
PROGRAM MANAGER: **MARY CONZACHI**  
CONTENT PROJECT MANAGERS: **CHRISTINE VAUGHAN; DANIELLE CLEMENT**  
BUYER: **LAURA M. FULLER**  
DESIGN: **MATT DIAMOND**  
CONTENT LICENSING SPECIALISTS: **MICHELLE D. WHITAKER; DEANNA DAUSENER**  
ILLUSTRATIONS: **LIZ DEFRAIN**  
STUDENT IMAGE: **STUART JENNER/GETTY IMAGES**  
COMPOSITOR: **APTARA®, INC.**  
TYPEFACE: **10/12 STIX MATHJAX MAIN**  
PRINTER: **R. R. DONNELLEY**

---

## **M: MARKETING, FIFTH EDITION**

Published by McGraw-Hill Education, 2 Penn Plaza, New York, NY 10121. Copyright © 2017 by McGraw-Hill Education. All rights reserved. Printed in the United States of America. Previous edition © 2015, 2013, 2011 and 2009. No part of this publication may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written consent of McGraw-Hill Education, including, but not limited to, in any network or other electronic storage or transmission, or broadcast for distance learning.

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

This book is printed on acid-free paper.

1 2 3 4 5 6 7 8 9 0 RMN/RMN 1 0 9 8 7 6

ISBN 978-1-259-44629-0

MHID 1-259-44629-8

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

Library of Congress Control Number: 2015953831

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

# brief contents

## section one

### ASSESSING THE MARKETPLACE

- chapter 1 Overview of Marketing 3
- chapter 2 Developing Marketing Strategies and a Marketing Plan 21
- chapter 3 Social and Mobile Marketing 47
- chapter 4 Marketing Ethics 67
- chapter 5 Analyzing the Marketing Environment 83

## section two

### UNDERSTANDING THE MARKETPLACE

- chapter 6 Consumer Behavior 101
- chapter 7 Business-to-Business Marketing 127
- chapter 8 Global Marketing 145

## section three

### TARGETING THE MARKETPLACE

- chapter 9 Segmentation, Targeting, and Positioning 169
- chapter 10 Marketing Research 193

## section four

### VALUE CREATION

- chapter 11 Product, Branding, and Packaging Decisions 217
- chapter 12 Developing New Products 237
- chapter 13 Services: The Intangible Product 263

## section five

### VALUE CAPTURE

- chapter 14 Pricing Concepts for Establishing Value 283



## section six

### VALUE DELIVERY: DESIGNING THE CHANNEL AND SUPPLY CHAIN

- chapter 15 Supply Chain and Channel Management 307
- chapter 16 Retailing and Omnichannel Marketing 327

## section seven

### VALUE COMMUNICATION

- chapter 17 Integrated Marketing Communications 349
- chapter 18 Advertising, Public Relations, and Sales Promotions 371
- chapter 19 Personal Selling and Sales Management 397

- Endnotes 417
- Name Index 441
- Company Index 446
- Subject Index 451

# contents

## section one

### ASSESSING THE MARKETPLACE

#### CHAPTER 1 OVERVIEW OF MARKETING 3

##### WHAT IS MARKETING? 5

Marketing Is about Satisfying Customer Needs and Wants 6

Marketing Entails an Exchange 7

Marketing Requires Product, Price, Place, and Promotion Decisions 7

Marketing Can Be Performed by Both Individuals and Organizations 10

##### SOCIAL AND MOBILE MARKETING 1.1:

Snacks, Team, Players, and Promotions 11

Marketing Affects Various Stakeholders 12

Marketing Helps Create Value 12

##### ADDING VALUE 1.1: Smartphone? Try Smart Glasses, Smart Monitors, Smart . . . 14

How Do Marketing Firms Become More Value Driven? 15

Marketing Analytics 15

##### MARKETING ANALYTICS 1.1: Location, Location, Analytics: Starbucks' Use of Data to Place New Stores 16

##### ETHICAL AND SOCIETAL DILEMMA 1.1:

Beckoning Consumers with iBeacon 18

#### CHAPTER 2 DEVELOPING MARKETING STRATEGIES AND A MARKETING PLAN 21

##### WHAT IS A MARKETING STRATEGY? 23

Customer Excellence 24

Operational Excellence 25

Product Excellence 26

Locational Excellence 26

Multiple Sources of Advantage 26

##### THE MARKETING PLAN 26

Step 1: Define the Business Mission 28

Step 2: Conduct a Situation Analysis 28

Step 3: Identify and Evaluate Opportunities Using STP (Segmentation, Targeting, and Positioning) 30

##### SOCIAL AND MOBILE MARKETING 2.1:

Truly Mobile Pizza 33

Step 4: Implement Marketing Mix and Allocate Resources 33



##### ADDING VALUE 2.1: Online Retail Meets Bricks and Mortar: Tesco's HomePlus Virtual Stores 35

Step 5: Evaluate Performance Using Marketing Metrics 36

##### ETHICAL AND SOCIETAL DILEMMA 2.1:

How a Faulty Gearbox Changed Volkswagen's Entire Approach to China 38

##### MARKETING ANALYTICS 2.1: The First Name in Predictive Analytics: Google 39

Strategic Planning Is Not Sequential 42

##### GROWTH STRATEGIES 42

Market Penetration 42

Market Development 43

Product Development 44

Diversification 44

#### CHAPTER 3 SOCIAL AND MOBILE MARKETING 47

##### THE 4E FRAMEWORK FOR SOCIAL MEDIA 48

Excite the Customer 49

##### SOCIAL AND MOBILE MARKETING 3.1:

Late-Night Laughs to Order 50

Educate the Customer 50

##### ADDING VALUE 3.1: Educating Customers Using HubSpot 51

Experience the Product or Service 52

Engage the Customer 52

CATEGORIES OF SOCIAL MEDIA 53  
Social Network Sites 53

**ADDING VALUE 3.2:** Effective Friending 54  
Media-Sharing Sites 55  
Thought-Sharing Sites 56

GOING MOBILE AND SOCIAL 57  
App Pricing Models 59

HOW DO FIRMS ENGAGE THEIR CUSTOMERS USING  
SOCIAL MEDIA? 60  
Listen 60  
Analyze 62  
Do 62

**MARKETING ANALYTICS 3.1:** Finding a Perfect  
Match: How eHarmony Leverages Users' Data to Identify  
Dates—and Their Consumption Patterns 63

## CHAPTER 4 MARKETING ETHICS 67

**MARKETING ANALYTICS 4.1:** How Kellogg's Uses  
Analytics to Address GMO Concerns 69

THE SCOPE OF MARKETING ETHICS 70  
Influence of Personal Ethics 70  
Ethics and Corporate Social Responsibility 71  
A Framework for Ethical Decision Making 72

**ADDING VALUE 4.1:** The Barefoot  
Entrepreneur 73

INTEGRATING ETHICS INTO MARKETING STRATEGY 75  
Planning Phase 76  
Implementation Phase 76

**SOCIAL AND MOBILE MARKETING 4.1:** Who  
Tweeted Me to Buy a Ford Fiesta? 77  
Control Phase 77

CORPORATE SOCIAL RESPONSIBILITY 78

**ADDING VALUE 4.2:** Walmart Wants to Be the  
Corporate "Good Guy" 80  
Sustainability 81

## CHAPTER 5 ANALYZING THE MARKETING ENVIRONMENT 83

A MARKETING ENVIRONMENT ANALYSIS  
FRAMEWORK 84

THE IMMEDIATE ENVIRONMENT 85  
Company Capabilities 85  
Competitors 85  
Corporate Partners 86

MACROENVIRONMENTAL FACTORS 86  
Culture 86  
Demographics 88

**SOCIAL AND MOBILE MARKETING 5.1:**  
Understanding Connections, Both with and by  
Young Consumers 88

**ADDING VALUE 5.1:** Where Gender Matters—and  
Where It Doesn't 91  
Social Trends 92

**ADDING VALUE 5.2:** Transforming Grocery Stores  
into Health Providers 93

**ETHICAL AND SOCIETAL DILEMMA 5.1:** Green  
Cereal? 94  
Technological Advances 95  
Economic Situation 95

**MARKETING ANALYTICS 5.1:** When the  
Best Is Good Enough: Netflix's Stellar Predictive  
Analytics 96

Political/Regulatory Environment 97

**SOCIAL AND MOBILE MARKETING 5.2:**  
The News from This Year's CES 97  
Responding to the Environment 99

## section two

### UNDERSTANDING THE MARKETPLACE

## CHAPTER 6 CONSUMER BEHAVIOR 101

THE CONSUMER DECISION PROCESS 103  
Need Recognition 103  
Search for Information 105

**MARKETING ANALYTICS 6.1:** Tax Time Tactics  
by H&R Block 105

**SOCIAL AND MOBILE MARKETING 6.1:**  
The Future of Health Is Mobile 107  
Evaluation of Alternatives 108





**ETHICAL AND SOCIETAL DILEMMA 6.1:**  
Wearing the “Healthy” Label: Natural and Organic Foods 110

Purchase and Consumption 111  
Postpurchase 111

**FACTORS INFLUENCING THE CONSUMER DECISION PROCESS** 113

Psychological Factors 114

**ETHICAL AND SOCIETAL DILEMMA 6.2:** Can Marketing Be Life Threatening? Allegations of Unethical Practices by Pharmaceutical Firms 117

Social Factors 118  
Situational Factors 120

**ADDING VALUE 6.1:** Doing Everything Right—H-E-B Supermarkets 121

**SOCIAL AND MOBILE MARKETING 6.2:** Ensuring Mobile Dominance through In-Store Promotions 123

**INVOLVEMENT AND CONSUMER BUYING DECISIONS** 123  
Extended Problem Solving 124  
Limited Problem Solving 124

**CHAPTER 7 BUSINESS-TO-BUSINESS MARKETING** 127

**B2B MARKETS** 129  
Manufacturers and Service Providers 129  
Resellers 130  
Institutions 130

**MARKETING ANALYTICS 7.1:** Clouding over Computing Power 131  
Government 131

**SOCIAL AND MOBILE MARKETING 7.1:** iPads Go to Work 132

**THE BUSINESS-TO-BUSINESS BUYING PROCESS** 132  
Stage 1: Need Recognition 133  
Stage 2: Product Specification 133  
Stage 3: RFP Process 133  
Stage 4: Proposal Analysis, Vendor Negotiation, and Selection 134

Stage 5: Order Specification 134  
Stage 6: Vendor Performance Assessment Using Metrics 134

**THE BUYING CENTER** 135  
Organizational Culture 136

**ETHICAL AND SOCIETAL DILEMMA 7.1:** Is It Business or Bribery? 137

Building B2B Relationships 138

**SOCIAL AND MOBILE MARKETING 7.2:** Making the Most of LinkedIn 139

**THE BUYING SITUATION** 140

**ADDING VALUE 7.1:** Getting Out the Message with Inbound Marketing 141

**CHAPTER 8 GLOBAL MARKETING** 145

**ASSESSING GLOBAL MARKETS** 147  
Economic Analysis Using Metrics 147  
Analyzing Infrastructure and Technological Capabilities 150  
Analyzing Governmental Actions 151

**ETHICAL AND SOCIETAL DILEMMA 8.1:** How Chinese Regulations Change Car-Buying Practices 151

Analyzing Sociocultural Factors 153  
The Appeal of the BRIC Countries 155

**SOCIAL AND MOBILE MARKETING 8.1:** The Growth of Social Networking—Brazil’s Free Market versus China’s Restrictions 158

**CHOOSING A GLOBAL ENTRY STRATEGY** 159  
Exporting 159  
Franchising 160  
Strategic Alliance 160  
Joint Venture 160  
Direct Investment 161

**ADDING VALUE 8.1:** Tata Starbucks and the Indian Coffee Culture 161

**CHOOSING A GLOBAL MARKETING STRATEGY** 162  
Target Market: Segmentation, Targeting, and Positioning 162

**ADDING VALUE 8.2:** Ponying Up the Latest Ford Mustang 163

**section three**  
**TARGETING THE MARKETPLACE**

**CHAPTER 9 SEGMENTATION, TARGETING, AND POSITIONING** 169

**THE SEGMENTATION, TARGETING, AND POSITIONING PROCESS** 170



Step 1: Establish the Overall Strategy or Objectives 170  
 Step 2: Use Segmentation Methods 171

**SOCIAL AND MOBILE MARKETING 9.1:**  
 Is Facebook Over? 173

**MARKETING ANALYTICS 9.1:**  
 A Complete Ecosystem for Coffee Drinkers: The Starbucks Mobile Plan 178

**ETHICAL AND SOCIETAL DILEMMA 9.1:** Congressional Hearings and the Ethical Considerations for Modern Loyalty Programs 180  
 Step 3: Evaluate Segment Attractiveness 180

**ADDING VALUE 9.1:**  
 Are Baby Boomers Too Old for TV? Some Networks Seem to Think So 182  
 Step 4: Select a Target Market 182  
 Step 5: Identify and Develop Positioning Strategy 186  
 Positioning Methods 188  
 Positioning Using Perceptual Mapping 189

## CHAPTER 10 MARKETING RESEARCH 193

**THE MARKETING RESEARCH PROCESS 195**  
 Marketing Research Process Step 1: Defining the Objectives and Research Needs 196  
 Marketing Research Process Step 2: Designing the Research 196

**ADDING VALUE 10.1:** A Key Motivation for Waking Teens Early on Weekends Disappears—McDonald's Hints at Breakfast All Day 197

Marketing Research Process Step 3: Collecting the Data 198  
 Marketing Research Process Step 4: Analyzing the Data and Developing Insights 198  
 Marketing Research Process Step 5: Developing and Implementing an Action Plan 199

**SECONDARY DATA 200**  
 Inexpensive External Secondary Data 201  
 Syndicated External Secondary Data 201

**SOCIAL AND MOBILE MARKETING 10.1:**  
 Nielsen Seeks to Track Viewership, regardless of the Media People Use to Watch 202  
 Internal Secondary Data 203

**MARKETING ANALYTICS 10.1:** Google Analytics Promises Movie Studios the Ability to Predict Performance, Weeks Prior to Opening 205

**PRIMARY DATA COLLECTION TECHNIQUES 206**  
 Social Media 207  
 In-Depth Interviews 208  
 Focus Group Interviews 209  
 Survey Research 209  
 Panel- and Scanner-Based Research 211  
 Experimental Research 211  
 Advantages and Disadvantages of Primary and Secondary Research 212

**THE ETHICS OF USING CUSTOMER INFORMATION 213**

**ETHICAL AND SOCIETAL DILEMMA 10.1:**  
 Oh, Say, Can You See? The Implications of Mannequins That Capture Shoppers' Demographic Data 213

## section four VALUE CREATION

### CHAPTER 11 PRODUCT, BRANDING, AND PACKAGING DECISIONS 217

**COMPLEXITY AND TYPES OF PRODUCTS 218**  
 Complexity of Products 218  
 Types of Products 219

**PRODUCT MIX AND PRODUCT LINE DECISIONS 220**

**MARKETING ANALYTICS 11.1:** How Macy's Defines Its Assortment through Analytics 221

**SOCIAL AND MOBILE MARKETING 11.1:**  
 Axe Brand's Anarchy Fragrance and Graphic Novel 223

**BRANDING 224**  
 Value of Branding for the Customer 224  
 Brand Equity for the Owner 226

**ETHICAL AND SOCIETAL DILEMMA 11.1:**  
 (Not) Marketing Sugary Drinks to Kids 227

**BRANDING STRATEGIES 229**  
 Brand Ownership 229  
 Naming Brands and Product Lines 230  
 Brand and Line Extensions 230  
 Co-Branding 231  
 Brand Licensing 231  
 Brand Repositioning 232

**PACKAGING 232**

**ADDING VALUE 11.1:**  
 The Global Appeal and Rebranding Efforts of American Airlines 233

**ETHICAL AND SOCIETAL DILEMMA 11.2:**  
 Calories 0, Vitamins 0: How Much Information Can Water Labels Provide? 234  
 Product Labeling 235





## CHAPTER 12 DEVELOPING NEW PRODUCTS 237

WHY DO FIRMS CREATE NEW PRODUCTS? 239  
Changing Customer Needs 239  
Market Saturation 240

**ADDING VALUE 12.1:**  
Carmakers Look for an Edge,  
above and below the  
Hood 241

Managing Risk through  
Diversity 242  
Fashion Cycles 242  
Improving Business  
Relationships 242

**DIFFUSION OF  
INNOVATION** 243  
Innovators 245  
Early Adopters 245  
Early Majority 245  
Late Majority 246  
Laggards 246  
Using the Diffusion of Innovation  
Theory 246

**HOW FIRMS DEVELOP NEW PRODUCTS** 248  
Idea Generation 248

**MARKETING ANALYTICS 12.1:** Data That Help the  
Brand and the Customer: GM's Big Data Use 249

**SOCIAL AND MOBILE MARKETING 12.1:**  
When Microsoft Plays Catch-Up 251  
Concept Testing 252  
Product Development 253

**ETHICAL AND SOCIETAL DILEMMA 12.1:**  
Should Firms Test on Animals? 254  
Market Testing 255  
Product Launch 255  
Evaluation of Results 256

**THE PRODUCT LIFE CYCLE** 256  
Introduction Stage 257  
Growth Stage 257  
Maturity Stage 258  
Decline Stage 259  
The Shape of the Product Life Cycle Curve 260  
Strategies Based on Product Life Cycle: Some Caveats 260

## CHAPTER 13 SERVICES: THE INTANGIBLE PRODUCT 263

**SERVICES MARKETING DIFFERS FROM PRODUCT  
MARKETING** 265  
Intangible 266  
Inseparable Production and Consumption 266  
Heterogeneous 266

**ADDING VALUE 13.1:** Carbonite's Secure Online  
Backup 267

Perishable 268

**PROVIDING GREAT SERVICE: THE GAPS MODEL** 268  
The Knowledge Gap: Understanding Customer  
Expectations 270

**ADDING VALUE 13.2:** The Broadmoor Manages  
Service Quality for a Five-Star Rating 271

**MARKETING ANALYTICS 13.1:** Using Analytics to  
Reduce Wait Time at Kroger 272

The Standards Gap: Setting Service Standards 274  
The Delivery Gap: Delivering Service Quality 275  
The Communications Gap: Communicating the  
Service Promise 276

**SOCIAL AND MOBILE MARKETING 13.1:**  
Linking American Express Members to Purchases 277

**ETHICAL AND SOCIETAL DILEMMA 13.1:**  
Fake Reviews 278

Service Quality and Customer Satisfaction and Loyalty 279

**SERVICE RECOVERY** 279  
Listening to the Customers and Involving Them in the  
Service Recovery 280  
Finding a Fair Solution 280  
Resolving Problems Quickly 281

## section five VALUE CAPTURE

### CHAPTER 14 PRICING CONCEPTS FOR ESTABLISHING VALUE 283

**THE FIVE Cs OF PRICING** 285  
Company Objectives 285

**ADDING VALUE 14.1:** Using Price to Position the  
Apple Watch 288  
Customers 289



**MARKETING ANALYTICS 14.1:** Airlines Offer Prices Based on Customers' Willingness to Pay 293

- Costs 294
- Break-Even Analysis and Decision Making 295
- Competition 297
- Channel Members 299

**PRICING STRATEGIES 299**

- Everyday Low Pricing (EDLP) 299
- High/Low Pricing 299
- New Product Pricing Strategies 300

**ETHICAL AND SOCIETAL DILEMMA 14.1:** Is It Really 45 Percent Off? 301

**LEGAL AND ETHICAL ASPECTS OF PRICING 303**

- Deceptive or Illegal Price Advertising 303
- Predatory Pricing 304
- Price Discrimination 304
- Price Fixing 304

## section six

**VALUE DELIVERY: DESIGNING THE CHANNEL AND SUPPLY CHAIN**

### CHAPTER 15 SUPPLY CHAIN AND CHANNEL MANAGEMENT 307

THE IMPORTANCE OF MARKETING CHANNEL/SUPPLY CHAIN MANAGEMENT 309

**ADDING VALUE 15.1:** The Beans May Be Slow Cooked, but the Delivery Is Quick 309

- Marketing Channels Add Value 310
- Marketing Channel Management Affects Other Aspects of Marketing 311

**DESIGNING MARKETING CHANNELS 311**

- Direct Marketing Channel 312
- Indirect Marketing Channel 312

**MANAGING THE MARKETING CHANNEL AND SUPPLY CHAIN 312**

- Managing the Marketing Channel and Supply Chain through Vertical Marketing Systems 314
- Managing Marketing Channels and Supply Chains through Strategic Relationships 316

**ETHICAL AND SOCIETAL DILEMMA 15.1:** Do Customers Care More about the Newest iPhone or about Working Conditions in China? 318

**MAKING INFORMATION FLOW THROUGH MARKETING CHANNELS 319**

- Data Warehouse 320

**MAKING MERCHANDISE FLOW THROUGH MARKETING CHANNELS 321**

- Distribution Centers versus Direct Store Delivery 321



- The Distribution (or Fulfillment) Center 322
- Inventory Management through Just-in-Time Inventory Systems 324

### CHAPTER 16 RETAILING AND OMNICHANNEL MARKETING 327

**CHOOSING RETAILING PARTNERS 329**

- Channel Structure 330
- Customer Expectations 330
- Channel Member Characteristics 331
- Distribution Intensity 331

**IDENTIFY TYPES OF RETAILERS 332**

- Food Retailers 332
- Supermarkets 333

**ADDING VALUE 16.1:** Meet the Captain and Visit the Island 334

- General Merchandise Retailers 335
- Service Retailers 338

**DEVELOPING A RETAIL STRATEGY USING THE FOUR PS 338**

- Product 338

**ADDING VALUE 16.2:** The Home Depot—Providing Customers Better Access to Products 339

- Price 340
- Promotion 340
- Place 342

**BENEFITS OF STORES FOR CONSUMERS 343**

**MARKETING ANALYTICS 16.1:** In-Store and Online Analytics at IKEA 343

**BENEFITS OF THE INTERNET AND OMNICHANNEL RETAILING 344**

- Deeper and Broader Selection 344
- Personalization 344
- Expanded Market Presence 345

EFFECTIVE OMNICHANNEL RETAILING 345

- Integrated CRM 345
- Brand Image 346
- Pricing 346
- Supply Chain 346

## section seven

### VALUE COMMUNICATION

#### CHAPTER 17 INTEGRATED MARKETING COMMUNICATIONS 349

COMMUNICATING WITH CONSUMERS 351

- The Communication Process 351
- How Consumers Perceive Communication 353
- The AIDA Model 354

**SOCIAL AND MOBILE MARKETING 17.1:**  
Making the Old New by Turning a Classic Campaign into a Mobile Event 355

ELEMENTS OF AN INTEGRATED MARKETING COMMUNICATIONS STRATEGY 357

- Advertising 357
- Public Relations 358

**ETHICAL AND SOCIETAL DILEMMA 17.1:** Too Skinny 358

- Sales Promotions 359
- Personal Selling 359
- Direct Marketing 359
- Online Marketing 360

**ETHICAL AND SOCIETAL DILEMMA 17.2:** The Consumer Privacy Bill of Rights 360

- PLANNING FOR AND MEASURING IMC SUCCESS 362
- Goals 362
- Setting and Allocating the IMC Budget 362

**ADDING VALUE 17.1:**  
Changing Priceline by Killing Captain Kirk—and Then Bringing Him Back 363

- Measuring Success Using Marketing Metrics 364
- Planning, Implementing, and Evaluating IMC Programs—an Illustration of Google Advertising 366

**MARKETING ANALYTICS 17.1:**  
Puma's Use of Google Analytics 366



#### CHAPTER 18 ADVERTISING, PUBLIC RELATIONS, AND SALES PROMOTIONS 371

STEP 1: IDENTIFY TARGET AUDIENCE 373

STEP 2: SET ADVERTISING OBJECTIVES 374

- Informative Advertising 375
- Persuasive Advertising 375
- Reminder Advertising 375
- Focus of Advertisements 376

**ETHICAL AND SOCIETAL DILEMMA 18.1:**

Getting to the Truth 378

STEP 3: DETERMINE THE ADVERTISING BUDGET 378

STEP 4: CONVEY THE MESSAGE 379

- The Message 379
- The Appeal 379

STEP 5: EVALUATE AND SELECT MEDIA 381

- Mass and Niche Media 382
- Choosing the Right Medium 382
- Determining the Advertising Schedule 382

STEP 6: CREATE ADVERTISEMENTS 383

**SOCIAL AND MOBILE MARKETING 18.1:**

Simplicity as a Strength and as a Weakness: Twitter's Advertising Formats and Future Plans 383

**ETHICAL AND SOCIETAL DILEMMA 18.2:**

When Makeup Companies Really Do Make Up Models' Faces 385

STEP 7: ASSESS IMPACT USING MARKETING METRICS 386

REGULATORY AND ETHICAL ISSUES IN ADVERTISING 387

PUBLIC RELATIONS 388

SALES PROMOTION 390

- Types of Sales Promotion 390



**MARKETING ANALYTICS 18.1:** How CVS Uses Loyalty Data to Define Coupons 391  
 Using Sales Promotion Tools 394

**CHAPTER 19 PERSONAL SELLING AND SALES MANAGEMENT 397**

**THE SCOPE AND NATURE OF PERSONAL SELLING 398**  
 Personal Selling as a Career 399  
 The Value Added by Personal Selling 399

**SOCIAL AND MOBILE MARKETING 19.1:**  
 Personal Selling Goes Virtual 400

**THE PERSONAL SELLING PROCESS 402**  
 Step 1: Generate and Qualify Leads 402

**ADDING VALUE 19.1:** College Athletics Turn to the Pros for Sales Help 403  
 Step 2: Preapproach and the Use of CRM Systems 404

**ADDING VALUE 19.2:** Selling in the Cloud: The Growth and Success of Salesforce.com 405  
 Step 3: Sales Presentation and Overcoming Reservations 406  
 Step 4: Closing the Sale 407  
 Step 5: Follow-Up 407

**MANAGING THE SALES FORCE 408**  
 Sales Force Structure 408  
 Recruiting and Selecting Salespeople 409  
 Sales Training 410  
 Motivating and Compensating Salespeople 411

**ETHICAL AND LEGAL ISSUES IN PERSONAL SELLING 413**  
 The Sales Manager and the Sales Force 413  
 The Sales Force and Corporate Policy 413

**ETHICAL AND SOCIETAL DILEMMA 19.1:** When Realtors Become Reality Stars 414  
 The Salesperson and the Customer 414

**Endnotes 417**  
**Name Index 441**  
**Company Index 446**  
**Subject Index 451**

*TOC image credits: p. iii: © Bill Hogan/Chicago Tribune/MCT via Getty Images; p. iv: © Jasper White CM/Image Source RF; p. v: © Cal Sport Media/Alamy; p. vi: © ZUMA Press, Inc/Alamy; p. vii: © John Boud/Alamy; p. viii(left): © Anadolu Agency/Getty Images; p. viii(right): © Ed Aldridge/ZUMA Press/Newscom; p. ix: © Geoffrey Robinson/Alamy; p. x(left): © priceline.com; p. x(right): © Jochen Tack/Alamy; p. xi: © James Davies/Alamy*



# marketing

Fifth Edition



Showing a remarkable flair for understatement, the chief executive officer (CEO) of Starbucks, Howard Schultz, recently admitted, “We have a lot going on.”<sup>1</sup> Let’s think about all the things Starbucks is doing at the moment, in its attempt to market itself as an appealing product and service provider for all its customers, both current and potential.

Its ubiquitous stores—from the long-standing locations in U.S. cities and towns to international expansion into a vast range of new nations—are easy to locate and visit. A recent count showed that the chain maintains more than 20,000 stores, spanning 66 countries.<sup>2</sup> By making sure its stores, with their familiar siren logo, are easy to find, Starbucks guarantees that most people can readily find a place to get their coffee fix.

Starbucks vigorously competes with the likes of McDonald’s, Dunkin’ Donuts, and independent coffeehouses. Not too long ago, McDonald’s was not a true competitor in the coffee market because all it sold was plain coffee. But when it started promoting its McCafés, Starbucks was quick to

## overview of marketing

### LEARNING OBJECTIVES

After reading this chapter, you should be able to:

- LO 1-1** Define the role of marketing in organizations.
- LO 1-2** Describe how marketers create value for a product or service.

respond, to make sure it stayed in the lead. Starbucks’ “coffee war” with Dunkin’ Donuts is famous in the areas in which they compete head-to-head.<sup>3</sup> Independent coffeehouses and smaller regional chains, seen by many as being more hip and less commercial, also continually nip at Starbucks’ heels.

Starbucks continues to innovate and expand with a variety of products, making them available in various locations beyond its own stores. Unsatisfied with dominating just the coffee market, it added Tazo teas to its product line early in its history; more recently it

*continued on p. 4*





© Bill Hogan/Chicago Tribune/MCT via Getty Images

*continued from p. 3*

purchased the Teavana chain of tea stores.<sup>4</sup> In addition, it purchased the Evolution Fresh line of fresh juices and sells bags of its own brand of ground coffee K-Cups, whole beans, as well as coffee-flavored ice cream in not only its own stores but also in grocery stores. But the expansion is not limited to beverages. For example, Starbucks' latest collaboration with Danone, the yogurt company, is developing a new line of dairy products called Evolution Fresh to sell in various outlets.<sup>5</sup>

There are plenty of jokes about how Starbucks manages to charge upwards of \$5 for a jolt of caffeine, but a quick glance at its marketing methods and strategies helps explain why it can do so. The products it sells are appealing to customers and fulfill their needs: they taste good, are available readily and conveniently, and offer the benefit of helping them wake up to start their day (or stay awake for a long night of studying). Thus the exchange of money for coffee—or tea or juice or yogurt or a nice pastry—they regard as a

continued from p. 4

good value, despite the relatively high cost. The lines outside the doors of many Starbucks locations at 8:00 a.m. demonstrate this perceived value.

Starbucks also connects with fans through social marketing channels, including its popular My Starbucks Idea site. The site is an innovative approach designed to develop new products. Customers share ideas about everything “Starbucks,” from store designs to new drink recipes. They can also join one of the many discussions in the customer forums. Additionally, the site connects customers to its Twitter and Facebook sites, and also links people to its mobile phone applications (apps) that they can use to pay for drinks or other products in Starbucks stores.

It’s a lot to be going on, indeed. But by adopting the principles and methods of marketing that this textbook covers, Starbucks has created a market that it continues to dominate, bringing benefits to the company and its shareholders, as well as to consumers. ■

LO 1-1 Define the role of marketing in organizations.

## WHAT IS MARKETING?

Unlike other subjects you may have studied, marketing already is very familiar to you. You start your day by agreeing to do the dishes in exchange for a freshly made cup of coffee. Then you fill up your car with gas. You attend a class that you have chosen and paid for. After class, you pick up lunch (and maybe a frozen dessert) at the cafeteria, which you eat while reading a book on your iPad. Then you leave campus to have your hair cut and take in a movie. On your bus ride back to school, you pass the time by buying a few songs from Apple’s iTunes. In each case, you have acted as the buyer and made a decision about whether you should part with your time and/or money to receive a particular product or service. If, after you return home, you decide to sell some clothes on eBay that you don’t wear much anymore, you have become a seller. In each of these transactions, you were engaged in marketing.

The American Marketing Association states that “**marketing** is the activity, set of institutions, and processes for creating, capturing, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”<sup>6</sup> What does this definition really mean? Good

marketing is not a random activity; it requires thoughtful planning with an emphasis on the ethical implications of any of those decisions on society in general. Firms develop a **marketing plan** (Chapter 2) that specifies the marketing activities for a specific period of time. The marketing plan also is broken down into various components—how the product or service will be conceived or designed, how much it should cost, where and how it will be promoted, and how it will get to the consumer. In any exchange, the parties to the transaction should be satisfied. In our previous example, you should be satisfied or even delighted with the song you downloaded, and Apple should be satisfied with the amount of money it received from you. Thus, the core aspects of marketing are found in Exhibit 1.1. Let’s see how these core aspects look in practice.

**marketing** An organizational function and a set of processes for creating, capturing, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

**marketing plan** A written document composed of an analysis of the current marketing situation, opportunities and threats for the firm, marketing objectives and strategy specified in terms of the four Ps, action programs, and projected or pro forma income (and other financial) statements.

### EXHIBIT 1.1 Core Aspects of Marketing



“ Good marketing is not a random activity; it requires thoughtful planning with an emphasis on the ethical implications of any of those decisions on society in general. ”

## Marketing Is about Satisfying Customer Needs and Wants

Understanding the marketplace, and especially consumer needs and wants, is fundamental to marketing success. In the broadest terms, the marketplace refers to the world of trade. More narrowly, however, the marketplace can be segmented or divided into groups of people who are pertinent to an organization for particular reasons. For example, the marketplace for soft drinks may include most people in the world, but as Pepsi and Coke battle each other worldwide, they divide the global population into a host of categories: men versus women, calorie-conscious or not, people who prefer carbonated versus noncarbonated drinks, and multiple categories of flavor preferences, among others.<sup>7</sup> If you manufacture a beverage with zero calories, you want to know for which marketplace segments your product is most relevant, then make sure you build a marketing strategy that targets those groups. Certain diet- and health-conscious customers may prefer Diet

“ Although marketers would prefer to sell their products and services to everyone, it is not practical to do so. ”

Coke or Diet Pepsi; others may opt for bottled water products like Dasani or Aquafina.

Although marketers would prefer to sell their products and services to everyone, it is not practical to do so. Because marketing costs money, good marketers carefully seek out potential customers who have both an interest in the product and an ability to buy it. For example, most people need some form of transportation, and many people probably would like to own the new hybrid from Lexus. Starting at more than \$120,000, the Lexus LS 600h L is one of the most sophisticated hybrid cars on the market. But Lexus is not actually interested in everyone who wants an LS 600h L, because not everyone can afford to spend that much on a car. Instead, Lexus defines its viable target market as those consumers who want and can afford such a product.<sup>8</sup> Although not all companies focus on such a specific, and wealthy, target, all marketers are interested in finding the buyers who are most likely to be interested in their offerings.



Coke and Pepsi have divided the world into two camps: Coke-lovers and Pepsi-lovers. Which are you?

© Carlo Allegri/Reuters/Corbis



What type of customer would buy a \$120,000 hybrid car?

© Ian Langsdon/EPA/Newscom



You can exchange your money on the iTunes Store for the latest Katy Perry album.

© Christie Goodwin/Entertainment/Getty Image

## Marketing Entails an Exchange

Marketing is about an **exchange**—the trade of things of value between the buyer and the seller so that each is better off as a result. As depicted in Exhibit 1.2, sellers provide products or services, then communicate and facilitate the delivery of their offering to consumers. Buyers complete the exchange by giving money and information to the seller. Suppose you learn about a new Katy Perry album by hearing one of her songs on SiriusXM Satellite Radio. The same day, a friend tweets on her Twitter account that she loves the new album, and you visit the Katy Perry Facebook fan page, which is full of recommendations. From there, you click into the iTunes Store, where you can purchase the

**exchange** The trade of things of value between the buyer and the seller so that each is better off as a result.

**marketing mix (four Ps)** Product, price, place, and promotion—the controllable set of activities that a firm uses to respond to the wants of its target markets.

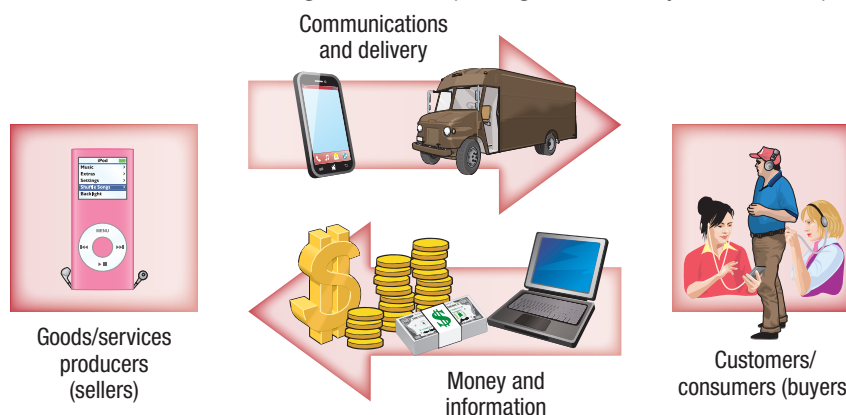
song you heard, multiple songs, or the entire new album. You begin with the song you heard, which you continue to love after hearing it several times. Therefore, you go back to iTunes and take advantage of its offer to complete the album by downloading the rest of the songs to your iTunes library. Your billing information is already in the company’s system, so you do not have to enter your credit card number or other information. Furthermore, iTunes creates a record of your purchase, which it uses, together with your other purchase trends, to create personalized recommendations of other albums or songs that you might like. Thus, Apple uses the valuable information you provide to facilitate future exchanges and solidify its relationship with you.

## Marketing Requires Product, Price, Place, and Promotion Decisions

Marketing traditionally has been divided into a set of four inter-related decisions and consequent actions known as the **marketing mix**, or **four Ps**: product, price, place, and promotion (as defined in Exhibit 1.3).<sup>9</sup> The four Ps are the controllable set of decisions or activities that the firm uses to respond to the wants of its target markets. But what does each of these activities in the marketing mix entail?

**Product: Creating Value** Although marketing is a multifaceted function, its fundamental purpose is to create value by developing a variety of offerings, including goods, services, and ideas, to satisfy customer needs.<sup>10</sup> Take, for example, a cup of coffee. At one time, people in the United

▼ **EXHIBIT 1.2** Exchange: The Underpinning of Seller–Buyer Relationships

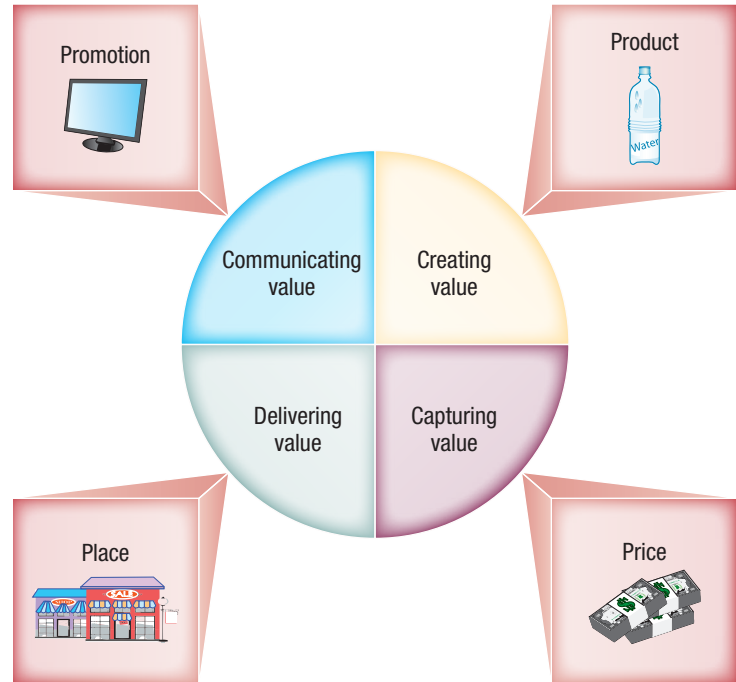


**goods** Items that can be physically touched.

States made a pot of coffee at home or picked up a cup on the run from a McDonald's or Dunkin' Donuts. Because Starbucks and competitive firms realize customers have needs beyond just buying a cup of joe, they are offering their customers a variety of options. This variety includes lattes, cappuccinos, macchiatos, Frappuccinos, hot chocolates, smoothies, teas, bottled juices, Refreshers, and regular brewed coffee, providing customers with interesting choices for which they are willing to pay a premium. The experience of watching the coffee being made by a barista in a setting that often resembles a quaint café in Florence, Italy, adds to the perceived value of the product, and to the price!

**Goods** are items that you can physically touch. Nike shoes, Pepsi-Cola, a Frappuccino, Kraft cheese, Tide, an iPad, and countless other products are examples of goods. As we describe at the start of Chapter 2, Nike primarily makes shoes but also adds value to its products by, for example, offering custom designs under its Nike ID brand that increase their fashionable appeal and enlisting popular celebrities such as Rafael Nadal to add their names to the designs.

▼ **EXHIBIT 1.3** The Marketing Mix



Marketers have transformed coffee from a simple morning drink into an entire experience that adds value for the customer.

© SeongJoon Cho/Bloomberg via Getty Images

“ **ALTHOUGH MARKETING IS A MULTIFACETED FUNCTION, ITS FUNDAMENTAL PURPOSE IS TO CREATE VALUE BY DEVELOPING A VARIETY OF OFFERINGS.** ”

Unlike goods, **services** are intangible customer benefits that are produced by people or machines and cannot be separated from the producer. When people buy tickets—whether for airline travel, a sporting event, or the theater—they are paying not for the physical ticket stub but of course for the experience they gain. For people who like to drink their coffee in a cozy, warm setting, Starbucks offers an experience that feels like home but encourages social interaction. Hotels, insurance agencies, and spas similarly provide services. Getting money from your bank, whether through an ATM or from a teller, is another example of using a service. In this case, cash machines usually add value to the banking experience because they are conveniently located, fast, and easy to use.

Many offerings in the market combine goods and services.<sup>11</sup> When you go to an optical center, you get your eyes examined

## Price: Capturing Value

Everything has a price, although it doesn't always have to be monetary. Price, therefore, is everything the buyer gives up—money, time, and/or energy—in exchange for the product.<sup>12</sup> Marketers must determine the price of a product carefully on the basis of the potential buyer's belief about its value. For example, United Airlines can take you from New York to Denver. The price you pay for that service depends on how far in advance you book the ticket, the time of year, and whether you want to fly coach or business class. If you value the convenience of buying your ticket at the last minute for

**service** Any intangible offering that involves a deed, performance, or effort that cannot be physically possessed; intangible customer benefits that are produced by people or machines and cannot be separated from the producer.

**ideas** Intellectual concepts—thoughts, opinions, and philosophies.

“When people buy tickets—whether for airline travel, a sporting event, or the theater—they are paying not for the physical ticket stub but of course for the experience they gain.”

(a service) and purchase new contact lenses (a good). If you attend a Bruno Mars concert, you can be enthralled by the world-class performance. To remember the event, you might want to pick up a shirt or a souvenir from the concert. With these tangible goods, you can relive and remember the enjoyment of the experience over and over again.

**Ideas** include thoughts, opinions, and philosophies; intellectual concepts such as these also can be marketed. Groups promoting bicycle safety go to schools, give talks, and sponsor bike helmet poster contests for the members of their primary market—children. Then their secondary target market segment, parents and siblings, gets involved through their interactions with the young contest participants. The exchange of value occurs when the children listen to the sponsors' presentation and wear their helmets while bicycling, which means they have adopted, or become “purchasers,” of the safety idea that the group marketed.



*Rafael Nadal plays tennis in Nike shoes.*

© Matthias Hangst/Getty Images Sport/Getty Images.

a ski trip between Christmas and New Year's Day and you want to fly business class, you can expect to pay four or five times as much as you would for the cheapest available ticket. That is, you have traded off a lower price for convenience. For marketers, the key to determining prices is figuring out how much customers are willing to pay so that they are satisfied with the purchase and the seller achieves a reasonable profit.

## Place: Delivering the Value Proposition

The third P, place, represents all the activities necessary to get the product to the right customer when that customer wants it. For Starbucks, that means expanding its storefronts



*When you attend a Bruno Mars concert you are paying for a service.*

© Rich Polk/Getty Images Entertainment/Getty Images for Clear Channel