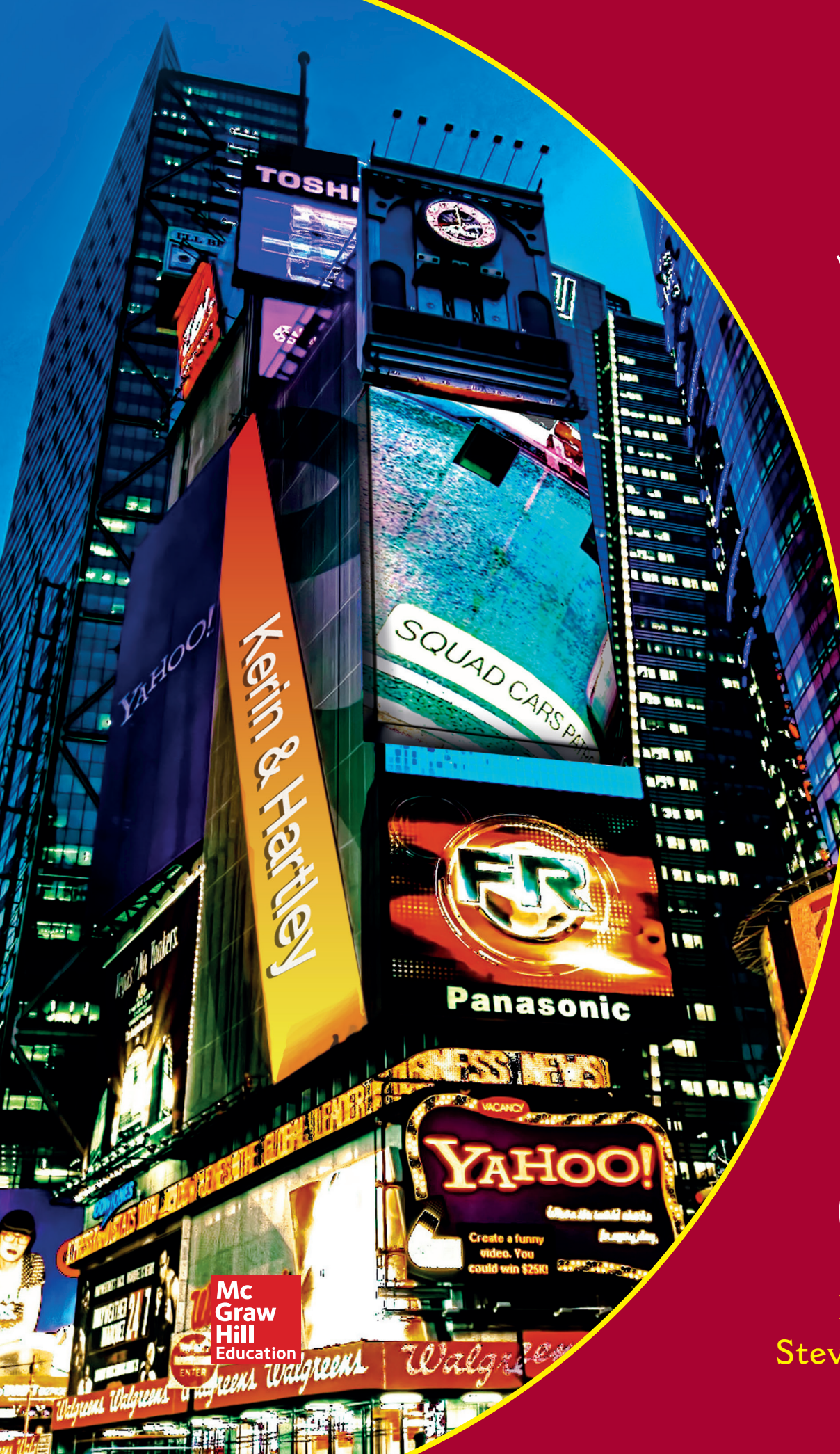


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MARKETING THE CORE

Roger A. Kerin
Steven W. Hartley



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Walgreens

MARKETING: THE CORE

MARKETING: THE CORE

Seventh Edition

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Southern Methodist University

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University of Denver





MARKETING: THE CORE, SEVENTH EDITION

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WELCOME!

Do words and phrases such as *social, mobile, digital, viral, gamification, big data, binge-watching, Internet of Things, wearable technology, brand storytelling, customer-centricity, value proposition, native advertising, or sustainability* sound familiar or interesting to you? If they do, you already have a great start to learning about some of the newest topics in the business world. These topics are just a few of the many new and emerging concepts and tools you'll learn about during the next several months as you undertake your study of marketing. It is our pleasure to provide a textbook to facilitate your introduction to this exciting discipline!

While this may be your first formal introduction to studying marketing we know you have important exposure to the world of marketing as a consumer, a volunteer, or possibly as an employee in a business. All of these experiences provide important perspectives on the role of marketing in our local, national, and global economies. We encourage you to use your past activities as reference points and build on your existing understanding of our marketplace and marketing practices. In addition, we hope that you will think about your future career aspirations as you navigate the many new marketing topics you will encounter.

The new aspects of marketing make this edition of our book particularly exciting. We believe our past experiences writing this book have given us many insights into the content, writing style, examples, exercises, and supporting materials that lead to effective learning. As the dramatic changes related to consumer values, global competition, digital technology, and regulation have taken place, we have integrated the new perspectives to give you the most up-to-date skills you will need as a marketing professional. Our approach to presenting the complexities of marketing is based on three important dimensions:

Engagement. As professors we have benefited from interactions with many exceptional students, managers, and instructors. Their insights have contributed to our approach to teaching and learning and, subsequently, to our efforts as textbook authors. One of the essential elements of our approach is a commitment to active learning through engaging, integrated, and timely materials. In-class activities, an interactive blog, Building Your Marketing Plan exercises, and in-text links to online ads and Web pages are just a few examples of the components of our engagement model.

Leadership. Our approach is also based on a commitment to taking a leadership role in the development and presentation of new ideas, principles, theories, and practices in marketing. This is more important now than ever before, as the pace of change in our discipline accelerates and influences almost every aspect of traditional marketing. We are certain that exposure to leading-edge material related to topics such as ethics, social media, data analytics, and marketing metrics can help students become leaders in their jobs and careers.

Innovation. New educational technologies and innovative teaching tools have magnified the engagement and leadership aspects of our approach. *Connect, LearnSmart, and SmartBook*, for example, provide a digital and interactive platform that embraces the "anytime and anywhere" styles of today's students. In addition, we have provided new videos and increased the visual impact of the text and PowerPoint materials to facilitate multimedia approaches to learning.

Through the previous 6 U.S. editions, and 19 international editions in 11 languages, we have been gratified by the enthusiastic feedback we have received from students and instructors. We are very excited to have this opportunity to share our passion for this exciting discipline with you today. Welcome to the 7th edition of *Marketing: The Core!*

Roger A. Kerin
Steven W. Hartley

PREFACE

Marketing: The Core 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: The Core* 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 7th edition of *Marketing: The Core* is to create an exceptional experience for today's students and instructors of marketing. The development of *Marketing: The Core* 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: The Core*—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: The Core* include:

In-Class Activities and Digital 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? In addition, digital in-class activities have been added to selected chapters. These activities focus on the use of web resources and the marketing data they can provide students.

Interactive Website and Blog (www.kerinmarketing.com). Students can access recent articles about marketing and post comments for other students. The site also provides access to a *Marketing: The Core* Twitter feed!

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: The Core* 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: The Core* 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. Other elements that show how *Marketing: The Core* is a leader in the discipline include:

Chapter 16: Using Social Media and Mobile Marketing to Connect with Consumers. *Marketing: The Core* features a dedicated chapter for social media and mobile marketing. This new environment is rapidly changing and constantly growing. The authors cover the building blocks of social media and mobile marketing and provide thorough, relevant content and examples. The authors discuss major social media platforms such as Twitter, Facebook, LinkedIn, and YouTube. They explain how managers and companies can use those outlets for marketing purposes. Also discussed in Chapter 16 are methods of measuring a company's success with social media and mobile marketing. This chapter is one of many ways *Marketing: The Core* is on the cutting edge of the field.

Applying Marketing Metrics. The *Applying Marketing Metrics* 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), Price Premium, Sales per Square Foot, Same-Store Sales Growth, Promotion-to-Sales Ratio, and Cost per Thousand (CPM) Impressions. The feature is designed to allow readers to learn, practice, and apply marketing metrics.

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 Coppertone, Mall of America, and GoPro, and recent cases such as Amazon, Taco Bell, and Chobani Greek Yogurt provide current and relevant examples that are familiar to students.

INNOVATION

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

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

Twitter Feed and Interactive Blog. Visit 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 auto-graded applications based on the marketing plan exercises.

Innovative Test Bank. Containing almost 5,000 multiple-choice and essay questions, the *Marketing: The Core* Test Bank reflects more than two decades of innovations. The Test Bank includes two Test Item Tables (located in the Instructor Resources) 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 and tables in the chapter.



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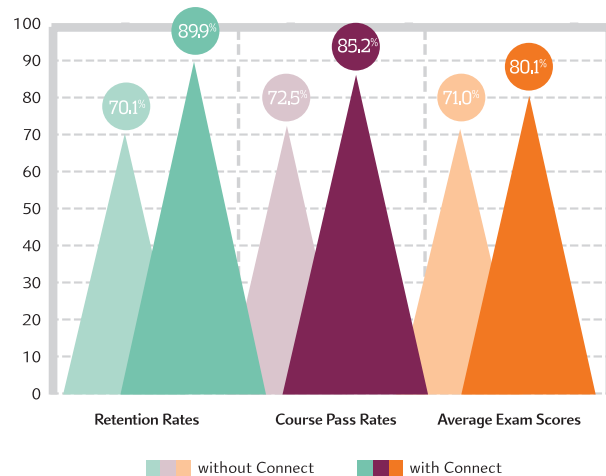
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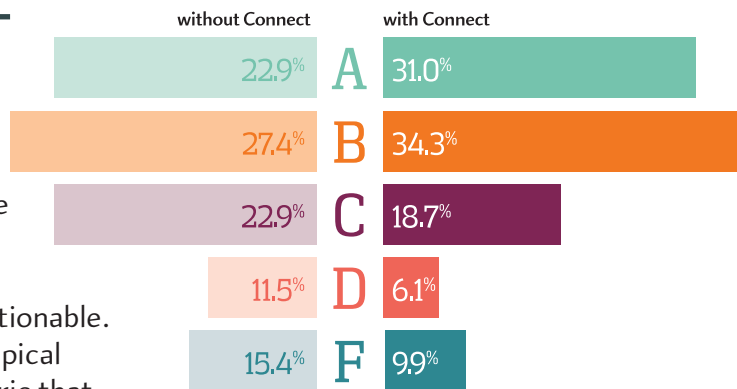
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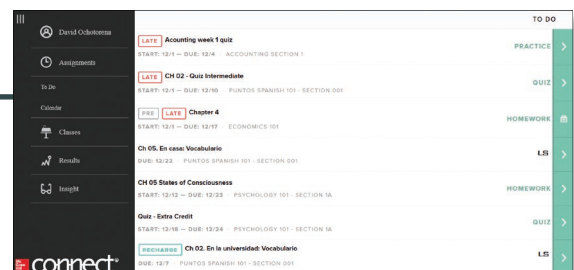
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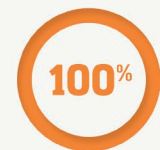
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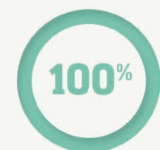
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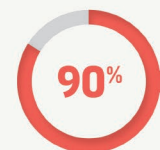
of students reported **SmartBook** to be a more effective way of reading material.



of students want to use the Practice Quiz feature available within **SmartBook** to help them study.



of students reported having reliable access to off-campus wifi.



of students say they would purchase **SmartBook** over print alone.



of students reported that **SmartBook** would impact their study skills in a positive way.

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*Findings based on 2015 focus group results administered by McGraw-Hill Education

INSTRUCTOR RESOURCES



Practice MARKETING

Practice Marketing

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

NEW AND REVISED CONTENT

Chapter 1: New Discussion of Marketing at Chobani, New Showstopper Analysis, and New Material on the Internet of Everything. Chapter 1 begins with an update of Chobani's savvy use of marketing to create a new food category. Examples include Chobani's use of a YouTube channel, its introduction of yogurt cafés, and its development of new products such as Chobani Meze™ Dips, Drink Chobani, and new Chobani Flip flavors. New product examples such as Apple Newton, StuffDOT, and Pepsi True have been added to the discussion of potential “showstoppers” for new-product launches. Discussion of “the Internet of Everything” and how data analytics is used to form relationships with customers has also been added.

Chapter 2: Updated Chapter Opening Example, New Coverage of Social Entrepreneurship and Marketing Analytics, and the Addition of Apple Watch to the BCG Analysis. The Chapter 2 opening example discusses how marketing strategies contribute to the social aspects of Ben & Jerry's mission. Social entrepreneurship and *Forbes* magazine's *30 Under 30 Social Entrepreneurs* are now discussed in the Making Responsible Decisions box. In addition a new section discusses tracking strategic performance with marketing analytics. The application of the Boston Consulting Group business portfolio model to Apple's product line has been updated to include changes such as the introduction of the Apple Watch.

Chapter 3: New Discussion of Changes at Facebook, Update of New Trends in Marketing, and a New Section on Technology and Data Analytics. Recent changes at Facebook are discussed, including its purchase of Oculus, the use of drones to transmit Internet signals, and the creation of Creative Labs, which is charged with trying to predict the future. In addition, discussion of new trends such as millennials' growing interest in being a “force for good” has been added. A new section about data analytics reports that 50 percent of all managers thought that improving information and analytics was a top priority.

Chapter 4: New Video Case on Coppertone, New Evaluative Criteria Data, and New Emphasis on Student Trial of VALS. The Alternative Evaluation discussion has been updated to show new data for Apple, HTC, Motorola Droid, and Samsung Galaxy phones. The Consumer Lifestyle section now includes additional discussion to increase student use of the VALS survey and self-assessment of their personal VALS profile. In addition, a new end-of-chapter video case about consumer behavior related to Coppertone products has been added.

Chapter 5: New Chapter Organization and New Buying Function Section. The first section of the chapter has been reorganized to reflect the important distinction between organizational buyers and organizational markets. In addition, a new section that details the expanded role of the buying function in organizations has been added.

Chapter 6: New Chapter Opening Example and New Examples Related to World Trade, Countertrade, Exchange Rates, and Market Entry Strategies. A new chapter opening example discusses Amazon's efforts to expand into India and the challenges it faces. The relative influence of the United States, China, and Germany in world trade has been updated. In addition, the countertrade discussion now includes an example of PepsiCo agreeing to purchase tomatoes in India for its Pizza Hut division. Other new examples include Procter & Gamble's losses due to exchange rate fluctuations and the significant cost of Target's entry and exit from Canada.

Chapter 7: Updated Chapter Opening Example, New Primary and Secondary Data Coverage, and New Section on Big Data and Data Analytics. The chapter opening example has been updated with new research methods such as “social listening,” which uses Twitter, YouTube, Tumblr, and other social media to monitor movie campaigns. An update of secondary data sources is included in the Marketing Matters box and a new discussion of the difficulties of obtaining an accurate

assessment of television viewing behavior has been added. In addition, new examples of Procter & Gamble and IKEA using observational research techniques, an online version of the Wendy's survey, and a new section Big Data and Data Analytics have been added. New topics such as data visualization, the intelligent enterprise, and cloud computing are introduced.

Chapter 8: Update of Zappos Segmentation Approach and New Segmentation Examples. The discussion of Zappos.com's successful segmentation strategy has been updated. In addition, examples of segmentation for book series, movies, and theme parks have been added. Walmart's new strategy to compete for the discount chain (e.g., Dollar General) segment with Walmart Neighborhood Market stores is also discussed and the Wendy's product-market grid and discussion have been updated to reflect new products and digital marketing activities.

Chapter 9: New Video Case on GoPro, Update of Apple's New-Product Development Successes and Failures including the iCar, and Greater Emphasis on Open Innovation. The chapter opening example has been updated to include a history of Apple's notable innovation successes and failures, the introduction of the Apple Watch, and a description of Apple's development of the Apple iCar scheduled for introduction in 2019 or 2020. The concept of open innovation has been added and approaches to implementing open innovation are discussed in the description of the new-product development process. A new Marketing Matters box discusses the introduction of Google Glass in 2012 and its withdrawal from the market in 2015. Other new examples include P&G's Swiffer WetJet, the Chevy Bolt, and Burger King's French fries. A new end-of-chapter case describes the new product development process at GoPro, Inc.

Chapter 10: New Material on Brand Repositioning at Gatorade and New Trademark Coverage. The Chapter 10 discussion of Gatorade now includes its efforts to reposition the brand and to develop different lines of Gatorade products for different types of athletes. New examples about Apple's iPhone, Gillette's Body line of shaving products for "manscaping," and American Express Green, Gold, Platinum, Optima Blue, and

Centurion cards have been added. In addition, the text discusses how Kylie and Kendall Jenner have filed to have their first names trademarked.

Chapter 11: New Chapter Opening Example about the Pricing of E-Books, New Marketing Matters Box about Spirit Airlines, New Making Responsible Decisions Box about "Surge Pricing," New Discussion of Dynamic Pricing. The new chapter opening example begins with a discussion of the pricing practices related to printed books and e-books, including the use of odd prices such as \$19.99. A new Marketing Matters box describes how Spirit Airlines offers fares that are 40 percent lower than other airlines and how customers assess the value of Spirit's offerings. The section on dynamic pricing includes the concept of "surge" pricing, when a company raises the price of its product if there is a spike in demand. In addition, a new Making Responsible Decisions box asks students to evaluate the economic and ethical perspectives of surge pricing.

Chapter 12: New Disintermediation and Reverse Logistics Examples. A description of a disagreement between Amazon and Hachette Book Group about how e-book revenue should be divided between the two companies has been added to the disintermediation section. Hewlett-Packard's success in recycling of ink cartridges through its distribution system is expanded upon.

Chapter 13: New Chapter Opening Example about Wearable Technology, Updated Making Responsible Decisions Box, New Section on Data Analytics, and New Mall of America Video Case. Chapter 13 opens with a description of the potential impact of wearable technology on consumers and retailers. Products such as smartwatches, mobile apps, near field communication, and Apple Pay, and their use at retailers such as Target, Kohl's, and Marsh Supermarkets are discussed. The Making Responsible Decisions box now includes information about *Newsweek's* annual "green rankings" and encourages students to review the rankings of their favorite retailers. In addition, a new section describing data analytics as the "new science of retailing" has been added. Finally, the end-of-chapter video case on Mall of America is completely new!

Chapter 14: Updated Discussion of Marketing to College Students, New Advertisements, and New Example of an IMC Program for a Movie. The Marketing Matters box has been updated to include the most recent suggestions for successful use of mobile marketing to reach college students. New advertisements include examples from The North Face, Klondike, M&M's, and *Fantastic Beasts and Where to Find Them*. The IMC program used to promote the movie *Fantastic Beasts and Where to Find Them* has been added to the Scheduling section.

Chapter 15: New Chapter Opening Example about Virtual Reality, New Advertisements and Sales Promotion Examples, and New Discussion of the Advertising Agency of the Year. The impact of virtual reality is the new topic of the chapter opening example. Current VR campaigns by Mountain Dew, *Game of Thrones*, and Marriott hotels, and future campaigns by Fox Sports and NASCAR are discussed. New advertising examples from Levi's, Samsung, Milk Life, and Bebe, and new sales promotion examples from Plenti and *The Tonight Show* have been added. In addition, the chapter includes new discussion of *Advertising Age's* Agency of the Year—R/GA.

Chapter 16: New Chapter Opening Example, New Discussion of Web 3.0, New Section on Mobile Marketing at Facebook, and New Marketing Matters Box on Mobile Marketing. Chapter 16 opens with a discussion of the “ultimate marketing machine”—a smartphone. The discussion includes a summary of usage rates, current

advertising revenue, and likely future developments. New discussion also includes the next-generation Web, Web 3.0. A new section on mobile marketing has been added to the discussion of Facebook. Chapter 16 also includes a new Marketing Matters box about the importance of video in a mobile marketing campaign.

Chapter 17: Update of the Chapter Opening Example, New Discussion of the Importance of Personal Selling to Entrepreneurs, and a New Making Responsible Decisions Box. The chapter opening example about GE's Lindsey Smith has been updated to include a description of her new responsibilities and job title. A new discussion about the three reasons personal selling is critical to successful entrepreneurial efforts has been added. In addition, a new photo example of team selling, and a new Making Responsible Decisions box about the ethics of asking customers about competitors have been added.

Chapter 18: Expanded Discussion about Marketing in Two Environments, New Marketing Matters Box, and New Discussion about the Cross-Channel Consumer. The Marketing in Two Environments section now discusses how some retailers provide showrooms for consumers that purchase online, while some luxury fashion retailers don't have an online presence. A new Marketing Matters box discusses Internet shopping addiction. In addition, the Who Is the Cross-Channel Consumer? section now discusses the prominence of consumer showrooming and webrooming behaviors.

Acknowledgments

To ensure continuous improvement of our textbook and supplements we have utilized an extensive review and development process for each of our past editions. Building on that history, the *Marketing: The Core*, 7th edition development process included several phases of evaluation and a variety of stakeholder audiences (e.g., students, instructors, etc.).

Reviewers who were vital in the changes that were made to this and previous editions and its supplements include:

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Source: Motor Trend

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Source: PepsiCo

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Source: Frito-Lay North America, Inc.

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MARKETING: THE CORE

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.

At Chobani, Marketing Is “Nothing but Good”!

If you are like many consumers today, your food tastes have been changing. Interest in healthful, nutritious, organic products is growing dramatically, and companies like Chobani are creating new offerings to provide customer value!

It was Hamdi Ulukaya’s marketing savvy that first helped him create Chobani. As an immigrant from Turkey, he observed that American-style yogurt “was full of sugar and preservatives,” unlike the typical Greek-style yogurt he experienced growing up. The Greek yogurt was strained to remove the liquid whey and had more protein than the unstrained American yogurts marketed by Yoplait and Dannon. To meet the changing tastes of American consumers, Ulukaya bought a recently closed dairy in a small town in New York with a Small Business Administration loan and began developing a new yogurt recipe.¹

Understanding Consumers’ Food Values

“I was very picky. It took us 18 months to get the recipe right. I knew I had only one shot, and it had to be perfect,” says Ulukaya. The result was Chobani Greek Yogurt, a product that is higher in protein, lower in sugar, and thicker and creamier than typical American yogurt. The timing fit perfectly with the shift in demand for healthier and simpler products. Food purchases by young adults, particularly millennials, were increasingly influenced by concern for wellness. Chobani’s yogurt and its message “Nothing But Good” fit consumers’ new values.²

Reaching Customers

Chobani had little money for traditional advertising, so the new company relied on positive word of mouth, with one happy customer telling another about the new style of yogurt. In 2010, Chobani’s “CHOMobile” started to tour the country, handing out free samples to encourage consumers to try Chobani’s Greek Yogurt for the first time. In addition, one of Chobani’s biggest breakthroughs in gaining public awareness was the announcement of its sponsorship of the U.S. Olympic and Paralympic Teams through 2020.

The company also created a YouTube channel that featured “Just Add Good” recipes to show customers how to use yogurt in meals and desserts. It also interacted with consumers through other social media sites such as Twitter and Instagram, and in just five years had 800,000 Facebook fans.

Chobani also pushed for distribution in major grocery chains rather than smaller niche stores, and encouraged placement of the product in the main dairy cases of the stores, not the specialty or health food sections. Ulukaya was

Video 1-1

Chobani Bear
Video

kerin.tv/cr7e/v1-1



Source: Chobani, LLC



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

© Diane Bondareff/Invision for Chobani/AP Images

convinced that Americans would really like Greek yogurt if they tried it, and that they would try it if they had heard about it and could find it easily in their grocery store. By 2013 Chobani Greek Yogurt was sold nationwide in the United States, the United Kingdom, and Australia.³

Chobani Today

Chobani continues to monitor changing consumer tastes and offers new products to accommodate them. For example, the company recently introduced Chobani Meze™ Dips, Drink Chobani, and several new flavors of Chobani Flip Creations. The products are designed for new and existing consumers and for new eating occasions.

One way Chobani stays in touch with consumer interests is through its yogurt café in New York's SoHo neighborhood. New ideas are continually tested on the menu and the feedback has been so useful that Chobani plans to open similar outlets in Los Angeles, San Francisco, Chicago, and other



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

Source: LG Electronics

U.S. cities. Chobani also recently announced a plan to open the Chobani Food Incubator, which is designed to invest in and cultivate ideas from emerging food entrepreneurs.

Today, Chobani boasts a 36 percent market share of the Greek yogurt segment, which makes up almost half of the \$8 billion yogurt market. The company's success has even led to a Super Bowl ad featuring a 1,400-pound bear in search of a healthy snack!⁴

Chobani, Marketing, and You

Will Hamdi Ulukaya and his Chobani Greek Yogurt continue this fantastic success story—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?

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 77-inch 4K UltraHD OLED TVs at \$24,999 or \$2,499? You answered \$2,499, 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.

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

Marketing and Your Career

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

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

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. 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, and today there are more than 1.7 billion members throughout the world. Perhaps your interest in marketing will lead to the next sensational new business success!⁵



The chief executive officer of the world's largest social media company started it as a 19-year-old college sophomore.

© David Paul Morris/Bloomberg via Getty Images

LO 1-1

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

marketing

The activity, set of instructions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

exchange

The trade of things of value between buyer and seller so that each is better off after the trade.

FIGURE 1-1

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.

Marketing: Delivering Value to Customers

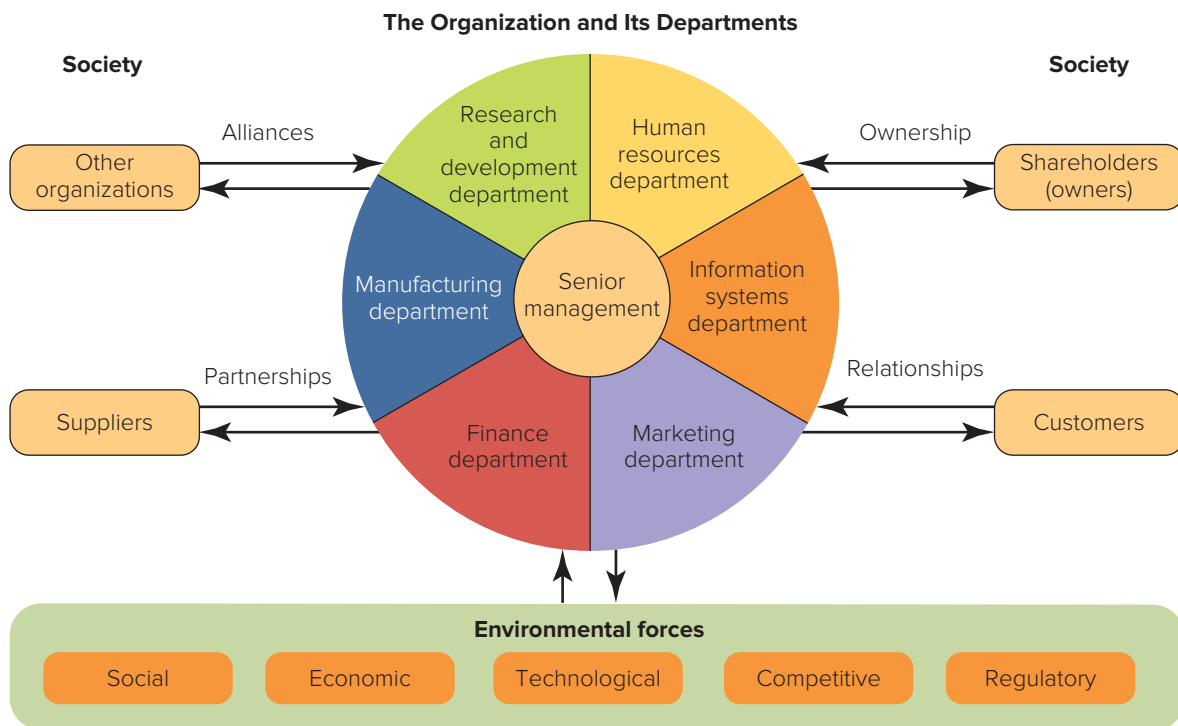
The American Marketing Association represents individuals and organizations involved in the development and practice of marketing worldwide. It defines **marketing** as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.⁶ This definition shows that marketing is far more than simply advertising or personal selling. It stresses the need to deliver genuine value in the offerings of goods, services, and ideas marketed to customers. Also, notice that an organization's marketing activities should also create value for its partners and for society.

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.⁷

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 1-1). 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 1-1 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.



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.

Courtesy of Domino's Pizza

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 has a special offer for 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.

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 because 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 on your phone 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 (\$8.99) 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 3.

learning review



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

HOW MARKETING DISCOVERS AND SATISFIES CONSUMER NEEDS

LO 1-2

Explain how marketing discovers and satisfies consumer needs.

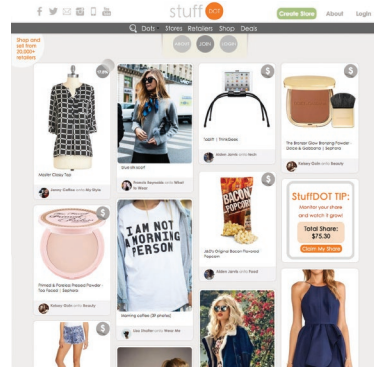
The importance of discovering and satisfying consumer needs in order to develop and offer successful products is so critical to understanding marketing that we look at each of these two steps in detail next. Let's start by asking you to analyze the following three products.

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

Left: © SSPL/Getty Images;
Middle: Courtesy of StuffDOT, Inc.; Right: © Consumer Trends/Alamy



A message pad with handwriting recognition software.



An e-commerce site with financial benefits for users.



A mid-calorie cola.

Discovering Consumer Needs

The first objective in marketing is discovering the needs of prospective customers. Marketers often use customer surveys, concept tests, and other forms of marketing research (discussed in detail in Chapter 7) to better understand customer ideas. Many firms also use “crowdsourcing” websites to solicit and evaluate ideas from customers. At LEGO Group, for example, ideas that receive 10,000 votes from site visitors are considered for possible addition to the product line. Sometimes, however, customers may not know or be able to describe what they need and want. Personal computers, smartphones, and electric cars are all examples of this, in which case an accurate long-term prediction of consumer needs is essential.⁸

The Challenge: Meeting Consumer Needs with New Products

While marketers are improving the ways they can generate new product ideas, experts estimate that it takes 3,000 raw ideas to generate one commercial success. Market intelligence agency Mintel estimates that 33,000 new products are introduced worldwide each month. In addition, studies of new-product launches indicates that about 40 percent of the products fail. 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.⁹

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 illustrate just how difficult it is to achieve new-product success, a topic covered in more detail in Chapter 9.

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:

- *Apple Newton*. In the 1990s Apple launched its Newton MessagePad, the first handheld device in a category that came to be known as personal digital assistants. Apple invested more than \$1.5 billion in today's dollars but sold just a few hundred thousand units before Steve Jobs took the product off the market. In many ways the showstopper for this product was that it was before its time. It launched before the World Wide Web, before cellphones, and before the broad use of e-mail. As a result, although the product was revolutionary, the uses for consumers were limited!¹⁰
- *StuffDOT*[®]. This recent start-up is a social e-commerce site that seeks to reward consumers for their online shopping and sharing activity. This is possible because Internet retailers such as Amazon and Target.com make small payments to the owners of websites that refer shoppers to their products. These payments are a big and growing business, generating an estimated \$4.5 billion in 2016.¹¹ StuffDOT's founders developed a platform that enables users to earn a portion of the revenue that they generate by sharing links and shopping online. A potential showstopper: Will consumers understand the benefits of StuffDOT well enough to change their shopping habits to take advantage of the opportunity?
- *Pepsi True*. At a recent Clinton Global Initiative, PepsiCo and Coca-Cola announced an agreement to reduce the calorie content of their products by 20 percent before 2025. As part of this agreement PepsiCo launched a new product—Pepsi True. The new cola is sweetened with a combination of sugar and stevia leaf extract, resulting in a soft drink with the same flavor of Pepsi-Cola but only 60 calories. A potential showstopper: In the past, mid-calorie soft drinks such as Pepsi Next (2012), Pepsi Edge (2004), and Pepsi XL (1995) have not been successful as “transition” sodas from regular to diet. Will Pepsi True be next? As always, as a consumer, you will be the judge!¹²

Video 1-2

StuffDOT
Strategies

kerin.tv/cr7e/v1-2

Video 1-3

Pepsi True Ad

kerin.tv/cr7e/v1-3



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

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

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

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

Certainly, marketing tries to influence what we buy. A question then arises: At what point do we want government and society to step in to protect consumers? Most consumers would say they want government to protect 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?¹³ 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 1–2](#), discovering needs involves looking carefully at prospective customers, whether they are children buying M&M's

FIGURE 1-2

Marketing seeks first to discover consumer needs through extensive research. It then seeks to satisfy those needs by successfully implementing a marketing program possessing the right combination of the marketing mix—the four Ps.



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.

market

People with both the desire and the ability to buy a specific offering.

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.

target market

One or more specific groups of potential consumers toward which an organization directs its marketing program.

Satisfying Consumer Needs

Marketing doesn't stop with the discovery of consumer needs. Because the organization obviously can't satisfy all consumer needs, it must concentrate its efforts on certain needs of a specific group of potential consumers. This is the **target market**—one or more specific groups of potential consumers toward which an organization directs its marketing program.

LO 1-3

Distinguish between marketing mix factors and environmental forces.

marketing mix

The controllable factors—product, price, promotion, and place—that can be used by the marketing manager to solve a marketing problem.

The Four Ps: Controllable Marketing Mix Factors

Having selected its target market consumers, the firm must take steps to satisfy their needs, as shown in the right side of Figure 1-2. Someone in the organization's marketing department, often the marketing manager, must develop a complete marketing program to reach consumers by using a combination of four elements, often called "the four Ps"—a useful shorthand reference to them first published by Professor E. Jerome McCarthy.¹⁴

- *Product.* A good, service, or idea to satisfy the consumer's needs.
- *Price.* What is exchanged for the product.
- *Promotion.* A means of communication between the seller and buyer.
- *Place.* A means of getting the product to the consumer.

We'll define each of the four Ps more carefully later in the book, but for now it's important to remember that they are the elements of the **marketing mix**. These four