

GARY ARMSTRONG • PHILIP KOTLER
MICHAEL HARKER • ROSS BRENNAN

MARKETING

AN INTRODUCTION

FOURTH EDITION



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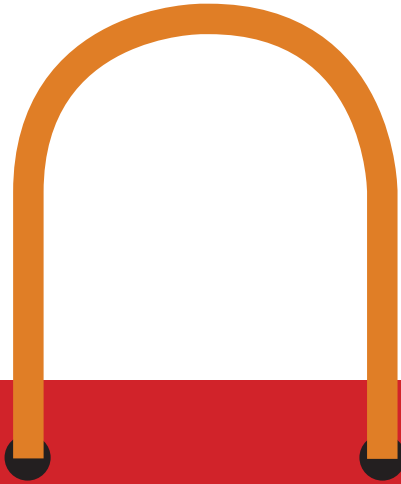
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MARKETING

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FOURTH EDITION

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KAO Park
Harlow
CM17 9SR
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Web: www.pearson.com/uk

Authorized adaptation from the United States edition, entitled *MARKETING: AN INTRODUCTION*, 13th Edition by ARMSTRONG, GARY; KOTLER, PHILIP, published by Pearson Education, Inc, Copyright © 2017.

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European adaptation edition published by PEARSON EDUCATION LTD, Copyright © 2019.

First published 2009 (print)

Second edition 2012 (print and electronic)

Third edition published 2015 (print and electronic)

Fourth edition published 2019 (print and electronic)

© Pearson Education Limited 2009 (print)

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ISBN: 978-1-292-20030-9 (print)

978-1-292-20067-5 (PDF)

978-1-292-20065-1 (ePub)

British Library Cataloguing-in-Publication Data

A catalogue record for the print edition is available from the British Library

Library of Congress Cataloging-in-Publication Data

Names: Armstrong, Gary (Gary M.), author.

Title: Marketing : an introduction / Gary Armstrong [and three others].

Description: Fourth edition. | Harlow, England ; New York : Pearson, [2019]

Identifiers: LCCN 2018025580 | ISBN 9781292200309 (print) | ISBN 9781292200675 (PDF) |

ISBN 9781292200651 (ePub)

Subjects: LCSH: Marketing.

Classification: LCC HF5415 .K625 2018 | DDC 658.8--dc23

LC record available at https://urldefense.proofpoint.com/v2/url?u=https-3A_lccn.loc.gov_2018025580&d=DwIFAg&c=0YLnzTkWodJlub_y7qAx8Q&r=Q1huLr_hfN5hBmNkITyEbqNkqKPJUy4ujVI9zNDFILM&m=IDtG1IJ4oVLeq1c8ZW-TaeuZk8wW9CPTUHrokBoaxqg&s=MYVSqIvjpA9h-Ed5zdpwHO73FvQba5fA6MU5zuYm0&e=

10 9 8 7 6 5 4 3 2 1

23 22 21 20 19

Front cover image: © Ikon Images/Nick Lowndes/Getty Images

Print edition typeset in 10/12 pt Sabon MT Pro by Pearson CSC

Printed in Slovakia by Neografia

NOTE THAT ANY PAGE CROSS-REFERENCES REFER TO THE PRINT EDITION

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PREFACE

WELCOME TO THE FOURTH EDITION!

Our goal with the fourth European edition of *Marketing: An Introduction* has been to retain the great strengths of both the classic US original – among which are its clarity, coherence and authority – and those of the three prior European editions – among which are their contextual detail and incorporation of material on new and embryonic marketplaces – and to do so while fully incorporating the latest developments, evolutions and changes with respect to the practice and theory of marketing. Further, great effort has been expended in developing and diversifying the European-oriented material in order to create an even more effective text from which to learn about and teach marketing in a European context.

Most students learning marketing require a broad, complete picture of basic marketing principles and practices. They need a text that is complete yet easy to manage and master, one that guides them through the great variety of topics that come under the rubric of marketing without confusing or bewildering them – one that helps them prepare their assessments but also prepares them for careers in marketing or related fields. We hope that this text serves all of these important needs for marketing students, and that it strikes a careful balance between depth of coverage and ease of learning. Unlike more abbreviated texts, *Marketing: An Introduction* provides a complete overview of marketing in theory and in practice. Unlike longer, more complex texts, its moderate length makes it possible to use fully in one semester.

Marketing: An Introduction makes learning and teaching marketing more effective, easier and more enjoyable. The text's approachable style and design are well suited to cater to the enormous variety of students that may take introductory marketing classes. These students will be helped to learn, link and apply important concepts by generous use of up-to-date cases, exemplars and illustrations. Concepts are applied through many examples of situations in which companies from Spain to Russia and from Denmark to Turkey assess and solve their marketing problems. This fourth edition has no fewer than 48 cases – of which 11 are brand new and the remainder updated thoroughly. Integrated with accounts of contemporary practice, each chapter has had the roster of supporting academic literature updated to reflect the latest thinking and research.

Finally, this text presents the latest marketing thinking – as advocated and implemented by the reflective professional working in established or developing industries or job roles. It builds on an innovative and integrative marketing framework, one that positions marketing simply as the art and science of creating value *for* customers in order to capture value *from* customers in return. We hope that the great diversity to be found in Europe and marketing is found within.

Creating customer value and relationships

Today's marketing is all about building profitable customer relationships through interacting face to face or online. It starts with understanding consumer needs and wants, deciding which target markets the organisation can serve best, and developing a compelling value proposition by which the organisation can attract, keep and develop targeted consumers. If

the organisation does these things well, it will reap the rewards in terms of market share, profits and customer equity. From beginning to end, *Marketing: An Introduction* presents and develops this integrative customer value/customer equity framework.

Marketing is much more than just an isolated business function – it is a philosophy that guides the entire organisation. The marketing department cannot build profitable customer relationships by itself. Marketing is a company-wide undertaking. It must drive the company's vision, mission and strategic planning. It involves broad decisions about who the company wants as its customers, which needs to satisfy, what products and services to offer, what prices to set, what communications to send and receive, and what partnerships to develop. Thus, marketing must work closely with other departments in the company and with other organisations throughout its entire value-delivery system to create superior customer value and satisfaction.

How do we get you learning?

This edition of *Marketing: An Introduction* builds on five major themes:

Creating value for customers in order to capture value from customers in return Today's marketers must be good at *creating customer value* and *managing customer relationships*. They must attract targeted customers with strong value propositions. Then, they must keep and grow customers by delivering superior customer value and effectively managing the company–customer interface. Today's outstanding marketing companies understand the marketplace and customer needs, design value-creating marketing strategies, deliver value and satisfaction, and build strong customer relationships. In return, they capture value from customers in the form of sales, profits and customer equity.

Marketers must also be good at *relationship management*. They must work closely with partners inside and outside the company jointly to build profitable customer relationships. Successful marketers are now partnering effectively with other company departments to build strong company value chains. And they are joining with outside partners to build effective demand and supply chains and effective customer-focused alliances in virtual and real worlds.

Building and managing strong brands to create brand equity Well-positioned brands with strong brand equity provide the basis upon which to build profitable customer relationships. Today's marketers must be good at positioning their brands powerfully and managing them well across diverse and sometimes conflicting cultures.

Measuring and managing return on marketing Marketing managers must ensure that their marketing budget is being well spent. In the past, many marketers spent freely, often without sufficient care in respect of the financial returns on their spending. That attitude belongs to the past. Measuring and managing return on marketing investments has become an important part of strategic marketing decision making.

Harnessing new marketing technologies in this digital age New digital and other high-tech marketing developments are dramatically changing both buyers and the marketers who serve them. Today's marketers must know how to use new technologies to connect more effectively with customers and marketing partners in this new digital age – not to mention understanding how consumers are using these same technologies. Several of the new cases focus on the impact of social media and digital distribution on marketing and markets.

Marketing in a socially responsible way around the globe As technological developments make the world an increasingly smaller place, marketers must be good at marketing their brands globally and in socially responsible ways.

Important improvements and additions

Marketing is a set of extremely varied practices, and Europe is a diverse and exciting continent. In this book we will look at product concepts being Kickstarted into existence, Direct Marketing helping African postal services, French cars being advertised in Germany, Scandinavian foods being sold in Arab supermarkets and European airlines pricing dynamically – among many other examples of marketing in, to and from Europe by companies like Spotify, Rolex, Philips and Renault. The rise and rise of technology as an influence on businesses, customers and markets is reflected by examining the digital distribution of software and music and TV, advertising in video and computer games, and the market impact of new digital markets – seen through the prisms of Angry Birds, programmatic advertising and 3D home printing. As an important addition, the concepts, processes and practicalities of marketing planning are now an explicit theme.

This fourth European edition of *Marketing: An Introduction* has been thoroughly revised to reflect the major trends and forces that are affecting marketing in this age of customer value and relationships, including implications for European marketers for Brexit, changed rules and regulations such as the General Data Protection Regulations of the EU in the era of big data and the rise of mobile marketing and networked consumer.

The first chapter on the importance of managing customer relationships effectively begins by looking at some of the marketing activities carried out by UEFA, the governing body of European football, and those past masters of attracting lucrative sponsorships deals – Manchester United. Facebook makes an early appearance in respect of how this key social media platform is applying foundational marketing concepts – and creating new ones. The third case in this chapter looks at the text and context of the use of metaphors in marketing in the dialogue between marketers and between marketing organisations and their stakeholders.

The second chapter considers the importance of marketing strategy and the difficulties inherent in managing complex businesses in the dynamic context of Europe. Examples of key issues are taken from companies including Monsanto, Danone and Under Armour. We hope that our book will act as a guide on marketing *to* Europe, as well as within and from it. The chapter contains a revised case about the crucial logistics services provided by Maersk. Strategy as evolution is considered in the case of British Telecom (BT) and the chapter concludes with a double-length fully-worked case on practical and applied marketing planning, dealing with every aspect from market positioning to sales forecasting and competitor analysis.

All firms operate within dynamic marketing environments. Recent economic turbulence has caused many managers to pause and reflect on their marketing environment – the context of business. Recent events, such as the decision of UK voters to leave the EU, coupled with the perpetual complexity and variety of Europe geographically, demographically and politically, have meant that Chapter 3 is very different from the equivalent chapter in the third edition of the text. Cases for this edition consider a Scandinavian dairy products company having a torrid time in countries with radically different cultural and societal norms, a new case looking at the impact of environmental factors on German car manufacturing, and a revised case examining how companies are getting themselves into hot water quickly and on a global scale through the two-edged sword of social media. The unique nature of the European Union (EU) is examined in some detail – not just politically, but also the impact of the community on national and multinational economies and legal frameworks – and its relationships with other countries and trading blocs in and out of Europe. This is extended by a section looking at the specific issues presented by Brexit for European marketers.

In order to understand their customers, markets and environments, firms need to collect, process and manage marketing information. The new opening case to Chapter 4 considers the ways and means by which Netflix uses consumer-generated ‘big data’ to punch above its weight and improve decision making. The critical importance of information and relationship management hardware, software and marketing processes is brought home through the second case in this chapter on CRM at Air France and KLM. Privacy, and the increasing number and significance of companies that you’ve never heard of but who know a great deal

about you, are discussed. As an aid to student learning and research, a comprehensive table is presented giving suggested sources of marketing intelligence across and within Europe. The final case in this chapter looks at how market researchers are collecting information using social media like Facebook and Twitter.

Airbus is a leading player in the global aerospace industry, and the particular problems in selling the new generation of large-capacity airliners are examined in the opening case to Chapter 5, which deals with consumer and business buying behaviour. Marketing to consumers is, of course, a major component of this chapter, and a second case is presented on the lengths firms must go to in order to satisfy their older customers in the context of one company – Doro – offering simplified hi-tech products. The wide diversity of European customers is reflected in examples of financial services especially designed for Muslims, French anti-pollution technology, Italian tyre manufacturers and a final case looking at how General Electric is connecting with partners on a global scale.

Europe is more than the EU. Chapter 6, dealing with segmentation, targeting and positioning, opens with a case about a Russian brewery and its efforts to match the right beer to the right drinker in markets outside Russia. We look at the success Ryanair has garnered by targeting specific market segments for its cheap flights. The final case in this chapter looks at how men's suiting is an excellent demonstration of how markets can be segmented in subtle but powerful ways. Original examples include wealth management services for the increasing numbers of women with investment portfolios, the sophisticated ways and means by which companies such as Experian segment markets for their clients, and how one clothing retailer has tried to make itself stand out through a unique positioning strategy.

Every country in Europe has brands that are famous on the international stage and a near infinite number that are new or known only locally. Chapter 7, dealing with product, services and branding strategy, considers some of these famous brands with a case on Dunhill. While Dunhill epitomises cool Englishness, and has been world famous for many years, the new case in this chapter 'Potterheads, Twihards and Tributes', looks at the phenomenal success of J.K. Rowling, Stephenie Meyer and Suzanne Collins (Harry Potter, Twilight Saga, Hunger Games Trilogy) and examines how these authors have used their personal branding delivered through clever online marketing to build online brand communities that maintain a genuine relationship between the fans, the authors and the book series. The case on naming brands has been updated to reflect recent examples of success and failure.

Chapter 8 explores new product development and product life-cycle strategies. In this chapter we look at the strategies employed by global brands such as Apple and Procter & Gamble. The new opening case looks at how Kickstarter is allowing people with a bright idea and no money to get their innovations to market. We reflect on how Electrolux is bringing together diverse teams in order to improve product development and the final case in this chapter considers the development and marketing of products by VW and Alfa Romeo.

In Chapter 9 we look at pricing. Even though many countries in Europe have adopted the euro, there are still a lot of different currencies in use across the continent, which can complicate the pricing decision. Two of the companies that are discussed in this chapter have arrived at quite different answers to the problem of setting 'the right price'. The chapter opens with a case study about Primark, a clothing retailer that sets prices so low it has generated a number of pertinent ethical issues to consider. On the other hand, German electrical appliance manufacturer Miele has arrived at an entirely different answer to the pricing question from Primark. The Miele answer? Offer products of such high quality and reliability that they win one consumer award after another, and have the confidence to charge a premium price for the value that you are offering to the consumer. That lesson is continued by Rolex, the subject of the second case in this chapter which has been reinforced by material to show how pricing impacts upon and is impacted by marketing strategy over the long term. The new final case in this chapter looks at the hot topic of dynamic pricing, taking as its context airfares set by easyJet and Ryanair.

All organisations operate within complex networks of firms moving raw materials, components and finished manufactured goods up and down supply chains. Effective management of these channels is a key factor in becoming and staying a successful business. Chapter 10, on marketing channels, gives many examples of companies large and small dealing with issues of logistics and distribution at the sector and company level – examples such as the famous French hauliers Norbert Dentressangle appear alongside lesser-known family firms such as the Spanish company Pinturas Fierro – the focus of the opening case. Recent concepts, driven by the emergence of the Internet and e-marketing, such as disintermediation, are addressed in the case on Steam, the dominant player in the market for the digital distribution of computer games. On that theme, the increasing importance of partner relationship management and how it fits into the distribution mix are considered.

Chapter 11 on wholesaling and retailing opens with a case about the German discounter Aldi. The threat of these hard discounters to established supermarkets is timely in the context of multiple crises at Tesco. Alongside a second case on Dutch cooperative wholesaler The Greenery, there is a case discussing top retailing brands in key European markets. You may be surprised to learn that the biggest shopping mall in Europe is not in London or Paris but rather Istanbul. At the other end of the size scale, the chapter gives many examples of the small to medium-sized firms that make up the bulk of most European economies – firms like Henry Poole & Co. and the many members of the Euronics network.

Advertising, sales promotion and public relations management are the focus of Chapter 12. The opening case discusses French cars being advertised in Germany and a second revised case considers the rapid growth of advertising in computer and console games. New and up-to-date statistics and tables are presented on European advertising expenditures at the national and international level with special emphasis on social media spending, and there is a third case on how advertisers are using technology to narrowcast tailored promotional messages to individual customers.

The other elements in the promotional mix are covered in Chapter 13 on personal selling and direct marketing. Personal selling is illustrated with a case on Philips. The legal, ethical and technical issues of direct marketing in Europe are considered in depth. The second case in this chapter looks at the rise and near fall of Groupon. The European direct marketing industry is described in some detail with specific attention paid to governing and regulating bodies at national and EU level. The third case is new to this edition, and reviews some recent success stories from the world of Direct Marketing – IKEA, what3words and the Senckenberg Museum in Germany.

Chapter 14 concerns marketing in the digital age, and is necessarily substantially altered and updated from the third edition of *Marketing: An Introduction*. Substantial changes were inevitable because of the rate of change in the technology and consequent developments in marketing techniques. Much more emphasis is given to the issues on and around programmatic advertising. The chapter opening case shows how technologies associated with 3D printing – or additive manufacturing as it is more formally known – is already disrupting multiple areas of marketing activity. A new case looks at how technology has changed the winners in home entertainment provision – from Blockbuster, to Lovefilm and on to HBO. The chapter presents a substantial set of statistics on the personal and commercial use of the Internet across different European countries – including expenditure on online advertising – and there is a renewed and revised case outlining the epic and legendary life of the Angry Birds app - a new type of product in a rapidly developing and growing market, and now a sponsor of Everton FC!

One of the characteristics of Europe, a continent with a large number of nation states squeezed into a rather compact land mass, is that often a firm will find that it has one or more ‘international’ markets closer at hand than the major markets of its own country. For example, Nice in south-east France is just over the border from Italy and is closer to the capital cities of Italy and Switzerland than it is to Paris. European customers are buying products and services across international boundaries with increasing regularity and confidence. Chapter 15 considers issues relevant to the global marketplace with a new case on

the victories and defeats of Spotify and the shifted paradigms it is trying to establish in music marketing. New figures show the leading brands globally, and the chapter now has numerous examples of firms marketing to and from Europe alongside a thoroughly revised case looking at the past, present and future of McDonald's in Russia. The third case in this chapter looks at the complexities caused by culture and society when doing business in Asia.

Finally, Chapter 16 considers marketing ethics and social responsibility. There is enhanced coverage of social marketing; the use of marketing techniques to bring about desirable social changes and the coverage of sustainable marketing has been developed and improved – how can marketing contribute to a sustainable planet? The first case in this chapter looks at the success of a recent EU-wide campaign to reduce the number of young people who smoke, the second case at the international debate on who is to blame for obesity, and the final case at how VW has dug itself into very, very deep trouble by fabricating test results. The chapter asks readers to take a critical look at the issues involved in marketing ethics, social responsibility and sustainability.

Throughout all 16 chapters you'll find links to European bodies, political and sector specific, through chapter-specific sets of weblinks. Each chapter refers to recent marketing journal articles with a European focus and many of the images contained within the book are new for this edition. Every chapter is supported by a matching set of lecture slides created by the authors themselves, which have been produced to a standard – not down to a price. Each chapter has an updated set of multiple-choice questions suitable for use with a variety of software platforms and many of the cases are supported by audio-visual material from the case authors and companies involved.

We don't think you'll find a better, fresher solution to teach and learn about marketing anywhere.

ABOUT THE AUTHORS

GARY ARMSTRONG is Crist W. Blackwell Distinguished Professor Emeritus of Undergraduate Education in the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill. He holds undergraduate and master's degrees in business from Wayne State University in Detroit, and he received his Ph.D. in marketing from Northwestern University. Dr. Armstrong has contributed numerous articles to leading business journals. As a consultant and researcher, he has worked with many companies on marketing research, sales management, and marketing strategy.

But Professor Armstrong's first love has always been teaching. His long-held Blackwell Distinguished Professorship is the only permanent endowed professorship for distinguished undergraduate teaching at the University of North Carolina at Chapel Hill. He has been very active in the teaching and administration of Kenan-Flagler's undergraduate program. His administrative posts have included Chair of Marketing, Associate Director of the Undergraduate Business Program, Director of the Business Honors Program, and many others. Through the years, he has worked closely with business student groups and has received several UNC campuswide and Business School teaching awards. He is the only repeat recipient of the school's highly regarded Award for Excellence in Undergraduate Teaching, which he received three times. Most recently, Professor Armstrong received the UNC Board of Governors Award for Excellence in Teaching, the highest teaching honor bestowed by the 16-campus University of North Carolina system.

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Professor Kotler was named the first recipient of four major awards: the *Distinguished Marketing Educator of the Year Award* and the *William L. Wilkie "Marketing for a Better World" Award*, both given by the American Marketing Association; the *Philip Kotler Award for Excellence in Health Care Marketing* presented by the Academy for Health Care Services Marketing; and the *Sheth Foundation Medal for Exceptional Contribution to Marketing Scholarship and Practice*. He is a charter member of the Marketing Hall of Fame, was voted the first Leader in Marketing Thought by the American Marketing Association, and was named the Founder of Modern Marketing Management in the Handbook of Management Thinking. His numerous other major honors include the Sales and Marketing Executives International *Marketing Educator of the Year Award*; the European Association of Marketing Consultants and Trainers *Marketing Excellence Award*; the *Charles Coolidge Parlin Marketing Research Award*; and the *Paul D. Converse Award*, given by the American Marketing Association to honor "outstanding contributions to science in marketing." A recent *Forbes* survey ranks Professor Kotler in the top 10 of the world's most influential business

thinkers. And in a recent *Financial Times* poll of 1,000 senior executives across the world, Professor Kotler was ranked as the fourth “most influential business writer/guru” of the twenty-first century.

Dr. Kotler has served as chairman of the College of Marketing of the Institute of Management Sciences, a director of the American Marketing Association, and a trustee of the Marketing Science Institute. He has consulted with many major U.S. and international companies in the areas of marketing strategy and planning, marketing organization, and international marketing. He has traveled and lectured extensively throughout Europe, Asia, and South America, advising companies and governments about global marketing practices and opportunities.

MICHAEL JOHN HARKER is a Lecturer in Marketing within the Business School at the University of Strathclyde in Glasgow, Scotland. Prior to this he was employed in a similar position in London at Middlesex University after completing his PhD at Nottingham Business School. He also holds BSc and MSc degrees in marketing – both from the University of Newcastle-upon-Tyne. At Strathclyde – among his other teaching duties – Dr. Harker delivers the introductory marketing class to upwards of 500 students per year. A member of the Academy of Marketing, he is a familiar figure at the annual conference where he performs track chairing duties, often on the Marketing Cases track, which attracts interesting and innovative cases from across the world. He served for seven years as an editor of the journal *Marketing Intelligence and Planning*. His own research revolves around the twin tracks of consumer perspectives on relational marketing and pedagogic issues relevant to the teaching, learning and assessment of marketing at degree level. He has conducted work with a variety of companies including Porsche, The Body Shop, Toyota, NTL, Tesco and T-Mobile. His work has been published in journals such as *The Journal of Marketing Management*, *The Journal of Strategic Marketing*, *The International Small Business Journal*, *The European Business Review* and *Marketing Intelligence and Planning*. With John Egan he edited the three-volume series of papers published by Sage entitled *Relationship Marketing*.

ROSS BRENNAN is Professor of Industrial Marketing at the University of Hertfordshire Business School. He holds an undergraduate degree in economics from the University of Cambridge, a masters degree in management science from Imperial College, University of London and a PhD in marketing from the University of Manchester. Prior to entering academia, Professor Brennan worked for BT Plc for 10 years in a number of marketing and strategic management roles. The principal focus of his research in recent years has been in the field of business-to-business marketing, where he has long been associated with the IMP Group. This group is a worldwide network of researchers who have interests in relationships and networks in business-to-business markets. Professor Brennan’s research on business-to-business marketing, and on a range of other topics in marketing, strategy and business education, has been published in many journals. Within the academic community he has served as editor of *Marketing Intelligence and Planning*, where he is now a member of the editorial advisory board, and has been involved with the development of doctoral researchers in marketing as chairperson of the Academy of Marketing doctoral colloquium (2006) and as a doctoral colloquium panel member at both Academy of Marketing and IMP Group conferences. He has held Visiting Fellowships at both the University of Cambridge (Clare Hall) and the University of Oxford (University College), and is a Member of the Chartered Institute of Marketing (holding Chartered Marketer status), a Fellow of the Higher Education Academy, a Member of the Academy of Marketing, and a Member of the Economics and Business Education Association.

CASE MATRIX

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	17	Facebook: real-time marketing all the time	Dr. Michael Harker, from Marketing: An Introduction, Thirteenth Edition/Global Edition	UK		MaW 1.1
	31	Metaphors in marketing	Professor Ross Brennan, University of Hertfordshire Business School			MaW 1.2
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	314	VW and Alfa Romeo: German engineering with Italian chic?	Prof. Ross Brennan	Germany/ Italy		MaW 8.2

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	435	Narrowcasting - Savile Row and science fiction	Dr. Michael Harker			MaW 12.1
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	480	Groupon: making life less boring through direct marketing on the Web	Julius Stephan, Aston University	USA		MaW 13.1
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	582	The international obesity debate: who's to blame?	Professor Ken Peattie, BRASS Research Centre, Cardiff Business School			MaW 16.1
	591	The VW emissions scandal	Jonathan Ford, Financial Times	Germany		MaW 16.2

ACKNOWLEDGEMENTS

The authors and publisher would like to thank the following contributors who supplied material for the chapter opening and Marketing at Work case studies throughout the book:

Neil Wellman, Marketing Consultant and Trainer

Keith Pyper, University of Strathclyde

Ann M. Torres and **Catherine Doyle**, National University of Ireland, Galway

Ekaterina Murzacheva, University of Hertfordshire

Michael Schellenberg, University of Strathclyde

Dr. Ibrahim Abosag, University of London

George S. Low, Texas Christian University

Maria Smirnova, St Petersburg State University

Dr. Kim Lehman and **Dr. John Byrom**, University of Tasmania

Sean Ennis, University of Strathclyde

Barbara Caemmerer, ESSCA

Beth Rogers, University of Portsmouth

Jesús Cambra-Fierro, University Pablo De Olavide

Dr. Louise Hassan, Lancaster University

Julius Stephan, Aston University

Tom Malnight, International Institute for Management Development

Jonathan Ford, Financial Times

Professor Ken Peattie, Cardiff Business School

The authors and publisher would like to thank the following reviewers who commented and provided valuable feedback on the text throughout its development:

Dr. Ayantunji Gbadamosi, University of East London, UK

Dr. Christine Mullin, Glasgow Caledonian University

Mr. Donald Lancaster, University of Bath

PUBLISHER'S ACKNOWLEDGEMENTS

Figures

Figure 1.5 adapted from *The Mismanagement of Customer Loyalty*, Harvard Business School Publishing Corporation by Reinartz, W. and Kumar, V., July 2002. Copyright © 2002 by the Harvard Business School Publishing Corporation; all rights reserved; Figure 2.8 Republished with permission of American Marketing Association (AMA) from 'Return on Marketing: Using Consumer Equity to Focus Marketing Strategy', *Journal of Marketing*, January, p.112 (Rust, R.T., Lemon, K.N. and Zeithamel, V.A. 2004), © 2004; permission conveyed through Copyright Clearance Center, Inc.; Figure 3.4 from Eurostat; Figures 3.7 & 3.8 <http://atlas.media.mit.edu/en/profile/country/gbr/>; Figure 5.3 from *Motivation and Personality*, 3rd edn, Pearson Education, Inc., Upper Saddle River, New Jersey (Maslow, A.H., Frager, R.D.; Fadiman, J. 1987) Pearson Education Inc., © 1987. Printed and Electronically reproduced by permission of Pearson Education, Inc.; Figure 6.3 from 'Making Sense of Market Segmentation, a Fashion Retailing Case, *European Journal of Marketing*, 41(5/6), pp. 439–65 (Quinn L, Hines, T. and Bennis, T. 2007), *European Journal of Marketing* by Emerald Group Publishing Limited. Reproduced with permission of Emerald Group Publishing Limited in the format Republish in a book via Copyright Clearance Center; Figure 9.2 from *The Strategy and Tactics of Pricing: A Guide to Profitable Decision Making*, 3rd edn, Pearson Education Inc. (Nagle, T. and Holden, R. 2002) © 2002. Printed and Electronically reproduced by permission of Pearson Education, Inc.; Figure 9.6 Republished with permission of American Marketing Association (AMA) 'Pricing and Public Policy: A Research Agenda and Overview of Special Issue', *Journal of Public Policy and Marketing*, Spring, 3–10 (Compeau, L.D. and Grewel, D. 1999), © 1999; permission conveyed through Copyright Clearance Center, Inc.; Figure 16.1 adapted from Beyond Greening: Strategies for a Sustainable World', *Harvard Business Review*, January-February, p. 74 (Hart, S.L. 1997), Copyright © 1997 by the Harvard Business School Publishing Corporation: all rights reserved; Figures on pages 509 and 511 from Dutton, William H. & Blank, Grant with Groselj, Darja. (2013) *Cultures of the Internet: The Internet in Britain*, Oxford Internet Survey 2013. Oxford Internet Institute. <http://oxis.oii.ox.ac.uk/wp-content/uploads/2014/11/OxIS-2013.pdf>, Source: Oxford Internet Survey (Dutton & Blank. 2013).

Screenshots

Screenshot on page 100 from www.diyaonline.com, DIYA by RFL Ltd, with permission from Mrs Rani Gill; Screenshot on page 232 from DVLA; Screenshot on page 518 with permission from Ben & Jerry's.

Tables

Table 4.4 adapted from Marketing Research: Measurement and Method, 7th edn, New York: Macmillan Publishing (Tull, D.S. and Hawkins, D.I. 1993) Tull, M.A., and Adapted with permission. Reprinted with permission of Mrs Marjorie A. Tull; Table 5.1 from <http://www.iser.essex.ac.uk/research/esec/user-guide/the-european-socio-economic-classification>. Institute for Social and Economic Research University of Essex; Table 12.2 from <http://www.newsworks.org.uk/Top-100-Advertisers>; Table 15.3 adapted from <http://adage.com/data-center/globalmarketers2013#706>.

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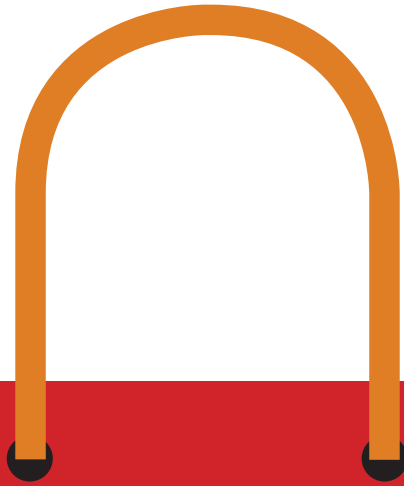
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PART ONE

DEFINING MARKETING
AND THE MARKETING
PROCESS

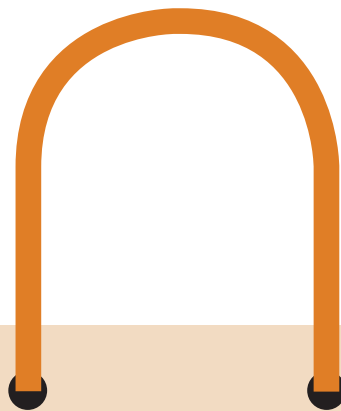
IS MARKETING FOR EVERYONE?

If someone told you that effective marketing was crucial in large companies with well-known brands such as Virgin or Apple you might readily agree. Do smaller firms need to think about their marketing? How about cities – can marketing ideas be useful to them? Is it possible that a charity such as Oxfam could usefully spend time thinking about its marketing strategy? What about religious organisations or your favourite football team – could marketing ever be considered relevant to them?



CHAPTER 1

Marketing: managing profitable customer relationships



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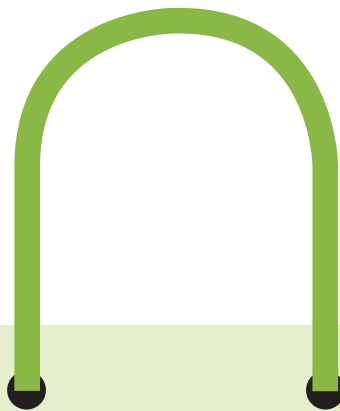
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AFTER STUDYING THIS CHAPTER, YOU SHOULD BE ABLE TO

- define marketing and outline the steps in the marketing process
- explain the importance of understanding customers and the marketplace and identify the five core marketplace concepts
- identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy
- discuss customer relationship management and identify strategies for creating value *for* customers and capturing value *from* customers in return
- describe the major trends and forces that are changing the marketing landscape in this age of relationships



THE WAY AHEAD

Previewing the concepts

We'll start with a simple question: What *is* marketing? Simply put, marketing is managing profitable customer relationships. The aim of marketing is to create value for customers and to capture value in return. Chapter 1 is organised around five steps in the marketing process – from understanding customer needs, to designing customer-driven marketing strategies and programmes, to building customer relationships and capturing value for the firm. Understanding these basic concepts, and forming your own ideas about what they really mean to you, will give you a solid foundation for all that follows.

Our first stop is to look at an organisation that you might not think of as having much need for marketing ideas and concepts – UEFA, the governing body of European football.

MARKETING EUROPEAN FOOTBALL

What are the biggest sporting events in the world? Everyone has their own opinion, but if you weigh a number of factors such as television audience size, number of countries or teams involved, revenues and expenditure – not to mention the ability to bring much of the world to a halt – then the top five probably include the World Cup, the summer Olympic Games, the European Football Championship, the Super Bowl and the European Champions League.

Of these five, three are football tournaments and two of those are overseen by UEFA – the Union of European Football Associations. There is a lot at stake here: regional and national pride, global TV audiences in the billions, and lots and lots of money. UEFA defines its core purpose as being to promote, protect and develop European football at every level of the game, to promote the principles of unity and solidarity, and to deal with all questions relating to European football. It does this by taking the excitement, the attention and the cash that big tournaments generate and using it to support its other activities.¹

Because of this, a lot of what UEFA does is marketing related – whether sponsorship of an event or tournament by a commercial enterprise, a social programme to use the power of sport to alleviate problems such as racism, the buying and selling of broadcasting and merchandising rights, public relations and managing relationships with governments, teams and an almost infinite number of journalists – not to mention the fans!

The marketing function of UEFA – people, resources and responsibilities for marketing affairs – is split across four divisions, each with its own focus.²

The **Marketing and Media Rights Division** develops marketing and media strategies for all UEFA competitions – the Champions League, the UEFA Cup, the European Football Championships and less prominent competitions such as women's football, junior-level tournaments and various 'futsal' events (the name is a contraction of the Portuguese term *futebol de salão* and the game is an indoor version of the standard sport). It has the responsibility to find the best price for broadcasting rights and agreeing terms and conditions with broadcasting partners and then maintaining relationships with these key partners.



Source: CrowdSpark/Alamy Stock Photo.

UEFA Marketing and Media Management (UMMM) is the commercial division of UEFA responsible for generating revenue from sponsorship and licensing for competitions, and managing the relationships with all associated commercial partners. In essence, this division sells the rights to be associated with prestigious and exciting international events. It maintains high prices by strictly limiting the number of companies that are given these licences. Euro 2016 in France had a core sponsorship panel of just ten companies – big global names like Carlsberg, Continental, Coca-Cola, Hyundai and McDonald's were joined by one company you've probably never heard of – SOCAR. That would be the State Oil Company of Azerbaijan Republic.

In the 2014–15 Champions League season, the competition had just seven sponsors – Heineken, Mastercard, Sony, Nissan, Heineken, UniCredit and HTC. Any number of merchandise items are produced for major tournaments – replica team strips, footballs, and even items for the desk-oriented such as mouse mats and coffee mugs.³

UEFA Media Technologies SA (UMT) is the service company created by UEFA to support broadcast and sponsorship partners with multimedia content. It links with the TV companies to try to ensure the best possible coverage of games. Other than TV, this division is increasingly involved with supporting UEFA's online operations – whether providing and maintaining statistical databases or selling downloadable recordings of games in order to maintain and develop relationships with fans and journalists.

The **Communications and Public Affairs Division (CPAD)** is responsible for public relations activity – such as briefing and supporting the activities of journalists.

The division also has the responsibility of managing the work UEFA does with various charity and social groups. For example, CPAD works with the International Red Cross and FARE (Football Against Racism in Europe) on projects with other organisations that have charitable or social causes to advance through the money and publicity generated by the sport.

That UEFA expends so much effort on marketing activity may surprise you, but think about it – it has brands, it provides services, it has connections and relationships with various publics and it generates significant revenue. How much revenue? One senior UEFA marketing manager, Guy-Laurent Epstein, commented on the recent winning of the rights auction for the UK by BT, who took over from Sky:

UEFA is delighted to welcome newcomer BT Sport to the family of UEFA Champions League rights holders. Since its launch in the summer, BT Sport has been UEFA's partner for the UEFA Europa League and has demonstrated its ability to deliver premium sports coverage. We look forward to working with BT Sport on both competitions in the 2015–18 rights cycle.⁴

How much did BT pay for these broadcasting rights? €900m.⁵

Is everyone happy with the marketing activities of UEFA? Not quite. Some people are not convinced that UEFA is sticking to its core mission of supporting football – they worry that it is moving too far towards becoming fully commercialised and that the sport is being used to make some people rich while traditional fans are being sidelined. UEFA's decision to award a future tournament to Russia has been criticised, but let's consider one of the stories to come out of a recent tournament:

For Yves Stemmler, Switzerland's opening match against the Czech Republic in the 2008 European soccer championship won't be just about advancing to the next round. It will be about his civil rights.

'They want me to drink only Carlsberg beer and wear things with this,' said Stemmler, 36, pointing to the Euro 2008 logo on his hat as he sat in a Lugano café before a warm-up game with Slovakia. 'They can't tell me what to wear.'

Some fans say UEFA, European soccer's governing body, has put profits ahead of their interests and plans to turn them away from stadiums and 'fan zones' if they wear clothes bearing the logos of companies that aren't tournament sponsors. UEFA estimates the 23-day championship, which begins June 7 in Basel, will generate 2 billion Swiss francs

(\$1.9 billion) in revenue from media rights, tickets and sponsors. After expenses, it expects to retain 330 million francs to cover administrative costs and fund other tournaments.

A Swiss tabloid, *SonntagsBlick*, published a caricature showing UEFA President Michel Platini as Moses holding up 11 commandments to heed during the event. The first: Drink only Carlsberg beer. Lamp posts around Zurich are sprouting stickers saying, 'UEFA: We Care About Money,' a play on the group's slogan, 'We Care About Football.'

Organisers of previous events have protected sponsors' rights inside stadiums by refusing entry to groups of fans paid to wear corporate logos. UEFA is extending its campaign against ambush marketers into fan zones, areas in each of the host cities where supporters gather to watch games on giant TV screens. That has aroused the ire of some fans.

'Fan zones are paid for and run by the city and access is free,' says Patrick Cotting, who lectures on marketing and sponsorships at the University of Lugano. 'There's no legal precedent that would forbid individuals from entering a public space because they're wearing the wrong T-shirt.'

Copenhagen-based Carlsberg is paying at least 100 million kroner (\$21 million) for the sponsorship, its biggest ever, giving it the right to exclusive sales in the eight biggest fan zones in each host city.

'There are plenty of other places in the local cities where fans can drink other beers and we totally respect that,' said Keld Strudahl, head of international marketing for the company.

In Austria, beermaker Ottakringer Brauerei AG is taking advantage of the popular backlash by selling its beer with a red-white-red logo, the colours of Austria's flag, and calling it the 'unofficial fan beer' drunk by 'real fans who want to show their support in whatever way they want'.

'Soccer used to belong to the people,' said Carlo Kuemin, 70, as he huddled under an umbrella in the standing-only curve of Lugano's Cornaredo Stadium during the Switzerland-Slovakia match. 'Not any more. The sponsors govern the events now. It's all about the money.'

Stemmler, the fan in the café, isn't taking UEFA's actions lying down.

'I have a ticket to the opening match between Switzerland and the Czech Republic,' he said. 'I'm only going to wear things they don't allow.'⁶

UEFA then is an organisation that recognises the need to build and maintain relationships with its



stakeholders – including customers. Our example shows, however, that marketing actions can have unintended consequences – care and attention is needed!

UEFA is not the only organisation involved with marketing in the sport of football. During the summer of 2011 it emerged that Manchester City had sold the naming rights to its stadium for an incredible £100m to Etihad – an Abu Dhabi airline.⁷ In 2010, Barcelona ended a 111-year tradition of not having its shirts sponsored by signing a record £125m/five-year deal with the Qatar Foundation. Prior to this, the only non-club logo on the shirts was for UNICEF – and Barcelona made an annual donation to the charity for the privilege.⁸



Source: Alan Smith/Alamy Stock Photo (top); Manchester United Football Club Limited (bottom).

One team above all, though, is master of attracting sponsorships, and that team is Manchester United.

The *Daily Mail*⁹ takes us through the facts and figures:

Question: What do Mister Potato crisps and Smirnoff vodka have in common?

Answer: They are both official sponsors of Manchester United Football Club.

And they pay handsomely for the privilege.

These two distant products may appear to have little to do with football but they can wear the same badge as Robin van Persie, Wayne Rooney and Co because of United's exhaustive quest for maximum commercial revenue. That figure is now approaching an astonishing £130million a year and will only continue to rise. No wonder United recently became the first sports team in the world to be valued at \$3BILLION.

There are no fewer than 32 companies listed as sponsors of the club on their official website and this does not even include three – somewhat peculiar – deals announced this month.

First there was the tie-up with Indonesian tyre manufacturer Multistrada on January 7, then came Wahaha, a Chinese soft drinks producer, a week later, and on January 18 we heard Japanese paint manufacturer Kansai had become the club's first 'paint partner'. Painting the town red, perhaps.

Each contract will run for three years and business experts speculate are worth between £1m to £2m annually. United announced such deals as part of last summer's listing agreement on the New York Stock Exchange but the exact financial terms can be withheld unless they are large enough to affect market and shareholder interests.

Those numbers might not sound massive but when you consider that in return all United need provide is their logo and occasionally ambassadors for appearances the sums become startling. The link works for these companies because of the huge boost their brand receives from associating with arguably the most famous club in the world.

If you snigger at what you see as the prostitution of the club by the owners, consider this: Manchester United makes twice as much from these sponsorships as the top Scottish team Celtic does from all sources of revenue combined. That extra money means more and better players attracted by higher salaries and reinforces the chances of success on the field, which in turn increases the opportunities for further sponsorships off it.

TABLE 1.1 Manchester United's sponsors (according to club website)

AON	Principal sponsor of Manchester United – £20m a year
DHL	Official logistics partner of Manchester United – £10m
NIKE	Official kit supplier of Manchester United – £25.4m
CHEVROLET	Official automotive partner of Manchester United – £12m
SINGHA	Official beer of Manchester United – £2m
THOMAS COOK	Official travel partner of Manchester United – £1.3m
BWIN	Official online gaming and betting partner of Manchester United – £2.4m
CASILLERO DEL DIABLO	Official wine partner of Manchester United – £2m
HUBLLOT	Official timekeeper of Manchester United – £4m
<i>The below are all worth approximately £1m–£2m. . .</i>	
SMIRNOFF	Official responsible drinking partner of Manchester United
TOSHIBA MEDICAL SYSTEMS	Official medical systems partner of Manchester United
STC	Official integrated telecommunications partner of Manchester United for Saudi Arabia
PCCW	Official integrated telecommunications partner of Manchester United in Hong Kong
TURKISH AIRLINES	Official airline partner
EPSON	Official office equipment partner of Manchester United
MISTER POTATO	Official savoury snack partner of Manchester United
YANMAR	Official global partner
TM	Official integrated telecommunications partner of Manchester United in Malaysia
GLOBACOM	Official integrated telecommunications partner of Manchester United for Nigeria, Ghana, Republic of Benin
VIVA KUWAIT	Official integrated telecommunications partner of Manchester United in Kuwait
MTN	Official integrated telecoms partner of Manchester United for South Africa/Zambia/Rwanda/Uganda/Swaziland/Botswana
AIRTEL	Official telecommunications partner of Manchester United in India/Sri Lanka/Seychelles/Bangladesh
ZONG	Official telecommunications partner of Manchester United in Pakistan
GLOBUL	Official telecommunications partner of Manchester United in Bulgaria
MAMEE	Official noodles partner of Manchester United for Asia, Oceania and Middle East
VIVA	Official integrated telecommunications partner of Manchester United in Bahrain
TURK TELEKOM	Official integrated telecommunications partner of Manchester United in Turkey
A.P. HONDA	Official motorcycle partner of Manchester United in Thailand
AIRTEL AFRICA	Official telecoms partner in Burkina Faso, Chad, DR Congo, Gabon, Kenya, Madagascar, Malawi, Niger, Sierra Leone, Tanzania, Congo Brazzaville
BEELINE	Official telecommunications partner of Manchester United in Vietnam, Cambodia and Laos
BAKCELL	Official telecommunications and broadcast partner of Manchester United for Azerbaijan
KAGOME	Official soft drink partner of Manchester United for Japan
WAHAHA	Official soft drink partner of Manchester United for China
PT MULTISTRADA	Official tyre partner of Manchester United
KANSAI	Official paint partner of Manchester United

Source: <http://www.dailymail.co.uk/sport/football/article-2269599/Manchester-Uniteds-incredible-list-sponsors-helping-3billion-super-club.html>

