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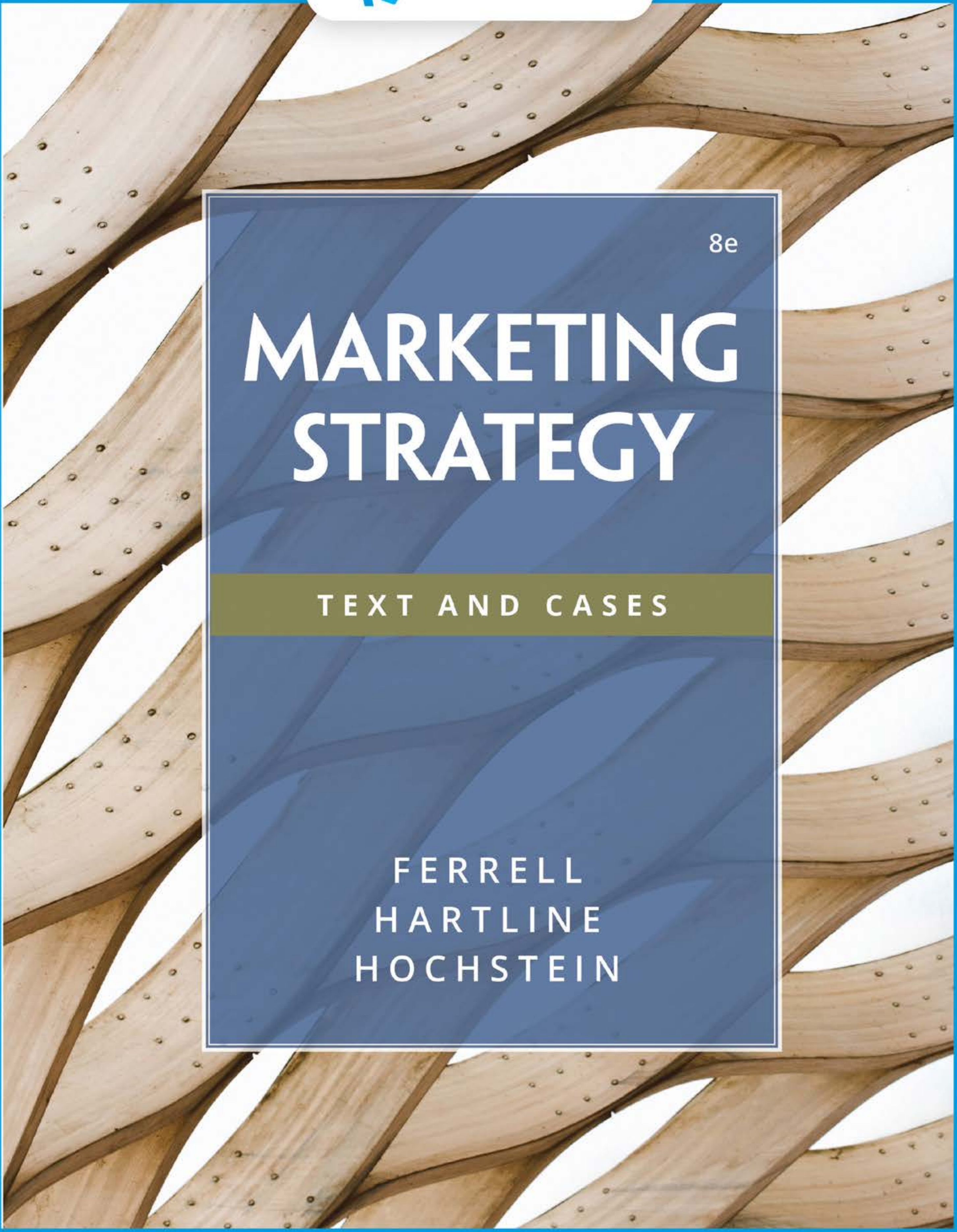

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# MARKETING STRATEGY

## TEXT AND CASES

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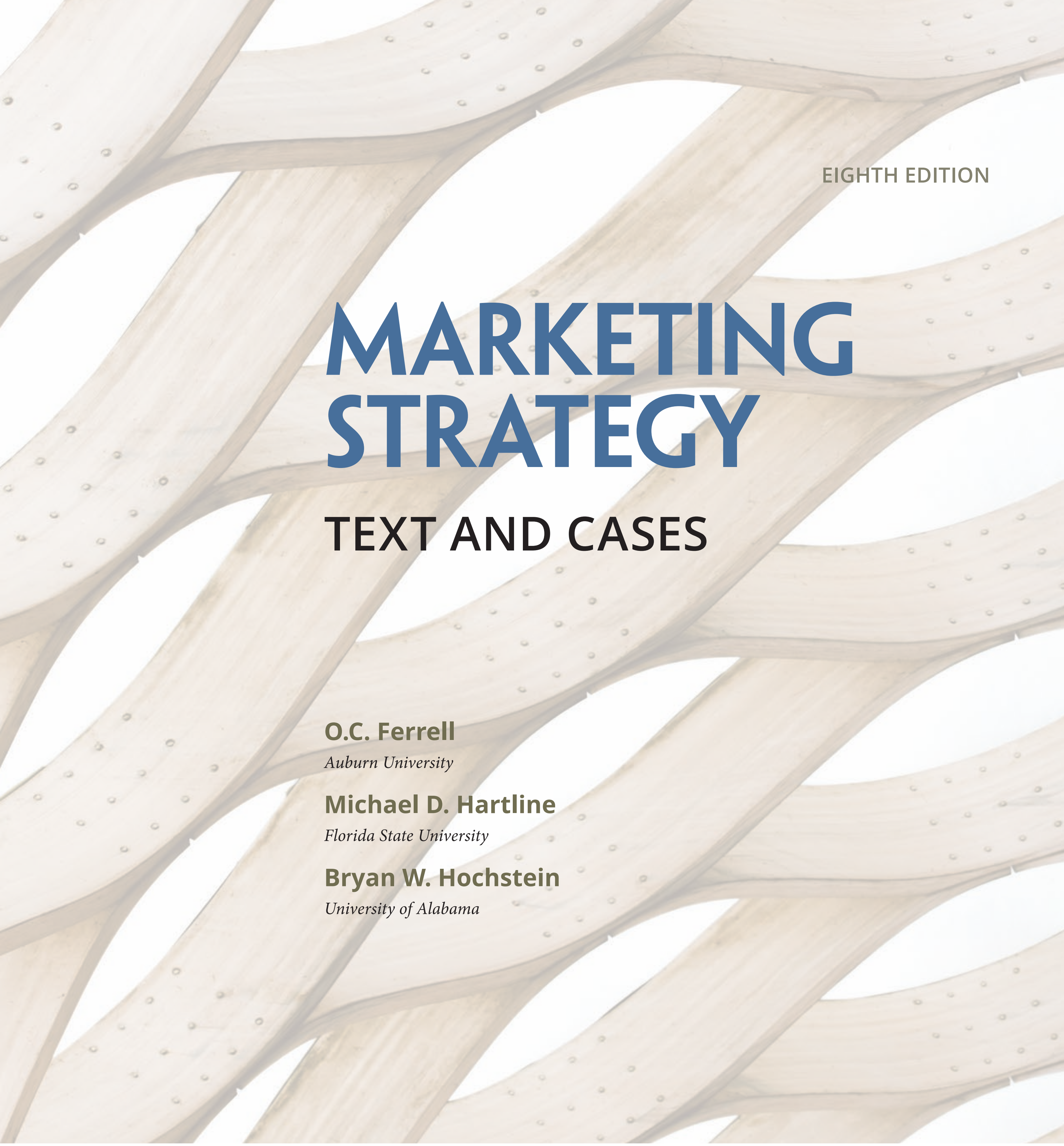

EIGHTH EDITION

# MARKETING STRATEGY

## TEXT AND CASES

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*To my wife, Linda*
O.C. Ferrell

*To the amazing women in my life, Marsha, Meghan, Madison, and Mallory*
Michael D. Hartline

*To my family who support and encourage me: Susan, Rachel, and Matthias*
Bryan W. Hochstein

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# PREFACE

Marketing strategy is interesting, challenging, and important because (1) it is inherently people-driven, and (2) it is never stagnant. A distinct blend of art and science, marketing strategy is about people (inside an organization) finding ways to deliver exceptional value by fulfilling the needs and wants of other people (customers, shareholders, business partners, society at large) as well as the needs of the organization itself. Marketing strategy draws from psychology, sociology, and economics to better understand the basic needs and motivations of these people—whether they are the organization's customers (typically considered the most critical), its employees, or its stakeholders. In short, marketing strategy is about people serving people.

Marketing strategy is interesting because it is never stagnant. The simple fact is that people change. A strategy that works today might not work tomorrow. Products that are popular today are forgotten next week. These truisms are important because truly understanding marketing strategy means accepting the fact that there are few concrete rules for developing and implementing marketing activities. Given the constant state of change in the marketing environment, it is virtually impossible to say that any given marketing mix (product, price, promotion, and distribution) will produce the best results. Marketing simply doesn't work that way. The lack of concrete rules and the ever-changing economic, sociocultural, competitive, technological, and political/legal landscapes make marketing strategy a terribly fascinating subject.

This also means that marketing strategy is incredibly challenging. A perfect marketing strategy that is executed flawlessly can still fail. Sometimes, organizations are lucky and have success despite having a terrible strategy and/or execution. The nature of marketing can make marketing planning quite frustrating.

Finally, the importance of marketing strategy is undeniable. No other business function focuses on developing relationships with customers—the lifeblood of all organizations (even nonprofits). This statement does not diminish the importance of other business functions, as they all are necessary for an organization to be successful. In fact, coordination with other functions is critical to marketing success. However, without customers, and marketing programs in place to cultivate customer relationships, no organization can survive.

## Our Focus

*Marketing Strategy: Text and Cases, 8th Edition* teaches students to think and act like marketers and disruptors in a dynamic and fast-paced environment. Strategic marketing management is presented in the context of the social, economic, and technological arenas in which businesses function today. The contents of this book are integrated with current events and examples that illustrate the need for marketers to think proactively and anticipate change. Students learn a systematic process for developing long-term, customer-oriented marketing strategies and marketing plans. This practical approach to analyzing, planning, and implementing effective marketing strategies is based on applying marketing concepts to the development and implementation of marketing strategy.

Our approach in *Marketing Strategy: Text and Cases, 8th Edition* is also grounded in the development and execution of the marketing plan. Throughout the text, we provide a comprehensive planning framework based on conducting sound background research, developing market capabilities and competitive advantages, designing integrated marketing programs, and managing customer relationships for the long term. We also emphasize the need for integrity in the strategic planning process as well as the design of marketing programs that are both ethical and socially responsible. We also stress the integration and coordination of marketing decisions with other functional business decisions as the key to achieving an organization's overall mission and vision. Throughout the text, we offer examples of successful planning and implementation to illustrate how firms face the challenges of marketing strategy in today's economy. We also provide marketing plan worksheets to assist students in writing a formal marketing plan.

## Purpose

We view strategic marketing planning not only as a process for achieving organizational goals but also as a means of building long-term relationships with customers. Creating a customer orientation takes imagination, vision, and courage, especially in today's rapidly changing economic and technological environments. To help meet these challenges, our text approaches marketing strategy from both traditional and disruptive practices. We cover topics such as segmentation, creating a competitive advantage, marketing program development, and the implementation process with a solid grounding in traditional marketing, but also with an eye toward new practices. Lessons learned from emerging technology, new business models, and the COVID-19 pandemic illustrate the importance of balancing the traditional and emerging practices of marketing strategy. Our text never loses sight of this balance.

Although our approach allows for the use of sophisticated research and decision-making processes, we have employed a practical perspective that permits marketing managers in any sized organization to develop and implement a marketing plan. We have avoided esoteric, abstract, and highly academic material that does not relate to typical marketing strategy decisions in most organizations. The marketing plan framework that we utilize throughout the text has been used by a number of organizations to successfully plan their marketing strategies. Many companies report great success in using our approach partially due to the ease of communicating the plan to all functional areas of the business.

## Target Audience

Our text is relevant for a number of educational environments, including undergraduate, graduate, and corporate training courses. At the undergraduate level, our text is appropriate for the capstone course or any upper-level integrating course such as "Marketing Management," "Marketing Strategy," or "Marketing Policy." At this level, the text provides an excellent framework to use with our included text-based cases, live-client cases, or a computer simulation. At the graduate level, our text is appropriate for MBA core marketing courses, strategic planning, competitive marketing strategies, or as a supplement for any simulation-based course. The text is effective in a core MBA marketing course with students that have not had an undergraduate course in marketing. The text provides enough background on marketing, but it is placed in a strategy planning framework. The cases and marketing planning project are also useful in online courses.

Each of the 21 cases included in our text describes the strategic situations of real-world, identifiable organizations. Because these cases feature real situations, instructors have the option of using the case material as published, or they may give students the opportunity to update the cases by conducting research to find the latest information. Additional instructor resources for this product are available online. Instructor assets include an Instructor's Manual, Case Notes, PowerPoint® slides, and a test bank powered by Cognero®. Sign up or sign in at www.cengage.com to search for and access this product and its online resources.

## Acknowledgments

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# CHAPTER 1

# MARKETING IN TODAY'S ECONOMY

## 1.1 INTRODUCTION

As noted in the opening Beyond the Pages 1.1 story, changes in marketing are dynamic and fast-paced, requiring companies to think outside the box in an effort to anticipate disruptions and new technology-enabled competition. To remain relevant and responsive, organizations—both for-profit and nonprofit—require effective planning and a sound marketing strategy. Without these efforts, organizations would not be able to plan for changes that allow them to satisfy customers or meet the needs of other stakeholders. For example, having an effective marketing strategy allows Apple to develop popular products, such as the iPhone, iPad, Apple Watch, and its MacBook line of computers, and stay ahead of the competition. Further, effective planning and strategy allows Coca-Cola to continue its leadership in soft drinks, make key acquisitions, and continue its expansion into the lucrative sparkling water and energy drink markets. These and other organizations use sound marketing strategy to leverage their strengths and capitalize on opportunities that exist in the market. Every organization—from your favorite local restaurant to giant multinational corporations; from city, state, and federal governments; to charities such as Habitat for Humanity and the American Red Cross—develops and implements marketing strategies.

How organizations plan, develop, and implement marketing strategies is the focus of this book. To achieve this focus, we provide a systematic process for developing customer-oriented marketing strategies and marketing plans that match an organization to its internal and external environments with a focus on adaptation to market, technology, and consumer changes. Our approach focuses on real-world applications and practical methods of marketing planning, including the process of developing a marketing plan. The chapters of this book focus on the steps of this process. Our goal is to give the reader a deeper understanding of marketing planning, the ability to organize the vast amount of information needed to complete the planning process, and an actual feel for the development of marketing plans.

In this first chapter, we review some of the major challenges and opportunities that exist in planning marketing strategy in today's economy. We also review the nature and scope of major marketing activities and decisions that occur throughout the planning process. Finally, we look at some of the major challenges involved in developing marketing strategy.

## BEYOND THE PAGES 1.1

## THE FUTURE OF MARKETING [1]

Are you aware of the dynamic changes in marketing today? Most businesses are developing plans and adjusting to technology disruptions because new technology and innovation are altering the way consumers and businesses make decisions. Recent disruptive technologies include Internet marketing (Amazon), ride-sharing apps (Uber), blockchain (IBM), and artificial intelligence (Microsoft). According to the Technology Visions Consumer survey, 52 percent of consumers feel that these new technologies play a key role in or strongly impact their daily lives. Globally, consumers spend an average of six hours a day online as smartphones have become an extension of one's existence and self-concept. Going forward marketers will be required to rethink core assumptions and theories about how to interact, serve, and satisfy consumers. This next generation of marketing strategies and implementations is based on adapting to the dynamic changes in the environment of marketing.

Looking at top trends that will shape the future of marketing provides a guide to addressing innovations. According to Gartner, Inc., trends are centered around "people-centric smart spaces." Artificial intelligence (AI) in the form of machine learning is driving the innovation that will impact consumers and marketers the most. AI is changing all touchpoints with consumers, including organizational interfaces and interactions. AI-enabled robotics and drones are providing services that make marketing more efficient. AI analyzes and interprets large amount of data using algorithms to make decisions, often exceeding the ability of frontline employees. AI is used by McDonald's to dynamically change its drive-thru menu board, by Starbucks throughout its supply chain including inventory management and scheduling of baristas, and by Domino's Pizza, which has created a multi-touchpoint platform to include smart speaker communications, driverless vehicle delivery, and robots that deliver food. All of this makes it easy, low cost, and low effort for consumers to obtain products.

Supply chain management—the coordination of all activities related to the flow of goods and services to the consumer—is becoming more important to create a spiderweb of interorganizational relationships to direct products to consumers. Marketing consists of both supply and demand, and the supply chain plays an important role for retailers such as Home Depot, Walmart, and Amazon. Omnichannel, which embraces the integration of all the places and ways consumers and retail firms manage the flow of communications and products, is disrupting traditional thinking about what is a marketing channel. This approach permits consumers to have multiple touchpoints to purchase via apps, from a computer, smartphone, or tablet, as well as in-store purchases and return of products. The integrated consumer experience across all retail platforms is empowering consumers and retailers to change how products are purchased.

Consumer-centric technology augmentation can increase cognitive and physical experiences. The Internet of Things (IoT) provides a system of interrelated computing devices that connects smartphones, computers, and almost everything to the Internet. This makes applications and services more accessible to consumers. For example, Amazon Alexa allows users to easily adjust and monitor IoT devices in their home such as smart plugs and smart lights. Finally, blockchain—a ledger that stores immutable records of data "blocks" over time—is changing marketing. An important aspect of blockchain technology is that the data is locked into the system without central control, making it secure and accurate. Walmart uses blockchain systems to trace produce and livestock from the field to the store shelf to provide an audit trail to manage supply chains and improve food safety.

These advances in technology are changing how consumers buy and pay for things. Streaming services deliver content via Internet connection to the subscriber's device. This content is often priced on a subscription basis, which is a pricing strategy increasingly common to both consumer

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and business markets. Streaming services have disrupted traditional music and entertainment delivery. For example, Netflix, Disney+, Amazon Prime, and Hulu rival traditional television networks with their streamed, on-demand content. The use of the Internet to provide any form of content to any device—when and where consumers want it—has fundamentally changed the way businesses and consumers access and consume a growing number of products that are now digitally delivered.

These technology advances are reshaping the environment for marketing strategy and enabling marketers to better serve consumers. However, these changes also create challenges and opportunities for marketing. Technology shifts power to consumers, enabling them to access products and have more knowledge about product selection. Media fragmentation has put consumers in greater control of what they watch or listen to at their convenience. The omnichannel approach provides multiple touchpoints, making shopping and product purchase an ongoing journey that permeates daily life and activities. Given these changes, marketing must deal with new paradigms and social risks related to privacy, security, and ethical concerns. All of this is changing value propositions to consumers and shifting demand patterns. These trends are discussed throughout the remainder of this chapter and book.

## 1.2 THE CHALLENGES AND OPPORTUNITIES OF MARKETING IN TODAY'S ECONOMY

The advent of the Internet in the mid-1990s changed traditional ideas about marketing strategy. As the Internet became more useful, companies emerged to serve new demands, many of which failed in the dot-com recession in the late 1990s and the historic collapse of the worldwide economy in 2008 known as the Great Recession. The powerhouse companies of the past have weakened and lost relevance in an economy marked by constant change and consumer skepticism. In their place, new and disruptive companies have utilized new technologies and strategies to change how we travel (Airbnb, Uber, and Kayak), shop for daily needs (Instacart), and even how we get food (Uber Eats, HelloFresh, and Grubhub). Consider the examples in Exhibit 1.1 and the changes they have introduced into how marketers and businesses operate.

### 1.2a Power Shift to Customers

Changes in how consumers access information and how marketers gather and utilize data affect the buyer-seller power dynamic. Perhaps the single most important change during the last two decades is the shift in power from marketers to consumers. Individual consumers and business customers have gained power via technology that allows easy comparison shopping and broader choices of where to purchase products. Using a smartphone and the Amazon app, customers can walk Target's aisles, scan bar codes to check prices on Amazon, and order items for two-day delivery while in the store, or even same-day delivery in select markets. In fact, 71 percent of consumers report using a mobile device in stores.[2] This is the reason that retailers such as Target and Best Buy price match Amazon and other online competitors. However, most consumers now begin product searches online, often keeping them from even entering a retail store.[3] Thus, in many cases consumers have more power, yet marketers are regaining power via increasingly sophisticated data analytics. In the past, understanding consumer needs and preferences was a difficult and costly task for marketers. Today, every click, swipe, and geolocation tag provides data points that can be used to better anticipate and serve customer needs. The topics of big data and analytics permeate marketing—and this book—because marketers now have growing insight into what is driving customers to purchase (or not). Advances in how marketers can process and understand consumer patterns has returned some power to the seller, yet the customer is still king in most marketing situations, driving pricing, promotional, and experience strategies of marketers. Marketers must ensure that their products and the experience they offer are unique and of high quality, thereby giving customers a reason to purchase their products, provide positive reviews, and remain loyal to them.

**EXHIBIT 1.1** Fundamental Changes to Marketing

| Change Category | Market Change | Implications |
|---|---|---|
| Power Shift to Customers | Online consumer reviews | Marketers need to be concerned with delivering a high-quality experience with limited problems or they risk immediate, damaging consumer reviews. Good experiences also lead to better reviews and better sales, so marketers have become very responsive to online consumer content. |
| Changes in Products and Selection | Digitization of products | One problem for retailers is lack of products to sell. The digitization of books, music, maps, and calendars, plus the addition of flashlights, cameras, video, and alarm clocks into smartphones (among thousands of other things), leaves retail giants such as Walmart with fewer products to sell. |
| Audience and Media Fragmentation | Online content streaming | For decades advertisers relied on spreading their messages through mass media outlets such as television. Today, audiences are spread across platforms, making it difficult to deliver marketing messages to potential customers. |
| Changing Value Propositions | Subscription-based services | Changes to payment via monthly subscription requires marketers to continually provide and ensure the consumer is getting value. An example is the difference of purchasing a movie digitally (you own it) versus subscribing to Netflix (you pay to access it). If no new content is added to Netflix, you will quickly change to a different service, but, once you own a movie, you cannot swap it for a different one. |
| Shifting Demand Patterns | Sharing services | The advent of Uber and Airbnb has greatly altered the way that travelers move around and where they stay. This change has reduced the need for taxis and created an oversupply of hotel rooms. |
| Privacy, Security, and Ethical Concerns | Listening technology | The introduction of smart speakers such as Amazon's Echo and Apple's HomePod has allowed companies to gain access to our most personal and private space, our home. This change introduces many questions of what these companies should be listening to and how they should use the information they gather. |
| Unclear Legal Jurisdiction | Online ordering | As companies have tried to compete with Amazon, many have been able to avoid charging state sales tax in states where they do not have a physical presence. This practice causes a disadvantage for local retailers and questions of legal jurisdiction for problems, warranties, and tax authorities. |

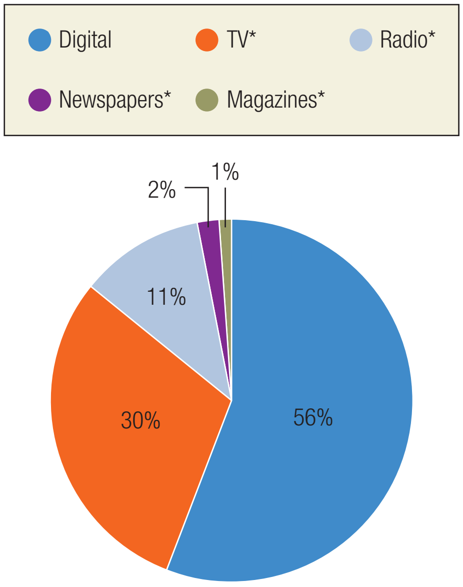
### 1.2b Changes in Products and Selection

The variety and assortment of goods and services offered for sale on the Internet and in traditional stores is staggering. Companies that have followed a digital-first strategy, such as ColourPop Cosmetics, are often able to undercut prices of established retail brands and introduce new products more quickly.[4] Increased transaction efficiency allows customers to fulfill their needs more easily and conveniently than ever before. Furthermore, the vast amounts of information available online has changed the way we communicate, read the news, and entertain ourselves. Customers have the news delivered to them automatically via smartphone apps that pull from hundreds of sources. According to Pew Research Center, 20 percent of U.S. adults read the news via social media.[5] This radical increase in product selection and availability has exposed marketers to inroads by competitors from every corner of the globe. In addition, the ways that products are delivered have eliminated the need for thousands of products, changing how marketers create a mix for retail and online stores. The smartphone and mobile technology have reduced or replaced entire sections of retail stores (e.g., CDs/DVDs, books, maps, audio components, magazines, cameras), making the focus of most marketing efforts on consumable and household goods not easily replaced by digital and technology-enabled products. Thus, changes to products, availability of them, and increases to varieties available provide challenges to marketers.

### 1.2c Audience and Media Fragmentation

Changes in media usage and the availability of new media outlets have forced marketers to rethink the way they communicate with potential customers. Television audiences have also been a favorite for marketing messages on broadcast networks such as ABC, CBS, and NBC and cable networks such as ESPN, HGTV, Nickelodeon, and the Discovery Channel. However, today most visual content is delivered via these traditional means and also through online streaming. In addition to visual content, traditional radio audiences have transitioned to streaming services, such as Spotify, Pandora, or YouTube, greatly reducing large audience concentrations based on geographic locations and demographic listenership. These changes make it increasingly difficult for marketers to reach a true mass audience. Media audiences have become fragmented due to (1) the sheer number of media choices we have available today and (2) the limited time we have to devote to any one medium. As shown in Exhibit 1.2, consumers spent significantly more time with digital media (e.g., podcasts, streaming, websites) than traditional media, such as newspapers and magazines. However, despite the challenge of reaching mass audiences today, media fragmentation does have a big advantage: It is easier to reach small, highly targeted audiences who are more receptive to specific marketing messages. Thus, for some marketing situations, opportunities exist with small audiences (e.g., products focused on specific customers, such as wind surfers or rock climbers), but for others it has become increasingly difficult to spread messages to a large audience (e.g., political campaigns desiring to reach the entire U.S. population).

**EXHIBIT 1.2** Time Spent with Media



*Excludes digital

*Note: Adults age 18+; time spent with each medium includes all time spent with that medium, regardless of multitasking.*

Source: Mark Dolliver, "US Time Spent With Media 2019," *eMarketer*, May 30, 2019, https://www.emarketer.com/content/us-time-spent-with-media-2019 (accessed February 25, 2020).

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### 1.2d Changing Value Propositions

Even before the Great Recession, consumers and business buyers were already facing increasing costs associated with energy, food, building materials, and other essentials. Then, as the economy weakened, buyers were forced to tighten their belts and look for other ways to lower expenses. For example, instead of using travel agents, consumers can use Expedia, and instead of hiring a real estate agent, they can sell their own house on Redfin. Consequently, many marketers learned a tough lesson: In situations where customers see goods and services as commodities, they will turn to the most convenient, least-expensive alternative.

Though the economy recovered from the recession, this and other economic hardships, such as the recession caused by the COVID-19 pandemic, have forced consumer and business buyers to rethink value propositions and focus on the importance of frugality and value. The effects on business have been dramatic. Long-established retailers such as Pier 1 Imports and Forever 21 have filed for bankruptcy protection in the face of a highly commoditized market and stiff competition from online retailers such as Amazon. A similar shakeout happened in the book retailing segment. Barnes & Noble, formerly the dominant book retailer in the United States, was sold to a hedge fund amid declining book sales as online retailers lured its shoppers away.[6] Likewise, the prevalence of e-books and digital downloads have had a profound impact on traditional book publishing. Because books have become highly commoditized, consumers typically search for the lowest prices, convenience, and selection found online versus the static inventories offered by traditional bookstores. This same trend is common across other entertainment categories, such as movie theaters, sporting events, and even music concerts, with many opting for in-home, digital delivery at lower costs in the convenience of their homes.

### 1.2e Shifting Demand Patterns

In some cases, changes in technology have shifted customer demand for certain product categories. News is one well-known example, where traditional newspapers are slowly disappearing while online and mobile news continues to grow. Now, many newspaper companies have failed, some are on the brink of closing, while others have cut publication to only a few days per

ouTube
prime video
NETFLIX
HBO
SAMSUNG

Manuel Esteban/Shutterstock.com

Hollywood film studios have consolidated as streaming platforms such as Netflix and Amazon Prime Video release an increasing amount of original content.

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week. Another example is the explosive growth in the digital distribution of music and video. The success of Apple Music, YouTube, Spotify, Netflix, and Disney+, along with the continuing integration of television and computers, has dramatically shifted demand for the music and movie industries. The direct-to-consumer streaming model has irreversibly altered the entertainment industry on a global scale.[7] Recently, pharmacies have fallen prey to changes in demand. The increasingly competitive pharmaceutical business has led to delivery of prescriptions and a few major pharmacy chains dominating the market. Local, independent, and even grocery store pharmacies are closing at a rapid pace as insurance providers and consumer preferences drive new supply pressures and demand changes.[8] This trend is not expected to reverse as banks, grocery stores, malls, and specialty stores all struggle to address changing consumer demands for how and where they buy products.

### 1.2f Privacy, Security, and Ethical Concerns

Changes in technology have made our society much more open than in the past. As a result, these changes have forced marketers to address real concerns about security and privacy, both online and offline. Further, businesses have always collected routine information about their customers. Now, customers are much more attuned to these efforts and the purposes for which the information will be used. Though customers appreciate the convenience of e-commerce and mobile access to information, they want assurances that their information is safe and confidential. Concerns over privacy and security are especially acute with respect to online businesses such as Facebook, Google, Amazon, mobile banking, and mobile devices that can track every move we make, literally. In an in-home example, Amazon has responded to concerns over the information collected by its Echo devices that monitor sounds in the home, waiting to hear voice commands. In response to consumer privacy concerns, Amazon has improved the ability of consumers to discover what is monitored and limit what is recorded. New features include easy viewing and deletion of audio transcripts.[9] These same concerns are also critical with respect to children. For example, many well-known and respected companies such as YouTube have been fined for violating the standards of the Children's Online Privacy Protection Act (COPPA), which can be reviewed in Exhibit 1.3. Overall, privacy, security, and ethical concerns are of great importance to not only consumers but also marketers.

**EXHIBIT 1.3** **Six Steps to Children's Online Privacy Protection Act (COPPA) Compliance**

The Children's Online Privacy Protection Act applies to operators of commercial websites and online services that attempt to collect personal information from children under the age of 13. The law explains what must be included in the firm's privacy policy, when and how to seek verifiable consent from a parent or guardian, and the firm's responsibilities to protect children's privacy and safety. Firms cannot evade the law's provisions by claiming that children under 13 cannot visit their sites, nor can they make information optional or ask the visitor's age.

In implementing the provisions of COPPA, the FTC issued the Children's Online Privacy Protection Rule, which is designed to give parents control over the information that is collected from their children. The rule requires website operators to:

1. Determine if their company is a website or online service that collects personal information from kids under 13.
2. Post a privacy policy that complies with COPPA.
3. Notify parents directly before collecting personal information from their kids.
4. Get parents' verifiable consent before collecting information from their kids.
5. Honor parents' ongoing rights with respect to information collected from their kids.
6. Implement reasonable procedures to protect the security of kids' personal information.

Source: Adapted from United States Federal Trade Commission, "Children's Online Privacy Protection Rule: A Six-Step Compliance Plan for Your Business," https://www.ftc.gov/tips-advice/business-center/guidance/childrens-online-privacy-protection-rule-six-step-compliance (accessed February 27, 2020).

### 1.2g Unclear Legal Jurisdiction

When a company does business in more than one country (as many Internet-based firms do), that company often faces a dilemma with respect to differing legal systems. Today, this difference is especially important for firms that do business in both the United States and China. Google, for example, faces a difficult situation in dealing with the Chinese government's censorship demands. The company worked with the Chinese government on a secret project called Dragonfly to censor aspects of some of their sites to enter the market. Though Dragonfly was ultimately terminated, Google's vice president of public policy would not commit to the U.S. Senate to not engage in censorship in China in the future.[10] Doing business in China is also an issue with respect to protection of intellectual property rights, where Chinese laws do not offer the same protections found in the United States. For example, Chinese piracy costs the U.S. economy $225 to $600 billion each year. Most of this is in the information sector, with high-tech and manufacturing also showing sizable losses due to infringements of intellectual property rights by Chinese firms.[11]

Another important legal issue involves the collection of sales tax for online transactions. In the early days of e-commerce, most online merchants did not collect sales taxes for online transactions—giving them a big advantage against store-based merchants. A 1992 U.S. Supreme Court decision exempted out-of-state retailers from collecting sales taxes in states where they had no physical presence. A 2018 decision took a different stance, ruling that states have the ability to require online retailers to collect sales tax.[12] Although the full effect of these challenges will not be recognized for some time, circumstances have forced businesses to move ahead by adjusting their marketing activities at both the strategic and tactical levels. As we review the major marketing concepts and activities in this chapter, we will look at how today's challenges have affected strategic planning in these areas.

## 1.3 BASIC MARKETING CONCEPTS

Marketing is many different things. Many people, especially those not employed in marketing, see marketing as a function of business. From this perspective, marketing parallels other business functions such as production/operations, research, management, human resources, and accounting. As a business function, the goal of marketing is to connect the organization to its customers by promoting a customer-centric view that places the customer at the heart of all strategy and decision making. Other individuals, particularly those working in marketing jobs, tend to see marketing as a process of managing the flow of products from the point of conception to the point of consumption. The field's major trade organization, the American Marketing Association (AMA), has changed the definition of marketing over time to reflect changes in the economic and business environments. From 1985 until 2005, the AMA defined marketing this way:

> *Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.*[13]

Note how this definition focuses on the four Ps, or the marketing mix (product, price, place, and promotion). In 2005, the AMA changed the definition to better reflect the realities of competing in the marketplace:

> *Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.*[14]

This definition shifts the focus away from the marketing mix and toward value creation for customers. In 2007, the AMA changed the definition of **marketing** again:

> *Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.*[15]

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Notice that the changes in the definition are not merely cosmetic in nature. The older definitions focused on the process of marketing to deliver value and manage customer relationships. The most recent definition shifts from "value" to "offerings that have value." Also, the notion of stakeholders is made more explicit. Why would the AMA make these changes? First, breaking free from commodity status means finding ways to differentiate the offering. The new definition recognizes that differentiation can come from any part of the offering, whereas older conceptualizations of marketing placed the burden of differentiation on the product itself. The second reason has to do with marketing's broader role in today's corporation. Firms don't just sell products; they sell the firm as a whole. Corporate relationships with partners, media, government, investors, employees, and society are every bit as important as relationships with customers. These types of relationships—which grow and thrive on exceptional value—are an absolute necessity in the commodity-driven status of many product markets. While the older definitions of marketing had a decidedly transactional focus, the new definition emphasizes long-term relationships that provide value for both the firm and its stakeholders.

A final way to think about marketing relates to meeting human and social needs. This broad view links marketing with our standard of living, not only in terms of enhanced consumption and prosperity but also in terms of society's well-being. Through marketing activities, consumers can buy cars from South Korea and wines from South Africa; organizations can earn a viable profit, making both employees and shareholders happy. However, marketing must also bear responsibility for any negative effects it may generate. This view demands that marketers consider the social and ethical implications of their actions, and whether they practice good citizenship by giving back to their communities. Firms can successfully meet human and social needs through socially responsible marketing and business practices. This view is becoming increasingly accepted, as illustrated by a recent statement issued by the Business Roundtable, a nonprofit association of nearly 200 top executives, that states the purpose of a corporation should be more than the interests of its shareholders. The group adds that corporations must also invest in their employees, protect the environment, and deal fairly and ethically with their suppliers.[16]

Let's take a closer look at several basic marketing concepts. As we will see, ongoing changes in today's economy have forever altered our way of thinking about these foundational aspects of marketing.

### 1.3a What Is a Market?

At its most basic level, a **market** is a collection of buyers and sellers. We tend to think of a market as a group of individuals or institutions that have similar needs that can be met by a particular product. For example, the housing market is a collection of buyers and sellers of residential real estate, while the automobile market includes buyers and sellers of automotive transportation. Marketers or sellers tend to use the word *market* to describe only the buyers. This basic understanding of a market has not changed in a very long time. What has changed, however, is not so much the "what" but the "where" of a market, that is, the location of the buyers and sellers. In both consumer markets (like housing and automobiles) and business markets (like replacement parts and raw materials), the answer to the "where" question is quickly becoming "anywhere" as markets become less defined by geography. Increasingly, the market is a virtual market, spanning borders and boundaries via online platforms. Online markets such as Etsy and those created by pictures and experiences (often linked through sites such as Pinterest or Instagram) provide places where like-minded consumers can congregate, compare, exchange, and promote products and ideas—the essence of a market.

Until recently, marketers have considered a **marketplace** to be a physical location where buyers and sellers meet to conduct transactions. Although those venues (e.g., grocery stores, malls, flea markets) still exist, technology mediates some of the fastest growing markets. Early in the beginning of the dot-com era, the term **marketspace** was coined to describe these electronic marketplaces unbound by time or space.[17] Today, we refer to these electronic marketplaces as online markets or e-commerce. In e-commerce, physical goods, services, and information are exchanged through the Internet. Amazon has become the e-commerce equivalent of a shopping mall as