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*To Nancy, Allen, Carmen, Gracie, Mike, Ashley,
Charlie, J.R., and Anderson Pride*

*To James Collins Ferrell and
George Collins Ferrell*

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MARKETING: A KEY TO SUCCESS

This edition of *Marketing* has been revised to capture changes that will determine the future of marketing. Marketing knowledge is important to every student's success, regardless of their career path. There is significant evidence that marketing is becoming a more important function in organizations, and students will need to be prepared to understand opportunities and challenges from a marketing perspective. This new edition provides the concepts, frameworks, and engagement in decision-making experiences that will prepare students for their careers. It is not enough to learn terminology and memorize concepts. What we teach students today could be obsolete in five or ten years. We need to prepare them to engage in critical thinking and engage in continuous self-development.

Active learning requires a holistic understanding with examples, exercises, and cases facilitated by MindTap, our online teaching experience. MindTap provides relevant assignments that guide students to analyze, apply, and improve thinking, allowing them to measure skills and outcomes with ease. This means that students using this book should develop respect for the importance of marketing and understand that the learning of marketing requires in-depth knowledge and the mastering of essential concepts. We have made the learning experience as fresh as possible with available research, new examples and boxes, as well as illustrations.

We address how technology is changing the marketing environment. As students prepare for the new digital world, they will also need to practice developing communication skills, especially teamwork, that go beyond their personal interaction with digital devices. As internet retailing and online business-to-business marketing advances, the importance of supply chain management becomes important in connecting and integrating members of the distribution system. Marketing analytics and artificial intelligence (AI) are defining how decisions are made and implemented. For example, UPS is delivering packages with drones, and driverless cars may be widespread by 2021. All of these advances related to technology are changing marketing activities, strategies, and business models. We address all of these developments to prepare students for the future.

We also provide numerous ancillary materials to aid in student comprehension of marketing concepts as well as to increase instructor resources for teaching this important material. The MindTap materials include building a marketing plan, concept check quizzes on the reading, self-assessments, homework assignments, PowerPoint presentations practice exam preparation tests, videos of real companies, branching activities, flashcards, and more! Additionally, on the instructor companion site, YouTube videos are available for each chapter with worksheets to engage students in applying concepts. Our marketing video case series enables students to learn about how real-world companies address marketing challenges. Our Marketing Plan activities and video program provide students with practical knowledge of the challenges and the planning process of launching a new product. Together these revisions and additional materials will assist students in gaining a full understanding of pertinent marketing practices.

Online social networking has become an increasingly powerful tool for marketers. Most discussions about marketing today bring up issues such as how digital media can lower costs, improve communications, provide better customer support, and achieve improved marketing research. All elements of the marketing mix should be considered when using digital media

and social networking. We discuss how digital media and social networking tools can create effective digital marketing strategies that can enhance marketing efforts. In addition, the entire book integrates important digital marketing concepts and examples where appropriate.

We have paid careful attention to enhancing all key concepts in marketing and have built this revision to be current and to reflect important changes in marketing. Our book is a market leader because students find it readable and relevant. Our text reflects the real world of marketing and provides the most comprehensive coverage possible of important marketing topics.

Specific details of this extensive revision are available in the transition guide in the *Instructor's Manual*. We have also made efforts to improve all teaching ancillaries and student learning tools. PowerPoint presentations continue to be a very popular teaching device, and a special effort has been made to upgrade the PowerPoint program to enhance classroom teaching. The *Instructor's Manual* continues to be a valuable tool, updated with engaging in-class activities and projects. The authors and publisher have worked together to provide a comprehensive teaching package and ancillaries that are unsurpassed in the marketplace.

The authors have maintained a hands-on approach to teaching this material and revising the text and its ancillaries. This results in an integrated teaching package and approach that is accurate, sound, and successful in reaching students. The outcome of this involvement fosters trust and confidence in the teaching package and in student learning outcomes. Student feedback regarding this textbook is highly favorable.



Promotion Considerations

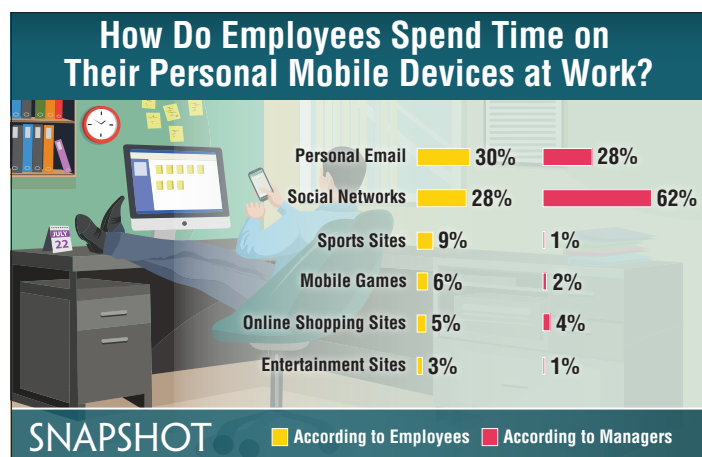
Athleta uses Instagram to spread its #gratefulfor campaign which encourages Athleta fans to share stories of positivity and gratitude.

- **Boxed features.** Each chapter includes two new boxed features that highlight disruptive marketing, creative marketing, integrity in marketing, or entrepreneurship in marketing. Three of these themes are new to this edition.
- **New Snapshot features.** The Snapshot features are new and engage students by highlighting interesting, up-to-date statistics that link marketing theory to the real world.
- **New research.** Throughout the text we have updated content with the most recent research that supports the frameworks and best practices for marketing.
- **New illustrations and examples.** New advertisements from well-known firms are employed to

WHAT'S NEW TO THIS EDITION?

Our goal is to provide the most up-to-date content—concepts, examples, cases, exercises, and data—possible. Therefore, in this revision there are significant changes that make learning more engaging and interesting to the students. The following highlight the types of changes that were made in this revision.

- **Foundational content.** Each chapter has been updated with the latest knowledge available related to frameworks, concepts, and academic research. These additions have been seamlessly integrated into the text. Many examples are new and a review of footnotes at the ends of chapters will reveal where new content has been added.
- **Opening vignettes: *Marketing Insights*.** All of the chapter-opening vignettes are new or updated. They are written to introduce the theme of each chapter by focusing on actual entrepreneurial companies and how they deal with real-world situations.



Source: "Working Hard or Hardly Working? Employees Waste More Than One Day a Week on Non-Work Activities," Robert Half, July 19, 2017, <http://rh-us.mediaroom.com/2017-07-19-WORKING-HARD-OR-HARDLY-WORKING-Employees-Waste-More-Than-One-Day-a-Week-on-Non-Work-Activities> (accessed January 27, 2018).

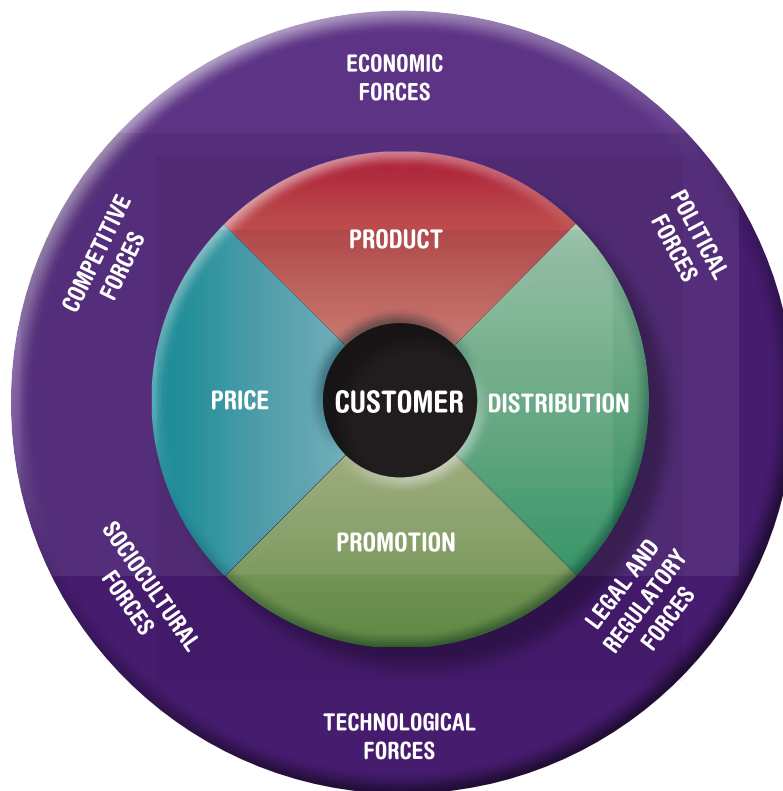
illustrate chapter topics. Experiences of real-world companies are used to exemplify marketing concepts and strategies throughout the text. Most examples are new or updated to include digital marketing concepts as well as several new sustainable marketing illustrations.

- **End-of-chapter cases.** Each chapter contains two cases, including a video case, profiling firms to illustrate concrete application of marketing strategies and concepts. Many of our video cases are new to this edition and are supported by current and engaging videos.
- **YouTube videos.** Each chapter has a YouTube video related to a concept. Student worksheets are available for application. These are all available on the instructor companion site.

FEATURES OF THE BOOK

As with previous editions, this edition of the text provides a comprehensive and practical introduction to marketing that is both easy to teach and to learn. *Marketing* continues to be one of the most widely adopted introductory textbooks in the world. We appreciate the confidence that adopters have placed in our textbook and continue to work hard to make sure that, as in previous editions, this edition keeps pace with changes. The entire text is structured to excite students about the subject and to help them learn completely and efficiently.

- An *organizational model* at the beginning of each part provides a “road map” of the text and a visual tool for understanding the connections among various components.



- *Objectives* at the start of each chapter present concrete expectations about what students are to learn as they read the chapter.
- Every chapter begins with an *opening vignette*. This feature provides an example of the real world of marketing that relates to the topics covered in the chapter. After reading the vignette, the student should be motivated to want to learn more about concepts and strategies that relate to the varying topics. Students will have an opportunity to learn more about organizations such as Chipotle, L’Oréal, Dunkin’ Donuts, Alibaba, and Spotify.

CREATIVE MARKETING

Tiffany Rings Up More through Mobile Marketing

Building on a distinctive brand image forged over more than 180 years, Tiffany & Co. is polishing its marketing strategy for the next generation of fine-jewelry buyers. The firm, known worldwide for diamond rings and other luxury jewelry items, began with a single store in New York City. Today, Tiffany operates more than 300 full-service stores in dozens of countries and rings up \$4 billion in annual sales.

Although the technology and the product designs have changed over the decades, Tiffany's timeless brand has retained its strong upscale

firm's website or checking its popular accounts on Pinterest, Facebook, Google+, YouTube, Twitter, or Instagram. All are awash in Tiffany Blue, which is also the color of its official Snapchat icon.

When the firm first developed its mobile marketing strategy, Lacaze says company marketers were "scared of showing expensive products on a tiny screen," fearing the impact would be lost. However, Tiffany quickly discovered that smartphone users don't just look, they actually click to see more. As a result, the firm now posts extra-

- **Boxed features**—*Creative Marketing* and *Disruptive Marketing*—capture dynamic changes in marketing. These changes are influencing marketing strategies and customer behavior. Strong feedback from adopters indicated the need for coverage in these areas.

- The *Creative Marketing* feature explores unique marketing approaches at Tiffany's, Airbnb, ipsis, and Volition.
- The *Disruptive Marketing* boxes cover such marketing phenomena as Blockchain, apparel rental, and flash sales. Featured companies include IKEA, Amazon, Google, and Zappos.

DISRUPTIVE MARKETING

Making Meaning Out of Big Data: Marketing Analytics



The field of marketing research is changing. Where it was once dominated by focus groups and surveys, today's marketers are increasingly turning to marketing analytics to glean customer insights. Big data and marketing analytics are being used to disrupt industries across the board. A report found that large business-to-consumer firms are planning to increase their spending on marketing analytics by almost 100 percent in a three-year period. Eighty-three percent of business leaders nurse their data pro-

is important in identifying marketing channels that increase ROI.

It is not enough simply to record big data. The hard part is determining which small bits of information among massive data files will reveal significant customer insights. However, interpreting big data correctly can help marketers recognize trends they never would have realized existed otherwise. For instance, one analytics firm helped a mobile phone manufacturer determine that the main reason consumers bought its phone

INTEGRITY IN MARKETING

Patagonia Unzips Its Advertising Strategy: Don't Buy This Jacket

One of apparel store Patagonia's most popular advertisements features its popular R2 coat with the headline: "Don't Buy This Jacket." In the copy, the advertisement explains that although the R2 uses recycled materials, it is still harmful to the environment. Patagonia advocates for decreased consumption where consumers purchase less (also termed green demarketing).

Patagonia was founded upon environmental principles with a three-part mission: sell quality products, cause no unnecessary harm, and find business solutions to environmental issues. Because excessive consumption generates waste, encouraging consumers to purchase less demonstrates Patagonia's environmental commitment. Patagonia wants consumers

developed a film showing fans wearing old Patagonia clothing held together by duct tape, demonstrating the value of less consumption. Patagonia also announced it would donate 100 percent of proceeds from sales generated on the day after Thanksgiving to environmental causes.

Because Patagonia clothing lasts a long time, its marketing indirectly promotes its own products as a solution to the constant need to replace worn-out apparel. The company even urges consumers to return worn-out merchandise so Patagonia can recycle it into something else. This approach resonates with consumers as sustainable consumption becomes an important sociocultural value.

- In the *Integrity in Marketing* boxed features, topics such as ethics, sustainability, privacy, and social responsibility are considered. Featured companies include Chick-fil-A, Flowers for Dreams, Unilever, Starbucks, REI, and Patagonia.

- The *Entrepreneurship in Marketing* feature focuses on the role of entrepreneurship and the need for creativity in developing successful marketing strategies by featuring successful entrepreneurial companies such as Blue Bottle Coffee, Harmless Harvest, Halo Top Ice Cream, Haney's Appledale Farm, Louisville Slugger, and Tastefully Simple.

ENTREPRENEURSHIP IN MARKETING

Halo Top Ice Cream Tops Pint Sales Charts

How does an entrepreneur with no food or marketing experience create an ice cream brand that holds its own with industry giants like Häagen-Dazs and Ben & Jerry's? Smart target marketing. Justin Woolverton was a sweets-loving lawyer when he started testing recipes for a lower-calorie, higher-protein ice cream. After months of experimentation, he settled on a recipe sweetened with stevia to slash the calorie count without sacrificing flavor—a key benefit desired by health-conscious Millennials. In fact, a pint of Halo Top has fewer calories and more protein than a pint of traditional ice cream.

Packaging reflects another of Woolverton's insights. Consumers in his target market want to spoon their way through the whole pint in one sitting, without guilt. As a result, Halo Top is sold only in pints

prominently labeled with the calorie count for product differentiation. Under the lid, the foil seal encourages buyers to go ahead and indulge: "Stop when you hit the bottom." And, to tempt variety-seeking Millennial palates, Halo Top comes in buzz-worthy flavors like cinnamon roll, rainbow swirl, and pancakes and waffles, as well as perennial favorites like vanilla bean.

As Halo Top appeared on store shelves, Woolverton revved up outreach to his target market via Facebook and Instagram. Fans quickly added their comments and images, building word-of-mouth authenticity for the young brand, and sending its total follower count over the one-million mark. Before Halo Top reached its fifth birthday, its pint sales had outstripped the pint sales of the best-established brand names in the ice-cream industry for the first time.

- **Key term definitions** appear in the margins to help students build their marketing vocabulary.
- Figures, tables, photographs, advertisements, and Snapshot features increase comprehension and stimulate interest.
- A complete *chapter summary* reviews the major topics discussed, and the list of important terms provides another end-of-chapter study aid to expand students' marketing vocabulary.
- *Discussion and review questions* at the end of each chapter encourage further study and exploration of chapter content.
- The *Developing Your Marketing Plan* feature allows students to explore each chapter topic in relation to developing and implementing a marketing plan.

- Two *cases* at the end of each chapter help students understand the application of chapter concepts. One of the end-of-chapter cases is related to a video segment. Some examples of companies highlighted in the cases are Crayola, Salesforce.com, Netflix, Instagram, Rebecca Minkoff, and Louis Vuitton.
- A *strategic case* at the end of each part helps students integrate the diverse concepts that have been discussed within the related chapters. Examples include Whole Foods, Uber, Nike, and Gelson's Market.
- *Online appendices* discuss marketing career opportunities, explore financial analysis in marketing, and present a sample marketing plan. All of these appendices appear online on the instructor and student companion sites and in MindTap.
- A comprehensive *glossary* defines more than 600 important marketing terms.

TEXT ORGANIZATION

We have organized the eight parts of *Marketing* to give students a theoretical and practical understanding of marketing decision making.

Part 1 Marketing Strategy and Customer Relationships

In *Chapter 1*, we define marketing and explore several key concepts: customers and target markets, the marketing mix, relationship marketing, the marketing concept, and value-driven marketing. In *Chapter 2*, we look at an overview of strategic marketing topics, such as the strategic planning process; corporate, business-unit, and marketing strategies; the implementation of marketing strategies; performance evaluation of marketing strategies; and the components of the marketing plan.

Part 2 Environmental Forces and Social and Ethical Responsibilities

We examine competitive, economic, political, legal and regulatory, technological, and sociocultural forces that can have profound effects on marketing strategies in *Chapter 3*. In *Chapter 4*, we explore social responsibility and ethical issues in marketing decisions.

Part 3 Marketing Research and Target Market Analysis

In *Chapter 5*, we provide a foundation for analyzing buyers with a look at marketing information systems and the basic steps in the marketing research process. We look at elements that affect buying decisions to better analyze customers' needs and evaluate how specific marketing strategies can satisfy those needs. In *Chapter 6*, we deal with how to select and analyze target markets—one of the major steps in marketing strategy development.

Part 4 Buying Behavior, Global Marketing, and Digital Marketing

We examine consumer buying decision processes and factors that influence buying decisions in *Chapter 7*. In *Chapter 8*, we explore business markets, business customers, the buying center, and the business buying decision process. *Chapter 9* focuses on the actions, involvement, and strategies of marketers that serve international customers. In *Chapter 10*, we discuss digital marketing, social media, and social networking.

Part 5 Product Decisions

In *Chapter 11*, we introduce basic concepts and relationships that must be understood to make effective product decisions. Also, we discuss a number of dimensions associated with branding and packaging. We analyze a variety of topics regarding product management in *Chapter 12*, including line extensions and product modification, new-product development, and product deletions. *Chapter 13* discusses services marketing.

Part 6 Distribution Decisions

In *Chapter 14*, we look at supply chain management, marketing channels, and the decisions and activities associated with the physical distribution of products, such as order processing, materials handling, warehousing, inventory management, and transportation. *Chapter 15* explores retailing and wholesaling, including types of retailers and wholesalers, direct marketing and selling, and strategic retailing issues.

Part 7 Promotion Decisions

We discuss integrated marketing communications in *Chapter 16*. The communication process and major promotional methods that can be included in promotion mixes are described. In *Chapter 17*, we analyze the major steps in developing an advertising campaign. We also define public relations and how it can be used. *Chapter 18* deals with personal selling and the role it can play in a firm's promotional efforts. We also explore the general characteristics of sales promotion and describe sales promotion techniques.

Part 8 Pricing Decisions

In *Chapter 19*, we discuss the importance of price and look at some characteristics of price and nonprice competition. We explore fundamental concepts such as demand, elasticity, marginal analysis, and breakeven analysis. We then examine the major factors that affect marketers' pricing decisions. In *Chapter 20*, we look at the six major stages of the process marketers use to establish prices.

A COMPREHENSIVE INSTRUCTIONAL RESOURCE PACKAGE

For instructors, this edition of *Marketing* includes an exceptionally comprehensive package of teaching materials.

Instructor's Manual

The *Instructor's Manual* has been revamped to meet the needs of an engaging classroom environment. It has been updated with diverse and dynamic discussion starters, classroom activities, and group exercises. It includes such tools as:

- Quick Reference Guide to see the available key terms, overview of the learning objectives, and major topic in each chapter
- What's New in Each Chapter?
- Purpose Statements
- Integrated Lecture Outlines
- Discussion Starter recommendations that encourage active exploration of the in-text examples
- Class Exercises and Semester Project Activities
- Suggested Answers to end-of-chapter exercises, cases, and strategic cases

Test Bank

The test bank provides more than 4,000 test items, including true/false, multiple-choice, and essay questions. In this edition, you will find several new questions for each learning objective. Each objective test item is accompanied by the correct answer, appropriate Learning Objective, level of difficulty, Bloom's level of thinking, Program Interdisciplinary Learning Outcomes,

and Marketing Disciplinary Learning Outcomes. Cengage Learning Testing powered by Cognero is a flexible, online system that allows you to:

- Author, edit, and manage test bank content from multiple Cengage Learning solutions
- Create multiple test versions in an instant
- Deliver tests from your LMS, your classroom, or wherever you want

American Marketing Association Professional Certified Marketer®

The American Marketing Association has recently started offering marketing graduates the opportunity of adding the AMA PCM® credentials to their undergraduate or MBA degree, which can serve as a symbol of professional excellence that affirms mastery of marketing knowledge and commitment to quality in the practice of marketing. Certification, which is voluntary, requires passing a rigorous and comprehensive exam and then maintaining the certification through continuing education. Earning an AMA PCM certification demonstrates to employers, peers, and clients that the holder:

- Has mastered essential marketing knowledge and practices
- Goes the extra mile to stay current in the marketing field
- Follows the highest professional standards

The AMA recommends Pride and Ferrell's *Marketing* as a suggested resource for AMA PCM students to utilize as they prepare for taking the AMA PCM certification exam, and the text was used as a source to design the course and as a source for suitable examination questions. Now, more than ever, you need to stand out in the marketplace. AMA's Professional Certified Marketer (PCM®) program is the perfect way to showcase your expertise and set yourself apart.

To learn more about the American Marketing Association and the AMA PCM exam, visit <https://www.ama.org/events-training/Certification/Pages/digital-marketing-certification.aspx>.

PowerPoint Slides

PowerPoint continues to be a very popular teaching device, and a special effort has been made to upgrade the PowerPoint program to enhance classroom teaching. Premium lecture slides, containing such content as advertisements, and unique graphs and data, have been created to provide instructors with up-to-date, unique content to increase student application and interest.

Marketing Video Case Series

This series contains videos specifically tied to the video cases found at the end of each chapter. The videos include information about exciting companies such as Apple, Tesla, Ford, Instagram, and Warby Parker. MindTap video exercises provide students with opportunities to use the videos to test and expand their knowledge. Also included are YouTube videos that have been selected by the authors specifically to be used in the classroom to engage students and illustrate marketing concepts.

MindTap for Marketing

MindTap is a personalized teaching experience with relevant assignments that guide students to analyze, apply, and improve thinking, allowing them to measure skills and outcomes with ease.

- Personalized Teaching: Becomes yours with a learning path that is built with key student objectives. Control what students see and when they see it. Use it as-is or match to your syllabus exactly—hide, rearrange, add, and create your own content.

Part	Activities
Part 1: Marketing Strategy and Customer Relationships (Chs. 1-2)	33 activities
Part 2: Environmental Forces and Social and Ethical Responsibilities (Chs. 3-4)	31 activities
Part 3: Marketing Research and Target Market Analysis (Chs. 5-6)	32 activities
Part 4: Buying Behavior, Global Marketing, and Digital Marketing (Chs. 7-10)	58 activities
Part 5: Product Decisions (Chs. 11-13)	46 activities
Part 6: Distribution Decisions (Chs. 14-15)	31 activities
Part 7: Promotion Decisions (Chs. 16-18)	49 activities
Part 8: Pricing Decisions (Chs. 19-20)	31 activities
Appendices	3 activities

- **Guide Students:** A unique learning path of relevant readings, multimedia, and activities that move students up the learning taxonomy from basic knowledge and comprehension to analysis and application.
- **Promote Better Outcomes:** Empower instructors and motivate students with analytics and reports that provide a snapshot of class progress, time in course, and engagement and completion rates.

Author's Website

The authors also maintain a website at <http://prideferrell.net> to provide additional video resources that can be used as supplements and class exercises. The videos have been developed as marketing labs with worksheets for students to use after observing the videos. Some of the videos are accessible through links, and there is also information on where some of the videos can be obtained. These videos are in addition to the new set of YouTube videos described earlier.

Building a Marketing Plan

The marketing plan has been expanded into eight parts that walk students through the steps of building a marketing plan as they finish relevant content in the book. These flexible, modular assignments allow you to assign a complete marketing plan in stages—or pick only specific sections to assign. Featuring fill-in-the-blank response fields for quick review of student-provided information and corresponding templates for students to complete and upload, these assignments present a flexible, course-integrated way to give students experience thinking through and building out a marketing plan.

In addition, there is a section entitled *Developing Your Marketing Plan* at the end of each chapter. These application-focused sections contain exercises that help students to relate chapter content to the development of marketing plans.

SUPPLEMENTS TO MEET STUDENT NEEDS

The MindTap has been updated with key features to help address your students' needs and engage them in the material. It is the digital learning solution that powers students from memorization to mastery by challenging students to apply what they have learned, instead of just recalling the information, with activities such as You Make the Decision and Video Quizzes. It gives you complete control of your course—to provide engaging content, to challenge every individual, and to build their confidence.

Other MindTap activities include:

- Self-Assessments
- Chapter Assignments
- Concept Checks
- Adaptive Test Prep (Test Your Knowledge)
- Flashcards
- PowerPoint slides
- And more!

YOUR COMMENTS AND SUGGESTIONS ARE VALUED

As authors, our major focus has been on teaching and preparing learning materials for introductory marketing students. We have traveled extensively to work with students and to understand the needs of professors of introductory marketing courses. We both teach this marketing course on a regular basis and test the materials included in the book, test bank, and other ancillary materials to make sure they are effective in the classroom.

Through the years, professors and students have sent us many helpful suggestions for improving the text and ancillary components. We invite your comments, questions, and criticisms. We want to do our best to provide materials that enhance the teaching and learning of marketing concepts and strategies. Your suggestions will be sincerely appreciated. Please write us, or e-mail us at w-pride@tamu.edu or ocferrell@gmail.com, or call 979-845-5857 (Bill Pride).

Acknowledgments

Like most textbooks, this one reflects the ideas of many academicians and practitioners who have contributed to the development of the marketing discipline. We appreciate the

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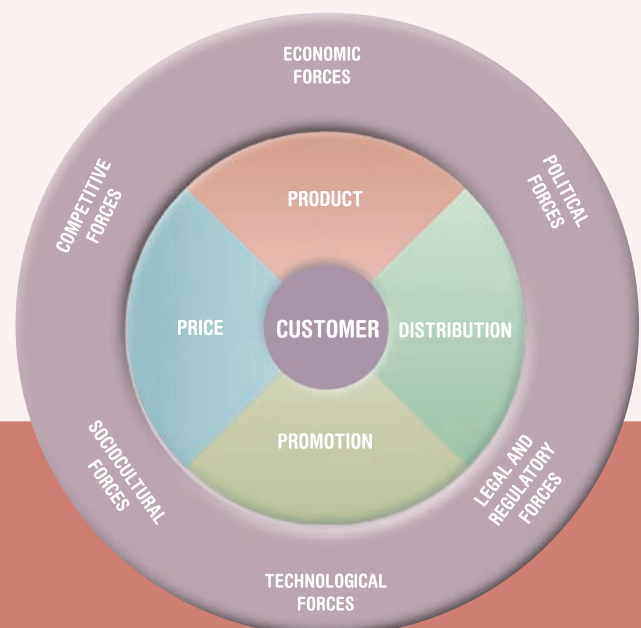
Marketing Strategy and Customer Relationships

- 1 An Overview of Strategic Marketing
- 2 Planning, Implementing, and Evaluating Marketing Strategies

PART 1 introduces the field of marketing and offers a broad perspective from which to explore and analyze various components of the marketing discipline.

CHAPTER 1 defines *marketing* and explores some key concepts, including customers and target markets, the marketing mix, relationship marketing, the marketing concept, and value.

CHAPTER 2 provides an overview of strategic marketing issues, such as the effect of organizational resources and opportunities on the planning process; the role of the mission statement; corporate, business-unit, and marketing strategies; and the creation of the marketing plan.





MONKEY BUSINESS IMAGES/SHUTTERSTOCK.COM

CHAPTER

1

An Overview of Strategic Marketing

LEARNING OBJECTIVES

- 1-1** Define marketing.
- 1-2** Explain the different variables of the marketing mix.
- 1-3** Describe how marketing creates value.
- 1-4** Briefly explore the marketing environment.
- 1-5** Summarize the marketing concept.
- 1-6** Identify the importance of building customer relationships.
- 1-7** Explain why marketing is important to our global economy.

M A R K E T I N G I N S I G H T S



Amazon Sells Everything from A to Z

Jeff Bezos came up with the idea for an online bookstore after hearing about the rapid growth of web usage. Before Google or eBay came on the scene, Bezos quit his job in finance and founded Amazon in 1994. When books proved to be a successful product, he asked some of his customers what else he should sell on the site. The response was overwhelming. Bezos realized Amazon met a customer need that was greater than books: convenience.

Today, Amazon sells everything from toys and clothing to ebooks and groceries. Amazon's market orientation has led to its growth beyond retail to content as consumer behavior on the web continues to evolve. The site is now the source of original, award-winning shows such as *Transparent* as part of its Amazon Prime offering. Bezos attributes Amazon's success to its focus on the customer instead of the competition. For example, in order to maintain and build an exchange relationship with its customers, Amazon offers an A-to-z Guarantee that protects against damaged goods and late deliveries.

Amazon provides products that satisfy customer needs; and, despite its immense success, the company

believes it can create even more value for more customers. For instance, Amazon offers a reduced Prime membership to consumers with an Electronic Benefit Transfer (EBT) card to attract low-income customers. With its vast network of partnerships and cost efficiencies, Amazon often uses price as a competitive tool. The company has also set its sights on Generation Z with a feature that allows users to create supervised accounts for their teenagers so they can make parent-approved purchases.

In another move to become an indispensable part of every household, Amazon has continued to evolve the Amazon Echo, a voice-controlled digital assistant. Through the Echo, users can check the weather, get news alerts, play games, control connected smart home devices, and more. Prime users, roughly two-thirds of U.S. households, can also order prime-eligible items. Additionally, Amazon is transforming grocery shopping with its recent purchase of Whole Foods. The company plans to integrate various aspects of Whole Foods, Prime Now two-hour delivery, and AmazonFresh grocery delivery to explore new ways to meet customer needs.¹

Like all organizations, Amazon strives to provide products that customers want, communicate useful information about them to excite interest, make them available when and where customers want to buy them, and price them appropriately. Even if an organization does all these things well, however, competition from marketers of similar products, economic conditions, and other factors can affect the company's success. Such factors influence the decisions that all organizations must make in strategic marketing.

This chapter introduces the strategic marketing concepts and decisions covered throughout the text. First, we develop a definition of *marketing* and explore each element of the definition in detail. Next, we explore the importance of value-driven marketing. We also introduce the marketing concept and consider several issues associated with its implementation. Additionally, we take a look at the management of customer relationships and relationship marketing. Finally, we examine the importance of marketing in a global society.

Learning Objective 1-1

Define marketing.

marketing The process of creating, distributing, promoting, and pricing goods, services, and ideas to facilitate satisfying exchange relationships with customers and to develop and maintain favorable relationships with stakeholders in a dynamic environment

1-1 DEFINING MARKETING

If you ask several people what *marketing* is, you are likely to hear a variety of descriptions. Although many people think marketing is advertising or selling, marketing is much more complex than most people realize. In this book, we define **marketing** as the process of creating, distributing, promoting, and pricing goods, services, and ideas to facilitate satisfying exchange relationships with customers and to develop and maintain favorable relationships with stakeholders in a dynamic environment. Our definition is consistent with that of the American Marketing Association (AMA), which defines *marketing* as “the

activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”²

The essence of marketing is to develop satisfying exchanges from which both customers and marketers benefit. The customer expects to gain a reward or benefit greater than the costs incurred in a marketing transaction. The marketer expects to gain something of value in return, generally the price charged for the product. Through buyer–seller interaction, a customer develops expectations about the seller's future behavior. To fulfill these expectations, the marketer must deliver on promises made. Over time, this interaction results in relationships between the two parties. Fast-food restaurants such as Wendy's and Chick-fil-A depend on repeat purchases from satisfied customers—many often live or work a few miles from these restaurants—whereas customer expectations revolve around tasty food, value, and dependable service.

The marketing-mix variables—which include product, distribution, promotion, and price—are often viewed as controllable because they can be modified. However, there are limits to how much marketing managers can alter them. Competitive forces, economic conditions, political forces, laws and regulations, technology, and sociocultural forces shape the decision-making environment for controllable variables. While some products are tangible goods, services are also products and represent a significant part of the economy. Entire industries such as health care, entertainment, sports, hospitality, and tourism provide services.



Appealing to Target Markets

LifeProof appeals to consumers with an active lifestyle.

1-1a Marketing Focuses on Customers

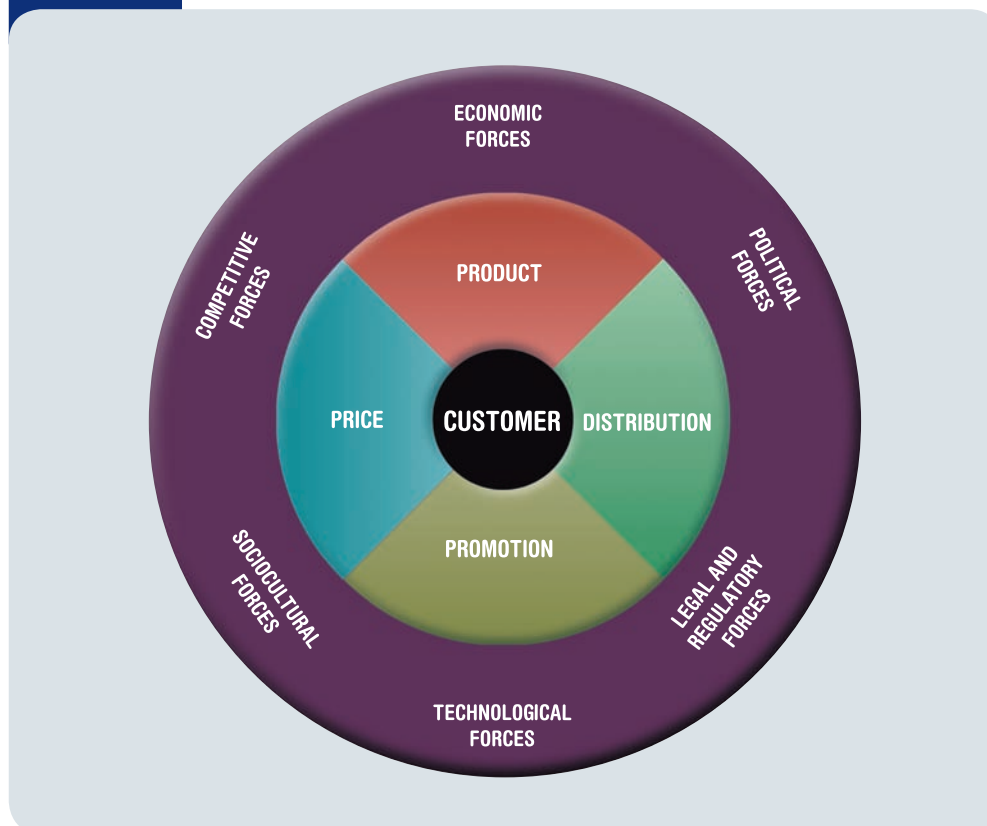
As the purchasers of the products that organizations develop, distribute, promote, and price, **customers** are the focal point of all marketing activities (see Figure 1.1). Organizations have to define their products not as what the companies make or produce but as what they do to satisfy customers. As the advertisement indicates, LifeProof phone cases are designed for consumers that want a durable case for an active lifestyle. The case provides an advantage to consumers that want a dropproof, dirtproof, and snowproof phone case.

Organizations generally focus their marketing efforts on a specific group of customers, called a **target market**. Marketing managers may define a target market as a vast number of people or a relatively small group. For instance, marketers are increasingly interested in Hispanic consumers as they constitute a population of more than 59 million and buying power of more than \$1.5 trillion.³ Within the last decade, Hispanics made up more than half of the population gains in the United States. As a result, marketers are developing new ways to reach this demographic. For instance, online retail giant Amazon includes Spanish language options to its site.⁴ Some companies target multiple markets with different products, distribution systems, promotions, and prices for each one while others focus on a smaller niche market. Comcast, for example, offers solutions for consumers as well as small businesses and larger enterprises. While consumer-oriented products and services make up the majority of its business, business services is their fastest growing segment.⁵ Home Depot, on the other hand, targets a number of markets with thousands of items. It provides home improvement products for both household consumers and contractors.

customers The purchasers of organizations' products; the focal point of all marketing activities

target market A specific group of customers on whom an organization focuses its marketing efforts

Figure 1.1 Components of Strategic Marketing



Learning Objective 1-2

Explain the different variables of the marketing mix.

1-2 **MARKETING DEALS WITH PRODUCTS, DISTRIBUTION, PROMOTION, AND PRICE**

marketing mix Four marketing activities—product, distribution, promotion, and pricing—that a firm can control to meet the needs of customers within its target market

Marketing is more than simply advertising or selling a product; it involves developing and managing a product that will satisfy customer needs. It focuses on communicating availability in the right place and at the right price. It also requires promotion, communicating information that helps customers learn about the product and determine if the product will satisfy their needs. These activities are planned, organized, implemented, and controlled to meet the needs of customers within the target market. Marketers refer to these activities—product, distribution, promotion, and pricing—as the **marketing mix** because they decide what type of each variable to use and how to coordinate the variables. Marketing creates value through the marketing mix. A primary goal of a marketing manager is to create and maintain the right mix of these variables to satisfy customers' needs for a general product type. Amazon is well-known for its implementation of the marketing mix. It routinely engages in research and development to create new products such as its digital assistant, Echo. It promotes its products through advertising, social media, and media events. Best Buy and other retailers provide these products at a premium price to convey their quality and effectiveness. Note in Figure 1.1 that the marketing mix is built around the customer.

Marketing managers strive to develop a marketing mix that matches the needs of customers in the target market. Clothing retailer lululemon athletica, for example, targets shoppers with an active lifestyle with yoga, running, and fitness clothing and accessories. The company distributes these products through stores in shopping malls at premium prices and supports them with promotional activities such as advertising and social media. Additionally, marketing managers must constantly monitor the competition and adapt their products, distribution, promotion, and pricing to foster long-term success.

Before marketers can develop an appropriate marketing mix, they must collect in-depth, up-to-date information about customer needs. Such information might include data about the age, income, ethnicity, gender, and educational level of people in the target market, their preferences for product features, their attitudes toward competitors' products, and the frequency with which they use the product. SAP operates in the digital marketplace and monitors every consumer's needs, preferences, and reactions to adjust its marketing mix. Armed with market information, marketing managers are better able to develop a marketing mix that satisfies a specific target market.

Let's look more closely at the decisions and activities related to each marketing-mix variable.

IT'S TODAY'S BEST SELLER. AND ALREADY YESTERDAY'S NEWS.

PRODUCTS ARE LIVE.
In a digital marketplace, a great product is only a start. With SAP, you can monitor every consumer's needs, preferences and reactions live. So you can change your product experience, not just with the times, but with the moment. And take each consumer on the exact journey they're looking for. sap.com/livebusiness

SAP Run Simple

SOURCE: SAP

Promotional Activities

This SAP advertisement informs the audience of the ways in which its service can help businesses learn about consumers.

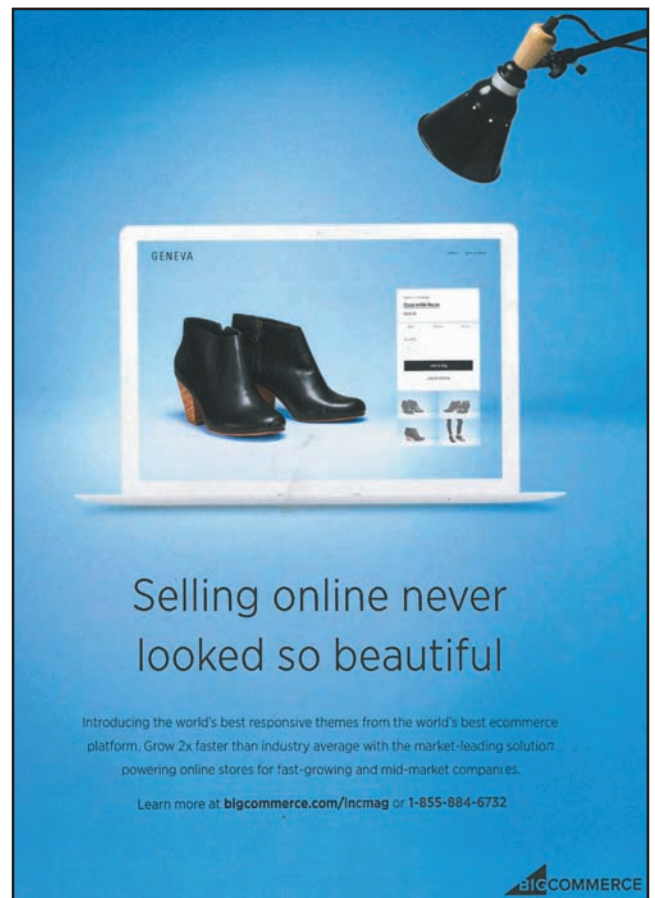
1-2a The Product Variable

Successful marketing efforts result in products that become part of everyday life. Consider the satisfaction customers have had over the years from Pepsi, Mastercard credit cards, Folgers coffee, and professional sports such as baseball, basketball, hockey, and football. The product variable of the marketing mix deals with researching customers’ needs and wants and designing a product that satisfies them. A product could be considered a bundle of satisfaction that provides value to the consumer. A **product** can be a good, a service, or an idea. A good is a physical entity you can touch. Marc Jacobs sunglasses, Subaru hatchbacks, and Beats by Dre headphones are all examples of products. In the advertisement on the left, Breyers highlights its creamy Gelato Indulgences as an alternative to ice cream. Breyers Gelato Indulgences is an example of a tangible good that consumers can enjoy. Consumers can select from multiple flavors with sauces and gourmet toppings. In contrast, the advertisement on the right promotes the BigCommerce e-commerce software and shopping cart platform to business owners as a way to sell products online. The platform includes beautiful, responsive themes to help e-commerce retailers grow their businesses. This software is an example of an intangible product. A service is the application of human and mechanical efforts to people or objects to provide intangible benefits to customers. Air travel, education, insurance, banking, health care, and day care are examples of services. Ideas include concepts, philosophies, images, and issues. For instance, a marriage counselor, for a fee, gives spouses ideas to help improve their relationship. Other marketers of ideas include political parties, churches, and animal protection groups.

product A good, a service, or an idea



SOURCE: BREYERS GELATO



SOURCE: BIGCOMMERCE

Types of Products

Breyers Gelato Indulgences are tangible goods that consumers enjoy for pleasure. Online software, such as the BigCommerce e-commerce software and shopping cart platform, represents intangible products that provide business owners a way to retail products online.

The product variable also involves creating or modifying brand names and packaging and may include decisions regarding warranty and repair services. For example, Icelandic Provisions introduced paper-wrapped cups for its skyr, a yogurt-like dairy product, because they can be recycled easier than printed shrink-sleeved cups.⁶ The company adapted its product's packaging to provide a healthier and “greener” offering.

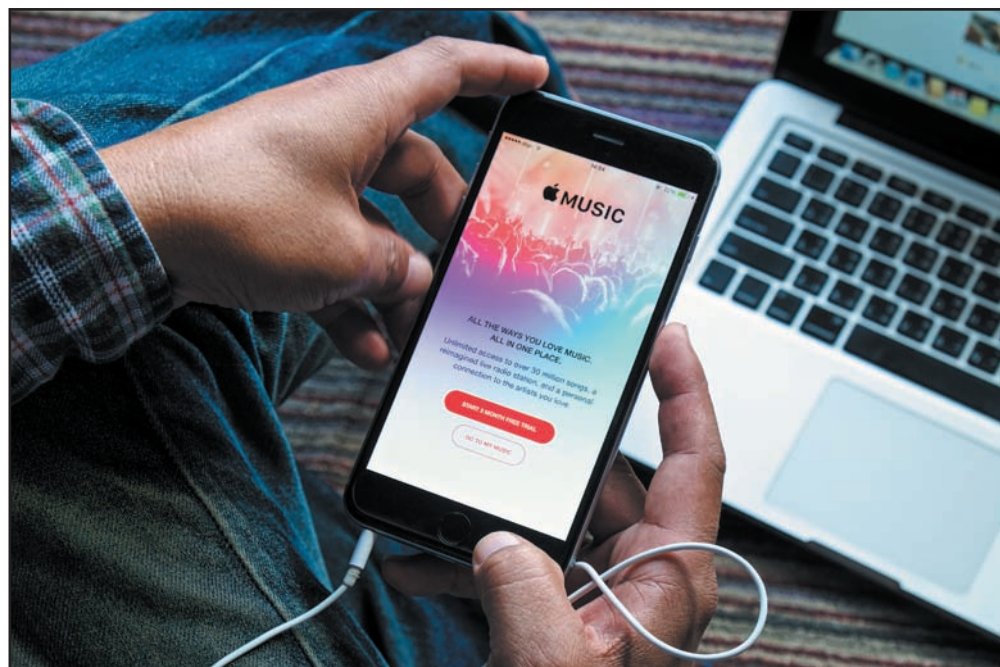
Product variable decisions and related activities are important because they directly relate to customers' needs and wants. Apple continues to upgrade its iPhone using different model identifiers such as 7, 8, and X to signal new modifications. To maintain an assortment of products that helps an organization achieve its goals, marketers must develop new products, modify existing ones, and eliminate those that no longer satisfy enough buyers or that yield unacceptable profits.

1-2b The Distribution Variable

To satisfy customers, products must be available at the right time and in appropriate locations. Subway, for example, locates its restaurants not only in strip malls but also inside Walmarts, Home Depots, laundromats, churches, and hospitals, as well as inside Goodwill stores, car dealerships, and appliance stores. There are more than 44,800 Subways in 112 different countries, surpassing McDonald's as the world's largest chain.⁷

In dealing with the distribution variable, a marketing manager makes products available in the quantities desired to as many target-market customers as possible, keeping total inventory, transportation, and storage costs as efficient as possible. A marketing manager also may select and motivate intermediaries (wholesalers and retailers), establish and maintain inventory control procedures, and develop and manage transportation and storage systems.

Supply chain management (SCM) involves maintaining a flow of products through physical distribution activities. This includes acquiring resources, inventory, and the interlinked networks that make products available to customers through purchasing, logistics, and operations. SCM has become very important to the success of online marketers. Consider Amazon's distribution system that is now integrating its own warehousing and transportation to deliver products—sometimes the same day they are ordered. Companies now can make their products available throughout the world without maintaining facilities in each country. For instance, Pandora, Spotify, and Apple Music have benefited from the ability to stream music over the internet. Customers can listen to music for free with commercial interruptions, or they can pay to upgrade to listen without commercials. Pandora has 73.3 million active users, while Spotify has 140 million, and Apple Music has 1 million.⁸



Distribution

Apple Music uses digital distribution to allow consumers to stream ad-free music online or off.

1-2c The Promotion Variable

The promotion variable relates to activities used to inform and persuade to create a desired response. Promotion can increase public awareness of the organization and of new or existing products. It can help create a direct response by including a link to access a website or order a product. Consider Geico's television and radio advertising that encourages people to spend 15 minutes "to save 15% or more on car insurance." Geico's tagline is meant to elicit a direct response from consumers, encouraging them to take 15 minutes to make a sales call to a Geico representative.

Promotional activities can inform customers about product features. It is a mistake to think promotion just involves advertising. Personal selling is needed for almost every type of product and provides the revenue that the firm must have to be successful. Sales promotions such as coupons and other incentives such as online discount codes keep sales dynamic. Publicity that provides information, often in the mass media, is another form of promotion that firms try to manage. The promotion mix focuses integrated marketing communication to inform and persuade consumers to purchase a product.⁹

Promotion can also help to sustain interest in established products that have been available for decades, such as M&M'S or Tide detergent. Many companies are using the internet to communicate information about themselves and their products. L'Oréal operates Makeup.com, a beauty website that discusses beauty trends and shares makeup tutorials using products from L'Oréal brands like Urban Decay, Maybelline, and NYX.¹⁰

1-2d The Price Variable

The price variable relates to decisions and actions associated with pricing objectives and policies and actual product prices. Price is a critical component of the marketing mix because customers are concerned about the value obtained in an exchange. Price is often used as a competitive tool, and intense price competition sometimes leads to price wars. Higher prices can be used competitively to establish a product's premium image. Rolex, for example, has an image of high quality and high price that has given it significant status. Other companies are skilled at providing products at prices lower than others, for example, global discount supermarket chain Aldi. Amazon and Walmart use a vast network of partnerships and cost efficiencies to provide products at low prices. Many retailers, such as Macy's and Nordstrom, have had to close stores because of the inability to provide lower prices.

The marketing-mix variables are often viewed as controllable because they can be modified. However, there are limits to how much marketing managers can alter them. Economic conditions, competitive structure, and government regulations may prevent a manager from adjusting prices frequently or significantly. Making changes in the size, shape, and design of most tangible goods is expensive; therefore, such product features cannot be altered very often. In addition, promotional campaigns and methods used to distribute products ordinarily cannot be rewritten or revamped overnight. But dramatic changes in price can be made any time. This makes price the most flexible variable in the marketing mix.

1-3 MARKETING CREATES VALUE

Value is an important element of managing long-term customer relationships and implementing the marketing concept. We view **value** as a customer's subjective assessment of benefits relative to costs in determining the worth of a product (customer value = customer benefits – customer costs). Consumers develop a concept of value through the integration of their perceptions of product quality and financial sacrifice.¹¹ From a company's perspective, there is a trade-off between increasing the value offered to a customer and maximizing the profits from a transaction.¹²

Customer benefits include anything a buyer receives in an exchange. Hotels and motels, for example, basically provide a room with a bed and bathroom, but each firm provides a different level of service, amenities, and atmosphere to satisfy its guests. Motel 6 offers the minimum

Learning Objective 1-3

Describe how marketing creates value.

value A customer's subjective assessment of benefits relative to costs in determining the worth of a product