



# Principles of Marketing

## *An Asian Perspective*


Fifth Edition

Philip Kotler  
Gary Armstrong  
Swee Hoon Ang  
Siew Meng Leong  
Chin Tiong Tan

*with*  
Yonggui Wang







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Professor Kotler was named the first recipient of four major awards: the Distinguished Marketing Educator of the Year Award and the William L. Wilkie "Marketing for a Better World" Award, both given by the American Marketing Association; the Philip Kotler Award for Excellence in Health Care Marketing presented by the Academy for Health Care Services Marketing; and the Sheth Foundation Medal for Exceptional Contribution to Marketing Scholarship and Practice. He is a charter member of the Marketing Hall of Fame, was voted the first Leader in Marketing Thought by the American Marketing Association, and was named the Founder of Modern Marketing Management in the *Handbook of Management Thinking*. His numerous other major honors include the Sales and Marketing Executives International Marketing Educator of the Year Award; The European Association of Marketing Consultants and Trainers Marketing Excellence Award; the Charles Coolidge Parlin Marketing Research Award; and the Paul D. Converse Award, given by the American Marketing Association to honor "outstanding contributions to science in marketing." A recent *Forbes* survey ranks Professor Kotler in the top 10 of the world's most influential business thinkers. And in a recent *Financial Times* poll of 1,000 senior executives across the world, Professor Kotler was ranked as the fourth "most influential business writer/guru" of the twenty-first century.

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

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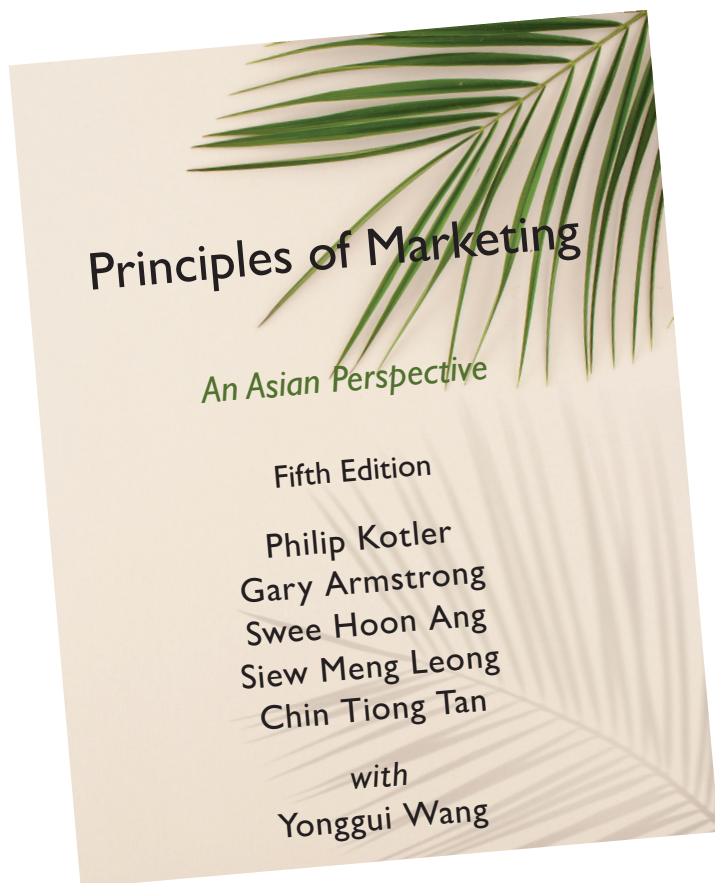
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# About the Book



A good mix of Asian and international cases and vignettes to give students a stronger understanding of global marketing with an Asian focus



An enhanced teaching framework designed to make learning more efficient



Added coverage on contemporary marketing issues with new and updated material



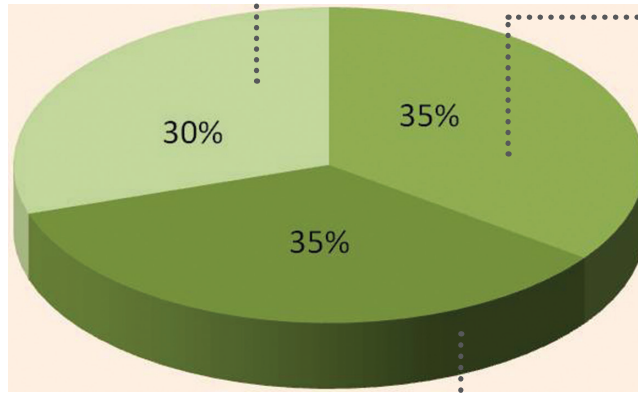
Improved instructor's resources to help you with your lesson planning and preparation

# Marketing with a Focus on Asia: An Enhanced Learning Design

The cases and examples in *Principles of Marketing: An Asian Perspective* have been carefully selected to give students a comprehensive understanding of marketing in today's globally connected world.

## International Brands in an International Context

- “The LEGO Group: Getting Fresh Customer Insights”
- “Netflix and Analytics”
- “Apple: Premium-priced and Worth It?” and more...



## Asian Brands in an International Context

- “OWNDAYS: Vision 20/20”
- “BTS: Experts in Marketing”
- “TikTok” and more...

## International Brands in an Asian Context

- “Oreo in China”
- “Maggi Instant Noodles in India”
- “KitKat in Japan” and more...

These cases and examples are presented in each chapter as the following:



## 1 Opening Cases

These opening cases set the stage for each chapter and use examples of well-known brands that students can identify with in order to ease them into the topic.

## 2 Real Marketing .....

These sections furnish more detailed insights for a taste of the real world of marketing, highlighting marketing practices and thought leadership around the world.

### Real Marketing 14.2

#### BTS: Experts in Marketing

Bangtan Sonyeondan, or BTS for short, meant “bulletproof boy scouts” in Korean. No ordinary all-male singing group, it has done what other non-American bands couldn’t do—it reigns supreme in the K-pop world and has taken the United States and the world by storm, despite the band members’ hesitant English. It made history by being the first Korean act to top the Billboard 200 albums chart and the first K-pop group to break into the top 10 of the Hot 100 singles chart.

During two California shows, the band made \$16.6 million on over 113,000 tickets, outselling Taylor Swift on over 113,000 tickets. In the first half of 2019, BTS had five No. 1 and 12. In the first half of 2019, BTS had five No. 1 albums in a year. In 2017 and 2018, BTS was named Top Social Artist at the Billboard Music Awards, named Top Social Artist at the Billboard Music Awards, named Top Social Artist at the Billboard Music Awards, named Top Social Artist at the Billboard Music Awards, named Top Social Artist at the Billboard Music Awards.

The group stole the show when it performed on *The Saturday Night Live*, and has since appeared on *The Ellen DeGeneres Show*, *The Tonight Show with Jimmy Fallon*, and *The Late Show with Stephen Colbert* in the United States and *The Graham Norton Show* in the United Kingdom. It was even on the cover of *Time* and *GQ* magazines.

So how did this group manage to garner a strong, almost cult-like following? The septet group of 20-something young men, who speak halting English, sport different colored hair that varies with every performance, and perform a mix of hip-hop and rap music accompanied by slick dance moves, has a marketing machinery to help them achieve unmatched fame.

#### Customer Identification

BTS relates to its audience and wins over fans by making music that addresses the hardships both the group and its listeners face. Their debut single *No More Dream*, about student life, their careers, and societal pressure, endeared them to teenage Koreans. Other songs speak to the complexities of life, love, class divides, and personal issues such as depression. Unlike PSY with his

viral one-hit *Gangnam Style*, BTS members write and produce most of their work, which gives them a sense of authenticity and legitimacy as singers with staying power. Just like any commercial product, to be successful, BTS must be reliable to its target audience.

#### Creative Narrative

Similar to Taylor Swift, whose fans read between the lines of her lyrics and the scenes in her music videos, BTS has fans, collectively called ARMY, who analyze the lyrics, with BTS fans on a level beyond the surface lyrics. Each evocative attention to detail connects to the music. Such evocative attention to detail connects to the music. Each evocative attention to detail connects to the music. Each evocative attention to detail connects to the music.

#### Innovative Partnerships

In a collaboration with LINE FRIENDS, a range of animated characters associated with the LINE messaging app, BTS created BT21. Seven characters represent each band member and the eighth represents ARMY.

Regular merchandising, such as repackaged albums, posters, and photocards, generates revenue and reminds audiences about the band. But an animated character series is novel and affords several benefits including versatility. BT21 promotes BTS on different mediums that would otherwise be restricted by contractual agreements. For instance, BTS is Puma’s global ambassador. AS exclusivity clauses are standard in such endorsement deals, the collaboration with Puma prevents BTS from being able to promote or sign contracts with similar brands. However, with BT21, it can collaborate with brands that were previously off-limits. For example, Reebok released limited-edition versions of its Fury sneakers, one for each BT21 character.

The animated characters also allow for merchandising on a range of products such as food, where likeness to the group’s members would otherwise be hard to achieve. That each band member has his own character also lets fans purchase merchandise specific to their favorite member.

## Company Case

### TikTok

TikTok (or Douyin, as it is called in China) is a social media app for creating and sharing short videos. Unlike WeChat, whose global presence is predominantly among international Chinese citizens, TikTok is the first Chinese social media app to have found favor with non-Chinese users across the world.

The app has taken Gen Z by storm, creating a subculture that is different from Instagram and Facebook, which are more popular among Millennials, while making those platforms look old-fashioned by comparison. The app allows users to create short music videos of 3

## 3 Company Cases

Wrap up the chapter effectively with Company Cases. These in-depth studies, together with the engaging discussion questions at the end of the case, hone students’ critical thinking through the application of marketing principles to real companies in real situations.

## 4 Vignettes

Help your students stay current in the world of marketing. These in-text vignettes present students with up-to-date perspectives in contemporary marketing.

ketchup sales grew at three times the industry rate. With growing concern over environmental protection, good packaging also must be sustainable. Here’s one story about KitKat in Japan:

**Packaging**—In Japan, KitKat has changed its packaging from a glossy finish to a matte one for eco-friendliness. The packaging also includes instructions on how to fold the package wrapping into an origami crane.



**KitKat**—KitKat’s largest market is Japan, where it sells over 4 million of the chocolate wafers every day. Its original packaging, which was made of plastic film, had a hyper-glossy exterior to attract consumer attention. But its target customers—Gen Zers and Millennials—are highly concerned about the environment, so KitKat has decided to make its packaging more relevant by being eco-friendly. In Japan, KitKat packaging more relevant by being eco-friendly. In Japan, KitKat packaging more relevant by being eco-friendly. In Japan, KitKat packaging more relevant by being eco-friendly. In Japan, KitKat packaging more relevant by being eco-friendly.

**Crazy Rich Asians**—Based on Kevin Kwan’s best-selling book of the same name and made with a production budget of \$30 million, *Crazy Rich Asians* was the first Hollywood movie with an all-Asian cast in 25 years since *The Joy Luck Club*. In traditional American media, Asian characters are frequently stereotyped as meek and are given little to say. They’re often portrayed as victims of bullying, romantically inept, or geeks with a penchant for mathematics. The cast of this romantic comedy, by contrast, played a variety of character types and firmly dispelled the “quiet Asian” stereotype. Featuring a rich Singaporean family and set in the Lion City, the movie offered a window into how the ultra-rich Asians live—private jets and yachts—and the lengths to which grandmothers, mothers, and aunts go to fiercely protect their family. People liked what they saw, and word-of-mouth spread quickly, making it the No. 1 office hit for three weeks running. It had been pegged by box-office experts as a minor hit at best, tracked to open at around \$18 million over five days. But the romantic comedy nearly doubled that early prediction, making \$35.2 million in its opening weekend and showing impressive staying power over the following week, crossing the \$50 million line in just its ninth day of release. In other words, positive buzz made it a bona fide triumph, especially in



## 5 Online, Mobile, and Social Media Marketing

Enable your students to better harness emerging marketing technologies of this digital age. These application exercises provide students with valuable discussions on the development and effective use of these technologies.

### Online, Mobile, and Social Media Marketing

#### Sharing Economy

Changes in the technological environment have created amazing opportunities for new business models while at the same time threatening traditional ones. For example, Airbnb has shaken up the hospitality industry by allowing people to rent out spare rooms or their entire homes to strangers. Ride-sharing companies Go-Jek, Grab, and Uber allow consumers to find a ride from people looking

### Marketing Ethics

#### WeChat

WeChat, an app in China, offers its users a “one-stop shop” for features. Users can chat, shop, form new social connections, order and pay for food, make payments, identify crowded locations, make investments, and make doctor’s appointments—among other things—all without leaving the app. As a result, WeChat collects large amounts of valuable data about its consumers and their habits that it monetizes by selling advertising. Companies in China are required to share this information with the government. However, technology companies in the United States aim to develop similar capabilities in order to keep people engaged and gather volumes of valuable data, which may be one reason Facebook moved to allow users of Facebook Messenger, Instagram, and WhatsApp messengers to communicate across platforms. While consumers value the convenience and personalized offers they gain by letting WeChat gather data, there are concerns about privacy intrusions and other entities that can access the data.

During the global coronavirus pandemic, several Asian countries developed mobile apps to trace where individuals have been and at what time so that contact tracing can be more efficiently conducted in instances of community spread. These apps also send regular reminders to people to wash their hands, practice safe distancing, and to wear masks. In South Korea, Singapore, and Taiwan, these contact-tracing apps helped stem the spread of the virus. By contrast, individuals from the West are wary of these apps because they feel these infringe their privacy.

1. If you used an app like WeChat, what information would you be comfortable having tied to your identity? What information would you prefer not be tracked? What is the trade-off between convenience and privacy? (AACSB: Communication; Reflective Thinking)
2. Is it ethical for marketers to gather massive amounts of data about everything a consumer does and to sell advertising using the information? What types of protections do you value as a consumer? (AACSB: Communication; Ethical Reasoning)

## 6 Marketing Ethics

It’s not easy to be a marketer with good morals. Equip your students with the right mindset to deal with ethical challenges and dilemmas by exploring these difficult issues through the use of situational descriptions and analysis. Questions are provided to guide students in their quest for what’s right or wrong.

### Marketing by the Numbers

#### Advertising Costs

A common measure of advertising efficiency is cost per thousand (CPM), which is the ad cost per thousand potential audience contacts. Although all audience members are important for advertisers, those in the 18–49 years demographic are the most coveted as they are the most difficult to reach with advertising messages. As these viewers basically make or break a television show’s success, television networks break out this demographic when giving audience numbers. Below are average costs and audience sizes for some of America’s favorite primetime television shows during a five-week period in 2018:

Program	Average Cost per 30-Second Spot	Average Number of Viewers (in millions)	18-to-49 Demographic Viewers (in millions)
<i>This Is Us</i>	\$433,866	9.309	2.47
<i>The Big Bang Theory</i>	\$285,934	12.483	2.27
<i>Empire</i>	\$227,494	5.387	1.67
<i>Young Sheldon</i>	\$213,536	10.731	1.74
<i>The Voice</i> (Monday)	\$212,618	9.816	1.99
<i>Grey’s Anatomy</i>	\$204,792	6.739	1.73
<i>The Connors</i>	\$201,065	10.563	2.35
<i>The Voice</i> (Tuesday)	\$193,140	9.372	1.91

Although CPM calculations for television programs are normally done on a per household basis rather than a per viewer basis, comparing CPM per overall audience member versus CPM per 18–49 year audience member can help advertisers select appropriate media vehicles (that is, appropriate television programs) when trying to reach this demographic.

1. Calculate both the overall CPM and the CPM for the 18–49 year demographic for each show. Refer to the “Selecting Specific Media Vehicles” section of “Selecting Advertising Media” in the chapter to learn how to do this calculation. Which programs are the most efficient media buys for advertisers? (AACSB: Analytical Reasoning; Reflective Thinking)
2. If an advertiser wants to reach the 18–49 year demographic, which programs would you suggest? Explain. (AACSB: Communication; Analytical Reasoning; Reflective Thinking)

## 7 Focus on Analytics

Students can develop their analytics skills through exercises that train them to gain insights from numbers.



## Enhanced learning design



Break it down and build it back up. These aids reinforce students' understanding of marketing concepts with visual organizers such as spider diagrams and flowcharts that present complicated ideas in simpler, illustrated forms. This helps students to make better sense of what is being covered in each section. Exciting color visuals bring the study of marketing to life and engage students' interest.



**R**eviewing and Extending the Concepts

**Objectives Review and Key Terms**

**Objectives Review**

Today's successful companies—whether large or small, for-profit or not-for-profit, domestic or global—share a strong customer focus and a heavy commitment to marketing. The goal of marketing is to engage customers and manage profitable customer relationships.

**OBJECTIVE 1** Define marketing and outline the steps in the marketing process. (pp. 4–5)

Marketing is the process by which companies create value for customers and build strong customer relationships to process analyses five steps. The first four steps create the marketplace and customer needs and wants. Next, marketers design a customer-driven marketing strategy with the goal of getting, engaging, and growing customers. In the final step, marketers construct a marketing program that actually delivers superior value. All of these steps form the basis for the final step: engaging customers, building profitable customer relationships, and creating customer delight. In the final step, the company reaps the rewards of strong customer relationships by capturing value from customers.

**OBJECTIVE 2** Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts. (pp. 6–10)

Outstanding marketing companies go to great lengths to learn about and understand their customers' needs, wants, and demands. This understanding helps them to design customer relationships by which they can capture customer lifetime value and a greater share of customers. The result is increased long-term customer equity for the firm.

The core marketplace concepts are needs, wants, and demands; market offerings; products, services, and experiences; value and satisfaction; exchange and relationships; and markets. Companies address needs by providing a value proposition: a set of benefits that consumers will accept to satisfy their needs. This proposition is developed through a market-oriented production.

**OBJECTIVE 3** Identify the key elements of a customer value-driven marketing strategy and discuss marketing management orientations that guide marketing strategy. (pp. 10–15)

To design a winning marketing strategy, the company dividing the market into segments of customers (consider cultural, target marketing). Next, the company must decide how it will serve targeted customers (how it will differentiate and position itself in the marketplace). Marketing management can adopt one of two competing market orientations. The production concept holds that managers' task is to improve production efficiency by bringing down prices. The product concept focuses on "better products."



**Objective Outline**

**OBJECTIVE 1**  
Define marketing and outline the steps in the marketing process.  
What Is Marketing? (4–5)

**OBJECTIVE 2**  
Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.  
Understanding the Marketplace and Customer Needs (6–10)

**OBJECTIVE 3**  
Identify the key elements of a customer value-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.  
Developing a Customer Value-Driven Marketing Strategy (10–15)

**OBJECTIVE 4**  
Discuss customer relationship management and identify strategies for creating value for customers and capturing value from customers' relationships.  
Managing Customer Relationships and Capturing Customer Value (16–22)

**OBJECTIVE 5**  
Describe the major trends and forces that are changing the marketing landscape in this age of relationships.  
The Changing Marketing Landscape (23–29)

# Preface

## Still Creating More Value for You!

The goal of every marketer is to create more value for customers. So it makes sense that our goal for the fifth edition of *Principles of Marketing: An Asian Perspective* is to continue creating more value for you—our customer. Specifically, we want to introduce new marketing students to the fascinating world of modern marketing in an innovative yet practical and enjoyable way. We've pored over every page, table, figure, fact, and example in an effort to make this the best text yet to teach and learn about marketing. This text provides the fundamental principles and puts them in the context of Asian businesses and contemporary MNCs, especially considering the influence of digitalization—accelerated by the coronavirus pandemic—on consumer behavior and marketing practices.

Marketing is much more than just an isolated business function—it is a philosophy that guides the entire organization. The marketing department cannot create customer value and build profitable customer relationships by itself. This is a company-wide undertaking that involves broad decisions about who the company wants as its customers, which needs to satisfy, what products and services to offer, what prices to set, what communications to send, and what partnerships to develop. Marketing must work closely with other company departments and with other organizations throughout its entire value-delivery system to delight customers by creating superior customer value.

## Marketing: Creating Customer Value and Engagement

Top marketers at outstanding companies share a common goal: putting the customer at the heart of marketing. Today's marketing is all about creating customer value and building profitable customer relationships. It starts with understanding customer needs and wants, determining which target markets the organization can serve best, and developing a compelling value proposition by which the organization can attract and grow valued consumers. If the organization does these things well, it will reap the rewards in terms of market share, profits, and customer equity.

## Six Major Value Themes

From beginning to end, *Principles of Marketing: An Asian Perspective* develops an innovative customer-value and customer-engagement framework that captures the essence of today's marketing. It builds on six major value themes:

- **Creating value for customers to capture value from customers in return.** Asian marketers must be good at creating customer value and managing customer relationships. They must attract targeted customers with strong value propositions. Then, they must keep and grow customers by delivering superior customer value and effectively managing the company-customer interface. Outstanding marketing companies in Asia understand the marketplace and customer needs, design value-creating marketing strategies, develop integrated marketing programs that deliver customer value and delight, and build strong customer relationships. In return, they capture value from customers in the form of sales, profits, and customer loyalty. This *innovative customer-value and engagement framework* is introduced at the start of Chapter 1 in a five-step marketing process model that details how marketing creates customer value and captures value in return. The framework is carefully explained in the first two chapters and then integrated throughout the remainder of the text.
- **Building and managing strong, value-creating brands.** Well-positioned brands with strong brand equity provide the basis upon which to build customer value and profitable customer relationships. Asian marketers must position their brands powerfully and manage them well.
- **Customer engagement and today's digital and social media.** Digital and social media have taken marketing by storm, dramatically changing how companies and brands engage with consumers and how consumers connect and influence each other's brand behaviors. This edition thoroughly explores the exciting new digital, mobile, and social media technologies that help brands to engage customers more deeply and interactively. It starts with two major Chapter 1 sections: "Customer Engagement and Today's Digital and Social Media" and



“The Digital Age: Online, Mobile, and Social Media.” A revised Chapter 17—*Direct, Online, Social Media, and Mobile Marketing*—summarizes the latest developments in digital engagement and relationship-building tools. In addition, there is expanded coverage across the book of the explosive use of digital and social marketing tools.

- **Measuring and managing return on marketing.** Marketing managers in Asia must be good at measuring and managing the return on their marketing investments to ensure that their marketing dollars are being well-spent. In the past, many marketers spent freely on big, expensive marketing programs, often without thinking carefully about the financial and customer response returns on their spending. But all that is changing rapidly. Measuring and managing return on marketing investments has become an important part of strategic marketing decision making. This emphasis on marketing accountability is addressed throughout this edition.
- **Harnessing new marketing technologies.** New digital and other high-tech marketing developments are dramatically changing how Asian consumers and marketers relate to one another. Marketers in Asia must know how to leverage information, communication, and distribution technologies to connect more effectively with customers and marketing partners in this digital age. This edition explores the new technologies impacting marketing including digital marketing and online technologies in Chapters 1, 15, and 17 as well as the exploding use of online social networks and customer-generated marketing in Chapters 1, 5, 14, 15, 17, and elsewhere.
- **Sustainable marketing around the globe.** As technological developments make the world an increasingly smaller place, Asian marketers must be good at marketing their brands globally and in socially responsible ways that create not just short-term value for individual customers but also long-term value for society as a whole. New materials throughout this edition emphasizes the concept of sustainable marketing.

## New to the Fifth Edition

*Principles of Marketing: An Asian Perspective* reflects the major trends and forces impacting marketing in this era of customer value and engagement. We’ve thoroughly revised the text. This new edition builds on and extends the innovative customer-value and engagement framework from previous editions. The effects of the coronavirus pandemic on consumer behavior and marketing practices have been incorporated throughout the text with examples of how companies such as NinjaVan, JD.com, Starbucks, and Meituan have responded to lockdowns and shifts to online purchasing behavior. Here are just some of the major and continuing changes you’ll find in this edition:

- **Customer engagement framework.** Throughout the fifth edition, you will find revised coverage of the rapidly **changing nature of customer relationships** with companies and brands. Today’s marketers aim to create deep consumer involvement and a sense of community surrounding a brand to make the brand a meaningful part of consumers’ conversations and their lives. Engagement tools include everything from Web sites, blogs, and in-person events, to online communities and social networks such as Instagram, Telegram, WeChat, TikTok, YouTube, Twitter, and a company’s own social networking sites.
- **Fast-changing marketing trends and topics.** This edition adds fresh coverage of both traditional marketing areas and fast-changing topics such as digital, mobile, and social media marketing; customer engagement marketing; the customer journey; big data, artificial intelligence, and new marketing analytics; the major digital transformation in marketing research; omni-channel marketing and the massive shifts in today’s retailing; direct-to-consumer marketing (DTC); real-time customer listening and marketing; marketing content creation and native advertising; B-to-B social media and social selling; online and dynamic pricing; sustainability; global marketing; and much more.
- **Online, mobile, social media, and other digital marketing technologies.** Keeping up with digital concepts, technologies, and practices has become a top priority and major challenge for today’s marketers. This edition of *Principles of Marketing: An Asian Perspective* provides thoroughly refreshed, up-to-date coverage of these explosive developments in every chapter—from digital, online, mobile, and social media engagement technologies in Chapters 1, 5, 14, 15, and 17; to “big data,” new marketing analytics, the Internet of Things, and artificial intelligence in Chapters 1, 3, and 4; to the massive shift to omni-channel and digital retailing in Chapters 13 and 17; to the increasing use of augmented and virtual reality in Chapters 4 and 13. A Chapter 1 section on “The Digital Age: Online, Mobile, and Social Media Marketing” introduces the exciting new developments in digital and social media marketing. Then Chapter 17, covering “Direct, Online, Social

Media, and Mobile Marketing,” goes more deeply into digital marketing tools such as online sites, social media, mobile ads and apps, online video, email, and other digital platforms that engage consumers anywhere, anytime via their computers, smartphones, tablets, and other digital devices.

- **Content marketing and marketing communications.** This edition continues to track fast-changing developments in marketing communications and the creation of brand content. Marketers no longer simply create advertising and integrated marketing communications programs; they join with customers and media to curate and share marketing content in paid, owned, earned, and shared media.

*Principles of Marketing: An Asian Perspective* also includes expanded material on a wide range of other topics, including managing customer relationships (CRM), brand strategy and positioning, SWOT analysis, data mining and data networks, consumer research, marketing and diversity, generational marketing, buzz marketing, supplier satisfaction and partnering, environmental sustainability, cause-related marketing, socially responsible marketing, global marketing strategies, and much, much more.

Countless new examples have been added within the running text. Tables, examples, and references throughout the text represent updated facts and figures. *Principles of Marketing: An Asian Perspective* contains mostly new images and advertisements that illustrate key points and make the text more effective and appealing. All new or revised company cases help to bring the real world directly into the classroom.

## Developing Employability Skills

**Real Marketing features.** Each chapter contains two deeply developed Real Marketing highlight features that provide in-depth looks at real brand marketing strategies and contemporary marketing issues. For example, students learn how UNIQLO tries to live up to its philosophy “Made for All”; how Netflix uses big data and advanced marketing analytics to personalize each customer’s experience; why Apple’s products fly off the shelves despite their premium prices; how BTS became a globally successful boy band and broke the U.S. market; how Alibaba seamlessly merges its online to offline services in its Hema Supermarket; how Instagram has made itself a win-win-win for the company, advertisers, and Instagrammers alike; and how Perfect Diary mastered digital, mobile, and social media marketing to become a frontrunner in the cosmetic industry in China. In combination with countless other new examples and illustrations throughout each chapter, they reinforce key concepts and bring marketing to life.

Students will also learn how artificial intelligence in marketing works, how companies are increasingly using augmented and virtual reality to enhance consumer shopping experiences, and how mobile marketing engages consumers in the moments that matter.

**Marketing Plan Appendix.** Appendix 1 contains a detailed sample marketing plan that helps students to apply important marketing planning concepts.

**Marketing by the Numbers Appendix.** An innovative and freshly revised Appendix 2 provides students with a comprehensive introduction to the marketing financial analysis that helps guide, assess, and support marketing decisions. A new or revised exercise at the end of each chapter lets students apply analytical and financial thinking to that chapter’s concepts and links the chapter to the Marketing by the Numbers Appendix.

**Careers in Marketing.** Appendix 3 helps students to explore marketing career paths and lays out a process for landing a marketing job that best matches their special skills and interests.

**For more information and resources, visit [www.pearsonglobaleditions.com](http://www.pearsonglobaleditions.com).**

# Acknowledgements

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Special thanks go to the staff at Pearson Global Editions for their role in shaping this book.

Last but certainly not least, we owe our overriding debt to our families who continue to support and inspire us. To them, we dedicate this book.

*Philip Kotler*

*Gary Armstrong*

*Swee Hoon Ang*

*Siew Meng Leong*

*Chin Tiong Tan*





# Principles of Marketing

*An Asian Perspective*





盒马鲜生 会员店



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Alamy Stock Photo

## Objective Outline

### **OBJECTIVE 1**

*Define marketing and outline the steps in the marketing process.*  
**What Is Marketing? (4–5)**

### **OBJECTIVE 2**

*Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.*  
**Understanding the Marketplace and Customer Needs (6–10)**

### **OBJECTIVE 3**

*Identify the key elements of a customer value-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.*  
**Designing a Customer Value-Driven Marketing Strategy (10–15)**

### **OBJECTIVE 4**

*Discuss customer relationship management and identify strategies for creating value for customers and capturing value from customers in return.*  
**Managing Customer Relationships and Capturing Customer Value (16–22)**

### **OBJECTIVE 5**

*Describe the major trends and forces that are changing the marketing landscape in this age of relationships.*  
**The Changing Marketing Landscape (22–29)**

## Chapter Preview

This first chapter introduces you to the basic concepts of marketing. We start with what marketing is. Simply put, marketing is engaging customers and managing profitable customer relationships. Its aim is to create value for customers in order to capture value from customers in return. Next, we discuss the five steps in the marketing process, from understanding customer needs, to designing customer value-driven marketing strategies and integrated marketing programs, to building customer relationships and capturing value for the firm. Finally, we discuss the major trends and forces affecting marketing in this age of digital, mobile, and social media. Understanding these basic concepts will provide a solid foundation for all that follows.

Let's start with Hema Supermarket, Alibaba's game changer that promises to reinvent the traditional supermarket and bring online to offline retailing.

# Marketing: Managing Profitable Customer Relationships

## Hema Supermarkets: The New Retail Model

“We believe the future of New Retail will be a harmonious integration of online and offline,” Daniel Zhang, Chairman and CEO of Alibaba Group, said in 2017, at the launch of three Hema stores in Beijing and Shanghai. This was a reaffirmation of Alibaba's founder Jack Ma's vision of “new retail,” a strategy that blends online and offline shopping. Hema, an Alibaba supermarket chain, is the embodiment of this vision.

Established in 2015 to both reinvent the traditional supermarket and go after the large number of Chinese consumers who still shop offline, Hema is a game changer from the ground up. Locally managed supermarket chains in China typically have rude employees, wilting

vegetables, and harsh lighting. Hema, by contrast, is customer-centric. Its layout is simple to navigate. The name Hema Xiansheng means “hippo” (Hema) and “packaged freshness and liveness” (Xiansheng); the latter resonates with Chinese customers, who have an obsession for fresh produce.

Hema is more than just a supermarket. For example, it has in-house restaurants where shoppers can select live seafood such as lobsters, near the entrance where they start their shopping, and have it cooked and ready for them to eat in the restaurant by the time they have completed all their purchases. This concept resonates with Chinese shoppers because fresh food is so important to them.

If shoppers don't want to eat at the restaurant, they can have the food prepared by Hema's chefs and delivered to their homes within 30 minutes. They can also choose to have it cooked for takeaway or delivered to their office (if it is located nearby).



“ Together with personal information of the customer, Hema uses big data to plan delivery routes using a smart supply-chain management system. Shoppers can also trace each product’s origin and track delivery. ”

In line with its freshness concept, Hema sells products in smaller packages—5 bananas per bunch instead of 10, for example—to reduce spoilage. Most of the fresh products also come with a short expiration date. This model contrasts with that adopted by Costco, which encourages customers to buy in bulk and visit the store less frequently. For Hema, the store is a showcase for its online products.

The integration between offline and online is all-pervasive at Hema. Every item is barcoded so that customers can scan each one using their smartphone to learn its price and product information, including its origin and any guarantee of quality it may have. Customers complete their purchase through Alipay, Alibaba’s e-payment app, at a checkout register before leaving the store. Alternatively, they can also check out through a facial recognition kiosk that scans their face and links them to their Alipay account. In both cases, the goal is to drive offline customers to shop online.

And it seems to have worked. By 2017, two years after the first Hema supermarket was opened, online delivery orders were accounting for 50 percent of its total orders. For more established stores, online orders accounted for 70 percent of total sales. This compares remarkably well to McDonalds, the restaurant with the best online conversion (transforming site visitors into paying customers), at 30 percent of all orders done

online. Among shoppers who have used the Hema app, the conversion rate for making a purchase is as high as 35 percent. With more online sales, Hema’s revenue per square meter is three to five times higher than that of a traditional supermarket.

But beyond the ease in ordering, the scan-abled barcode has turned Chinese shoppers into grocery connoisseurs. Instant information about the source or origin of a product has helped reverse some of the mistrust arising from the food scares over tainted milk powder, while additional content such as recipe ideas for unusual seafood dishes has done more than just push shoppers to share pictures of their culinary adventures on WeChat and Weibo; such content encourages them to explore new culinary adventures—even new lifestyles. Hema taps into the drive for social media—sharing, where being in the know, ahead of others, and becoming an opinion leader are akin to social advancement.

The fresh produce and the shopping-cum-dining experience may be the most visible benefits to customers, but there are others arising from online–offline integration that Hema can leverage to great effect. Analytics, for one. Because customers do their shopping through the Hema mobile app, every purchase is recorded and each preference saved. Using big data analytics, Hema draws on each customer’s purchase preferences to make personalized recommendations through the app. It also provides a data-driven selection of fresh food to customers based on their locations. By focusing on providing an on-demand experience, Hema makes its offerings relevant to shoppers.

Hema’s fulfillment model allows it to deliver orders within a three-kilometer radius within half an hour of an order being placed. Its stores double as warehouses; order-fulfillment specialists with scanners in hand retrieve the ordered goods from the supermarket shelves. They scan and pack the goods, then place them in bags on a conveyer belt that carries orders to a delivery center adjacent to the store.<sup>1</sup>

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Today’s successful companies have one thing in common: They are strongly customer-focused and heavily committed to marketing. They are passionate about satisfying customer needs. They motivate everyone in the organization to help build lasting customer relationships based on creating value.

But with dramatic technological advances and economic, social, and environmental challenges, today’s customers are reassessing how they engage with brands. Digital, mobile, and social media developments have revolutionized how consumers shop and interact. Marketing strategies and tactics will need to adapt. It’s important to build strong customer engagement, relationships, and advocacy based on meaningful and enduring customer value.

First, let’s introduce the basics of marketing.

## What Is Marketing?

Marketing deals with customers. It is about *managing profitable customer relationships*. The twofold goal of marketing is to attract new customers by promising superior value and keep and grow current customers by delivering satisfaction.

For example, Hema Supermarket surges ahead of local supermarkets because it meets the needs of Chinese consumers who are concerned with freshness and want the convenience of e-commerce, and it does so by integrating offline with online. Car-hailing app Grab is successful in many parts of Southeast Asia because it understands that passengers want a secure ride home while drivers want to earn money by sharing their cars when they are not using them for personal purposes.

Sound marketing is critical to the success of every business. Large for-profit firms such as Unilever, Google, Toyota, and Shangri-La Hotel use marketing. But so do not-for-profit organizations such as colleges, hospitals, museums, and even religious institutions.

Marketing is all around you. You see it in products at your nearby shopping mall and the ads that fill your computer or mobile phone screen whenever you do a search or watch a video on YouTube or TikTok. Marketers want to become a part of your life and enrich your experiences with their brands—to help you *live* their brands.

Yet, there is much more to marketing than meets the consumer’s eye. This book will give you an introduction to the basic concepts and practices of today’s marketing. In this chapter, we begin by defining marketing and the marketing process.



Imaginechina Limited/Alamy Stock Photo

› **Marketing is all around you**—Marketing is at work even in wet markets in China. Vendors use e-payment apps such as WeChatPay and Alipay so that customers scan their purchases without the need for physical cash payments.

## Marketing Defined

What *is* marketing? Marketing is more than selling and advertising. It involves *satisfying customer needs*. The marketer needs to understand consumer needs, develop products and services that provide superior customer value, and price, distribute, and promote them effectively. Hence, **marketing** is the process by which companies engage customers, build strong customer relationships, and create customer value in order to capture value from customers in return.<sup>2</sup>

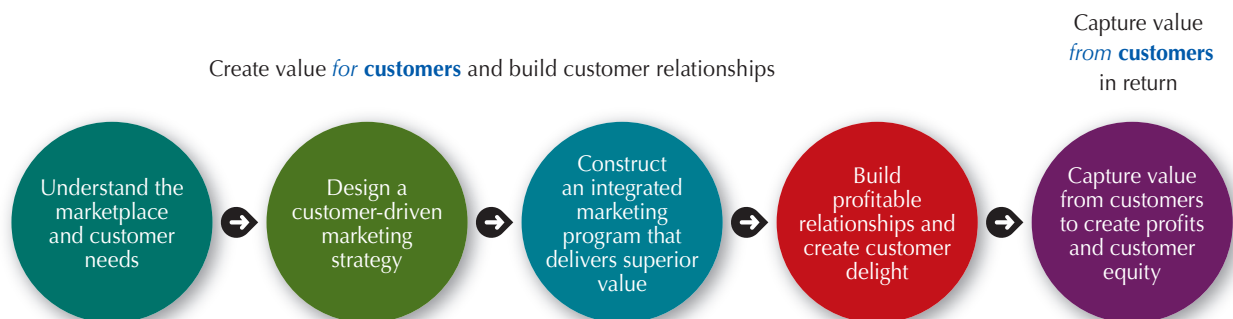


### Marketing

The process by which companies engage customers, build strong customer relationships, and create customer value in order to capture value from customers in return.

## The Marketing Process

**Figure 1.1** presents a simple five-step model of the marketing process. In the first four steps, companies work to understand consumers, create customer value, and build strong customer relationships. In the final step, companies reap the rewards of creating superior customer value. By creating value *for* consumers, they in turn capture value *from* consumers in the form of sales, profits, and long-term customer equity.



› **FIGURE 1.1**  
The Marketing Process: Creating and Capturing Customer Value.

In this and the next chapter, we will examine each of these steps. In this chapter, we will focus on the customer relationship steps—understanding customers, building customer relationships, and capturing value from customers. In Chapter 2, we’ll discuss the second and third steps—designing marketing strategies and constructing marketing programs.

# Understanding the Marketplace and Customer Needs

As a first step, marketers need to understand customer needs and wants, and the marketplace within which they operate. We will discuss five core customer and marketplace concepts:

- Customer needs, wants, and demands
- Marketing offerings (products, services, and experiences)
- Customer values and satisfaction
- Exchanges and relationships
- Markets

## Customer Needs, Wants, and Demands

The most basic concept underlying marketing is that of human needs. Human **needs** are states of felt deprivation. They include basic *physical* needs for food, clothing, warmth, and safety; *social* needs for belonging and affection; and *individual* needs for knowledge and self-expression. For instance, in China, as people become increasingly cash-rich and time-poor, they need products that offer convenience without any compromise to health.<sup>3</sup> During the global coronavirus pandemic, there was a physical need for surgical masks and for people to practice social distancing to remain safe and healthy.

**Wants** are the form human needs take as they are shaped by culture and individual personality. An American *needs* food but *wants* a Big Mac, French fries, and a soft drink. A person in Japan *needs* food but *wants* rice, sashimi, and green tea. Wants are shaped by one's society and are described in terms of objects that will satisfy needs. When backed by buying power, wants become **demands**. Given their wants and resources, people demand products with benefits that add up to the most value and satisfaction. Here's an example of how the sharing economy and e-commerce serve the needs and wants of Asian consumers:

**Sharing Economy and E-commerce**—For many consumers in Asian countries, traffic jams are an all-too-common hindrance to the enjoyment of many services. E-commerce is now changing all of that, with motorcycle-hailing platforms and delivery services fulfilling more and more customer needs and wants. Indonesia-based Go-Jek, for example, is a ride-hailing platform that links clients to service providers. Besides its core service of transportation, it also offers services ranging from house-cleaning, to ironing clothes, to giving massages in the comfort of clients' homes. Its Go-Glam platform, for instance, offers grooming services such as haircuts, make-up sessions, and manicures. Clients book a beautician and pay a small deposit online; the beautician, as a Go-Jek partner, brings her make-up services to the clients' home. Hence, the platform helps small businesses grow and build their customer base. Go-Jek's founder, Nadiem Makarim, says, "Being locally focused really got us to understand customers very well. Understanding the market really makes a difference." In China, Baidu Waimai has delivery riders who pick up orders from restaurants and bring them to

### Needs

States of felt deprivation.

### Wants

The form human needs take as they are shaped by culture and individual personality.

### Demands

Human wants that are backed by buying power.



hungry office-goers who are too busy to leave the workplace for lunch. They also deliver fresh produce like raw pork. China's online food business has grown by 85 percent in two years, with sales revenue more than double that of the United States' online food delivery market. E-commerce is growing in India too. More than 400 million Indians are already online, with 25 million more Internet users added each year. Flipkart, India's e-commerce Web site, employs couriers or "wishmasters" who navigate the traffic on motorbikes to make some 150 deliveries per person each day.<sup>4</sup>

Companies learn about and understand customer needs, wants, and demands by conducting consumer research, analyzing customer data, and observing customers as they shop and interact, on- and offline. For instance, Lenovo used to come up with a product and then sell it to customers, but it has now changed the way it works: it listens to customers first before coming up with a product so that it delivers customer value for customer satisfaction. One of the key inputs during the development of its Smart Assistant was that 86 percent of its customers felt that "voice adds value," and they just want to talk to the device without having to type. For its gaming laptops under the Legion line, Lenovo has its own dedicated gaming community that tells it what gamers look for—even the name "Legion" came from a suggestion by this community.<sup>5</sup>

## Market Offerings—Products, Services, and Experiences

Consumers' needs and wants are fulfilled through a **market offering**—some combination of products, services, information, or experiences offered to a market to satisfy a need or want. Market offerings are not limited to physical *products*. They also include *services*, activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything. Examples include banking, hotel, tax preparation, and home repair services. Market offerings also include *persons, places, organizations, information, and ideas*.

Many sellers mistakenly pay more attention to the products they offer than to the benefits and experiences associated with these products. These sellers suffer from **marketing myopia**. They are so focused on the physical product and existing wants that they lose sight of underlying customer needs.<sup>6</sup> They forget that a product is only a tool to solve a consumer problem. A manufacturer of drill bits may think that the customer needs a drill bit. But what the customer *really* needs is a hole. These sellers will have trouble if a new product comes along that serves the customer's need better or less expensively. The customer will have the same *need* but will *want* the new product. **Figure 1.2** summarizes how to avoid marketing myopia.



**Market offering**  
Some combination of products, services, information, or experiences offered to a market to satisfy a need or want.

**Marketing myopia**  
The mistake of paying more attention to the specific products a company offers than to the benefits and experiences derived from these products.



**FIGURE 1.2**  
Avoiding Marketing Myopia.

Smart marketers look beyond the attributes of the products and services they sell. By orchestrating several services and products, they create *brand experiences* for consumers. For example, Shanghai Disneyland is an experience; so is a stay at the Banyan Tree Resorts. And you don't just watch the *Running Man* (a popular Korean variety show); you immerse yourself in the *Running Man* experience and cheer and laugh with the hosts.

***Running Man***—South Korean variety show *Running Man* is popular domestically as well as internationally. It stars nine MCs who compete in refreshingly creative games that keep the audience on edge. The cast has great chemistry together, and their close friendship shows in the roles they play in the variety show. Each has a distinct but relatable personality. Some hosts always seem to have bad luck on their side and regularly lose the games they play, but they are good-natured about it, which endears them all the more to the show's audience. Celebrities are also invited to take part in the games with the MCs. When *Mission Impossible: Fallout* was launched, its stars—Tom Cruise, Henry Cavill, and Simon Pegg—were invited as guests on the show and took part in the games. But stripped of the games, it is the camaraderie among the hosts that make the show a success and give audience an enjoyable viewing experience.

## Customer Value and Satisfaction

Consumers face a variety of products and services that might satisfy a given need. How do they choose among these offerings? Customers form expectations about the value and satisfaction that various market offerings will deliver and buy accordingly. Satisfied customers buy again and tell others about their good experiences; while dissatisfied customers often switch to competitors and complain about the product to others. The following example discusses the popularity of an all-Asian-cast movie:

***Crazy Rich Asians***—Based on Kevin Kwan's best-selling book of the same name and made with a production budget of \$30 million, *Crazy Rich Asians* was the first Hollywood movie with an all-Asian cast in 25 years since *The Joy Luck Club*. In traditional American media, Asian characters are frequently stereotyped as meek and are given little to say. They're often portrayed as victims of bullying, romantically inept, or geeks with a penchant for mathematics. The cast of this romantic comedy, by contrast, played a variety of character types and firmly dispelled the "quiet Asian" stereotype. Featuring a rich Singaporean family and set in the Lion City, the movie offered a window into how the ultrarich Asians live—private jets and yachts—and the lengths to which grandmothers, mothers, and aunts go to fiercely protect their family. People liked what they saw, and word-of-mouth spread quickly, making it the No. 1 box office hit for three weeks running. It had been pegged by box-office experts as a minor hit at best, tracked to open at around \$18 million over five days. But the romantic comedy nearly doubled that early prediction, making \$35.2 million in its opening weekend and showing impressive staying power over the following week, crossing the \$50 million line in just its ninth day of release. In other words, positive buzz made it a *bona fide* triumph, especially in light of competition from home-streaming options.<sup>7</sup>



› **Customer value and satisfaction**—The movie *Crazy Rich Asians* was popular because it broke the stereotype that Asians are quiet and geeky. By showing different Asian personalities while staying true to nuanced Asian characteristics, the movie satisfied cinemagoers and added value to their movie experience.

## Exchanges and Relationships

Marketing occurs when people decide to satisfy needs and wants through exchange relationships. **Exchange** is the act of obtaining a desired object from someone by offering something in return. In the broadest sense, the marketer tries to bring about a response to some market offering. A political candidate, for instance, wants votes; a Web site wants more visits; an orchestra wants an audience; and a social action group wants idea acceptance.

Marketing consists of actions taken to build and maintain desirable exchange relationships with target audiences. Beyond attracting new customers and creating transactions, marketers also want to retain customers and grow their business by consistently delivering superior customer value.

## Markets

The concepts of exchange and relationships lead to the concept of a market. A **market** is the set of actual and potential buyers of a product. These buyers share a particular need or want that can be satisfied through exchange relationships.

Marketing means managing markets to bring about profitable customer relationships. Sellers search for buyers, identify their needs, design good market offerings, set prices for them, promote them, and store and deliver them. Activities such as product development, research, communication, distribution, pricing, and service are core marketing activities.

Consumers are also involved when they search for products, interact with companies to obtain information, and make their purchases. Web sites, online social networks, and mobile phones have empowered consumers and made marketing a truly interactive affair. Marketers must now deal effectively with *customer-managed relationships*. They are no longer only asking “How can we reach our customers?” but also “How should our customers reach us?” and even “How can our customers reach each other?”

**Figure 1.3** shows the main elements in a modern marketing system. Marketing involves serving a market of final customers in the face of competition. The company and their competitors send their respective offers and messages to customers. These are affected by major environmental forces (demographic, economic, physical, technological, political/legal, and social/cultural).



### Exchange

The act of obtaining a desired object from someone by offering something in return.



### Market

The set of all actual and potential buyers of a product or service.