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ESSENTIALS OF MARKETING

A Marketing Strategy Planning Approach

18TH EDITION



CANNON

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Essentials of Marketing

A Marketing Strategy
Planning Approach





18

EDITION

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Joseph P. Cannon, PhD

COLORADO STATE UNIVERSITY

William D. Perreault Jr., PhD

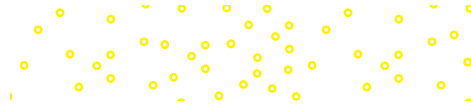
UNIVERSITY OF NORTH CAROLINA

E. Jerome McCarthy, PhD

MICHIGAN STATE UNIVERSITY

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ESSENTIALS OF MARKETING

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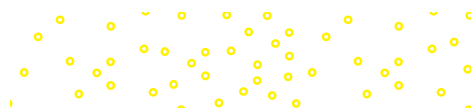
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Authors of *Essentials of Marketing*, 18e

Joseph P. Cannon



Joseph P. Cannon is Dean's Distinguished Teaching Fellow and professor of marketing at Colorado State University. He has also taught at the University of North Carolina, Emory University, Instituto de Empresa (Madrid, Spain), INSEAD (Fontainebleau, France), Thammasat University (Bangkok, Thailand), and the University of Ljubljana (Slovenia). He has received many teaching awards and the N. Preston Davis Award for Instructional Innovation.

Dr. Cannon's research has been published in the *Journal of Marketing*, *Journal of Marketing Research*, *Journal of the Academy of Marketing Science*, *Journal of Operations Management*, *Journal of Personal Selling and Sales Management*, *Journal of Public Policy and Marketing*, *Antitrust Bulletin*, and the *Academy of Management Review*, among others. He is a two-time recipient of the Louis W. and Rhona L. Stern Award for high-impact research on interorganizational topics. He has also written numerous teaching cases. Dr. Cannon serves (or served) on the editorial review boards of the *Journal of Marketing*, *Journal of the Academy of Marketing Science*, *Journal of Operations Management*, *Journal of Personal Selling and Sales Management*, and *Journal of Marketing Education*. The *Journal of Marketing* has honored Dr. Cannon with several distinguished reviewer awards. He served as chair of the American Marketing Association's Interorganizational Special Interest Group (IOSIG). Before entering academics, Dr. Cannon worked in sales and marketing for Eastman Kodak Company.

William D. Perreault Jr.



William D. Perreault Jr. is Kenan Professor of Business Emeritus at the University of North Carolina. Dr. Perreault is the recipient of the two most prestigious awards in his field: the American Marketing Association Distinguished Educator Award and the Academy of Marketing Science Outstanding Educator Award. He was also selected for the Churchill Award, which honors career impact on marketing research. He was editor of the *Journal*

of *Marketing Research* and has been on the review board of the *Journal of Marketing* and other journals.

The Decision Sciences Institute has recognized Dr. Perreault for innovations in marketing education, and at UNC he has received several awards for teaching excellence. He is also the author of *Basic Marketing* and *The Marketing Game!*

Dr. Perreault is a past president of the American Marketing Association Academic Council, served as chair of an advisory committee to the U.S. Census Bureau, and served as a trustee of the Marketing Science Institute. He has also worked as a consultant to organizations that range from GE and IBM to the Federal Trade Commission.

E. Jerome McCarthy



Marketing lost one of its pioneers when E. Jerome "Jerry" McCarthy passed away at his home in East Lansing, Michigan, in 2015.

All marketing instructors owe Jerry McCarthy a great debt of gratitude. Jerry was a pioneer in marketing and wrote the predecessor to this title, *Basic Marketing*, and the first few editions of *Essentials of Marketing*. He popularized the 4 Ps approach to managerial marketing management. Because of the impact he had in marketing and this title specifically, we dedicate this 18th edition to him in honor of his memory.

After earning a PhD at the University of Minnesota, Dr. McCarthy joined the faculty at Notre Dame and became a Fellow in the prestigious Ford Foundation Program at Harvard, an experience that focused on how to make marketing management practice more rigorous and shaped his thoughts on the needs of students and educators. Dr. McCarthy spent most of his career at Michigan State University, gaining a reputation for working with passion and purpose. He received the AMA's Trailblazer Award in 1987 and was voted one of the "top five" leaders in marketing thought by marketing educators.

Dr. McCarthy was well known for his innovative teaching materials and texts, including *Basic Marketing* and *Essentials of Marketing*. These books changed the way marketing was taught by taking a managerial point of view. He also introduced a marketing strategy planning framework, organizing marketing decisions around the Four Ps—Product, Place, Promotion and Price. As these approaches became the standard in other texts, Dr. McCarthy continued to innovate, including new materials in the digital realm. Today's marketing instructors owe a great debt to this innovative pioneer.

Preface

Essentials of Marketing Is Designed to Satisfy Your Needs

This book is about marketing and marketing strategy planning. At its essence, marketing strategy planning is about figuring out how to do a superior job of satisfying customers. We take that point of view seriously and believe in practicing what we preach. So you can trust that this new edition of *Essentials of Marketing*—and all of the other teaching and learning materials that accompany it—will satisfy your needs. We’re very excited about this 18th edition of *Essentials of Marketing* and we hope that you will be as well.

In developing this edition, we’ve made hundreds of big and small additions, changes, and improvements to the text and all the supporting materials that accompany it. We’ll highlight some of those changes in this preface, but first we’ll provide background on the evolution of *Essentials of Marketing*.

Building on Pioneering Strengths

Basic Marketing (*Essentials of Marketing*’s parent text) pioneered an innovative structure—the “Four Ps” (Product, Place, Promotion, and Price) with a managerial approach—for the introductory marketing course. It quickly became one of the most widely used business textbooks ever published because it organized the best ideas about marketing so that readers could both understand and apply them. The unifying focus of these ideas is: *How does a marketing manager decide which customers to target and the best way to meet their needs?*

With each new edition of *Essentials of Marketing*, we update the content based on changes in marketing management and the market environment. This book reflects marketing’s best practices and ideas. *Essentials of Marketing* and the supporting materials that accompany it have been more widely used than any other teaching materials for the introductory marketing class. It is gratifying that the Four Ps organizing structure has worked well for millions of students and teachers.

The success of *Essentials of Marketing* is not the result of a single strength—or one long-lasting innovation. Other textbooks have adopted our Four Ps framework, and we have continuously improved the book. The text’s Four Ps framework, managerial orientation, and strategy planning focus have proven to be foundation pillars that are

remarkably robust for supporting new developments in the field, resulting in innovations in the text and package. Thus, with each new edition of *Essentials of Marketing*, we continue to innovate to better meet the needs of students and faculty. In fact, we have made ongoing changes in how we develop the logic of the Four Ps and the marketing strategy planning process. As always, though, our objective is to provide a flexible, high-quality text and choices from comprehensive and reliable support materials so that instructors and students can accomplish their learning objectives.

What’s Different about Essentials of Marketing?

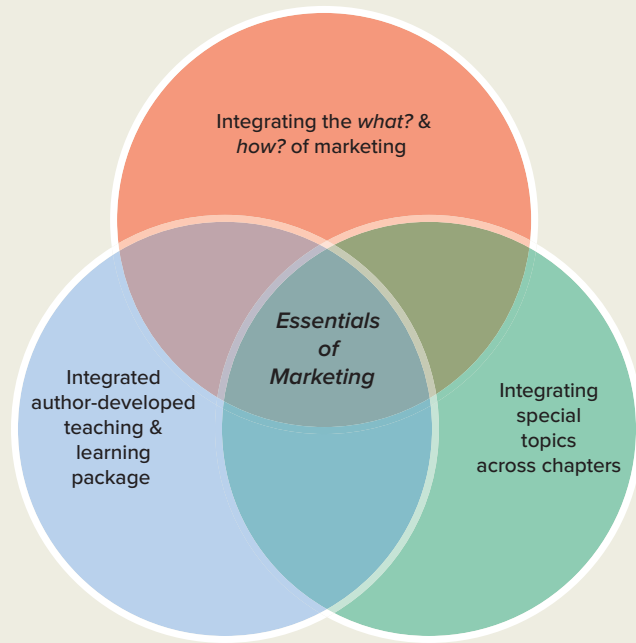
The biggest distinguishing factor about *Essentials of Marketing* is the integrative approach to our teaching and learning package for the introductory marketing course. This integration makes it easier to learn about marketing, teach marketing, and apply it in the real world. For many students, the introductory marketing course will be the only marketing class they ever take. They need to come away with a strong understanding of the key concepts in marketing and how marketing operates in practice. *Essentials of Marketing*:

1. Examines *what* marketing is and *how* to do it.
2. Integrates special topics such as services, international marketing, big data, social media, ethics, and more across the text—with coverage in almost every chapter.
3. Delivers a supplements package completely developed or closely managed by the authors—so each part connects with the text.

The supplements package is extensive—designed to let you *teach marketing your way* (see Exhibit P-1). The integration of these three features delivers a product proven to work for instructors and students. Let us show you what we mean—and why and how instructors and students benefit from the *Essentials of Marketing* teaching and learning package.

What and how of marketing. Marketing operates in dynamic markets. Fast-changing global markets, environmental challenges and sustainability, the blurring speed of technological advances—including an explosion in the use of digital tools by consumers and businesses—are just

Exhibit P-1
Essentials of Marketing: An Integrated Approach to Teaching and Learning Marketing



a few of the current trends confronting today’s marketing manager. Whereas some marketing texts merely attempt to describe this market environment, *Essentials of Marketing* teaches students *analytical abilities* and *how-to-do-it skills* that prepare them for success.

To propel students in this direction, we deliberately include a variety of examples, explanations, frameworks, conceptual organizers, exercises, cases, and how-to-do-it techniques that relate to our overall framework for marketing strategy planning. Taken together, these learning aids speed the development of “marketing sensibility” and enable students to analyze marketing situations and develop marketing plans in a confident and meaningful way. They are practical and they work. And because they are interesting and understandable, they motivate students to see marketing as the challenging and rewarding area it is. In the end, the *Essentials of Marketing* teaching and learning package prepares students to analyze marketing situations and develop exceptional marketing strategies—not just recite endless sets of lists.

Integration of special topics. In contrast to many other marketing textbooks, we emphasize careful integration of special topics. Some textbooks treat “special” topics—such as marketing relationships, international marketing, services marketing, the internet, digital lifestyles, nonprofit organizations, marketing ethics, marketing analytics, social issues, and business-to-business marketing—in separate chapters (or parts of chapters). We are convinced that treating such topics separately leads to an unfortunate compartmentalization of ideas. For example, to simply tack on a new chapter covering ethics or marketing analytics completely ignores the reality that these are not isolated topics; rather, they must be considered across the rubric of marketing decisions.

Exhibit P-2 shows the coverage of some key topics across specific chapters.

Exhibit P-2 Coverage of Special Topics across Chapters*

Special Topic	Chapter																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
Marketing relationships	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
International	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		X
Ethics	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Services	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
B2B	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Marketing analytics	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Technology, Internet, social media, “big data,” and digital lifestyle	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Environment and sustainability	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Nonprofits	X	X	X	X		X	X	X		X		X		X	X	X			X	
Quality	X	X	X	X	X	X	X	X	X		X		X	X	X	X	X	X	X	X
Customer value	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Marketing’s link with other functions	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Purpose orientation & Marketing for a better world (#M4BW)	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

*X indicates coverage in the form of a section of the chapter, example, illustration, or discussion.



The teaching and learning materials have been designed and developed by the authors—so they seamlessly integrate with the textbook. They are integrated to work effectively with *Essentials of Marketing*. We don't tack on extras that have been outsourced and therefore don't mix well with our teaching and learning package. Because of this, you have flexible tools for *teaching and learning marketing your way*. You pick those elements from the package that best fit your students and your teaching approach.

Marketing can be studied in many ways, and the *Essentials of Marketing* text material is only the central component of our *Professional Learning Units System (P.L.U.S.)* for students and teachers. Instructors and students can select from our units to develop their own personalized teaching and learning systems. Our objective is to offer you a *P.L.U.S.* “menu” so that you can conveniently select units you want—and disregard what you do not want. Many combinations of units are possible depending on course and learning objectives. Later in this preface we highlight each *P.L.U.S.* element (full details can be found in the Instructor’s Manual and our focused Quick Start Guides).

Most business students take only one marketing course in their studies. They deserve the benefits of a highly innovative yet *proven* set of integrated learning materials. Our teaching and learning materials—from the textbook

to the Connect exercises to the test bank to the PowerPoint slides and In-Class Activities—continue to be updated based on what has proven to work for generations of students.

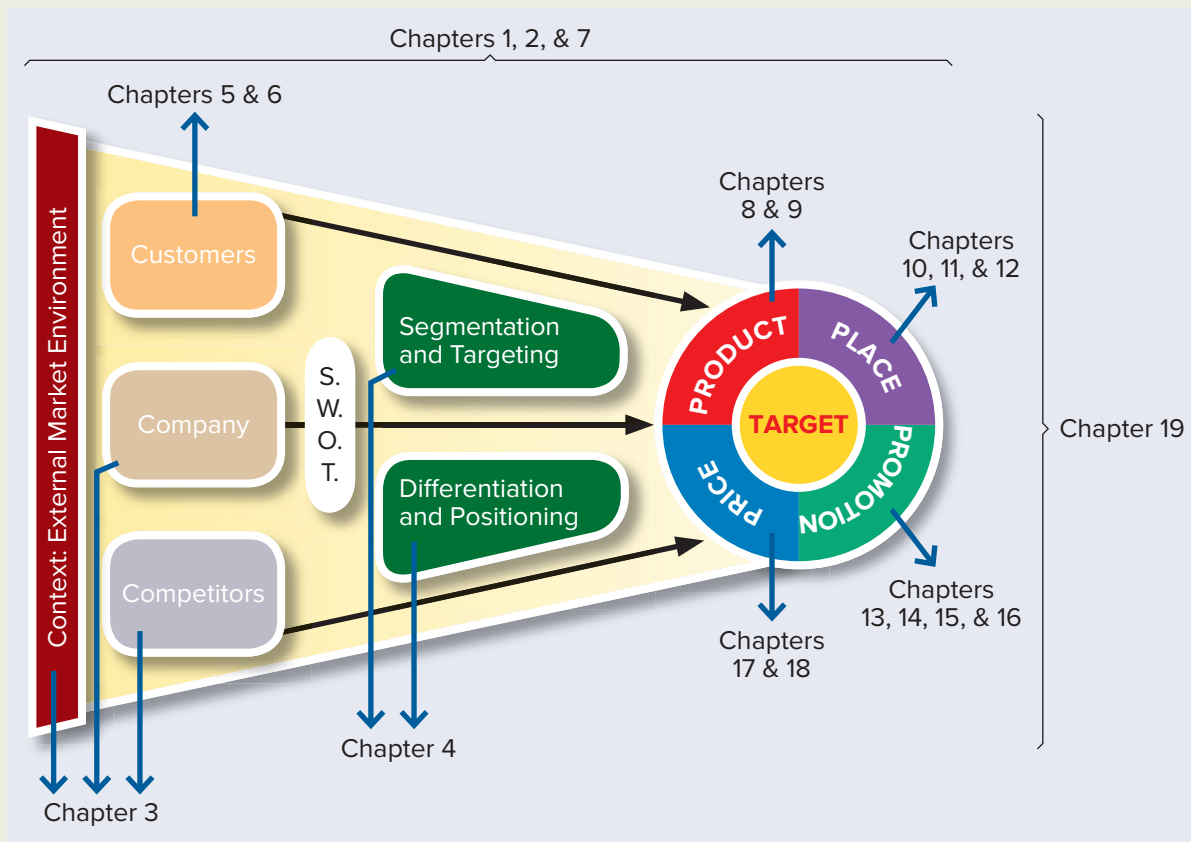
Nineteen Chapters—with an Emphasis on Marketing Strategy Planning

The emphasis of *Essentials of Marketing* is on marketing strategy planning. Nineteen chapters introduce the important concepts of marketing and help students see marketing through the eyes of the manager. The organization of the chapters and topics is carefully planned. We took special care in writing so that:

- It is possible to rearrange and use the chapters in many different sequences to fit different needs.
- All topics and chapters fit together into a clear, overall framework for the marketing strategy planning process.

Broadly speaking, the chapters can be grouped into three sections. The first seven chapters introduce marketing and provide a broad view of the marketing strategy planning process. We introduce the marketing strategy planning process in Chapter 2 and use this framework as a structure for our coverage of marketing throughout the text—see Exhibit P-3. Chapters 3–7 each cover different

Exhibit P-3 *Essentials of Marketing* and the Marketing Strategy Planning Process



topics, such as the market environment, competition, segmentation, differentiation, and buyer behavior, as well as how marketing information systems and research provide information about these topics to improve marketing decisions. The second part of the text (Chapters 8–18) goes into the details of planning the Four Ps, with specific attention to the key strategy decisions in each area. Finally, we conclude with an integrative review (Chapter 19) and a critical assessment of marketing’s challenges and opportunities.

Chapter 1 deals with the important role of marketing—focusing not only on how a marketing orientation guides a business or nonprofit organization in the process of providing superior value to customers, but also on the role of macro-marketing and how a market-directed economy shapes choices and quality of life for consumers. Chapter 1 also introduces students to a purpose orientation, a new idea that is beginning to gain traction in business and marketing strategy. It is a natural extension of our marketing for a better world (#M4BW) elements—designed to show students examples of companies creatively using marketing to make profits *and* improve the world around them.

Chapter 2 builds on these ideas with a focus on the marketing strategy planning process. It discusses why the marketing strategy planning process involves narrowing down to the selection of a specific target market while blending the Four Ps into a marketing mix to meet the needs of customers. With that foundation in place, Chapter 2 introduces an integrative model of the marketing strategy planning process that serves as an organizing framework for the rest of the text.

Chapter 3 introduces students to the importance of evaluating opportunities in the external environments affecting marketing. This chapter also highlights the critical role of screening criteria to narrow down all possible opportunities to those that the firm will pursue.

Chapter 4 shows how market analysis relates to segmentation and differentiation decisions, as well as the criteria used to narrow down to a specific target market and marketing mix. Our approach to segmentation includes defining product-markets—which fits with our strategic planning approach. Analyzing product-markets teaches students how to identify and evaluate opportunities—a key element of marketing strategy.

Chapter 5 is the first of two chapters on customers. It is necessary to understand customers in order to segment markets and satisfy target market needs. So the next two chapters take a closer look at customers. Chapter 5 studies the behavioral aspects of the final consumer market.

Chapter 6 looks at how business and organizational customers—such as manufacturers, channel members, and government purchasers—are similar to and different from final consumers.

Chapter 7 presents a contemporary view of getting information—from marketing information systems and marketing research—for marketing planning. Chapter 7

includes discussion of how information technology—ranging from intranets to speedy collection of marketing research data—is transforming marketing. The idea of big data is introduced. This sets the stage for discussions in later chapters about how research and marketing information improve each area of marketing strategy planning.

Chapters 8 through 18 are concerned with developing a marketing mix out of the Four Ps. These chapters are concerned with developing the “right” Product and making it available at the “right” Place with the “right” Promotion at the “right” Price to satisfy target customers while still meeting the objectives of the business. These chapters are presented in an integrated, analytical way—as part of the overall framework for the marketing strategy planning process—so students’ thinking about planning marketing strategies develops logically.

Chapters 8 and 9 focus on product planning for goods and services, as well as managing product quality, new-product development, and the different strategy decisions required at different stages of the product life cycle. We emphasize the value of an organized new-product development process for developing truly new products that propel a firm to profitable growth. These chapters also detail how quality management approaches can improve implementation, including implementation of better-quality service.

Chapters 10 through 12 focus on Place. Chapter 10 introduces decisions a manager makes about whether to use direct distribution (for example, selling from the firm’s own website) or work with other firms in a channel of distribution. We put special emphasis on the need for channel members to cooperate and coordinate to better meet the needs of customers. Chapter 11 focuses on the fast-changing arena of logistics and the strides that firms are making in using e-commerce to reduce the costs of storing, transporting, and handling products while improving the distribution service they provide customers. Chapter 12 provides a clear picture of retailers, wholesalers, and their strategy planning, including exchanges taking place via the Internet. This chapter helps students see why big changes taking place in retailing are reshaping the channel systems for many consumer products.

Chapters 13 through 16 deal with Promotion. These chapters build on the concepts of integrated marketing communications, direct-response promotion, and customer-initiated digital communication introduced in Chapter 13. Chapter 14 describes the roles of personal selling, customer service, and sales technology in the promotion blend. Chapter 15 covers advertising and sales promotion, including the ways that managers are taking advantage of the Internet and other highly targeted media to communicate more effectively and efficiently. Chapter 16 examines publicity, which we broadly define to include owned, earned, and social media.

Chapters 17 and 18 deal with Price. Chapter 17 focuses on pricing objectives and policies, including the use of



information technology to implement flexible pricing; pricing in the channel; and the use of discounts, allowances, and other variations from a list price. Chapter 18 covers cost-oriented and demand-oriented pricing approaches and how they fit in today's competitive environments. The careful coverage of marketing costs helps equip students to deal with the renewed cost-consciousness of the firms they will join.

Chapter 19, the final chapter, does three things. First, it offers a perspective on the efficiency and effectiveness of both micro- and macro-marketing. Second, it provides a review of the textbook in the form of the marketing plan. Finally, we reflect on the purpose orientation introduced in Chapter 1 and sprinkled throughout the book.

Appendices. Four appendices can be used to supplement the main text material—note that the first three appendices are only available online. Appendix A (**available online**) provides some traditional economic analysis of supply and demand that can be a useful tool in analyzing markets. Appendix B (**available online**) reviews some quantitative tools—or marketing arithmetic—which help marketing managers who want to use accounting data in analyzing marketing problems. Appendix B also reviews forecasting to predict market potential and sales for a company's product. Students especially appreciate Appendix C (**available online**), which is about career opportunities in marketing. Appendix D provides an example of a marketing plan for Hillside Veterinary Clinic. This example is referenced in Chapter 2 and in end-of-chapter exercises.

Cases. Following Appendix D are 44 written cases. These cases are all based on situations faced by real-world marketing managers. Some of the cases are familiar companies and others have had names, dates, and sometimes financial data changed at the request of a company. Many of the cases are designed to be used in more than one chapter; you can see cases suggested for a specific chapter in the end-of-chapter listing of problems. Most of the 44 cases have been updated with new information to make sure they reflect the realities of the current marketplace. The focus of these cases is on problem solving. They encourage students to apply—and engage with—the concepts developed in the text.

Bonus Chapters. Two bonus chapters (previously available only with our *Basic Marketing* text) are now available online and through custom printing. Bonus Chapter 1 builds on implementation and control, two concepts introduced in Chapter 2. The chapter goes into more detail on these concepts and offers how-to approaches for making implementation and control more effective. The chapter discusses how new information technology tools facilitate these practices and demonstrates how firms use sales analysis, performance analysis, and cost analysis to control marketing strategies and plans. Bonus Chapter 2 includes separate sections that describe how finance, production and operations, accounting, information systems,

and human resources interact with marketing to create and implement successful marketing plans.

I love your book—but there are too many chapters for my class. What can I do?

We are often asked this question by professors who use the quarter system, who prefer to provide students with less breadth of coverage but more depth, or who like the idea of one chapter per week. Three chapters can easily be dropped from the text without harming understanding of other topics:

- Chapter 11 provides coverage of logistics and customer service. We hear that schools with a required course on supply chain management often find this chapter to be redundant. It can also be dropped if there is less desire for this type of coverage. Dropping it does not have an adverse impact on other Place chapters.
- Chapter 18 provides depth in setting prices. Some instructors prefer not to cover this more quantitative treatment and drop the chapter.
- Chapter 19 provides a critical look at marketing and a review of the marketing strategy planning process. If time is an issue, this can be dropped, though we recommend instructors have a concluding lecture that ties together the course.

What's New in This Edition of *Essentials of Marketing*?

Each revision of *Essentials of Marketing* has a few basic themes—areas we try to emphasize across the book. One constant over 18 editions of *Essentials of Marketing* is an emphasis on *currency*. Our instructors value current thinking that reflects the latest in marketing theory and practice. We keep up and integrate the latest thinking in academic journals and the popular press. Our students appreciate current examples from companies they know. We have hundreds of updated concepts, examples, and images.

Beyond that, the last couple of editions we have focused our attention on topic areas that are integrated across all the chapters in the *Essentials of Marketing* teaching and learning package: (1) purpose orientation, (2) diversity, equity, and inclusion, (3) photos, images and exhibits as teaching tools, (4) marketing analytics, and (5) active learning. Here is a quick overview of what we changed for the 18th edition of *Essentials of Marketing*.

Purpose and purpose orientation. The previous edition of this book looked at where marketing practices meet target customer needs and make the world a better place. We decided to highlight those efforts, and you will see our “green boxes” and #M4BW across every chapter. Since that time, a movement has come about. There is emerging theory and practice around firms developing

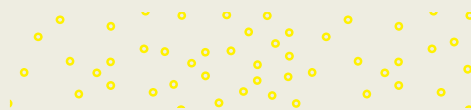


Exhibit P-4 You Decide How Much Marketing Analytics to Add to Your Class

I want my students to . . .	Resources in <i>Essentials of Marketing</i>
. . . understand the importance of analytics and some key terms.	Each chapter features new key terms and/or marketing analytics examples.
. . . understand how marketing managers use analytics.	Each chapter includes a “Marketing Analytics in Action” activity—a mini case study of analytics in practice.
. . . calculate some basic marketing analytics.	Each chapter includes a Connect homework exercise “Marketing Analytics: Data to Knowledge”
. . . conduct sales and performance analysis.	Assign Bonus Chapter 1, “Implementing and Controlling Marketing Plans: Metrics and Analysis”

purpose-driven marketing strategies. More than just a triple bottom line, a *purpose orientation* focuses on an organization’s reason for being that extends beyond profit and creates value for stakeholders, including customers, employees, suppliers, investors, and communities. This idea is introduced in Chapter 1 and its implications are discussed in every chapter. We believe purpose is the future of business and marketing strategy for many, if not all, firms.

Diversity, equity, and inclusion. The purpose orientation followed from some tragic incidents that have brought more attention to racial justice, diversity, equity, and inclusion. This edition tackles some of those topics head-on. Inspired by her episodes on the McGraw Hill podcast *Marketing Insights*, we reached out to Professor Shanita Akintonde for some suggestions. We also did our own research on the topic and integrated what we learned across chapters. We want all our readers to see themselves in our book—and we want them all to understand how marketing operates for all people.

Enhanced use of photos, images, and exhibits. Do you see it? I see it. My kids and my students are into Instagram and TikTok. They are engaged by photos and images. In our textbook we use many different advertising examples and graphical exhibits to give students, visual examples and reinforce their learning. *Essentials of Marketing* has always relied on this—but with this edition we doubled down! Well not quite double, but we added hundreds of images and exhibits to enhance student learning. We have brought many of these into our PowerPoint slides and our Connect Interactive exercises. Our customers—students—are leading us in that direction.

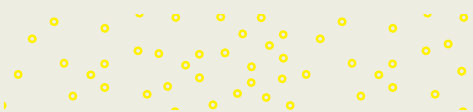
Marketing analytics. The last few of editions of *Essentials of Marketing* have featured growing coverage of big data and marketing analytics. Following marketing practice and feedback from instructors, this edition builds on that coverage of these topics. Our students—whether marketing majors or in some other area of business—are expected to know what marketing analytics is and how it can be used in marketing strategy planning.

We had discussions with many different instructors about how to add marketing analytics to the introductory

marketing course. While everyone agreed that today’s student needs to know more about how businesses use marketing analytics, there was disagreement about how much time and focus it should receive. Given that, we make our coverage flexible and allow *you* the instructor to decide how much attention marketing analytics gets in your class. Most of our extended treatment of marketing analytics can easily be added or left out—as it involves an in-text boxed element, end-of-chapter and online exercises, a marketing simulation, and a bonus chapter. Exhibit P-4 shows how each can contribute to the learning objectives you have for your students.

Active learning. Connect and SmartBook offer your students better opportunities to get grounded in the basic concepts of marketing. Many instructors count on these to prepare students for class and utilize more active learning activities inside or outside the classroom. We have designed many active learning exercises so students can learn more critical thinking and application of concepts, which helps them understand how marketing really works. This edition of *Essentials of Marketing* features:

- *New in this edition!* Active learning PowerPoints. Our updated PowerPoint slides feature more photos, images, questions, and checking your knowledge questions. Make your lectures more engaging to your students.
- *New to this edition!* Caption questions. Each chapter features at least four to six questions in image captions. These can be assigned or brought into class discussion.
- *Flip Your Marketing Class.* A few years ago, Joe Cannon decided to “flip” his marketing classes. He no longer lectures and now uses about 90 percent of class time on in-class activities. Whether you are ready to completely “flip” your class or are just looking to add more active learning to mix in with your lectures, you will appreciate the materials he has put together. Joe’s Flip Your Marketing Class e-book can be downloaded from the Instructor’s Resource Materials.
- *In-Class Activities.* As part of the *Flip Your Marketing Class* e-book effort, Joe produced a series of exercises



that can be used in class. For each chapter there are two to four In-Class Activities. These exercises can be completed in small groups in class. They reinforce and apply concepts learned from *Essentials of Marketing*. Beyond that, many of the following elements of *Essentials of Marketing* could also be used as in-class activities. We have added some brand-new activities, and others were updated.

- **Marketing Analytics in Action.** These in-chapter boxed features place students in the situation many managers face: analyzing and interpreting marketing analytics. The activities show students how marketing analytics are used—but they also ask questions that force students to use critical thinking skills to make marketing decisions. These exercises work particularly well for in-class discussion.
- **Practice Marketing.** The *Practice Marketing* simulation offers a unique way to learn and apply the Four Ps of marketing. Students take on the role of a marketing manager tasked with creating and launching a new product; they do actual marketing strategy planning around a backpack—analyzing customers, competitors, and company—then making target market, product, place, promotion, and price decisions. After seeing the results of their initial decisions, they can adapt their strategy. The simulation allows students to compete with other students or artificial intelligence characters. Many students have referred to *Practice Marketing* as a virtual internship.
- **What's Next?** Each chapter includes an active learning boxed element. Each *What's Next?* offers an in-depth analysis of some trend or marketing future—and asks students about its implications. These elements have all been updated to make them more forward-looking and active learning focused.
- **Ethical Dilemma.** Several of these critical thinking exercises have been updated from previous editions, with a focus on students making decisions in gray areas, many of which have been introduced by the advancing technologies used in marketing.
- **Questions and Problems.** In past editions, our chapter opening cases have primarily served to motivate a chapter's subject matter. We have added two end-of-chapter "Questions and Problems" (always questions 1 and 2) designed to have students reflect on the opening case studies. Students experience higher-order learning when they are asked to recognize concepts in a case study—so we ask them to do that in question 1. Question 2 turns the chapter opener into a discussion case. Both questions can be used for in-class discussion or homework assignments for instructors looking for higher-order learning objectives for their students.
- **Marketing Analytics: Data to Knowledge.** These end-of-chapter exercises—which can be done through Connect—show students how data analysis is used by

marketing managers. Using concepts and examples from each chapter, the exercises build higher-order learning skills and demonstrate data-driven marketing decision making. Each practical question walks students through a real-life scenario, shows them how to use a spreadsheet to find answers, and then asks (optional) discussion questions to build critical thinking skills.

- **Cases.** Our cases continue to provide students with opportunities to explore how real companies conduct the marketing strategy planning process.

Chapter-by-chapter. Each edition we update every chapter. We follow the academic literature and popular press to know what changes are occurring across marketing. In addition, McGraw Hill recruits about a dozen reviewers, all of whom are marketing instructors, to read and comment on every chapter. Some of these reviewers are regular users of our textbook, and others use a different book. These reviewers offer a useful perspective and many, many great ideas. They point out what teaches well and what might need the help of another example or a clearer exposition. They point out what we might add and what might be removed. This year's group was particularly helpful and influential.

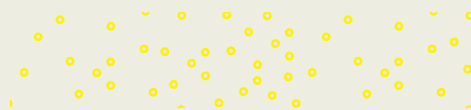
One great reviewer suggestion was to tie the conclusion in each chapter to the Learning Objectives. This change was added to every chapter.

Chapter 1. Updated the Nike case opener. We moved the discussion of the separation between producers and consumers into Chapter 10. We give a bit more space (and an explanatory exhibit) to the universal functions of marketing and return to them in other chapters. We introduce the purpose orientation, which becomes a recurring topic throughout the rest of the book.

Chapter 2. A new chapter-opening case scenario features the millennial focused Lemonade insurance. We enhanced coverage of customer lifetime value and SWOT analysis, and refreshed and added more current examples throughout the chapter.

Chapter 3. Updates for currency throughout the chapter. Introduced the purpose statement as a variation of the mission statement and included a table with several examples. Brought in the metaverse as a key term and described how it is impacting marketing strategy planning. Updated the demographic data and coverage of generations—adding *Generation Alpha*. We added several new Exhibits designed to make some concepts easier for students to understand. A new *What's Next?* box introduced black swan (highly unusual and unpredictable) events in the context of the murder of George Floyd. We added coverage of the BCG Matrix.

Chapter 4. Feedback from our students and all instructors (users of our book and others) always indicates that segmentation and targeting are among the most challenging topics for our students. So, this chapter received a lot



of attention. We added new exhibits and examples to show what we mean by generic- and product market definitions—and why they are important. We updated and brought back “A Best Practice Approach to Segmenting Product-Markets.” This extended example clearly lays out a method for segmentation and targeting. We ran it by a few reviewers, and it got great feedback. We hope you find it helps teach these challenging concepts. While we cut back a little here and there to shorten, this chapter is longer—however, we think much clearer.

Chapter 5. Updates for currency across the chapter and new examples. Now include purpose on our PSSPS hierarchy of needs. Added examples of marketing for purpose.

Chapter 6. We discussed the Swiss company Bühler, which is a purpose-driven firm in the opening case scenario. Updated for currency with many new images.

Chapter 7. Many updates and new examples as marketing research continues to evolve—drawing on new sources of data and new types of marketing analytics. A major revision and reorganization of “Getting Problem-Specific Data” (and a new Exhibit) following comments and suggestions from reviewers.

Chapter 8. Updates throughout this chapter—many related to current topics, including: pandemic trends, purpose drive brand promises, and brand name changes due to increased sensitivity to DE&I.

Chapter 9. Updated for currency. New exhibit with multiple examples of industries (and firms) at each stage of the product life cycle. More discussion of speeding up new product development and examples of failures. A new *What's Next?* box introduces design thinking. Coverage of purpose inspired innovation.

Chapter 10. This is another chapter that received a lot of attention. We add new exhibits to better explain product classes and their connection to Place. We completely updated coverage of selling direct-to-consumer vs selling through channel intermediaries, including a table summarizing the benefits of each. This seems to be a hot topic in practice. We also added a new case that covers this topic—see BE Bold Electric Bikes in our cases. We integrated Chapter 1’s separations between producers and consumers with our coverage of channel specialists reducing discrepancies; another new exhibit clarifies key concepts.

Chapter 11. Discussed how the pandemic created supply chain problems. Updated for currency throughout.

Chapter 12. We always have a lot of revisions in our coverage of retailing—and this edition is no different. To remain current, every edition requires significant rewriting, especially in our section on retailing and the Internet where you will find new topics including *social commerce*, *influencer storefronts*, the rise of online retailing platforms (Shopify), and purpose-oriented retailers. This edition also has many new and updated exhibits—four completely new and one updated—all designed to facilitate student learning of important concepts.

Chapter 13. The purchase funnel is an important concept in marketing practice, so we added it to this edition, including a graphic and discussion. Our coverage of direct-response promotion was significantly enhanced, as was the topic of email marketing. We also revised our discussion of pushing and pulling and updated our graphic.

Chapter 14. We added a lot more coverage of the inside sales force, including a new purpose-oriented example featured in our *What's Next?* box. We also significantly enhanced our coverage of sales force compensation and motivation with a new exhibit. The biggest change was our coverage of the personal selling “job.” We all know that many marketing students start their careers in sales, but many don’t understand the job and fear it. So we added more coverage up-front, but the big addition is a final section and exhibit describing three real sales jobs. We think these examples will show some students the real appeal of working in sales.

Chapter 15. This chapter always gets a lot of updating, especially coverage of online advertising. Currency is key and we did that across the chapter with lots of smaller changes. We also updated sales promotion with several new examples.

Chapter 16. This chapter is another that requires constant updating with all the changes going on with earned, owned, and social media. There were lots of small changes and updates throughout the chapter, including updates to Exhibits 16–3, 16–4, 16–5, 16–7, and a new Exhibit 16–8. Major updates on our coverage of social media—and of course we added TikTok (it really wasn’t a major player just a few years ago when we last updated). The whole social media section was updated to give it a more strategic orientation.

Chapter 17. This chapter got a lot of attention in the previous edition, but less so here. Some updating and new content on the ethics of “fees.”

Chapter 18. Updated for currency. Discussion of how Costco margins are an example of purpose-orientation.

Chapter 19. Major updates to this chapter. We provided more focus to our evaluation of the effectiveness and efficiency of marketing. The last third of the chapter received major updates and changes to focus on purpose driven marketing, the value of marketing, and its future. We debate if marketing is evil or good and conclude that it is a tool that can be used for either end.

Bonus Chapter 1. Updated for currency and to add purpose orientation.

Bonus Chapter 2. Updated for currency with special attention to purpose orientation and diversity, equity, and inclusion.

Expanded Teaching and Learning Resources for the 18th Edition

The authors of *Essentials of Marketing* and McGraw Hill Higher Education have put together a variety of resources



to supplement your teaching and learning experience. Instructors will find the following resources posted in the Instructor Resources section of the Connect Library for the 18th edition.

- **Active Learning Guide and Exercises—**
 - We hear more and more from instructors seeking to change their marketing course away from being primarily lecture-based to adding more active learning in the classroom. Joe Cannon decided to flip his class and learned a lot in the process. He shares those insights in an e-book that provides some guidance—see *Flip Your Marketing Class*. The ideas work whether you want to completely flip the class or just add more active learning to your current class sessions. One of the most difficult aspects of making this transition is having high-quality activities for students to work on—activities that reinforce important marketing concepts and critical thinking. We have put together many different resources that can help you make this transition—most with teaching notes.
- **Instructor’s Manual and Digital Implementation Guide—**
 - Offers a single resource to make it easier for you to decide which resources to use when covering each chapter in the text.
- **PowerPoint Presentation Resources—**
 - *Chapter PowerPoint Slides*. For each chapter there is a set of PowerPoint presentations that includes television commercials and short video clip examples, examples of print advertisements that demonstrate important concepts, and questions to use with “clickers” or simply to check if students are getting it. These slides cover all the major topics in the chapter. This edition adds more engaging activities right into the slides.
 - *YouTube PowerPoint slides*. We have embedded YouTube videos into a collection with more than 80 slides, which bring virtual guest speakers, viral videos, case studies, and new ads to your classroom presentations.
 - *Multimedia Lecture Support Guide and Video Guide*. Now integrated into the Instructor’s Manual and Digital Implementation Guide, you will find detailed lecture scripts and chapter outlines for the presentation slides to make getting prepared for class fast and easy.
- **Author Blog—**
 - Connect with the *Teach the 4 Ps* blog (www.teachthe4ps.com) for links to articles, blog posts, videos, video clips, and commercials—with tips on how to use them with *Essentials of Marketing*. The site is organized by topic—so you can easily find something related to what you are teaching that day—and provides plenty of tips for bringing *active learning* to your classroom.

- **Practice Marketing Simulation—**
 - An online and fully mobile interactive learning environment that simulates the full marketing mix, as well as market segmentation and targeting. This can be accessed through Connect.
- **Test Bank—**
 - Our test bank includes more than 5,000 objective test questions—every question developed or edited by the authors to ensure it works seamlessly with the text. McGraw Hill’s TestGen program facilitates the creation of tests.

Reflecting the Diverse World Around Us

McGraw Hill believes in unlocking the potential of every learner at every stage of life. To accomplish that, we are dedicated to creating products that reflect, and are accessible to, all the diverse, global customers we serve. Within McGraw Hill, we foster a culture of belonging, and we work with partners who share our commitment to equity, inclusion, and diversity in all forms. In McGraw Hill Higher Education this includes, but is not limited to the following:

- Refreshing and implementing inclusive content guidelines around topics including generalizations and stereotypes, gender, abilities/disabilities, race/ethnicity, sexual orientation, diversity of names, and age
- Enhancing best practices in assessment creation to eliminate cultural, cognitive, and affective bias
- Maintaining and continually updating a robust photo library of diverse images that reflect our student populations
- Including more diverse voices in the development and review of our content

Responsibilities of Leadership

In closing, we return to a point raised at the beginning of this preface. *Essentials of Marketing* has been a leading textbook in marketing since its first edition. We take the responsibilities of that leadership seriously. We know that you want and deserve the very best teaching and learning materials possible. It is our commitment to bring you those materials today with this edition.

We recognize that fulfilling this commitment requires a process of continuous improvement. Because needs change, revisions, updates, and development of new elements must be ongoing. You are an important part of this evolution and of this leadership. We encourage your feedback. The most efficient way to get in touch with us is to send an e-mail message to Joe.Cannon@ColoState.edu. Thoughtful criticisms and suggestions from students and teachers alike have helped make *Essentials of Marketing* what it is today. We hope that you will help us make it what it will be in the future.

Joseph P. Cannon, William D. Perreault Jr., and E. Jerome McCarthy



Acknowledgments

Essentials of Marketing has been influenced and improved by the input of more people than it is possible to list. We want to express our appreciation to those who have played the most significant roles, especially in this edition.

We are especially grateful to our many students who have critiqued and made comments about materials in *Essentials of Marketing*. Indeed, in many ways, our students have been our best teachers.

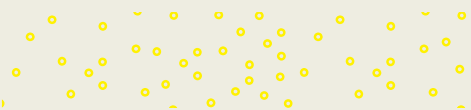
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John S. Bishop Jr., *Ohio State University*
David Blackmore, *University of Pittsburgh*
Ross Blankenship, *University of California Berkeley*
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Jonathan Bohlman, *Purdue School of Management*
William J. Bont, *Grand Valley State University*
Laurie Brachman, *University of Wisconsin-Madison*
Kit Brenan, *Northland Community College*
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Richard Brien, *De Anza College*
Elten Briggs, *University of Texas-Austin*
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Kendrick W. Brunson, *Liberty University*
Gary Brunswick, *Northern Michigan University*
Derrell Bulls, *Texas Women's University*
Michele Bunn, *Collat School of Business, University of Alabama at Birmingham*

Helen Burdenski, *Notre Dame College of Ohio*
Nancy Bush, *Wingate University*
Carmen Calabrese, *University of North Carolina-Pembroke*
Catherine Campbell, *University of Maryland University College*
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E. Wayne Chandler, *Eastern Illinois University*
Chen Ho Chao, *Baruch College, City University of New York*
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Scott Davis, *University of California at Davis*
Dwane Dean, *Manhattan College*
Susan Higgins DeFago, *John Carroll University*
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Mary Edrington, *Drake University*
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Dr. S. Altan Erdem, *University of Houston-Clear Lake*
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Richard Fogg, *Kansas State University*
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Carol Gaumer, *University of Maryland University College*
Lance C. Gentry, *University of Mary Washington*
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Karl Giulian, *Fairleigh Dickinson University-Madison*
J. Lee Goen, *Oklahoma Baptist University*
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Gary Grandison, *Alabama State University*
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Mike Griffith, *Cascade College*
Alice Griswold, *Clarke College*
Barbara Gross, *California State University-Northridge*
Pranjal Gupta, *University of Tampa*
Susan Gupta, *University of Wisconsin at Milwaukee*
John Hadjmarcou, *University of Texas at El Paso*
Khalil Hairston, *Indiana Institute of Technology*
Adam Hall, *Western Kentucky University*
Bobby Hall, *Wayland Baptist University*
Joan Hall, *Macomb Community College*
David Hansen, *Schoolcraft College*
John Hansen, *University of Alabama at Birmingham*
Dorothy Harpool, *Wichita State University*
LeaAnna Harrah, *Marion Technical College*
April Harris, *Southcentral Kentucky Community and Technical College*
James Harvey, *George Mason University*
John S. Heise, *California State University-Northridge*
Lewis Hershey, *University of North Carolina-Pembroke*
James Hess, *Ivy Tech Community College*
Wolfgang Hinck, *Louisiana State University-Shreveport*
R. Stephen Holman, *Elizabethtown Community and Technical College*
Pamela Homer, *California State University-Long Beach*
Ronald Hoverstad, *University of the Pacific*
John Howard, *Tulane University*
Doug Hughes, *Michigan State University-East Lansing*

Deborah Baker Hulse, *University of Texas at Tyler*
Janet Hunter, *Northland Pioneer College*
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Gary Karns, *Seattle Pacific University*
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James Kellaris, *University of Cincinnati*
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Courtney Kernek, *Texas A&M University-Commerce*
Imran Khan, *University of Nebraska-Lincoln*
Anthony Kim, *California State Polytechnic University, Pomona*
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Donald Larson, *The Ohio State University*
Dana-Nicoleta Lascu, *Richmond University*
Debra Laverie, *Texas Tech University*
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Freddy Lee, *California State University-Los Angeles*
Steven V. LeShay, *Wilmington University*
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Doug Livermore, *Morningside College*
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Harold Lucius, *Rowan University*
Navneet Luthar, *Madison Area Technical College*
Richard Lutz, *University of Florida*
W. J. Mahony, *Southern Wesleyan University*
Phyllis Mansfield, *Pennsylvania State University-Erie*
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Kevin McEvoy, *University of Connecticut-Stamford*
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Sanjay Mehta, *Sam Houston State University*



Matt Meuter, *California State University–Chico*
 Michael Mezja, *University of Las Vegas*
 Margaret Klayton Mi, *Mary Washington College*
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 Aditya Singh, *Pennsylvania State University–McKeesport*
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 Jill Slomski, *Mercyhurst College*
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 Robert Smoot, *Lees College*
 Don Soucy, *University of North Carolina–Pembroke*
 Roland Sparks, *Johnson C. Smith University*
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 Geoffrey Stewart, *University of Louisiana at Lafayette*
 Karen Stewart, *The Richard Stockton College of New Jersey*
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 Randy Stuart, *Kennesaw State University*
 Rajneesh Suri, *Drexel University*
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 Kimberly Taylor, *Florida International University*
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 Sharon Wagner, *Missouri Western State College*
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 Suzanne Walchli, *University of the Pacific*
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 Danny “Peter” Weathers, *Louisiana State University*

Alan Weber, *University of Missouri at Kansas City, Bloch School of Management*
Yinghong (Susan) Wei, *Oklahoma State University*
John Weiss, *Colorado State University*
M. G. M. Wetzeis, *Universiteit Maastricht, The Netherlands*
Fred Whitman, *Mary Washington College*
Michelle Wicmandy, *University of Houston-Downtown*
Judy Wilkinson, *Youngstown State University*
Phillip Wilson, *Midwestern State University*
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Jim Wong, *Shenandoah University*
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Brent Wren, *Manhattanville College*
Doris Wright, *Troy University*
Newell Wright, *James Madison University*
Joseph Yasaian, *McIntosh College*
Gary Young, *Worcester State College*

We've always believed that the best way to build consistency and quality into the text and the other P.L.U.S. units is to do as much as possible ourselves. With the growth of multimedia technologies, it's darn hard to be an expert on them all. But we've had spectacular help in that regard.

The lecture-support PowerPoints have been a tremendous effort over many editions. We appreciate the efforts of Shannon Lemay-Finn, Luis Torres, Jay Carlson, Mandy Noelle Carlson, David Urban, Milt Pressley, Lewis Hershey, and Christy Teich for their creative work on the lecture-support PowerPoint presentation slides.

We have had a great team of people work on Smart-Book questions and Connect exercises. I would particularly like to thank Leroy Robinson from University of Houston-Clear Lake for his leadership and work on Connect. Everything I hand off to Leroy comes back better than I expected. Jon Firooz of Colorado State University took our Computer-Aided Problems and updated them for use in Connect—not an easy task. They are now titled *Marketing Analytics: Data to Knowledge*.

Faculty and students at our current and past academic institutions—Michigan State University, University of North Carolina, Colorado State University, Emory University, University of Notre Dame, University of Georgia, Northwestern University, University of Oregon, University of Minnesota, and Stanford University—have significantly shaped the book. Professor Andrew A. Brogowicz of Western Michigan University contributed many fine ideas to early editions of the text and supplements. Neil Morgan, Charlotte Mason, Rich Gooner, Gary Hunter, John Workman, Nicholas Didow, Barry Bayus, Jon Firooz, Ken Manning, L. A. Mitchell, and Ajay Menon have provided a constant flow of helpful suggestions.

We are also grateful to the colleagues with whom we collaborate to produce international adaptations of the text. In particular, Lindsey Meredith, Lynne Ricker, Stan Shapiro, Ken Wong, and Pascale G. Quester have all had a significant impact on *Essentials of Marketing*.

The designers, artists, editors, and production people at McGraw Hill who worked with us on this edition warrant special recognition. All of them share our commitment to excellence and bring their own individual creativity to the project.

It takes a village. No, no it takes more than a village, it takes a group of very hard-working and dedicated people. And this edition included new team members—who were fantastic! I will start by thanking Meredith Fossel, Executive Portfolio Manager for our book. Meredith was a sounding board to discuss and react to ideas I had for themes for the revision. After working with Meredith for several editions of our text, we are sad to see her go. We look forward to working with Jessica Dimitrijevic who took over and seems like she will be a great fit.

Kelly Delso is our Lead Product Developer. She keeps the trains running on time—not an easy job with so many moving parts. She does that by planning so much in advance. By anticipating problems, they never came about. Kelly, thank you.

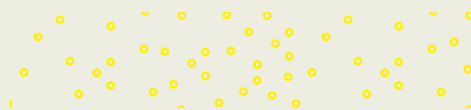
This edition brought a new person to the team in our Lead Project Manager Fran Simon. Fran makes sure the product works and looks good—on paper and online. What a delight to work with. I asked for a lot of favors from Fran and I don't think she ever said no. Thanks Fran.

If you read “What's New?” in this edition, you know that we tried to add a lot more images (photos, screenshots, and print ads) to this edition. That puts a lot of stress on the people who have to research and approve these images. Knowing that, I requested that David Tietz from Editorial Image (who worked with us last edition) be part of the team. Fortunately, he was available and worked with a very picky author and made sure we got the images we wanted. It also puts a lot of pressure on the people that need to approve these images and Sarah Flynn, our Senior Content Licensing Specialist did everything she could to get the best images in this book. Thank you, David and Sarah.

The layout and design of the print and online versions of the text included a dedicated team of professionals. Keith McPherson is a longtime creative and valued contributor to *Essentials of Marketing*. He is a great talent and we sincerely appreciate his past efforts that continue to be reflected in the book's design. We sincerely appreciate the talents of Pam Verros, who created the interior, and Matt Diamond, who designed the cover for this edition of *Essentials of Marketing*.

Finally, we are working with a new marketing manager for this edition. I am going to thank Michelle Sweeden in advance as I am confident she will get the good word out about the 18th edition of *Essentials of Marketing*.

The authors need help to make sure everything reads well and makes sense. That second set of eyes is critical to delivering the high quality of readability *Essentials of Marketing* is known for. The most recent editions have greatly benefited from technical editing and comments



from Jennifer Collins from Molly Words & Widgets, who did a lot of technical editing, entered material into our online system, and brought many ideas and insights to this (and previous) editions. We also send a special thanks to Shanita Akintonde of Columbia College for her assistance in ensuring that this edition represented an inclusive and diverse voice.

We are indebted to all the firms that allowed us to reproduce their proprietary materials here. Similarly, we are grateful to associates from our business experiences who have shared their perspectives and feedback and enhanced our sensitivity to the key challenges of marketing management.

Our families have been patient and consistent supporters through all phases in developing *Essentials of Marketing*. The support has been direct and substantive. Pam Perreault and Chris Cannon have provided valuable assistance and more encouragement than you could imagine. Our kids—Suzanne, Will, Kelly, Ally, and Mallory—provided valuable suggestions and ideas as well as encouragement and support while their dads were too often consumed with a never-ending set of deadlines.

Our product must capsule existing knowledge while bringing new perspectives and organization to enhance it.

Our thinking has been shaped by the writings of literally thousands of marketing scholars and practitioners. In some cases, it is impossible to give unique credit for a particular idea or concept because so many people have played important roles in anticipating, suggesting, shaping, and developing it. We gratefully acknowledge these contributors—from the early thought-leaders to contemporary authors and researchers—who have shared their creative ideas. We respect their impact on the development of marketing and more specifically this book.

To all of these persons—and to the many publishers who graciously granted permission to use their materials—we are deeply grateful. Responsibility for any errors or omissions is certainly ours, but the book would not have been possible without the assistance of many others. Our sincere appreciation goes to all who contributed.

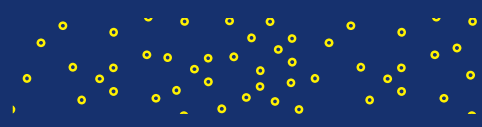
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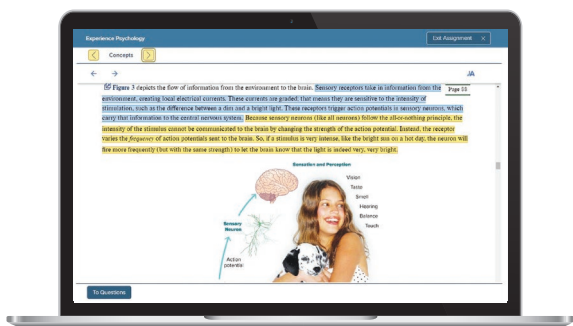


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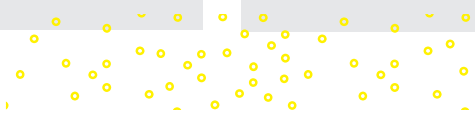
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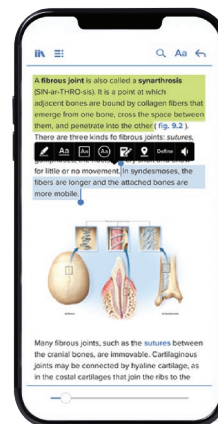
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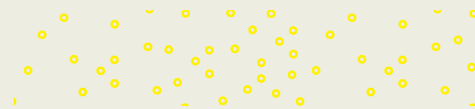
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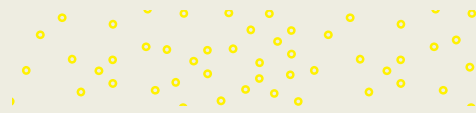


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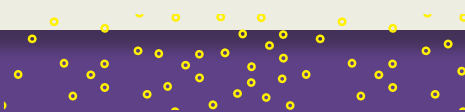
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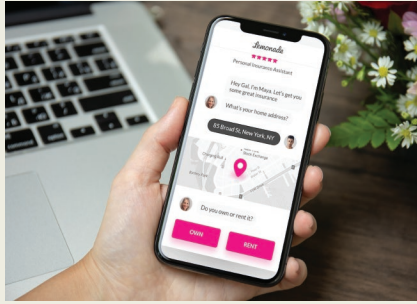
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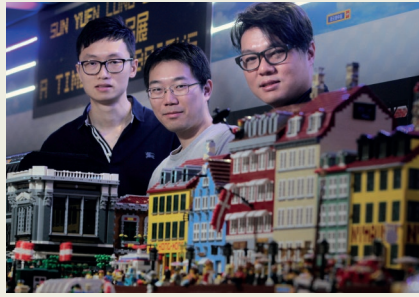
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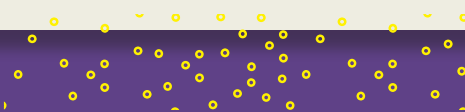


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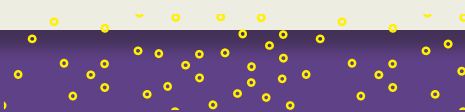
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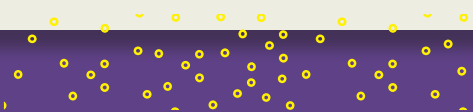
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Essentials of Marketing

A Marketing Strategy
Planning Approach

1

CHAPTER ONE

For once,
Don't Do It.

Don't turn your back on racism.

Don't sit back and be silent.

Let's all be part of the change.



Marketing's Value to Consumers, Firms, and Society

When it's time to roll out of bed in the morning, does the Spotify app on your Samsung Galaxy phone play your "Waking Up Happy" playlist, or is your roommate listening to Taylor Swift on her Sonos speaker? Do you throw on your Nike Flyknit shoes and get in a short run before breakfast? Maybe not this morning. You slept in and now you barely have time to throw on your Levi's jeans, shirt from Zara, and Chaco sandals as you race off to class. You are hungry. Will you open your GE refrigerator and choose a Chobani pineapple-flavored Greek yogurt and an Einstein's bagel with Philadelphia Cream Cheese? Or maybe you grab a Chicken Apple Sausage breakfast sandwich at Caribou Coffee in the student union. If you hurry, your roommate can give you a ride to school in her new Ford Fiesta EcoBoost Hybrid, although you could ride your Big Shot Fixie bike or take the bus that the city bought from Mercedes-Benz. So many choices.

When you think about it, you can't get very far into a day without bumping into marketing—and what the whole marketing system does for you. It affects every aspect of our lives—often in ways we don't even consider.

In other parts of the world, people wake up each day to different kinds of experiences. A family in a rural African village may have little choice about what food they will eat or where their clothing will come from. In the world's more economically developed countries, consumers find plenty of choices on store shelves. And if no one buys a particular color, size, or style, then companies stop producing it. So, you may have trouble finding a Chicken Apple Sausage sandwich in Hangzhou, China, where the locals are more likely lined up waiting for GanQiShi's steamed buns.

One brand found around the world is Nike. How has Nike become the choice for so many professional and casual athletes around the world? Is it the more than \$1 billion Nike spends each year for endorsements from star athletes like LeBron James, Naomi Osaka, and Cristiano Ronaldo? Maybe it's the innovations, like Nike's self-lacing sneakers, lightweight Flyknit shoes, and Nike+ software apps. What part do the 24,000 retailers that carry Nike products play? Do Nike's connections with tens of millions of followers on Twitter, Instagram, Facebook, TikTok, and

YouTube build loyal customer relationships? And just how much (if at all) do these marketing strategy decisions affect Nike's sales and profits?

More than 50 years ago, Phil Knight and his college track coach, Bill Bowerman, founded Blue Ribbon Sports (later renamed Nike) to distribute Japanese running shoes. A few years later they were designing, producing, and selling athletic shoes.

Nike took off after signing basketball star Michael Jordan to endorse its basketball shoes. The Air Jordan line took the market by storm. Nike raced further ahead when its advertising agency came up with the "Just Do It!" slogan and an ad campaign that covered television, magazines, and billboards around the world. "Just Do It!" helped carry Nike through the 1990s while profits soared on rising sales aided by low-cost foreign production.

Things haven't always gone smoothly for Nike. In the late 1990s, the company came under attack when it was reported that some of its suppliers used child labor. At first Nike denied responsibility, claiming it couldn't control how its suppliers operated. Public protest showed that society expected more from a large, successful corporation, and Nike began to closely monitor its suppliers' labor practices. Nike's corporate social responsibility guided it to better labor practices and its reputation improved.

More recently, Nike focuses more on its purpose (knowing in the long run profits will follow): "Nike exists to bring inspiration and innovation to every athlete* in the world. Our Purpose is to move the world forward through the power of sport—breaking barriers and building community to change the game for all. *If you have a body, you are an athlete." For Nike, everyone is an athlete. Nike's purpose follows from its emphasis on people, planet and play—and makes the world a better place:

- People. Nike's commitment to people is apparent in the first sentence of its Purpose Report: "We invest in the power of people to move the world forward." Nike has long been committed to diversity, equity, and inclusion—in both its employment practices and marketing. Yet its purpose moves it to take this one step

further and do its part to end racism around the world. That commitment was tested when riots broke out in Minneapolis after a police officer murdered a Black man named George Floyd. Less than a week later, Nike posted a one-minute video featuring seven brief statements in white text on a black background. The video concluded with a call to action “Let’s all be part of the change.” The message resonated with most of Nike’s core customers, who skew younger and are more likely people of color.

- Planet. Nike has no less commitment to Planet, vowing “To protect the planet, we don’t wait for solutions, we create them.” Nike recently set an ambitious sustainability goal: to double its sales while halving its environmental impact. Three-quarters of its shoes and apparel already contain some recycled material. The company achieves and exceeds its sustainability targets, including 100 percent renewable energy in the United States and Canada, reducing freshwater use by its textile dyeing and finishing suppliers, and requiring its Tier 1 footwear producers to divert 99.9 percent of manufacturing waste from landfills.
- Play. “Getting kids moving means an active next generation and a stronger future.” Nike’s “Made to Play” initiative focuses on getting kids all over

the world—regardless of background, gender, ability, or aspiration—playing and involved with sport and play by giving kids opportunities, training coaches, and providing gear.

Nike’s commitment to its purpose and its marketing add value for its employees, customers, and investors. Creative employees have something to work for, and customers pay to use Nike products and associate with its values. The company’s \$45+ billion in annual sales reward investors with over \$4 billion in net income. But when it comes to athletic clothing and shoes, customers have many choices. If it wants to stay ahead of a strong field of competitors that includes adidas, Under Armour, Skecher, and Chinese upstart Li Ning, Nike must stay dedicated to its purpose, continue to innovate, and stay ahead of its customers’ needs and wants.¹

LEARNING OBJECTIVES

In this chapter, you’ll learn what marketing is all about and why it’s important to you as a consumer. We’ll also explore why it is so crucial to the success of individual firms and nonprofit organizations and the impact that it has on the quality of life in different societies.

When you finish this chapter, you should be able to

- 1** know what marketing is and why you should learn about it.
- 2** understand the difference between marketing and macro-marketing.
- 3** know the marketing functions and why marketing specialists—including intermediaries and collaborators—develop to perform them.
- 4** understand what a market-driven economy is and how it adjusts the macro-marketing system.
- 5** know what the marketing concept is—and how it should guide a firm or nonprofit organization.
- 6** understand what customer value is and why it is important to customer satisfaction.
- 7** know how social responsibility and marketing ethics relate to the marketing concept.
- 8** understand the important new terms (shown in **red**).

Marketing—What’s It All About?

LO 1.1

Marketing is more than selling or advertising

How did all those bicycles get here?

Many people think that marketing means “selling” or “advertising.” It’s true that these are parts of marketing. But *marketing is much more than selling and advertising.*

To illustrate some of the other important things that are included in marketing, think about all the bicycles being pedaled with varying degrees of energy by bike riders around the world. Most of us don’t make our own bicycles. Instead, they are made by firms such as Trek, Specialized, Canyon, and Rad Power Bikes.



Marketing helps make sure that each customer gets the bicycle that best meets their needs.

(left): Ariel Skelley/Digital Vision/Getty Images; (middle): Westend61/Getty Images; (right): stockstudioX/E+/Getty Images

Most bikes do the same thing—get the rider from one place to another. But a bike rider can choose from a wide assortment of models. They are designed in different sizes and with or without gears. Off-road bikes have large knobby tires. Kids and older people may want more wheels—to make balancing easier. Some bikes need baskets or even trailers for cargo. Other bikes add batteries to assist the rider. You can buy a basic bike for less than \$100. Or you can spend more than \$5,000 for just a custom frame.

This variety of styles and features complicates the production and sale of bicycles. The following list shows some of the things a manager should do before and after deciding to produce and sell a bike.

1. Analyze the needs of people who might buy a bike and decide if they want more or different models.
2. Determine how many of these people will want to buy bicycles, where in the world they live, and when they will want to buy.
3. Identify competing companies that also produce bikes, what kind they sell, and at what prices.
4. Predict the designs of bikes—frame and handlebar styles, derailleurs, types of wheels, brakes, batteries (or not), and other accessories—different customers will want, and decide which of these people the firm will try to satisfy.
5. Determine whether to sell bikes directly to consumers or through retailers—and if retailers, which ones should be used.
6. Decide how to tell potential customers about the firm's bikes.
7. Estimate the prices potential customers are willing to pay for their bikes and if the firm can make a profit selling at those prices.
8. Figure out how to provide customer service if a customer has a problem after buying a bike.

The above activities are not part of **production**—actually *making* goods or *performing* services. Rather, they are part of a larger process—called *marketing*—that provides needed direction for production and helps make sure that the right goods and services are produced and find their way to consumers.

You'll learn much more about marketing activities in Chapter 2. For now, it's enough to see that marketing plays an essential role in providing consumers with need-satisfying goods and services and, more generally, in creating customer satisfaction. Simply put, **customer satisfaction** is the extent to which a firm fulfills a customer's needs, desires, and expectations.

Marketing Is Important to You

Marketing is important to every consumer

Marketing affects almost every aspect of your daily life. The choices you have among the goods and services you buy, the stores where you shop, the social media you interact with, and the streaming music and video you listen to and watch are all possible because of marketing. In the process of providing all these choices, marketing drives organizations to focus on what it takes to satisfy you, the customer. Most of the things you want or need are available conveniently *when* and *where* you want or need them.

Some courses are interesting when you take them but not directly relevant to your life once they're over. That's not so with marketing—you'll be a consumer dealing with marketing for the rest of your life regardless of what career you pursue. Moreover, as a consumer, you pay for the cost of marketing activities. In advanced economies, marketing costs about 50 cents of every consumer dollar. For some goods and services, the percentage is much higher. It makes sense to be an educated consumer and to understand what you get and don't get from all that spending.

Marketing will be important to your job

Another reason for studying marketing is that it offers many exciting and rewarding career opportunities. Throughout this book, you will find information about opportunities in different areas of marketing (see especially Appendix C).

If you're aiming for a nonmarketing job, knowing about marketing will help you do your job better. Throughout the book, we'll discuss ways that marketing interacts with other parts of the company—including finance, accounting, human resources, computer information systems, research and development, and more. Furthermore, marketing is important to the success of every organization.

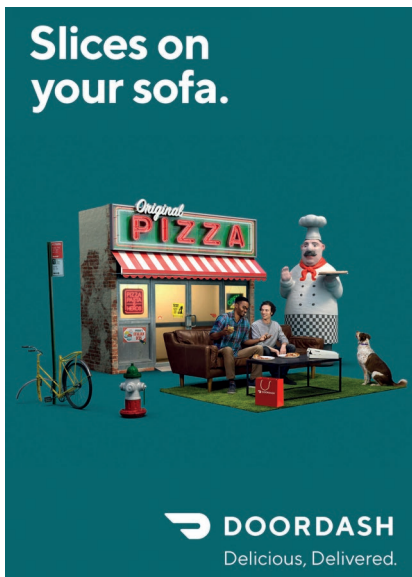
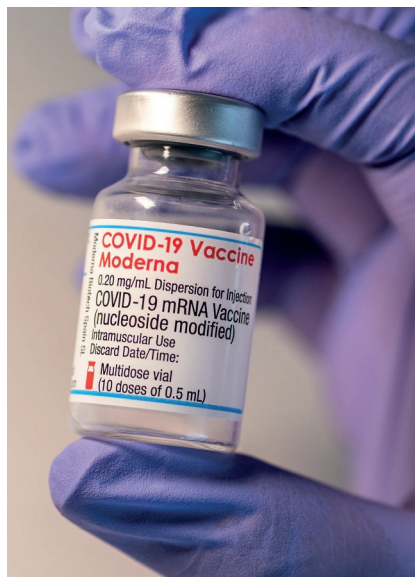
Beyond that, the same basic principles used to sell soap or breakfast cereal are used to “sell” ideas, politicians, healthcare services, environmental sustainability, museums, and even colleges. No matter what job you end up doing, you are very likely to have to understand others' needs, and perhaps persuade people to behave differently or change their minds about something. Doctors and nurses often need to persuade patients to take their medicine and change their eating habits. Managers have to understand people that work with them and convince them to change behaviors to increase their job performance. Marketing principles will help you achieve those goals and maybe help you get your next job.

A marketing approach can help you get your next job

You will probably be seeking a job sometime soon, offering your services—as an accountant, a salesperson, a computer programmer, a financial analyst, or perhaps a store manager. Or maybe you will be looking for an opportunity with more responsibility or higher pay where you currently work. You will have more success getting what you want when you take a marketing approach and try to figure out how to best satisfy the needs, interests, and desires of a current or prospective employer the same way a business looks at its customers. Much of what you learn about how businesses market their products and services to customers can be applied in the job market. Even your résumé and LinkedIn page are part of a marketing campaign to sell yourself to an employer. See Appendix C for more details on how to write your personal marketing plan.

Marketing affects innovation and standard of living

An even more basic reason for studying marketing is that marketing plays a big part in economic growth and development. One key reason is that marketing encourages research and **innovation**—the development and spread of new ideas, goods, and services. As firms offer new and better ways of satisfying consumer needs, customers have more choices among products, which fosters competition for consumers' money. This competition drives down prices. Moreover, when firms develop products that really satisfy customers, fuller employment and higher incomes can result. The combination of these forces means that marketing has a big impact on consumers' standard of living—and it is important to the future of all nations.²



Marketing encourages innovative new goods, services, and ideas. Marketing was important in the rapid development, distribution, and communication around COVID-19 vaccines. Marketing helped DoorDash discover that people are willing to pay for food delivery, like “slices on your sofa.” And public health professionals use clever advertising to communicate the dangers of texting and driving—an important idea for our society to address. What other innovations can you think of that have helped you, other people, or society?

(left): Marcos del Mazo/LightRocket/Getty Images; (middle): DoorDash, Inc.; (right): Source: The National Road Safety Commission of Ghana

How Should We Define Marketing?

There are micro and macro views of marketing

In our bicycle example, we saw that a producer of bicycles has to perform many customer-related activities besides just making bikes. The same is true for an insurance company or an art museum. This supports the idea of marketing as a set of activities done by an individual organization to satisfy its customers.

On the other hand, people can't survive on bicycles and art museums alone! In advanced economies, it takes goods and services from thousands of organizations to satisfy the many needs of society. Further, a society needs some sort of marketing system to organize the efforts of all the producers, wholesalers, and retailers required to satisfy the varied needs of all its citizens. So marketing is also an important social process.

We can view marketing in two ways: *from a micro view as a set of activities performed by organizations* and also *from a macro view as a social process*. In everyday use when most people talk about marketing, they have the micro view in mind. So that is the way we will define marketing here. However, the broader macro view that looks at the whole production–distribution system is also important, so later we will provide a separate definition and discussion of macro-marketing.

Marketing defined

Marketing is the performance of activities that seek to accomplish an organization's objectives by anticipating customer or client needs and directing a flow of need-satisfying goods and services from producer to customer or client. Let's look at this definition.³

Applies to profit and nonprofit organizations

Marketing applies to both for-profit and nonprofit organizations. Profit is the primary objective for most business firms. Other types of organizations may seek more members or acceptance of an idea. Customers or clients may be individual consumers, business firms, nonprofit organizations, government agencies, or even foreign nations. Although most customers and clients pay for the goods and services they receive, others may receive them free of charge or at a reduced cost through private or government support.

More than just persuading customers

Marketing isn't just selling and advertising. Unfortunately, some executives still think of it that way. They feel that the job of marketing is to "get rid of" whatever the company happens to produce. In fact, the aim of marketing is to identify customers' needs and meet those needs so well that the product almost "sells itself." This is true whether the product is a physical good, a service, or even an idea. If the whole marketing job has been done well, customers don't need much persuading. They should be ready to buy. And after they buy, they'll be satisfied and ready to buy the same way the next time.

Begins with customer needs and wants

Marketing should begin with potential customer needs and wants—not with the production process. Marketing should try to anticipate needs and wants. And then marketing, rather than production, should determine what goods and services are to be developed—including decisions about product features; design and packaging; prices or fees; transporting and storing policies; advertising and sales tactics; and, after the sale, installation, customer service, warranty, and perhaps even disposal and recycling policies.



Marketing aims to identify customer needs and then meet those needs. NoDoz knows that at times, some people need to make sure they don't fall asleep.

Source: Lil' Drug Store Products, Inc.

Consider France's Sodebo, maker of fresh packaged meals (sandwiches and pasta) sold in grocery stores. Sodebo's consumer research found some customers had an unmet need: they wanted to satisfy midday hunger in a healthy way. The research showed that whereas busy consumers were willing to buy a high-quality to-go salad, they found current choices skimpy and unsatisfying. Sodebo developed new salads that were convenient, delicious, and filling. On the way to market, Sodebo tested different recipes and packages to find what consumers and retailers liked best. By starting with customer needs, Sodebo's Salade & Compagnie line of 10 different boxed salads became a best seller.⁴

Does not do it alone

This does not mean that marketing should try to take over production, accounting, and financial activities. Rather, it means that marketing—by interpreting customers' needs—should provide direction for these activities and try to coordinate them.

Marketing involves exchanges

The idea that marketing involves a flow of need-satisfying offerings from a producer to a customer implies that there is an exchange of the need-satisfying offering for something else, such as the customer's money. Marketing focuses on facilitating exchanges. In fact, *marketing doesn't occur unless two or more parties are willing to exchange something for something else.* For example, in a **pure subsistence economy**—where each family unit produces everything it consumes—there is no need to exchange goods and services and no marketing is involved. (Although each producer-consumer unit is totally self-sufficient in such a situation, the standard of living is typically relatively low.)

Builds a Relationship with the customer

Keep in mind that a marketing exchange is usually part of an ongoing relationship, not just a single transaction. Rather, the goal is continuing sales and an ongoing *relationship* with the customer. In the future, when the customer has the same need again—or some other need that the firm can meet—other sales will follow. A consumer does not visit her local Shell station once, but perhaps every week or two—as long as Shell's gas, coffee, or service satisfies her, she is likely to keep going to the same gas station. This *flow* of need-satisfying goods and services builds a long-lasting relationship that benefits both the firm and the customer.

The focus of this text—management-oriented micro-marketing

Because you are probably preparing for a career in management, the main focus of this text will be on managerial marketing, or the micro view of marketing. We will see marketing through the eyes of the marketing manager.

The marketing ideas we will be discussing throughout this text apply to a wide variety of situations. They are important for new ventures started by one person as well as big

What's Next? Marketing to developing countries' rural poor

In recent decades, India has experienced rapid economic growth. Many of its citizens have more income and enjoy a higher quality of life. That helps explain why Unilever's Indian subsidiary, Hindustan Unilever Limited (HUL), has worked hard to build a 40 percent share of the Indian market with its product lines that include soaps, toothpaste, and packaged foods.

HUL initially focused on India's cities, where customers with money were concentrated. Yet almost two thirds of India's 1.2 billion people live in rural areas; about half have an income of less than \$5 a day. Conventional wisdom suggests rural villagers have too little money to be an attractive market. And it's expensive to distribute products to far-flung villages.

But that has changed. HUL's marketing managers decided that Indian villagers represent an opportunity for growth—and that villagers might value the soaps, toothpaste, and packaged food products that HUL successfully sells in urban areas of India.

HUL tailored a new marketing strategy to this target market. Many products are repackaged in "sachets"—small bags that contain a one- or two-day supply. HUL prices the sachets so that villagers can afford them—and that in turn gives customers a chance to try quality products that were previously priced out of their reach.

HUL created its "Shakti Ammas" (women entrepreneurs) program to communicate the benefits of its products and distribute them in remote rural areas. The program sets up rural women as home-based distributors and sales agents. These women stock HUL products in their homes and go door-to-door to sell them. They also organize meetings in local schools and at village fairs to educate fellow villagers on health and hygiene issues.

This program continues to evolve. To provide wider distribution, male entrepreneurs (Shaktimaan) were recruited. Many use bikes and cover five or six nearby villages—far more than the Shakti Ammas previously covered on foot. A partnership with an adhesive company gives Shakti entrepreneurs another product line to sell while on their rounds.

When COVID-19 threatened the program, HUL's philosophy of "Doing Well by Doing Good" kicked into high gear. HUL's regional sales team got ahead of and minimized potential supply chain problems with more effective planning and new ordering processes. HUL gave its rural salesforce training and kits to support hygienic practices, along with COVID-19 care packages that included medical insurance.

Today, more than 136,000 micro-entrepreneurs operate in 162,000 villages and reach over 4 million rural households across India. The Shakti have a new source of income and are learning about business—while bringing the health benefits of improved hygiene to rural villages. And, of course, HUL hopes to clean up with a new source of growth. To see and hear more about Project Shakti, check out this video: <https://youtu.be/lwBbrOSP3I8>.

Through its marketing, HUL helps deliver a better quality of life to millions of India's poor; HUL has adapted the program to other markets including Columbia, Ethiopia, and Egypt. Some of Unilever's competitors developed similar programs around the world. Together, such changes create a better world for hundreds of millions of people.⁵

How do we see parts of the definition of marketing represented in this case study? What customer needs and wants does Project Shakti address? How does it build a relationship between HUL and the customer?

corporations, in domestic and international markets, and regardless of whether the focus is on marketing physical goods, services, or an idea or cause. They are equally critical whether the relevant customers or clients are individual consumers, businesses, or some other type of organization. For editorial convenience, we will sometimes use the term *firm* as a shorthand way of referring to any type of organization, whether it is a business, political party, a religious organization, a government agency, or the like. However, to reinforce the point that the ideas apply to all types of organizations, throughout the book we will illustrate marketing concepts in a wide variety of situations.

One of the challenges for many of today's consumer products companies involves addressing the needs and wants of a growing market in developing countries. Makers of many health and beauty products, for example, have found a potential market with the rural poor. For an example of how effective micro-marketing can be used to appeal to this growing market, read *What's Next? Marketing to developing countries' rural poor*.