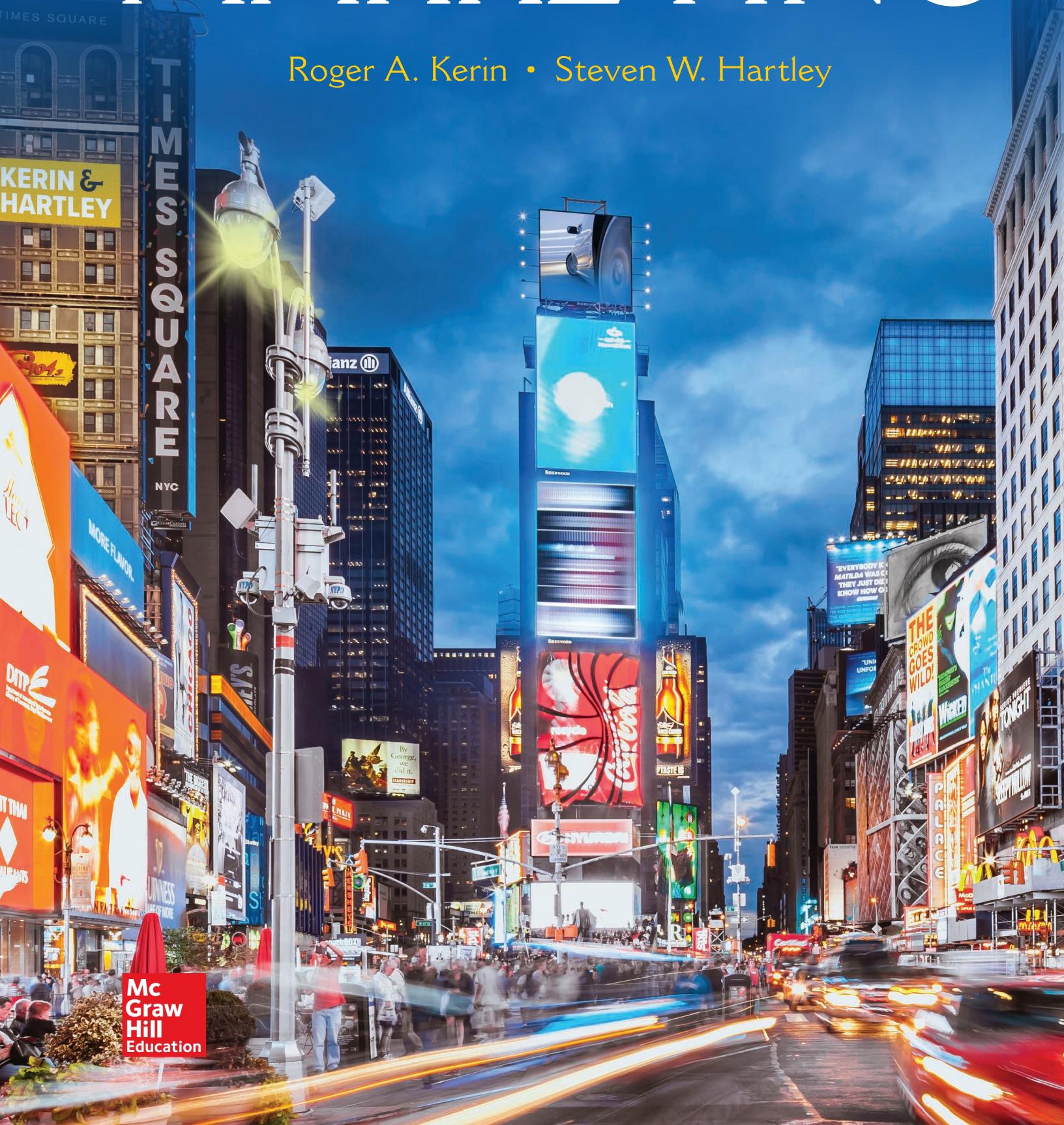


FOURTEENTH EDITION

MARKETING

Roger A. Kerin • Steven W. Hartley



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MARKETING

Fourteenth Edition

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MARKETING, FOURTEENTH EDITION

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WELCOME FROM THE AUTHORS!

Is technology an integral part of your life? Are you innovative and entrepreneurial? Do you consider purpose-driven work important? Have you ever thought you could change the world? If the answer to any of these questions is yes, your decision to study marketing is a perfect match! In addition, if you are curious about robots in the marketplace, virtual reality and augmented reality in advertising, wearable technology, YouTube channel brand advocates, shopping on Pinterest, or the gamification of almost everything, you will be excited by the insights you will learn during your studies. And we are excited to have the opportunity to help you along the way with our textbook about this exciting field!

We know from our experiences in the classroom that students choose to study marketing for many reasons. For marketing majors this course is the first of many on the way to a marketing degree. For students from other business majors this may be a required course in a business “core.” For many other students, marketing is an elective chosen because of a personal interest in the marketplace. Regardless of your reasons for taking this course it is our pleasure to help you explore the many new trends, concepts, practices, challenges, and opportunities that are part of marketing today. We encourage you to use your own past experiences and future interests to create a personalized journey of exploration and study.

The dynamic nature of the marketing discipline necessitates equally dynamic learning resources. As a result, we have focused our time and energy on ensuring that our textbook provides the most current, insightful, and comprehensive coverage of the marketplace today. The dramatic changes in student learning styles—from traditional observational styles to contemporary collaborative styles—are also reflected in our efforts as we have included many features to match these interests. Our approach to presenting the complexities of marketing and facilitating the changes in learning is based on three important dimensions:

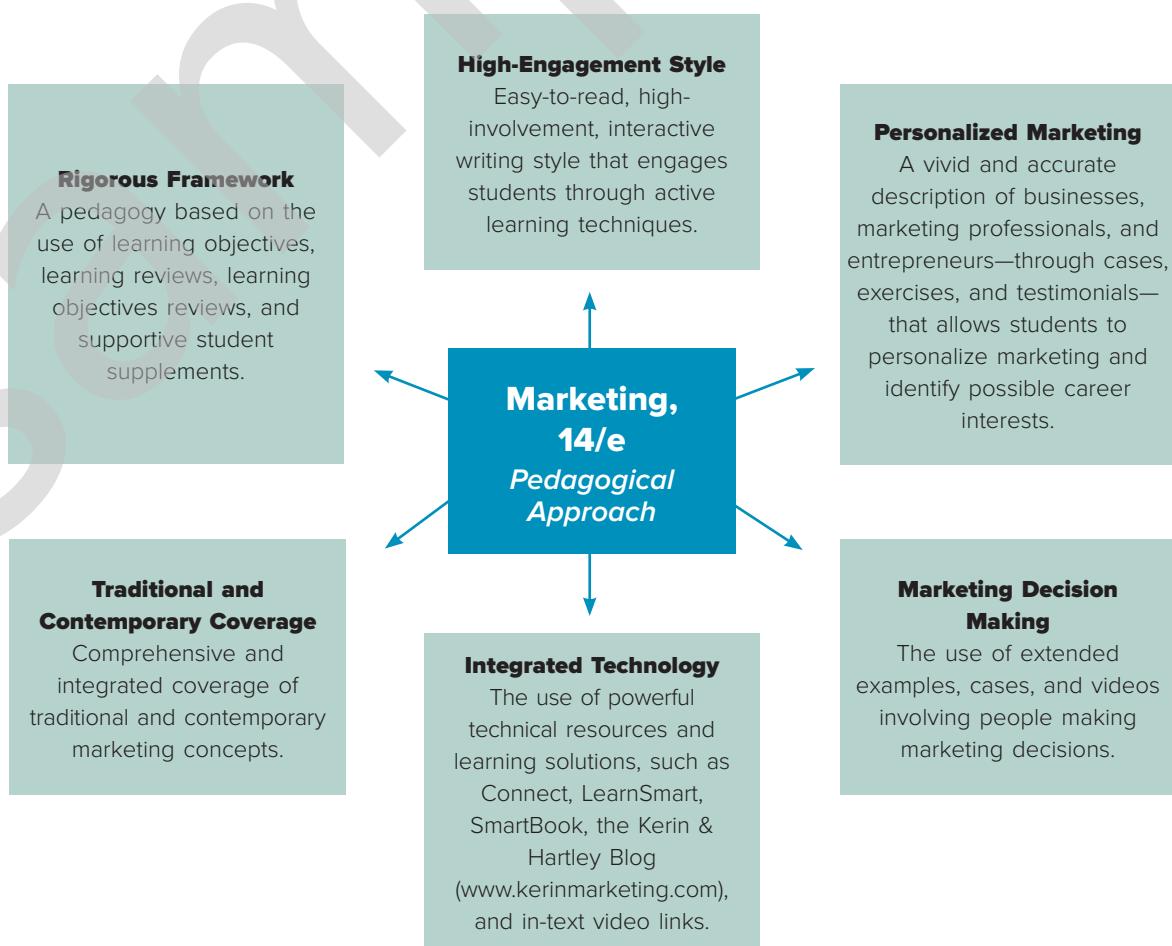
- **Engagement.** As professors we have benefited from interactions with many exceptional students, managers, and instructors. Their insights have contributed to our approach to teaching and, subsequently, to our efforts as textbook authors. One of the essential elements of our approach is a commitment to active learning through engaging, integrated, and timely materials. In-class activities, an interactive blog, marketing plan exercises, and in-text links to online ads and web pages are just a few examples of the components of our engagement model.
- **Leadership.** Our approach is also based on a commitment to taking a leadership role in the development and presentation of new ideas, principles, theories, and practices in marketing. This is more important now than ever before, as the pace of change in our discipline accelerates and influences almost every aspect of traditional marketing. We are certain that exposure to leading-edge material related to topics such as social media, data analytics, and marketing metrics can help students become leaders in their jobs and careers.
- **Innovation.** New educational technologies and innovative teaching tools have magnified the engagement and leadership aspects of our approach. Connect, LearnSmart, and SmartBook, for example, provide a digital and interactive platform that embraces the “anytime and anywhere” style of today’s students. In addition, we have provided new videos and increased the visual impact of the text and PowerPoint materials to facilitate multimedia approaches to learning.

Through the previous 13 U.S. editions—and 19 international editions in 11 languages—we have been gratified by the enthusiastic feedback we have received from students and instructors. We are very excited to have this opportunity to share our passion for this exciting discipline with you today. Welcome to the 14th edition of *Marketing*!

Roger A. Kerin
Steven W. Hartley

PREFACE

Marketing utilizes a unique, innovative, and effective pedagogical approach developed by the authors through the integration of their combined classroom, college, and university experiences. The elements of this approach have been the foundation for each edition of *Marketing* and serve as the core of the text and its supplements as they evolve and adapt to changes in student learning styles, the growth of the marketing discipline, and the development of new instructional technologies. The distinctive features of the approach are illustrated below:



The goal of the 14th edition of *Marketing* is to create an exceptional experience for today's students and instructors of marketing. The development of *Marketing* was based on a rigorous process of assessment, and the outcome of the process is a text and package of learning tools that are based on *engagement, leadership, and innovation* in marketing education.

ENGAGEMENT

The members of this author team have benefited from extraordinary experiences as instructors, researchers, and consultants, as well as the feedback of users of previous editions of *Marketing*—now more than one million students! The authors believe that success in marketing education in the future will require the highest levels of engagement. They ensure engagement by facilitating interaction between students and four learning partners—the instructor, other students, businesses, and the publisher. Some examples of the high-engagement elements of *Marketing* include:

In-Class Activities and Digital In-Class Activities. The in-class activities, located in the Instructor's Manual, are designed to engage students in discussions with the instructor and among themselves. They involve surveys, online resources, out-of-class assignments, and personal observations. Each activity illustrates a concept from the textbook and can be done individually or as a team. Examples include: Designing a Candy Bar, Marketing Yourself, Pepsi vs. Coke Taste Test, and What Makes a Memorable TV Commercial? In addition, digital in-class activities have been added to selected chapters. These activities are located in the Instructor Resources, and focus on the use of web resources and the marketing data they can provide students.

Interactive Web Page and Blog (www.kerinmarketing.com). Students can access recent articles about marketing and post comments for other students. The site also provides access to a *Marketing* Twitter feed!

Building Your Marketing Plan. The Building Your Marketing Plan guides at the end of each chapter are based on the format of the Marketing Plan presented in Appendix A. On the basis of self-study or as part of a course assignment, students can use the activities to organize interactions with businesses to build a marketing plan. Students and employers often suggest that a well-written plan in a student's portfolio is an asset in today's competitive job market.

LEADERSHIP

The popularity of *Marketing* in the United States and around the globe is the result, in part, of the leadership role of the authors in developing and presenting new marketing content and pedagogies. For example, *Marketing* was the first text to integrate ethics, technology, and interactive marketing. It was also the first text to develop custom-made videos to help illustrate marketing principles and practices and bring them to life for students as they read the text. The authors have also been leaders in developing new learning tools, such as a three-step learning process that includes learning objectives, learning reviews, and learning objectives reviews and new testing materials that are based on Bloom's learning taxonomy. Other elements that show how *Marketing* is a leader in the discipline include:

Chapter 19: Using Social Media and Mobile Marketing to Connect with Consumers. *Marketing* features a dedicated chapter for social media and mobile marketing. This new environment is rapidly changing and constantly growing. The authors cover the building blocks of social media and mobile marketing and provide thorough, relevant content and examples. The authors discuss major social media platforms like Twitter, Facebook, LinkedIn, and YouTube. They explain how managers and companies can use those outlets for marketing purposes. Also discussed in Chapter 19 are methods of measuring a company's success with social media and mobile marketing. This chapter is one of many ways *Marketing* is on the cutting edge of the field.

Applying Marketing Metrics. The *Applying Marketing Metrics* feature in the text delivers two of the newest elements of the business and marketing environment today—performance metrics and dashboards to visualize them. Some of the metrics included in the text are: category development index (CDI), brand development index (BDI), load factor (a capacity management metric), price premium, sales per square foot, same-store sales growth, promotion-to-sales ratio, and cost per thousand (CPM) impressions. The feature is designed to allow readers to learn, practice, and apply marketing metrics.

Color-Coded Graphs and Tables. The use of color in the graphs and tables enhances their readability and adds a visual level of learning to the textbook for readers. In addition, these color highlights increase student comprehension by linking the text discussion to colored elements in the graphs and tables.

New Video Cases. Each chapter ends with a case that is supported by a video to illustrate the issues in the chapter. New cases such as GoPro and Coppertone and recent cases such as Amazon, Mall of America, and Taco Bell provide current and relevant examples that are familiar to students.

INNOVATION

In today's fast-paced and demanding educational environment, innovation is essential to effective learning. To maintain *Marketing*'s leadership position in the marketplace, the author team consistently creates innovative pedagogical tools that match contemporary students' learning styles and interests. The authors keep their fingers on the pulse of technology to bring real innovation to their text and package. Innovations such as in-text links, a Twitter feed, hyperlinked PowerPoint slides, and an online blog augment the McGraw-Hill Education online innovations such as Connect, LearnSmart, and SmartBook.

In-text Links. You can see Internet links in magazine ads; on television programming; as part of catalogs, in-store displays, and product packaging; and throughout *Marketing*, 14/e! These links bring the text to life with ads and videos about products and companies that are discussed in the text. These videos also keep the text even more current. While each link in the text has a caption, the links are updated to reflect new campaigns and market changes. In addition, the links allow readers to stream the video cases at the end of each chapter. You can simply click on the links in the digital book or use your smartphone or computer to follow the links.

Twitter Feed and Online Blog. Visit www.kerinmarketing.com to participate in *Marketing*'s online blog discussion and to see Twitter feed updates. You can also subscribe to the Twitter feed to receive the Marketing Question of the Day and respond with the #QotD hashtag.

Connect, LearnSmart, and SmartBook Integration. These McGraw-Hill Education products provide a comprehensive package of online resources to enable students to learn faster, study more efficiently, and increase knowledge retention. The products represent the gold standard in online, interactive, and adaptive learning tools and have received accolades from industry experts for their Library and Study Center elements, filtering and reporting functions, and immediate student feedback capabilities. In addition, the authors have developed book-specific interactive assignments, including (a) auto-graded applications based on the marketing plan exercises, and (b) activities based on the Applying Marketing Metrics box and marketing metrics presented in the text.

Innovative Test Bank. Containing more than 5,000 multiple-choice and essay questions, the *Marketing*, 14/e Test Bank reflects more than two decades of innovations. The Test Bank includes "visual test questions" in each chapter to reward students who made an effort to understand key graphs, tables, and images in the chapter.

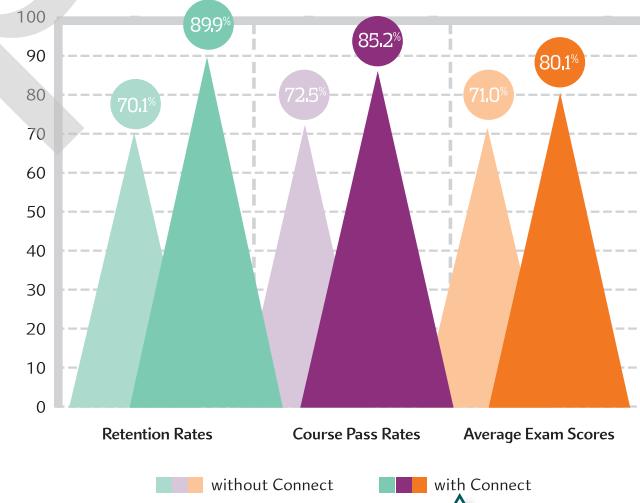
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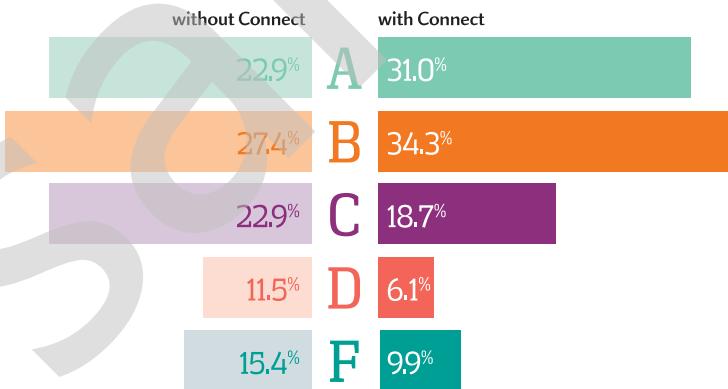
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- Connect Insight® generates easy-to-read reports on individual students, the class as a whole, and on specific assignments.
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- Connect automatically grades assignments and quizzes, providing easy-to-read reports on individual and class performance.



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Impact on Final Course Grade Distribution



A screenshot of the Connect dashboard. On the left, there's a sidebar with user information (David Odetora), assignment links (Assignments, To Do, Calendar, Classes, Results, Insight), and a navigation menu (TO DO, PRACTICE, QUIZ, HOMEWORK, LS, QUIZ). The main area displays a list of assignments with their due dates and descriptions:

- LATE Accounting week 1 quiz (START: 12/1 – DUE: 12/4 - ACCOUNTING SECTION 1)
- LATE CH 02 - Quiz Intermediate (START: 12/1 – DUE: 12/10 - PUNTOS SPANISH 101 - SECTION 001)
- PAST LATE Chapter 4 (START: 12/1 – DUE: 12/17 - ECONOMICS 101)
- Ch 05: En caso: Vocabulary (DUE: 12/22 - PUNTOS SPANISH 101 - SECTION 001)
- CH 05 States of Consciousness (START: 12/12 – DUE: 12/23 - PSYCHOLOGY 101 - SECTION 001)
- Quiz - Extra Credit (START: 12/18 – DUE: 12/24 - PSYCHOLOGY 101 - SECTION 001)
- RECHARGE! Ch 02: En la universidad: Vocabulary (DUE: 12/7 - PUNTOS SPANISH 101 - SECTION 001)

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- Connect offers comprehensive service, support, and training throughout every phase of your implementation.
- If you're looking for some guidance on how to use Connect, or want to learn tips and tricks from super users, you can find tutorials as you work. Our Digital Faculty Consultants and Student Ambassadors offer insight into how to achieve the results you want with Connect.

NEW AND REVISED CONTENT

Chapter 1: Update of Chobani's Success Story, New Showstopper Analysis, and New Material on Ritz-Carlton and Patagonia. Chobani's continued success at creating customer value is discussed and updated. One of the company guidelines, "A cup of yogurt won't change the world but how we make it might," new products such as Drink Chobani and Chobani Flip, and advertising campaigns such as "Love This Life" are presented. Discussion of Elon Musk and his success with entrepreneurial endeavors such as Zip2, PayPal, SpaceX, and Tesla has been added to the Marketing and Your Career section. New-product examples such as smart glasses and the YoYo car subscription service have been added to the discussion of potential "showstoppers" for new-product launches. Discussion of the Ritz-Carlton's use of relationship marketing concepts and Patagonia's Common Threads Initiative have also been added.

Chapter 2: Updated Chapter Opening Example, Addition of a New Example of Social Entrepreneurship, and New Discussion of Uber's Changing Business Definition. The Chapter 2 opening example discusses Ben & Jerry's mission to make fantastic, sustainable, world-changing ice cream. Free Cone Day has been added to the discussion of creative marketing strategies used by the company to help accomplish its mission. The social entrepreneur venture Swipe Out Hunger has been added to the *30 Under 30 Forbes Social Entrepreneurs* discussion in the Making Responsible Decisions box. In addition, the discussion of business definitions and business models now describes how Uber has changed its definition from a cab service, to a ride-sharing service, to a delivery service. The application of the Boston Consulting Group business portfolio model to Apple's product line has been updated to include changes related to the Apple Watch, the iPhone, and the iPad/iPad mini tablet devices.

Chapter 3: Update of New Trends in Marketing, New Discussion on Generation Z, and New Discussion of Gender-Neutral Marketing Actions. The discussion of new trends such as the growing reliance on

social media brand advocates, changes in global free trade agreements, the proliferation of artificial intelligence applications, the growth of micro-shopping events, and the issue of "fake" news has been updated. Generation Z, the post-millennial generation, has been added to the discussion of generational cohorts. The Making Responsible Decisions box includes new examples such as P&G's recyclable shampoo bottles, Unilever's "brands with purpose," and Apple's "greenest building on the planet." New gender-neutral marketing actions have been added to the Changing Attitudes and Roles section. Discussions of new trends in technology, such as the growth of automation (e.g., autonomous cars, drones, and robots), digital assistants (e.g., Amazon's Alexa), and wearable technology, and the U.S. Patent and Trademark Office decision to issue trademarks for hashtags have also been added.

Chapter 4: New Discussion of Samsung Phones in Ethics of Exchange Section, and Update of Marketing Insights About Me Box. The fire hazard created by Samsung Galaxy Note 7 batteries has been added as an example of consumers' right to safety in the Ethics of Exchange section. The Marketing Insights About Me box has been updated to direct students to the Corruption Perceptions Index. New text in the Stakeholder Responsibility section describes how Volkswagen AG was fined for using software that disguised the level of emissions from its cars. In addition, the financial impact of counterfeit products has been updated.

Chapter 5: New Coppertone Video Case, New Section on Consumer Touchpoints and Consumer Journey Maps, and New Figure to Illustrate a Consumer Journey Map. A new section describes consumer touchpoints, the product, service, or brand points of contact with a consumer, and consumer journey maps, the visual representation of all touchpoints where a consumer comes into contact with a company's products, services, or brands. The new Figure 5–4 illustrates a consumer journey map for electronic devices sold by Apple in stores. The

Marketing Matters box has been updated to reflect the latest procedures for BzzAgents. In addition, the chapter ends with a new video case about Copper-tone and how an understanding of consumer behavior is the basis for its marketing activities.

Chapter 6: New Examples Including Lockheed Martin and BMW, and Updated Marketing Matters Box Regarding eBay Business Supply.

The description of government markets has been updated to include the Orion Multi-Purpose Crew Vehicle being developed by Lockheed Martin. In addition, the Buyer-Seller Relationship section now includes GT Advanced Technology's \$578 million contract with Apple to produce iPhone camera lenses and screens as an example of a long-term agreement. BMW's purchase of a Cloud-based data management system from IBM has been added as an example of a new buy. In addition, the Marketing Matters box has been updated to reflect eBay's trading platform, eBay Business Supply, which generates \$4 billion in sales annually.

Chapter 7: Updated Chapter Opening Example Regarding Amazon in India, and Addition of UK Withdrawal from the EU. The chapter opening example is completely updated to describe the opportunities and challenges Amazon faces as it invests billions of dollars in India. The section Marketing in a Dynamic Global Economy has been revised to reflect increasing economic protectionism, including the withdrawal of the United Kingdom from the European Union, and discussions regarding possible changes in the North American Free Trade Agreement. In addition, Listerine has been added as a new example of product adaptation in the Product and Promotion Strategies section.

Chapter 8: Updated Chapter Opening Example, New Primary and Secondary Data Coverage, and New Discussion of Artificial Intelligence. The chapter opening example has been updated to reflect the use of marketing research in movies such as *War Dogs*, *Arrival*, and *Edge of Tomorrow*. An update of the Secondary Data section reflects the upcoming 2020 Census. The Primary Data section has been updated to include

new Nielsen program ranking data, an example of Gillette's use of observational data, a discussion of the growing use of neuromarketing technologies, and a description of McDonald's use of test markets in developing its delivery service. In addition, artificial intelligence is discussed as part of the Intelligent Marketing Enterprise Platform presented in Figure 8–5.

Chapter 9: Update of Zappos's Use of Behavioral Segmentation, New Segmentation Examples, and New Patronage Example Data.

The chapter opening example has been updated to describe how Zappos uses behavioral segmentation to deliver "happiness" to its customers. The Multiple Products and Multiple Market Segments section includes a new discussion of Ford's shift in strategy to reduce its product line and provide higher quality at lower prices. In addition, in the Patronage of Fast-Food Restaurants section, the patronage and user/nonuser data have been updated; also, the Future Strategies for Your Wendy's Restaurant section has been updated.

Chapter 10: New GoPro Video Case, New Discussion of the Apple-Enabled iCar, and New Marketing Matters Box Coverage of Feature Fatigue. The chapter opening example has been updated to include a discussion of Apple's next innovation—the Apple-enabled iCar. The concept of feature bloat and fatigue is now introduced and illustrated in the Marketing Matters box. Keurig Kold and the HP Tablet are introduced as examples in the Marketing Reasons for New-Product Failures section. The chapter ends with a new video case about the new product development process at GoPro.

Chapter 11: New Material on Gatorade's "Smart Cap," New Co-Branding and Brand Dilution Coverage, and New Examples. The Chapter 11 discussion of Gatorade in the chapter opener now includes material on the microchip-fitted "smart cap" and the digital sweat patch for athletes and fitness buffs. In addition, a new discussions of co-branding and brand dilution have been added to the Multiproduct Branding Strategy section. New examples include Olay Skin Care Advisor, the NFL and NBA, and P&G's acquisition of Gillette.

Chapter 12: New Discussion of Airbnb’s Efforts to Help Travelers “Belong Anywhere,” New Services Examples, and New Advertisements. A discussion of Airbnb’s new marketing activities designed to create community, relationships, and a sense of belonging has been added to the chapter opener. New services examples include ROAM Fitness, Virgin Galactic, Blue Apron, and Chromecast Ultra. Discussions of the new digital marketing platform at the American Red Cross and the Informed Delivery service at the USPS have been added. In addition, new advertisements from Airbnb, Delta Air Lines, Merrill Lynch, Outward Bound, Greenpeace, Amazon Prime, the United States Postal Service, and Accenture have been added.

Chapter 13: Updated Chapter Opening Example about VIZIO, and Discussion of Apple iPhone X, 8, and 8-Plus Pricing. The updated chapter opening example describes VIZIO’s approach to pricing the 50 million HDTVs it has sold since its founding. In addition, the product-line pricing decision faced by Apple when it introduced the iPhone X, 8, and 8-Plus simultaneously is discussed.

Chapter 14: New Microsoft Pricing Example, Updated Examples of Current Marketplace Pricing Approaches. Microsoft’s approach to pricing its Xbox One X videogame console is now included in the Skimming Pricing section. In addition, examples of penetration pricing, odd-even pricing, standard markup pricing, and cost-plus pricing have been updated to reflect the current marketplace.

Chapter 15: New Chapter Opening Example about Multichannel Marketing at Eddie Bauer, Updated Marketing Matters Box about IBM’s Watson, and Updated Making Responsible Decisions Box. A new chapter opening example describes Eddie Bauer’s “brick, click, and flip” multichannel marketing strategy. The Marketing Matters Box has been updated to reflect IBM’s use of artificial intelligence to manage its supply chain. In addition, the Making Responsible Decisions box discussion of recycling e-waste has been updated.

Chapter 16: Updated Chapter Opening Example about Smart Stores, Updated Making Responsible Decisions Box, and New Discussion about Versioning, YouTube Programming, Robocalls, and EDLP 2.0. Chapter 16 opens with a description of the potential impact of smart stores on the customer journey. The Internet of Things, biometric scanners, virtual reality, 3D modeling tools, and wearable technology are discussed. The Making Responsible Decisions box now includes information about California’s “zero-waste” laws. Changes, such as banks’ attempts to change ATMs into smart self-service devices and Target’s announcement that new stores will have a separate entrance for time-pressed shoppers, have been added to the Self-Service and Breadth of Line sections, respectively. In addition, catalog merchants’ use of “versioning,” YouTube’s live programming, the FTC’s discussions about robocalls, and Walmart’s development of EDLP 2.0 are discussed.

Chapter 17: Updated Chapter Opening Example, New Advertisements, New Example of an IMC Program for a Movie, and New Discussion of the Media Agency of the Year. The chapter opening example has been completely updated to reflect Taco Bell’s recent IMC activities. The company’s Love & Tacos Contest, new restaurant in Las Vegas, Happily Ever After sweepstakes, superbowl ads, collaborations with Sony, the NBA, and Airbnb, and social media tactics such as Taco Tales and Clip Show posts are all discussed. New advertisements include examples from The North Face, Sony, Tabasco, and Humira. The IMC program used to promote the movie *Star Wars: The Last Jedi* has been added to the Scheduling the Promotion section. In addition, the work of Advertising Age’s Media Agency of the Year, PHD Media, is discussed.

Chapter 18: Updated Chapter Opening Example about Virtual Reality and Augmented Reality in Advertising, New Advertisements and Sales Promotion Examples, and New Discussion of the Advertising Agency of the Year. The growing impact of virtual reality (VR) and augmented reality (AR) on advertising is discussed in the chapter opening example. New examples of VR and AR campaigns include

McDonald's Happy Goggles and Lowe's Holoroom. New advertising examples from Mercedes-Benz, Progressive, Duracell, Coca-Cola, Whole Foods, Milk Life, the U.S. Army, Kia, AG, Geico, and Sonos and new sales promotion examples from Nabisco, Vaio, and Bubba Gump Restaurant and Market. The Identifying the Target Audience section now includes Mountain Dew and Lululemon campaigns as examples, and the Message Content section includes a discussion of the increasing use of gender neutral advertising. The chapter also includes new discussion of *Advertising Age*'s Agency of the Year—Anomaly. In addition, the results of a recent Association of National Advertisers survey about the most common forms of compensation for ad agencies are discussed.

Chapter 19: New Discussion on Internet-Connected Cars, New Material on Live Streaming at Facebook, and Updated Marketing Matters Box on Vloggers. Chapter 19 opens with a discussion of the new level of mobile marketing enabled by Internet-connected cars. The discussion addresses three channels that can reach cars—social media, e-mail, and messaging apps. A new discussion about Facebook Live has been added to the section Mobile Marketing at Facebook. The overview of Twitter now includes an example of teenager Carter Wilkerson obtaining enough retweets to win free chicken nuggets for a year. The Marketing Matters box has been updated to describe how vloggers are becoming the online version of traditional celebrities. In addition, the Pepsi MAX “Friend Finder” YouTube video is included as an example of Pepsi’s use of social media.

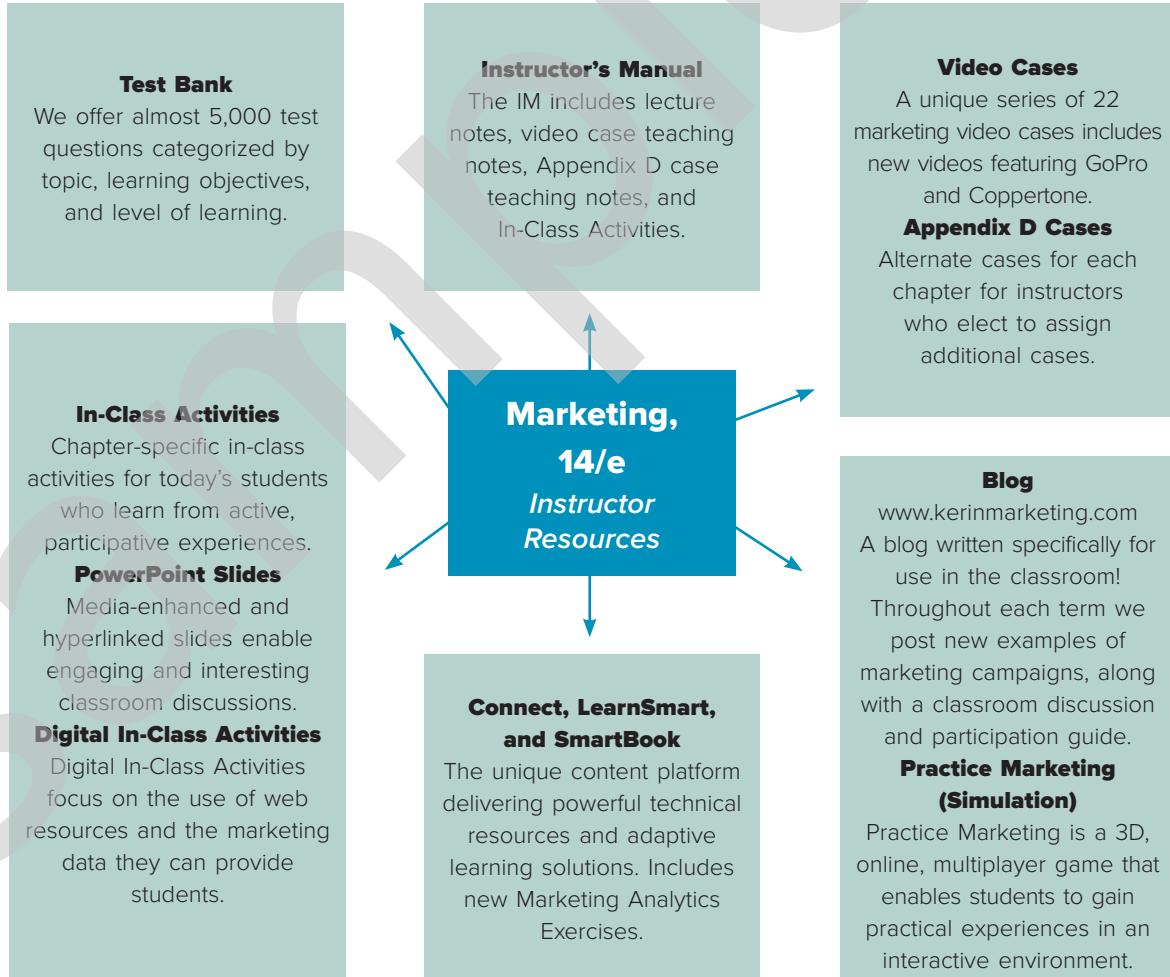
Chapter 20: New Material on Upselling and Cross-Selling, Updated Marketing Insights About Me Box, and New Discussion of Customer Relationship Marketing Systems and Technology, including Sales Force Automation, Marketing Automation, and Customer Service and Support Automation. The Consultative Selling section now includes discussion of upselling and cross-selling. The Marketing Insights About Me box has been updated to include the most recent emotional intelligence test and the current link. In addition, the discussion of CRM systems and

technology includes new material on the consolidation of customer and sales information, how *marketing automation* emphasizes sophisticated analytical techniques to track the behavior of anyone showing an interest in a product or service, and how *customer service and support automation* provides services such as “live chat.”

Chapter 21: Expanded Discussion about Personalization, New Section Titled How Consumers Shop and Buy, including Social Commerce, Broadened Implementing Multichannel Marketing Section, and New Figure Illustrating a Multichannel Consumer Journey Map. The Interactivity, Individuality, and Customer Relationships in Marketspace section has an expanded discussion about the differences between collaborative filtering and personalization, and includes Sunglass Hut as an example of a company using personalization techniques. The use of chatbots has been added to the Communication section. A new section titled How Consumers Shop and Buy Online has been added and covers *social commerce*—the use of social networks for browsing and buying. In addition, the Implementing Multichannel Marketing section has been rewritten with new coverage of cross-channel consumer behavior, mutually reinforcing channels, and monitoring and measuring channel performance. New Figure 21–5 illustrates a multichannel marketing consumer journey map.

Chapter 22: Updated Chapter Opening Example, New Examples of Disruptive Innovations, and Updated Coverage of Starbucks in Evaluation Section. The chapter opening example has been updated to describe how the strategic marketing process at General Mills has led to many new products, such as Very Berry Cheerios, Nature Valley Granola Cups, Annie’s Popcorn, Yoplait Dippers, and Warm Delights. New examples of disruptive innovations have been added. In addition, the Starbucks example in the Acting on Deviations from Goals section has been updated to include recent changes such as new flavors, a partnership with Lady Gaga, a new lunch menu, and apps for connected cars.

INSTRUCTOR RESOURCES



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Practice Marketing is a 3D, online, single or multiplayer game that helps students apply the four Ps by taking on the role of marketing manager for a backpack company. By playing the game individually and/or in teams, students come to understand how their decisions and elements of the marketing mix affect one another. Practice Marketing is easy to use, fully mobile, and provides an interactive alternative to marketing plan projects. Log in to mhpractice.com with your Connect credentials to access a demo, or contact your local McGraw-Hill representative for more details.

Acknowledgments

To ensure continuous improvement of our textbook and supplements we have utilized an extensive review and development process for each of our past editions. Building on that history, the *Marketing*, 14th edition development process included several phases of evaluation and a variety of stakeholder audiences (e.g., students, instructors, etc.).

Reviewers who were vital in the changes that were made to the 14th and previous editions and its supplements include:

A. Diane Barlar
Abe Qastin
Abhay Shah
Abhi Biswas
Abhik Roy
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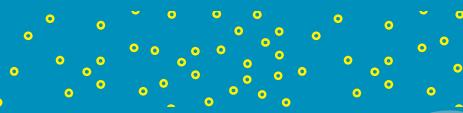
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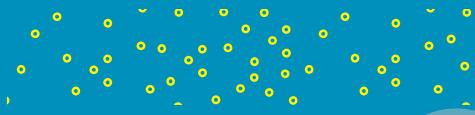
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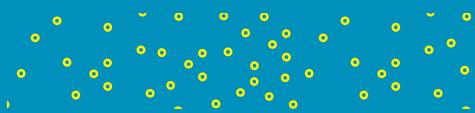
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Sample

Sample

MARKETING

1

LEARNING OBJECTIVES

After reading this chapter you should be able to:

- LO 1-1** Define marketing and identify the diverse factors that influence marketing actions.
- LO 1-2** Explain how marketing discovers and satisfies consumer needs.
- LO 1-3** Distinguish between marketing mix factors and environmental forces.
- LO 1-4** Explain how organizations build strong customer relationships and customer value through marketing.
- LO 1-5** Describe how today's customer relationship era differs from prior eras.

Creating Customer Relationships and Value through Marketing

Creating Customer Value: The Chobani Way!

Are you a health-conscious consumer? Are you determined to find food products that are a good value for you? Then you may have noticed Chobani Greek-style yogurt while you were shopping!

If you purchased Chobani and enjoyed the product, it was the result of an extraordinary marketing success story. Just a few years ago the U.S. yogurt market was dominated by Dannon and Yoplait. Then Hamdi Ulukaya created Chobani with less sugar and more protein to better match the changing tastes of American consumers. Today Chobani has more than \$1.5 billion in annual sales and was recently recognized as one of the most innovative companies in the world “for stirring it up in the grocery store.”¹

What is the secret to Chobani’s success? Read on to hear the rest of the story!

Creating an Exceptional Product

The Chobani website proclaims, “A cup of yogurt won’t change the world but how we make it might.” So the process starts with milk from local sources, then uses a straining procedure that makes the yogurt extra thick and gives it twice as much protein, and finally only real fruit and natural sweeteners are added. The recipe is the result of a commitment to a high-quality product. “I was very picky. It took us 18 months to get the recipe right. I knew I had only one shot, and it had to be perfect,” says Ulukaya. To produce the yogurt Ulukaya bought a closed dairy in a small town in New York with a Small Business Administration loan and remodeled the facility using sustainability as a theme to reflect a focus on environment and community.²

Connecting with Customers

Chobani had little money for traditional advertising, so it relied on positive word of mouth, with one happy customer telling another about the new style of yogurt. In addition, Chobani used social media such as Twitter and Facebook to connect with consumers, and a mobile yogurt food truck called the CHObmobile to hand



Source: Chobani, LLC



Source: Chobani, LLC



Source: Chobani, LLC

out free samples to encourage consumers to try Chobani's Greek Yogurt for the first time. One of Chobani's biggest breakthroughs in gaining public awareness was its sponsorship of the U.S. Olympic and Paralympic Teams.

Chobani also pushed for distribution in major grocery chains, rather than smaller niche stores, and encouraged placement of the product in the main dairy cases of the stores, not the specialty or health food sections. Ulukaya was convinced that Americans would really like Greek yogurt if they tried it, and that they would try it if they had heard about it and could find it easily in their grocery store.³

Chobani Today

Chobani continues to monitor changing consumer tastes and offers new products to accommodate them. For example, the company recently introduced a yogurt drink called Drink Chobani, and a package with a second compartment of crunchy toppings to add to the yogurt called Chobani Flip. The products are designed for new and existing consumers and for new eating occasions.

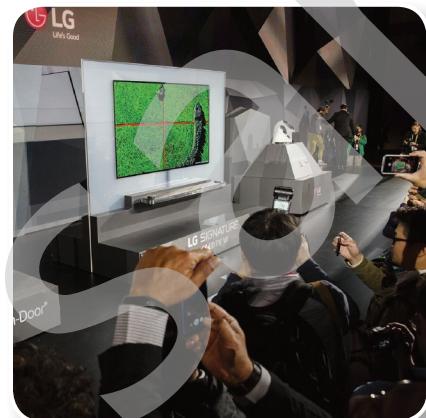
One way Chobani stays in touch with consumer interests is through its yogurt cafés in New York's SoHo and Tribeca neighborhoods. New ideas are continually tested on

Video 1-1
Chobani Fruit
Symphony Ad
kerin.tv/14e/v1-1



Located in New York City, Chobani SoHo is the brand's first-of-its-kind retail concept, serving yogurt creations with innovative toppings.

©Diane Bondareff/Invision for Chobani/AP Images



Are you a marketing expert? If so, what would you pay for this cutting-edge TV?

©Patrick T. Fallon/Bloomberg via Getty Images

FIGURE 1-1

The see-if-you're-really-a-marketing-expert test.

the menu and the feedback has been so useful that Chobani plans to open similar outlets in Los Angeles, San Francisco, Chicago, and other U.S. cities. Chobani also recently announced a plan to open the Chobani Food Incubator, which is designed to invest in and cultivate ideas from emerging food entrepreneurs.

Today, Chobani boasts a 40 percent market share of the Greek yogurt segment, which makes up almost half of the \$8 billion yogurt market. Chobani advertising, such as the “Believe in Food,” “No Bad Stuff,” and “Love This Life” campaigns, are featured on the Chobani YouTube channel. The company’s success has even led to a Super Bowl ad featuring a 1,400-pound bear in search of a healthy snack!⁴

Chobani, Marketing, and You

Will Hamdi Ulukaya and his Chobani Greek Yogurt continue this fantastic success story—especially with the recent appearance of competing Greek yogurts from Yoplait, Dannon, Annie’s, Noosa, and Fage? For Ulukaya, one key factor will be how well Chobani understands and uses marketing—the subject of this book.

WHAT IS MARKETING?

The good news is that you are already a marketing expert! You perform many marketing activities and make marketing-related decisions every day. For example, would you sell more LG 77-inch 4K W-series OLED TVs at \$24,999 or \$7,999? You answered \$7,999, right? So your experience in shopping gives you some expertise in marketing. As a consumer, you’ve been involved in thousands of marketing decisions, mostly on the buying and not the selling side. But to test your expertise, answer the “marketing expert” questions posed in [Figure 1-1](#). You’ll find the answers within the next several pages.

The bad news is that good marketing isn’t always easy. That’s why every year thousands of new products fail in the marketplace and then quietly slide into oblivion.

Marketing and Your Career

Marketing affects all individuals, all organizations, all industries, and all countries. This book seeks to teach you marketing concepts, often by having you actually “do marketing”—by putting you in the shoes of a marketing manager facing actual marketing decisions. The book also shows marketing’s many applications and how it affects our lives. This knowledge should make you a better consumer and enable you to be a

Answer the questions below. The correct answers are given later in the chapter.

1. What is the name of Pepsi’s most recent entry into the mid-calorie market for cola-flavored soft drinks? (a) Pepsi XL, (b) Pepsi Edge, (c) Pepsi Next, (d) Pepsi True.
2. True or False. The 60-year lifetime value of a loyal Kleenex customer is \$994.
3. To be socially responsible Patagonia recycles which of the following to produce many of its products? (a) tires, (b) paper, (c) plastic bottles.



The chief executive officer of Tesla and SpaceX began building businesses shortly after graduating from college.

©Reuters/Alamy Stock Photo

which merged with another and became PayPal. When PayPal was purchased by eBay, Musk founded another venture called SpaceX, which develops and manufactures space launch vehicles and currently launches satellites and delivers cargo to the International Space Station. Since those initial business start-ups, Musk has also started the electric car company Tesla and a solar power company called SolarCity. In addition, he has started a design competition for a high-speed transportation system called Hyperloop and a not-for-profit artificial intelligence company called OpenAI. Perhaps your interest in marketing will lead to new business successes like Musk's!⁵

LO 1.1

Define marketing and identify the diverse factors that influence marketing actions.

Marketing: Delivering Value to Customers

The American Marketing Association represents individuals and organizations involved in the development and practice of marketing worldwide. It defines **marketing** as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.⁶ This definition shows that marketing is far more than simply advertising or personal selling. It stresses the need to deliver genuine value in the offerings of goods, services, and ideas marketed to customers. Also, notice that an organization's marketing activities should also create value for its partners and for society.

To serve both buyers and sellers, marketing seeks (1) to discover the needs and wants of prospective customers and (2) to satisfy them. These prospective customers include both individuals, buying for themselves and their households, and organizations, buying for their own use (such as manufacturers) or for resale (such as wholesalers and retailers). The key to achieving these two objectives is the idea of **exchange**, which is the trade of things of value between a buyer and a seller so that each is better off after the trade.⁷

The Diverse Elements Influencing Marketing Actions

Although an organization's marketing activity focuses on assessing and satisfying consumer needs, countless other people, groups, and forces interact to shape the nature of its actions (see Figure 1–2 on the next page). Foremost is the organization itself, whose mission and objectives determine what business it is in and what goals it seeks. Within the organization, management is responsible for establishing these goals. The marketing department works closely with a network of other departments and employees to help provide the customer-satisfying products required for the organization to survive and prosper.

Figure 1–2 also shows the key people, groups, and forces outside the organization that influence its marketing activities. The marketing department is responsible for facilitating relationships, partnerships, and alliances with the organization's customers, its shareholders (or often representatives of nonprofit organizations), its suppliers, and other organizations. Environmental forces involving social, economic, technological,

more informed citizen, and it may even help you in your career planning.

Perhaps your future will involve doing sales and marketing for a large organization. Working for a well-known company—Apple, Ford, Facebook, or General Mills—can be personally satisfying and financially rewarding, and you may gain special respect from your friends.

Start-ups and small businesses also offer marketing careers. Small businesses are the source of the majority of new U.S. jobs. So you might become your own boss by being an entrepreneur and starting your own business.

Shortly after leaving Stanford, Elon Musk, for example, started and sold a web software company called Zip2. With the proceeds from that business he started another business

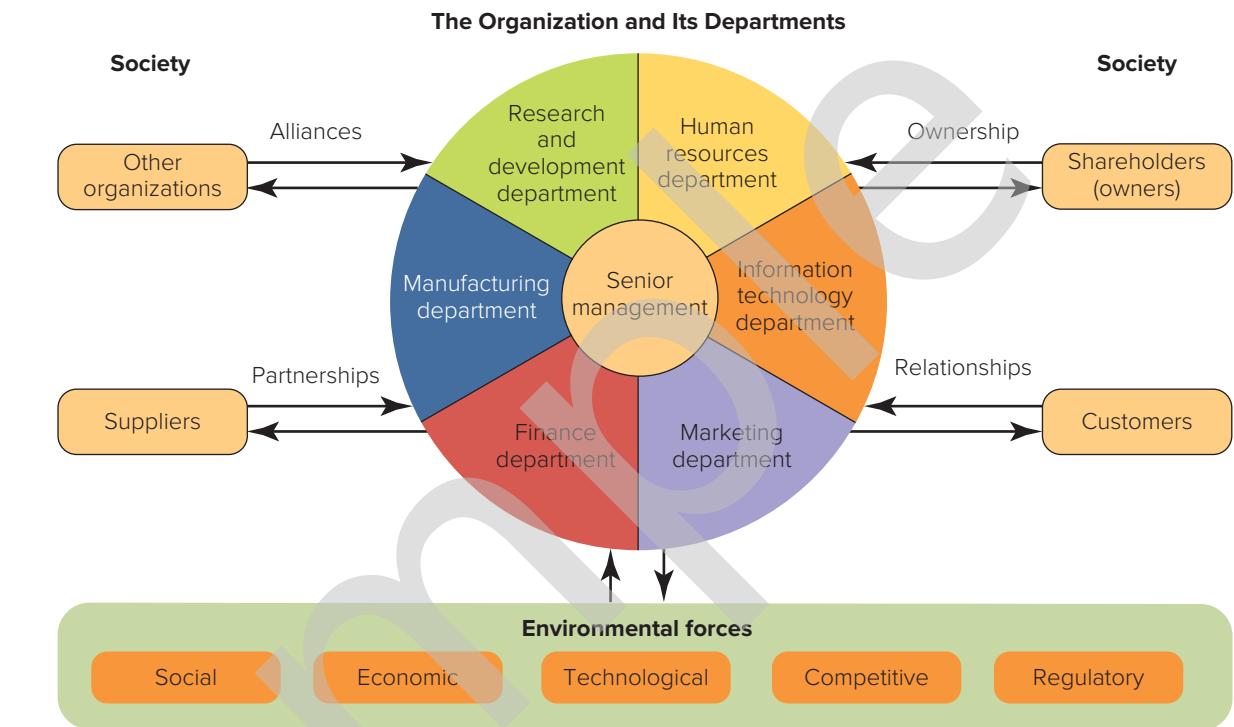


FIGURE 1–2

A marketing department relates to many people, organizations, and forces. Note that the marketing department both *shapes* and is *shaped* by its relationship with these internal and external groups.

competitive, and regulatory considerations also shape an organization's marketing actions. Finally, an organization's marketing decisions are affected by and, in turn, often have an important impact on society as a whole.

The organization must strike a balance among the sometimes differing interests of these groups. For example, it is not possible to simultaneously provide the lowest-priced and highest-quality products to customers and pay the highest prices to suppliers, the highest wages to employees, and the maximum dividends to shareholders.

What Is Needed for Marketing to Occur

For marketing to occur, at least four factors are required: (1) two or more parties (individuals or organizations) with unsatisfied needs, (2) a desire and ability on their part to have their needs satisfied, (3) a way for the parties to communicate, and (4) something to exchange.

Two or More Parties with Unsatisfied Needs Suppose you've developed an unmet need—a desire for a late-night meal after studying for an exam—but you don't yet know that Domino's has a location in your area. Also unknown to you is that Domino's has a special "mix and match" offer for any two or more of its menu items, just waiting to be ordered and picked up or delivered. This is an example of two parties with unmet needs: you, desiring a meal, and your local Domino's owner, needing someone to place an order.

Desire and Ability to Satisfy These Needs Both you and the Domino's owner want to satisfy these unmet needs. Furthermore, you have the money to pay for a purchase and the time to place an order online, over the telephone, or at a Domino's location. The Domino's owner has the desire to sell its products but also the ability to do so since the items are easily made and delivered to (or picked up by) you.

A Way for the Parties to Communicate The marketing transaction of purchasing a Domino's pizza or one of its other products will never occur unless you are aware the product exists and you know how to make a purchase (at a street address,

Marketing doesn't happen in a vacuum. The text describes the four factors needed to buy a product from Domino's Mix & Match menu.

Source: Domino's Pizza



through a URL, or via a phone number). Similarly, Domino's won't be able to sell its products unless there's a market of potential buyers nearby. When you receive a coupon on your phone or drive by and see the Domino's store location, this communication barrier between you (the buyer) and the Domino's owner (the seller) is overcome.

Something to Exchange Marketing occurs when the transaction takes place and both the buyer and seller exchange something of value. In this case, you exchange your money (\$5.99) for each item ordered from Domino's Mix & Match menu. Both you and the Domino's owner have gained and also given up something, but you are both better off because each of you has satisfied the other's unmet needs. You have the opportunity to eat Domino's food items to satisfy your hunger, but you gave up some money to do so; the Domino's owner gave

up the pizza, salad, and other items but received money, which will help the owner remain in business. The ethical and legal foundations of this exchange process are central to marketing and are discussed in Chapter 4.

learning review

- 1-1. What is marketing?
- 1-2. Marketing focuses on _____ and _____ consumer needs.
- 1-3. What four factors are needed for marketing to occur?

HOW MARKETING DISCOVERS AND SATISFIES CONSUMER NEEDS

LO 1.2

Explain how marketing discovers and satisfies consumer needs.

For these three products, identify (1) what benefits the product provides buyers and (2) what factors or "showstoppers" might doom the product in the marketplace. Answers are discussed in the text.

(Left) ©Victor Virgile/Gamma-Rapho via Getty Images; (Center) ©Consumer Trends/Alamy Stock Photo; (Right) Source: YOYO

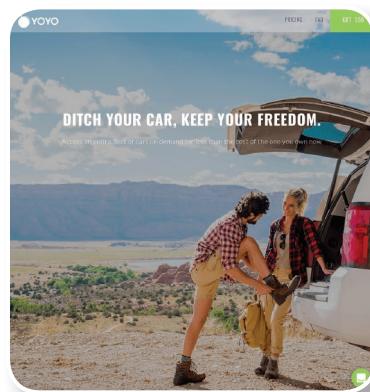
The importance of discovering and satisfying consumer needs in order to develop and offer successful products is so critical to understanding marketing that we look at each of these two steps in detail next. Let's start by asking you to analyze the three products below.



A wearable computer.



A mid-calorie soda.



A subscription service for automobiles.

Discovering Consumer Needs

The first objective in marketing is discovering the needs of prospective customers. Marketers often use customer surveys, concept tests, and other forms of marketing research (discussed in detail in Chapter 8) to better understand customer ideas. Many firms also use “crowdsourcing” websites to solicit and evaluate ideas from customers. At LEGO Group, for example, ideas that receive 10,000 votes from site visitors are considered for possible addition to the product line. LEGO Group products that were discovered through the website include its Ghostbusters Ectomobile ambulance, its Mars Curiosity Rover, and a set based on the Minecraft video game! Sometimes, however, customers may not know or be able to describe what they need and want. Personal computers, smartphones, and electric cars are all examples of this, in which case an accurate long-term prediction of consumer needs is essential.⁸

The Challenge: Meeting Consumer Needs with New Products

While marketers are improving the ways they can generate new product ideas, experts estimate that it takes 3,000 raw ideas to generate one commercial success. Market intelligence agency Mintel estimates that 33,000 new products are introduced worldwide each month. In addition, studies of new-product launches indicate that about 40 percent of the products fail. Robert M. McMath, who has studied more than 110,000 new-product launches, has two key suggestions: (1) focus on what the customer benefit is, and (2) learn from past mistakes.⁹

The solution to preventing product failures seems embarrassingly obvious. First, find out what consumers need and want. Second, produce what they need and want, and don’t produce what they don’t need and want. The three products shown above illustrate just how difficult it is to achieve new-product success, a topic covered in more detail in Chapter 10.

Without reading further, think about the potential benefits to customers and possible “showstoppers”—factors that might doom the product—for each of the three products pictured on the previous page. Some of the products may come out of your past, and others may be on your horizon. Here’s a quick analysis of the three products:

Video 1-2
Google Glass
kerin.tv/14e/v1-2

Video 1-3
Pepsi True Ad
kerin.tv/14e/v1-3

- *Google Glass.* In 2014 Google launched a wearable computer called Google Glass. The new product was head-mounted and similar in appearance to a pair of glasses. In addition, though, the glasses had Internet capabilities, a camera, phone, speaker, microphone, touch pad, and a heads-up display. Less than a year later Google announced that it would stop producing Google Glass. While the product was popular among technology enthusiasts it did not attract a mass market. Show stoppers included its \$1,500 price tag, a general perception that it looked “nerdy,” and concerns that wearing the device might violate privacy rights. Google is reportedly working on a redesigned model, however, so watch for a new Glass!¹⁰
- *Pepsi True.* PepsiCo and Coca-Cola recently announced an agreement to reduce the calorie content of their products by 20 percent before 2025. As part of this agreement PepsiCo launched a new product—Pepsi True (see question 1, Figure 1–1). The new cola is sweetened with a combination of sugar and stevia leaf extract, resulting in a soft drink with the same flavor of Pepsi-Cola but only 60 calories. Pepsi True will compete with Coca-Cola’s Coca-Cola Life. A potential showstopper: In the past, mid-calorie soft drinks such as Pepsi Next (2012), Pepsi Edge (2004), and Pepsi XL (1995) have not been successful as “transition” sodas from regular to diet. Will Pepsi True be next? As always, as a consumer, you will be the judge!¹¹
- *YoYo.* This pay-per-mile car subscription service hopes to disrupt the traditional car purchase and ownership experience by offering consumers access to any type of vehicle at any time at a cost lower than the \$9,500 consumers spend on personal transportation each year. Selection takes place on a smartphone and the vehicle can cost as little as \$.50 per mile, which also compares favorably with car-sharing costs



Studying late at night for an exam and being hungry, you decide to eat a Cool Mint Chocolate Clif Bar. Is this a need or a want? The text discusses the role of marketing in influencing decisions like this one.

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such as \$.96 per mile for an Uber vehicle, or \$1.50 per mile for a Zipcar. What are potential showstoppers? Consumers might not value access to different types of vehicles, always driving a new vehicle, or avoiding the responsibilities of ownership.¹²

Firms spend billions of dollars annually on marketing and technical research that significantly reduces, but doesn't eliminate, new-product failure. So meeting the changing needs of consumers is a continuing challenge for firms around the world.

Consumer Needs and Consumer Wants Should marketing try to satisfy consumer needs or consumer wants? Marketing tries to do both. Heated debates rage over this question, fueled by the definitions of needs and wants and the amount of freedom given to prospective customers to make their own buying decisions.

A *need* occurs when a person feels deprived of basic necessities such as food, clothing, and shelter. A *want* is a need that is shaped by a person's knowledge, culture, and personality. So if you feel hungry, you have developed a basic need and desire to eat something. Let's say you then want to eat a Cool Mint Chocolate Clif Bar because, based on your past experience, you know it will satisfy your hunger need. Effective marketing, in the form of creating an awareness of good products at fair prices and convenient locations, can clearly shape a person's wants.

Certainly, marketing tries to influence what we buy. A question then arises: At what point do we want government and society to step in to protect consumers? Most consumers would say they want government to protect them from harmful drugs and unsafe cars but not from candy bars and soft drinks. To protect college students, should government restrict their use of credit cards?¹³ Such questions have no clear-cut answers, which is why legal and ethical issues are central to marketing. Because even psychologists and economists still debate the exact meanings of *need* and *want*, we shall use the terms interchangeably throughout the book.

As shown in the left side of Figure 1-3, discovering needs involves looking carefully at prospective customers, whether they are children buying M&M's candy, college students buying Chobani Greek Yogurt, or firms buying Xerox color copiers. A principal activity of a firm's marketing department is to scrutinize its consumers to understand what they need and want and the forces that shape those needs and wants.

What a Market Is Potential consumers make up a **market**, which is people with both the desire and the ability to buy a specific offering. All markets ultimately are people. Even when we say a firm bought a Xerox copier, we mean one or several

FIGURE 1-3

Marketing seeks first to discover consumer needs through extensive research. It then seeks to satisfy those needs by successfully implementing a marketing program possessing the right combination of the marketing mix—the four Ps.



people in the firm decided to buy it. People who are aware of their unmet needs may have the desire to buy the product, but that alone isn't sufficient. People must also have the ability to buy, such as the authority, time, and money. People may even "buy" an idea that results in an action, such as having their blood pressure checked annually or turning down their thermostat to save energy.

Satisfying Consumer Needs

Marketing doesn't stop with the discovery of consumer needs. Because the organization obviously can't satisfy all consumer needs, it must concentrate its efforts on certain needs of a specific group of potential consumers. This is the **target market**—one or more specific groups of potential consumers toward which an organization directs its marketing program.

LO 1-3
Distinguish between marketing mix factors and environmental forces.

Firms can affect some environmental forces with breakthrough products such as the Amazon Echo.

©Luke MacGregor/Bloomberg via Getty Images



The Four Ps: Controllable Marketing Mix Factors Having selected its target market consumers, the firm must take steps to satisfy their needs, as shown in the right side of Figure 1–3. Someone in the organization's marketing department, often the marketing manager, must develop a complete marketing program to reach consumers by using a combination of four elements, often called "the four Ps"—a useful shorthand reference to them first published by Professor E. Jerome McCarthy:¹⁴

- *Product.* A good, service, or idea to satisfy the consumer's needs.
- *Price.* What is exchanged for the product.
- *Promotion.* A means of communication between the seller and buyer.
- *Place.* A means of getting the product to the consumer.

We'll define each of the four Ps more carefully later in the book, but for now it's important to remember that they are the elements of the **marketing mix**. These four elements are the controllable factors—product, price, promotion, and place—that can be used by the marketing manager to solve a marketing problem. For example, when a company puts a product on sale, it is changing one element of the marketing mix—namely, the price. The marketing mix elements are called *controllable factors* because they are under the control of the marketing department in an organization.

Designing an effective marketing mix also conveys to potential buyers a clear **customer value proposition**, which is a cluster of benefits that an organization promises customers to satisfy their needs. For example, Walmart's customer value proposition can be described as "help people save money so they can live better—anytime and anywhere." Michelin's customer value proposition can be summed up as "providing safety-conscious parents greater security in tires at a premium price."¹⁵

The Uncontrollable, Environmental Forces While marketers can control their marketing mix factors, there are forces that are mostly beyond their control (see Figure 1–2). These are the **environmental forces** that affect a marketing decision, which consist of social, economic, technological, competitive, and regulatory forces. Examples are what consumers themselves want and need, changing technology, the state of the economy in terms of whether it is expanding or contracting, actions that competitors take, and government restrictions. Covered in detail in Chapter 3, these five forces may serve as accelerators or brakes on marketing, sometimes expanding an organization's marketing opportunities and at other times restricting them.

Traditionally, many marketing executives have treated these environmental forces as rigid, absolute constraints that are entirely outside their influence. However, recent studies and marketing successes have shown that a forward-looking, action-oriented firm can often affect some environmental forces by achieving technological or competitive breakthroughs, such as Amazon's virtual assistant, the Echo.

THE MARKETING PROGRAM: HOW CUSTOMER RELATIONSHIPS ARE BUILT

LO 1-4

Explain how organizations build strong customer relationships and customer value through marketing.

An organization's marketing program connects it with its customers. To clarify this link, we will first discuss the critically important concepts of customer value, customer relationships, and relationship marketing. Then we will illustrate these concepts using 3M's marketing program for its Post-it® Flag Highlighter products.

Relationship Marketing: Easy to Understand, Hard to Do

Intense competition in today's fast-paced global markets has prompted many successful U.S. firms to focus on "customer value." Gaining loyal customers by providing unique value is the essence of successful marketing. What is new is a more careful attempt at understanding how a firm's customers perceive value and then actually creating and delivering that value to them.¹⁶ **Customer value** is the unique combination of benefits received by targeted buyers that includes quality, convenience, on-time delivery, and both before-sale and after-sale service at a specific price. In addition, firms now actually try to place a dollar value on the purchases of loyal, satisfied customers during their lifetimes. For example, loyal Kleenex customers average 6.7 boxes a year, about \$994 over 60 years in today's dollars (see question 2, Figure 1-1).¹⁷

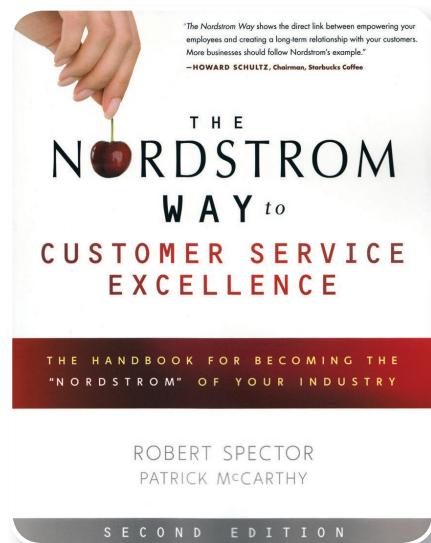
Research suggests that firms cannot succeed by being all things to all people. Instead, firms seek to build long-term relationships with customers by providing unique value to them. Many successful firms deliver outstanding customer value with one of three value strategies: best price, best product, or best service.¹⁸

With the intense competition among U.S. businesses, being seen as "best" is admittedly difficult. Still, the three firms shown in the ads above have achieved great success as reflected in the mission, vision, and values statements they stress and live by:¹⁹

- *Best price: Target.* Target uses the brand promise of "Expect More, Pay Less®" to "make Target the preferred shopping destination for our guests by delivering outstanding value."

Target, Starbucks, and Nordstrom provide customer value using three very different approaches. For their strategies, see the text.

(Left) Source: Target Brands, Inc.; (Center) Source: Starbucks Corporation; (Right) ©Studio Works/Alamy Stock Photo



- *Best product: Starbucks.* Starbucks seeks “to inspire and nurture the human spirit—one person, one cup and one neighborhood at a time.” Its ads remind customers that they are the “#1 Best Coffee.”
- *Best service: Nordstrom.* As a leading fashion specialty retailer, Nordstrom works to “deliver the best possible shopping experience, helping our customers express their style—not just buy fashion.” Nordstrom is “committed to providing our customers with the best possible service—and to improving it every day.”

Remaining among the “best” is a continuing challenge for today’s businesses.

A firm achieves meaningful customer relationships by creating connections with its customers through careful coordination of the product, its price, the way it is promoted, and how it is placed.

The hallmark of developing and maintaining effective customer relationships is today called **relationship marketing**, which links the organization to its individual customers, employees, suppliers, and other partners for their mutual long-term benefit. Relationship marketing involves a personal, ongoing relationship between the organization and its individual customers that begins before the sale and may evolve through different types of relationships after the sale.²⁰

Information technology, along with cutting-edge manufacturing and marketing processes, better enable companies to form relationships with customers today. Smart, connected products, now elements of “the Internet of Everything,” help create detailed databases about product usage. Then, using data analytics, or the examination of data to discover relevant patterns, companies can gain insights into how products create value for customers. For example, BMW receives data transmitted by each new vehicle it sells and General Electric collects information sent in by the jet engines it builds to help understand how customers use their products and when service may be needed. The Ritz-Carlton Hotel Company trains each of its employees to observe guest preferences and record them in the guest recognition system. In addition, the hotel’s statement of values, called Gold Standards, guides employees to “build strong relationships and create Ritz-Carlton guests for life” and the website includes a variety of ways for customers to become part of its online community, including a Twitter-based concierge service.²¹

Ritz-Carlton hotels use relationship marketing concepts—tailoring the purchase experience to each individual—to create lifelong customers.

©Paul Hilton/Bloomberg via Getty Images



The Marketing Program and Market Segments

Effective relationship marketing strategies help marketing managers discover what prospective customers need and convert these ideas into marketable products (see Figure 1–3). These concepts must then be converted into a tangible **marketing program**—a plan that integrates the marketing mix to provide a good, service, or idea to prospective buyers. Ideally, they can be formed into **market segments**, which are relatively homogeneous groups of prospective buyers that (1) have common needs and (2) will respond similarly to a marketing action. This action might be a product feature, a promotion, or a price. As shown in Figure 1–3, in an effective organization this process is continuous: Consumer needs trigger product concepts that are translated into actual products that stimulate further discovery of consumer needs.

learning review

- 1-4. An organization can't satisfy the needs of all consumers, so it must focus on one or more subgroups, which are its _____.
- 1-5. What are the four marketing mix elements that make up the organization's marketing program?
- 1-6. What are environmental forces?

3M's Strategy and Marketing Program to Help Students Study

"How do college students *really* study?" asked David Windorski, a 3M inventor of Post-it® brand products, when thinking about adding a new item to the Post-it® line.²²

To answer this question, Windorski worked with a team of four college students. Their task was to observe and question dozens of students about their study behavior, such as how they used their textbooks, took notes, wrote term papers, and reviewed for exams. Often, they watched students highlight a passage and then mark the page with a Post-it® Note or the smaller Post-it® Flag. Windorski realized there was an opportunity to merge the functions of two products into one to help students study!

Moving from Ideas to a Marketable Highlighter Product After working on 15 or 20 models, Windorski concluded he had to build a highlighter product that would dispense Post-it® Flags because the Post-it® Notes were simply too large to put inside the barrel of a highlighter.

Hundreds of the initial highlighter prototypes with Post-it® Flags inside were produced and given to students—and also office workers—to get their reactions. This research showed users wanted a convenient, reliable cover to protect the Post-it® Flags in the highlighter. So the Post-it® Flag Highlighter with a rotating cover was born.

Adding the Post-it® Flag Pen Most of David Windorski's initial design energies had gone into his Post-it® Flag Highlighter research and development. But Windorski also considered other related products. Many people in offices need immediate access to Post-it® Flags while writing with pens. Students are a potential market for this product, too, but probably a smaller market segment than office workers.

A Marketing Program for the Post-it® Flag Highlighter and Pen After several years of research, development, and production engineering, 3M introduced its new products. Figure 1–4 on the next page outlines the strategies for each of the four marketing mix elements in 3M's program to market its Post-it® Flag Highlighters and Post-it® Flag Pens. Although similar, we can compare the marketing program for each of the two products:

- *Post-it® Flag Highlighter.* The target market shown in the orange column in Figure 1–4 is mainly college students, so 3M's initial challenge was to build student



3M's initial product line of Post-it® Flag Highlighters and Post-it® Flag Pens included variations in color.

©McGraw-Hill Education/Mike Hruby, photographer

Video 1-4

3M Post-it® Flag
Highlighters Ad
kerin.tv/14e/v1-4

MARKETING PROGRAM ACTION TO REACH:			
MARKETING MIX ELEMENT	COLLEGE STUDENT MARKET SEGMENT	OFFICE WORKER MARKET SEGMENT	RATIONALE FOR MARKETING PROGRAM ACTION
Product strategy	Offer Post-it® Flag Highlighter to help college students in their studying	Offer Post-it® Flag Pen to help office workers in their day-to-day work activities	Listen carefully to the needs and wants of potential customer segments to use 3M technology to introduce a useful, innovative product
Price strategy	Seek retail price of about \$3.99 to \$4.99 for a single Post-it® Flag Highlighter or \$5.99 to \$7.99 for a three-pack	Seek retail price of about \$3.99 to \$4.99 for a single Post-it® Flag Pen; wholesale prices are lower	Set prices that provide genuine value to the customer segment being targeted
Promotion strategy	Run limited promotion with a TV ad and some ads in college newspapers and then rely on student word-of-mouth messages	Run limited promotion among distributors to get them to stock the product	Increase awareness among potential users who have never heard of this new, innovative 3M product
Place strategy	Distribute Post-it® Flag Highlighters through college bookstores, office supply stores, and mass merchandisers	Distribute Post-it® Flag Pens through office wholesalers and retailers as well as mass merchandisers	Make it easy for prospective buyers to buy at convenient retail outlets (both products) or to get at work (Post-it® Flag Pens only)

FIGURE 1–4

Marketing programs for the launch of two Post-it® brand products targeted at two target market segments.

Welcome to the most recent generation of Post-it® Flag Highlighters: the Post-it® Flag + Highlighter & Pen. The cap contains the Post-it® flags.

©McGraw-Hill Education



awareness of a product that they didn't know existed. The company used a mix of print ads in college newspapers and a TV ad and then relied on word-of-mouth advertising—students telling their friends about how great the product is. Gaining distribution in college bookstores was also critical. Plus, 3M charged a price to distributors that it hoped would give a reasonable bookstore price to students and an acceptable profit to distributors and 3M.

- *Post-it® Flag Pen.* The primary target market shown in the green column in Figure 1–4 is people working in offices. The Post-it® Flag Pens are mainly business products—bought by the purchasing department in an organization and stocked as office supplies for employees to use. So the marketing program for Post-it® Flag Pens emphasizes gaining distribution in outlets used by an organization's purchasing department.

How well did these new 3M products do in the marketplace? They have done so well that 3M bestowed a prestigious award on David Windorski and his team. And in what must be considered any inventor's dream come true, Oprah Winfrey flew Windorski to Chicago to appear on her TV show and thank him in person. She told Windorski and her audience that the Post-it® Flag Highlighter is changing the way she does things at home and at work—especially in going through potential books she might recommend for her book club. “David, I know you never thought this would happen when you were in your 3M lab . . . but I want you to take a bow before America for the invention of this . . . (highlighter). It’s the most incredible invention,” she said.²³

Extending the Product Line The success of the Post-it® Flag Highlighters encouraged Windorski to continue to conduct research about how students study. He asked students, “Is it too much trouble when you’re studying to grab for a 3M Post-it®

Flag, then a highlighter, and then your pen?” Feedback suggested there was another opportunity in the market: A 3-in-1 combination that has a highlighter on one end, a pen on the other, and 3M Post-it® Flags in the removable cap. The latest in the family of 3M product innovations is shown in the photo!

HOW MARKETING BECAME SO IMPORTANT

LO 1-5

Describe how today's customer relationship era differs from prior eras.

To understand why marketing is a driving force in the modern global economy, let us look at (1) the evolution of the market orientation, (2) ethics and social responsibility in marketing, and (3) the breadth and depth of marketing activities.

Evolution of the Market Orientation

Many American manufacturers have experienced four distinct stages in the life of their firms.²⁴ The first stage, the *production era*, covers the early years of the United States up until the 1920s. Goods were scarce and buyers were willing to accept virtually any goods that were available and make do with them.²⁵ In the *sales era* from the 1920s to the 1960s, manufacturers found they could produce more goods than buyers could consume. Competition grew. Firms hired more salespeople to find new buyers. This sales era continued into the 1960s for many American firms.

Starting in the late 1950s, marketing became the motivating force among many American firms and the *marketing concept era* dawned. The **marketing concept** is the idea that an organization should (1) strive to satisfy the needs of consumers while also (2) trying to achieve the organization's goals. General Electric probably launched the marketing concept and its focus on consumers when its 1952 annual report stated: “The concept introduces . . . marketing . . . at the beginning rather than the end of the production cycle and integrates marketing into each phase of the business.”²⁶

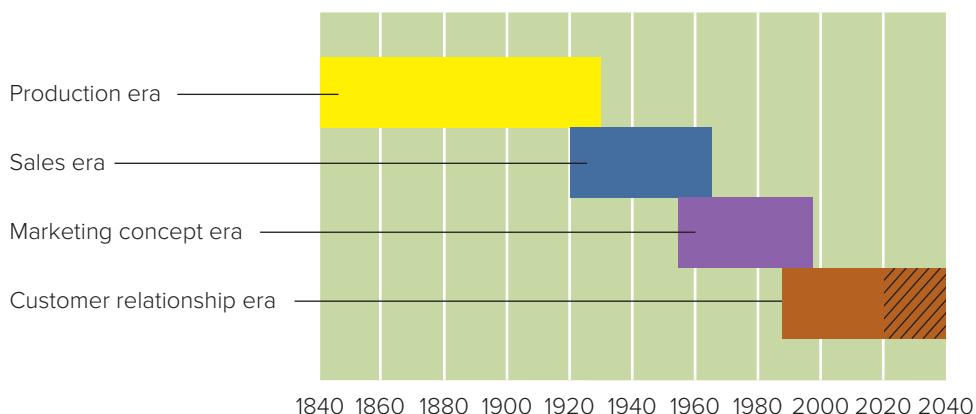
Firms such as General Electric, Marriott, and Facebook have achieved great success by putting huge effort into implementing the marketing concept, giving their firms what has been called a *market orientation*. An organization that has a **market orientation** focuses its efforts on (1) continuously collecting information about customers' needs, (2) sharing this information across departments, and (3) using it to create customer value.²⁷ The *customer relationship era*, the brown bar in Figure 1–5, started in the 1980s and continues today as firms continuously seek to satisfy the high expectations of customers.

Focusing on Customer Relationship Management

A recent focus in the customer relationship era has been the advent of digital marketing, in which organizations and their customers develop relationships

FIGURE 1–5

Four different orientations in the history of American business. Today's customer relationship era focuses on satisfying the high expectations of customers.





Trader Joe's is consistently ranked as one of America's favorite supermarket chains. This reflects the company's focus on providing a great customer experience, as described in the text.

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Newscom

through applications (apps) and social media websites such as Facebook, Twitter, and YouTube, among others. This focus has allowed organizations to understand and market to current and prospective customers in ways that are still evolving.

An important outgrowth of this focus on the customer is the recent attention placed on **customer relationship management (CRM)**, the process of identifying prospective buyers, understanding them intimately, and developing favorable long-term perceptions of the organization and its offerings so that buyers will choose them in the marketplace and become advocates after their purchase.²⁸ This process requires the involvement and commitment of managers and employees throughout the organization²⁹ and a growing application of information,

communication, and Internet technology, as will be described throughout this book.

The foundation of customer relationship management is really **customer experience**, which is the internal response that customers have to all aspects of an organization and its offering. This internal response includes both the direct and indirect contacts of the customer with the company. Direct contacts include the customer's contacts with the seller through buying, using, and obtaining service. Indirect contacts most often involve unplanned "touches" with the company through word-of-mouth comments from other customers, reviewers, and news reports.

In terms of outstanding customer experience, Trader Joe's is high on the list. It is ranked as one of America's favorite supermarket chains by *Market Force Information* and called "America's hottest retailer" by *Fortune* magazine:

But Trader Joe's is no ordinary grocery chain. It's an offbeat, fun discovery zone that elevates food shopping from a chore to a cultural experience. It stocks its shelves with a winning combination of low-cost, yuppie-friendly staples (cage-free eggs and organic blue agave sweetener) and exotic, affordable luxuries—Belgian butter waffle cookies or Thai lime-and-chili cashews—that you simply can't find anyplace else.³⁰

Trader Joe's has about 465 stores in over 40 states. It started in California and then expanded on the West Coast before jumping to the East Coast in 1996, the Midwest in 2000, Texas in 2012, Idaho and Colorado in 2014, and Alabama in 2015.

What makes the customer experience and loyalty of shoppers at Trader Joe's unique? The reasons include:

- Setting low prices, made possible by offering its own brands rather than well-known national ones.
- Offering unusual, affordable products, like Thai lime-and-chili cashews, not available from other retailers.
- Providing employee "engagement" to help customers, like actually walking them to where the roasted chestnuts are—rather than saying "aisle five."

This commitment to providing an exceptional customer experience is what gives Trader Joe's its high rankings. Recent studies support this approach, suggesting that companies must watch for differences between the experience they offer and what consumers expect at each interaction, and they must excel at managing the complete experience from start to finish.³¹

DON'T BUY THIS JACKET



COMMON THREADS INITIATIVE
Together we can reduce our environmental footprint.



Patagonia's use of recycled plastic bottles and its commitment to extending the life of its products reflect the increasing concern among today's organizations for society's well-being.

Source: Patagonia

Strategies in marketing art museums include planning new "satellite" museums like this one for the Louvre in Abu Dhabi . . .

©AFP/Getty Images



Ethics and Social Responsibility in Marketing: Balancing the Interests of Different Groups

As organizations have changed their orientation, society's expectations of marketers have also changed. Today, the standards of marketing practice have shifted from an emphasis on producers' interests to consumers' interests. Guidelines for ethical and socially responsible behavior can help managers balance consumer, organizational, and societal interests.

Ethics Many marketing issues are not specifically addressed by existing laws and regulations. Should information about a firm's customers be sold to other organizations? Should online advertising that reaches young children be restricted? Should consumers be on their own to assess the safety of a product? These questions raise difficult ethical issues. Many companies, industries, and professional associations have developed codes of ethics to assist managers.

Social Responsibility While many ethical issues involve only the buyer and seller, others involve society as a whole. For example, suppose you have the oil in your car changed at a local oil change center. Is this just a transaction between you and the service center? Not quite! The used oil and oil filter have potential to contaminate the environment if they are not recycled, and contamination represents a cost to society in terms of lost use of landfill space or eventual cleanup of the discarded waste products. To reduce the social cost of individual purchases today, many organizations use a variety of strategies that range from pure philanthropy, to environmentally friendly and sustainable practices, to creating "shared" value.³² These strategies illustrate the issue of *social responsibility*, the idea that organizations are accountable to a larger society.

The well-being of society at large should also be recognized in an organization's marketing decisions. In fact, some marketing experts stress the **societal marketing concept**, the view that organizations should satisfy the needs of consumers in a way that provides for society's well-being.³³ For example, Patagonia manufactures many of its products with polyester made from recycled plastic bottles. In addition, Patagonia's Common Threads Initiative encourages its customers to repair, trade, and eventually recycle all of its products. Patagonia says, "One of the most responsible things we can do as a company is to make high-quality stuff that lasts for years and can be repaired, so you don't have to buy more of it" (see question 3, Figure 1–1).

The Breadth and Depth of Marketing

Marketing today affects every person and organization. To understand this, let's analyze (1) who markets, (2) what is marketed, (3) who buys and uses what is marketed, (4) who benefits from these marketing activities, and (5) how consumers benefit.

Who Markets? Every organization markets. It's obvious that business firms involved in manufacturing (Patagonia), retailing (Trader Joe's), and providing services (Marriott) market their offerings. And non-profit organizations such as museums, your local hospital or college, places (cities, states, countries), and even special causes (Race for the Cure) also engage in marketing. Finally, individuals such as political candidates often use marketing to gain voter attention and preference.



. . . or taking a “virtual tour” of Russia’s State Hermitage Museum—courtesy of IBM.
©Izzet Keribar/Lonely Plant Images/Getty Images

Video 1-5
Hermitage Tour
kerin.tv/14e/v1-5

Think local.
Act global.

Marketing the idea of volunteering for the Peace Corps can benefit society.
Source: Peace Corps

What Is Marketed? Goods, services, and ideas are marketed. *Goods* are physical objects, such as toothpaste, smartphones, or automobiles, that satisfy consumer needs. *Services* are intangible items such as airline trips, financial advice, or art museums. *Ideas* are thoughts about concepts, actions, or causes.

In this book, goods, services, and ideas are all considered “products” that are marketed. So a **product** is a good, service, or idea consisting of a bundle of tangible and intangible attributes that satisfies consumers’ needs and is received in exchange for money or something else of value.

Services like those offered by art museums, hospitals, and sports teams are relying more heavily on effective marketing. For example, financial pressures have caused art

museums to innovate to market their unique services—the viewing of works of art by visitors—to increase revenues. This often involves levels of creativity unthinkable several decades ago.

This creativity ranges from establishing a global brand identity by launching overseas museums to offering sit-at-home video tours. France’s Louvre, home to the *Mona Lisa* painting, is developing a new satellite museum in Abu Dhabi, housed in a striking domed building.³⁴ Russia’s world-class 1,000-room State Hermitage Museum wanted to find a way to market itself to potential first-time visitors. So it partnered with IBM to let you take a “virtual tour” of its exhibits while watching on your iPad and relaxing.

Ideas are most often marketed by nonprofit organizations or the government. So the Nature Conservancy markets the cause of protecting the environment. Charities market the idea that it’s worthwhile for you to donate your time or money. The Peace Corps markets to recruit qualified volunteers. And state governments in Arizona and Florida market taking a warm, sunny winter vacation in their states.

Who Buys and Uses What Is Marketed? Both individuals and organizations buy and use products that are marketed. **Ultimate consumers** are the people—whether 80 years or eight months old—who use the products and services purchased for a household. In contrast, **organizational buyers** are those manufacturers, wholesalers, retailers, service companies, not-for-profit organizations, and government agencies that buy products and services for their own use or for resale. Although the terms *consumers*, *buyers*, and *customers* are sometimes used for both ultimate consumers and organizations, there is no consistency on this. In this book you will be able to tell from the example whether the buyers are ultimate consumers, organizations, or both.

Who Benefits? In our free-enterprise society, there are three specific groups that benefit from effective marketing: consumers who buy, organizations that sell, and society as a whole. True competition between products and services in the marketplace ensures that consumers can find value from the best products, the lowest prices, or exceptional service. Providing choices leads to the consumer satisfaction and quality of life that we expect from our economic system.

Organizations that provide need-satisfying products with effective marketing programs—for example, Target, IBM, and Avon—have blossomed. But competition creates problems for ineffective competitors, including the hundreds of dot-com businesses, such as Pets.com, that failed over a decade ago.

Finally, effective marketing benefits society.³⁵ It enhances competition, which both improves the quality of products and services and lowers their prices. This makes

countries more competitive in world markets and provides jobs and a higher standard of living for their citizens.

How Do Consumers Benefit? Marketing creates **utility**, the benefits or customer value received by users of the product. This utility is the result of the marketing exchange process and the way society benefits from marketing. There are four different utilities: form, place, time, and possession. The production of the product or service constitutes *form utility*. *Place utility* means having the offering available where consumers need it, whereas *time utility* means having it available when needed. *Possession utility* is the value of making an item easy to purchase through the provision of credit cards or financial arrangements. Marketing creates its utilities by bridging space (place utility) and hours (time utility) to provide products (form utility) for consumers to own and use (possession utility).

learning review

- 1-7. What are the two key characteristics of the marketing concept?
- 1-8. What is the difference between ultimate consumers and organizational buyers?

LEARNING OBJECTIVES REVIEW

LO 1-1 Define marketing and identify the diverse factors that influence marketing actions.

Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. This definition relates to two primary goals of marketing: (a) discovering the needs of prospective customers and (b) satisfying them. Achieving these two goals also involves the four marketing mix factors largely controlled by the organization and the five environmental forces that are generally outside its control.

LO 1-2 Explain how marketing discovers and satisfies consumer needs.

The first objective in marketing is discovering the needs and wants of consumers who are prospective buyers and customers. This is not easy because consumers may not always know or be able to describe what they need and want. A need occurs when a person feels deprived of basic necessities such as food, clothing, and shelter. A want is a need that is shaped by a person's knowledge, culture, and personality. Effective marketing can clearly shape a person's wants and tries to influence what he or she buys. The second objective in marketing is satisfying the needs of targeted consumers. Because an organization obviously can't satisfy all consumer needs, it must concentrate its efforts on certain needs of a specific group of potential consumers or target market—one or more specific groups of potential consumers toward which an organization directs its marketing program. It then selects its target market segment(s), which is a relatively homogeneous group of prospective buyers that (1) have common needs and (2) will respond similarly to a

marketing action. Finally, the organization develops a set of marketing actions in the form of a unique marketing program to reach them.

LO 1-3 Distinguish between marketing mix factors and environmental forces.

Four elements in a marketing program designed to satisfy customer needs are product, price, promotion, and place. These elements are called the marketing mix, the four Ps, or the marketer's controllable variables. The marketing mix also provides a clear customer value proposition—a cluster of benefits that an offering satisfies. Environmental forces, also called uncontrollable variables, are largely beyond the organization's control. These include social, economic, technological, competitive, and regulatory forces.

LO 1-4 Explain how organizations build strong customer relationships and customer value through marketing.

The essence of successful marketing is to provide sufficient value to gain loyal, long-term customers. Customer value is the unique combination of benefits received by targeted buyers that usually includes quality, price, convenience, on-time delivery, and both before-sale and after-sale service. Marketers do this by using one of three value strategies: best price, best product, or best service.

LO 1-5 Describe how today's customer relationship era differs from prior eras.

U.S. business history is divided into four overlapping periods: the production era, the sales era, the marketing concept era, and the current customer relationship era. The production era covers the period up until the 1920s, when buyers were willing to accept virtually any goods that were

available. The central notion was that products would sell themselves. The sales era lasted from the 1920s to the 1960s. Manufacturers found they could produce more goods than buyers could consume, and competition grew, so the solution was to hire more salespeople to find new buyers. In the late 1950s, the marketing concept era dawned

when organizations adopted a strong market orientation and integrated marketing into each phase of their business. In today's customer relationship era, organizations continuously seek to satisfy the high expectations of customers—an aggressive extension of the marketing concept era. This is increasingly done through social media.

LEARNING REVIEW ANSWERS

1-1 What is marketing?

Answer: Marketing is the activity for creating, communicating, delivering, and exchanging offerings that benefit customers, the organization, its stakeholders, and society at large.

1-2 Marketing focuses on _____ and _____ consumer needs.

Answer: discovering; satisfying

1-3 What four factors are needed for marketing to occur?

Answer: The four factors are: (1) two or more parties (individuals or organizations) with unsatisfied needs; (2) a desire and ability on their part to have their needs satisfied; (3) a way for the parties to communicate; and (4) something to exchange.

1-4 An organization can't satisfy the needs of all consumers, so it must focus on one or more subgroups, which are its _____.

Answer: target market(s)

1-5 What are the four marketing mix elements that make up the organization's marketing program?

Answer: product, price, promotion, place

1-6 What are environmental forces?

Answer: Environmental forces are the uncontrollable forces that affect a marketing decision. They consist of social, economic, technological, competitive, and regulatory forces.

1-7 What are the two key characteristics of the marketing concept?

Answer: An organization should (1) strive to satisfy the needs of consumers while also (2) trying to achieve the organization's goals.

1-8 What is the difference between ultimate consumers and organizational buyers?

Answer: Ultimate consumers are the people who use the products and services purchased for a household. Organizational buyers are those manufacturers, wholesalers, retailers, and government agencies that buy products and services for their own use or for resale.

FOCUSING ON KEY TERMS

customer experience p. 16

customer relationship management (CRM) p. 16

customer value p. 11

customer value proposition p. 10

environmental forces p. 10

exchange p. 5

market p. 9

market orientation p. 15

market segments p. 13

marketing p. 5

marketing concept p. 15

marketing mix p. 10

marketing program p. 13

organizational buyers p. 18

product p. 18

relationship marketing p. 12

societal marketing concept p. 17

target market p. 10

ultimate consumers p. 18

utility p. 19

APPLYING MARKETING KNOWLEDGE

- 1 What consumer wants (or benefits) are met by the following products or services? (a) 3M Post-it® Flag Highlighter, (b) Nike running shoes, (c) Hertz Rent-A-Car, and (d) Amazon online shopping.
- 2 Each of the four products, services, or programs in question 1 has substitutes. Respective examples are (a) a Bic™ highlighter, (b) regular tennis shoes, (c) an Uber or Lyft ride, and (d) a department store. What consumer benefits might these substitutes have in each case that some consumers might value more highly than those mentioned in question 1?
- 3 What are the characteristics (e.g., age, income, education) of the target market customers for the following products or services? (a) *National Geographic* magazine, (b) Chobani Greek Yogurt, (c) New York Giants football team, and (d) Facebook.
- 4 A college in a metropolitan area wishes to increase its evening offerings of business-related courses such as marketing, accounting, finance, and management. Who are the target market customers (students) for these courses?
- 5 What actions involving the four marketing mix elements might be used to reach the target market in question 4?
- 6 What environmental forces (uncontrollable variables) must the college in question 4 consider in designing its marketing program?
- 7 Does a firm have the right to "create" wants and try to persuade consumers to buy goods and services they didn't know about earlier? What are examples of "good" and "bad" want creation? Who should decide what is good and what is bad?

BUILDING YOUR MARKETING PLAN

If your instructor assigns a marketing plan for your class, we hope you will be excited—for two reasons. First, you will get insights into trying to actually “do marketing” that often go beyond what you can get by simply reading the textbook. Second, thousands of graduating students every year get their first job by showing prospective employers a “portfolio” of samples of their written work from college—often a marketing plan if they have one. This can work for you.

This “Building Your Marketing Plan” section at the end of each chapter suggests ways to improve and focus your marketing plan. You will use the sample marketing plan in Appendix A (following Chapter 2) as a guide, and this section after each chapter will help you apply those Appendix A ideas to your own marketing plan.

The first step in writing a good marketing plan is to have a business or product that enthuses you and for which you can get detailed information, so you can

avoid glittering generalities. We offer these additional bits of advice in selecting a topic:

- *Do* pick a topic that has personal interest for you—a family business; a business, product, or service you or a friend might want to launch; or a student organization that needs marketing help.
 - *Do not* pick a topic that is so large it can't be covered adequately or so abstract it will lack specifics.
- 1 Now to get you started on your marketing plan, list four or five possible topics and compare these with the criteria your instructor suggests and those shown above. Think hard, because your decision will be with you all term and may influence the quality of the resulting marketing plan you show to a prospective employer.
 - 2 When you have selected your marketing plan topic, whether the plan is for an actual business, a possible business, or a student organization, write the “company description” in your plan, as shown in Appendix A (following Chapter 2).

VIDEO CASE 1

Chobani®: Making Greek Yogurt a Household Name

“Everybody should be able to enjoy a pure, simple cup of yogurt. And that’s what Chobani is,” says Hamdi Ulukaya, founder and chief executive officer of Chobani, LLC, in summarizing his vision for the company.

As the winner of an Ernst & Young World Entrepreneur of the Year award, his words and success story carry great credibility.

THE IDEA

Hamdi Ulukaya came to the United States in 1994 to learn English and study business. He started a feta cheese company, Euphrates, when his visiting father complained about the quality of American feta cheese. In 2005, Kraft Foods closed its New Berlin, New York, yogurt plant. While tidying up his office, Ulukaya stumbled upon a postcard about the sale of the shuttered Kraft plant and threw it out. After sleeping on the decision, he fished it out of the wastebasket, visited the plant, and purchased it with the help of a U.S. Small Business Administration loan.

Video 1-6
Chobani Video Case
kerin.tv/14e/v1-6



©Diane Bondareff/Invision for Chobani/AP Images

Ulukaya (center in photo) had no real experience in the yogurt business. He grew up milking sheep at his family's dairy in eastern Turkey and eating the thick, tangy yogurt of his homeland. Describing the regular yogurt he found on shelves in America, he has one comment: “Terrible!” In his view, it is too thin, too sweet, and too fake. So he decided to produce what is known as “Greek yogurt”—an authentic strained version that produces a thick texture, with high protein content and little

or no fat. With the help of four former Kraft employees and yogurt master Mustafa Dogan, Ulukaya worked 18 months to perfect the recipe for Chobani Greek Yogurt.

The very first cup for sale of Ulukaya's Greek yogurt appeared on the shelves of a small grocer on Long Island, New York. The new-product launch focused on the classic "4Ps" elements of marketing mix actions: product, price, place, and promotion.

PRODUCT STRATEGY

From the start Ulukaya's Greek yogurt carried the brand name "Chobani." There was no room for error, and the product strategy for the Chobani brand focused on the separate elements of (1) the product itself and (2) its packaging.

The Chobani product strategy stresses its authentic straining process that removes excess liquid whey. This results in a thicker, creamier yogurt that yields 13 to 18 grams of protein per single-serve cup, depending on the flavor. Chobani is free of ingredients like milk protein concentrate and animal-based thickeners, which some manufacturers add to make "Greek-style" yogurts.

Chobani uses three pounds of milk to make one pound of Chobani Greek Yogurt. Some other features that make Chobani Greek Yogurt "*nothing but good,*" to quote one of its advertising taglines:

- Higher in protein than regular yogurt.
- Made with real fruit and only natural ingredients.
- Preservative-free.
- No artificial flavors or artificial sweeteners.
- Contains five live and active cultures, including three probiotics.

Then, and still today, Ulukaya obsessed about Chobani's packaging of the original cups. While designing the cup, Ulukaya concluded that *not any cup* would do. He insisted on a European-style cup with a circular opening *exactly* 95 millimeters across. This made for a shorter, wider cup that was more visible on retailer's shelves. Also, instead of painted-on labels, Ulukaya chose shrink-on plastic sleeves that adhere to the cup and offer eye-popping colors.

"With our packaging people would say, 'You're making it all look different and why are you doing that?'" says Kyle O'Brien, executive vice president of sales. "If people pay attention to our cups—bright colors and all—we know we have won them, because what's inside the cup is different from anything else on the shelf."

PRICE STRATEGY

To keep control of their product, Ulukaya and O'Brien approached retailers directly rather than going through



©McGraw-Hill Education/Mike Hruby, photographer

distributors. Prices were set high enough to recover Chobani's costs and give reasonable margins to retailers but not so high that future rivals could undercut its price. Today, prices remain at about \$1.29 for a single-serve cup.

PLACE STRATEGY

The decision of Ulukaya and O'Brien to get Chobani Greek Yogurt into the conventional yogurt aisle of traditional supermarkets—not on specialty shelves or in health food stores—proved to be sheer genius. Today Chobani sees its Greek Yogurt widely distributed in both conventional and mass supermarkets, club stores, and natural food stores. On the horizon: growing distribution in convenience and drugstores, as well as schools. Chobani is also focused on educating food service directors at schools across the United States about Greek yogurt's health benefits for schoolkids.

The Chobani growth staggers imagination. From the company's first order of 200 cases, its sales have grown to over 2 million cases per week. To increase capacity and bring new products to market faster, in 2012 Chobani opened a nearly one million square foot plant in Idaho. Built in just 326 days, it is the largest yogurt manufacturing facility in the world.

Along the way Chobani faced a strange glitch: Demand for Chobani's Greek yogurt far surpassed supply, leading to unhappy retailers with no Chobani cups to sell. Kyle O'Brien launched Operation Bear Hug. "Instead of hiding behind letters to retailers, we decided to get on a plane and to communicate with them within 24 hours about the problem and what we

proposed to do about it,” says O’Brien. “So we found it critical to be very transparent and open with our communication at times like that.”

PROMOTION STRATEGY

In its early years Chobani had no money for traditional advertising, so it relied on word-of-mouth recommendation from enthusiastic customers. The brand harnessed consumer passion on social media channels early on and found that people loved the taste of Chobani once they tried it. So Chobani kicked off its CHOmobile tour: a mobile vehicle sampling Chobani at events across the country, encouraging consumers to taste Greek yogurt for the first time. As Chobani grew, it began to launch new promotional activities tied to (1) traditional advertising, (2) social media, and (3) direct communication with customers.

In 2011, Chobani launched its first national advertising campaign, “Real Love Stories.” The only problem: apparently it was *too* successful! The resulting additional consumer demand for Chobani Greek Yogurt exceeded its production capacity, leaving retailers unhappy because of complaining consumers. What did Chobani do then? It stopped the advertising campaign and sent in another Operation Bear Hug team to communicate with retailers. Since then it has run other successful national advertising campaigns, including sponsorship of the U.S. Olympic Teams.

“Social media has been important to Chobani, which has embraced a high-touch model that emphasizes positive communication with its customers,” says Sujean Lee, head of corporate affairs. Today, Chobani’s Customer Loyalty Team receives about 7,000 inbound customer e-mails and phone calls a month and is able to make return phone calls to most of them. Consumers also often get a handwritten note. Chobani launched its “Go Real Chobani” campaign in 2013 to highlight that it is a *real* company making *real* products and engaging consumers through *real* conversations.

In addition to Facebook (www.Facebook.com/Chobani), the company interacts with its consumers through Twitter, Pinterest, Instagram, Foursquare, and other social media platforms. Chobani Kitchen (www.chobanikitchen.com) is an online resource with recipes, videos, and tips on how to use its Greek yogurt in favorite recipes.

AGGRESSIVE INNOVATION AND POSITIVE SOCIAL CHANGE

Dannon, Yoplait, and PepsiCo were shocked by the success of Chobani Greek Yogurt. Each now offers its own competing Greek yogurt. With giant competitors

like these, what can Chobani do? Innovate and develop creative, new Greek yogurt products!

“Today we offer our Chobani Greek Yogurt in single-serve and multi-serve sizes, while expanding our authentic strained Greek yogurt to new occasions and forms,” says Joshua Dean, vice president of brand advertising. Its recent new-product offerings include:

- Chobani Simply 100™—a 5.3-ounce cup of yogurt made with only natural ingredients and 100 calories for the calorie conscious segment. Sample flavor: Tropical Citrus.
- Chobani Kids Pouches—made with 25 percent less sugar than other kids’ yogurt products, in pouches with twist-off lids that are resealable. Sample flavor: Vanilla Chocolate Dust.
- Chobani Flip™—a 5.3-ounce, two-compartment package that lets consumers bend or “flip” mix-ins like granola or hazelnuts into the Chobani Greek Yogurt compartment. Sample flavor: Almond Coco Loco, a coconut low-fat yogurt paired with dark chocolate and sliced toasted almonds.
- Drink Chobani™—a smooth, drinkable yogurt with 14 grams of protein in eight flavors.

Chobani gives 10 percent of all profits to its Shepherd’s Gift Foundation to support people and organizations working for positive, long-lasting change. The name comes from the “spirit of a shepherd,” an expression in Turkey used to describe people who give without expecting anything in return. To date the foundation has supported over 50 projects—from local ones to international famine relief efforts.

WHERE TO NOW?

International operations and a unique test-market boutique in New York City give a peek at Chobani’s future.

International markets provide a growth opportunity. Other countries have far greater annual per capita consumption of yogurt than the U.S. For



©John Minchillo/AP Images

example, some Europeans eat five or six times as much on average. So while entrenched competitors exist in many foreign countries, the markets are often huge, too.

How do you test ideas for new Greek yogurt flavors? In Chobani's case, it opened what it calls a "first-of-its-kind Mediterranean yogurt bar"—called Chobani SoHo—in a trendy New York City neighborhood. Here, customers can try new yogurt creations—from Strawberry + Granola to Toasted Coconut + Pineapple. The Chobani marketing team obtains consumer feedback at Chobani SoHo, leading to potential new flavors or products in the future.

Hmmm! Ready to schedule a visit to New York City and Chobani SoHo? And then sample a creation made with Pistachio + Chocolate (plain Chobani topped with pistachios, dark chocolate, honey, oranges, and fresh mint leaves), and perhaps influence what Chobani customers will be buying in the future?³⁶

Questions

- 1 From the information about Chobani in the case and at the start of the chapter, (a) whom did Hamdi Ulukaya identify as the target for his first cups of Greek yogurt and (b) what was his initial "4Ps" marketing strategy?
- 2 (a) What marketing actions would you expect the companies selling Yoplait, Dannon, and PepsiCo yogurts to take in response to Chobani's appearance and (b) how might Chobani respond?
- 3 What are (a) the advantages and (b) the disadvantages of Chobani's Customer Loyalty Team that handles communication with customers—from phone calls and e-mails to Facebook and Twitter messages?
- 4 As Chobani seeks to build its brand, it opened a unique retail store in New York City: Chobani SoHo. Why did Chobani do this?
- 5 (a) What criteria might Chobani use when it seeks markets in new countries and (b) what three or four countries meet these criteria?

Chapter Notes

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2

LEARNING OBJECTIVES

After reading this chapter you should be able to:

- LO 2-1 Describe three kinds of organizations and the three levels of strategy in them.
- LO 2-2 Describe core values, mission, organizational culture, business, and goals.
- LO 2-3 Explain why managers use marketing dashboards and marketing metrics.
- LO 2-4 Discuss how an organization assesses where it is now and where it seeks to be.
- LO 2-5 Explain the three steps of the planning phase of the strategic marketing process.
- LO 2-6 Describe the four components of the implementation phase of the strategic marketing process.
- LO 2-7 Discuss how managers identify and act on deviations from plans.

Developing Successful Organizational and Marketing Strategies

Ben and Jerry Are on a Mission: To Make Fantastic, Sustainable, World-Changing Ice Cream

Does that sound ambitious? Not if you are longtime friends Ben Cohen and Jerry Greenfield, the founders of Ben & Jerry's ice cream shops. In fact, it was the basic idea they used when they started their business!

Ben & Jerry's started in 1978 when the two men moved to Vermont to open an ice cream parlor in a renovated gas station. The venture was buoyed with enthusiasm, \$12,000 in borrowed and saved money, and ideas from a \$5 correspondence course in ice cream making. Their first flavor? Vanilla—because it's a universal best seller. Other flavors such as Chunky Monkey, Cherry Garcia, Peanut Butter Cup, and many others soon followed.

The ice cream flavors weren't the only extraordinary thing about the company though. Ben and Jerry embraced a concept they called "linked prosperity" which encouraged the success of all their constituents, including employees, suppliers, customers, and neighbors. They set out to achieve linked prosperity with a three-part mission statement:

- *Product Mission:* To make, distribute and sell the finest quality all-natural ice cream.
- *Economic Mission:* To operate the company for sustainable financial growth.
- *Social Mission:* To operate the company in ways that make the world a better place.

The mission statement guided the entrepreneurs' decisions related to many aspects of the business, including purchasing practices, ingredient sourcing, manufacturing, and involvement in the community.¹

Ben and Jerry's mission-driven approach led them to successfully implement many highly creative organizational and marketing strategies. Some examples include:

- *Free Cone Day.* One day each year Ben & Jerry's gives away free servings of ice cream to more than a million fans around the world. It's one way the company can give back to the communities it serves.



Source: Ben & Jerry's

- *Fairtrade.* Ben & Jerry's believes that farmers who grow ingredients for their ice cream products (such as cocoa, coffee, and vanilla) should receive a fair price for their harvest. In return Fairtrade farmers agree to use sustainable farming practices, implement fair working standards, and invest in local communities.
- *B-Corp Certification.* Ben & Jerry's was one of the first companies involved in the Benefit Corporation movement, which has developed a rigorous set of principles

and standards on which to evaluate companies in terms of social and environmental performance, accountability, and transparency.

- *PartnerShop Program.* PartnerShops are Ben & Jerry's scoop shops that are independently owned and operated by community-based nonprofit organizations. The shops employ youth and young adults who may face barriers to employment to help them build better lives.

As you can see, Ben & Jerry's has a strong link between its mission and its strategies. CEO Jostein Solheim explains that their purpose at Ben & Jerry's is "to be part of a global movement that makes changing the world seem fun and achievable."²

Today, Ben & Jerry's is owned by Unilever, which is the market leader in the global ice cream industry—one that is expected to reach \$89 billion by 2022. Ben & Jerry's recently added a vegan line of products in four flavors, and it announced a partnership with New Belgium Brewing to produce a Chocolate Chip Cookie Dough Ale. In addition, the company supports a foundation that helps employees engage in philanthropy and supports activism. While customers love Ben & Jerry's rich premium ice cream, many buy its products to support its social mission. As a testament to its success, Ben & Jerry's has over 8.3 million fans on Facebook!³

Chapter 2 describes how organizations set goals to provide an overall direction to their organizational and marketing strategies. The marketing department of an organization converts these strategies into plans that must be implemented and then evaluated so deviations can be exploited or corrected based on the marketing environment.

Video 2-1
Ben & Jerry's
kerin.tv/14e/v2-1

TODAY'S ORGANIZATIONS

LO 2-1
Describe three kinds of organizations and the three levels of strategy in them.

In studying today's organizations, it is important to recognize (1) the kinds of organizations that exist, (2) what strategy is, and (3) how this strategy relates to the three levels of structure found in many large organizations.

Kinds of Organizations

An *organization* is a legal entity that consists of people who share a common mission. This motivates them to develop *offerings* (goods, services, or ideas) that create value for both the organization and its customers by satisfying their needs and wants.⁴ Today's organizations are of three types: (1) for-profit organizations, (2) nonprofit organizations, and (3) government agencies.

A *for-profit organization*, often called a *business firm*, is a privately owned organization such as Target, Nike, or Brita that serves its customers to earn a profit so that it can survive. **Profit** is the money left after a for-profit organization subtracts its total expenses

Brita is an example of a for-profit organization. Its Brita Hard-Sided Bottle is BPA free and filters tap water. Each filter works for 300 bottles of water.

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Making Responsible Decisions

Social Entrepreneurs Are Creating New Types of Organizations to Pursue Social Goals

Social Responsibility

Each year a growing number of “social entrepreneurs” start new ventures that address important social needs and issues. These new enterprises are often organized as nonprofit organizations that combine traditional approaches for generating revenue with the pursuit of social goals. The issues they have focused on range from health care delivery, to increasing access to education, to improving agricultural efficiency. Some experts predict that these types of social ventures represent the new way of doing business.

One indication of the influence of these new types of organizations is *Forbes* magazine’s annual list of 30

Under 30 Social Entrepreneurs. Each year 30 of the most innovative new social ventures are featured in the article. For example, Rachel Sumekh started Swipe Out Hunger as a college project. The organization was created to encourage college students to donate unused meal points to help feed community members in need. Today Swipe Out Hunger has chapters on 23 campuses and has distributed more than 1.2 million meals. “Through Swipe Out Hunger, I went from being just another student who cared to one who had a simple and powerful way to help end hunger,” explains Sumekh.

Teach For America is another example of a creative nonprofit organization. Launched by college senior Wendy Kopp, Teach For America is the national corps of outstanding recent college graduates who commit to teach for two years in urban and rural public schools and become lifelong leaders in expanding educational opportunity. Each year more than 10,000 corps members teach 750,000 students.

These examples illustrate how organizations are changing to create value for a broad range of constituents by addressing the needs and challenges of society.



Source: *Forbes*

from its total revenues—and the reward for the risk it undertakes in marketing its offerings.

In contrast, a *nonprofit organization* is a nongovernmental organization that serves its customers but does not have profit as an organizational goal. Instead, its goals may be operational efficiency or client satisfaction. Regardless, it also must receive sufficient funds above its expenses to continue operations. Organizations like Swipe Out Hunger and Teach For America, described in the Making Responsible Decisions box, seek to solve the practical needs of society and are often structured as nonprofit organizations.⁵ For simplicity in the rest of the book, the terms *firm*, *company*, and *organization* are used interchangeably to cover both for-profit and nonprofit organizations.

Last, a *government agency* is a federal, state, county, or city unit that provides a specific service to its constituents. For example, the Census Bureau, a unit of the U.S. Department of Commerce, is a federal government agency that provides population and economic data.

Organizations that develop similar offerings create an *industry*, such as the computer industry or the automobile industry.⁶ As a result, organizations make strategic decisions that reflect the dynamics of the industry to create a compelling and sustainable advantage for their offerings relative to those of competitors to achieve a superior level of performance.⁷ Much of an organization’s marketing strategy is having a clear understanding of the industry within which it competes.

What Is Strategy?

An organization has limited human, financial, technological, and other resources available to produce and market its offerings—it can’t be all things to all people! Every

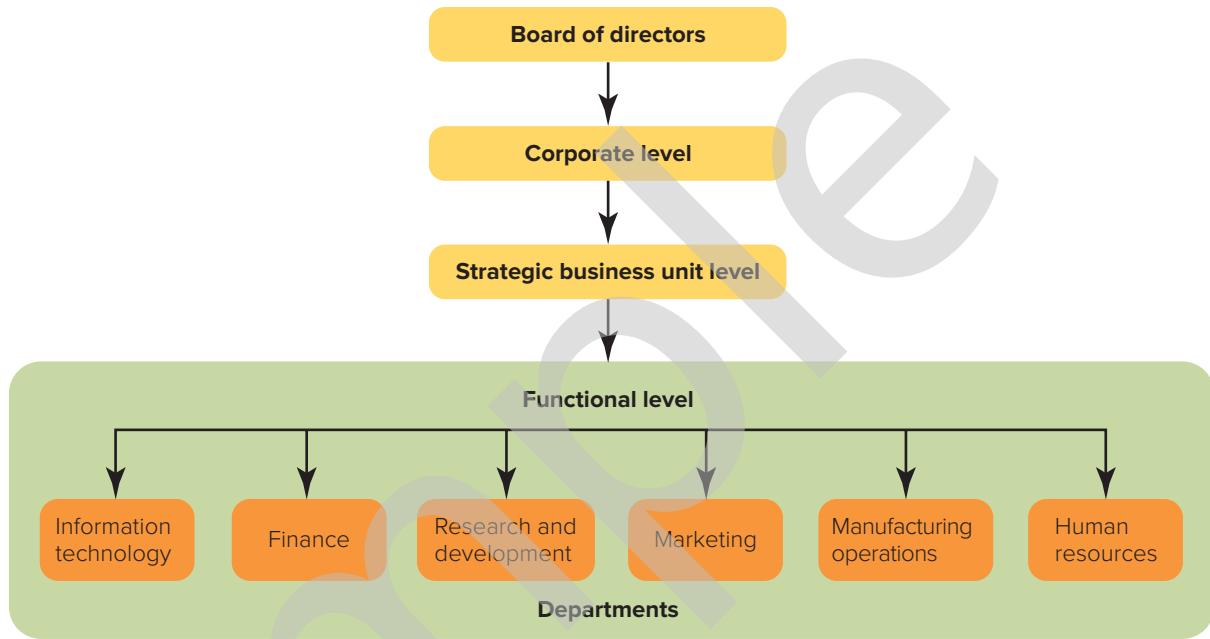


FIGURE 2–1

The board of directors oversees the three levels of strategy in organizations: corporate, strategic business unit, and functional.

Prada manages a portfolio or group of businesses—including clothing, perfume, leather goods, and footwear—each of which may be viewed as a strategic business unit (SBU).

©Imaginechina via AP Images



organization must develop strategies to help focus and direct its efforts to accomplish its goals. However, the definition of strategy has been the subject of debate among management and marketing theorists. For our purpose, **strategy** is an organization's long-term course of action designed to deliver a unique customer experience while achieving its goals.⁸ All organizations set a strategic direction. And marketing helps to both set this direction and move the organization there.

The Structure of Today's Organizations

Large organizations are extremely complex. They usually consist of three organizational levels whose strategies are linked to marketing, as shown in [Figure 2–1](#).

Corporate Level The *corporate level* is where top management directs overall strategy for the entire organization. “Top management” usually means the board of directors and senior management officers with a variety of skills and experiences that are invaluable in establishing the organization’s overall strategy.

The president or chief executive officer (CEO) is the highest-ranking officer in the organization and is usually a member of its board of directors. This person must possess leadership skills ranging from overseeing the organization’s daily operations to spearheading strategy planning efforts that may determine its very survival.

In recent years, many large firms have changed the title of the head of marketing from vice president of marketing to chief marketing officer (CMO). These CMOs have an increasingly important role in top management and typically offer multi-industry backgrounds, cross-functional management expertise, and insightful marketing intuition as qualifications. In addition, they are increasingly called upon to bring “a strategic viewpoint, exceptional measurement and analytical capabilities, financial management rigor, and operational savviness to their role.”⁹

Strategic Business Unit Level Some multimarket, multiproduct firms, such as Prada and Johnson & Johnson, manage a portfolio or group of businesses. Each group is a *strategic business unit* (SBU), which is a subsidiary, division, or unit of an organization that markets a set of related offerings

to a clearly defined target market. At the *strategic business unit level*, managers set a more specific strategic direction for their businesses to exploit value-creating opportunities. For less complex firms with a single business focus, such as Ben & Jerry's, the corporate and business unit levels may merge.

Functional Level Each strategic business unit has a *functional level*, where groups of specialists actually create value for the organization. The term *department* generally refers to these specialized functions such as marketing and finance (see Figure 2–1). At the functional level, the organization's strategic direction becomes its most specific and focused. Just as there is a hierarchy of levels within an organization, there is a hierarchy of strategic directions set by managers at each level.

A key role of the marketing department is to look outward by listening to customers, developing offerings, implementing marketing program actions, and then evaluating whether those actions are achieving the organization's goals. When developing marketing programs for new or improved offerings, an organization's senior management may form *cross-functional teams*. These consist of a small number of people from different departments who are mutually accountable to accomplish a task or a common set of performance goals. Sometimes these teams will have representatives from outside the organization, such as suppliers or customers, to assist them.

learning review

- 2-1. What is the difference between a for-profit and a nonprofit organization?
- 2-2. What are examples of a functional level in an organization?

STRATEGY IN VISIONARY ORGANIZATIONS

LO 2-2

Describe core values, mission, organizational culture, business, and goals.

FIGURE 2–2

Today's visionary organizations use key elements to (1) establish a foundation and (2) set a direction using (3) strategies that enable them to develop and market their products successfully.

To be successful, today's organizations must be forward-looking. They must anticipate future events and then respond quickly and effectively to those events. In addition, they must thrive in today's uncertain, chaotic, rapidly changing environment. A visionary organization must specify its foundation (why does it exist?), set a direction (what will it do?), and formulate strategies (how will it do it?), as shown in Figure 2–2.¹⁰

Organizational Foundation: Why Does It Exist?

An organization's foundation is its philosophical reason for being—why it exists. At their most basic level organizations exist to accomplish something for someone. Successful visionary organizations use this foundation to guide and inspire their employees through three elements: core values, mission, and organizational culture.

Core Values An organization's **core values** are the fundamental, passionate, and enduring principles that guide its conduct over time. A firm's founders or senior



management develop these core values, which are consistent with their essential beliefs and character. They capture the firm's heart and soul and serve to inspire and motivate its *stakeholders*—employees, shareholders, board of directors, suppliers, distributors, creditors, unions, government, local communities, and customers. Core values also are timeless and guide the organization's conduct. The five core values at Facebook, for example, are (1) focus on impact, (2) move fast, (3) be bold, (4) be open, and (5) build social value. To be effective, an organization's core values must be communicated to and supported by its top management and employees; if not, they are just hollow words.¹¹

Mission By understanding its core values, an organization can take steps to define its **mission**, a statement of the organization's function in society that often identifies its customers, markets, products, and technologies. Often used interchangeably with *vision*, a *mission statement* should be clear, concise, meaningful, inspirational, and long-term.¹²

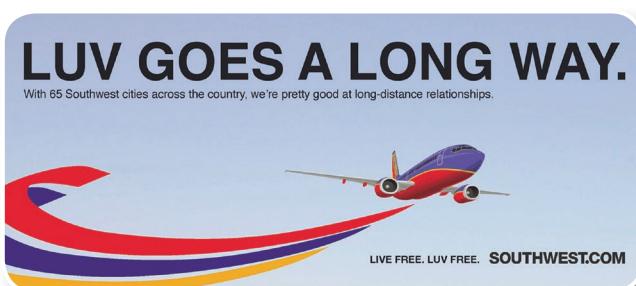
Inspiration and focus appear in the mission statements of for-profit organizations, as well as nonprofit organizations and government agencies. For example:

- *Southwest Airlines*: “Dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.”¹³
- *American Red Cross*: “To prevent and alleviate human suffering in the face of emergencies by mobilizing the power of volunteers and the generosity of donors.”¹⁴
- *Federal Trade Commission*: “To prevent business practices that are anticompetitive or deceptive or unfair to consumers; to enhance informed consumer choice and public understanding of the competitive process; and to accomplish this without unduly burdening legitimate business activity.”¹⁵

Each statement exhibits the qualities of a good mission and provides a compelling picture of an envisioned future.

Recently, many organizations have added a social element to their mission statements to reflect an ideal that is morally right and worthwhile. This is what Ben & Jerry's social mission statement shows in the chapter opener. Stakeholders, particularly customers, employees, and now society, are asking organizations to be exceptional citizens by providing long-term value while solving society's problems.

Organizational Culture An organization must connect with all of its stakeholders. Thus, an important corporate-level marketing function is communicating its core values and mission to them. These activities send clear messages to employees and other stakeholders about **organizational culture**—the set of values, ideas, attitudes, and norms of behavior that is learned and shared among the members of an organization.



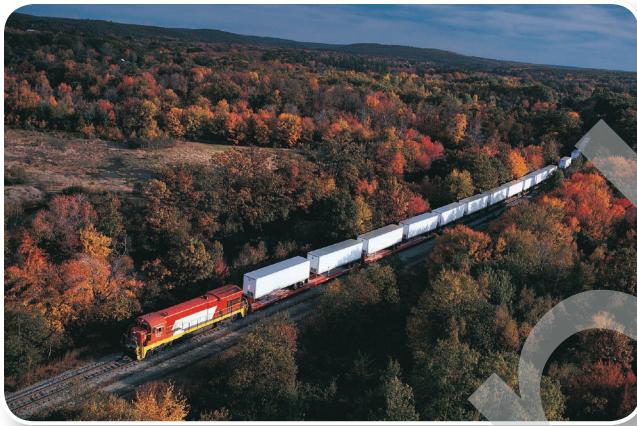
“Luv Goes A Long Way” ads emphasize how providing a warm, friendly experience is part of Southwest Airlines's organizational strategy.

Source: Southwest Airlines Co.

Organizational Direction: What Will It Do?

As shown in Figure 2–2, the organization's foundation enables it to set a direction in terms of (1) the “business” it is in and (2) its specific goals.

Business A **business** describes the clear, broad, underlying industry or market sector of an organization's offering. To help define its business, an organization looks at the set of organizations that sell similar offerings—those that are in direct competition with each other—such as “the ice cream business.” The organization can then begin to answer the questions “What do we do?” or “What business are we in?”



In the first half of the 20th century, what “business” did railroad executives believe they were in? The text reveals their disastrous error.

©Digital Vision/Getty Images



Why is the definition of Uber’s business changing? See the text for the answer.

Source: Uber Technologies Inc.

Video 2-3

Uber Video

kerin.tv/14e/v2-3

Professor Theodore Levitt saw that 20th-century American railroads defined their business too narrowly, proclaiming, “We are in the railroad business!” This myopic focus caused them to lose sight of who their customers were and what they needed. So railroads failed to develop strategies to compete with airlines, barges, pipelines, and trucks. As a result, many railroads merged or went bankrupt. Railroads should have realized they were in “the transportation business.” Similarly, the publishing industry defined their business as being printers of newspapers and magazines. The dramatic decline in demand, however, suggests that they should view themselves as being in the information and entertainment business.¹⁶

With today’s increased global competition, many organizations are rethinking their *business model*, the strategies an organization develops to provide value to the customers it serves. Technological innovation is often the trigger for this business model change, particularly when it is linked to consumer needs. Netflix, for example, changed its business model several times, shifting its original DVD rental model to a video streaming model, and then to an original content production model.¹⁷ Bookstore retailer Barnes & Noble, too, is rethinking its *business model* as e-book readers like Amazon’s Kindle and Apple’s iPad have gained widespread popularity.¹⁸

Uber, the recent start-up known for its car transportation services, is continually redefining its business. The company started as a limousine service called UberCab. Soon the business was redefined as a ride-sharing service when it added UberX and UberPool apps which allowed drivers to use their own cars. The definition expanded further, to transportation, when UberRush was added to provide package delivery and UberEats was added to provide food delivery from restaurants. Today, taking a lesson from Theodore Levitt, Uber sees itself as much more than a cab service or ride-sharing service or delivery service. In fact, *Forbes* magazine simply describes Uber’s business model as a “frictionless middleman.”¹⁹

Goals **Goals or objectives** (terms used interchangeably in this book) are statements of an accomplishment of a task to be achieved, often by a specific time. Goals convert an organization’s mission and business into long- and short-term performance targets. Business firms can pursue several different types of goals:

- **Profit.** Most firms seek to maximize profits—to get as high a financial return on their investments (ROI) as possible.
- **Sales.** If profits are acceptable, a firm may elect to maintain or increase its sales (dollars or units) even though profits may not be maximized.
- **Market share.** **Market share** is the ratio of sales revenue of the firm to the total sales revenue of all firms in the industry, including the firm itself.
- **Quality.** A firm may seek to offer a level of quality that meets or exceeds the cost and performance expectations of its customers.
- **Customer satisfaction.** Customers are the reason the organization exists, so their perceptions and actions are of vital importance. Satisfaction can be measured with surveys or by the number of customer complaints.
- **Employee welfare.** A firm may recognize the critical importance of its employees by stating its goal of providing them with good employment opportunities and working conditions.

- **Social responsibility.** Firms may seek to balance the conflicting goals of stakeholders to promote their overall welfare, even at the expense of profits.

Nonprofit organizations (such as museums and hospitals) also have goals, such as to serve consumers as efficiently as possible. Similarly, government agencies set goals that seek to serve the public good.

Organizational Strategies: How Will It Do It?

As shown in Figure 2–2, the organizational foundation sets the “why” of organizations and the organizational direction sets the “what.” To convert these into actual results, the organizational strategies are concerned with the “how.” These organizational strategies vary in at least two ways, depending on (1) a strategy’s level in the organization and (2) the offerings an organization provides to its customers.

Variation by Level Moving down the levels in an organization involves creating increasingly specific, detailed strategies and plans. So, at the corporate level, top managers may struggle with writing a meaningful mission statement; while at the functional level, the issue is who makes tomorrow’s sales call.

Variation by Product Organizational strategies also vary by the organization’s products. The strategy will be far different when marketing a very tangible physical good (Ben & Jerry’s ice cream), a service (a Southwest Airlines flight), or an idea (a donation to the American Red Cross).

Most organizations develop a marketing plan as a part of their strategic marketing planning efforts. A **marketing plan** is a road map for the marketing actions of an organization for a specified future time period, such as one year or five years. The planning phase of the strategic marketing process (discussed later) usually results in a marketing plan that directs the marketing actions of an organization. Appendix A at the end of this chapter provides guidelines for writing a marketing plan.

learning review

2-3. What is the meaning of an organization’s mission?

2-4. What is the difference between an organization’s business and its goals?

Tracking Strategic Performance with Marketing Analytics

LO 2-3

Explain why managers use marketing dashboards and marketing metrics.

Although marketing managers can set the strategic direction for their organizations, how do they know if they are making progress in getting there? As several industry experts have observed, “You can’t manage what you don’t measure.”²⁰ One answer to this problem is the growing field of data analytics, or big data, which enables data-driven decisions by collecting data and presenting them in a visual format such as a marketing dashboard.

Car Dashboards and Marketing Dashboards A **marketing dashboard** is the visual display of the essential information related to achieving a marketing objective.²¹ Today’s business intelligence tools often provide real-time data to allow marketing mix changes, personalization, and evaluation of customer satisfaction. An example is when a chief marketing officer (CMO) wants to see daily what the effect of a new TV advertising campaign is on a product’s sales.²²

The idea of a marketing dashboard really comes from the display of information found on a car’s dashboard. On a car’s dashboard, we glance at the fuel gauge and take action when our gas is getting low. With a marketing dashboard, a marketing manager glances at a graph or table to monitor key metrics and makes a decision to take action or analyze the problem further.²³

Dashboards, Metrics, and Plans The marketing dashboard of Sonatica, a hypothetical hardware and software firm, appears in [Figure 2–3](#). It shows graphic displays of key performance indicators linked to its product lines.²⁴ Each display in a marketing dashboard shows a **marketing metric**, which is a measure of the quantitative value or trend of a marketing action or result.²⁵ Choosing which marketing metrics to display is critical for a busy manager, who can be overwhelmed with irrelevant data.²⁶

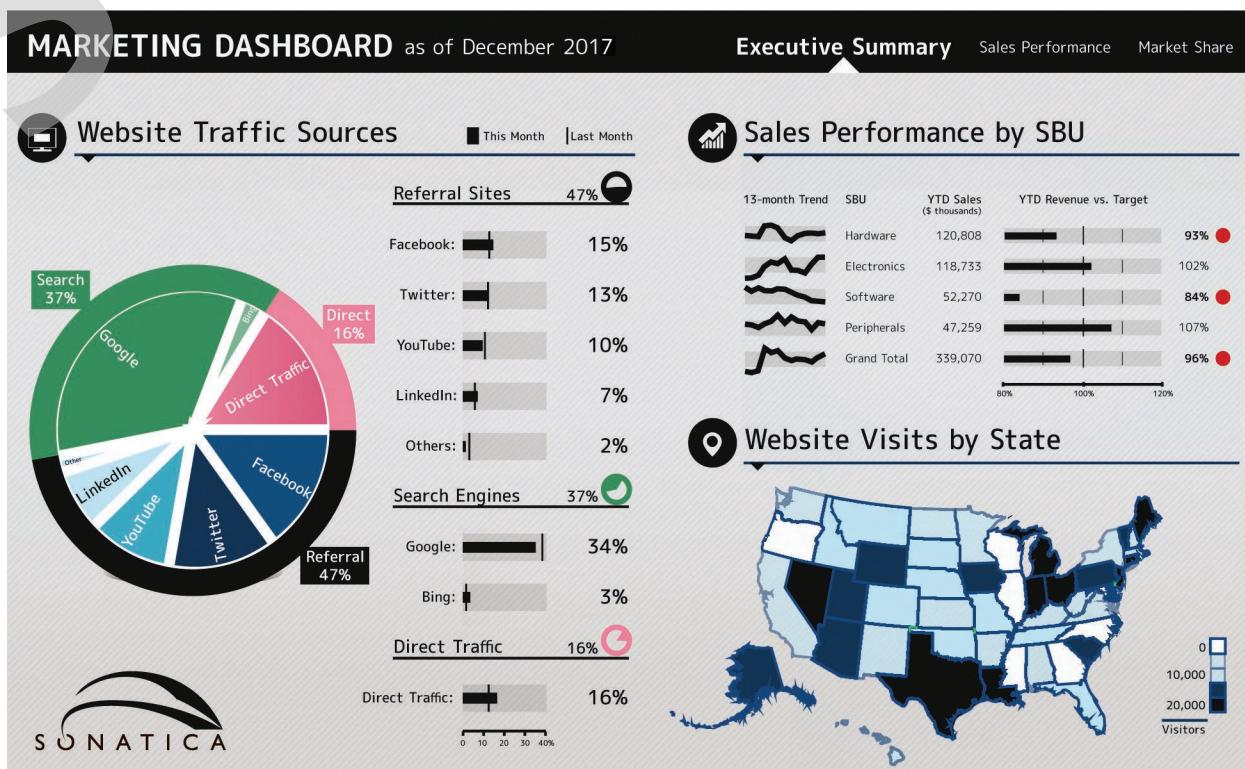
Today's marketers use *data visualization*, which presents information about an organization's marketing metrics graphically so marketers can quickly (1) spot deviations from plans during the evaluation phase and (2) take corrective actions.²⁷ This book uses data visualization in many figures to highlight in color key points described in the text. The Sonatica marketing dashboard in [Figure 2–3](#) uses data visualization tools like a pie chart, a line or bar chart, and a map to show how parts of its business are performing as of December 2017:

- *Website Traffic Sources.* The color-coded perimeter of the pie chart shows the three main sources of website traffic (referral sites at 47 percent, search engines at 37 percent, and direct traffic at 16 percent). These three colors link to those of the circles in the column of website traffic sources. Of the 47 percent of traffic coming from referral sites, the horizontal *bullet graphs* to the right show that Sonatica's Facebook visits comprise 15 percent of total website traffic, up from a month ago (as shown by the vertical line).
- *Sales Performance by SBU.* The *spark lines* (the wavy lines in the far left column) show the 13-month trends of Sonatica's strategic business units (SBUs). For example, the trends in electronics and peripherals are generally up, causing their sales to exceed their YTD (year to date) targets. Conversely, both software and hardware sales failed to meet YTD targets, a problem quickly noted by a marketing manager seeing the red “warning” circles in their rows at the far right. This suggests that immediate corrective actions are needed for the software and hardware SBUs.

FIGURE 2–3

An effective marketing dashboard, like this one from Sonatica, a hypothetical hardware and software firm, helps managers assess a business situation at a glance.

Source: Dundas Data Visualization, Inc.



Applying Marketing Metrics

How Well Is Ben & Jerry's Doing?

As the marketing manager for Ben & Jerry's, you need to assess how it is doing within the United States in the super-premium ice cream market in which it competes. For this, you choose two marketing metrics: dollar sales and dollar market share.

Your Challenge

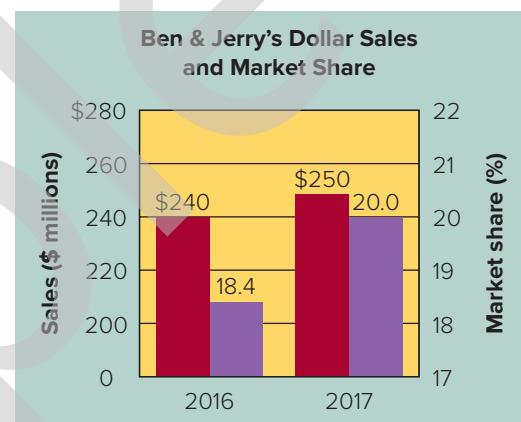
Scanner data from checkout counters in supermarkets and other retailers show the total industry sales of super-premium ice cream were \$1.25 billion in 2017. Internal company data show you that Ben & Jerry's sold 50 million units at an average price of \$5.00 per unit in 2017. A "unit" in super-premium ice cream is one pint.

Your Findings

Dollar sales and dollar market share for 2017 can be calculated using simple formulas and displayed on the Ben & Jerry's marketing dashboard as follows:

$$\begin{aligned}\text{Dollar sales (\$)} &= \text{Average price} \times \text{Quantity sold} \\ &= \$5.00 \times 50 \text{ million units} \\ &= \$250 \text{ million}\end{aligned}$$

$$\begin{aligned}\text{Dollar market share (\%)} &= \frac{\text{Ben \& Jerry's sales (\$)}}{\text{Total industry sales (\$)}} \\ &= \frac{\$250 \text{ million}}{\$1.25 \text{ billion}} \\ &= 0.20 \text{ or } 20\%\end{aligned}$$



Your dashboard displays show that from 2016 to 2017 dollar sales increased from \$240 million to \$250 million and that dollar market share grew from 18.4 to 20.0 percent.

Your Action

The results need to be compared with the goals established for these metrics. In addition, they should be compared with previous years' results to see if the trends are increasing, flat, or decreasing. This will lead to marketing actions.

- *Website Visits by State.* The U.S. map shows that the darker the state, the greater the number of website visits for the current month. For example, Texas has close to 20,000 visits per month, while Illinois has none.

The Ben & Jerry's dashboard in the Applying Marketing Metrics box shows how the two widely used marketing metrics of dollar sales and dollar market share can help the company assess its growth performance from 2016 to 2017. The Applying Marketing Metrics boxes in later chapters highlight other key marketing metrics and how they can lead to marketing actions.

SETTING STRATEGIC DIRECTIONS

LO 2-4

Discuss how an organization assesses where it is now and where it seeks to be.

To set a strategic direction, an organization needs to answer two difficult questions: (1) Where are we now? and (2) Where do we want to go?

A Look Around: Where Are We Now?

Asking an organization where it is at the present time involves identifying its competencies, customers, and competitors.



Lands' End's unconditional guarantee for its products highlights its focus on customers.

Source: Lands' End

Competencies Senior managers must ask the question: What do we do best? The answer involves an assessment of the organization's core *competencies*, which are its special capabilities—the skills, technologies, and resources—that distinguish it from other organizations and provide customer value. Exploiting these competencies can lead to success.²⁸ Competencies should be distinctive enough to provide a *competitive advantage*, a unique strength relative to competitors that provides superior returns, often based on quality, time, cost, or innovation.²⁹

Customers Ben & Jerry's customers are ice cream and frozen yogurt eaters who have different preferences (form, flavor, health, and convenience). Boeing's jet airliner customers include passenger airlines such as American, United, and Southwest who serve travelers that need this type of service. Lands' End communicates a remarkable commitment to its customers and its product quality with these unconditional words:

Guaranteed. Period.®

The Lands' End website points out that this guarantee has always been an unconditional one. It reads: "If you're not satisfied with any item, simply return it to us at any time for an exchange or refund of its purchase price." But to get the message across more clearly to its customers, it created the two-word guarantee. The point is that Lands' End's strategy must provide genuine value to customers to ensure that they have a satisfying experience.³⁰

Competitors In today's global marketplace, the distinctions among competitors are increasingly blurred. Lands' End started as a catalog retailer. But today, Lands' End competes with not only other clothing catalog retailers but also traditional department stores, mass merchandisers, and specialty shops. Even well-known clothing brands such as Liz Claiborne now have their own chain stores. Although only some of the clothing in any of these stores directly competes with Lands' End offerings, all of these retailers have websites to sell their offerings online. This means there's a lot of competition out there.

Growth Strategies: Where Do We Want to Go?

Knowing where the organization is at the present time enables managers to set a direction for the firm and allocate resources to move in that direction. Two techniques to aid managers with these decisions are (1) business portfolio analysis and (2) diversification analysis.

Business Portfolio Analysis Successful organizations have a portfolio or range of offerings (products and services) that possess different growth rates and market shares within the industry in which they operate. The Boston Consulting Group (BCG), an internationally known management consulting firm, has developed **business portfolio analysis**. It is a technique that managers use to quantify performance measures and growth targets to analyze their firms' SBUs as though they were a collection of separate investments.³¹ The purpose of this tool is to determine which SBU or offering generates cash and which one requires cash to fund the organization's growth opportunities.

As described in the Marketing Matters box on the next page, let's assume you are filling the shoes of Apple CEO Tim Cook. Based on your knowledge of Apple products, you are currently conducting a quick analysis of four major Apple SBUs through 2020. Try to rank them from highest to lowest in terms of percentage growth in expected unit sales. We will introduce you to business portfolio analysis as we look at the possible future of the four Apple SBUs.

Filling the Shoes of Apple CEO Tim Cook: Where Will Apple's Projected Future Growth for Its Major SBUs Come From?

Every CEO of a for-profit organization faces one problem in common: trying to find ways to increase future sales and profits to keep it growing!

Put yourself in Tim Cook's shoes. One of his jobs is to search for new growth opportunities. Using your knowledge about Apple products, do a quick analysis of four SBUs shown below to determine where Apple should allocate its time and resources. Rate these growth opportunities from highest to lowest in terms of percentage growth in unit sales from 2017 to 2020:

1. _____
 2. _____
 3. _____
 4. _____
- (Highest) ↓ (Lowest)

We'll walk you through possible answers. You then can evaluate your performance in the discussion that follows and decide whether you're really ready for Mr. Cook's job!



All product photos: Source: Apple Inc.

The BCG business portfolio analysis requires an organization to locate the position of each of its SBUs on a growth-share matrix (see [Figure 2–4](#)). The vertical axis is the *market growth rate*, which is the annual rate of growth of the SBU's industry. The horizontal axis is the *relative market share*, defined as the sales of the SBU divided by the sales of the largest firm in the industry. A relative market share of 10× (at the left end of the scale) means that the SBU has 10 times the share of its largest competitor, whereas a share of 0.1× (at the right end of the scale) means it has only 10 percent of the share of its largest competitor.

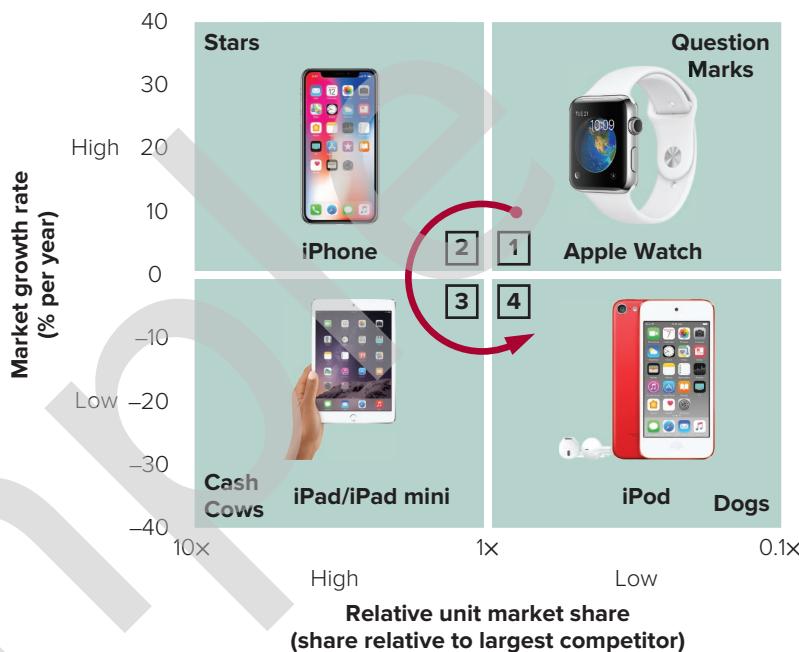
The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization:

- 1. Question marks** are SBUs with a low share of high-growth markets. They require large injections of cash just to maintain their market share, much less increase it. The name implies management's dilemma for these SBUs: choosing the right ones to invest in and phasing out the rest.
- 2. Stars** are SBUs with a high share of high-growth markets that may need extra cash to finance their own rapid future growth. When their growth slows, they are likely to become cash cows.
- 3. Cash cows** are SBUs that generate large amounts of cash, far more than they can use. They have dominant shares of slow-growth markets and provide cash to cover the organization's overhead and to invest in other SBUs.

FIGURE 2–4

Boston Consulting Group (BCG) business portfolio analysis for four of Apple's consumer-related SBUs. The red arrow indicates typical movement of a product through the matrix.

All product photos: Source: Apple Inc.



What can Apple expect in future growth of sales revenues from its iPhone products ...

Source: Apple Inc.



... or its iPod devices?

Source: Apple Inc.

4. *Dogs* are SBUs with low shares of slow-growth markets. Although they may generate enough cash to sustain themselves, they may no longer be or may not become real winners for the organization. Dropping SBUs that are dogs may be required if they consume more cash than they generate, except when relationships with other SBUs, competitive considerations, or potential strategic alliances exist.³²

An organization's SBUs often start as question marks and go counterclockwise around Figure 2–4 to become stars, then cash cows, and finally dogs. Because an organization has limited influence on the market growth rate, its main objective is to try to change its relative dollar or unit market share. To do this, management decides what strategic role each SBU should have in the future and either injects cash into or removes cash from it.

According to Interbrand, a leading brand management consulting firm, Apple has been consistently cited as one of the top global brands over the past decade in its annual Best Global Brands survey. What has made Apple so iconic is not only its revolutionary products but also its commitment to infusing the “human touch” with its technology such that its customers connect with the brand on both a cognitive *and* an emotional level. The late Steve Jobs was instrumental in creating Apple's organizational culture and core values that will continue to guide its future.³³

Using the BCG business portfolio analysis framework, Figure 2–4 shows that the Apple picture might look this way from 2017 to 2020 for four of its SBUs:³⁴

1. *Apple Watch* (wearable technology). Apple recently entered the wearable technology market with its version of a smartwatch, the Apple Watch. The watch competes with Samsung, Pebble, LG, and Motorola watches and a wide range of other wearable technologies such as Fitbit and Garmin fitness trackers. Industry analysts estimate that Apple's annual unit sales will reach 45 million watches in 2019, representing a growth rate of 36 percent. The Apple Watch enters the market as a *question mark* and awaits consumers' response.³⁵
2. *iPhone* (smartphones). Apple launched its revolutionary iPhone smartphone in 2007. iPhone unit sales skyrocketed and Apple's U.S. market share now exceeds

44 percent, exceeding the market share of its largest competitor, Samsung. The smartphone market is expected to grow at an annual rate of 7 percent due to growth in India, Indonesia, and Africa. High market share and high growth suggest that Apple's iPhone is a *star*.³⁶

3. *iPad/iPad mini* (tablets). Launched in 2010, iPad unit sales reached 40 percent market share by 2013—leading both Samsung's Galaxy (18 percent) and Amazon's Kindle (4 percent). Tablet sales are now declining as consumers are substituting big-screen smartphones and ultra-thin computers for tablets. For Apple, its iPad SBU is a *cash cow* (high market share in a low-growth market).³⁷
4. *iPod* (music players). Apple entered the music player market with its iPod device in 2001. The product became a cultural icon, selling more than 50 million units annually until 2010 when the iPhone integrated a music player. Since 2010, sales have been declining dramatically. In 2014 Apple announced that it was discontinuing the iPod classic, and in 2017 it announced that it was discontinuing the iPod shuffle and nano. Today Apple still sells the iPod touch—although declining sales and discontinued products suggest that this SBU is entering the *dog* category.³⁸

So, how did you—as Tim Cook—rank the growth opportunity for each of the four SBUs? The Apple Watch represents the highest unit growth rate at 36 percent. The iPhone SBU is likely to continue growing at 7 percent, while the iPad SBU is experiencing a decline in sales. Despite the difference in growth rates, the iPhone and iPad product lines together accounted for 76 percent of Apple's revenues in early 2017. These revenues are used to pursue growth opportunities such as the Apple Watch, a next generation phone, and possibly an Apple car. Finally, long-term decline and the discontinuation of the iPod classic, shuffle, and nano may signal the beginning of the end for Apple's iPod.³⁹

The primary strength of business portfolio analysis lies in forcing a firm to place each of its SBUs in the growth-share matrix, which in turn suggests which SBUs will be cash producers and cash users in the future. Weaknesses of this analysis arise from the difficulty in (1) getting the needed information and (2) incorporating competitive data into business portfolio analysis.⁴⁰

Diversification Analysis **Diversification analysis** is a technique that helps a firm search for growth opportunities from among current and new markets as well as current and new products.⁴¹ For any market, there is both a current product (what the firm now sells) and a new product (what the firm might sell in the future). And for any product there is both a current market (the firm's existing customers) and a new market (the firm's potential customers). As Ben & Jerry's seeks to increase sales revenues, it considers all four market-product strategies shown in [Figure 2–5](#):

- *Market penetration* is a marketing strategy to increase sales of current products in current markets, such as selling more Ben & Jerry's Chocolate Chip Cookie

FIGURE 2–5

Four market-product strategies: alternative ways to expand sales revenues for Ben & Jerry's using diversification analysis.

Video 2-4
B&J's Chocolate
Chip Cookie
Dough Video
kerin.tv/14e/v2-4

MARKETS	PRODUCTS	
	Current	New
Current	Market penetration Selling more Ben & Jerry's super-premium ice cream to Americans	Product development Selling a new product such as children's clothing under the Ben & Jerry's brand to Americans
New	Market development Selling Ben & Jerry's super-premium ice cream to Brazilians for the first time	Diversification Selling a new product such as children's clothing under the Ben & Jerry's brand to Brazilians for the first time

Dough ice cream to U.S. consumers. There is no change in either the basic product line or the markets served. Increased sales are generated by selling either more ice cream (through better promotion or distribution) *or* the same amount of ice cream at a higher price to its current customers.

- *Market development* is a marketing strategy to sell current products to new markets. For Ben & Jerry's, Brazil is an attractive new market. There is good news and bad news for this strategy: As household incomes of Brazilians increase, consumers can buy more ice cream; however, the Ben & Jerry's brand may be unknown to Brazilian consumers.
- *Product development* is a marketing strategy of selling new products to current markets. Ben & Jerry's could leverage its brand by selling children's clothing in the United States. This strategy is risky because Americans may not see the company's expertise in ice cream as extending to children's clothing.
- *Diversification* is a marketing strategy of developing new products and selling them in new markets. This is a potentially high-risk strategy for Ben & Jerry's if it decides to try to sell Ben & Jerry's branded clothing in Brazil. Why? Because the firm has neither previous production nor marketing experience from which to draw in marketing clothing to Brazilian consumers.

learning review

- 2-5.** What is the difference between a marketing dashboard and a marketing metric?
- 2-6.** What is business portfolio analysis?
- 2-7.** Explain the four market-product strategies in diversification analysis.

THE STRATEGIC MARKETING PROCESS

LO 2-5

Explain the three steps of the planning phase of the strategic marketing process.

After an organization assesses where it is and where it wants to go, other questions emerge, such as:

1. How do we allocate our resources to get where we want to go?
2. How do we convert our plans into actions?
3. How do our results compare with our plans, and do deviations require new plans?

To answer these questions, an organization uses the **strategic marketing process**, whereby an organization allocates its marketing mix resources to reach its target markets. This process is divided into three phases: planning, implementation, and evaluation, as shown in [Figure 2-6](#) on the next page.

The Planning Phase of the Strategic Marketing Process

Figure 2-6 shows the three steps in the planning phase of the strategic marketing process: (1) situation (SWOT) analysis, (2) market-product focus and goal setting, and (3) the marketing program.

Step 1: Situation (SWOT) Analysis The essence of **situation analysis** is taking stock of where the firm or product has been recently, where it is now, and where it is headed in terms of the organization's marketing plans and the external forces and trends affecting it. An effective summary of a situation analysis is a **SWOT analysis**, an acronym describing an organization's appraisal of its internal Strengths and Weaknesses and its external Opportunities and Threats.

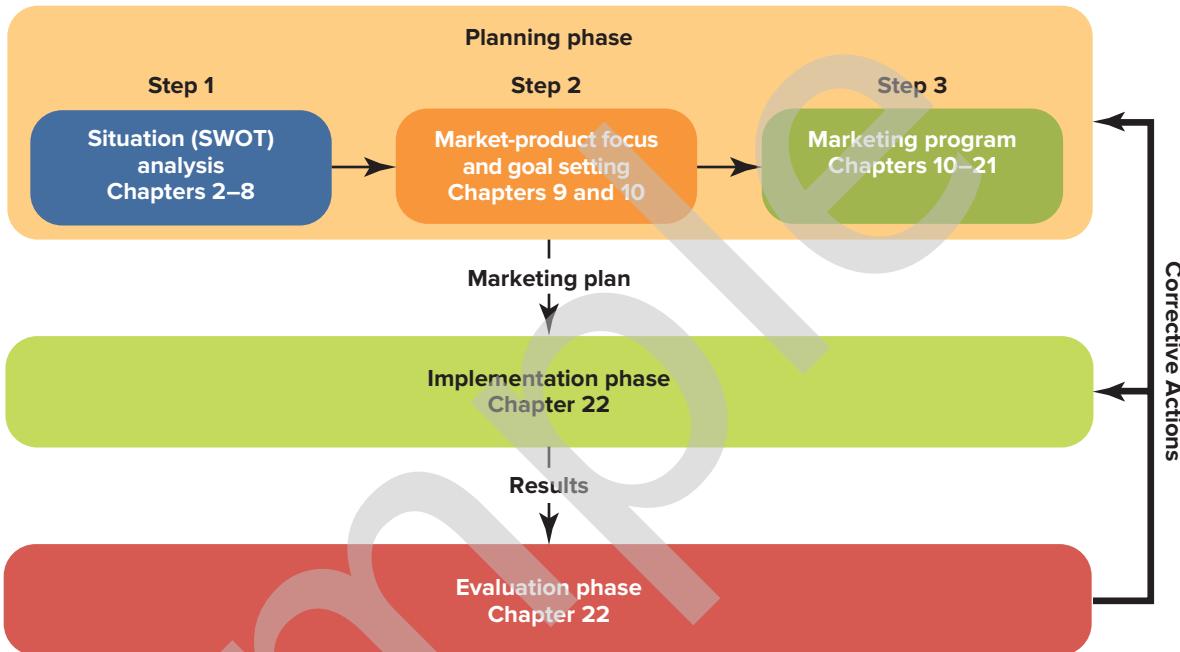


FIGURE 2–6

The strategic marketing process has three vital phases: planning, implementation, and evaluation. The figure also indicates the chapters in which these phases are discussed in the text.

The SWOT analysis is based on an exhaustive study of four areas that form the foundation upon which the firm builds its marketing program:

- Identify trends in the organization's industry.
- Analyze the organization's competitors.
- Assess the organization itself.
- Research the organization's present and prospective customers.

Assume you are responsible for doing the SWOT analysis for Ben & Jerry's shown in [Figure 2–7](#). Note that the SWOT table has four cells formed by the combination of internal versus external factors (the rows) and favorable versus unfavorable factors (the columns) that identify Ben & Jerry's strengths, weaknesses, opportunities, and threats.

The task is to translate the results of the SWOT analysis into specific marketing actions that will help the firm grow. The ultimate goal is to identify the *critical* strategy-related factors that impact the firm and then build on vital strengths, correct glaring weaknesses, exploit significant opportunities, and avoid disaster-laden threats.

The Ben & Jerry's SWOT analysis in [Figure 2–7](#) can be the basis for these kinds of specific marketing actions. An action in each of the four cells might be:

- *Build on a strength.* Find specific efficiencies in distribution with parent-company Unilever's existing ice cream brands.
- *Correct a weakness.* Recruit experienced managers from other consumer product firms to help stimulate growth.
- *Exploit an opportunity.* Develop new product lines of low-fat, low-carb frozen Greek-style yogurt flavors to respond to changes in consumer tastes.
- *Avoid a disaster-laden threat.* Focus on less risky international markets, such as Brazil and Argentina.



How can Ben & Jerry's develop new products and social responsibility programs that contribute to its mission? The text describes how the strategic marketing process and its SWOT analysis can help.

©McGraw-Hill Education

FIGURE 2-7

Ben & Jerry's: A SWOT analysis to keep it growing. The picture painted in this SWOT analysis is the basis for management actions.

LOCATION OF FACTOR	TYPE OF FACTOR	
	Favorable	Unfavorable
Internal	Strengths <ul style="list-style-type: none"> • Prestigious, well-known brand name among U.S. consumers • Complements Unilever's other ice cream brands • Recognized for its social mission, values, and actions 	Weaknesses <ul style="list-style-type: none"> • B&J's social responsibility actions could reduce focus • Experienced managers needed to help growth • Modest sales growth and profits in recent years
External	Opportunities <ul style="list-style-type: none"> • Growing demand for quality ice cream in overseas markets • Increasing U.S. demand for Greek-style yogurt • Many U.S. firms successfully use product and brand extensions 	Threats <ul style="list-style-type: none"> • B&J customers read nutritional labels and are concerned with sugary and fatty desserts • Competes with General Mills and Nestlé brands • Increasing competition in international markets

Step 2: Market-Product Focus and Goal Setting Determining which products will be directed toward which customers (step 2 of the planning phase in Figure 2–6) is essential for developing an effective marketing program (step 3). This decision is often based on **market segmentation**, which involves aggregating prospective buyers into groups, or segments, that (1) have common needs and (2) will respond similarly to a marketing action. This enables an organization to focus specific marketing programs on its target market segments. The match between products and segments is often related to **points of difference**, or those characteristics of a product that make it superior to competitive substitutes. Goal setting involves specifying measurable marketing objectives to be achieved.

So step 2 in the planning phase of the strategic marketing process—deciding which products will be directed toward which customers—is the foundation for step 3, developing the marketing program.

Step 3: Marketing Program Activities in step 2 tell the marketing manager which customers to target and which customer needs the firm's product offerings can satisfy—the *who* and *what* aspects of the strategic marketing process. The *how* aspect—step 3 in the planning phase—involves developing the program's marketing mix (the four Ps) and its budget. [Figure 2–8](#) on the next page shows that each marketing mix element is combined to provide a cohesive marketing program.

Putting a marketing program into effect requires that the firm commit time and money to it in the form of a sales forecast (see Chapter 8) and budget that must be approved by top management.

learning review

2-8. What are the three steps of the planning phase of the strategic marketing process?

2-9. What are points of difference and why are they important?