

Marketing

An Introduction

Fourteenth Edition

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**To Kathy, Betty, Mandy, Matt, KC, Keri,
Delaney, Molly, Macy, and Ben; Nancy, Amy, Melissa, and Jessica**



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Preface

New to This Edition

All That's New in Marketing

The fourteenth edition of *Marketing: An Introduction* reflects the major trends and shifting forces that impact marketing in this digital age of customer value, engagement, and relationships. Here are just some of the major new and continuing changes you'll find in this edition.

- *Customer engagement framework:* The fourteenth edition continues to build on its *customer engagement* framework—creating direct and continuous customer involvement in shaping brands, brand conversations, brand experiences, and brand community. New coverage and fresh examples throughout the text address the latest customer engagement tools, practices, and developments.
- *Fast-changing marketing trends and topics:* This edition adds fresh coverage of both traditional marketing areas and fast-changing topics such as digital, mobile, and social media marketing; customer engagement marketing; big data, artificial intelligence, and new marketing analytics; the major digital transformation in marketing research; omni-channel marketing and the massive shifts in today's retailing; real-time customer listening and marketing; marketing content creation and native advertising; B-to-B social media and social selling; online and dynamic pricing; sustainability; global marketing; and much more.
- *Online, mobile, social media, and other digital marketing technologies:* Keeping up with digital concepts, technologies, and practices has become a top priority and major challenge for today's marketers. The fourteenth edition of *Marketing: An Introduction* provides thoroughly refreshed, up-to-date coverage of these explosive developments in every chapter—from digital, online, mobile, and social media engagement technologies in Chapters 1, 5, 12, and 14; to “big data,” new marketing analytics, and artificial intelligence in Chapters 3 and 4; to the massive shift to omni-channel and digital retailing in Chapter 13; to the increasing use of augmented and virtual reality in Chapters 4 and 13. A Chapter 1 section on The Digital Age: Online, Mobile, and Social Media Marketing introduces the exciting new developments in digital and social media marketing. Then, a Chapter 14 section on Direct, Online, Social Media, and Mobile Marketing digs more deeply into digital marketing tools such as online sites, social media, mobile ads and apps, online video, email, and other digital platforms that engage consumers anywhere, anytime via their computers, smartphones, tablets, and other digital devices.
- *Content marketing and marketing communications:* The fourteenth edition continues to track fast-changing developments in marketing communications and the creation of brand content. Marketers no longer simply create integrated marketing communications programs; they join with customers and media to curate and share marketing content in paid, owned, earned, and shared media. You won't find fresher coverage of these important topics in any other marketing text.

New Real-World Brand Stories, Highlights, Cases, and In-Text Examples

The fourteenth edition of *Marketing: An Introduction* is loaded with new brand stories, highlight features, cases, in-text examples, and end-of-chapter exercises and features that illustrate brand strategies and contemporary marketing issues and let students apply what they've learned.

- *New company cases and end-of-chapter applications and exercises:* The fourteenth edition provides 16 new company cases by which students can apply what they learn to actual company situations. End-of-chapter discussion questions, critical thinking exercises, and other applications features are also new and revised.
- *Chapter-opening stories, Marketing at Work highlights, and in-text examples:* The fourteenth edition brings marketing to life with new or heavily revised chapter-opening vignettes, boxed features that highlight relevant companies and marketing issues, and new in-text examples throughout.

Solving Teaching and Learning Challenges

Today's marketing is all about creating customer value and engagement in a fast-changing, increasingly digital and social marketplace. Marketing starts with understanding consumer needs and wants, determining which target markets the organization can serve best, and developing a compelling value proposition by which the organization can attract and grow valued consumers. Then, more than just making a sale, today's marketers want to engage customers and build deep customer relationships that make their brands a meaningful part of consumers' conversations and lives.

In this digital age, to go along with their tried-and-true traditional marketing methods, marketers have a dazzling set of new online, mobile, and social media tools for engaging customers anytime, anyplace to jointly shape brand conversations, experiences, and community. If marketers do these things well, they will reap the rewards in terms of market share, profits, and customer equity. In the fourteenth edition of *Marketing: An Introduction*, students learn how customer value and customer engagement drive every good marketing strategy.

To improve student results, we recommend pairing the text content with MyLab Marketing, the teaching and learning platform that empowers every student. By combining trusted author content with digital tools and a flexible platform, MyLab personalizes the learning experience and will help students learn and retain key course concepts while developing skills that future employers are seeking in their candidates.

Five Major Customer Value and Engagement Themes

The fourteenth edition of *Marketing: An Introduction* builds on five major customer value and engagement themes:

1. ***Creating value for customers in order to capture value from customers in return.*** Today's marketers must be good at *creating customer value, engaging customers, and managing customer relationships*. In return, they capture value from customers in the form of sales, profits, and customer equity. This innovative *customer value and engagement framework* is introduced at the start of Chapter 1 in a unique five-step marketing process model, which details how marketing *creates* customer value and *captures* value in return. The framework is carefully developed in the first two chapters and then fully integrated throughout the remainder of the text.

2. ***Customer Engagement and Today's Digital and Social Media.*** New digital and social media have taken today's marketing by storm, dramatically changing how companies and brands engage consumers, and how consumers connect and influence each other's brand behaviors. The fourteenth edition thoroughly explores the exciting new digital, mobile, and social media technologies that help brands to engage customers more deeply and interactively. It starts with two major Chapter 1 sections: *Customer Engagement and Today's Digital and Social Media* and *The Digital Age: Online, Mobile, and Social Media*. A refreshed Chapter 14 on *Direct, Online, Social Media, and Mobile Marketing* summarizes the latest developments in digital engagement and relationship-building tools. Everywhere in between, you'll find revised and expanded coverage of the exploding use of digital and social marketing tools.
3. ***Building and managing strong, value-creating brands.*** Well-positioned brands with strong brand equity provide the basis upon which to build customer value and profitable customer relationships. Today's marketers must position their brands powerfully and manage them well to create valued brand experiences. The fourteenth edition provides a deep focus on brands, anchored by a Chapter 8 section on *Branding Strategy: Building Strong Brands*.
4. ***Measuring and managing return on marketing.*** Especially in uneven economic times, marketing managers must ensure that their marketing dollars are being well spent. "Marketing accountability"—measuring and managing marketing return on investment—has now become an important part of strategic marketing decision making. This emphasis on marketing accountability is addressed in Chapter 2, Appendix 3 *Marketing by the Numbers*, and throughout the fourteenth edition.
5. ***Sustainable marketing around the globe.*** As technological developments make the world an increasingly smaller and more fragile place, marketers must be good at marketing their brands globally and in sustainable ways. New material throughout the fourteenth edition emphasizes the concepts of global marketing and sustainable marketing—meeting the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs. The fourteenth edition integrates global marketing and sustainability topics throughout the text. It then provides focused coverage on each topic in Chapters 15 and 16, respectively.

In-Text Teaching and Learning Features

Marketing: An Introduction provides a wealth of chapter-opening, within-chapter, and end-of-chapter learning features that help students to learn, link, and apply major concepts.

- ***Integrated chapter-opening preview sections.*** The active and integrative chapter-opening spread in each chapter starts with an *Objectives Outline*, which provides a helpful preview of chapter contents and learning objectives, complete with page numbers. Next comes a *Previewing the Concepts* section that briefly previews chapter concepts, links them with previous chapter concepts, and introduces the chapter-opening story. Finally, a *First Stop* chapter-opening vignette—an engaging, deeply developed, illustrated, and annotated marketing story—introduces the chapter material and sparks student interest.
- ***Author comments and figure annotations.*** Throughout each chapter, author comments ease and enhance student learning by introducing and explaining major chapter sections and figures.
- ***Reviewing and extending the concepts.*** Sections at the end of each chapter summarize key chapter concepts and provide questions and exercises by which students can review and apply what they've learned. The *Chapter Review and Key Terms*

Chapter 1: Marketing: Creating Customer Value and Engagement 35

Marketing by the Numbers Gillette Trying to Shave Off Competition

Gillette, Procter & Gamble's powerhouse razor, is facing challenges from consumer trends and competitors. Gillette and close competitor Schick on product innovation and higher prices. Indeed, the first contained two blades, then three, and now have swiveling balls that let the blades pivot to vibrate, and Gillette recently applied for a patent that heats up. And with each addition, prices accordingly. Even though Gillette produces excess that garnered \$1.5 billion in sales last year, it faces the continuing consumer trend of "beardness" "scruff" or "stubble" look that's not likely to Online upstarts like Dollar Shave Club, Harry's, com are also eating away at Gillette's sales. And patent expired on its Mach3 razor, rival Schick a less expensive compatible refill blade cartridge. Gillette still captures more than 50 percent market share.

Company Cases 1 Chick-fil-A

See Appendix 1 for cases appropriate for this chapter. Case 1, Chick-fil-A: Getting Better before Getting Bigger. Chick-fil-A has quietly become the largest by holding tenaciously to the philosophy that the able way to do business is to provide the best possible experience.

Video Case Eskimo Joe's

Since 1975, Eskimo Joe's has been a popular w/ Stillwater, Oklahoma. Through word of mouth logo spread via T-shirts, it rapidly became a favorite grab a beer for students at Oklahoma State. But a basic beer joint has grown into something more the drinking age changed from 18 to 21 in the state.

MyLab Marketing

If assigned by your instructor, complete these activities in the MyLab.

1-16. Compare and contrast needs, wants, and demands. Which one has the most influence? (AACSB: Communication; Reflective Thinking)

1-17. Is it fair to single out specific products for restrictions such as a City proposed size cap on soft drinks? Discuss this issue: government, soft drink marketers, and consumers. (AACSB: Communication; Reflective Thinking)

section reviews major chapter concepts and links them to chapter objectives. It also provides a helpful listing of chapter key terms by order of appearance with page numbers that facilitate easy reference. A *Discussion and Critical Thinking* section provides discussion questions and critical thinking exercises that help students to keep track of and apply what they've learned in the chapter.

Appendix 3 Marketing by the Numbers

Marketing managers are facing increased accountability for the financial implications of their actions. This appendix provides a basic introduction to measuring marketing financial performance. Such financial analysis guides marketers in making sound marketing decisions and in assessing the outcomes of those decisions.

The appendix is built around a hypothetical manufacturer of home automation products—Wise Domotics ("domotics" refers to information technology in the home). The company is introducing a device that allows users to control all internet-connected smart devices in their homes. Users will be able to control lighting, temperature, multimedia,

Appendix 1 Company Cases

Company Case 1

Chick-fil-A: Getting Better before Getting Bigger

Chick-fil-A is dominating the U.S. fast-food market. Whereas McDonald's, Subway, Burger King, and Taco Bell trudge along at the top of the heap, Chick-fil-A has quietly grown from a Southeast regional favorite into the largest chicken chain and the eighth-largest quick-service food purveyor in the country. The chain sells significantly more food per restaurant than any of its competitors—three times that of Taco Bell or Wendy's and more than four times what the KFC Colonel fries up. And it does this without even opening its doors on Sundays. With annual revenues of \$8 billion and annual average growth of 16 percent, the chicken champ from Atlanta shows no signs of slowing down.

How does Chick-fil-A do it? By focusing on customers. Since the first Chick-fil-A restaurant opened for business in the late 1960s, the chain's founders have held tenaciously to the philosophy that the most sustainable way to do business is to provide the best possible customer experience.

Applying Some Pressure

Chick-fil-A founder S. Truett Cathy was no stranger to the restaurant business. Owning and operating restaurants in Georgia in the 1940s, '50s, and '60s, he was led by his experience to investigate a better (and faster) way to cook chicken. He discovered a pressure fryer that could cook a chicken breast in the same amount of time it took to cook a fast-food burger. Developing the chicken sandwich as a burger alternative, he registered the name "Chick-fil-A, Inc." and opened the first Chick-fil-A restaurant in 1967.

company's trademarked slogan—"We didn't invent the chicken, just the chicken sandwich"—has kept the company on track for decades. Although it has carefully and strategically added other items to the menu, it's the iconic chicken sandwich in all its varieties that primarily drives the brand's image and the company's revenues. This focus has helped the company give customers what they want year after year without being tempted to develop a new flavor of the month.

Getting It Right

Also central to Chick-fil-A's mission is to "have a positive influence on all who come in contact with Chick-fil-A." Although seemingly a tall order to fill, this sentiment permeates every aspect of its business. Not long ago, current Chick-fil-A CEO Dan Cathy was deeply affected by a note that his wife taped to their refrigerator. In a recent visit to a local Chick-fil-A store, she had not only received the wrong order, she had been overcharged. She circled the amount on her receipt, wrote "I'll be back when you get it right" next to it, and posted it on the fridge for her husband to see.

That note prompted Dan Cathy to double down on customer service. He initiated a program by which all Chick-fil-A employees were retrained to go the "second mile" in providing service to everyone. That "second mile" meant not only meeting basic standards of cleanliness and politeness but going above and beyond by delivering each order to the customer's table with unexpected touches such as a fresh-cut flower or ground pepper for salads.

The experience of a recent patron illustrates the level of service Chick-fil-A's customers have come to expect as well as the innovative spirit that makes such service possible:

My daughter and I stopped at Chick-fil-A on our way home. The parking lot was full, the drive-thru was packed...but the love we have for the chicken sandwiches and waffle potato fries! So we

- **Minicases and Applications.** Sections at the end of each chapter provide brief *Online, Mobile, and Social Media Marketing; Marketing Ethics; and Marketing by the Numbers* applications cases that facilitate discussion of current issues and company situations in areas such as mobile and social marketing, ethics, and financial marketing analysis. A *Video Case* section contains short vignettes to be used with a set of short videos and questions that accompany the fourteenth edition in MyLab Marketing.

- **Company Cases.** Appendix 1 contains 16 all-new company cases that help students apply major marketing concepts and critical thinking to real company and brand situations. Each end-of-chapter section identifies applicable cases for the chapter.

Developing Employability Skills

Marketing at Work features. Each chapter contains two deeply developed highlight features that provide in-depth looks at real brand marketing strategies and contemporary marketing issues. For example, students learn how retail titans Walmart and Amazon are battling it out for supremacy in the new omni-channel retailing world; how Netflix uses big data and advanced marketing analytics to personalize each customer's experience; why Apple's products fly off the shelves despite their premium prices; how Instagram has made itself a win-win-win for the company, advertisers, and Instagrammers alike; how Coca-Cola, long a master of mass market advertising, has now also mastered digital, mobile, and social media marketing; and how outdoor apparel and gear maker Patagonia urges "conscious consumption," telling customer to buy *less* of its products. They learn that artificial intelligence in marketing is now "a bigger deal than fire and electricity"; how companies are increasingly using augmented and virtual reality to enhance consumer shopping experiences; and how mobile

120 Part 2: Understanding the Marketplace and Consumer Value

MARKETING AT WORK 4.2

Artificial Intelligence in Marketing: "A Bigger Deal Than Fire or Electricity"

It's early morning, you're headed out to start your day, and you feel the urge for that first jolt of caffeine. As you get in your car, you tap the Starbucks app on your phone and ask for "the usual." Your Starbucks virtual barista replies in her familiar, cheerful voice: "One tall caramel latte!" She then politely suggests a breakfast snack—a Vermont maple nut muffin—not your usual, but it sure sounds good. You agree. "Thanks! Your order will be ready for pickup in five to seven minutes minutes at University and 28th," she confirms. "Would you like to pay for that with your credit card on file?" You step inside the store, bypass the long lines, and grab your order—no fuss, no muss. Welcome to the world of artificial intelligence (AI).

This is just one example of how AI has exploded onto the marketing scene. Starbucks has long been in cutting-edge technology—a full 25 percent of its transactions are already placed through its smartphone apps. But My Starbucks Barista is more than just an ordering app. It uses artificial intelligence to create personalized customer experiences and manage real-time customer interactions, based on everything from customers' past transactions and preferences to demographics, store trends and inventories, and local traffic and weather conditions.

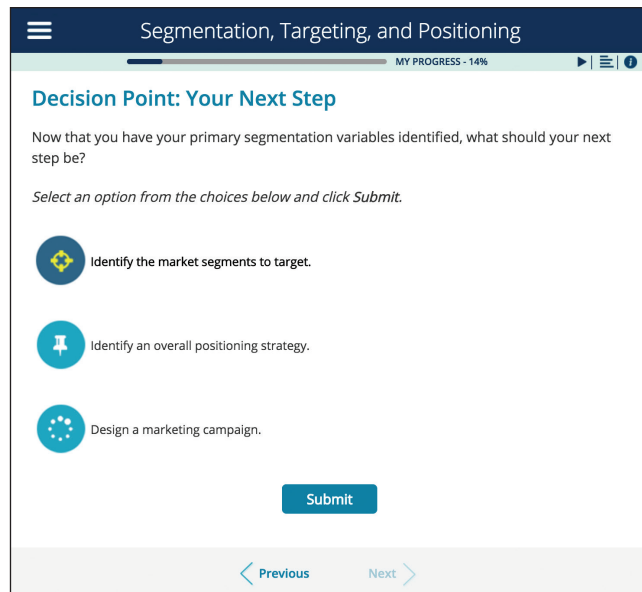
Artificial intelligence is sweeping the world. It involves machines that think and learn in a way that looks and feels human but with a lot more analytical capacity. The engine behind the AI's explosive growth is big data. Raw data is flowing in from everywhere: customer transaction and interaction data, web and social media data, news and environmental data, and data from more than 50 billion connected devices—

combining through vast amounts of data to unearth customer and market insights that help marketers sharpen their targeting, personalize customer engagements, design new products, and even craft better ads in real time.

Today's machines are smart and eerily human. IBM's Watson "is loquacious; it can tell jokes, answer questions, and write songs," notes one observer. "Google's AI can now read lips

Artificial Intelligence: The My Starbucks Barista uses artificial intelligence to create personalized customer experiences and manage real-time customer interactions, based on everything from customers' past transactions and preferences to local traffic and weather conditions.

Elika Stein Illustration



marketing engages consumers in the moments that matter. No other text brings marketing to life like the fourteenth edition of *Marketing: An Introduction*.

Marketing Plan appendix. *Appendix 2* contains a detailed sample marketing plan that helps students to apply important marketing planning concepts.

Marketing by the Numbers appendix. An innovative and freshly revised *Appendix 3* provides students with a comprehensive introduction to the marketing financial analysis that helps guide, assess, and support marketing decisions. A detailed exercise at the end of each chapter lets students apply analytical and financial thinking to that chapter's concepts and links the chapter to the Marketing by the Numbers appendix.

Careers in Marketing. *Appendix 4* helps students to explore marketing career paths and lays out a process for landing a marketing job that best matches their special skills and interests.

▫ **Mini Sims** in MyLab Marketing give students the opportunity to apply their knowledge to real-world decision making scenarios.

Instructor Teaching Resources

This program comes with the following teaching resources.

Supplements Available to Instructors at www.pearsonhighered.com

Features of the Supplement

Instructor's Manual

authored by Tony Henthorne from
University of Nevada, Las Vegas

Chapter-by-chapter summaries

- Examples and activities not in the main book
- Teaching outlines
- Teaching tips
- Solutions to all questions and problems in the book

Test Bank

authored by Susan Leshnowar from
Midland College

4,000 multiple-choice, true/false, short-answer, and graphing questions with these annotations:

- Difficulty level (1 for straight recall, 2 for some analysis, 3 for complex analysis)
- Type (Multiple-choice, true/false, short-answer, essay)
- Topic (The term or concept the question supports)
- Learning objective
- AACSB learning standard (Written and Oral Communication; Ethical Understanding and Reasoning; Analytical Thinking; Information Technology; Interpersonal Relations and Teamwork; Diverse and Multicultural Work; Reflective Thinking; Application of Knowledge)

Computerized TestGen

TestGen allows instructors to:

- Customize, save, and generate classroom tests
- Edit, add, or delete questions from the Test Item Files
- Analyze test results
- Organize a database of tests and student results.

PowerPoints

authored by Helen Davis from
Jefferson Community College

Slides include all the graphs, tables, and equations in the textbook.

PowerPoints meet accessibility standards for students with disabilities.

Features include, but not limited to:

- Keyboard and Screen Reader access
- Alternative text for images
- High color contrast between background and foreground colors

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Gary Armstrong
Philip Kotler

About the Authors

As a team, Gary Armstrong and Philip Kotler provide a blend of skills uniquely suited to writing an introductory marketing text. Professor Armstrong is an award-winning teacher of undergraduate business students. Professor Kotler is one of the world's leading authorities on marketing. Together they make the complex world of marketing practical, approachable, and enjoyable.

▶ **GARY ARMSTRONG** is Crist W. Blackwell Distinguished Professor Emeritus of Undergraduate Education in the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill. He holds undergraduate and master's degrees in business from Wayne State University in Detroit, and he received his Ph.D. in marketing from Northwestern University. Dr. Armstrong has contributed numerous articles to leading business journals. As a consultant and researcher, he has worked with many companies on marketing research, sales management, and marketing strategy.

But Professor Armstrong's first love has always been teaching. His long-held Blackwell Distinguished Professorship is the only permanent endowed professorship for distinguished undergraduate teaching at the University of North Carolina at Chapel Hill. He has been very active in the teaching and administration of Kenan-Flagler's undergraduate program. His administrative posts have included Chair of Marketing, Associate Director of the Undergraduate Business Program, Director of the Business Honors Program, and many others. Through the years, he has worked closely with business student groups and has received several UNC campuswide and Business School teaching awards. He is the only repeat recipient of the school's highly regarded Award for Excellence in Undergraduate Teaching, which he received three times. Most recently, Professor Armstrong received the UNC Board of Governors Award for Excellence in Teaching, the highest teaching honor bestowed by the 16-campus University of North Carolina system.

▶ **PHILIP KOTLER** is S. C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University. He received his master's degree at the University of Chicago and his Ph.D. at M.I.T., both in economics. Dr. Kotler is author of *Marketing Management* (Pearson), now in its 15th edition and the most widely used marketing textbook in graduate schools of business worldwide. He has authored more than 60 successful books and more than 150 articles in leading journals. He is the only three-time winner of the coveted Alpha Kappa Psi award for the best annual article in the *Journal of Marketing*.

Professor Kotler was named the first recipient of four major awards: the *Distinguished Marketing Educator of the Year Award* and the *William L. Wilkie "Marketing for a Better World" Award*, both given by the American Marketing Association; the *Philip Kotler Award for Excellence in Health Care Marketing* presented by the Academy for Health Care Services Marketing; and the *Sheth Foundation Medal for Exceptional Contribution to Marketing Scholarship and Practice*. He is a charter member of the Marketing Hall of Fame, was voted the first Leader in Marketing Thought by the American Marketing Association, and was named the Founder of Modern Marketing Management in the *Handbook of Management Thinking*. His numerous other major honors include the Sales and Marketing Executives International *Marketing Educator of the Year Award*; the European Association of Marketing Consultants and Trainers *Marketing Excellence Award*; the *Charles Coolidge Parlin Marketing Research Award*; and the *Paul D. Converse Award*, given by the American Marketing Association to honor "outstanding contributions to science in marketing." A recent *Forbes* survey ranks Professor Kotler in

the top 10 of the world's most influential business thinkers. And in a *Financial Times* poll of 1,000 senior executives across the world, Professor Kotler was ranked as the fourth "most influential business writer/guru" of the twenty-first century.

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