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APPLIED MARKETING

DANIEL PADGETT • ANDREW LOOS

SECOND EDITION



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Applied Marketing

Second Edition

Applied Marketing

Second Edition

DANIEL PADGETT

Auburn University

ANDREW LOOS

Attack! Marketing

WILEY

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EPUB ISBN 13: 978-1-119-69056-6

The inside back cover will contain printing identification and country of origin if omitted from this page. In addition, if the ISBN on the back cover differs from the ISBN on this page, the one on the back cover is correct.

Printed in the United States of America.

10 9 8 7 6 5 4 3 2 1

About the Authors



Source: Daniel Padgett

DANIEL (DAN) PADGETT (PhD, Pennsylvania State University) is Associate Professor of Marketing at the Raymond J. Harbert College of Business at Auburn University, Auburn, Alabama.

Dan teaches Principles of Marketing in multiple formats (online, face-to-face, hybrid, intensive, etc.) to multiple audiences (marketing majors, business majors, business minors, and nonbusiness majors). He also teaches Marketing Strategy courses at the undergraduate and graduate/executive level and has won teaching awards at both levels. Dan is the director of the Harbert College of Business undergraduate summer study abroad programs in Rome and Madrid and co-director for consulting programs.

Dan believes the classroom should be connected to industry, integrating his work with businesses and managers into his teaching. He consults with companies on topics such as sales compensation, retailing, promotion strategy, marketing planning and implementation, and business development. In addition, he has international experience training marketing and sales managers, particularly in China, having taught executive programs on sales management and marketing strategy for the China Europe International Business School (CEIBS) in Shanghai and Ghana, Shanghai Jiao Tong University, and the Nordic International Management Institute.

Dan's research also influences his teaching. His research interests include promotion strategy, pricing, services marketing, and international marketing. His research has been published in the *Journal of Marketing*, *Journal of Marketing Research*, *Journal of Advertising*, *Journal of Interactive Marketing*, *Journal of Retailing*, *Journal of Current Issues and Research in Advertising*, *Management International Review*, *Journal of Business Research*, *Journal of Marketing Education*, *Marketing Education Review*, and *Journal of Consumer Marketing*, among others. He is on the editorial review boards of *Psychology & Marketing* and the *Journal of Business Research* and has also served as a reviewer for textbooks in services marketing, marketing management, and business-to-business marketing. He is currently a member of the American Marketing Association and the Society for Marketing Advances.

When he is not teaching, traveling abroad with his study-abroad programs, or working on research, Dan enjoys spending time with his wife of over 30 years, Lisa, and his three sons Nathan, Mitchell, and Daniel (all Auburn University graduates). The family likes to travel, especially internationally when possible, and in a typical year Dan spends between three and four months abroad.



Source: Andrew Loos

ANDREW LOOS is the cofounder of Attack! Marketing, an experiential marketing agency that has catapulted into the public's eye over the last fifteen years for its groundbreaking work in the marketing and advertising space. As Attack!'s Chief Experience Officer, Andrew has made a name for himself helping create meaningful brand experiences and personal consumer connections by elevating brands through strategy, creative design, and thoughtful execution. Over the years he has built event marketing programs for clients such as Kellogg's, Pepsi, Redbox, T-Mobile, Nike, Lyft, and Samsung—helping them reach their goals and go beyond what is traditionally thought possible in the space.

With memberships in different organizations such as the Experiential Marketing Forum (advisory board member and chief marketer); the Young Entrepreneur Council (member), and the One Show Advertising Awards (jury member), Andrew sees his affiliations as platforms for connecting with like-minded individuals in the industry to share insights, lessons, and practices and to start conversations that move people and numbers so that everyone, including new entrepreneurs and businesses alike, can be successful.

When he is not rolling up his sleeves at Attack!, giving talks, or planning new brand campaigns, you'll find Andrew featured in publications like *Adweek*: "Attacking Experiential," *Fast Company*: "Get Your Team Thinking Creatively Again," *Forbes*: "Three Ways to Improve Communication with Clients," *Washington Post*: "How Thinking Like a Big Company Can Help You Become One," and *Inc.*: "Best Advice I Ever Got."

Born in Lincoln, Nebraska, raised in Shawnee, Kansas (your *Wizard of Oz* joke here), and an alum of Kansas University, Andrew now lives in sunny Los Angeles, California, with his two sons, Tyler and Cameron, whom he loves, adores, and loses at checkers to more often than he'd like.

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Teaching and Learning Resources

The Applied Marketing Second Edition Companion Site (www.wiley.com/college/padgett) includes a myriad of tools and resources for instructors.

The Instructor's Manual offers helpful teaching ideas, including advice on classroom discussions, sample assignment questions, and recommended activities. It also offers chapter-by-chapter text highlights, learning objectives, lecture outlines, class exercises, lecture notes, and tips on using videos.

The Comprehensive Test Bank includes multiple-choice, short answer, and essay questions that vary in degree of difficulty. In addition to being tagged for learning objective and difficulty level, the questions are tagged with Bloom's Taxonomy categories and AACSB guidelines. *The Computerized Test Bank* allows instructors to modify and add questions to the master bank and to customize their exams.

PowerPoint Presentation Slides consist of a series of slides for each chapter that incorporate key points from the text and include text illustrations as appropriate.

Marketing Weekly Updates emailed to you every Monday spark classroom debate around current events that apply to your business course topics. These relevant news articles and videos are tagged to your textbook and complemented by discussion questions.

WileyPLUS

WileyPLUS is an innovative, research-based, online environment for effective teaching and learning. WileyPLUS gives instructors the freedom and flexibility to tailor content and easily manage their course in order to keep students engaged and on track. Students using WileyPLUS become invested in their learning experience, make deeper connections to the material, and use their time more efficiently.

- **It's Mobile:** For iOS and Android users, the student, instructor, and eTextbook apps make teaching, learning, and grading possible from anywhere. The eTextbook, videos, animation, and questions are responsive, so students can study from any device.
- **It's Integrated:** While the next generation of WileyPLUS can be used on its own, Canvas users will have a seamless LMS experience by simply importing their natively built course from Canvas Commons or through a zip file. Blackboard, D2L, and Moodle users will also be able to integrate their WileyPLUS courses.
- **It's Accessible:** You can assign and create content without fear of students falling through the cracks. All content and questions have gone through an accessibility audit—and anything that doesn't meet standards is flagged so that you're in control.
- **It's Adaptive:** Adaptive practice provides targeted and personalized opportunities for practice to effectively prepare for class or quizzes and exams.

WileyPLUS includes:

- **Author Concept Podcasts** Key concepts and examples for each learning objective are discussed by the authors via engaging conversations and stories.
- **FAQ Videos** Students' top marketing questions are answered directly by the authors.
- **Industry Expert Interviews** A guest interview series with CEOs, thought leaders, brand executives, and agency leaders brings students varying perspectives of marketing from within different industries.
- **Running Case Videos** A running case on This Saves Lives (TSL) provides access to real company intelligence linked to application exercises at the end of each section. Video interviews with the company's founders help bring the marketing initiatives to life.
- **Company Field Trip Videos** Applications of marketing principles at select companies are highlighted through a tour of the company.
- **Career Tip Interviews with Recent Grads** Newly graduated marketers answer some frequently answered questions, offering students tips to help them prepare for their future career success.

New Teaching and Learning Resources for Second Edition:

- Fifteen additional mini cases plus rubrics to help with grading. This gives instructors a total of 30 mini cases to choose from.
- Author-designed and basic pre-built courses provide instructors with ready-made teaching/learning path options for each chapter that will save time for class design and preparation.
- Narrated PowerPoint slide shows assist with online course delivery and teaching.
- Testbank has expanded to double the number of questions.
- Concept-based mini-sims are now available.
- Partnership with Marketplace Simulation provides a comprehensive simulation option for instructors who want to combine a simulation with the text. (Note: Marketplace Live is the best marketing simulation on the market with over 1,000,000 users worldwide and a great option for instructors who want students to get a hands-on application of the text. This option is especially useful for business students and marketing majors in particular.)
- New videos expand the video library, including added industry expert videos, an additional company field trip, and more tips from recent graduates.
- Whiteboard explainers cover the Marketing Mix and Principles of Marketing Through Social Media.

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Acknowledgements

Applied Marketing Second Edition is a dynamic team project. We would like to acknowledge the work of key team members.

Bridging the gap between classroom and career would not have been possible without the help of the many professional and industry experts who participated in filming. We are extremely grateful to This Saves Lives (TSL) for allowing us access to their marketing activities and sharing their plans. In addition, we want to thank Houston Public Radio, the Kansas City Royals, Trendhunter, and Zipcar for allowing us a behind-the-scenes look at their operations. Thank you to Zee Ali, Farwa Bhatti, Jasmine Bina, Billy Brimblecom, Mike Bucek, Lillian Clemente, Brooke Cohn, John Cook, Jena Delaney, Lorenzo DePlano, Robert Eggers, Aaron Fulk, Steven Galanis, Paula Gayle, Michael Gerber, Jeremy Geutsche, Shep Gordon, Kimberly Grantham, Greg Hague, Gary Hirshberg, Liz Hopewell, Grace Hoye, Eric Hughly, Bill Imada, Apurva Kasam, James Koo, Richard LaSalle, Jim Ledsome, Tressa Lee, Harvey Mackay, Julian McGhee, Dan Owens, Chase Payne, Pat Pellegrini, PJ Pereira, Lawson Perry, Anna Pham, Pam Scheideler, Lisa Shumate, Jim Suptic, Ro Vanaki, Beth Wade, Gwendolyn Young, and Karolina Zarychta for providing valuable insights into the world of marketing today.

Professors and students across the country have tested the content and provided valuable feedback. Their insights have made this a relevant and student-friendly text. We are grateful to the many instructors who gave their time to review the WileyPLUS product as well as the text and provided valuable feedback. They have been so thoroughly involved in producing this product that we consider them a part of the team.

We owe a debt of gratitude to Irene Dickey and Randy Sparks at the University of Dayton for their helpful insights, research, and editorial support. We want to thank Daniel Pfaltzgraf at the University of Toledo for all his hard work creating grading rubrics, designing learning paths, and assisting with the narrated PowerPoints and concept mini-sims. The supplements to this text, including the testbank, instructor's manual, and lecture slides, would not have come together without the contributions of Shelly Brewer, Brahm Canzer (John Abbott College), Cyle Compton, Thomas Karam (Louisiana State University), Jeff Kulik (George Mason University), John Reed (University of New Mexico), and Owen Sizemore. There is no way we could offer the quality and breadth of the video resources in this course without the video production skills of Travis Bronson. They are wonderful partners.

Team members at Wiley have been key to developing this text and the seamlessly integrated material that makes navigating and teaching the course easy. Thanks to Executive Editor Lise Johnson, Editorial Assistant Kali Ridley, Freelance Development Editor Nedah Rose, Instructional Designer Wendy Ashenberg, and Marketing Manager Christa Palaez for helping us bring such a massive undertaking to fruition. Their patience with us as we moved through the process has been inspiring. In addition, we would like to thank Production Editor Nicole Repasky and Content Manager Ed Brislin.

I would like to thank my family, especially my wife Lisa, and my three sons, Nathan, Mitchell, and Daniel. Without their support, this project would not have been possible. I would also like to thank the Marketing Department at Auburn University for their comments, encouragement, and suggestions.

—Dan

I would like to say thank you to my parents, Doug and Dodie Loos, my children, Tyler and Cameron Loos, and Danny and Jaymie Loos.

Their love, patience, and support are truly appreciated. My colleagues at Attack! Marketing have been instrumental in bringing this project to fruition.

—Andrew

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 Steven Young, *Georgia State University*

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Preface

Welcome to *Applied Marketing* Second Edition, a class-leading platform for learning about marketing. Applied, practical, and authoritative, this streamlined, easy-to-use textbook offers students an insider's view of marketing by bridging the gap between marketing principles taught in the classroom and those same principles as applied by marketing professionals. **Applied Marketing** is a comprehensive yet concise modern marketing course that blends solid academic theory and practitioner experience to help students master the core concepts, develop a practical understanding of how to apply marketing principles, and gain perspective on how top marketers operate in today's business world. **Taking a student-centric approach** by using digital assets to teach students, as well as having students use digital resources for learning, encourages students to develop their critical-thinking skills by applying core concepts to real-world scenarios.

Applied

As the title implies, *Applied Marketing* Second Edition considers learning an active experience. Students aren't just exposed to key marketing concepts; they also participate through application of these concepts. In addition to hundreds of examples from actual companies, we provide exclusive interviews with many of today's top marketing and brand leaders, inside access to businesses and their marketing teams, mini cases, and a running case, all of which will engage students in experiential learning-by-doing.

Each chapter is accompanied by stand-alone mini cases and exercises that provide hands-on application of the marketing concepts from the text, building individual skills, increasing retention, and giving students a chance to apply what they've learned to make marketing decisions. Interesting and relatable mini cases such as Zoom Becomes the New Classroom, Charlotte's Web, BuzzyBooth, and Goat Island Brewing offer excellent opportunities to apply the chapter material in class discussion or as homework. Other cases, such as FUBU X 2, 365 by Whole Foods Market, and Google Analytics offer opportunities for discussing marketing failures or problems. Cases such as You Are What You Eat, Electric Cars Future or Fad, and Disney+ or - offer excellent opportunities for in-class or online debate. The Warby Parker Changes a Market; Dove: Is Beauty More than Skin Deep?; and AFSP (American Foundation for Suicide Prevention) mini cases also expose students to socially relevant marketing decision making. The added 15 new mini cases for the Second Edition combined with the original 15 mini cases still available in WileyPLUS from the First Edition provide students with a variety of decisions and contexts to use when applying the chapter content to their experience and offer instructors flexible options to apply the text material.

In addition to the mini cases, each chapter ends with a running case that provides a unique opportunity for students to see how the collection of marketing decisions link together to form a comprehensive marketing plan. The running case follows This Saves Lives (TSL) as the founders face a series of decisions tied

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to chapter content. TSL is an energy bar company with a social/humanitarian mission that recently launched a new product line in the United States. The company plans to launch multiple product lines and additional products over the next several years and has agreed to provide company reports and information for students to use in designing and implementing specific portions of their overall marketing program. Students are presented with a short case situation tied to the chapter content and must also complete a short applied exercise with the case. The running case decisions students must address include adding a new bar flavor, deciding how to handle ingredient shortages, and whether or not to charge different prices to different retailers. Application exercises include visiting an actual or online store to compare competitive products, creating a company slogan, or interviewing other students about their purchase and consumption experiences. The continuous work on the same marketing program will provide hands-on experience, while giving students an understanding of the complexity and planning required to make a marketing program successful. The fact that the students will be working on a real company program that incorporates their input will also make the material more meaningful. The TSL running case can also be used as a micro-simulation if desired.

Practical

We teach the basic principles of marketing, but more than that, we focus on developing those skills students will need to execute marketing tactics and strategies in their careers. Put simply, we focus on the specifics of how to apply skills rather than just explaining and reiterating what needs to be done. Our goal is to give students practical knowledge about how marketing works. This perspective makes the text appropriate for all majors. Nonbusiness majors get an inside view of how marketing works to influence their buying behavior, which makes them more informed consumers. Business majors can see how important marketing is to the rest of the company. And marketing majors are introduced to how marketing decisions are made, preparing them for the remaining coursework that will make them successful in their careers.

To make it more practical, we've designed the text to reflect current marketing practice. Unlike other texts based on material largely unchanged for decades, we created *Applied Marketing* Second Edition from the ground up to reflect the current focus on creating and delivering valuable customer experiences, dealing with social marketing issues, and integrating digital technology. We've captured this focus in our extended marketing mix model to better represent what current marketers do. Second, we streamlined the text to fifteen relatively short chapters, covering only the topics employers think are important for marketing students to know. Our text is six to seven chapters shorter than most principles of marketing textbooks, but it has richer content, making it more manageable for both students and instructors. Finally, we created *Applied Marketing* Second Edition to reflect how students

learn and interact with learning materials. While most principles of marketing textbooks now have digital ebook versions adapted from paper versions, our text was created with the digital platform in mind from the beginning. All resources have been created specifically for this textbook to work together and enhance student learning. Students can access the textbook and materials from their laptop, tablet, or phone seamlessly.

Authoritative

Applied Marketing Second Edition differs from other principles of marketing textbooks with its unique integration of an academic and practitioner author team. The author team consists of Associate Professor of Marketing at Auburn University, Dan Padgett, and experiential marketing agency owner, Andrew Loos. Through the knowledge of a seasoned academic and the expertise of an influential industry practitioner we have created an authoritative voice on how specific practices taught in classrooms are applied in the marketing sector.

Several features of the textbook reinforce the integrated perspective. Each chapter opens with an industry expert interview in which experts such as Bill Imada (IW Group), Aaron Faulk (Lillian James Creative), Bob Kendrick (Negro League Baseball Museum), and Gwendolyn Young (Young Communications Group) answer a short series of questions to set the stage for chapter material. In addition, each chapter section includes an informal, roundtable discussion between the authors and Jasmine Bina (Concept Bureau) covering key brands, marketing successes and failures, and important issues tied to specific chapter section topics. Students also take virtual company field trips to Houston Public Media, Zipcar, Kansas City Royals, and Trendhunter to get an insider's perspective of how some of the hottest and most influential marketing groups work. Finally, who better to advise students on what is important for current practice than recent graduates working in the field? Recent graduates working in marketing careers offer students tips and advice on topics such as career paths, important professional skills, and preparing for the workplace. The combination of entry level to senior marketing perspectives provides students with a comprehensive view of marketing from the people who know it best.

Content and Organization

Given our applied, practical focus, the content of *Applied Marketing* differs from most principles of marketing books in two fundamental ways. We offer an extended model of the traditional marketing framework, and we cover certain topics in more depth to provide a more representative view of marketing related to current marketing practice.

Extended Marketing Mix Framework

Traditional marketing texts are based on the 4 Ps framework, implying the marketing mix includes four components: product, place, price, and promotion. A key premise of the 4 Ps framework is that marketers must consider the customer's perspective when making decisions.



FIGURE 7.1 The 4 Ps of Marketing

The 4 Ps framework hasn't changed in decades, though marketing practice has seen an increased focus on creating and delivering positive customer experiences and a shift from treating marketing as something you do to or at customers to a process where customers actually participate in the process and connect with brands. To accommodate these recent shifts in marketing thought and practice, we extended the traditional framework.

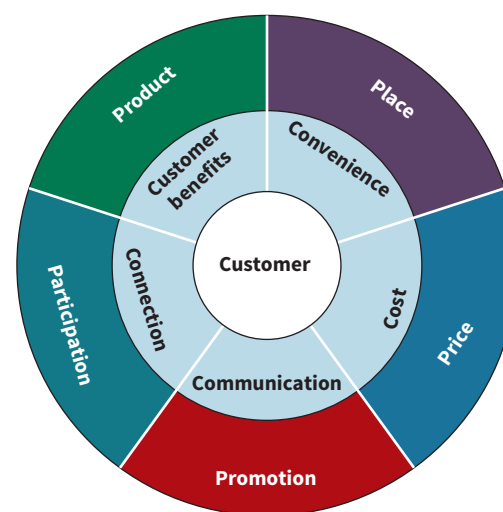


FIGURE 7.8 The Fifth P and C of Marketing

Our extended marketing mix framework explicitly highlights the customer's experience through adding the 4 Cs (customer's perspective) to complement the 4 Ps from the marketer's perspective. In addition, we have added a 5th P and C to reflect the increased practice of encouraging customers to participate in the marketing process to strengthen connections to products and brands. The extended marketing mix framework integrates the customer experience perspective explicitly and reflects current practice more accurately than other texts.

Focus on Relevant Content

Because *Applied Marketing* Second Edition was written to reflect current marketing practice, the text covers several content areas in more detail than most texts. Emphasis areas

include additional coverage of pricing, enhanced social and digital connections with customers, and measurement of marketing performance through metrics.

Applied Marketing Second Edition includes fifteen relatively short chapters. Chapter 1 provides a brief introduction to marketing by discussing some common marketing myths (e.g., marketing is common sense) and defines marketing in a simple, practical way. Chapter 1 also gives students a sense of how marketers think and briefly outlines how marketing thought and practice have changed over time. Chapter 2 stresses the importance of strategy in marketing, discussing the importance of differentiation, planning, and implementation and control for the marketing process. Chapter 3 provides a foundation for students to understand the impact of environmental factors on marketing decisions.

Chapter 4 defines customer experience and outlines the general model of customer experience. The chapter also identifies the most common factors that influence customer decision making and describes how marketers use an understanding of customer decision making to their advantage. Chapter 5 outlines the marketing research process, linking common research types to research implementation options, as well as discussing practical considerations for conducting marketing research. Chapter 6 describes the three-step process for differentiation that includes segmentation, targeting, and positioning.

Chapter 7 outlines our extended marketing mix framework and the justification for extending the traditional 4 Ps framework. Chapters 8–12 each address one of the P–C combinations of the extended marketing mix in more detail. Chapter 8 defines products as bundles of customer benefits and highlights the importance of product innovations over time. Chapter 8 also discusses the significance of creating and maintaining strong brands. Chapter 9 covers the place decisions companies make and how these decisions impact customer convenience. Specific topics covered include distribution channels, retailing, power and conflict, and relationships in marketing channels. Chapter 10 establishes the relationship between price and customer cost. The chapter includes a simplified but thorough description of how marketers set prices and how marketers calculate the financial impact of different prices, including markups, margins, and breakeven analysis. This chapter also covers the main legal issues related to pricing decisions. Chapter 11 covers marketers' use of promotion to communicate with customers. The chapter differentiates between group and individual promotion tools and highlights the common uses and strengths and weaknesses of the different tools. Chapter 12 discusses the current marketing approach of encouraging customers to participate in the marketing process with the goal of establishing stronger connections with the brand. This chapter emphasizes how technology has changed marketing for customers and marketers. A significant element of this chapter is the discussion of social media and digital marketing strategy.

Chapters 13–15 address marketing implementation and control. Chapter 13 describes how marketers use metrics tied to the different areas of the marketing mix to measure marketing effectiveness. Unlike other texts, this one covers marketing effectiveness measurement in detail and identifies and provides examples of the most common metrics used in each marketing decision area. This helps reinforce the philosophy of the text

that marketing should be treated as an investment and investments should be measured for effectiveness. Using GoPro as a running example, Chapter 14 presents an example of how a comprehensive marketing mix can be developed, highlighting strategic decisions GoPro made and also some possible alternatives suggested by the extended marketing mix framework not utilized by GoPro. Chapter 15 discusses how a final marketing plan can be developed from an overall marketing strategy, including specific marketing tactics with budgets, time lines, implementation responsibilities, and control mechanisms.

New Content for Second Edition

- A new mini case is added for each chapter (15 new mini cases), which gives instructors a total of 30 mini cases to use to cover content.
- Examples are updated throughout with an emphasis on the impact of the COVID-19 pandemic on marketing practice (stockouts, shifts in online purchasing, etc.) as well as increased social and digital industry emphasis (TikTok, Steam, Zoom, BuzzyBooth, etc.).
- Chapter 3 includes an updated discussion of generations to reflect current thinking and practice as well as an updated discussion of legal regulatory issues related to privacy and advertising.
- Chapter 4 now has an expanded discussion of socialization and B2B marketing.
- Chapter 5 has an added discussion of the use of automated tracking research tools in both physical and online retail. In addition, the running example (Goat Island Brewing) has been expanded to highlight the application of research to their current situation.
- Chapter 6 includes expanded discussions of technology for segmentation and targeting as well as the less common but important practice of demarketing.
- Chapters 7 and 12 have updated statistics on social media and digital usage throughout as well as updated trends and practices.
- Chapter 8 has expanded its discussion of services as products as well as including additional branding coverage.
- Chapter 9 includes the pandemic-related impact on supply chains, expanded coverage of reverse supply chains, and also new discussion of the potentially negative environmental impact of efficient supply chains (plastic water bottles in the ocean).
- Chapter 10 has an expanded discussion of the different views of pricing between economics and marketing and specific pricing methods. In addition, the pricing calculations section was rearranged and is placed at the end of the chapter to improve flow.
- Chapter 11 includes more coverage of traditional promotion tools.
- Chapter 13 has added coverage of supply chain-related metrics that have become more important given the pandemic, including, for example, stockouts.

What Is Marketing?

CHAPTER OUTLINE

LEARNING OBJECTIVES

When you finish this chapter, you should be able to:

1.1 What Marketing Is Not

- Misconception #1: Marketing Is Common Sense
- Misconception #2: Marketing Is Equivalent to Sales or Advertising
- Misconception #3: Marketing Makes People Buy Things They Don't Need
- Misconception #4: Marketing Is an Art, and You Either Have the Gift or You Don't
- Misconception #5: Marketing Does Not Involve Numbers

1.1 Describe some common misconceptions about marketing.

1.2 Marketing Defined

- Marketing Is Managing Exchanges with Customers
- What Does Managing Exchanges with Customers Include?

1.2 Provide an accurate definition of marketing.

1.3 Philosophy of Marketing

- Perceived Value
- The Role of Marketing Research

1.3 Discuss, with examples, the philosophy of marketing.

1.4 How Marketing Has Changed over Time

1.4 Outline the evolution of marketing thought and practice.

Introduction

What is marketing? If someone says he or she is in marketing, what do you assume that person does all day at work? What do marketing majors study and what jobs do they get after graduation? What makes marketing different from accounting, finance, management, or other areas of business? Bill Imada, Chairman and Chief Connectivity Officer with IW Group, suggests marketing is an ongoing process of connecting customers to brands and aligning customer and company values. He emphasizes marketing's role to bring to life the connections between companies and their customers. Marketing involves planning, executing, and assessing activities that establish closer connections with customers.

In his interview, Bill corrects a common misconception. Marketing is not simply sales, or even advertising. Marketing's role is to create customers, not make a sale. Marketing is an ongoing process with well-defined goals, strategies, and tactics. Additionally, marketing is dynamic

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Bill Imada, Chairman and
Chief Connectivity Officer, IW
Group

and constantly changing, particularly with the opportunities provided by social media and digital platforms to be more customer focused and to provide both virtual and experiential ways of experiencing a product.

1.1 What Marketing Is Not

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If you asked a dozen people to tell you what marketing is, you might get 12 different descriptions, and most would contain at least one misconception. Here are some of the more common misconceptions and myths about marketing.

Misconception #1: Marketing Is Common Sense

Perhaps the most frequent assertion (made by people who don't know better!) is that marketing is really just common sense. But marketing isn't just common sense, and if you rely on common sense alone, your marketing will suffer. Here are three examples.

Common sense statement #1: *Lower price is always better.*

- **Reality:** *In some cases, higher price is actually better.*

Think of Rolex, Ferrari, Dolce and Gabbana, and Fabergé (see [Figure 1.1](#)). These brands have value specifically because they charge such a high price. Rolex knows that higher prices actually add value for customers looking for prestige. Higher prices can also work better for non-luxury goods. **Sales**—units sold—(i.e., selling more watches) is not the goal. **Profit**—making money—is the goal. The relationship between sales and profit is not always clear and companies spend a great deal of time and money to research the prices that will yield the greatest profit for a specific product.



FIGURE 1.1 Fabergé is one of the most luxurious jewelry stores in the world.

Low Prices Do Not Always Translate to High Sales Volume

An anonymous developer created a productivity app with a \$9.99 price. His promotion resulted in 50,000 daily hits but without many actual purchases. Even after tweaking the software and website, sales were slow. He decided to increase the price to \$19.99 so that at least he would make more when he sold some. He was surprised when doubling the price actually increased sales 10 times! The \$9.99 price signals just another app, but \$19.99 signals a premium app, which adds value and increases sales.

Source: Sid Bahrath, *Raise Prices and Conversions: Here's How* <https://www.crazyegg.com/blog/raise-prices-increase-conversions> (accessed 2018).

Common sense statement #2: *Better service leads to higher profits.*

- **Reality:** *Better service is only more valuable if customers are willing to pay more for it.*

It seems obvious that customers would prefer to shop in more attractive stores with better service. However, Ross Dress for Less strategically chooses not to spend money to make its stores more attractive or to provide better service specifically because Ross's customers would rather pay less than have better service. Ross emphasizes that they are a “treasure hunt” shopping experience where customers never know what they will find, but they will inevitably find a good deal if they search the store. This strategy has worked well for them to this point. While other retailers downsize or close stores, Ross Dress for Less continues to open new stores. Similarly, discount airlines such as Southwest in the USA and Ryanair in Europe succeed by offering less service but lower prices than traditional airlines. Discount airlines continue to gain popularity with customers seeking cheaper options for travel.

Common sense statement #3: *More is better.*

- **Reality:** *Too many options can lower sales.*

Too many options means the company can't specialize, which leaves it vulnerable to competitors who do specialize in something. Sears was the leading retailer for over 100 years; it began to offer a yearly catalog with over 500 pages of products in the late 1890s. Customers could even order a home-building kit with options like running water and electricity upgrades. Can you imagine ordering your home, unassembled, online? Sears stores, and other department stores with a range of different product types such as appliances, clothing, electronics, outdoor products, and tools, were once the preferred shopping destinations for customers. However, carrying all of these products increases costs, and the department store business model was replaced with a more specialized model with stores that focused on fewer categories (think party supplies as in Party City or electronics as in Best Buy).

Also, the human brain has limits on what it can process at any one time and eventually becomes fatigued. If you go to the pharmacy to buy toothpaste (see [Figure 1.2](#)) and there are ten different brands (Crest, Colgate, etc.) with ten different versions (Plaque Fighting, Ultra Whitening, Sensitive Teeth, etc.) and two different package sizes (large and small tubes) for each option, you have to sort through 200 options to make a choice! Who has the interest or time to do that? Nobody does. So how do you choose? You take shortcuts, which we will describe in more detail in Chapter 4.



Jeffrey Isaac Greenberg.10+/Alamy Stock Photo

FIGURE 1.2 Making a choice between this many different toothpaste options can lead to consumer fatigue.

Misconception #2: Marketing Is Equivalent to Sales or Advertising

If you ask a dozen people on the street what “marketing” is, you will likely get answers that include sales or advertising. This is the marketing that most customers actually see. Marketing is a much broader concept that also includes product design, pricing, choosing where, when, and how to sell products to customers, and a variety of other decisions. The breadth of marketing decisions is referred to as the 4 Ps of marketing, which are product, price, place, and promotion decisions. For example, when introducing a new iPhone, Apple has to decide which features it should have (product), how much it should sell for (price), where to sell it (place), and how to persuade people to buy it (promotion). We will provide more details about marketing decision areas later in this chapter and also in Chapter 7, but for now it is important to note that marketers have to make a range of integrated decisions that go well beyond the scope of sales and advertising.

Misconception #3: Marketing Makes People Buy Things They Don’t Need

While many people think marketing has special powers to influence people to do things they don’t want to do, and marketers wish it were true, the reality is that marketing has limited influence on customers’ behavior. A company can advertise its newest car and all its features, but many people, most people really, will not buy the new car, no matter how much the company spends on advertising and promotion, even if the car is desirable. People strive to get what they need, but don’t always get what they want. From a marketing perspective, a **need** is a lack of means of subsistence. Basic needs include food, shelter, companionship, and so forth. When a person doesn’t have these basic needs, they are motivated to do something to change their situation. However, two people can have the same need but satisfy the need in completely different ways. This is because people have different **wants**—strong desires for something. For example, transportation is a basic need. However, some people might want to take public transportation, some might want to drive a car, some might want to ride a bicycle, and those who want a car might want different cars. However, even if two people want the same thing, the ability to get what is desired might be different due to different personal situations. Marketers pay particular attention to the combination of a strong desire for something and the ability to purchase, referred to as **demand**, as this is a minimum condition for buying something. If a customer wants something, but can’t afford it, no amount of promotion will matter. The most marketing can do is influence your desires (wants) for certain products and attempt to make it more appealing for you to buy certain things over others. However, you as the customer have control and only buy things for which you have demand.

Misconception #4: Marketing Is an Art, and You Either Have the Gift or You Don’t

Perhaps the world would never have heard of Apple or Steve Jobs if not for the creativity demonstrated in an ad that ran one time during the Super Bowl of 1984. But creativity does not guarantee marketing success. The list of clever ad campaigns and brands that created buzz but then failed is quite long. Pets.com had ads that were creative, but couldn’t keep the company in business for a second year. Then there are the companies that plod along with no exciting marketing but are quite successful. Examples include United Parcel Service, which has almost 22% of the global express and courier service business and Procter and Gamble, which has a number of brands, including Tide, Ariel, Gain, and Era, among others. Can you remember any of their ads? Creativity can enhance good marketing but is not sufficient for success.

Misconception #5: Marketing Does Not Involve Numbers

Actually, marketing is full of numbers. For example, consider what type of information you would need to answer these questions: Will we make or lose money and how much? How much

should we charge to make a profit? How many customers do we need to cover our expenses? Marketers need basic math skills. Not calculus or algebra that require complex mathematical calculators, but simple four-function math (addition, subtraction, multiplication, and division). Anyone who is not comfortable calculating basic marketing functions (e.g., profit, markup, margins, breakeven) should not seek a career in marketing, and would not be able to communicate effectively with a marketing professional. While this may sound intimidating, we will cover when, why, and how to calculate all the basic numbers in marketing and show you how to use them. You will have enough practice using marketing math throughout the text to become confident in your ability to use and discuss marketing numbers in detail. Learning this skill is important for marketing majors as well as those who simply need to understand how marketing works. So, now that we have a better understanding of what marketing isn't, let's focus on what marketing is. Next, we provide a clear, applied definition of marketing.

1.1 Concept Check

1. What are some of the key arguments that marketing is more than just common sense?
2. How would you respond to someone who said that marketing is really just sales?
3. Can marketing make people buy something they don't need? Use the distinction between needs and wants to support your answer.
4. A friend tells you that he intends to major in marketing because unlike other business majors like finance or accounting, marketing doesn't require any math. How do you respond?

1.2 Marketing Defined

When many people think of marketing, they think of flashy ads, sales events, and closing million-dollar deals. However, while marketing certainly has its share of glamour, the reality is that most people don't really understand marketing all that well. The majority of marketing activity is not glamorous. When someone says, "I am a doctor" or "I am an accountant," people have a general idea what that person does. The same is true for an architect, a lawyer, and a teacher. However, when someone says, "I am a marketer," most people have no idea what that means. Why? Because marketing is a broad discipline that covers a variety of very different but related decisions. Decisions about which product to sell, how much to sell it for, where and when to sell it, and so forth are all part of marketing. Yet each is a complicated decision in itself. So, it is easy to see how marketing is misunderstood and how some people, even some in marketing, do not understand the full range of marketing activities and how they tie together.

To go any further, we need a simple but comprehensive definition of **marketing** to build on. As a starting point, we can consider the American Marketing Association's definition of marketing. From their website, they define 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 (Approved July 2017)." Their definition is intended to provide a comprehensive definition of everything that is marketing. But marketing is complicated, so their definition is, too.

Let's simplify the definition by identifying the key ideas in their definition for marketing practice. First, marketing involves multiple parties, not just one, and these parties must come together in some way to exchange something. Typically, we would think about the parties as a company or nonprofit organization and its customers, and the place these parties come together is called a **market**. Markets can be physical, such as a farmer's market or shopping mall, or virtual, such as an online website. Second, these parties wish to exchange something, and each must have something of value to the other party to exchange. Profit-oriented companies usually have products (for example, a smartphone) or services (wireless phone service, for example) that they offer to customers who have money to exchange with the company. Nonprofit exchanges vary, but the concept is the same. The organization gives something to

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get something in return from the customer. For example, Habitat for Humanity is a nonprofit organization based in Atlanta, Georgia (USA), that builds, renovates, and repairs houses using volunteer labor and donations (see **Figure 1.3**). Think about what the organization gives and receives in an exchange. Hint: Why does someone make a donation? What does the person donating either labor or money get in return? Third, marketing creates offerings, communicates with customers, and then delivers the offering to customers. In other words, it is marketing's job to manage exchanges with customers.



FIGURE 1.3 Volunteers donating time and/or money to Habitat for Humanity reap many benefits in return.

Marketing Is Managing Exchanges with Customers

For a working definition, we define marketing as *managing exchanges with customers*. Everyone has a basic understanding of what it means to manage something. Everyone knows what exchanges are. And, everyone knows what it means to be a customer. So, we think this definition, while simple, includes all the key elements of the common definitions of marketing.

One of the key implications of our definition of marketing is that marketing has to be managed, which requires planning, implementation, and control. Marketers create a marketing plan to guide their marketing activities. A **marketing plan** is a written statement for managing exchanges with customers that includes goals, activities needed to achieve goals, a time line and budget for included activities, and measures to evaluate the activities. Effective plans spell out what is to be done to encourage exchanges with customers and how these activities should be accomplished (implementation). The marketing manager is responsible for coordinating the activities in the plan and monitoring the activities to completion (control). Good plans also include control measures that allow managers to assess the effectiveness of the plan activities so that adjustments can be made when necessary and to help inform future marketing activities, as well as contingency plans in case things don't go according to the original plan. We will provide more comprehensive examples throughout the text of the planning, implementation, and control processes. For now, the important thing to remember is that the role of marketing is to effectively manage exchanges with customers.

Let's consider an example to demonstrate the flexibility of our definition that also highlights the inherent complexity of marketing.

Assume you have been hired as a marketing manager for a food company. Your company makes a number of food items, including packaged desserts such as cakes and pies. On your first day at work, your boss enters your office and says, "Good news. We are expanding and will start making frozen desserts to offer more than just cakes and pies. I have an important assignment for you. We are going to start making gelato; it's similar to ice cream, but different. I want you to put together the marketing plan for our new gelato. We will have a meeting

with the other managers in two weeks, and I want you ready to offer us your ideas on how to make our new gelato successful. Congratulations. I am counting on you.” You smile and thank your boss for this great opportunity and for putting so much trust in you so early in your career with the company. But, after the boss leaves, you begin to think about your job. You are the marketing manager for a new product, gelato. What do you do to prepare for the upcoming meeting?

What Does Managing Exchanges with Customers Include?

Recall that your job as the marketing manager is to manage the exchanges with customers. So you have to manage all the exchanges with customers related to the new gelato product. You do some homework and find out that gelato is a frozen product similar to ice cream, but with a few key differences (see **Figure 1.4**). Specifically, gelato uses less cream and more milk than ice cream, so it has less fat. In addition, gelato has a lot less air churned into the mix than ice cream. Gelato is denser than ice cream. It is also served warmer and is less frozen when served, which means it generally has a more intense flavor. Armed with this knowledge, you try to think of what you need to decide in order to manage exchanges with customers. Here is a partial list of the questions you will need to answer before the managers’ meeting.



Hemis/Alamy Stock Photo

FIGURE 1.4 Gelato stores, with attractive displays of the many flavor choices, are a common site in Italy.

1. You will need to decide with whom you try to exchange. In other words, who will be your customers? Not everyone. Kids, perhaps adults. Some customers will only buy it when it is hot outside. Maybe you will only be able to sell it where it is hot all year. You could sell it to individuals, or restaurants, or grocery stores. You recognize that some customers might be more appropriate than others because they desire gelato more than others and would be the most likely to buy it. These customers need to be described in detail and would be considered the **target market**—the primary group of customers you would prefer to exchange with. The target market is the focus of the marketing plan.
2. You will need to decide what you will offer to exchange. Gelato is your “product,” but why does someone want gelato? Is it better than ice cream in some way? It tastes different, but many people won’t even know what gelato is. You will need to decide which flavors to offer and identify who else is selling gelato. Which of the potential benefits you could use is most important to *your* target market that would give you an advantage?
3. You will need to determine what you want in return from your customers for the gelato. You need to decide how much to charge, whether or not you will have different sizes, and

whether you will offer different package types (cones or cups?). How do your choices of package size and amounts influence what you would charge for your gelato? You will need to decide if you will always charge the same price or not.

4. You will need to decide how customers will buy from you, including where, when, and how customers will exchange with you. Will they have to pay cash or can they use credit? Will customers go to gelato stores or will you ship it to the customers? You could sell through existing stores or create your own. You could consider home delivery to customers as an option.
5. You will need to decide how to influence the customers to exchange with you. You need to educate and inform customers so they will have a reason to buy gelato from you. What information do they need? Can you get customers excited about your gelato? How? Some methods will likely work better to persuade customers to buy, but you will have to decide which ones to use and how to determine if they work or not. Can you think of others?

It should be clear from this example that marketing is complicated and involves a wide range of decisions. It is therefore easy to miss something critical to the potential exchange. In fact, it is for this reason that many marketing plans fail. Low estimates of new product failures are in the 35%–40% range, while higher estimates suggest 80% or more of new products fail. Marketing failures imply that a marketing manager did not understand a significant piece (or more than one piece) of the overall puzzle and did not effectively manage the exchange with customers. Given the complexity of marketing, it helps to have a way to think about things that makes it less likely that something will be forgotten or overlooked. This way of thinking, or orientation, distinguishes good marketers from others. We call it the philosophy of marketing.

1.2 Concept Checks

1. Define marketing in a single sentence.
2. What are the basic requirements for an exchange to take place?
3. What is a target market and why is this concept important to marketers?

1.3 Philosophy of Marketing

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The best marketers manage exchanges that maximize the benefits for both the company and the customer in spite of the fact that the two parties have conflicting goals: The company wants each customer to pay the maximum they are willing to pay but give the customer the minimum benefits, while the customer wants to pay the least amount possible for maximum benefits. Consider from the previous example that you decide to charge \$2.99 for a cup of your gelato. If a customer believes that the benefits of buying the gelato at \$2.99 per cup exceed the costs, then the customer is satisfied. The customer buys the gelato, and the company gets \$2.99 per cup in sales. However, what if the customer would have been willing to pay \$3.99 for the gelato? In this case, the customer is really satisfied since the price was only \$2.99. What about the company? The company would rather charge \$3.99 than \$2.99 if that is an acceptable price to the customer. This suggests that in practice, conflict underlies each marketing exchange.

What if the customer is only willing to pay \$1.99 for the gelato? No exchange would have taken place since the customer would not have purchased if the price was \$2.99. Worse, the company might not have known that the price was a problem. If customers don't buy gelato, it could be because they didn't like the flavor offered. Or maybe they don't understand the product benefits (e.g., What is gelato anyway? Is it just ice cream?). Maybe they wanted to buy gelato at the movie theater, but you decided to sell it at the grocery store. Maybe they wanted a different size. Maybe they had chocolate cake instead.

Perceived Value

So what is the basic goal of marketing managers in managing exchanges? They maximize how much customers are willing to pay while making sure customers think they got more than they paid for (see **Table 1.1**). This way, everyone wins. Customers are happy because they got good value for the price. The company is happy because customers paid \$3.99 instead of \$2.99 for the gelato. The key is making sure customers think the gelato is worth *more than* \$3.99 rather than thinking it is worth only \$2.99 or worse, \$1.99. Marketing managers are responsible for influencing the perceived value customers associate with the exchange. **Perceived value** is defined as the *perceived benefits relative to the perceived costs* associated with an exchange.

TABLE 1.1 Example of the Impact Marketing Can Have on Perceived Value to the Customer and Profit for the Company

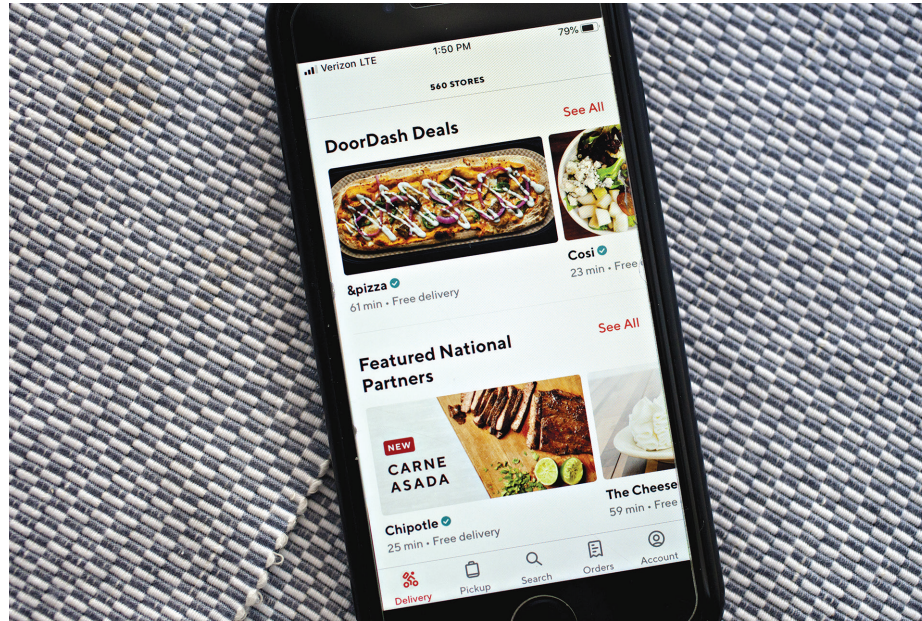
	Price Versus Cost of a Hamburger in Different Restaurants		
	Fast Food	Casual Dining	Full Service
Amount customer was willing to pay for a hamburger (value to customer)...	\$4.50	\$9.00	\$18.00
Typical scenario when restaurant uses cost to set prices...			
If Actual Price	\$4.00	\$8.00	\$16.00
Actual Cost*	<u>\$3.60</u>	<u>\$7.60</u>	<u>\$15.20</u>
Company makes...	\$0.40	\$0.40	\$ 0.80
But, if marketing was doing its job properly and tying price to value to customer...			
Price charged could be...	\$4.45	\$8.95	\$17.50
Actual Cost *	<u>\$3.60</u>	<u>\$7.60</u>	<u>\$15.20</u>
Company makes...	\$0.85	\$1.35	\$ 2.30
Extra amount company could have made selling the same thing but with better marketing tying price to value...	\$0.45	\$0.95	\$ 1.50

*Includes all the cost, including the burger ingredients, labor, rent, marketing, and so forth.

Marketers have to manage perceived value, but different customers have different perceptions. Some customers think a cup of gelato is worth \$1.99, some \$2.99, and others \$3.99 or more. This is one of the most important points to understand about marketing. Marketing is not about pleasing all customers. Marketing is about finding a group of customers who want what you have to offer and providing it better than others do so that you maximize perceived value for that group. This is what differentiates the target market for your product from other customers. Your target market will purchase from you, pay a higher price than others for the same thing, and keep coming back. In other words, good marketers start with an appropriate group of customers and then increase the perceived value for that group as much as possible. Because different groups want different things, marketers offer different combinations of benefits called **value propositions** that will appeal to some specific groups but not others. Different value propositions maximize value for different target customers. For example, if you decide you don't want to cook tonight, you could go to a restaurant to eat, or you could have the same meal delivered to your door via a service like DoorDash or Grubhub. Dining out provides the restaurant experience, but having your restaurant meal to dine in offers a different value proposition, one primarily based on convenience. Can you see how both options have value, but offer different value to different customers based on what they want at the time?

New Value Propositions in the Restaurant Industry

DoorDash (see [Figure 1.5](#)) offers diners the opportunity to have a restaurant meal delivered from any participating restaurant. Unlike traditional delivery from a specific restaurant, DoorDash provides customers the opportunity to order from a variety of restaurants in the area. The meal-delivery business is growing, and DoorDash accounts for about 37% of the meal-delivery business in the United States, almost doubling its sales from 2018 to 2019. The Covid-19 pandemic actually pushed DoorDash usage even higher. By the end of 2020, meal delivery service usage had jumped from 27% to 35% in the USA, and DoorDash held 50% market share. In December 2020, DoorDash went public with one of the biggest IPOs of 2020.



Bloomberg/Getty Images

FIGURE 1.5 DoorDash provides customers with the opportunity to order meals from a variety of restaurants.

To be successful, marketers have to understand the perceived value associated with a particular exchange for a group of customers and then find out what influences that group's perceptions of value. For example, if you ask 100 customers who normally buy ice cream for \$3.99 per cup how much they would be willing to pay for gelato, you might find that 80% indicate they would be willing to pay only \$2.99. So, next you might ask why they would be willing to pay only \$2.99 for gelato when they pay \$3.99 for ice cream. Many of them explain they have no idea what gelato is and don't know about the benefits. At this point, you might use advertising to tell customers that gelato has less fat than ice cream. You then ask another 100 customers how much they would pay and you find that now 80% say \$3.29. Better, but still not the \$3.99 they are willing to pay for ice cream. Maybe they think gelato is low fat and therefore doesn't taste as good. So, you have 100 customers taste the gelato and then ask how much they would be willing to pay. Now you find 80% willing to pay \$3.99. Finally, you have learned from this exercise that you need to educate customers about gelato and compare its fat content to that of ice cream, but also you have to make sure customers taste it so they know it tastes good. Otherwise, you have not maximized their perceived value, nor the company's. This is marketing's job, but also highlights the difficulty marketers face determining value and settling on specific value propositions to customers.

The Role of Marketing Research

The average marketing manager might stop here. However, the truly successful marketing managers keep going. Recall from our brief introduction that marketing plans should include goals,

activities, and measures to see what can be improved. What else could be done that might encourage customers to pay \$4.29 or \$4.59 or even \$6.99 for our gelato? This is what we mean when we say that successful marketers have a particular philosophy. To be successful, marketers should be “naïve scientists.” A naïve scientist has an idea that something might work based on either theory or watching something in practice and tests the idea. The outcome is measured to see if the idea worked. Then, based on the results, the idea can be improved upon. Tested again. Measured. Revised. Tested. Measured. Revised. And so on. This is what we refer to as **marketing research** (measuring the outcomes of specific marketing activities against goals). Many ideas won’t work, but the ones that do should make up for the time and effort spent on those that don’t. In any case, once you test something and it doesn’t work, you know it doesn’t work. This could keep you from spending a lot more money expanding the activity to a larger scale later. As an example, the better companies test their ads with a small group of customers before they put them on television for a larger audience. The purpose is to find out if the ad works as it should. Spending \$50,000 now can avoid the company making a \$1,000,000 mistake later. Good marketing research should be the foundation for the marketing plan.

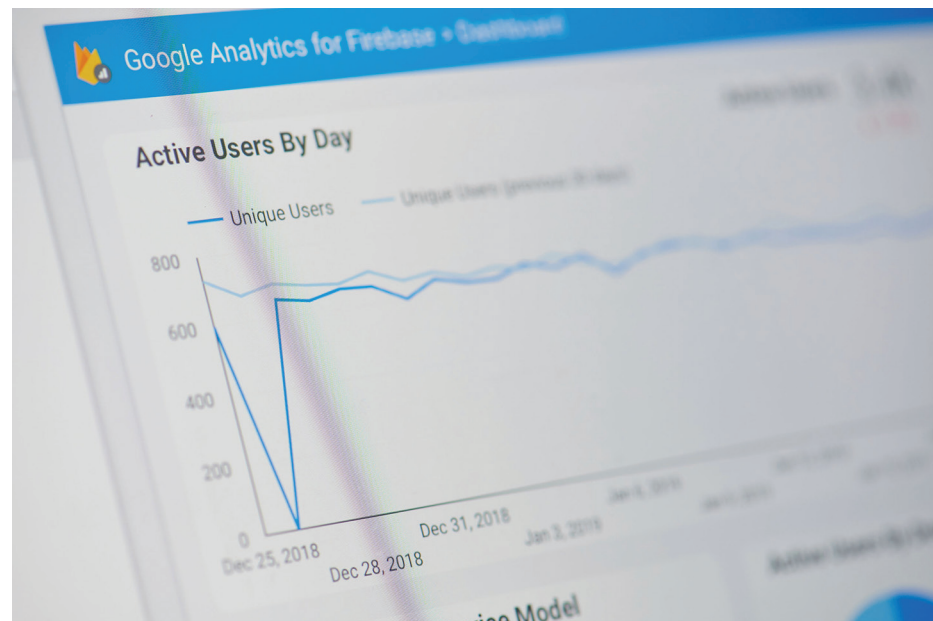
The idea that marketers should be naïve scientists is very powerful and has several implications for marketing practice:

1. While there is an art (and sometimes luck) to successful marketing, it should be methodical. Recall the common misconception discussed earlier in the chapter that marketing is an art. Marketing ideas should have a basis in theory or practice and be tested. If a company that sells chemicals hires some business majors and some chemistry majors as salespeople, would you expect the business majors to sell more chemicals because they have more business training or the chemistry majors to sell more because they should know more about the chemicals? This question is easily tested by comparing the salespeople with each background to see which group on average sells more.
2. To test an idea to see if it is effective, the idea should have a specific goal against which to measure the outcomes. Is \$100,000 in sales for a month a success for the ad campaign? Is having 100,000 unique visitors go to the website to participate in a holiday contest a success? The answer depends on the expected sales or visitors—the goals for the marketing activity. In the gelato example, we used \$3.99 per cup as a comparison standard and goal for perceived value of gelato since that was the selling price for ice cream. We wanted to change customer perceptions enough so that they would be willing to pay at least \$3.99 per cup for our gelato. The measure used to evaluate success or effectiveness should be relevant to the marketing goal of the marketing activity.
3. You have to measure marketing outcomes to see if your marketing works. Some will argue that sales and profits are the only measures of performance; thus, marketing should be measured only against sales and profits. However, many marketing activities are not directly related to sales. They might have indirect effects or long-term effects that are more difficult to measure. We might want to educate customers on the health benefits of gelato compared to ice cream. We would need to develop a plan to consistently measure perceptions among dessert buyers to see if our advertising was working to increase the healthy perception of gelato compared to ice cream.
4. Marketing doesn’t always work, and good marketing means taking calculated risks. A common statement in advertising is, “I know half my advertising money is wasted, but I don’t know which half.” The marketing philosophy means experimentation is needed to influence perceived value. Yet many companies punish failure rather than understand that success requires some risk. The key is to measure outcomes and make adjustments so that the same risks are not repeated. For example, one option you might try to persuade customers that gelato is healthier than ice cream would be an ad showing a pint of ice cream next to a blob of fat and a pint of gelato next to a feather. Would this work? Actually, the more important question is not whether it would work, but would there be something you could do that would work better? That’s marketing’s job.

In sum, marketing is managing exchanges with customers. Successful marketing means understanding and influencing customer perceptions to encourage favorable exchanges. Marketers have to experiment with ideas based on theory and practice to influence perceived value. Doing so means taking some risks as not everything you try will be successful. However, proper goal setting and measurement will be required to get a positive return on marketing efforts.

Ever Wonder Why You See Certain Ads Online?

If you browse, shop, search, or view anything online, you've probably noticed that where you've been and what you've done online can follow you around in the form of online ads. These online ads are not random. They are the result of tracking software that researches your behavior online and then matches your online activity with desired indicators from those that want to sell you something. If you want to see how it works, go to <https://myactivity.google.com/myactivity> to see your recent activity that has been tracked by Google. Google Analytics (see **Figure 1.6**) and other online tracking tools are effective, which is why these tools have become an important part of the marketing toolkit for most companies. Note that you can also delete your activity to minimize its use by marketers.



Dzmitry Kliapitski/123RF

FIGURE 1.6 Google Analytics tracks online activity that is used by marketers to make decisions.

1.3 Concept Check

1. What is perceived value and how is it important to marketers?
2. What does it mean to suggest that good marketers are like “naïve scientists”?
3. Is marketing more art or science? Explain.

1.4

How Marketing Has Changed over Time

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You now have a grasp of what marketing is and what it isn't, so let's take a moment to reflect on what you've learned so far. Let's see if you can recognize marketing when you see it.

Here's a little quiz.

The United States and to some degree the global economy have changed over time. The United States moved from an emphasis on agriculture to industrialization to services. For example, in the United States the economy was largely based on agriculture until the mid-1800s. Between 1850 and World War II (mid-1940s), industrialization in the United States increased to become the major sector of the economy. After World War II, the service economy developed, and today over 80% of the labor force in the United States works in service industries. As an economy develops, the role and focus of marketing change to reflect the importance and

Self Quiz

Consider each of the following examples and indicate if it is an example of marketing or not:

- Ancient Egyptians used written contracts for bartering goods and services as early as 2000 BCE and paid for other items with coins.
- The early Romans used to paint pictures of wine glasses and grapes above the door to denote wine stores.
- In the Middle Ages, monks brewed beer not only for nourishment, but also to sell for profit and to barter for services and even to pay taxes.
- By the end of the 1890s, Sears, Roebuck and Co. produced a mail order catalog with over 500 pages offering American consumers an opportunity to purchase just about anything from appliances to specialty food items and even home-building kits.
- In 2003, Chanel paid actress Nicole Kidman \$3 million and spent \$33 million on an ad for its fragrance, Chanel N°5.

- In 2007, General Motors gave the filmmakers of the *Transformers* movie a Chevrolet Camaro to use for filming; the car was one of the stars in the movie.
- In 2015, Amazon.com raised the membership fee for its Prime customers from \$79 per year to \$99 per year.
- In 2013, a group of actors decided to launch a start-up company after visiting poor countries and seeing the plight of malnourished children. Their idea was to create a company that sold snack bars and also provided food to malnourished children. By January 2017, the company had given over 2,300,000 food packets to malnourished children with over 3,000 retail outlets selling their snack bars, but will the company continue to grow?

Actually, these are all examples of marketing, and the practice of marketing has been around for thousands of years. However, marketing has changed over time as business practices have changed.

influence of different business sectors. We can identify five different orientations that develop as an economy grows. These **marketing orientations** represent an approach to marketing that influences practice. We provide a time line based on the development of the U.S. economy, although the same pattern can be seen in many other markets (see **Table 1.2**).

TABLE 1.2 Time Line of Marketing Orientations

Marketing Orientation	Time Line	Sector of Economy Dominating	Notes
Simple trade/bartering	Pre-1850	Agriculture	<ul style="list-style-type: none"> • Focus on transaction
Production Orientation	1850–1920	Industrialization	<ul style="list-style-type: none"> • Focus on production efficiency and availability with low cost • Distribution is key
Sales Orientation	1890–1970	Industrialization	<ul style="list-style-type: none"> • Focus on aggressive selling • Customers need persuading
Market Orientation	1950–2000	Services	<ul style="list-style-type: none"> • Customer is “king/queen” • Satisfies needs for profit • Focus on customer relationship
Social Orientation	2000–current	Information/Technology	<ul style="list-style-type: none"> • Focus on social responsibility and sustainability • Emphasis on social networks

Simple Trade and Bartering Prior to 1850, when the U.S. economy was largely agricultural, marketing’s role was predominantly tied to **simple trade and bartering**—swapping one product or service for another (see **Figure 1.7**). Marketing efforts were localized at that time due to limited transportation options and word of mouth was the primary way to reach customers.

Production Orientation Once the U.S. economy became more industrialized, companies became more intent on manufacturing products efficiently and making them affordable and widely available. In the early part of the 20th century, Henry Ford had the idea that everyone could have a car if he could make them efficiently enough and keep the prices low. Ford introduced the Model T in 1908 with a price of \$850. By the mid-1920s, more than half the world’s

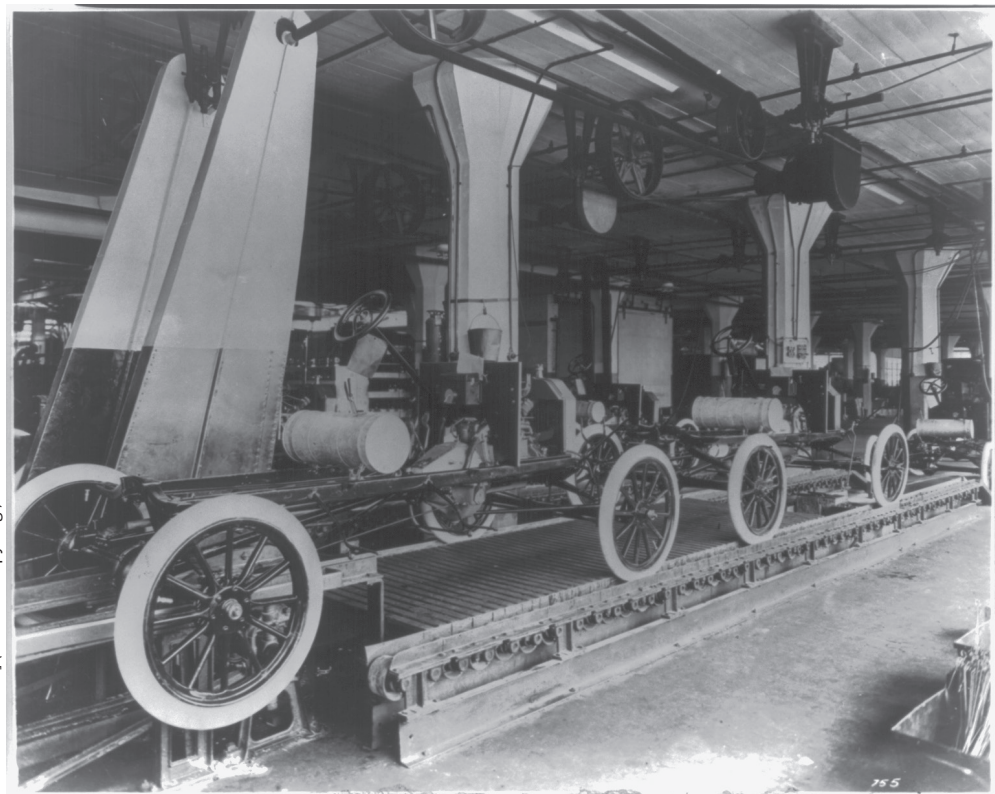


Goss Images/Alamy Stock Photo

FIGURE 1.7 The swap meet has been a popular way of trading goods since the 19th century in America.

cars were identical Model Ts (see **Figure 1.8**). The pursuit of efficiency eventually enabled Ford to reduce the price to \$260. We refer to marketing during the manufacturing era between 1850 and 1945 as a **production orientation**. Companies strived to produce what customers wanted. Because many of these products were new to the market, demand was high. Sales went to the company that produced the most efficient and cost-effective version of the product. Making the products widely available was critically important for success.

Sales Orientation The success of Ford and other large manufacturing companies from the late 1800s into the 1920s drew other companies into markets, and competition increased. Competitors



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FIGURE 1.8 Ford Model T Assembly Line

produced similar products, prompting companies to focus on sales. Availability was still important, but now it became more important than ever to have salespeople promoting one product over others. During this period, marketing was characterized by a **sales orientation**, with the primary goal of marketing being to determine how to most effectively sell products to specific customers. Much of what we know about sales techniques and persuasion comes from innovations during this period. Sales goals were short term and focused, favoring single transactions rather than repeat purchases. The sales orientation was most prevalent from the 1920s through roughly 1950, but can you think of any businesses that still use this approach today? Hint: Shopped for a used car lately?

Market Orientation Following World War II, the U.S. economy entered a very prosperous period during which consumers had money to spend, the middle class increased as a percentage of the population, and the economy shifted away from manufacturing toward services as the dominant sector. Education, technology, science, communication, and other service areas gained importance after the war, and companies quickly moved to provide services customers desired. Competition increased and customers became more sophisticated buyers. As a result, the sales tactics of the previous period failed to work effectively. Instead, companies focused on understanding exactly what customers wanted and tried to provide the product or service at a profit. The goal of marketing changed from selling to satisfying customers. The mantra for this orientation is “the customer is king/queen.” Smarter companies also discovered that rather than focusing on single sales to customers, it was more profitable to build a relationship with customers for repeat sales. The concept of **customer relationship marketing** gained popularity, where companies would focus their efforts on understanding the target market so well that they built a relationship with customers over time. Membership clubs, discounts for repeat customers, and loyalty programs were attempts to strengthen the relationship between company and customers. CVS pharmacy’s loyalty program, extracare, offers customers personalized coupons, exclusive deals and allows shoppers to earn rewards with every purchase that lead to future discounts (see **Figure 1.9**). Perhaps one of the surprises from this approach was the discovery by some companies that not all customers are desirable. Best Buy discovered that some customers actually cost the company more money than they made the company because these customers returned merchandise more frequently or habitually used customer service resources. Best Buy moved to reduce this problem, but when the “customer is always right,” it can be difficult. As a general time frame, we consider the market orientation prevalent from about 1950 through the mid-1990s, though many companies still have this orientation.



Patti McConville/Alamy Stock Photo

FIGURE 1.9 The CVS ExtraCare program rewards loyal customers with savings opportunities.

Social Orientation From roughly 1995 onward, the U.S. economy has become more specialized in higher-end services, specifically information technology. From a marketing perspective, this has had two important effects. First, information technology has changed the social structure of consumers and business. The Internet, technology interfaces, and new communication options have increased the amount of and opportunities for social interaction. In 2009, Forrester Research, a leading market research company, released the report titled “Future of the Social Web,” suggesting opportunities for social interaction will only increase in the future. Consumers use technology to socialize with each other and with companies and generally to interact with the world around them. Social media was once only for personal use, but now companies are using social media postings as opportunities to interact with customers and even to provide opportunities for customers to interact with each other in more meaningful ways. A second impact from the economy’s shift to a higher service level has been the increased focus of companies, and increased scrutiny by consumers, of **social responsibility**—companies acting at least in part in the best interests of society rather than their own interests. For example, TOMS shoes donates a pair of shoes to a child in need for each pair sold. Many companies now have a social mission. While a **social orientation** suggests the company focuses on the social aspects of marketing, it does not imply that all companies are or will choose to adopt social responsibility as a marketing goal.

Mini Case 1

Warby Parker Sees an Opportunity

If you wear eyeglasses or contact lenses, even for reading, you are not alone. According to recent statistics, over 75% of the U.S. population uses some sort of vision correction. For many people, that means eyeglasses. Over 60% of Americans wear eyeglasses, as do just over 50% of Canadians, and just under half of all European adults. After a trip to the optometrist to diagnose a vision problem, many people are surprised to find out how much a pair of glasses will cost. It is not uncommon to see prices for eyeglasses in the \$300, \$400, and even \$500 range, especially if you do not have vision insurance to help defray the cost. Many people ask, “Why are eyeglasses so expensive?”

It turns out the answer to this question is that the eyewear industry is largely controlled by one company. If you go to Pearle Vision for your eye exam and buy Ray-Ban eyeglasses, you essentially bought from the same company. The same is true if you went to LensCrafters and bought a pair of Oakley eyeglasses. Many of the premier retail outlets for glasses, including Pearle Vision, LensCrafters, Sunglass Hut, and even Target Optical, are all subsidiaries of Luxottica, the largest and most influential company in the eyewear industry. The same is true for many of the eyewear brands as well. Ray-Ban and Oakley are also Luxottica brands, as is eyewear sold under the luxury and fashion brand names such as Giorgio Armani, Michael Kors, Polo, Prada Eyewear, and Versace. Luxottica, based in Milan, Italy, has a vested interest in keeping prices for eyewear high, particularly to support the luxury images of its subsidiaries (and, of course, profits). While some customers can afford \$400 eyewear, and indeed, think a luxury pair of eyeglasses might be a reasonable value at this price, other eyewear customers would prefer lower-cost options.

Warby Parker was formed by a group of business school friends to reduce the cost of eyeglasses to the public. According to their website, “By circumventing traditional channels, designing glasses in-house, and engaging with customers directly, we’re able to provide higher-quality, better-looking prescription eyewear at a fraction of the going price.” The founders studied the way customers buy eyeglasses and sought out to make shopping for eyeglasses easy, fun, and convenient (see **Figure 1.10**). Warby Parker’s Home Try-On program lets customers try out five frames for five days at home—for free. Here’s how it works. Customers go online to warbyparker.com



Source: Courtesy of Warby Parker

FIGURE 1.10 Warby Parker allows customers the unique opportunity to try on eyeglasses without going to a store.

or visit the Warby Parker app, and can select five pairs of frames, to try on for five days, for free. Warby Parker ships the trial frames to the customer to try on for fit and style, and after five days, the customer returns the frames using a prepaid shipping label. If customers need help selecting frames to try, they can take a short quiz to get recommendations for frames based on face width, frame shape, color, or material. When ready to purchase, customers can check out using their prescription and Warby Parker sends a fresh pair of prescription frames. Glasses start at \$95 including prescription lenses. Allowing customers to try the glasses at home reduces the risk for customers to purchase online, which is critical for eyeglasses since different customers have different facial features, skin tones, and style preferences. In many ways, Warby Parker flipped the purchasing model by bringing the glasses to the customer rather than the customer having to go to the retailer to purchase. This saves the customer money and makes it possible for Warby Parker to offer glasses at the \$95 price point, including the home trial.

While most eyewear customers who have tried Warby Parker consider the company’s products to be a great value, and a significant improvement over the traditional, high-priced eyewear options, Warby Parker also offers other benefits that are not as obvious to customers. Warby Parker was founded with a mission: to inspire and impact the world with vision, purpose, and style.

Warby Parker believes in vision for all. For each pair of glasses purchased, a pair is distributed to someone in need through its Buy a Pair, Give a Pair program. Through their Pupils Project program, they provide glasses to school-age children in their classrooms because teachers are often the first to spot sight issues, and they also provide training for adults to administer basic eye exams and sell glasses at “ultra-affordable” prices. Many of their customers clearly see the benefit of helping others with their purchases (pun intended ☺). But that’s not all. It seems like everything is going well for Warby Parker, but there’s more to the story.

While growing steadily since its early beginnings, several things have evolved since Warby Parker’s founding. First, though they launched online with the idea to circumvent retailers to keep prices affordable while providing remarkable customer experiences, Warby Parker now has over 125 retail locations of their own. Several industry experts suggest this move into retail outlets of their own is actually what finally made Warby Parker profitable. Second, though frames start at \$95 including prescription lenses, Warby Parker also offers different lens options that can increase the price of prescription eyewear. Progressive eyeglasses and sunglasses are \$295 and \$375, respectively (but are still more affordable than comparable products on the market). In addition, the option to select light responsive lenses adds \$100 to the price and selecting high index lenses can add an additional \$30, making a pair of glasses \$425 if all of these options are selected.

While Warby Parker’s pricing at least on the top end has risen to similar levels as the more traditional retail price, on the lower end, competitors have entered that are actually lower than Warby Parker. One notable competitor is Zenni Optical. Zenni is online only, but has frames starting at \$6.95. Instead of offering the opportunity to have five pairs shipped to you to try on, they use a “Virtual Try-On” for you to select your preferred frames. Unlike the

Warby Parker free shipping and return policy, Zenni is less lenient. You can return your glasses and get a one-time 100% store credit or get a \$50 refund. Shipping costs are not refunded, and lens types can add additional costs. Still, starting at \$6.95 per pair, many customers might think it is Zenni, rather than Warby Parker, that delivers on the low-price options alternative. Is Warby Parker in a good position? Are they, in fact, becoming what they originally set out to replace? Will Zenni or another of the low-cost competitors take Warby Parker’s place as the “low-cost” alternative, or will Warby Parker remain preferred because of the brand reputation they have built to this point? We will see what happens (again, pun intended).

Questions:

1. Did Warby Parker live up to its initial goal of making eyewear available for lower prices?
2. Will glasses ever be purchased exclusively online, or do you think there will always be a need for traditional physical retail stores?
3. Is Warby Parker’s move into physical retail outlets and increased prices consistent with their mission to make glasses more affordable and make better vision a reality for all?
4. Can Warby Parker survive pressure from the traditional retailers at the higher end of the market (such as Ray-Ban, Oakley, and the luxury brands such as Versace or Dolce and Gabbana) while also being pressured from the lower end of the market by online-only retailers such as Zenni?
5. How important to customers is the Buy a Pair, Give a Pair program? How does it influence purchase behavior?

Though the marketing orientations can be tied generally to a rough time line based on changes in the economy, we can still see companies that exhibit the different orientations in different sectors today. Companies primarily in manufacturing, for example, AMD, which makes computer processors, still use a production orientation in their marketing. AMD’s marketing orientation is that customers want faster and more efficient processors, so they pursue this goal. Real estate companies, many car companies, and insurance agencies market using primarily a sales orientation. Other companies use a market orientation (see Table 1.1.).

1.4 Concept Check

1. How does an economy evolve over time? What are the main stages in development?
2. What are the different marketing orientations?
3. Are the different marketing orientations unique to the U.S. economy or can they be applied to global business markets? Explain.

Chapter Summary

The goal of this chapter is to give you a general introduction to marketing.

1.1 What Marketing Is Not

- Marketing is not simply common sense. Common sense can lead to failure and often does.

- Marketing is more than just advertising or sales. Other key decisions marketers must make include product, price, and place.
- Marketing cannot make people buy something against their will. Marketers try to influence wants, but customers ultimately decide if something is worth buying or not.

- Marketing is equal parts art and science.
- Marketing involves lots of four-function math, and you need to be comfortable with the math used in marketing to be successful in your marketing job.

1.2 Marketing Defined

- Marketing is defined as managing exchanges, typically between buyers and sellers.
- Specifically, marketing's main purpose is to increase the probability of an exchange taking place by increasing the value of the exchange for both parties.

1.3 Philosophy of Marketing

- Marketing has a particular philosophy. Marketers are naive scientists who test ideas, measure their effectiveness, and refine them based on results.

- Research is critical to marketing to determine if marketing activities are effective.

1.4 How Marketing Has Changed over Time

- Some marketers have the bartering philosophy, which views an exchange as a fair trade of equal value goods or service.
- A production orientation for marketing suggests marketers focus on providing affordable products by making them widely available.
- A sales orientation for marketing involves persuasion to make sales as efficiently as possible.
- A market orientation for marketers can be characterized by the phrase "the customer is king/queen," because the focus is on meeting customer needs while making a profit.
- Companies that adopt a social orientation to marketing focus on making money but also on providing a social benefit while doing so.

Key Concepts

sales 2
profit 2
needs 4
wants 4
demand 4
market 5
marketing 5

marketing plan 6
target market 7
perceived value 9
value proposition 9
marketing research 11
marketing orientations 13
simple trade and bartering 13

production orientation 14
sales orientation 15
customer relationship
marketing 15
social orientation 16
social responsibility 16

Application Questions

1. What is the purpose of a marketing plan and what should be included for a plan to be effective?
2. Think of a product you are familiar with and imagine you have an idea for a better version of the product. How would you go about testing whether your product might be successful or not?
3. Think of a product you know about that failed. Provide a marketing explanation for why the product failed.
4. What is the value proposition for Uber? How does it compare to the value proposition of a taxi or a limousine service?
5. Describe how the U.S. economy has changed over time in regard to the sectors of the economy. How did the shift in importance of different sectors affect marketing practice?
6. Companies can have different marketing orientations, as described in the chapter. Provide an example of a company applying each marketing orientation.

Discussion Questions

1. Many people criticize marketing, arguing that marketing influences customers to buy things they really don't need. Marketers argue customers have choices and choose what they want that provides them the most perceived value. Choose a side to this debate and defend your position based on how you think marketing impacts society. Is marketing good or bad for society as a whole?
2. How does the marketing philosophy differ from other academic areas you have studied? Can you explain the likely reason for the differences in how the different areas see the world?
3. Do products have intrinsic value, or is value created? For example, consider this question, "Is a diamond or a bottle of water more valuable?"
4. Do you think that all companies should be socially responsible? Why or why not?
5. Should companies, government, or nobody be responsible for determining what will be sold to customers?

Running Case: TSL | An Idea Becomes a Business—Meet This Saves Lives

A Trip to Liberia

Ryan Devlin turned to his traveling partner, Todd Grinnell, and they shared a knowing glance. No need to say anything. The child was dying. It was a sight becoming all too common for them in the last hour, and now they both secretly wished for the day to end, to get back to camp, to get back to the United States . . . pretty much to get anywhere but the refugee camp, to get away from the misery and suffering.

The two were friends, both actors. Todd had contacted Ryan in early 2011 with an opportunity to raise money to build a bridge and orphanage in Liberia. Ryan agreed to help and the two planned a trip to Liberia to tour the area. The hopeful and positive trip took an unexpected turn when the two visited a refugee camp, a visit that would have significant consequences for both of them. There, Ryan and Todd toured a large medical ward, which Todd later described as “cavernous,” “hollow,” and “quiet.” The reason for the quiet was the seemingly endless rows of bed after bed covered in mosquito netting, each containing a child dying of malnutrition. “It’s hard to see . . . moms holding babies . . . they are just helpless.”

The two knew they had to do something to help. Seeing the poverty and children’s plight firsthand motivated the two to think about ways to do more than build a bridge or an orphanage. They determined to investigate options for addressing the severe malnutrition they witnessed in Liberia. “There’s got to be something we can do to help out.”

Malnutrition: A Significant Problem

A simple lack of food is something most people in the United States don’t think about. It almost seems impossible until seen for yourself. And, yet, in Liberia children were starving to death. So Ryan and Todd began researching malnutrition. What they found was distressing. According to a 2010 report from the UN’s World Food Programme, in Liberia 41% of the children under age 5 were stunted, a consequence of chronic malnutrition (see <https://www.childfund.org>). Ryan and Todd also discovered that Liberia was not alone. Each year over 2.6 million children die from malnutrition. That’s one child every 12 seconds.

According to UNICEF’s website (<https://data.unicef.org/>): “Nearly half of all deaths in children under 5 are attributable to undernutrition. This translates into the unnecessary loss of about 3 million young lives a year. Undernutrition puts children at greater risk of dying from common infections, increases the frequency and severity of such infections, and contributes to delayed recovery. In addition, the interaction between undernutrition and infection can create a potentially lethal cycle of worsening illness and deteriorating nutritional status. Poor nutrition in the first 1,000 days of a child’s life can also lead to stunted growth, which is irreversible and associated with impaired cognitive ability and reduced school and work performance.”

Malnutrition affects education, income, and productivity as well, so the two considered different options to help.

The Idea Takes Shape: Buy One, Give One Movement

Todd and Ryan considered different options for helping malnourished children in Liberia and other poverty-stricken regions, but were unsure how to proceed. For one thing, the problem exists on a huge scale. How can two people make a significant difference? When most people think of helping, they think of charities that provide funding or direct aid to those in need. A number of established, reputable companies provide food aid to children in need. However, for Ryan the problem was that “if people give, they just donate, but then the aid stops.” The two were interested in a more permanent solution, a model that would sustainably send aid to malnourished children in need.

Yet, the answer wasn’t obvious until one day when Ryan sent Todd an email with the subject “just a little idea to save the world.” That’s when it all changed. Ryan had seen a *60 Minutes* documentary on Plumpy’Nut, a ready-to-eat therapeutic food (REAT) product created specifically to combat severe malnutrition that was being distributed by Doctors Without Borders in Niger with great success. Plumpy’Nut was basically a peanut butter paste with additional nutrients that included the same vitamins and minerals as a glass of milk and a multivitamin. The effects for children suffering from severe malnutrition who started taking Plumpy’Nut over a 10-week period were miraculous. While it seemed clear that Plumpy’Nut could be a viable aid for malnourished children, the team still needed a vehicle for securing sustainable aid.

Ryan’s idea was to use the increasingly popular Buy One, Give One (BOGO) concept to provide Plumpy’Nut to children in need. BOGO was made popular by TOMS shoes, “The One for One” Company. TOMS was founded in 2006 with the mission to give a pair of shoes to a child in need for every pair bought. Other companies with a social agenda quickly adopted the TOMS model. Warby Parker, an online glasses retailer, refined the model. It gave a pair of eyeglasses for a pair bought, but also provided training for locals in donation areas to provide eye exams and sales training to sell affordable glasses locally. Naked Hippies,

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Running Case Study
Video This Saves Lives,
Chapter 1: Initial Marketing
Ideas

a Florida-based apparel company, took the BOGO model further. Not only does it donate apparel, but it also offers small loans to individuals in the donation locations to stimulate commerce and self-provision in the area. The BOGO movement includes a variety of companies and product categories, including Better World Books (books plus global literacy donations), Roma (boots), One World Play (initial investment by Sting—they donate soccer balls), Baby Teresa (baby clothes), Smile Squared (toothbrushes), Everything Happy (kids' blankets, toys, etc.), Soapbox (soap), and even BOGO Bowl (dog food for shelters). Ryan suggested to Todd that they use food for food. Their BOGO would be “Buy a Bar. Save a Life. We Eat Together.” People would buy snack bars and the company would give a packet of Plumpy’Nut to children in need. Todd loved the idea. But how would they make it a game changer that could significantly change lives in Liberia and elsewhere by solving the malnutrition problem? Clearly, their work was just getting started.

Running Case Questions

1. What other brands (in any category) can you name that have a social orientation/goal?
2. Who do you think might buy TSL bars, and why would they buy them?
3. Do you think the humanitarian, philanthropic aspect of the purchase is more or less important than the taste of the bars for TSL's success?
4. Do you think the TSL approach can or will be copied by competitors such as KIND Bars? Why or why not?
5. Do you think the bar is the best option for TSL? What other product options do you think might work to accomplish its goals?

Application Exercise

As you learned in this chapter, marketing is managing exchanges between the company and the customer. The TSL case introduced you to the founders of TSL and the motivation for their company. In each chapter, you will learn a little more about the company and its marketing, but to get started let's follow in their footsteps by learning a little about the bar market and try to uncover some general information about both customers and the products. In other words, we will initially focus on trying to find out what is being exchanged and what each party in the exchange hopes to get from the other.

Here are two brief exercises to get you started. Note there are no wrong answers for this exercise. You are simply doing a little investigating to get an idea about the bar market products and customers. We will build on this exercise each chapter to dig a little deeper into the TSL marketing.

1. A good place to start for understanding a market is to visit the market, in this case literally. Go to a local grocery store (or you can try an online market if necessary) and find the aisle that has snack bars, granola bars, and the like. Take a few pictures so you can document what the customer sees when walking down the aisle. Now take a few notes about what products are on the aisle together. Try to answer the following questions:
 - a. What basic categories of bars are there?
 - b. How many brands are there?
 - c. Which brands have the most options and take up most of the shelf space?
 - d. Which products draw your attention the most and why?
 - e. What else did you notice that you thought was interesting?
 - f. Can you identify different value propositions among the different bar options?

Be sure to save your notes, as we will refer back to them later.
2. Now, let's find out a little about what customers want in this market. Talk to some of your friends and family. Ask them the following questions:
 - a. Do you eat any kinds of snack bars? If so, which ones?
 - b. What do you look for when you buy bars?
 - c. Where do you typically buy them?
 - d. How often do you eat them?
 - e. How much would you normally pay for them?
 - f. Which is your favorite bar and why?

Compare the answers from different customers. Can you identify any common patterns in their answers? If so, what are they? Again, keep your notes as we will refer back to them later.

Congratulations, you have now completed your first marketing research project. Think about what you learned about this market. As you have no doubt guessed, there is still a lot we don't know, so we will add a piece each chapter to fill in the gaps and gain a better understanding of how marketing works. In Wiley PLUS, you can hear from Ryan Devlin as he describes the initial thinking behind This Saves Lives bars and some of their thoughts on marketing at the beginning of the startup journey.

Organizing and Planning for Marketing Strategy

CHAPTER OUTLINE

LEARNING OBJECTIVES

When you finish this chapter, you should be able to:

2.1 Marketing Strategy and Differentiation

Marketing Strategy and the Role of Marketing in an Organization
Establishing a Competitive Advantage

2.1 Describe marketing strategy and marketing's role in creating a competitive advantage.

2.2 Marketing Planning

Situation Analysis
The Marketing Plan
The Marketing Mix

2.2 Define the elements of marketing planning.

2.3 Marketing Implementation and Control

Implementation
Plan Evaluation and Control

2.3 Outline the key issues for implementing and controlling the marketing process.

Introduction

Steps of Faith is a nonprofit organization that helps amputees without health insurance get the prosthetic limb they need to “get back to work, get back to life, and get back to their mobility.” While most of the marketing you see comes from for-profit companies, nonprofits also have to use marketing effectively to achieve their goals. As Billy Brimblecom Jr. and Jim Suptic suggest, marketing is critical to their efforts to raise money to fund their charitable mission. One of their major marketing efforts is to sell tickets to their now yearly fundraising event, Thundergong, in Kansas City. Thundergong is a benefit event with music, comedy, and entertainment, and drawing a larger crowd means more amputees receive help.

In their discussion of their marketing for Thundergong, the pair point out several key considerations for successful marketing. First, marketing is strategic. You have to offer something to potential customers that is different and valuable. Second, to be successful, marketing requires goals and a plan. Finally, marketing success is not something that happens right away. Marketing activities should be monitored and continuously improved over time. In this chapter, we discuss the strategic role of marketing in the organization, focusing on creating a competitive advantage, on planning, and on implementation.

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See Industry Expert
Video Billy Brimblecom Jr.,
Executive Director, and Jim
Suptic, Operations Coordinator,
Steps of Faith

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