

GLOBAL
EDITION



Marketing

An Introduction

FIFTEENTH EDITION

Gary Armstrong and Philip Kotler

with

Marc Oliver Opresnik



Marketing

An Introduction

Fifteenth Edition
Global Edition

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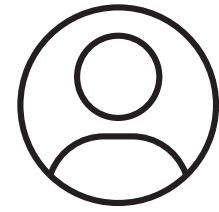
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Delaney, Molly, Macy, and Ben; Nancy, Amy, Melissa, and Jessica**

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New to This Edition

All That's New: Marketing in the Age of Disruption

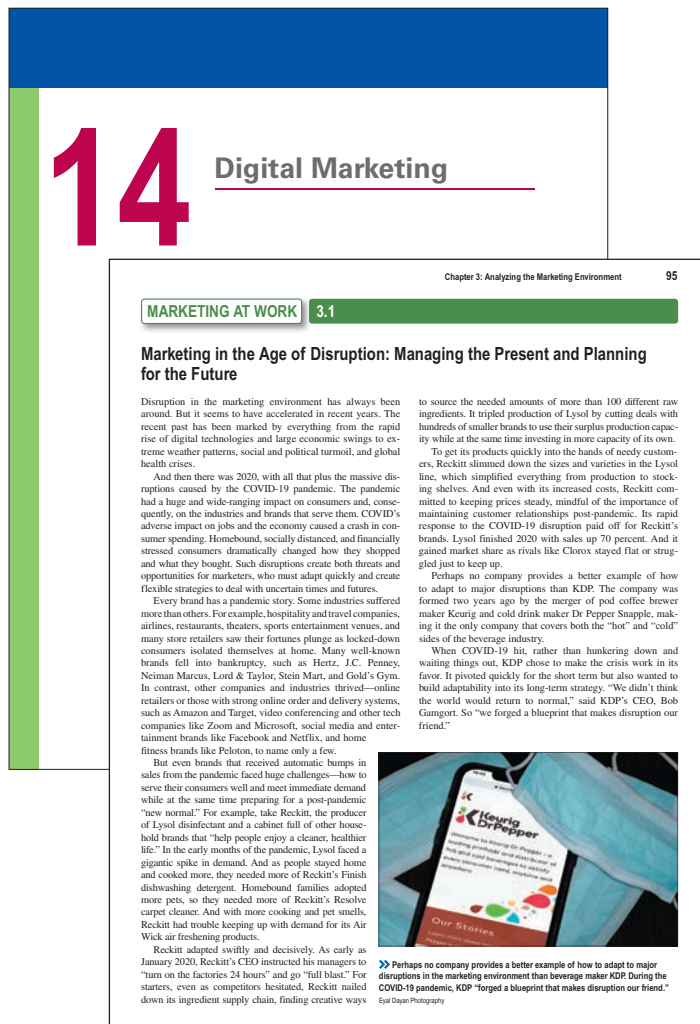
The fifteenth edition of *Marketing: An Introduction* reflects the major trends and shifting forces that impact marketing in this digital age of customer value, engagement, and relationships. Here are just some of the major new and continuing changes you'll find in this edition.

- **Customer engagement framework:** This fifteenth edition continues to build on its *customer engagement* framework—creating direct and continuous customer involvement in shaping brands, brand conversations, brand experiences, brand advocacy, and brand community. New coverage and fresh examples throughout the text address the latest customer engagement tools, practices, and developments.

- **Digital marketing:** In the fifteenth edition, the digital marketing chapter (Chapter 14) is retitled, heavily restructured, and much revised, with substantial new framing and content. Rather than treating digital marketing as a part of the promotion mix, the chapter is now a stand-alone digital marketing strategy chapter focusing on special considerations in preparing digital marketing campaigns. The recrafted chapter is organized around a four-step digital marketing process that involves understanding digital marketing, preparing for a digital marketing campaign, employing digital channels (online, social media, and mobile marketing) in an omni-channel strategy, and addressing public policy issues in digital marketing.

- **Marketing in the age of disruption:** Throughout the fifteenth edition, you'll find new coverage of how companies are dealing with recent major disruptions in the marketing environment. The recent past has been marked by everything from the rapid rise of digital technologies and large economic swings to extreme environmental patterns, social and political turmoil, and global health crises. For example, the digital age has caused a massive shift in what, how, and where consumers buy. Wide-ranging social, environmental, and political developments require a new approach to social responsibility, sustainability, and brand activism. The global COVID-19 pandemic had a huge and lasting impact on consumers and, consequently, on the industries and brands that serve them. Such disruptions create both threats and opportunities for marketers, who must adapt quickly and create flexible strategies that can deal with uncertain times and futures.

- **Marketing technology:** Keeping up with digital concepts, technologies, and practices is a top priority and major challenge for today's marketers. The fifteenth edition of *Marketing: An Introduction* provides thoroughly



refreshed, up-to-date coverage of these explosive developments in every chapter—from digital, online, mobile, and social media engagement technologies in Chapters 1, 4, 12, and 14; to “big data,” new marketing analytics, the Internet of Things, and artificial intelligence in Chapters 1, 3, 4, and 14; to the rapid rise of direct-to-consumer (DTC) marketing in Chapters 10, 11, and 14; to the massive shift to omni-channel and digital marketing in Chapters 11 and 14. The Chapter 1 section “The Digital Age: Online, Mobile, and Social Media Marketing” introduces the exciting developments in digital and social media marketing. Then a much-revised Chapter 14 on digital marketing digs more deeply into digital marketing strategy and the digital tools by which marketers engage consumers anywhere, anytime via their digital devices.

- **Fast-changing marketing trends and topics:** This edition adds fresh coverage of both traditional marketing areas and fast-changing topics such as digital, mobile, and social media marketing; customer engagement marketing; the customer journey; big data, artificial intelligence, and new marketing analytics; the major digital transformation in marketing research; omni-channel marketing and the massive shifts in today’s retailing; direct-to-consumer marketing (DTC); real-time customer listening and marketing; marketing content creation and curation; B-to-B social media and social selling; online and dynamic pricing; sustainability and social responsibility; global marketing; and much more.
- **Content marketing and marketing communications:** The fifteenth edition continues to track fast-changing developments in marketing communications and the creation of brand content. Marketers no longer simply create advertising and integrated marketing communications programs; they join with customers and media to curate and share marketing content in paid, owned, earned, and shared media. You won’t find fresher coverage of these important topics in any other marketing text.

First Stop

Amazon: Obsessed with Creating Customer Value, Engagement, and Relationships

When you think of shopping online—or of shopping anywhere, for that matter—chances are good that you think first of Amazon. The online pioneer first opened its virtual doors in 1995, selling books out of founder Jeff Bezos’s garage in suburban Seattle. Amazon still sells books—lots and lots of books. But it now sells just about everything else as well, from electronics, housewares, apparel, and groceries to loose diamonds, musical instruments, and Maine lobsters. And Amazon has rapidly moved beyond online selling, not just into physical services, and where the work is done. From the e-commerce giant now public, second-largest unprofitable as of late even in the world’s most competitive markets. What has Amazon done to create this success? “Obsess over customer drive value for customers. Visitors to Amazon.com are greeted by personalized recommendations and reviews more than just products. Personalized recommendations are a key factor on Amazon.com, and the company has become a leader in browsing for products and reviews more than just products. Personalized recommendations are a key factor on Amazon.com, and the company has become a leader in browsing for products and reviews more than just products. Personalized recommendations are a key factor on Amazon.com, and the company has become a leader in browsing for products and reviews more than just products.



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Part 1: Defining Marketing and the Marketing Process

MARKETING AT WORK 1.2

Zoom: A Winning Product and Agile Marketing in the Digital Age

The COVID-19 pandemic triggered a sudden move to the digital world with remote working, virtual learning, online consultations, and online socializing becoming the norm. The lockdowns and work-from-home requirements pushed businesses to be nimble in responding to the fast-changing situation and to employees. This propelled the need for efficient communication tools and video-conferencing came up with ways to stay connected with their customers and platforms. Although many video-conferencing apps like Skype, Cisco, Webex, and Google Meet existed, Zoom, which was already a major player in the video-conferencing industry, came into the limelight in a matter of few days during the pandemic.

Zoom was founded in 2011 by Eric Yuan and is headquartered in San Jose, California. Zoom is a cloud-based video communications app that enables its users to set up online video and audio conferences and webinars with live chats, screen-sharing, and other functions for efficient virtual collaboration. During the pandemic, Zoom quickly became the benchmark for video conferencing and a platform providing real-time collaborative communication for businesses, organizations, public bodies, schools, colleges, universities, and for personal use around the world. In 2019, it was listed on the Nasdaq stock exchanges.

Before the pandemic, people normally imagined video conferencing to mean a serious corporate meeting with participants who could not be physically present in the boardroom. However, the coronavirus changed this perception within a few days as video calling became the way through which society operated. Millions of people across the globe who were locked up in their homes resorted to using video conferencing to attend not just work meetings but also birthday parties, school and college classes, virtual concerts, religious events, and even funerals. These unforeseen circumstances led to a race in the tech industry to fulfill the urgent communication needs of businesses and individual consumers. Some experts have commented that accelerated adoption behavior exhibited by people could be equated to seven years’ worth of adoption behavior as the market was pushed to plan, implement, and adopt a seven-year plan in two weeks. Zoom seemed to be most ready to respond to the market needs. According to Business Insider, the usage of Zoom increased by a whopping 1900 percent between December 2019 and September 2020!

Zoom’s primary appeal comes from its simplicity and the user-friendly experience it offers. The app is easy to get started with and the user interface is simple. The company prides itself on delivering happiness to its users by enabling them to connect with others, express ideas, and pursue future dreams and goals. Zoom has offered scalable and secure communication and collaboration solutions for individuals, small businesses, and large corporates alike. It has developed plans specifically tailored for different industries, including the education sector, healthcare sector, finance sector, government, and the IT sector, to offer appropriate features and customer-support systems for their respective industries. As the usage and popularity of the app kept on increasing in the early days of the pandemic, the company continued to innovate, adding features to enhance the user experience. Some of its most popular capabilities preferred by its users include in-meeting chat, meeting recordings, screen sharing, breakout rooms, virtual backgrounds, raise-hand feature, remote support, personal meeting ID, waiting room, and integration with Google and Outlook calendars.

Although Zoom reached unprecedented levels of popularity during the COVID-19 pandemic, it was already on an impressive growth path before the coronavirus triggered lockdowns and stay-at-home orders were enforced. It had already done the groundwork for its exemplary success based on three key factors: 1) having a strong customer focus as part of its DNA; 2) building an innovative product that sells itself; and 3) spending on marketing and brand building. According to the founder and CEO of Zoom Eric Yuan, “From the start, Zoom’s main focus had been to provide a cloud-based video conferencing platform that would



➤ **Real-time marketing:** Videoconferencing app Zoom has made skillful use of real-time social media marketing to create a fresh, relevant brand personality and spark ongoing real-time engagement.

Seemanta Dutta / Alamy Stock Photo

- **Global marketing and sustainable marketing:** The fifteenth edition’s global marketing and sustainable marketing chapters (Chapters 15 and 16) have both been significantly restructured and revised, with new organizing frameworks, concepts, and examples.

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

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

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

discussion questions, critical thinking exercises, and other applications features are also new and revised.

Solving Teaching and Learning Challenges

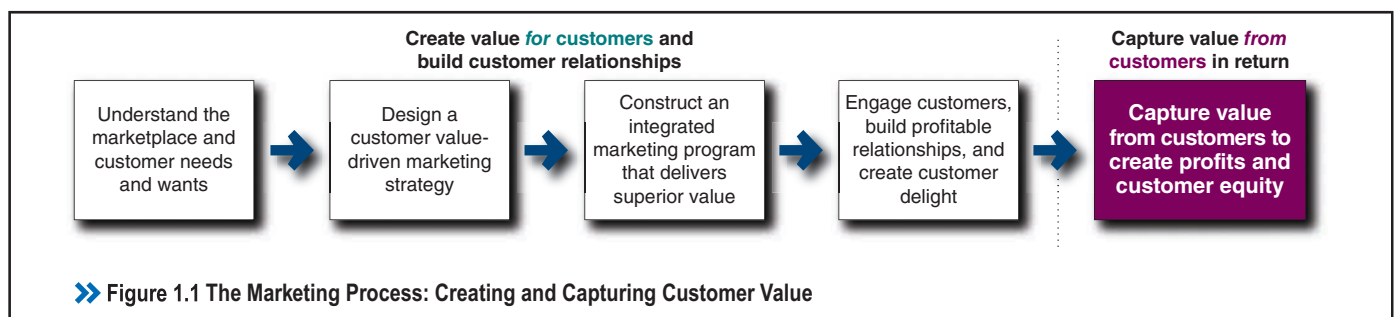
Today's marketing is all about creating customer value and engagement in a fast-changing, increasingly digital and social marketplace. Marketing starts with understanding consumer needs and wants, determining which target markets the organization can serve best, and developing a compelling value proposition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

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

Six Major Customer Value and Engagement Themes

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

1. **Creating value for customers in order to capture value from customers in return.** Today's marketers must be good at *creating customer value*, *engaging customers*, and *managing customer relationships*. In return, they capture value from customers in the form of sales, profits, and customer equity. This innovative *customer value and engagement framework* is introduced at the start of Chapter 1 in a unique five-step marketing process model (see Figure 1.1), which details how marketing *creates* customer value and *captures* value in return. The framework is carefully developed in the first two chapters and then fully integrated throughout the remainder of the text.
2. **Customer engagement and today's digital and social media.** Digital, mobile, and social media have dramatically changed how companies and brands engage consumers, and how consumers connect and influence each other's brand behaviors. The fifteenth edition thoroughly explores the exciting digital, mobile, and social media technologies that help brands to engage customers more deeply and interactively. It starts with two major Chapter 1 sections, "Customer Engagement and Today's Digital, Mobile, and Social Media" and "The Digital Age: Online, Mobile, and Social Media." A completely restructured and revised Chapter 14 on digital marketing summarizes the latest developments in digital marketing strategy and digital engagement tools. Chapters 11 and 14 discuss the massive shift toward digital and omni-channel buying and marketing. Everywhere in between, you'll



» Figure 1.1 The Marketing Process: Creating and Capturing Customer Value

Appendix 3 Marketing by the Numbers

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

The appendix is built around a hypothetical manufacturer of home automation products—Wise Domotics (“domotics” refers to information technology in the home). The company is introducing a device that allows users to control all internet-connected smart devices in their homes. Users will be able to control lighting, temperature, multimedia, security systems, appliances, windows and doors, phones, and any other smart devices in their homes that are connected to the internet. In this appendix, we will analyze the various decisions Wise Domotics’s marketing managers must make before and after the new product launch.

Chapter 11: Retailing and Wholesaling 397

Marketing by the Numbers The Haуз of Spize

The Malaysian food and grocery retail market offers the same breadth of products that consumers would expect, including packaged and unpackaged food, beverages, and household products. In 2018, the Malaysian food and grocery retail market was worth an estimated \$48.2 billion with an annual growth rate of around 9.4 percent. Of this \$48.2 billion, 83.2 percent or \$40.1 billion was related to food purchases. A further increase in the market took place after the Malaysian Ministry of Finance scrapped a 6 percent tax on goods and services. This had a significant impact on the price of food and beverages.

Malaysian restaurateur, Priti Gathani has operated four What Tasty Food Restaurants for nine years and in March 2021 she opened her first grocery store in the affluent Bangsar, a residential suburb on the outskirts of Kuala Lumpur, under the name The Haуз of Spize.

Gathani and her partners hope that they will break even within the first eight months of operation. She was keen to open the store, recognizing that regardless of the pandemic or changes in the eating habits of customers, they would always need to obtain their food supplies and that many customers had switched to home cooking during the pandemic. Gathani hopes to open a chain of stores over the next few years with her focus on fresh vegetables, hand-ground spices, and organic produce.

However, finding the right balance of products and stocking levels is challenging. Not stocking enough merchandise—in

much inventory increases costs and lowers margins, especially because of perishability. Both conditions reduce profits. One measure of a reseller’s inventory management effectiveness is its *stockturn rate* (also called *inventory turnover rate* for manufacturers). Retailers want to realize a large volume of sales on as little inventory as possible while maintaining enough stock to meet customer demand. To determine this, Gathani would need to run short-term market tests in selected stores to determine the optimum inventory levels.

11-14. Using the data below, determine The Haуз of Spize’s weekly stockturn rate for fresh produce during one of the market tests. Refer to Analytic Ratios in Appendix 3: Marketing by the Numbers to learn how to calculate stockturn rate. (AACSB: Analytical Thinking)

	Week 1	Week 2	Week 3	Week 4
Cost of goods sold	\$76,000	\$73,000	\$86,000	\$98,000
Average inventory at cost	\$35,000	\$32,000	\$38,000	\$41,000

11-15. Interpret your answers in the previous question. Is the weekly stockturn rate of The Haуз of Spize good or bad? What factors should be considered to determine this? (AACSB: Written and Oral Communication; Re-

costs. Whereas total fixed costs remain constant as output increases, the fixed cost per unit (or average fixed cost) will decrease as output increases because the total fixed costs are spread across more units of output. Variable costs vary directly with the level of production and include costs related to the direct production of the product (such as costs of goods sold—COGS) and many of the marketing costs associated with selling it. Although these costs tend to be uniform for each unit produced, they are called variable because their total varies with the number of units produced. Total costs are the sum of the fixed and variable costs for any given level of production.

Fixed costs
Costs that do not vary with the level of production.

Variable costs
Costs that vary directly with the level of production.

Total costs
The sum of the fixed and variable costs for any given level of production.

find revised and expanded coverage of the exploding use of digital and social marketing tools.

3. **Building and managing strong, value-creating brands.** Well-positioned brands with strong brand equity provide the basis upon which to build customer value and profitable customer relationships. Today’s marketers must position their brands powerfully and manage them well to create valued brand experiences. The fifteenth edition provides a deep focus on brands, anchored by a Chapter 7 section titled “Branding Strategy: Building Strong Brands.”

4. **Measuring and managing return on marketing.** Especially in uneven economic times and an uncertain marketing environment, marketing managers must ensure that their marketing dollars are being well spent. “Marketing accountability”—measuring and managing marketing return on investment—has now become an important part of strategic marketing decision making. This emphasis on marketing accountability is addressed in Chapter 2, in Appendix 3: Marketing by the Numbers, and throughout the fifteenth edition.

5. **Sustainable marketing around the globe.** As technological developments make the world an increasingly smaller and more fragile place, marketers must be good at marketing their brands globally and in sustainable ways. New material throughout the fifteenth edition emphasizes the concepts of global marketing and sustainable market-

ing—meeting the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs. The fifteenth edition integrates global marketing and sustainability topics throughout the text. It then provides focused coverage on each topic in Chapters 15 and 16, respectively. Both chapters are substantially restructured and revised in this edition for clarity and currency.

6. **Marketing in the age of disruption.** Disruptions in the marketing environment have always been around. There will be a constant flow of future disruptions, and the “new normal” will always be elusive and evolving. Throughout the fifteenth edition, you’ll find discussions and examples of how companies and brands are successfully meeting disruptive challenges—from the digital revolution and large economic swings, to new-age disruptive brands, to the aftermath of the global COVID-19 pandemic, to wide-ranging environmental, social, and political movements. As a basic tenet of marketing, to prosper in this age of disruption or even to survive, marketers must bend and adapt to fend off the threats and take advantage of the opportunities. They must learn to serve customers profitably in the face of constant change and uncertainty.

In-Text Teaching and Learning Features

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

- **Integrated chapter-opening preview sections.** The active and integrative chapter-opening spread in each chapter starts with an *Objectives Outline* that provides a helpful preview of chapter contents and learning objectives. Next, a *Previewing the Concepts* section briefly previews chapter concepts, links them with previous chapter concepts, and introduces the chapter-opening story. Finally, a *chapter-opening vignette*—an engaging, deeply developed, illustrated, and annotated marketing story—introduces the chapter material and sparks student interest.

MINICASES AND APPLICATIONS

Digital Marketing Brand Support for Black Lives Matter

In May 2020, amid many protests for Black Americans, many brands posted for the Black community and for the (BLM) movement. On June 2, 2020, Black Out Tuesday, on which social media for the day and display show support for Black Lives Matter policy changes countering systemic justice system. Some of the nation's from Starbucks, Netflix, Nordstrom Glossier, Ben & Jerry's, and the NFL power to help build awareness and movement. Social media posts from higher-than-usual engagement. User-generated content grew more than 250-fold.

One reason that many brands take public stands on controversial Black Lives Matter movement is its millennial and Generation Z consumers important to brands' future growth. People questioned whether brand could

Marketing Ethics Echo

Amazon recently introduced its Echo which the company markets as a smart transaction-free smart speaker with assistant Alexa. Designed for kids, controls that can limit activities and do not want children to access. How Campaign for Commercial-Free Child advocates against child-targeted marketing that parents may rely on the Echo device or assistance and not realize device.

For example, if children tell All Echo Dot will offer games or activities one of Amazon's brand partners. The extent that children cannot differentiate from non-advertising messages. The Echo information from children that it is recommendations, which could influence

Marketing by the Numbers

As marketers focus on Generation Z, younger power, another generation should aging baby boomers. The U.S. 65-

Appendix 1 Company Cases

Company Case 1

Buffalo Wild Wings: Fueling the Sports Fan Experience

With thousands of restaurants and chains in the United States, the casual dining market is a fiercely competitive environment. That's why it's especially notable when a brand hits a growth spurt even as most of the others struggle just to hang on. Buffalo Wild Wings—the number one seller of chicken wings and the largest purveyor of draft beer—was one of those brands. In little more than a decade, Buffalo Wild Wings increased its footprint from 300 restaurants to more than 1,200—a growth curve that resembled the upward spiral of a perfectly thrown football. During that growth spurt, B-Dubs—as it is known to fans and employees alike—was one of the fastest-growing restaurant chains in the United States.

But everyone knows that a perfectly thrown football cannot go up forever. Thus it was for Buffalo Wild Wings. As fast as it grew for the better part of a decade, sales growth flattened and even started declining. Profits took an even bigger hit than sales. B-Dubs blamed everything from a growing cut-at-home trend among millennials to a global price escalation for chicken wings. As one of few publicly traded restaurant chains, Buffalo Wild Wings faced mounting pressure to “fix things.” Those at the helm of Buffalo Wild Wings had to figure things out quickly. What was it that has made the chain so successful for so many years? And why was that no longer working?

Powering Growth

What was the secret sauce that initially set this wing joint on fire? Many years ago, Buffalo Wild Wings figured out that satisfying hunger or even a craving for a particular flavor of food weren't the only reasons people chose to dine out. So Buffalo Wild Wings focused on crafting and delivering a holistic customer experience for a specific type of customer. “We realize that we're not just in the business of selling wings,” the company stated during its prime. “We're something much bigger. We're in the business of fueling the sports fan experience. Our mission is to WOW people every day!” That mission wasn't just lip service. Every aspect of the brand's offering was designed to execute on that promise.

It all started back in 1982 when Jim Disbow and Scott Lowery opened their first B-Dubs restaurant near The Ohio State University. Having just relocated from Buffalo, New York, the duo based the concept on a proprietary sauce they had developed when they found that no one in the Columbus, Ohio, area was serving authentic Buffalo wings. As their business thrived, the young entrepreneurs were eager to get to know their

customers and give them what they wanted. It became immediately apparent that what the customers wanted was to watch Ohio State football games on the restaurant's lone TV set.

From that epiphany, Buffalo Wild Wings evolved into a chain with a singular focus—to be the kind of place that entices any fan of any sport. With a general strategy in place and irresistible franchise fees, the company sprang up like a Michael Jordan jump shot. In fact, in 2003, Buffalo Wild Wings made a bold move by going public, joining a small number of stand-alone restaurant chains to be publicly traded.

Around that time, Buffalo Wild Wings embarked on a massive expansion based on a new restaurant design. An early adopter of flat-screen TVs, Buffalo Wild Wings designed its restaurants to be filled with dozens of the gleaming rectangles, ensuring that every seat and table was the best seat in the house. The ambience inside screamed “stadium,” with ample natural light, brightly colored furnishings and wall coverings, high-definition LED screens that were highly visible in a well-lit environment, and a large bar area segregated from the dining area. Whereas many restaurants are designed to “turn-and-burn” in order to cycle as many guests as possible through each table, the environment at Buffalo Wild Wings invited people to linger longer and continue to enjoy the various food and beverage options.

And while Buffalo Wild Wings' formula for success was largely centered on the non-menu elements of the restaurant experience, it did not overlook the menu. With 21 signature sauces and seasonings, all available on traditional and boneless wings, the company ensured there was no shortage of options to keep customers coming back again and again. In the beer department, Buffalo Wild Wings offers as many as 30 different draft beers with a variety of domestic, import, and craft brands. Because draft beers have to achieve a certain level of turnover to ensure freshness, no other chain boasts this much variety.

When Life Gives You Lemons, Make Lemon Pepper Chicken Wings

In 2008, Buffalo Wild Wings got an unexpected boost to restaurant traffic. As the Great Recession hit, it became apparent just how much value customers saw in Buffalo Wild Wings' focus on fueling the sports fan experience. As most casual dining chains saw revenues plummet, B-Dubs experienced the opposite. “We had a lot of customers during the downturn who came to our restaurants because of the [high] cost of going to the game,” says CEO Sally Smith. “We wanted to create an exciting environment for our customers where they could put in a customized wing order, have a beer, and enjoy the game just as much as if they had been there.” In the years following, folks progressively opted out of expensive cable packages in lieu of more affordable subscription services like Netflix and Hulu. This brought in plenty of clients

- **Author comments and figure annotations.** Throughout each chapter, author comments ease and enhance student learning by introducing and explaining major chapter sections and figures.

- **Reviewing and extending the concepts.** Sections at the end of each chapter summarize key chapter concepts and provide questions and exercises by which students can review and apply what they've learned. The *Objectives Review and Key Terms* section reviews major chapter concepts and links them to chapter objectives. It also provides a helpful listing of chapter key terms by order of appearance to facilitate easy reference. A *Discussion and Critical Thinking* section provides discussion questions and critical thinking exercises that help students to keep track of and apply what they've learned in the chapter.

- **Minicases and Applications.** Sections at the end of each chapter provide brief *Digital Marketing*, *Marketing Ethics*, and *Marketing by the Numbers* applications cases that facilitate discussion of current issues and company situations in areas such as mobile and social marketing, ethics, and financial marketing analysis. An end-of-chapter *Company Cases* section identifies which of the company cases found in Appendix 1 are best for use with each chapter.

Developing Employability Skills

- **Marketing at Work features.** Each chapter contains a chapter-opening story and two deeply developed *Marketing at Work* highlight features that provide in-depth looks at real brand marketing strategies and contemporary marketing issues. For example, students learn how Amazon's deep-down passion for creating customer value, engagement, and relationships earns customer buying dollars and loyalty in return; how UNIQLO tries to live up to its philosophy “Made for All”; why Peloton's products fly off the shelves despite their premium prices; and how brands like Wendy's, Denny's, Jollibee, and Zoom harness real-time marketing's power to engage customers in the moment. They see how Instagram has made itself a win-win-win for the company, advertisers, and Instagrammers alike; what makes LinkedIn the place to be for B-to-B marketers; and how upstart brands like Casper Mattress awakened their slumbering industries through direct-to-consumer marketing. They learn that artificial intelligence in marketing is now “a bigger deal than fire and electricity” and how brands ranging from Walmart and Target to beverage maker Keurig Dr Pepper have learned to deal with marketing in this age of disruption. No other text brings marketing to life like the fifteenth edition of *Marketing: An Introduction*.
- **Company Cases.** Appendix 1 contains 16 all-new company cases that help students to apply major marketing concepts and critical thinking to real company and brand situations.
- **Marketing Plan appendix.** Appendix 2 contains a detailed sample marketing plan that helps students to apply important marketing planning concepts.

- **Marketing by the Numbers appendix.** An innovative Appendix 3 provides students with a comprehensive introduction to the marketing financial analysis that helps guide, assess, and support marketing decisions. A new or revised exercise at the end of each text chapter lets students apply analytical and financial thinking to that chapter's concepts and links the chapter to the Marketing by the Numbers appendix.
- **Careers in Marketing.** A newly revised Appendix 4 helps students to explore marketing career paths and lays out a process for landing a marketing job that best matches their special skills and interests.

Instructor Teaching Resources

The fifteenth edition of *Marketing: An Introduction* comes with the following resources:

- Instructor's Manual
- Test Bank
- Computerized TestGen
- PowerPoints

For more information and resources, please visit www.pearsonglobaleditions.com/

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About the Authors

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

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

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

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

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

of 1,000 senior executives across the world, Professor Kotler was ranked as the fourth “most influential business writer/guru” of the twenty-first century. He is considered by many to be the “father of modern marketing.”

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



MARC OLIVER OPRESNIK is a professor of Marketing and Management and Member of the Board of Directors at St. Gallen Management Institute, a leading international business school. In addition, he is Professor of Business Administration at the Technische Hochschule Lübeck as well as a visiting professor to international universities such as the Judge Business School of the University of Cambridge, Regent’s University London, and the East China University of Science and Technology (ECUST) in Shanghai.

He has 10 years of experience working in senior management and marketing positions for Shell International Petroleum Co. Ltd.

Dr. Opresnik is the author of numerous articles and books. Along with Kevin Keller and Phil Kotler, he is a co-author of the German edition of *Marketing Management*, the “Bible of Marketing.” He is also a co-author with Phil Kotler and Svend Hollensen of *Social Media Marketing: A Practitioner Approach*, which is one of the most widely used social media marketing textbooks. He is a co-editor and member of the editorial board of several international journals such as *Transnational Marketing Journal*, *International Journal of New Technologies in Science and Engineering*, and *International Journal of Management & Social Sciences*.

In March 2014, he was appointed Chief Research Officer at Kotler Impact Inc., the internationally operating company of Phil Kotler. In addition, he was appointed Chief Executive Officer of the Kotler Business Programme, an initiative to enhance marketing education worldwide via online and offline learning with Pearson as global educational partner.

As President of his consulting firm Opresnik Management Consulting, he works for numerous institutions, governments, and international corporations, including Google, Coca-Cola, McDonald’s, SAP, Shell International Petroleum Co. Ltd., Procter & Gamble, Unilever, L’Oréal, Bayer, BASF, and adidas. Over 30 million people have experienced Dr. Opresnik as a TEDx speaker and presenter at congresses and conferences and as a trainer in seminars on marketing, sales, and negotiation management at both national and international levels and have benefited from his insights both professionally and personally. With his many years of international experience as a coach, keynote speaker, and consultant, Marc Oliver Opresnik is one of the most renowned marketing, management, and negotiation experts.

1

Marketing

Creating Customer Value and Engagement

Objectives Outline

- ▶ OBJECTIVE 1-1 Define marketing and outline the steps in the marketing process.
- ▶ OBJECTIVE 1-2 Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.
- ▶ OBJECTIVE 1-3 Identify the key elements of a customer value–driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.
- ▶ OBJECTIVE 1-4 Discuss customer relationship management and identify strategies for creating value for customers and capturing value from customers in return.
- ▶ OBJECTIVE 1-5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Previewing the Concepts

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

Let's start with a good story about marketing in action at Amazon, by far the nation's leading online marketer. The secret to Amazon's success? It's really no secret at all. Amazon is flat-out customer obsessed. It has a deep-down passion for creating customer value, engagement, and relationships. In return, customers reward Amazon with their buying dollars and loyalty. You'll see this theme of creating customer value in order to capture value in return repeated throughout this chapter and the remainder of the text.

First Stop

Amazon: Obsessed with Creating Customer Value, Engagement, and Relationships

When you think of shopping online—or of shopping anywhere, for that matter—chances are good that you think first of Amazon. The online pioneer first opened its virtual doors in 1995, selling books out of founder Jeff Bezos’s garage in suburban Seattle. Amazon still sells books—lots and lots of books. But it now sells just about everything else as well, from electronics, housewares, apparel, and groceries to loose diamonds, musical instruments, and Maine lobsters. And Amazon has rapidly moved beyond online selling, not just into physical stores but also into video and music streaming, cloud services, and the Internet of Things. If one company best represents where the world is now headed, it’s probably Amazon.

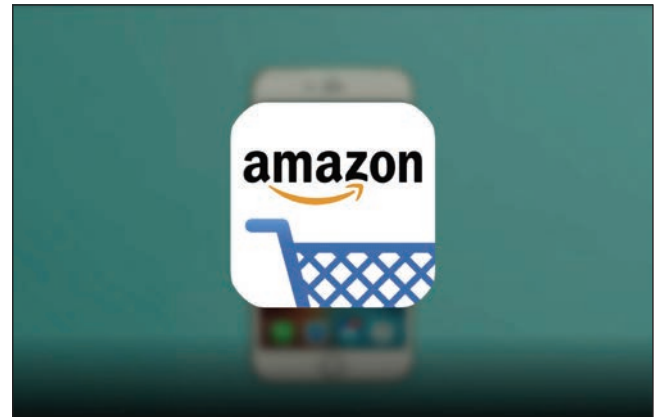
From the start, Amazon has grown explosively. During just the past three years, Amazon’s revenues have more than doubled to \$386 billion, an average of \$283,000 every minute of every day. The e-commerce giant now pulls in 45 percent of all U.S. online sales and is the nation’s second-largest company by revenues, trailing only Walmart. And as unthinkable as it might seem, at its current growth rate, Amazon could overtake even mighty Walmart in as little as two years.

What has made Amazon such an amazing success story? Founder and executive chair Jeff Bezos puts it in three simple words: “Obsess over customers.” To its core, the company is relentlessly customer driven. “The thing that drives everything is creating genuine value for customers,” says Bezos. Amazon believes that if it does what’s good for customers, profits will follow.

Amazon wants to deliver a special experience to every customer. Most Amazon.com regulars feel a surprisingly strong relationship with the company, especially given the almost complete lack of actual human interaction. Amazon obsesses over making each customer’s experience uniquely personal. For example, the Amazon.com site greets customers with their very own home pages, complete with personalized site content and recommendations based on their past purchase and browsing histories and the purchasing patterns of customers with similar profiles. If it has 300 million Prime and non-Prime customers, Amazon reasons, it should have 300 million stores.

Visitors to Amazon.com receive a unique blend of benefits: huge selection, good value, low prices, and convenience. But it’s the “discovery” factor that makes the buying experience really special. Once on Amazon.com, you’re compelled to stay for a while—looking, learning, and discovering. More than just a place to buy things, Amazon.com has become a kind of online community in which customers can browse for products, research purchase alternatives, and share opinions and reviews with other visitors. In this way, Amazon does much more than just sell goods online. It engages customers and creates direct, personalized customer relationships and satisfying experiences.

From the very start, selection, convenience, and value have been the foundation stones of the Amazon experience. Amazon’s primary goal is to help customers get whatever they want in the shortest possible time at the right price. To create even greater selection and discovery for customers, Amazon allows competing retailers—from mom-and-pop operations to Marks & Spencer—to sell their products on Amazon.com through the Amazon Marketplace, creating a virtual shopping mall of incredible proportions.



➤ Amazon does much more than just sell goods online. It engages customers and creates satisfying customer experiences. “The thing that drives everything is creating genuine value for customers,” says Amazon founder Jeff Bezos.

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Amazon’s innovations have made the order and delivery process a breeze. First it was 1-Click ordering that let customers purchase and ship to preset options with just one click. Then Amazon added Dash Buttons—shortcut buttons that let customers quickly reorder favorite products. If there’s no smartphone or app handy, customers equipped with an Amazon Echo smart speaker can now voice-shop with a simple command, “Alexa, reorder laundry detergent”—Amazon’s artificial intelligence-driven digital assistant will place and ship the order for them. Or easier yet, Amazon’s Subscribe & Save system gives customers discounts for setting up automatic repurchase of consumable products. And Amazon Dash Replenishment can even check product levels in cloud-connected devices (think printer cartridges) and place reorders before customers even know they are running low.

As for delivery, no other seller—online or offline—has been more effective than Amazon in getting the goods to its customers fast. As much as it sells products and convenience, Amazon also sells “speed.” When the online giant first introduced Amazon Prime more than fifteen years ago, free 48-hour shipping was unheard of; now, it’s standard across the industry. So Amazon is working to bring its free Prime shipping down to 24-hours. If that’s not fast enough for you, there’s Amazon Prime Now—delivery within two hours or less. “It’s cheap, easy, and outrageously fast,” says one awestruck customer.

Amazon’s deep-down passion for creating customer value, engagement, and relationships has made it the nation’s leading online retailer. Amazon has become the model for companies that are obsessively and successfully focused on delivering customer value.

According to the vice president of Amazon Prime Now, her business boils down to two simple questions: “Do you have what I want, and can you get it to me when I need it?” Amazon continues to invest heavily in making the answers to both questions a resounding “yes.” To build an even faster and more reliable customer delivery experience, Amazon is rapidly amassing its own fleets of delivery vans, trucks, and Boeing 767 cargo planes that will make it less dependent on third-party shippers such as UPS and the U.S. Postal Service. By one estimate, Amazon currently delivers two-thirds of its own packages. The company is also actively exploring more futuristic options, such as delivery drones, robots, and driverless vehicles.

As Walmart and other store retailers are increasingly invading Amazon’s digital domain, the online retailer is also invading their brick-and-mortar worlds. It knows that a complete customer relationship will require merging online and offline selling into the seamless omni-channel shopping experience that today’s consumers expect. For example, Amazon’s purchase of upscale grocery chain Whole Foods Market gave it a leap forward in grocery retailing and also provided a physical store platform for the selling and more speedy delivery of other kinds of goods.

Amazon is expanding its physical store presence further with store concepts such as Amazon Books (books), Amazon 4-Star (selections of top-rated or trending items), Amazon Fresh (assortments of fresh

and prepared foods), Amazon Go convenience and grocery stores (automated self-checkout), and Amazon Pop Up (temporary stores). In addition to selling products, these stores serve as pickup and return locations for online purchases. And to make returns easier yet, customers can simply drop returns off at their nearest Kohl’s or UPS Store. That’s it. Store employees will pack, label, and ship them back for free.

So what sweeping new customer-pleasing changes can you expect from Amazon in the future? According to Bezos, that’s not the most important question. The more important question is what’s *not* going to change? And at Amazon, that’s creating real customer value. “We know that customers want low prices,” says Bezos, “and I know that’s going to be true 10 years from now. They want fast delivery; they want vast selection. And so . . . we know the energy we put into [those things] today will still be paying off dividends for our customers 10 years from now.”

Thus, Amazon has become the poster child for companies that are obsessively and successfully focused on delivering customer value. “Our customers are loyal to us right up until the second somebody offers them a better service,” says Bezos. “And I love that. It’s super-motivating for us.” He concludes, “When things get complicated, we simplify them by asking, ‘What’s best for the customer?’ We believe that if we do that, things will work out in the long term.”¹

Today’s successful companies have one thing in common: Like Amazon, they are strongly customer focused and heavily committed to marketing. These companies share a passion for satisfying customer needs in well-defined target markets. They motivate everyone in the organization to help build lasting customer relationships based on creating value.

Customer relationships and value are especially important today. Facing dramatic technological advances and deep economic, social, and environmental disruptions, today’s customers are reassessing how they engage with brands. New digital, mobile, and social media developments have revolutionized how consumers shop and interact, in turn calling for new marketing strategies and tactics. It’s now more important than ever to build strong customer engagement, relationships, and advocacy based on real and enduring customer value.

We’ll discuss the exciting new challenges facing both customers and marketers later in the chapter. But first, let’s introduce the basics of marketing.

Author Comment

Pause here and think about how you’d answer this question before studying marketing. Then see how your answer changes as you read the chapter.

What Is Marketing?

OBJECTIVE 1-1 Define marketing and outline the steps in the marketing process.

Marketing, more than any other business function, deals with customers. Although we will soon explore more detailed definitions of marketing, perhaps the simplest definition is this one: Marketing is engaging customers and managing profitable customer relationships. The twofold goal of marketing is to attract new customers by promising superior value and to keep and grow current customers by delivering value and satisfaction.

For example, Amazon dominates the online marketplace by creating a world-class online buying experience that helps customers to “find and discover anything they might want to buy online.” Facebook has attracted more than 2.7 billion monthly active web and mobile users worldwide by helping them to “connect and share with the people in their lives.” And Starbucks dominates the U.S. out-of-home coffee market by “creating a culture of warmth and belonging, where everyone is welcome.”²

Sound marketing is critical to the success of every organization. Large for-profit firms such as Apple, Target, Coca-Cola, Procter & Gamble, and Microsoft use marketing. But so do not-for-profit organizations, such as colleges, hospitals, museums, symphony orchestras, and even churches.



»» Marketing is all around you, in good-old traditional forms and in a host of newer forms, from websites and mobile apps to online videos and social media.

Cathy Yeulet/123RF

You already know a lot about marketing—it’s all around you. Marketing comes to you in the good-old traditional forms: You see it in the abundance of products at your nearby shopping mall and the ads that fill your TV screen, spice up your magazines, or stuff your mailbox. »» And in recent years, marketers have assembled a host of newer marketing approaches, everything from imaginative websites and smartphone apps to online videos and social media. These new approaches do more than just blast out messages to the masses. They reach you directly, personally, and interactively. Today’s marketers want to become a part of your life and enrich your experiences with their brands. They want to help you live their brands.

At home, at school, where you work, and where you play, you see marketing in almost everything you do. Yet there is much more to marketing than meets the consumer’s casual eye. Behind it all is a massive network of people, technologies, and activities competing for your attention and purchases. This book will give you a complete introduction to the basic concepts and practices of today’s marketing. In this chapter, we begin by defining marketing and the marketing process.

Marketing Defined

What *is* marketing? Many people think of marketing as only selling and advertising. We are bombarded every day with TV commercials, online pitches, catalogs, and spiels from salespeople. However, selling and advertising are only the tip of the marketing iceberg.

Today, marketing must be understood not in the sense of making a sale—“telling and selling”—but in the sense of satisfying customer needs. If marketers engage consumers effectively, understands their needs, develops products that provide superior customer value, and price, distribute, and promote them well, these products will sell easily. In fact, according to management guru Peter Drucker, “The aim of marketing is to make selling unnecessary.”³ Selling and advertising are only part of a larger marketing mix—a set of marketing tools that work together to engage customers, satisfy customer needs, and build customer relationships.

Broadly defined, marketing is a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others. In a narrower business context, marketing involves building profitable, value-laden exchange relationships with customers. Hence, we define **marketing** as the process by which companies engage customers, build strong customer relationships, and create customer value in order to capture value from customers in return.⁴

The Marketing Process

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

In this chapter and the next, we examine the steps of this simple model of marketing. In this chapter, we review each step but focus more on the customer relationship steps—understanding customers, engaging and building relationships with customers, and capturing value from customers. In Chapter 2, we look more deeply into the second and third steps—designing value-creating marketing strategies and constructing marketing programs.

Marketing

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



This important figure shows marketing in a nutshell. By creating value *for* customers, marketers capture value *from* customers in return. This five-step process forms the marketing framework for the rest of the chapter and the remainder of the text.

» Figure 1.1 The Marketing Process: Creating and Capturing Customer Value

Author Comment

Marketing is all about creating value for customers. So, as the first step in the marketing process, the company must fully understand customers and the marketplace.

Understanding the Marketplace and Customer Needs

OBJECTIVE 1-2 Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.

As a first step, marketers need to understand customer needs and wants and the marketplace in which they operate. We examine five core customer and marketplace concepts: (1) needs, wants, and demands; (2) market offerings (products, services, and experiences); (3) value and satisfaction; (4) exchanges and relationships; and (5) markets.

Customer Needs, Wants, and Demands

The most basic concept underlying marketing is that of human needs. Human **needs** are states of felt deprivation. They include basic physical needs for food, clothing, warmth, and safety; social needs for belonging and affection; and individual needs for knowledge and self-expression. Marketers did not create these needs; they are a basic part of the human makeup.

Wants are the form human needs take as they are shaped by culture and individual personality. An American needs food but may want roast turkey with all the fixings, followed by pumpkin pie. A person in Papua, New Guinea, needs food but may want taro, rice, yams, and pork, followed by banana cake with chocolate-coconut sauce. When backed by buying power, wants become **demands**. Given their wants and resources, people demand products and services with benefits that add up to the most value and satisfaction.

Companies go to great lengths to learn about and understand customer needs, wants, and demands. They conduct consumer research, analyze mountains of customer data, and observe customers as they shop and interact, offline and online. People at all levels of the company—including top management—stay close to customers. For example, Amazon founder and executive chair Jeff Bezos had a customer-facing email address that helped him identify customer concerns. “I see most of those emails,” said Bezos, “and I forward them, some of them—the ones that catch my eye.”

» Similarly, to see up close what their customers experience, Airbnb’s CEO Brian Chesky and his co-founder Joe Gebbia regularly stay at the company’s host locations, making sure they live up to the company’s lofty vision. Such personal visits help the pair to shape new customer solutions based on real user experience. And Starbucks chief executive Kevin Johnson regularly spends time in his local Starbucks, working the counter, brewing coffee, handing out orders, wiping tables, and chatting with customers. Johnson wants

Needs

States of felt deprivation.

Wants

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

Demands

Human wants that are backed by buying power.



» Staying close to customers: Airbnb’s CEO Brian Chesky (left) and co-founder Joe Gebbia (center) regularly stay at the company’s host locations, helping them shape new customer solutions based on real user experiences.

Jim Wilson/The New York Times/Redux