Principles of Marketing

NINETEENTH EDITION

Philip Kotler

Gary Armstrong

Sridhar Balasubramanian

PRINCIPLES of
MARKETING

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Nineteenth Edition
Global Edition

Philip Kotler

Northwestern University

Gary Armstrong

University of North Carolina

Sridhar Balasubramanian

University of North Carolina

Pearson

Dedication

To Kathy, Mandy, Matt, KC, Keri, Delaney, Molly, Macy, Ben, and Bert; Nancy, Amy, Melissa, and Jessica; and Lakshmi, Karthik, and Meenakshi.

Pearson's Commitment to Diversity, Equity, and Inclusion
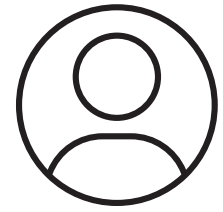
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- Our educational content accurately reflects the histories and lived experiences of the learners we serve.

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Brief Contents

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Preface

New to This Edition

All That's New: Marketing in a Digital Age of Customer Value and Engagement

The nineteenth edition of *Principles of Marketing* 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 nineteenth 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 nineteenth edition, the *Digital Marketing* chapter (Chapter 17) 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 standalone digital marketing strategy chapter that focuses 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 information and customer insights management:* In the nineteenth edition, the *Managing Marketing Information to Gain Customer Insights* chapter (Chapter 4) has been heavily restructured and revised to reflect the extensive transformation of marketing research and information insights management in the digital age—from data sources and digital insights gathering to big data and marketing analytics. The massive digital shift in managing marketing information is now fully integrated into the chapter.
- *Marketing in the age of disruption*: Throughout the nineteenth 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 an enormous shift in what, how, and where consumers buy. Wide-ranging social, environmental, and political developments require a new approach to social responsibility, sustainability, diversity, 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.
- *Diversity, equity, and inclusion (DEI):* With guidance from DEI experts, every effort has been made to ensure that the nineteenth edition of *Principles of Marketing* fully and responsibly represents the interests of diversity, equity, and inclusion in its treatment of marketing topics, examples, and illustrations. We also take care throughout this edition to note how marketers are applying DEI values in their strategies and actions. As just a few examples, see the new Chapter 15 section on *Diversity, Equity, and Inclusion (DEI) in Advertising* and Real Marketing 15.2: Diversity, Equity, and Inclusion in Advertising: More Than a Catchphrase. Also see the substantially revised and updated Chapter 5 *Subculture* sections, Chapter 3 *Diversity* section, and Chapter 7 discussion of gender segmentation and gender-neutral marketing.
- *Content marketing and marketing communications:* The nineteenth 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

17 | Digital Marketing

OBJECTIVES OUT

OBJECTIVE 17-1 D

OBJECTIVE 17-2 W
campaign.

OBJECTIVE 17-3 D
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OBJECTIVE 17-4 I

CHAPTER   In previous
PREVIEW   of marketin
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marketing has undergone a c

MOONSWATCH: C

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During a period dubbed the
the institution of Swiss watc
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most buyers preferred the lo
quartz options over their p

Real Marketing 15.2 | **Diversity, Equity, and Inclusion in Advertising (DEI): More Than a Catchphrase**

If you ask Amazon's Alexa "What is love?," Alexa will share a response from one of eight people representing eight different backgrounds. "Love is supporting people in pursuing their dreams, no matter their abilities," says Rajee, a disability activist who was given up for adoption in her native India after polio left her with limited leg mobility. "We gotta look out for each other, that's how we show love," says Jim, an anti-bullying activist who experienced bullying throughout his childhood. "Love is when true allies protect my voice," says Shujaa, a student who started activism work at age 10 working for a collective focused on health justice for Black people. "Love is opening your doors to others without expecting anything in return," says Igor, a filmmaker from Mexico who experienced injustices because he was an immigrant. Each voice presents a different take on love. But they all center on a common theme—that an everyday act by someone made them feel seen, heard, included…loved.

Alexa's response isn't just a clever tactic designed to make people see Amazon as a caring entity. Rather, it's representative of the kind of inclusive storytelling that lies at the heart of "Love Has No Labels," a multimedia campaign produced in partnership by Amazon and the Ad Council. "We made sure from the concept through the production…to make this as inclusive as possible," says an Amazon marketer. "Love is unique. It's very complex, and it's different for everyone. I think this is a celebration of that."

At the center of the campaign is a documentary-style film that takes a deep dive into the stories and life experiences of the eight people who lent their voices to the campaign. Campaign elements include Amazon audio ads, Amazon streaming TV ads, social media placements, and digital formats, as well as a campaign microsite where people can learn more about the campaign, the film, the individuals featured, and how to take action to make others feel loved and included. Ads in the broader Ad Council "Love Has No Labels" campaign proclaim that love has no race, no religion, no sexuality, no disability, no age, and no gender.

The "Love Has No Labels" campaign is just one example of how brands large and small are working to make a difference by highlighting issues related to diversity, equity, and inclusion (DEI). There's Nike's award-winning "You Can't Stop Us" campaign—one 90-second ad, 24 sports, 53 athletes, and 72 clips joined by split-screen magic to celebrate, as only Nike can, the similarities and differences of athletes around the world. Or Etsy's "Gift Like You Mean It" campaign, made up of multiple videos highlighting how

gifts purchased on Etsy make people of diverse backgrounds feel seen. Dating app Bumble's "Find Me on Bumble" campaign delivers a powerful message of diversity simply by highlighting a diverse group of real-life Bumble users of different genders, races, abilities, religions, and sexualities.

Almost every brand these days addresses DEI issues in its advertising and marketing, whether it's diversity and representations of people in their ads, full campaigns supporting DEI causes, or both. Whatever they do, it's critical that such efforts be authentic. Consumers want more than just superficial DEI tactics. They want to see evidence that companies practice what they preach.

Nabisco's Oreo brand does just that. The longtime leading cookie brand has also been a longtime leader in supporting the cause of LGBTQ+ rights. For example, two years ago Oreo launched its #ProudParent campaign, designed to educate and empower parents and families to come out in loud, public support of their LGBTQ+ child and inspire others to do the same. "As a brand that is interlaced with family bonds," says the company, "we've resolved to take a stand in moments where these bonds may be challenged. …A loving world starts with a loving home." The #ProudParent campaign was a collaborative effort with PFLAG—the first and largest support organization for the LGBTQ+ community. PFLAG works with dozens of other "Pride Partners"—ranging from Walmart, Bank

of America, Verizon, and GEICO to J.Crew, GM, Marriott, MetLife, and Major League Baseball.

The first phase of the #ProudParent campaign—"Inform the Head"—was all about providing information and resources to families to provide education and direction. The second phase—"Trigger the Heart"—consisted of a short film telling the heart-warming story of a young woman bringing her girlfriend home to meet her family for the first time. In the campaign's final phase, "Encourage Action," Oreo created 10,000 packages of #ProudParent Oreos, with seven different-colored cream fillings inspired by the colors of the Pride flag. The limited-production cookies were distributed free of charge to people who followed the @Oreo account on Instagram or Twitter and tagged in their photos along with the #ProudParent hashtag.

Within hours of kickoff, the #ProudParent campaign took over the internet. On social media, it produced more than 315 million impressions and 2 million engagements. On Instagram alone, more than 600,000 people posted the campaign hashtag to show their support. In total, the campaign generated more than 400 press placements on every major media outlet. And #ProudParent took multiple honors in last year's Shorty Awards for real-time short-form content across the social web.

Like Oreo, brands in every industry are committed to efforts across a wide range of DEI issues. For example, to address potential

Successfully incorporating DEI into the fabric of a brand's advertising and identity requires a deep and continuous commitment. Love has no race, no age, no gender, no religion… no labels.
Courtesy of Ad Council

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.

- *Global marketing and sustainable marketing:* The nineteenth edition's *Global Marketing* and *Sustainable Marketing* chapters (Chapters 19 and 20) have both been significantly restructured and revised, with new organizing frameworks, concepts, and examples. For example, in the sustainability chapter, the environmental sustainability sections have much new material, including new discussions of carbon footprint/offsetting and a set of specific approaches to reducing environmental harm. The final section includes a new set of principles for building a sustainable marketing organization.

- *Omni-channel marketing and retailing:* Linked with all the new digital marketing developments, this edition addresses the substantial shifts toward omni-channel marketing and retailing. Such discussions are integrated throughout the text, but see especially the *Marketing Channels* and *Retailing and Wholesaling* chapters (Chapters 12 and 13) and the new sections in the *Digital Marketing* chapter (Chapter 17).

- *Marketing technology:* Keeping up with digital concepts, technologies, and practices is a top priority and major challenge for today's marketers. The nineteenth edition of *Principles of Marketing* 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, 15, and 17; to "big data," new marketing analytics, the Internet of Things, and artificial intelligence in Chapters 1, 3, 4, and 17; to the massive shift to omni-channel and digital marketing in Chapters 13 and 17; to marketing in the metaverse (Chapters 7 and 17). A Chapter 1 section on *The Digital Age: Online, Mobile, and Social Media Marketing* introduces the exciting developments in digital and social media marketing. Then a heavily revised Chapter 17 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; influencer marketing; the major digital transformation in marketing research; omni-channel marketing and the game-changing shifts in today's retailing; real-time customer listening and marketing; marketing content creation and curation; technology-driven customer service; B-to-B social media and social selling; online and dynamic pricing; and much more.

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

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

- *New company cases, applications, and exercises:* The nineteenth edition provides 15 new company cases by which students can apply what they learn to actual company

CHAPTER 7 | Customer Value–Driven Marketing Strategy: Creating Value for Target Customers   215

can do that. Instead, it has built a portfolio of brands, each targeting the diverse needs of different social media segments.

Early on, Facebook became the model for a social media network—a place where friends and family meet, share their stories, display their photos, pass along information, and chronicle their lives. But as the platform grew, its interface remained a work in progress. The company added features to appeal to the varying needs of its rapidly diversifying user base. For example, it introduced Facebook Chat, an in-platform messaging service the let users more readily carry on conversations with other users or groups. As it became more popular, Facebook Chat morphed into the Messenger feature on the Facebook mobile app. Finally, Messenger became a standalone app ... ping but separate segment of users s... to messages, photos, and videos w... Facebook.

But as Facebook grew, seemingly ... came almost too common to be cool ... user base began "aging up," many t... started viewing Facebook as a pla... eration. Although Facebook continu... generation—with its more visual an... and broader set of social relation... newer social media that better served ...

To meet that growing threat, eve... ing shape, in 2012 Facebook made ... the tech world by paying $1 billion ... app Instagram. The purchase pric... to be much too high. Instagram was ... had only 13 employees, and had a m... pared with Facebook's then 1 billion ... claimed, Instagram was redundant to ... provided multiple ways for users to s...

But Facebook's interest in Insta... broader vision. At the time, social ... Twitter, Snapchat, and Instagram ... Facebook recognized that its core pla... isfy the social media needs of all use... ments were flocking to the newer pla... where they could connect in their ow... frequented by their parents and other ...

With Instagram, Facebook ac... a young user base and brand ima... Instagram was at the time primarily ... Rather than incorporating Instagram ... Facebook maintained the app as an in... own youthful personality and users... into developing Instagram into a mo... platform.

Facebook followed the ... Instagram acquisition with yet ... another shocker. It bought stand-... alone messaging app WhatsApp ... for an astonishing $19 billion—a ... figure roughly equal to Facebook's ... total revenues in the previous year ... and representing about 10 percent ... of Facebook's total value at the ... time. Once again, many analysts ...

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Real Marketing 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 urged businesses to be nimble in responding to the fast-changing situation and to come up with ways to stay connected with their customers and employees. This propelled the need for efficient communication tools and video conferencing 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 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. In 2019, it was listed on the Nasdaq stock exchanges. 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 personal use around the world.

Before the pandemic, people would have imagined video conferencing as 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 means through which society operated. Millions of people across the globe who were locked 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 the accelerated adoption behavior exhibited by people is comparable 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 the 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 government, education sector, healthcare sector, finance sector, and IT sector, to offer appropriate features and customer-support systems for their respective needs. As the usage and popularity of the app increased 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, the raise-hand feature, remote support, personal meeting ID, the 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 exceed customers' expectations and make them happy."

Zoom believed that they had to break out of the crowded market space populated by companies like Microsoft, Cisco, Adobe, Polycom, Citrix, and newcomers like Highfive and JoinMe. To build a product that can outsell the competition in a crowded market, Zoom always operated under the philosophy of being customer-driven, and it sought to provide a product that would provide the best user experience. Zoom gathered extensive customer feedback to understand customer needs and to develop features that match expectations.

One of the most successful aspects of Zoom's marketing strategy has been offering a free version of the platform with up to 40 minutes of free video conferencing. Along with the positive word of mouth it received, Zoom's freemium model played a huge role in its customer acquisition efforts. Amid tough competition, getting customers to test the product is important, and a freemium model helped in achieving this for Zoom. Once a customer has tested Zoom and its features, they are often converted to loyal customers who transition from freemium to subscription plans.

Besides its focus on developing a customer-driven product, Zoom emphasized brand building. It believed that it had to get the Zoom brand in front of as many people as possible. To that end, it targeted the adventurous early adopters of the product who
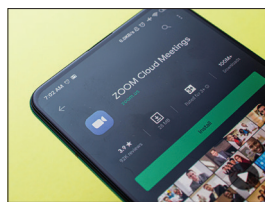
Real-time marketing: Video conferencing app Zoom has made skillful use of real-time social media marketing to create a fresh, relevant brand personality and spark real-time engagement.
Seemanta Dutta/Alamy Stock Photo

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situations. End-of-chapter discussion questions, critical thinking exercises, and other applications features are also mostly new and revised.

- *Chapter-opening stories, Real Marketing highlights, and in-text examples:* The nineteenth 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 and images throughout that illustrate contemporary marketing practice.

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, marketers have a dazzling set of online, mobile, and social media tools for engaging customers anytime, anyplace to jointly shape brand conversations, experiences, and community. If marketers do these things well, they will reap the rewards in terms of market share, profits, customer advocacy, and customer equity. In the nineteenth edition of *Principles of Marketing*, students learn how customer value and customer engagement drive every good marketing strategy.

Six Major Customer Value and Engagement Themes

The nineteenth edition of *Principles of Marketing* 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, customer advocacy, and customer equity. This innovative *customer value and engagement framework* is introduced at the start of Chapter 1 in a unique five-step marketing process model, which details how marketing *creates* customer value and *captures* value in return. The framework is carefully developed in the first two chapters and then fully integrated throughout the remainder of the text.

2. *Customer engagement and today's digital and social media.* 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 nineteenth edition thoroughly explores the exciting digital 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 Media* and *The Digital Age: Online, Mobile, and Social Media Marketing*. A completely restructured and revised Chapter 17 on *Digital Marketing* summarizes the latest developments in digital marketing strategy and digital engagement tools. Chapters 13 and 17 discuss the massive shift toward digital and omni-channel buying and marketing. Everywhere in between, you will find revised and expanded coverage of

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APPENDIX 2 **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.

The appendix is organized into *three sections*. The *first section* introduces pricing, break-even, and margin analysis assessments that will guide the introduction of Wise Domotics's new product. The *second section* discusses demand estimates, the marketing budget, and marketing performance measures. It begins with a discussion of estimating market potential and company sales. It then introduces the marketing budget, as illustrated through a pro forma profit-and-loss statement followed by the actual profit-and-loss statement. Next, we discuss marketing performance measures, with a focus on helping marketing managers to better defend their decisions from a financial perspective. In the *third section*, we analyze the financial implications of various marketing tactics.

Each of the three sections ends with a set of quantitative exercises that provide you with an opportunity to apply the concepts you learned to situations beyond Wise Domotics.

Pricing, Break-Even, and Margin Analysis

Pricing Considerations

Determining price is one of the most important marketing mix decisions. The limiting factors are demand and costs. Demand factors, such as buyer-perceived value, set the price ceiling. The company's costs set the price floor. In between these two factors, marketers must consider competitors' prices and other factors such as reseller requirements, government regulations, and company objectives.

Most current competing home automation products sell at retail prices between $100 and $500. We first consider Wise Domotics's pricing decision from a cost perspective. Then

Fixed costs
Costs that do not vary with or sales level.

Variable costs
Costs that vary directly with of production.

Total costs
The sum of the fixed and va for any given level of produ

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Marketing by the Numbers   Evaluating Alternatives

One way that consumers can evaluate alternatives is to identify important attributes and assess how purchase alternatives perform on those attributes. Consider the purchase of a tablet. Each attribute, such as screen size, is given a weight to reflect its level of importance to that consumer. Then the consumer evaluates each alternative on each attribute. For example, in the following table, price (weighted at 0.5) is the most important attribute for this consumer. The consumer believes that Brand C performs best on price, rating it 7 (higher ratings indicate higher performance). Brand B is perceived as performing the worst on this attribute (rating of 3). Screen size and available apps are the consumer's next most important attributes. The operating system is the least important.

| | Importance | Alternative Brands | | |
Attributes	Weight (e)	A	B	C
Screen size	0.2	4	6	2
Price	0.5	6	3	7
Operating System	0.1	5	5	4
Apps available	0.2	4	6	7

A score can be calculated for each brand by multiplying the importance weight for each attribute by the brand's score on that attribute. These weighted scores are then summed to determine the score for that brand. For example, Score Brand A = (0.2×4) + (0.5×6) + (0.1×5) + (0.2×4) = 0.8 + 3.0 + 0.5 + 0.8 = 5.1. This consumer will select the brand with the highest score.

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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 nineteenth edition provides a deep focus on brands, anchored by a Chapter 8 section on *Branding Strategy: Building Strong Brands*.

4. ***Measuring and managing return on marketing***. Especially in uneven economic times 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 2 *Marketing by the Numbers*, and throughout the nineteenth 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 nineteenth edition emphasizes the concepts of global marketing and sustainable marketing—meeting the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs. The nineteenth edition integrates global marketing and sustainability topics throughout the text. It then provides focused coverage on each topic in Chapters 19 and 20, 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 nineteenth 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, the aftermath of the global COVID-19 pandemic, and 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

Principles of Marketing 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 opening spread in each chapter starts with an *Objectives Outline* that provides a helpful preview of chapter contents and learning objectives. Next, a *Chapter Preview* 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.

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

116 PART 2 | Understanding the Marketplace and Consumer Value

APPLICATIONS AND CASES

Digital Marketing The Trendiness of Brand Support for Social Causes

Brand support for sociopolitical causes often seems trendy, leading critics to accuse brands of trying to cash in on causes. Research shows, however, that when firms express their values by supporting or op... prices and sales declin... colleagues in the Journa... ated by 149 firms acros... age, corporate social ac... from investors. Regardl... many brands continue... companies design, sup... can be impactful.

benefited from that initiative. Research the sociopolitical cause and discuss how the brand communicated its position to customers. In particular, how did the...

3-10 Identify one br... cal cause withi...

Marketing Et...

Amazon's Alexa AI virt... music, answer questio... shop, and manage sma... certified as compliant w... Accountability Act of 19... creation of national stan... information from being ... or knowledge. Develop... and technical safeguard... cure has allowed Alexa t...

For example, Alexa h... living communities. In a... age daily living activities... leisure, Alexa has helpe... novel ways. Thus, Alex... Being able to manage d... potentially benefit everyo...

Marketing by...

As marketers focus on ... power, another generatio... boomers. The U.S. 65-an... 100 million people by 20... size of the cohort to beg... 1946 and 1964. Another... longer. In 1950, the avera... 78.7 years. And the life-s... creasing because of redu... to longer life spans, fami... on careers and start their... close to their hometown...

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84 PART 1 | Defining Marketing and the Marketing Process

Company Case DuPont: Improving Everyday Life by Solving the World's Most Challenging Problems

You've heard of DuPont, but can you name any product it makes? Probably not. DuPont makes a load of successful products. Since the early 1900s, DuPont has developed hundreds of products that have revolutionized a wide range of industries, from agriculture and textiles to plastics and paints. But they're industrial brands that serve as ingredients or components for the goods people use every day.

How has DuPont succeeded in continually making revolutionary advancements? For starters, DuPont has always been dedicated to achieving breakthroughs in science and technology. DuPont's mission is to put "science to work by creating sustainable solutions essential to a better, safer, healthier life for people everywhere." From its earliest days, the company has been driven to discover solutions to the world's most challenging problems, even when a profitable outcome isn't apparent. It's that mindset, instilled at the start by the company's founder, that keeps DuPont focused on helping humanity thrive through science and technology.

From Gunpowder to Nylon

Founder Éleuthére Irénée du Pont arrived in the United States on January 1, 1800, fleeing the political turmoil in his native France. Only 18 years old, E. I. du Pont was already well educated and trained in advanced chemistry and the manufacture of gunpowder. Although he had no intention of pursuing gunpowder production as a business, he quickly realized that American-made gunpowder was very poor in quality and high in price. In fact, legend holds that du Pont decided to go into the gunpowder business in the United States during a hunting trip when his gun misfired. After some investigation into the gunpowder industry, du Pont deduced that the ingredients being used to produce gunpowder in the United States were not the problem. Rather, it was inefficiencies in the refining process. In 1802, du Pont built two powder mills on the Brandywine River in Delaware and established E. I. du Pont de Nemours and Company—DuPont for short. In so doing, he also laid the foundation for a company that would affect the future of just about everything it did.

Throughout the 1800s, DuPont focused almost entirely on making explosives, developing a culture of discovery and neverending improvement. In the early 1900s, DuPont organized its research and development activities into two categories. *Applied research* laboratories focused on developing new products or finding new uses for existing ones. *Basic research* laboratories pursued solutions to scientific questions without any connection to specific products or markets. Such research endeavors were a leap of faith—faith that changes in the marketing environment and advancements in science would eventually open up new possibilities for DuPont discoveries.

rubber—and nylon, the world's first truly synthetic fiber and one that stood up to both heat and solvents.

With nylon fiber in place, DuPont needed a commercial application. Its target market? Women's hosiery. Until the late 1930s, women's hosiery products were primarily made of silk, an ingredient that made them extremely delicate and very expensive. After the company perfected a suitable nylon cloth, the first nylon hosiery went on sale in May 1940. Nylon hosiery was a huge and instant success, evidenced by the long lines of women at stores across the country, forever changing the way people around the world dressed.

But the discovery of nylon was extremely important to DuPont internally as well. It proved that the company's basic research R&D efforts could pay off. And the uses for basic discoveries such as nylon stretched well beyond one product line. For example, with the onset of World War II, DuPont found a host of national defense applications. It developed nylon for use in such products as parachutes and tires for B-29 bombers. These developments gave DuPont a leg up in the postwar economic boom. Nylon became the standard fiber for belting in car and truck tires. Developing new varieties, nylon staples and fibers revolutionized the carpet industry. Further developments created equally revolutionary applications for nylon in appliances, wire insulation, sporting gear, and home furnishings. And while nylon's profitability diminished over time as competitors entered the market, it became one of DuPont's most successful products ever. Today, DuPont remains the world's leading producer of nylon products.

In Search of New Nylons

Because of DuPont's commitment to open-ended basic research, the continual growth and success of the firm have never been tied to the life cycle of a single product. If the revenue and profit growth of a successful product such as nylon slow down and even decline, DuPont has plenty of other products at various stages of development and commercialization. The success of nylon gave DuPont a firm foothold in synthetic textiles. It also ushered in an era when DuPont began staking its future on the discovery of "new nylons." DuPont's commitment to both applied and basic research in textiles led to such game changing products as Orlon—an acrylic fiber that proved effective as a substitute for wool in sweaters, pile fabrics, and carpeting; Dacron—a polyester fiber that set off the wash-and-wear revolution of the 1970s; and Lycra—an elastomeric fiber that stretches up to six times its original length and is found today in everything from yoga pants to business suits.

In addition to textile products found in consumer apparel items, DuPont's basic research in developing fibers has produced numerous non-apparel applications for its synthetic fibers. In the 1950s, DuPont researchers developed a flash-spinning process

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- *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* section reviews major chapter concepts and links them to chapter objectives. The *Key Terms* section provides a helpful listing of chapter key terms by order of appearance to facilitate easy reference. *Discussion Questions* and *Critical Thinking Exercises* sections provide discussion questions and critical thinking exercises that help students to keep track of and apply what they've learned in the chapter.

- *Applications and cases.* 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. *Company Cases* at the end of each chapter help students apply major marketing concepts and critical thinking to real company and brand situations. Each case now includes a small group exercise that encourages students to debate among themselves and arrive at conclusions to key case issues.

Developing Employability Skills

- *Real Marketing features.* Each chapter contains a chapter-opening story and two deeply developed *Real Marketing* highlight features that provide in-depth looks at real brand marketing strategies and contemporary marketing issues. For example, students learn how Emirates Airline's deep-down passion for creating customer value, engagement, and relationships earns customer patronage and loyalty in return. They see how brands like Wendy's, Jollibee, and Zoom harness real-time marketing's power to engage customers in the moment. They see what makes LinkedIn the place to be for B-to-B marketers; how Mayo Clinic has become a model for service quality; how luxury cosmetics brand L'Occitane en Provence builds success in the new marketing environments it has entered; 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. They learn that artificial intelligence in marketing is now "a bigger deal than fire and electricity"; how brands are racing to establish spaces in the young but exploding marketing metaverse; and how marketers are incorporating diversity, equity, and inclusion values into the fabric of their brand identities and marketing. No other text brings marketing to life like the nineteenth edition of *Principles of Marketing*.

- *Marketing Plan appendix. Appendix 1* contains a detailed sample marketing plan that helps students to apply important marketing planning concepts.

- *Marketing by the Numbers appendix.* An innovative *Appendix 2* 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 3* 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 nineteenth edition of *Principles of Marketing* comes with the following resources:

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

For more information and resources, please visit www.pearson.com.

Acknowledgments

No book is the work only of its authors. We greatly appreciate the valuable contributions of several people who helped make this new edition possible. As always, we owe extra-special thanks to Andy Norman of Drake University for his skillful help in developing chapter vignettes and highlights, company cases, and the marketing plan appendix. This and many previous editions have benefited greatly from Andy's assistance.

We also thank publishing consultant Melissa Pellerano for her skillful assistance in manuscript preparation and image development. We appreciate the contributions of Breagin Riley of the University of North Carolina in preparing end-of-chapter materials. Additional thanks go to those who worked to update the Instructor's Manual, PowerPoints, Test Bank, and the Revel version. All of these contributors are greatly appreciated in making the nineteenth edition of *Principles of Marketing* a robust teaching and learning program.

Many reviewers at other colleges and universities provided valuable comments and suggestions for this and previous editions. We are indebted to the following colleagues for their thoughtful input: Timothy W. Aurand, Northern Illinois University; Aysen Bakir, Illinois State University; Leta Beard, University of Washington; Thomas C. Hewett, Kennesaw State University; Robert M. McMillen, James Madison University; Carlton O'Neal, University of San Diego; Rebecca Reczek, The Ohio State University; Sandra Robertson, Thomas Nelson Community College; Emily Rosenzweig, Tulane University; Carol Rowey, Community College of Rhode Island; and Aninda Shome, University of Idaho.

We also owe a great deal to the people at Pearson Education who helped develop this book. Product & Content Strategy Manager Lynn Huddon provided considerable guidance and support during the revision. We'd also like to thank Senior Content Producer Claudia Fernandes and Product Marketing Manager Nayke Heine. We are proud to be associated with the fine professionals at Pearson. We also owe a mighty debt of gratitude to Senior Project Manager Allison Campbell and the rest of the team at Integra for their fine work on this and previous editions.

Finally, we owe many thanks to our families for all of their support and encouragement—Kathy, Mandy, Matt, KC, Keri, Delaney, Molly, Macy, Ben, and Bert from the Armstrong clan; Nancy, Amy, Melissa, and Jessica from the Kotler side; and Lakshmi, Karthik, and Meenakshi from the Balasubramanian family. To them, we dedicate this book.

Philip Kotler
Gary Armstrong
Sridhar Balasubramanian

Global Edition Acknowledgments

Pearson would like to thank the following people for their work on the Global Edition:

Contributors

Marc Oliver Opresnik, *St. Gallen Management Institute*
Muneeza Shoaib, *Lincoln University of Business and Management*
Mariusz Soltanifar, *Hanze University of Applied Sciences, Groningen*
Jon and Diane Sutherland
Karan Vishwanath, *University of London*
Uzma Zaidi, *Amity University Dubai*

Reviewers

Anna Galindo, *Lancaster University*
Ayantunji Gbadamosi, *University of East London*
Michael Grund, *HWZ University of Applied Sciences in Business Administration Zurich*
Jie Liu, *Manchester Metropolitan University*
Alice Cheah Wai Kuan, *Taylor's College*

About the Authors

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

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.

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.

Sridhar Balasubramanian is the Roy & Alice H. Richards Bicentennial Distinguished Scholar, Professor of Marketing, and Marketing Concentration Chair at the University of North Carolina at Chapel Hill's Kenan-Flagler Business School. He holds a Bachelor of Technology (Honors) degree from the Indian Institute of Technology (Kharagpur), an MBA from the Indian Institute of Management (Bangalore) and MA, M.Phil and Ph.D. degrees from Yale University. Leading business education publication *Poets&Quants* ranked him one of the "Top 50 Business Professors" in the World.

Professor Balasubramanian—commonly referred to as "Dr. B"—is an award-winning researcher, teacher, and academic administrator. He has served as Senior Associate Dean for MBA programs at UNC-CH. His research and teaching interests are in the areas of market strategy and technology strategy, innovation and growth strategy, customer focus, globalization and sustainability, and managing competition. He also specializes in bringing tools and concepts related to innovation, market focus and customer focus into other functional areas, including the management of human resources. He has published pioneering, award-winning research on the impact of the internet, other technology-intensive channels, and social media on marketing. His research has been cited more than 12,000 times on Google Scholar.

Professor Balasubramanian also excels in teaching. He has won best teacher awards eight times across different programs at UNC and was awarded the Kenan-Flagler Weatherspoon award for distinguished Ph.D. teaching. He specializes in "toolkit-based teaching," transforming cutting-edge knowledge into useful and usable toolkits that can be applied the next day. He also engages extensively with the corporate world and has worked with more than 50 organizations spread across North America, South America, Africa, Asia, and Europe.

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PRINCIPLES of
MARKETING

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.

CHAPTER PREVIEW 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 goal of marketing is to maximize long-term profitability by creating 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 mix programs to building customer relationships and recapturing 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 Emirates, the largest international airline in the world and one of the best-known brands on the planet. Emirates' success results from much more than just offering a way to connect people from Point A to Point B. It's based on a customer-focused marketing strategy by which Emirates creates customer value through deep brand–customer engagement and close brand community with and among its customers. 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.

EMIRATES' Customer Value–Driven Marketing: Engaging Customers and Building a Brand Community

The Emirates Group operates across six continents and flies to 157 cities. Headquartered in Dubai, UAE, the airline was founded in 1985 and has become one of the largest airlines in the world, employing over 45,000 people across 172 different nationalities.

The company has built a fast-growing and profitable hub-based business model. It has successfully capitalized on its location—a small city-state strategically located to reach three-fourths of the world population in a flight of fewer than eight hours. Emirates Airlines has become one of the leaders in the

global aviation sector through its innovations, modern fleet, and customer-focused strategies.

From the outset, Emirates has sought to ensure that it not only provides high-quality service but is also innovative, contemporary, and customer-oriented. To that end, the airline has pursued a customer-focused value proposition through a combination of products, services, and experiences, customized for each market at each destination. This approach has led to an array of product offerings such as exclusive lounges for its clientele and its onboard Information, Communication, and Entertainment (ICE) system—an all-in-one communications device accommodating customer needs such as surfing the internet, emailing, and even calling a landline while in the airplane.

The Skywards Program, the airline's frequent traveler loyalty program, is an important part of the airline's success in building strong customer relationships. Through this program, the first of its kind in the industry, members earn miles using four basic inputs: route, fare type, class, and tier, and a "miles accelerator feature" offers bonus miles on specific flights, thereby boosting turnover on flights that are not full.

Emirates has launched a range of customer service initiatives that support differentiation from other airlines, including Dubai Connect, an incentive for premium-class passengers that offers free luxury hotel accommodation, meals, ground transportation, and visa costs in Dubai. Another differentiating element of its customer service is Chauffeur Drive, a service offered to customers flying first class or business class. Emirates chauffeurs collect customers from their doorstep or stand by to take them to their final destination as soon as they land. This destination could be the customer's hotel, their next meeting, their favorite restaurant, or even the course for a round of golf. The service is available in over 70 cities worldwide.

Before the COVID-19 pandemic, most airlines would reduce their fares to remain competitive, but Emirates continued to maintain its fares and get good returns. This was due to its customer value–driven marketing approach and its service proposition, for which customers were willing to pay a premium. Where competitors emphasized low prices or well-maintained aircraft, Emirates built customer engagement and relationships. Beyond the functional benefit of air travel, Emirates marketed its services as "The Emirates Experience," a genuine passion for comfort and attention to detail. Customers didn't just fly Emirates; they experienced it.

Recognizing the impact of various kinds of digital technology on the marketing landscape, Emirates is focusing on creating a new kind of customer relationship—deeper, more personal, and more engaging. Although the airline still

Emirates has emphasized customer engagement and relationships, and customers are willing to pay a premium for "The Emirates Experience."

Iain Masterton/Alamy Stock Photo

invests in traditional advertising, it now spends an increasing amount of its marketing budget on cutting-edge digital and social media marketing that interacts with customers to build brand engagement and community.

Emirates uses online, mobile, and social media marketing to connect with its customers. Emirates also creates brand "tribes"—large groups of highly engaged users—with the help of social media platforms such as Facebook, Twitter, Instagram, YouTube, and Pinterest. For example, the main Emirates Facebook page has almost 11 million likes. The Emirates Twitter page adds another 1.5 million; the Emirates Instagram page has 6.2 million followers, making it the largest in the industry; and the company's LinkedIn page has 2.5 million followers, also no. 1 in the airline business. Emirates' social media presence engages customers at a high level, gets them talking with each other about the brand, and weaves the brand into their daily lives through cross-media campaigns that integrate digital media with traditional tools to connect with customers. A compelling example is the company's "Hello Tomorrow" campaign. Launched in 2012, it targeted travelers seeking new experiences and cultures and sought to position the airline as a lifestyle choice that would connect people with different cultures worldwide, inspiring new conversations on food, fashion, art, and music. The campaign was launched in over 80 markets around the world and featured print, TV, and digital advertising, including iconic billboards in New York's Times Square and Milano Centrale railway station. According to Sir Maurice Flanagan, the founding CEO of Emirates and former executive vice-chairman of The Emirates Group, Emirates is not

> Emirates is not just offering a way to connect people from Point A to Point B but aims to be the catalyst to connect with people's dreams, hopes, and aspirations.

just offering a way to connect people from Point A to Point B but wants to be the catalyst to connect people's dreams, hopes, and aspirations by bringing people and cultures closer and creating relevant and meaningful experiences that are shaping the world.

To reach a wider audience, Emirates started global collaborations with the BBC, CNN, and Yahoo for various series and campaigns like Collaboration Culture, Fusion Journeys, and Inspired Culture. These collaborations encouraged travel and discovering global cultures through art, music, food, and different experiences. In 2018, the brand launched its new slogan, "Fly Better," which showcased its differentiation and efforts to provide its customers with an enhanced travel experience. The campaign showcased the airline's updated award-winning inflight entertainment system and its wide network of global destinations, from Kenya to Paris.

The coronavirus pandemic impacted airlines around the world and caused many of them to slash their marketing budgets. Although Emirates also cut its marketing expenses by a third, it continued to reach out and connect with its customers to keep them engaged. It launched various campaigns to motivate its staff, customers, and community to spread a message of hope and of overcoming challenges. At a time when people were nervous about air travel, Emirates developed various campaigns to inform its customers about the precautionary measures it had adopted for their health and safety as well as of its employees. One of its most popular campaigns during the pandemic was the We Are on Top of the World advertisement, which showed one of its flight attendants standing at the top of the world's tallest building, the Burj Khalifa, in the city of Dubai. Through the ad, the airline celebrated the opening of popular travel routes and communicated to the world that Dubai had opened its borders—and Emirates was ready to fly them.

Over the years, Emirates has received various awards and accolades, including the World's Most Valuable Airline Brand and the Middle East's Most Valuable Brand by Brand Finance (2014), the TripAdvisor Travelers' Choice Awards (2019), the Business Traveler Middle East Awards (2019), and the World's Best Airline and Best In-Flight Entertainment at Skytrax for 12 successive years. Even the coronavirus pandemic couldn't buck the trend, with Emirates receiving awards such as Leading Airline First Class; Leading Airline – Brand; Leading Airline Lounge – Business Class, and Leading Airline – Rewards Programme for its Skywards program at the World Travel Award 2021. Amid global aviation's most challenging times, Emirates thus continued to demonstrate commitment, authenticity, relevance, and differentiation.[1]

TODAY'S SUCCESSFUL COMPANIES have one thing in common: Like Emirates, 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. 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 2.9 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]

● **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

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

You already know a lot about marketing—it's all around you. Some marketing comes to you in 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. ● 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 and contemporary introduction to the key concepts and practices of modern 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, understand their needs, develop 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, build customer relationships, and ultimately help drive the company's profits.

Marketing

The set of strategies and activities by which companies acquire and engage customers, build strong customer relationships, and create superior customer value in order to capture value from customers in return.

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 set of strategies and activities by which companies acquire and engage customers, build strong customer relationships, and create superior customer value in order to capture value from customers in return.[4] The threefold goals of marketing are to attract new customers by promising superior value, keep and grow current customers by delivering the promised value, and help drive long-term company profitability by recapturing some of the delivered value from satisfied and loyal customers.

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 superior 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—the value of the customer to the company.

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
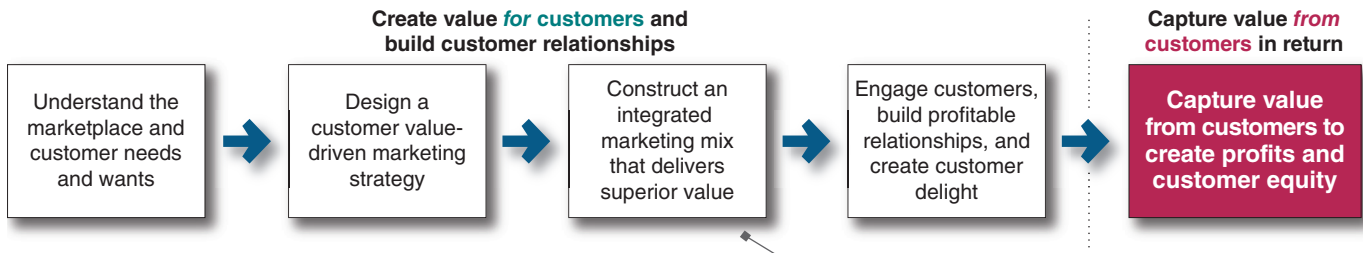
Create value *for* customers and build customer relationships

| Understand the marketplace and customer needs and wants | → | Design a customer value-driven marketing strategy | → | Construct an integrated marketing mix that delivers superior value | → | Engage customers, build profitable relationships, and create customer delight | → | **Capture value from customers to create profits and customer equity** |

Capture value *from* customers in return

● **FIGURE 1.1**
The Marketing Process: Creating and Capturing Customer Value

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.

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 mix programs.

> **Author** | Creating value for
> **Comment** | customers is central to any marketing strategy. So, as the first step in the marketing process, the company must fully understand customers and the marketplace. This deep understanding will guide the customer value creation process.

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.

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.

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 who we are as humans.

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 deliver 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—should stay close to customers. ● For example, Starbucks CEO Kevin Johnson regularly spends time in Starbucks stores, working the counter, brewing coffee, handing out orders, wiping tables, and chatting with customers. Johnson wants to be certain that he understands "what it means to be human in a digital age and what that means for the future of Starbucks." Amazon founder

● **Staying close to customers: Starbucks CEO Kevin Johnson regularly spends time in local Starbucks stores, working the counter, brewing coffee, handing out orders, wiping tables, and chatting with customers. He wants to understand "what it means to be human in a digital age."**
AP Photo/Ted S. Warren

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.[5]

Market Offerings—Products, Services, Solutions, and Experiences

Market offerings
Some combination of products, services, solutions, and experiences offered to a market to satisfy a need or want.

Consumers' needs and wants are fulfilled through **market offerings**—some combination of products, services, solutions, and experiences offered to a market to satisfy a need or a want. Market offerings are not limited to physical products. They include services—activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything. Examples include banking, airline, hotel, retailing, and home repair services. They include solutions—combinations of products and services offered that solve customer problems in their entirety, as when a tour company provides end-to-end vacation planning and execution for a family. And they include experiences—offerings that are designed to create customer journeys with memorable customer touch points.

More broadly, market offerings also include other entities, such as persons, places, organizations, information, ideas, and causes. ● For example, Singapore's Land Transport Authority (LTA) runs various campaigns that promote road safety ideas. Cycling has become a popular commuting option in Singapore, but there have been a number of accidents involving cyclists and other vehicles on the roads. In response, the LTA launched the #SaferRoadsForAll campaign, which featured a video to increase public understanding of the rules and guidelines that motorists and cyclists should follow to maintain road safety. The campaign promoted the idea that users should show care on the roads they share and included messages for cyclists and motorists to be more considerate of other commuters and to follow the rules and guidelines.[6]

● **Marketing ideas and causes: Singapore's Land Transport Authority runs various campaigns to increase road safety.**
Arterra Picture Library/Alamy Stock Photo.

Many sellers make the mistake of paying more attention to the specific products they offer than to the benefits and experiences produced by these products. These sellers suffer from **marketing myopia**. They are so focused on their products that they focus only on existing wants and lose sight of underlying customer needs.[7] They forget that a product is only a tool to solve a consumer problem. As famously emphasized by marketing guru Theodore Levitt: "People don't want to buy a quarter-inch drill. They want a quarter-inch hole." Myopic sellers will have trouble if a new product comes along that serves the customer's need better or less expensively. The customer will have the same *need* but will *want* the new product.

Marketing myopia
The mistake of paying more attention to the specific products a company offers than to the benefits and experiences produced by these products.

Smart marketers look beyond the attributes of the products and services they sell. By orchestrating several services and products, they create brand experiences for consumers. For example, every hospitality chain seeks to provide a clean, safe, comfortable room for guests. But the most successful hospitality businesses know that they offer much more than just basic places to stay. They offer unique experiences built around their brand's positioning. That's how the Mahali Mzuri safari camp—located in Kenya's renowned Masai Mara National Reserve—earned the title of "#1 hotel in the world" (see Real Marketing 1.1).

As another example, Apple's highly successful retail stores don't just sell the company's products. They create an engaging Apple brand experience:[8]

> Apple's retail stores are very seductive places, where "life-feels-good" experiences abound. The store design is clean, simple, and just oozing with style—much like an Apple iPad or a featherweight MacBook Air. The bustling stores feel more like community centers than retail outlets, with crowds of customers sampling the goods and buzzing excitedly about all things Apple. The stores encourage a lot of purchasing, to be sure. But they also encourage lingering, with tables full of fully functioning Macs, iPads, iPhones, and Apple Watches sitting out for visitors to try and dozens of laid-back Apple employees close at hand to answer questions and cater to every whim. The stores offer expert technical assistance at the Genius Bar and a full schedule of workshops where customers at all experience levels can learn about their Apple devices and explore their creative sides. You don't just visit an Apple store—you experience it in a way that no other

Real Marketing 1.1

Mahali Mzuri: An Immersive Experience at the World's Number-One Hotel

At their core, all lodging businesses have one basic thing in common: They provide people with places to stay when they travel away from home. But the best hospitality businesses know that they offer much more than just basic accommodations. They offer experiences built around those accommodations.

On the one hand, it might be the "Best Bang for Your Buck" experience offered by America's Best Value Inn—clean, safe, comfortable, well-located accommodations where travelers get "an honest stay and reliable service." On the other hand, it might be "The Ritz-Carlton Experience"—a truly memorable one that "enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests." Or it might be a unique Airbnb experience in which guests "live like a local."

When it comes to delivering unique and unforgettable experiences, few travel and hospitality businesses can match Kenya's Mahali Mzuri safari camp, recently named by *Travel + Leisure* magazine as the "#1 hotel in the world." The unique Mahali Mzuri experience is forged from a combination of inspired natural surroundings, unsurpassed accommodations and service, and memorable adventures.

Mahali Mzuri is located in Kenya's Masai Mara National Reserve, one of Africa's most famous and important wildlife conservation and wilderness areas. Maasai Mara is renowned for its exceptional year-round concentrations of wildlife, including African bush elephants, giraffes, lions, leopards, and cheetahs. Named one of the "Seven New Wonders of the World," by ABC's *Good Morning America,* the reserve's 600 square miles also play host to the more than 2 million wildebeests, zebras, and antelopes that make up the famous Great Migration. Winding its way through the reserve, the Mara River is home to dense thickets, large rafts of hippos, enormous crocodiles, endangered black rhinos, and more than 450 species of birds.

Living up to its name—Mahali Mzuri means "beautiful place" in Swahili—the safari camp is strategically located in the smaller, more exclusive, and privately owned Olare Motorogi Conservancy on the northern border of the national reserve. One of only five safari camps located in the conservancy, the eco-friendly Mahali Mzuri camp not only minimizes its environmental impact but also creates exclusive and authentic African bush experiences.

In line with its eco-friendly mission, the Mahali Mzuri's camp is small, with only 12 guest "tents" and room for a maximum of 24 guests at any given time. But what the Mahali Mzuri lacks in size it makes up for with, well, everything else. Maasai traditions and culture are respectfully interwoven into the camp experience. As guests arrive, they are greeted by young Maasai women and elders who dance and sing traditional songs of greeting and by Maasai warriors whose traditional jewelry makes an unforgettable sound. The guest tents, designed to look like Maasai shields, nestle seamlessly into the natural landscape to provide a feeling of being at one with the African bush. Built on platforms and situated on a ridge above a river, they sit just high enough to provide both exceptional views and safety from wandering wildlife.

As guests check in, it becomes immediately apparent that a stay at the Mahali Mzuri safari camp hardly qualifies as "camping." As one guest put it, "Yes, your suite is a 'tent' but it's like camping on steroids." The luxurious guest "tents" are in fact spacious tented suites, with handsome furnishings made by local Maasai people. The en-suite stylish bathrooms feature dark wood trim and contemporary fittings, including a large walk-in shower and a claw-foot bathtub. Each suite comes stocked with all the amenities of a modern luxury hotel room—a Bose sound system, a Nespresso machine, a fridge, a minibar, and Africology bath products. A centrally located main tent serves as a central gathering place. It's home to a relaxing lounge furnished with leather sofas, cowhide rugs, and velvet armchairs arranged around an open fireplace, library, and entertainment area featuring satellite TV and Wi-Fi. The main tent also houses the camp's lavish 36-foot infinity-edge swimming pool and full-service spa.

The all-inclusive Mahali Mzuri experience also includes world-class dining unlike any elsewhere in the world. Using locally sourced produce, chefs create authentic and mouthwatering Kenyan dishes such as ugali (a flour porridge), sukuma wiki (sautéed collard greens), and pilau (a rice dish) as well as dishes influenced by international cuisine. Gracious, well-trained staff serve these eye-and-palate-pleasing meals to guests on private decks, at large tables in the common dining tent, and even in the open bush during game drives. Exclaims another guest, an experienced world traveler, "the food is better than most Michelin-rated restaurants and the service will consistently knock your socks off."

The Mahali Mzuri's stunning location and opulent accommodations, however, are only the backdrop to the most essential Mahali Mzuri "world's-best" experience—an introduction to the wildlife and culture of Kenya's savannah. A stay at the Mahali Mzuri includes two safari game drives per day, led by expert local guides, giving guests unique and exciting vantage points for spotting animals. Game drives provided by most safari operators compete with each other for positioning when they observe wildlife. But in the privately owned Olare Motorogi Conservancy, Mahali Mzuri guests usually have the animals all to themselves.

Marketing experiences: When it comes to delivering unforgettable experiences, few travel and hospitality businesses can match Kenya's Mahali Mzuri safari camp, recently named by *Travel + Leisure* magazine as the "#1 hotel in the world."
Adam Slama