CHAPTER 1 ::: DEFINING MARKETING FOR THE 21ST CENTURY

MARKETING **MEMO** | **MARKETERS' FREQUENTLY ASKED QUESTIONS**

1. How can we spot and choose the right market segment(s)?
2. How can we differentiate our offerings?
3. How should we respond to customers who buy on price?
4. How can we compete against lower-cost, lower-price competitors?
5. How far can we go in customizing our offering for each customer?
6. How can we grow our business?
7. How can we build stronger brands?
8. How can we reduce the cost of customer acquisition?
9. How can we keep our customers loyal for longer?
10. How can we tell which customers are more important?
11. How can we measure the payback from advertising, sales promotion, and public relations?
12. How can we improve sales force productivity?
13. How can we establish multiple channels and yet manage channel conflict?
14. How can we get the other company departments to be more customer-oriented?

What Is Marketing?

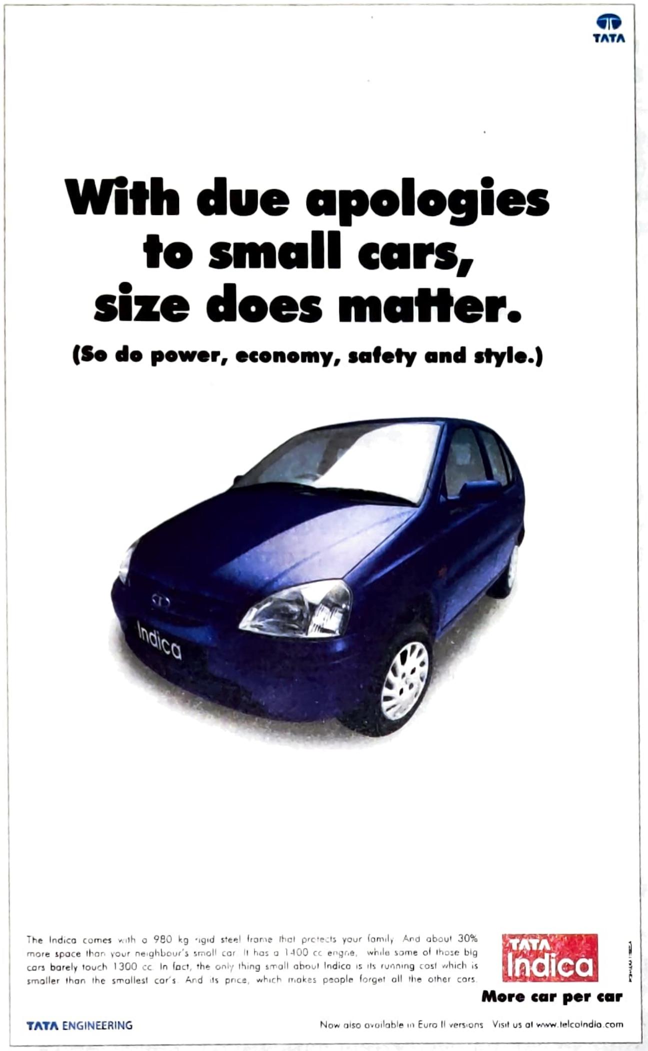
o **Marketing** deals with identifying and meeting human and social needs. One of the shortest definitions of marketing is "meeting needs profitably." When eBay recognized that people were unable to locate some of the items they desired most and created an online auction clearinghouse or when IKEA noticed that people wanted good furniture at a substantially lower price and created knock-down furniture, they demonstrated marketing savvy and turned a private or social need into a profitable business opportunity.

The American Marketing Association offers the following formal definition: *Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stake holders.*[1] Coping with exchange processes calls for a considerable amount of work and skill. Marketing management takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties. We see **marketing management** as *the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.*

We can distinguish between a social and a managerial definition of marketing. A social definition shows the role marketing plays in society. One marketer said that marketing's role is to "deliver a higher standard of living." Here is a social definition that serves our purpose: *Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.* For a managerial definition, marketing has often been described as "the art of selling products," but people are surprised when they hear that the most important part of marketing is not selling! Selling is only the tip of the marketing iceberg. Peter Drucker, a leading management theorist, puts it this way:

> There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available.[2]

When Sony designed its PlayStation, when Gillette launched its Mach III razor, and when Toyota introduced its Lexus automobile, these manufacturers were swamped with orders because they had designed the "right" product based on careful marketing homework. The success of Indica, the first indigenously designed car in India by Tata Motors is another case study. Backed by strong consumer insight, the company designed a vehicle with larger luggage space and legroom, and offered it at a price affordable to meet the typical Indian middle-class aspiration. The company communicated Indica's value proposition of offering more space through the advertisement tagline "more car per car." The subsequent introduction of Indigo and Marina expanded the product range of the company. Each of these introductions was backed by extensive market research.



Indica's advertisement tagline, "more car per car" communicates the value proposition of a "big, small car."

Exchange and Transactions

A person can obtain a product in one of four ways. One can self-produce the product or service, as when one hunts, fishes, or gathers fruit. One can use force to get a product, as in a holdup or burglary. One can beg, as happens when a homeless person asks for food; or one can offer a product, a service, or money in exchange for something he or she desires.

Exchange, which is the core concept of marketing, is the process of obtaining a desired product from someone by offering something in return. For exchange potential to exist, five conditions must be satisfied:

1. There are at least two parties.
2. Each party has something that might be of value to the other party.
3. Each party is capable of communication and delivery.
4. Each party is free to accept or reject the exchange offer.
5. Each party believes it is appropriate or desirable to deal with the other party.

Whether exchange actually takes place depends on whether the two parties can agree on terms that will leave them both better off (or at least not worse off) than before. Exchange is a value-creating process because it normally leaves both parties better off.

Two parties are engaged in exchange if they are negotiating—trying to arrive at mutually agreeable terms. When an agreement is reached, we say that a transaction takes place. A **transaction** is a trade of values between two or more parties: A gives X to B and receives Y in return. Pratap sells a television set to Samir and Samir pays Rs. 20,000 to Pratap. This is a classic monetary transaction; but transactions do not require money as one of the traded values. A barter transaction involves trading goods or services for other goods or services, as when lawyer Jones writes a will for physician Smith in return for a medical examination.

A transaction involves several dimensions: at least two things of value, agreed-upon conditions, a time of agreement, and a place of agreement. A legal system supports and enforces compliance on the part of the transactors. Without a law of contracts, people would approach transactions with some distrust, and everyone would lose.

A transaction differs from a transfer. In a **transfer**, A gives X to B but does not receive anything tangible in return. Gifts, subsidies, and charitable contributions are all transfers. Transfer behavior can also be understood through the concept of exchange. Typically, the transferer expects to receive something in exchange for his or her gift—for example, gratitude or seeing changed behavior in the recipient. Professional fund-raisers provide benefits to donors, such as thank-you notes, donor magazines, and invitations to events. Marketers have broadened the concept of marketing to include the study of transfer behavior as well as transaction behavior.

In the most generic sense, marketers seek to elicit a behavioral response from another party. A business firm wants a purchase, a political candidate wants a vote, a church wants an active member, and a social-action group wants the passionate adoption of some cause. Marketing consists of actions undertaken to elicit desired responses from a target audience.

To make successful exchanges, marketers analyze what each party expects from the transaction. Simple exchange situations can be mapped by showing the two actors and the wants and offerings flowing between them. Mahindra and Mahindra (M&M) is a leader in the tractor market in India. Suppose its farm-equipment division researches the benefits that a typical farmer wants when he buys a tractor. These benefits include high quality equipment, a fair price, timely delivery, good financing terms, and reliable parts and service. The items on this want list are not equally important and may vary from buyer to buyer. One of M&M's tasks is to discover the relative importance of these different wants to the buyer.

M&M also has a want list. It wants a good price for the tractor, on-time payment, and positive word of mouth. If there is sufficient match or overlap in the want lists, a basis of transaction exists. M&M's task is to formulate an offer that motivates the farmer to buy an M&M tractor. The farmer might in turn make a counter offer. The process of negotiation leads to mutually acceptable terms for a transaction.

What Is Marketed?

Marketing people are involved in marketing 10 types of entities: goods, services, experiences, events, persons, places, properties, organizations, information, and ideas.

GOODS Physical goods constitute the bulk of most countries' production and marketing effort. Each year, Indian companies market cars, trucks, television sets, machine tools, machines, industrial chemicals, watches, cosmetics and various other mainstays of a modern economy. Not only do companies market their goods, but thanks in part to the Internet, even individuals can effectively market goods.

SERVICES As economies advance, a growing proportion of their activities is focused on the production of services. Services include the work of airlines, hotels, car rental firms, barbers and beauticians, maintenance and repair people, as well as professionals working within or for companies, such as accountants, bankers, lawyers, engineers, doctors, software programmers, and management consultants. Many market offerings consist of a variable mix of goods and services. At a fast-food restaurant, for example, the customer consumes both a product and a service.

EVENTS Marketers promote time-based events, such as major trade shows, artistic performances, and company anniversaries. Global sporting events such as the Olympics or World Cup are promoted aggressively to both companies and fans. There is a whole profession of meeting planners who work out the details of an event and make sure it comes off perfectly.

EXPERIENCES By orchestrating several services and goods, a firm can create, stage, and market experiences. An amusement park or a water park represents experiential marketing: customers, by taking different "rides" in the amusement park or the water park enjoy the thrill provided by these experiences. So does a "theme restaurant" that creates the ambience of a village in Rajasthan or Gujarat.[3]

PERSONS Celebrity marketing is a major business. Today many film stars have agents, personal managers and use the services of public-relations agencies. Many leading sports personalities use the services of professional sports marketing agencies to get endorsement contracts and to advice them on personal brand building.[4] Amitabh Bachchan, Sachin

Tendulkar, Shah Rukh Khan, Aishwarya Rai, and Karisma Kapoor are big brands themselves. Management consultant Tom Peters, himself a master at self-branding, has advised each person to become a "brand."

PLACES Cities, states, regions, and whole nations compete actively to attract tourists, factories, company headquarters, and new residents.[3] Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies. In order to attract investments from domestic and international companies, governments of various states in India are competing with each other. Government representatives make detailed presentations to major investors (for example, international automobile companies) to highlight the advantages that these companies will get on investing in their state. In the software industry, Bangalore is positioned as the "Silicon Valley" of India. But this city is facing stiff competition from other cities in India, actively supported by the respective state governments. In the tourism industry, Kerala is marketed as "God's own country", and has become one of the hot-spots for tourism. The government of India is marketing India as a tourist destination through the "Incredible India" advertisement campaign.

PROPERTIES Properties are intangible rights of ownership of either real property (real estate) or financial property (stocks and bonds). Properties are bought and sold, and this requires marketing. Real estate agents work for property owners or sellers or buy residential or commercial real estate. Investment companies and banks are involved in marketing securities to both institutional and individual investors.

ORGANIZATIONS Organizations actively work to build a strong, favorable, and unique image in the minds of their target publics. Companies spend money on corporate identity ads. Philips, the Dutch electronics company, puts out ads with the tag line "Let's Make Things Better." In the United Kingdom, Tesco's "Every Little Bit Helps" marketing program has vaulted it to the top of the supermarket chains in that country. Universities, museums, performing arts organizations, and non-profits all use marketing to boost their public images and to compete for audiences and funds.

INFORMATION Information can be produced and marketed as a product. This is essentially what schools and universities produce and distribute at a price to parents, students, and communities. Encyclopedias and most nonfiction books market information. The production, packaging, and distribution of information is one of our society's major industries.[4] Even companies that sell physical products attempt to add value through the use of information. For example, the CEO of Siemens Medical Systems, Tom McCausland, says, "[our product] is not necessarily an X-ray or an MRI, but information. Our business is really health-care information technology, and our end product is really an electronic patient record: information on lab tests, pathology, and drugs as well as voice dictation."[5]

IDEAS Every market offering includes a basic idea. Charles Revson of Revlon observed: "In the factory, we make cosmetics; in the store we sell hope." Products and services are platforms for delivering some idea or benefit. Promoting awareness about AIDS, encouraging family planning and discouraging smoking are ideas that fall in the realm of social marketing.

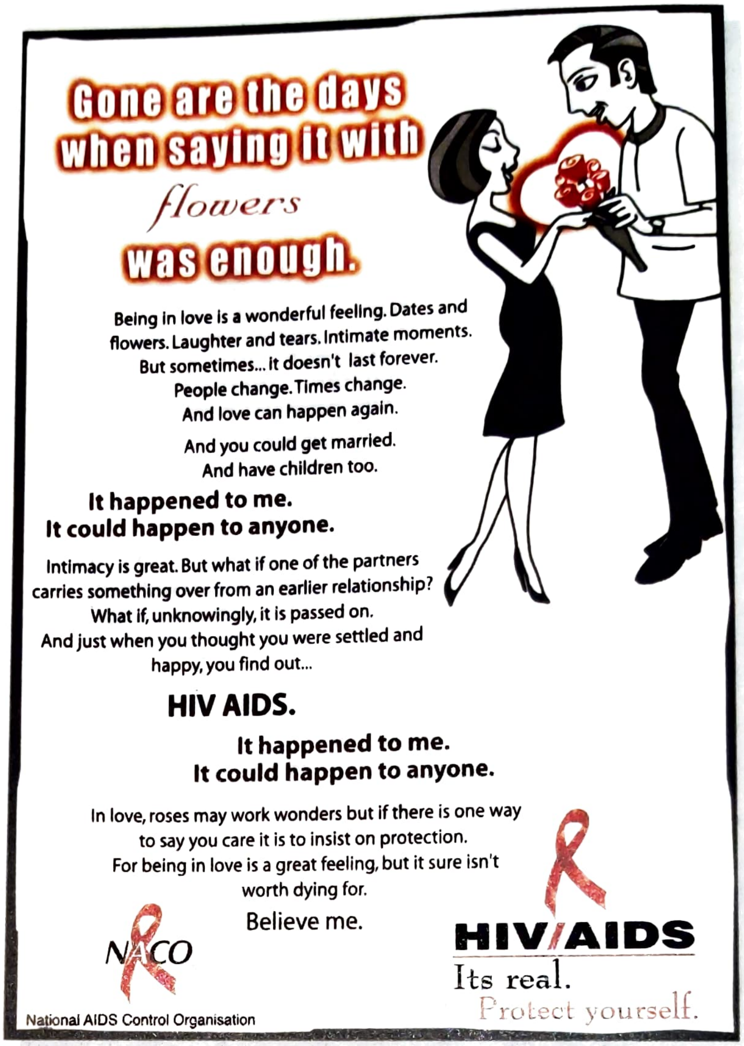
Who Markets?

MARKETERS AND PROSPECTS A **marketer** is someone who seeks a response (attention, a purchase, a vote, a donation) from another party, called the **prospect**. If two parties are seeking to sell something to each other, we call them both marketers.

Marketers are skilled in stimulating demand for a company's products, but this is too limited a view of the tasks they perform. Just as production and logistics professionals are responsible for supply management, marketers are responsible for demand management. Marketing managers seek to influence the level, timing, and composition of demand to meet the organization's objectives. Eight demand states are possible:

1. ***Negative demand*** – Consumers dislike the product and may even pay a price to avoid it.
2. ***Nonexistent demand*** – Consumers may be unaware or uninterested in the product.
3. ***Latent demand*** – Consumers may share a strong need that cannot be satisfied by an existing product.

HIV/Aids awareness campaign by the National AIDS Control Organization—addressing a social marketing issue.

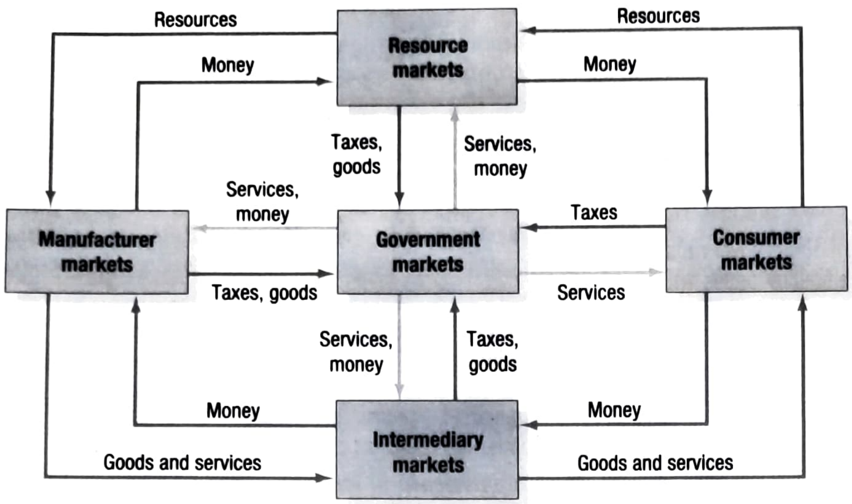


4. ***Declining demand*** – Consumers begin to buy the product less frequently or not at all.
5. ***Irregular demand*** – Consumer purchases vary on a seasonal, monthly, weekly, daily, or even hourly basis.
6. ***Full demand*** – Consumers are adequately buying all products put into the marketplace.
7. ***Overfull demand*** – More consumers would like to buy the product than can be satisfied.
8. ***Unwholesome demand*** – Consumers may be attracted to products that have undesirable social consequences.

In each case, marketers must identify the underlying cause(s) of the demand state and then determine a plan for action to shift the demand to a more desired state.

MARKETS Traditionally, a "market" was a physical place where buyers and sellers gathered to buy and sell goods. Economists describe a market as a collection of buyers and sellers who transact over a particular product or product class (e.g., the housing market or grain market). Modern economies abound in such markets. Five basic markets and their connecting flows are shown in Figure 1.1. Manufacturers go to resource markets (raw material markets, labor markets, money markets), buy resources and turn them into goods and services, and then sell finished products to intermediaries, who sell them to consumers. Consumers sell their labor and receive money with which they pay for goods and services. The government collects tax revenues to buy goods from resource, manufacturer, and intermediary markets and uses these goods and services to provide public services. Each nation's economy and the global economy consist of complex interacting sets of markets linked through exchange processes.

On the other hand, marketers often use the term *market* to cover various groupings of customers. They view the sellers as constituting the industry and the buyers as constituting the market. They talk about need markets (the diet-seeking market), product markets (the



| FIG. 1.1 |

Structure of Flows in a Modern Exchange Economy

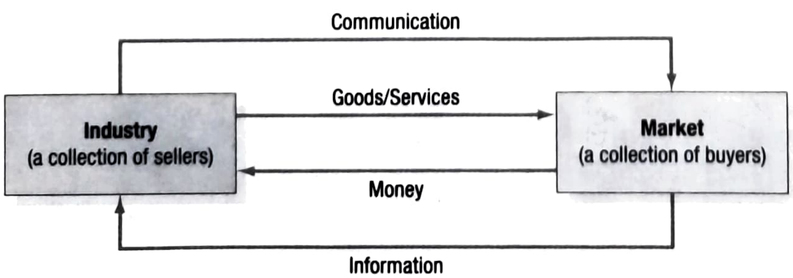
shoe market), demographic markets (the youth market), and geographic markets (the French market); or they extend the concept to cover other markets, such as voter markets, labor markets, and donor markets. Figure 1.2 shows the relationship between the industry and the market. Sellers and buyers are connected by four flows. The sellers send goods and services and communications (ads, direct mail) to the market; in return they receive money and information (attitudes, sales data). The inner loop shows an exchange of money for goods and services; the outer loop shows an exchange of information.

KEY CUSTOMER MARKETS Consider the following key customer markets: consumer, business, global, and nonprofit.

Consumer Markets Companies selling mass consumer goods and services such as soft drinks, cosmetics, air travel, and athletic shoes and equipment spend a great deal of time trying to establish a superior brand image. Much of a brand's strength depends on developing a superior product and packaging, ensuring its availability, and backing it with engaging communications and reliable service. Complicating this task is the always changing consumer market (see "Marketing Insight: New Consumer Capabilities").

Business Markets Companies selling business goods and services often face well-trained and well-informed professional buyers who are skilled in evaluating competitive offerings. Business buyers buy goods in order to make or resell a product to others at a profit. Business marketers must demonstrate how their products will help these buyers achieve higher revenue or lower costs. Advertising can play a role, but a stronger role may be played by the sales force, price, and the company's reputation for reliability and quality.

Global Markets Companies selling goods and services in the global marketplace face additional decisions and challenges. They must decide which countries to enter; how to enter each country (as an exporter, licenser, joint venture partner, contract manufacturer, or solo manufacturer); how to adapt their product and service features to each country; how to price their products in different countries; and how to adapt their



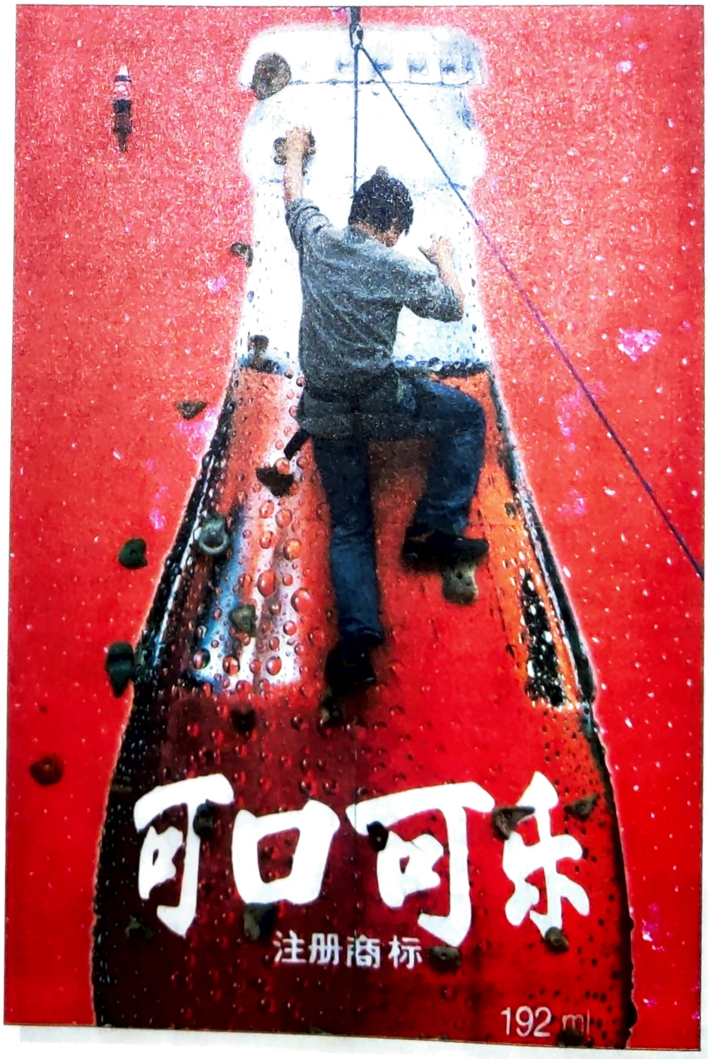
| FIG. 1.2 |

A Simple Marketing System

MARKETING INSIGHT | NEW CONSUMER CAPABILITIES

The digital revolution has placed a whole new set of capabilities in the hands of consumers and businesses. Consider what consumers have today that they didn't have yesterday:

- ***A substantial increase in buying power.*** Buyers today are only a click away from comparing competitor prices and product attributes. They can get answers on the Internet in a matter of seconds. They don't need to drive to stores, park, wait in line, and hold discussions with salespeople. Consumers can even name the price they want to pay for a hotel room, airline ticket, or mortgage, and see if there are any willing suppliers. Business buyers can run a reverse auction where sellers compete to capture the buyer's business. Buyers can join with others to aggregate their purchases to achieve deeper volume discounts.
- ***A greater variety of available goods and services.*** Today a person can order almost anything over the Internet: furniture, washing machines, management consulting, medical advice. Amazon.com advertises itself as the world's largest bookstore, with over 3 million books; no physical bookstore can match this. Furthermore, buyers can order these goods from anywhere in the world, which helps people living in countries with very limited local offerings to achieve great savings. It also means that buyers in countries with high prices can reduce their costs by ordering in countries with lower prices.
- ***A great amount of information about practically anything.*** People can read almost any newspaper in any language from anywhere in the world. They can access online encyclopedias, dictionaries, medical information, movie ratings, consumer reports, and countless other information sources.
- ***A greater ease in interacting and placing and receiving orders.*** Today's buyers can place orders from home, office, or mobile phone 24 hours a day, 7 days a week, and the orders will be delivered to their home or office quickly.
- ***An ability to compare notes on products and services.*** Today's customers can enter a chat room centered on some area of common interest and exchange information and opinions.



Global marketing: Wall climbing on a Coke ad to attract attention (and customers) at the first China International Beverage Festival in Beijing in 2003.

communications to fit different cultures. These decisions must be made in the face of different requirements for buying, negotiating, owning, and disposing of property; different culture, language, and legal and political systems; and a currency that might fluctuate in value.

Nonprofit and Governmental Markets Companies selling their goods to nonprofit organizations such as churches, universities, charitable organizations, or government agencies need to price carefully because these organizations have limited purchasing power. Lower prices affect the features and quality that the seller can build into the offering. Much government purchasing calls for bids, with the lowest bid being favored, in the absence of extenuating factors.

MARKETPLACES, MARKETSPACES, AND METAMARKETS Today we can distinguish between a *marketplace* and *marketspace.* The marketplace is physical, as when you shop in a store; marketspace is digital, as when you shop on the Internet.[6]

Mohan Sawhney has proposed the concept of a *metamarket* to describe a cluster of complementary products and services that are closely related in the minds of consumers but are spread across a diverse set of industries. The automobile metamarket consists of automobile manufacturers, new car and used car dealers, financing companies, insurance companies, mechanics, spare parts dealers, service shops, auto magazines, classified auto ads in newspapers, and auto sites on the Internet. In purchasing a car, a buyer will get involved in many parts of this metamarket, and this has created an opportunity for metamediaries to assist buyers to move seamlessly through these groups, although they are disconnected in physical space. One example is Edmund's (www.edmunds.com), a Web site where a car buyer can find the stated features and prices of different automobiles and easily click to other sites to search for the lowest-price dealer, for financing, for car accessories, and for used cars at bargain prices. Metamediaries can also serve other metamarkets such as the home ownership market, the parenting and baby care market, and the wedding market.[7]

How Business and Marketing Are Changing

A recent book entitled *Beyond Disruption* praises companies such as Apple, Sony, and TAG Heuer for achieving exponential sales growth despite being in established, but stagnant, markets.[8] The explanation offered for these success stories was that these companies adopted a clear vision of the proper direction in which to take their brands and challenged marketing convention through product innovation, advertising, or some other aspect of marketing. Another recent book entitled *Radical Marketing* spotlights companies such as Harley-Davidson, Virgin Atlantic Airways, and Boston Beer for adopting a different approach to marketing that focuses on stretching limited resources, staying in close contact with customers, and creating more satisfying solutions to customer needs. (See "Marketing Memo: The Ten Rules of Radical Marketing.")

We can say with some confidence that "the marketplace isn't what it used to be." It is radically different as a result of major, sometimes interlinking societal forces that have created new behaviors, new opportunities, and new challenges:

- ***Changing technology.*** The digital revolution has created an Information Age. The Industrial Age was characterized by mass production and mass consumption, stores stuffed with inventory, ads everywhere, and rampant discounting. The Information Age promises to lead to more accurate levels of production, more targeted communications, and more relevant pricing. Moreover, much of today's business is carried on over electronic networks: intranet, extranets, and the Internet.
- ***Globalization.*** Technological advances in transportation, shipping, and communication have made it easier for companies to market in other countries and easier for consumers to buy products and services from marketers in other countries.
- ***Deregulation.*** Many countries have deregulated industries to create greater competition and growth opportunities. In India, the domestic airline industry has been growing very rapidly after deregulation. Airline companies are competing with each other by offering different and better services to customers.
- ***Privatization.*** Many countries have converted public companies to private ownership and management to increase their efficiency.

MARKETING **MEMO** | THE TEN RULES OF RADICAL MARKETING

In their book *Radical Marketing,* Sam Hill and Glenn Rifkin lay out a set of guidelines that can help other companies emulate the radical marketers.

1. ***The CEO must own the marketing function.*** CEOs of radical marketers never delegate marketing responsibility.
2. ***The marketing department must start small and flat and stay small and flat.*** CEOs of radical marketers must not allow layers of management to grow between them and the market.
3. ***Get face-to-face with the people who matter most—the customers.*** Radical marketers know the advantages of direct interaction with customers.
4. ***Use market research cautiously.*** Radical marketers prefer grassroots techniques.
5. ***Hire only passionate missionaries, not marketers.*** Radical marketers "don't have marketers, they have missionaries."
6. ***Love and respect customers as individuals, not as numbers on a spreadsheet.*** Radical marketers recognize that the core customers are responsible for the bulk of their companies' successes.
7. ***Create a community of consumers.*** Radical marketers "encourage their customers to think of themselves as a community, and of the brand as a unifier of that community."
8. ***Rethink the marketing mix.*** For example, radical marketers use "surgical strike advertising" characterized by short, targeted ad campaigns.
9. ***Celebrate common sense and compete with larger competitors through fresh and different marketing ideas.*** Radical marketers, for example, limit distribution in order to create loyalty and commitment among distributors and customers.
10. ***Be true to the brand.*** Radical marketers "are obsessive about brand integrity, and they are fixated on quality."

Source: Sam Hill and Glenn Rifkin, *Radical Marketing* (New York: HarperCollins, 1999), pp. 19–31.

- ***Customer empowerment.*** Customers increasingly expect higher quality and service and some customization. They are more and more time-starved and want more convenience. They perceive fewer real product differences and show less brand loyalty. They can obtain extensive product information from the Internet and other sources, which permits them to shop more intelligently. They are showing greater price sensitivity in their search for value.
- ***Customization.*** The company is able to produce individually differentiated goods whether ordered in person, on the phone, or online. By going online, companies essentially enable consumers to design their own goods. The company also has the capacity to interact with each customer personally, to *personalize* messages, services, and the relationship.[9]
- ***Heightened competition.*** Brand manufacturers are facing intense competition from domestic and foreign brands, which is resulting in rising promotion costs and shrinking profit margins. They are being further buffeted by powerful retailers who command limited shelf space and are putting out their own store brands in competition with national brands.
- ***Industry convergence.*** Industry boundaries are blurring at an incredible rate as companies are recognizing that new opportunities lie at the intersection of two or more industries. Pharmaceutical companies, at one time essentially chemical companies, are now adding biogenetic research capacities in order to formulate new drugs, new cosmetics (cosmoneuticals), and new foods (nutriceuticals). Shiseido, the Japanese cosmetics firm, now markets a portfolio of dermatology drugs. Christmas 2003 saw the convergence of the computing and consumer electronics industries as the giants of the computer world such as Dell, Gateway, and Hewlett-Packard released a stream of entertainment devices—from MP3 players to plasma TVs and camcorders. The shift to digital technology, in which devices needed to play entertainment content are more and more like PCs, is fueling this massive convergence.[10]
- ***Retail transformation.*** Small retailers are succumbing to the growing power of giant retailers and "category killers." Store-based retailers are facing growing competition from catalog houses; direct-mail firms; newspaper, magazine, and TV direct-to-customer ads; home shopping TV; and e-commerce on the Internet. In response, entrepreneurial retailers are building entertainment into stores with coffee bars, lectures, demonstrations, and performances. They are marketing an "experience" rather than a product assortment.

Cosmoneuticals: An ad for dermatology drugs marketed by Shiseido, the Japanese cosmetics firm. The WH/SIS product line targets spots and freckles, and includes cleanser, lotion, emulsion, day/night whitening beauty essence, and medication to be taken orally. It is sold only in Japan, mainly in drugstores.

- ***Disintermediation.*** The amazing success of early online dot-coms such as AOL, Amazon, Yahoo, eBay, E'TRADE, and dozens of others who created *disintermediation* in the delivery of products and services, struck terror in the hearts of many established manufacturers and retailers. In response to disintermediation, many traditional companies engaged in *reintermediation* and became "brick-and-click," adding online services to their existing offerings. Many brick-and-click competitors became stronger contenders than the pure-click firms, since they had a larger pool of resources to work with and well-established brand names.

::: Company Orientations Toward the Marketplace

What philosophy should guide a company's marketing efforts? What relative weights should be given to the interests of the organization, the customers, and society? Very often these interests conflict. The competing concepts under which organizations have conducted marketing activities include: the production concept, product concept, selling concept, marketing concept, and holistic marketing concept.

The Production Concept

The production concept is one of the oldest concepts in business. It holds that consumers will prefer products that are widely available and inexpensive. Managers of production-oriented businesses concentrate on achieving high production efficiency, low costs, and mass distribution. This orientation makes sense in developing countries such as China where the largest PC manufacturer, Legend, and domestic appliances giant Haier take advantage of the country's huge inexpensive labor pool to dominate the market. It is also used when a company wants to expand the market.[11]

The Product Concept

The product concept holds that consumers will favor those products that offer the most quality, performance, or innovative features. Managers in these organizations focus on making superior products and improving them over time. However, these managers are sometimes caught up in a love affair with their products. They might commit the "better-mousetrap" fallacy, believing that a better mousetrap will lead people to beat a path to their door. A new or improved product will not necessarily be successful unless the product is priced, distributed, advertised, and sold properly.

The Selling Concept

The selling concept holds that consumers and businesses, if left alone, will ordinarily not buy enough of the organization's products. The organization must, therefore, undertake an aggressive selling and promotion effort. The selling concept is epitomized in the thinking of Sergio Zyman, Coca-Cola's former vice president of marketing: The purpose of marketing is to sell more stuff to more people more often for more money in order to make more profit.[12]

The selling concept is practiced most aggressively with unsought goods, goods that buyers normally do not think of buying, such as insurance, and encyclopedias. Most firms practice the selling concept when they have overcapacity. Their aim is to sell what they make rather than make what the market wants. However, marketing based on hard selling carries high risks. It assumes that customers who are coaxed into buying a product will like it; and that if they do not, they will not return it or bad-mouth it or complain to consumer organizations, or might even buy it again.

The Marketing Concept

The marketing concept emerged in the mid-1950s.[13] Instead of a product-centered, "make-and-sell" philosophy, business shifted to a customer-centered, "sense-and-respond" philosophy. Instead of "hunting," marketing is "gardening." The job is not to find the right customers for your products, but the right products for your customers. The marketing concept holds that the key to achieving organizational goals consists of the company being more effective than competitors in creating, delivering, and communicating superior customer value to its chosen target markets.

> Theodore Levitt of Harvard drew a perceptive contrast between the selling and marketing concepts: Selling focuses on the needs of the seller; marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering and finally consuming it.[14]

Several scholars have found that companies who embrace the marketing concept achieve superior performance.[15] This was first demonstrated by companies practicing a *reactive market orientation*—understanding and meeting customers' expressed needs. Some critics say this means companies develop only low-level innovations. Narver and his colleagues argue that high-level innovation is possible if the focus is on customers' latent needs. He calls this a *proactive marketing orientation*.[16] Companies such as 3M, HP, and Motorola have made a practice of researching or imagining latent needs through a "probe-and-learn" process. Companies that practice both a reactive and proactive marketing orientation are implementing a *total market orientation* and are likely to be the most successful.

In the course of converting to a marketing orientation, a company faces three hurdles: organized resistance, slow learning, and fast forgetting. Some company departments (often manufacturing, finance, and R&D) believe a stronger marketing function threatens their power in the organization. Initially, the marketing function is seen as one of several equally important functions in a check-and-balance relationship. Marketers argue that their function is more important. A few enthusiasts go further and say marketing is the major function of the enterprise, for without customers there is no company. Enlightened marketers clarify the issue by putting the customer at the center of the company. They argue for a customer orientation in which all functions work together to respond to, serve, and satisfy the customer.[17]

The Holistic Marketing Concept

A whole set of forces that appeared in the last decade call for new marketing and business practices. Companies have new capabilities that can transform the way they have been doing

MARKETING INSIGHT | THE INTERNET ADVANTAGE

The Internet gives today's companies a new set of capabilities:

- Companies can operate a powerful new information and sales channel, the Internet, with augmented geographical reach to inform and promote their businesses and products worldwide. By establishing one or more Web sites, a company can list its products and services, its history, its business philosophy, its job opportunities, and other information of interest to visitors. Unlike the ads and brochures of the past, the Internet permits a company to transmit an almost unlimited amount of information.
- Companies can collect fuller and richer information about markets, customers, prospects, and competitors. They can also conduct fresh marketing research using the Internet to arrange for focus groups, send out questionnaires, and gather primary data in several other ways.
- Companies can facilitate and speed up internal communication among their employees by using the Internet as a private intranet. Employees can query one another, seek advice, and download or upload needed information from and to the company's main computer.
- Companies can have two-way communications with customers and prospects, and more efficient transactions. The Internet makes it easy for individuals to e-mail companies and receive replies, and more companies today are developing extranets with suppliers and distributors for sending and receiving information, placing orders, and making payments more efficiently.
- Companies are now able to send ads, coupons, samples, and information to customers who have requested these items or have given the company permission to send them.
- Companies can customize offerings and services by using database information on the number of visitors to their Web sites and visit frequency.
- Companies can improve purchasing, recruiting, training, and internal and external communications.
- Companies can achieve substantial savings by using the Internet to compare sellers' prices, and to purchase materials at auction or by posting their own terms. Companies can recruit new employees. Many are also preparing Internet training products that can be downloaded to employees, dealers, and agents.
- Companies can improve logistics and operations for substantial cost savings while improving accuracy and service quality. The Internet provides a more accurate and faster way to send and receive information, orders, transactions, and payments between companies, their business partners, and their customers.

marketing (see "Marketing Insight: The Internet Advantage"). Companies need fresh thinking about how to operate and compete in a new marketing environment. Marketers in the twenty-first century are increasingly recognizing the need to have a more complete, cohesive approach that goes beyond traditional applications of the marketing concept. Look at Puma.

PUMA

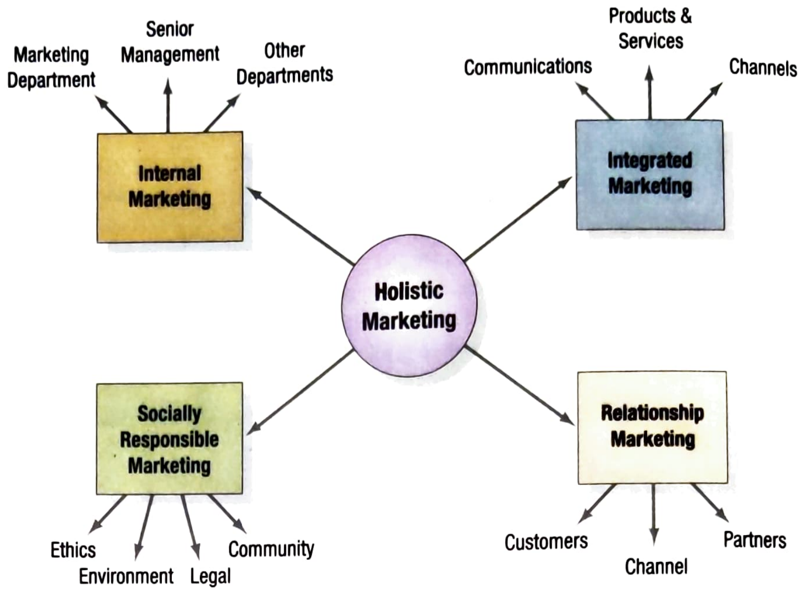
German athletic footwear company Puma has used holistic marketing to bring its product back from being a sentimental mainstay of the 1970s to one of the trendiest athletic shoes around. Puma uses multiple marketing approaches that work synergistically to set Puma apart as an edgy, trend-setting brand. Puma designs products with distinct customer groups in mind—such as snowboarders, car racing fans, and yoga enthusiasts—using market research generated by its retailer partners. Puma also targets the armchair athlete—its two most popular models are the Mostro, a walking shoe with a nubbed wraparound sole, and the Speed Cat, a flat $65 sneaker modeled on shoes worn by Formula One race car drivers. It generates word of mouth or "viral marketing" by clever promotions—from partnering with BMW/Mini, Terence Conran Design Shop, and the Jamaican Olympic team—or holding promotional events at sushi restaurants during the 2002 World Cup to outfitting Serena Williams and showcasing products in well-chosen TV shows and movies. The approach is working: Puma's sales have increased for 10 straight years from 1994 to 2004, tripling in total.[18]

The **holistic marketing** concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognizes their breadth and interdependencies. Holistic marketing recognizes that "everything matters" with marketing—and that a broad, integrated perspective is often necessary. Four components of holistic marketing are relationship marketing, integrated marketing, internal marketing, and social responsibility marketing.

Holistic marketing is thus an approach to marketing that attempts to recognize and reconcile the scope and complexities of marketing activities. Figure 1.3 provides a schematic overview of four broad themes characterizing holistic marketing.

FIG. 1.3

Holistic Marketing Dimensions



RELATIONSHIP MARKETING Increasingly, a key goal of marketing is to develop deep, enduring relationships with all people or organizations that could directly or indirectly affect the success of the firm's marketing activities. **Relationship marketing** has the aim of building mutually satisfying long-term relationships with key parties—customers, suppliers, distributors, and other marketing partners—in order to earn and retain their business.[19] Relationship marketing builds strong economic, technical, and social ties among the parties.

Relationship marketing involves cultivating the right kind of relationships with the right constituent groups. Marketing must not only do customer relationship management (CRM), but also partner relationship management (PRM) as well. Four key constituents for marketing are customers, employees, marketing partners (channels, suppliers, distributors, dealers, agencies), and members of the financial community (shareholders, investors, analysts).

The ultimate outcome of relationship marketing is the building of a unique company asset called a marketing network. A **marketing network** consists of the company and its supporting stakeholders (customers, employees, suppliers, distributors, retailers, ad agencies, university scientists, and others) with whom it has built mutually profitable business relationships. Increasingly, competition is not between companies but between marketing networks, with the prize going to the company that has built the better network. The operating principle is simple: Build an effective network of relationships with key stakeholders, and profits will follow.[20]

The development of strong relationships requires an understanding of the capabilities and resources of different groups, as well as their needs, goals, and desires. A growing number of today's companies are now shaping separate offers, services, and messages to individual customers. These companies collect information on each customer's past transactions, demographics, psychographics, and media and distribution preferences. They hope to achieve profitable growth through capturing a larger share of each customer's expenditures by building high customer loyalty and focusing on customer lifetime value.

The ability of a company to deal with customers one at a time has become practical as a result of advances in factory customization, computers, the Internet, and database marketing software. BMW's technology now allows buyers to design their own models from 350 variations, 500 options, 90 exterior colors, and 170 trims. The company claims that 80 percent of the cars bought by individuals in Europe and up to 30 percent of those in the United States are built to order. British supermarket giant Tesco is outpacing its rival store, Sainsbury, by using its Clubcard data to personalize offers according to individual customer attributes.[21]

Yet the practice of one-to-one marketing is not for every company: The required investment in information collection, hardware, and software may exceed the payout. It works best for companies that normally collect a great deal of individual customer information, carry a lot of products that can be cross-sold, carry products that need periodic replacement or upgrading, and sell products of high value.

Rich, multifaceted relationships with key constituents create the foundation for a mutually beneficial arrangement for both parties. For example, tired of having its big rigs return empty after making a delivery as often as 15 percent of the time, General Mills entered a program

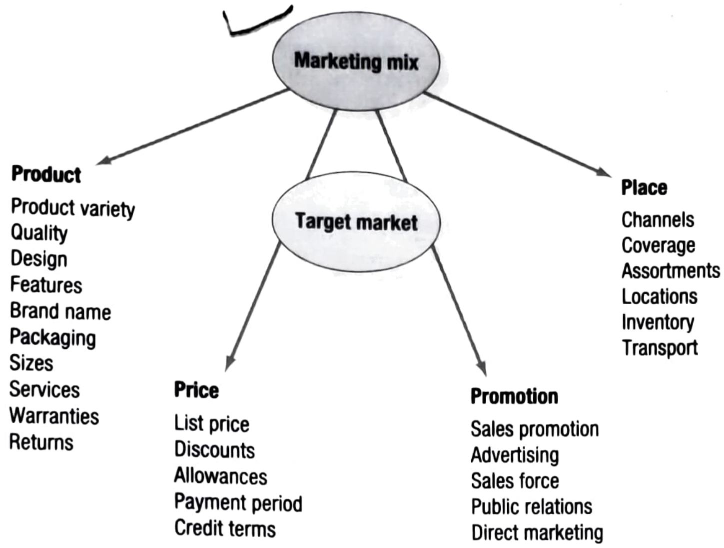


FIG. 1.4

The Four P Components of the Marketing Mix

with Fort James and a dozen other companies to combine one-way shipping routes into a cross-country loop via a tag-team of contracted trucks. As a result, General Mills reduced its empty truck time to 6 percent, saving 7 percent on shipping costs in the process.[22]

INTEGRATED MARKETING The marketer's task is to devise marketing activities and assemble fully integrated marketing programs to create, communicate, and deliver value for consumers. The marketing program consists of numerous decisions on value-enhancing marketing activities to use. Marketing activities come in all forms. One traditional depiction of marketing activities is in terms of the marketing mix, which has been defined as the set of marketing tools the firm uses to pursue its marketing objectives.[23] McCarthy classified these tools into four broad groups, which he called *the four Ps* of marketing: product, price, place, and promotion.[24]

The particular marketing variables under each P are shown in Figure 1.4. Marketing-mix decisions must be made for influencing the trade channels as well as the final consumers. Figure 1.5 shows the company preparing an offering mix of products, services, and prices, and utilizing a communications mix of advertising, sales promotion, events and experiences, public relations, direct marketing, and personal selling to reach the trade channels and the target customers.

The firm can change its price, sales force size, and advertising expenditures in the short run. It can develop new products and modify its distribution channels only in the long run. Thus the firm typically makes fewer period-to-period marketing-mix changes in the short run than the number of marketing-mix decision variables might suggest.

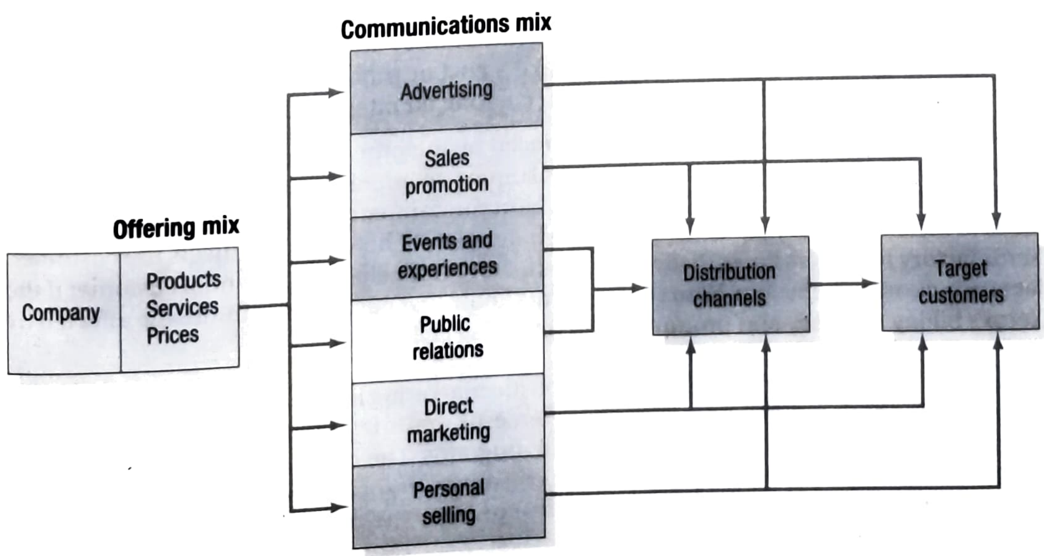


FIG. 1.5

Marketing-Mix Strategy

The four Ps represent the sellers' view of the marketing tools available for influencing buyers. From a buyer's point of view, each marketing tool is designed to deliver a customer benefit. Robert Lauterborn suggested that the sellers' four Ps correspond to the customers' four Cs.[25]

Four Ps	Four Cs
Product	Customer solution
Price	Customer cost
Place	Convenience
Promotion	Communication

Winning companies will be those that can meet customer needs economically and conveniently and with effective communication.

Two key themes of integrated marketing are that (1) many different marketing activities are employed to communicate and deliver value and (2) all marketing activities are coordinated to maximize their joint effects. In other words, the design and implementation of any one marketing activity is done with all other activities in mind. Businesses must integrate their systems for demand management, resource management, and network management.

For example, an integrated communication strategy involves choosing communication options that reinforce and complement each other. A marketer might selectively employ television, radio, and print advertising, public relations and events, and PR and Web site communications so that each contributes on its own as well as improves the effectiveness of others. Integrated channel strategy involves ensuring that direct (e.g., online sales) and indirect channels (e.g., retail sales) work together to maximize sales and brand equity.

INTERNAL MARKETING Holistic marketing incorporates *internal marketing,* ensuring that everyone in the organization embraces appropriate marketing principles, especially senior management. Internal marketing is the task of hiring, training, and motivating able employees who want to serve customers well. Smart marketers recognize that marketing activities within the company can be as important as, or even more so than, marketing activities directed outside the company. It makes no sense to promise excellent service before the company's staff is ready to provide it.

Internal marketing must take place on two levels. At one level, the various marketing functions—sales force, advertising, customer service, product management, marketing research—must work together. Too often, the sales force thinks product managers set prices or sale quotas "too high"; or the advertising director and a brand manager cannot agree on an advertising campaign. All these marketing functions must be coordinated from the customer's point of view. The following example highlights the coordination problem:

> The marketing vice president of a major European airline wants to increase the airline's traffic share. His strategy is to build up customer satisfaction through providing better food, cleaner cabins, better-trained cabin crews, and lower fares; yet he has no authority in these matters. The catering department chooses food that keeps food costs down; the maintenance department uses cleaning services that keep down cleaning costs; the human resources department hires people without regard to whether they are naturally friendly; the finance department sets the fares. Because these departments generally take a cost or production point of view, the vice president of marketing is stymied in creating an integrated marketing mix.

At another level, marketing must be embraced by the other departments; they must also "think customer." Marketing is not a department so much as a company orientation. Marketing thinking must be pervasive throughout the company (see Table 1.1). Xerox goes so far as to include in every job description an explanation of how that job affects the customer. Xerox factory managers know that visits to the factory can help sell a potential customer if the factory is clean and efficient. Xerox accountants know that customer attitudes are affected by Xerox's billing accuracy and promptness in returning calls.

SOCIAL RESPONSIBILITY MARKETING Holistic marketing incorporates *social responsibility marketing* and understanding broader concerns and the ethical, environmental, legal, and social context of marketing activities and programs. The cause and effects of marketing clearly extend beyond the company and the consumer to society as a whole. Social responsibility also requires that marketers carefully consider the role that they are playing and could play in terms of social welfare.

Are companies that do an excellent job of satisfying consumer wants necessarily acting in the best long-run interests of consumers and society? Consider the following criticism:

> The fast-food hamburger industry offers tasty but unhealthy food. The hamburgers have a high fat content, and the restaurants promote fries and pies, two products high in starch and fat. The products are wrapped in convenient packaging, which leads to much waste. In satisfying consumer wants, these restaurants may be hurting consumer health and causing environmental problems.

Recognizing these criticisms, companies like McDonald's have added healthier items to their menus (e.g., salads) and introduced environmental initiatives (e.g., replacing polystyrene foam sandwich clamshells with paper wraps and lightweight recycled boxes). Recently, McDonald's announced its largest environmental initiative to date. McDonald's Corp., which buys 2.5 billion pounds of poultry, beef, and pork a year for its 30,000 restaurants worldwide, ordered its suppliers to eliminate the use of antibiotics that are also given to humans, specifically when those drugs are used to make chickens, pigs and, less often, cattle, grow faster. "We saw lots of evidence that showed the declining rate of effectiveness of antibiotics in human medicine," said Bob Langert, McDonald's senior director of social responsibility. "We started to look at what we could do."[26]

Situations like this one call for a new term that enlarges the marketing concept. Among those suggested are "humanistic marketing" and "ecological marketing." We propose calling it the "societal marketing concept." The *societal marketing concept* holds that the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being.

The societal marketing concept calls upon marketers to build social and ethical considerations into their marketing practices. They must balance and juggle the often conflicting criteria of company profits, consumer want satisfaction, and public interest.

Yet a number of companies—have achieved notable sales and profit gains by adopting and practicing a form of the societal marketing concept called *cause-related marketing.* Pringle and Thompson define this as activity by which a company with an image, product, or service to market builds a relationship or partnership with a "cause," or a number of "causes," for mutual benefit."[27]

Companies see cause-related marketing as an opportunity to enhance their corporate reputation, raise brand awareness, increase customer loyalty, build sales, and increase press coverage. They believe that customers will increasingly look for signs of good corporate citizenship that go beyond supplying rational and emotional benefits. Avon has been one of the most successful cause marketers.

::: Fundamental Marketing Concepts, Trends, and Tasks

To understand the marketing function, we need to understand certain fundamental concepts and tasks, along with current trends.

Core Concepts

A core set of concepts creates a foundation for marketing management and a holistic marketing orientation.

NEEDS, WANTS, AND DEMANDS The marketer must try to understand the target market's needs, wants, and demands. *Needs* are the basic human requirements. People need food, air, water, clothing, and shelter to survive. People also have strong needs for recreation, education, and entertainment. These needs become *wants* when they are directed to specific objects that might satisfy the need. An American needs food but may want a hamburger, French fries, and a soft drink. A person in Mauritius needs food but may want a mango, rice, lentils, and beans. Wants are shaped by one's society. *Demands* are wants for specific products backed by an ability to pay. Many people want a Mercedes; only a few are willing and able to buy one. Companies must measure not only how many people want their product but also how many would actually be willing and able to buy it.

These distinctions shed light on the frequent criticism that "marketers create needs" or "marketers get people to buy things they don't want." Marketers do not create needs: Needs preexist marketers. Marketers, along with other societal factors, influence wants. Marketers might promote the idea that a Mercedes would satisfy a person's need for social status. They do not, however, create the need for social status.

Understanding customer needs and wants is not always simple. Some customers have needs of which they are not fully conscious, or they cannot articulate these needs, or they use words that require some interpretation. What does it mean when the customer asks for a "powerful" lawnmower, a "fast" lathe, an "attractive" bathing suit, or a "restful" hotel? Consider the customer who says he wants an "inexpensive car." The marketer must probe further. We can distinguish among five types of needs:

1. Stated needs (the customer wants an inexpensive car).
2. Real needs (the customer wants a car whose operating cost, not its initial price, is low).
3. Unstated needs (the customer expects good service from the dealer).
4. Delight needs (the customer would like the dealer to include an onboard navigation system).
5. Secret needs (the customer wants to be seen by friends as a savvy consumer).

Responding only to the stated need may shortchange the customer. Many consumers do not know what they want in a product. Consumers did not know much about cellular phones when they were first introduced. Nokia and Ericsson fought to shape consumer perceptions of cellular phones. Consumers were in a learning mode and companies forged strategies to shape their wants. As stated by Carpenter, "Simply giving customers what they want isn't enough any more—to gain an edge companies must help customers learn what they want."[28]

In the past, "responding to customer needs" meant studying customer needs and making a product that fit these needs on the average, but some of today's companies instead respond to each customer's individual needs. Dell Computer does not prepare a perfect computer for its target market. Rather, it provides product platforms on which each person customizes the features he or she desires in the computer. This is a change from a "make-and-sell" philosophy to a philosophy of "sense and respond."

TARGET MARKETS, POSITIONING, AND SEGMENTATION A marketer can rarely satisfy everyone in a market. Not everyone likes the same cereal, hotel room, restaurant, automobile, college, or movie. Therefore, marketers start by dividing up the market into segments. They identify and profile distinct groups of buyers who might prefer or require varying product and services mixes by examining demographic, psychographic, and behavioral differences among buyers. The marketer then decides which segments present the greatest opportunity—which are its *target markets.* For each chosen target market, the firm develops a *market offering.* The offering is *positioned* in the minds of the target buyers as delivering some central benefit(s). Scorpio, a sports-utility vehicle (SUV) launched in India by Mahindra & Mahindra in 2002, is designed for people who prefer a sturdy vehicle that offers luxury and comfort. Scorpio, therefore, is positioned as a vehicle that offers the luxury of a car and the thrill of an SUV. The advertisements for Scorpio use the term "car" although the design of the vehicle resembles that of an SUV. Companies do best when they choose their target market(s) carefully and prepare tailored marketing programs.

OFFERINGS AND BRANDS Companies address needs by putting forth a value proposition, a set of benefits they offer to customers to satisfy their needs. The intangible value proposition is made physical by an *offering,* which can be a combination of products, services, information, and experiences.

A *brand* is an offering from a known source. A brand name carries many associations in the minds of people. These associations make up the brand image. All companies strive to build brand strength—that is, a strong, favorable, and unique brand image.

VALUE AND SATISFACTION The offering will be successful if it delivers value and satisfaction to the target buyer. The buyer chooses between different offerings on the basis of which is perceived to deliver the most value. *Value* reflects the perceived tangible and intangible benefits and costs to customers. Value can be seen as primarily a combination of quality, service, and price (qsp), called the "customer value triad." Value increases with quality and service and decreases with price, although other factors can also play an important role.

Value is a central marketing concept. Marketing can be seen as the identification, creation, communication, delivery, and monitoring of customer value. *Satisfaction* reflects a person's comparative judgments resulting from a product's perceived performance (or outcome) in

Positioning: Luxury of a car and the thrill of an SUV. Press advertisement of the Scorpio focused on functional features of the vehicle and the television advertisements focused on the emotional benefits.

relation to his or her expectations. If the performance falls short of expectations, the customer is dissatisfied and disappointed. If the performance matches the expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted.

MARKETING CHANNELS To reach a target market, the marketer uses three kinds of marketing channels. *Communication channels* deliver and receive messages from target buyers, and include newspapers, magazines, radio, television, mail, telephone, billboards, posters, fliers, CDs, audiotapes, and the Internet. Beyond these, communications are conveyed by facial expressions and clothing, the look of retail stores, and many other media. Marketers are increasingly adding dialogue channels (e-mail and toll-free numbers) to counterbalance the more normal monologue channels (such as ads).

The marketer uses *distribution channels* to display, sell, or deliver the physical product or service(s) to the buyer or user. They include distributors, wholesalers, retailers, and agents.

The marketer also uses *service channels* to carry out transactions with potential buyers. Service channels include warehouses, transportation companies, banks, and insurance companies that facilitate transactions. Marketers clearly face a design problem in choosing the best mix of communication, distribution, and service channels for their offerings.

SUPPLY CHAIN Whereas marketing channels connect the marketer to the target buyers, the supply chain describes a longer channel stretching from raw materials to components to final products that are carried to final buyers. The supply chain for women's purses starts with hides, and moves through tanning operations, cutting operations, manufacturing, and the marketing channels bringing products to customers. The supply chain represents a value delivery system. Each company captures only a certain percentage of the total value generated by the supply chain. When a company acquires competitors or moves upstream or downstream, its aim is to capture a higher percentage of supply chain value.

COMPETITION Competition includes all the actual and potential rival offerings and substitutes that a buyer might consider. Suppose an automobile company is planning to buy steel for its cars. There are several possible levels of competitors. The car manufacturer can buy steel from Tata Steel or SAIL or import from abroad; or buy aluminum for certain parts to lighten the car's weight; or buy engineered plastics for bumpers instead of steel. Clearly, Tata Steel would be thinking narrowly if it thought only of other integrated steel companies. In fact, Tata Steel is more likely to be hurt in the long run by substitute products than by its immediate steel company rivals. It must also consider whether to make substitute materials or stick only to those applications where steel offers a superior performance.

MARKETING ENVIRONMENT Competition represents only one force in the environment in which the marketer operates. The marketing environment consists of the task environment and the broad environment.

The *task environment* includes the immediate actors involved in producing, distributing, and promoting the offering. The main actors are the company, suppliers, distributors, dealers, and the target customers. Included in the supplier group are material suppliers and service suppliers such as marketing research agencies, advertising agencies, banking and insurance companies, transportation companies, and telecommunications companies. Included with distributors and dealers are agents, brokers, manufacturer representatives, and others who facilitate finding and selling to customers.

The *broad environment* consists of six components: demographic environment, economic environment, physical environment, technological environment, political-legal environment, and social-cultural environment. These environments contain forces that can have a major impact on the actors in the task environment. Market actors must pay close attention to the trends and developments in these environments and make timely adjustments to their marketing strategies.

MARKETING PLANNING In practice, there is a logical process that marketing follows. The marketing planning process consists of analyzing marketing opportunities; selecting target markets; designing marketing strategies; developing marketing programs; and managing the marketing effort. Figure 1.6 presents a grand summary of the marketing process and the forces shaping the company's marketing strategy.

Shifts in Marketing Management

A number of important trends and forces are eliciting a new set of beliefs and practices on the part of business firms. Marketers are fundamentally rethinking their philosophies, concepts, and tools. Here are 14 major shifts in marketing management that smart companies have been making in the twenty-first century. These major themes will be examined throughout this book to help marketers and companies sail safely through the rough but promising waters ahead. Successful companies will be those who can keep their marketing changing with the changes in their marketplace—and marketspace.

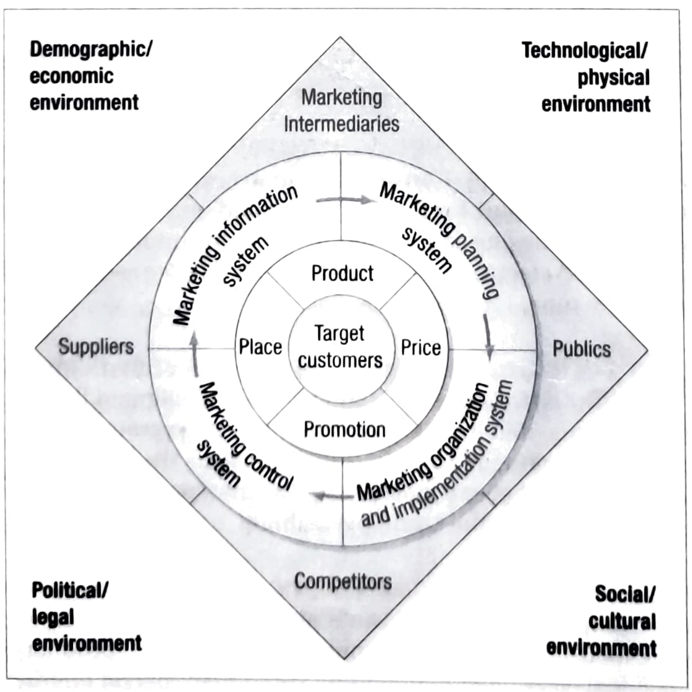


FIG. 1.6

Factors Influencing Company Marketing Strategy

FROM MARKETING DOES THE MARKETING TO EVERYONE DOES THE MARKETING Companies generally establish a marketing department to be responsible for creating and delivering customer value. But as the late David Packard of Hewlett-Packard observed, "Marketing is far too important to leave to the marketing department." Companies now know that marketing is not done only by marketing, sales, and customer support personnel; every employee has an impact on the customer and must see the customer as the source of the company's prosperity. Consequently, companies are beginning to emphasize interdepartmental teamwork to manage key processes. More emphasis is also being placed on the smooth management of core business processes, such as new-product realization, customer acquisition and retention, and order fulfillment.

FROM ORGANIZING BY PRODUCT UNITS TO ORGANIZING BY CUSTOMER SEGMENTS Some companies are now switching from being solely product-centered with product managers and product divisions to manage them to being more customer-segment-centered.

FROM MAKING EVERYTHING TO BUYING MORE GOODS AND SERVICES FROM OUTSIDE More companies are choosing to own brands rather than physical assets. Companies are also increasingly subcontracting activities to outsourcing firms. Their maxim: Outsource those activities that others can do more cheaply and better, but retain core activities.

FROM USING MANY SUPPLIERS TO WORKING WITH FEWER SUPPLIERS IN A "PARTNERSHIP" Companies are deepening partnering arrangements with key suppliers and distributors. Such companies have shifted from thinking of intermediaries as customers to treating them as partners in delivering value to final customers.

FROM RELYING ON OLD MARKET POSITIONS TO UNCOVERING NEW ONES In highly competitive marketplaces, companies must always be moving forward with marketing programs, innovating products and services, and staying in touch with customer needs. Companies must always be seeking new advantages rather than just relying on their past strengths.

FROM EMPHASIZING TANGIBLE ASSETS TO EMPHASIZING INTANGIBLE ASSETS Companies are recognizing that much of their market value comes from intangible assets, particularly their brands, customer base, employees, distributor and supplier relations, and intellectual capital.

FROM BUILDING BRANDS THROUGH ADVERTISING TO BUILDING BRANDS THROUGH PERFORMANCE AND INTEGRATED COMMUNICATIONS Marketers are moving from an overreliance on one communication tool such as advertising or sales force to blending several tools to deliver a consistent brand image to customers at every brand contact.

FROM ATTRACTING CUSTOMERS THROUGH STORES AND SALESPEOPLE TO MAKING PRODUCTS AVAILABLE ONLINE Consumers can access pictures of products, read the specs, shop among online vendors for the best prices and terms, and click to order and pay. Business-to-business purchasing is growing fast on the Internet. Personal selling can increasingly be conducted electronically, with buyer and seller seeing each other on their computer screens in real time.

FROM SELLING TO EVERYONE TO TRYING TO BE THE BEST FIRM SERVING WELL-DEFINED TARGET MARKETS Target marketing is being facilitated by the proliferation of special-interest magazines, TV channels, and Internet newsgroups. Companies are also making substantial investments in information systems as the key to lowering costs and gaining a competitive edge. They are assembling information about individual customers' purchases, preferences, demographics, and profitability.

FROM FOCUSING ON PROFITABLE TRANSACTIONS TO FOCUSING ON CUSTOMER LIFETIME VALUE Companies normally would aim to make a profit on each transaction. Now companies are focusing on their most profitable customers, products, and channels. They estimate individual customer lifetime value and design market offerings and prices to make a profit over the customer's lifetime. Companies now are placing much more emphasis on customer retention. Attracting a new customer may cost five times as much as doing a good job to retain existing customers.

FROM A FOCUS ON GAINING MARKET SHARE TO A FOCUS ON BUILDING CUSTOMER SHARE A bank aims to increase its share of the customer's wallet; the supermarket aims to capture a larger share of the customer's "stomach." Companies build customer share by offering a larger variety of goods to existing customers. They train their employees in cross-selling and up-selling.

FROM BEING LOCAL TO BEING "GLOCAL"—BOTH GLOBAL AND LOCAL Firms are adopting a combination of centralization and decentralization to better balance local adaptation and global standardization. The goal is to encourage more initiative and "intrepreneurship" at the local level, while preserving the necessary global guidelines and standards.[29]

FROM FOCUSING ON THE FINANCIAL SCORECARD TO FOCUSING ON THE MARKETING SCORECARD Top management is going beyond sales revenue alone to examine the marketing scorecard to interpret what is happening to market share, customer loss rate, customer satisfaction, product quality, and other measures. They know that changes in marketing indicators predict changes in financial results.

FROM FOCUSING ON SHAREHOLDERS TO FOCUSING ON STAKEHOLDERS Top management respects the importance of creating co-prosperity among all business partners and customers. These managers develop policies and strategies to balance the returns to all the key stakeholders.

Marketing Management Tasks

These core concepts and others provide the input for a set of tasks that make up successful marketing management. We'll use the following situation to illustrate these tasks in the context of the plan of the book.

> Zeus, Inc. (name disguised), operates in several industries, including chemicals, cameras, and film. The company is organized into SBUs. Corporate management is considering what to do with its Atlas camera division. At present, Atlas produces a range of 35 mm and digital cameras. The market for cameras is intensely competitive. Although Zeus has a sizable market share and is producing much revenue for the company, the 35 mm market itself is growing very slowly and its market share is slipping. In the faster-growing digital camera segment, Zeus is facing strong competition and has been slow to gain sales. Zeus's corporate management wants Atlas's marketing group to produce a strong turnaround plan for the division. Marketing management has to come up with a convincing marketing plan, sell corporate management on the plan, and then implement and control it.

DEVELOPING MARKETING STRATEGIES AND PLANS The first task facing Atlas is to identify its potential long-run opportunities given its market experience and core competencies (see Chapter 2). Atlas can design its cameras with better features. It can also consider making a line of video cameras, or it can use its core competency in optics to design a line of binoculars and telescopes. Whichever direction it chooses, it must develop concrete marketing plans that specify the marketing strategy and tactics going forward.

CAPTURING MARKETING INSIGHTS To understand what is happening inside and outside the company, Atlas needs a reliable marketing information system; it will want to closely monitor its marketing environment. Atlas's microenvironment consists of all the players who affect the company's ability to produce and sell cameras—suppliers, marketing intermediaries, customers, and competitors. Its macroenvironment consists of demographic, economic, physical, technological, political-legal, and social-cultural forces that affect sales and profits (see Chapter 3).

Atlas also needs a dependable marketing research system. Marketing research is an indispensable tool for assessing buyer wants and behavior and actual and potential market size. An important part of gathering environmental information includes measuring market potential and forecasting future demand. To transform marketing strategy into marketing programs, marketing managers must make basic decisions on marketing expenditures, marketing activities, and marketing allocation.[30] How many dollars should support Atlas's two or three camera lines? Direct versus distributor sales? Direct-mail advertising versus trade-magazine advertising? East Coast markets versus West Coast markets? To make these allocations, marketing managers may use sales-response functions that show how sales and profits would be affected by the amount of money spent in each application (see Chapter 4).

CONNECTING WITH CUSTOMERS Atlas must consider how to best create value for its chosen target markets and develop strong, profitable, long-term relationships with customers (see Chapter 5). To do so, Atlas needs to understand consumer markets (see Chapter 6). How many households plan to buy cameras? Who buys and why do they buy? What are they looking for in the way of features and prices? Where do they shop? What are their images of different brands? How does the digital segment differ from the 35 mm segment? Atlas also sells cameras to business markets, including large corporations, professional firms, retailers, and government agencies (see Chapter 7). Purchasing agents or buying committees make the decisions. Atlas needs to gain a full understanding of how organizational buyers buy. It needs a sales force that is well trained in presenting product benefits.

Atlas will not want to market to all possible customers. Modern marketing practice calls for dividing the market into major market segments, evaluating each segment, and targeting those market segments that the company can best serve (see Chapter 8).

BUILDING STRONG BRANDS Atlas must understand the strengths and weaknesses of the Zeus brand with customers (see Chapter 10). Is it so strongly associated with certain technologies that it could not be used to brand new products in related categories? Is its 35 mm film heritage a detriment in the digital camera market? Suppose Atlas decides to focus on the consumer market and develop a positioning strategy (see Chapter 11). Should Atlas position its cameras as the "Cadillac" brand, offering superior cameras at a premium price with excellent service and strong advertising? Should it build a simple, low-priced camera aimed at more price-conscious consumers? Should it develop a medium-quality, medium-priced camera? After launch the product's strategy will need modification at the different stages in the product life cycle: introduction, growth, maturity, and decline. Furthermore, strategy choice will depend on whether the firm is a market leader, challenger, follower, or nicher. Atlas must also pay close attention to competitors (see Chapter 9), anticipating its competitors' moves and knowing how to react quickly and decisively. It may want to initiate some surprise moves, in which case it needs to anticipate how its competitors will respond.

SHAPING THE MARKET OFFERINGS At the heart of the marketing program is the product—the firm's tangible offering to the market, which includes the product quality, design, features, and packaging (see Chapter 12). As part of its product offering, Atlas may provide various services, such as leasing, delivery, repair, and training (see Chapter 13). Such support services can provide a competitive advantage in the global marketplace.

A critical marketing decision relates to price (see Chapter 14). Atlas has to decide on wholesale and retail prices, discounts, allowances, and credit terms. Its price should be commensurate with the offer's perceived value; otherwise, buyers will turn to competitors' products.

DELIVERING VALUE Atlas must also determine how to properly deliver the value embodied by these products and services to the target market. Channel activities include the various activities the company undertakes to make the product accessible and available to target customers (see Chapter 15). Atlas must identify, recruit, and link various marketing facilitators to supply its products and services efficiently to the target market. It must understand the various types of retailers, wholesalers, and physical-distribution firms and how they make their decisions (see Chapter 16).

COMMUNICATING VALUE Atlas must also adequately communicate the value embodied by its products and services to the target market. Marketing communications activities are the means by which firms attempt to inform, persuade, and remind consumers—directly or indirectly—about the brands they sell. Atlas has to develop an integrated marketing communication program that maximizes the individual and collective contribution of all communication activities (see Chapter 17). Atlas has to set up mass communication programs consisting of advertising, sales promotion, events, and public relations (see Chapter 18). It also has to set up more personal communications in the form of direct and interactive marketing and must also hire, train, and motivate salespeople (see Chapter 19).

CREATING LONG-TERM GROWTH Atlas must also take a long-term view of its products and brands and how its profits should be grown. Based on its product positioning, it must initiate new-product development, testing, and launching (see Chapter 20). The strategy also will have to take into account changing global opportunities and challenges (see Chapter 21).

Finally, Atlas must organize its marketing resources and implement and control the marketing plan. The company must build a marketing organization that is capable of implementing the marketing plan (see Chapter 22). Because of surprises and disappointments that can occur as marketing plans are implemented, Atlas will need feedback and control.[31] Marketing evaluation and control processes are necessary to understand the efficiency and effectiveness of marketing activities and how both could be improved.

SUMMARY :::

1. From a managerial point of view, marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals. Marketing management is the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.
2. Marketers are skilled at managing demand: They seek to influence the level, timing, and composition of demand. Marketers are involved in marketing many types of entities: goods, services, events, experiences, persons, places, properties, organizations, information, and ideas. They also operate in four different marketplaces: consumer, business, global, and nonprofit.
3. Businesses today face a number of challenges and opportunities, including globalization, the effects of advances in technology, and deregulation. They have responded by changing the way they conduct marketing in very fundamental ways.
4. There are five competing concepts under which organizations can choose to conduct their business: the production concept, the product concept, the selling concept, the marketing concept, and the holistic marketing concept. The first three are of limited use today.
5. The holistic marketing concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies. Holistic marketing recognizes that "everything matters" with marketing and that a broad, integrated perspective is often necessary. Four components of holistic marketing are relationship marketing, integrated marketing, internal marketing, and socially responsible marketing.
6. Marketing management has experienced a number of shifts in recent years as companies seek marketing excellence.
7. The set of tasks necessary for successful marketing management includes developing marketing strategies and plans, connecting with customers, building strong brands, shaping the market offerings, delivering and communicating value, capturing marketing insights and performance, and creating successful long-term growth.

APPLICATIONS :::

Marketing Debate Does Marketing Create or Satisfy Needs?

Marketing has often been defined in terms of satisfying customers' needs and wants. Critics, however, maintain that marketing goes beyond that and creates needs and wants that did not exist before. According to these critics, marketers encourage consumers to spend more money than they should on goods and services they really do not need.

Take a position: Marketing shapes consumer needs and wants versus Marketing merely reflects the needs and wants of consumers.

Marketing Discussion

Consider the broad shifts in marketing. Are there any themes that emerge in these shifts? Can they be related to the major societal forces? Which force has contributed to which shift?