

PART 1 Understanding Marketing Management

Chapter 1 | Defining Marketing for the 21st Century

Chapter 2 | Developing Marketing Strategies and Plans



In This Chapter, We Will Address
the Following **Questions**

1. Why is marketing important?
2. What is the scope of marketing?
3. What are some core marketing concepts?
4. How has marketing management changed in recent years?
5. What are the tasks necessary for successful marketing management?

One of the key factors in Barack Obama's victory in the 2008 U.S. presidential election was a well-designed and well-executed marketing program.

Defining Marketing for the 21st Century

Formally or informally, people and organizations engage in a vast number of activities we could call marketing. Good marketing has become increasingly vital for success. But what constitutes good marketing is constantly evolving and changing. The election of Barack Obama as the 44th President of the United States was attributed, in part, to the adoption of new marketing practices.



The “Obama for America” presidential campaign combined a charismatic politician, a powerful message of hope, and a thoroughly integrated modern marketing program. The marketing plan needed to accomplish two very different goals: expand the electorate via broader messages while targeting very specific audiences. Multimedia tactics combined offline and online media, as well as free and paid media. When research showed that the more voters learned about Obama, the more they identified with him, the campaign added long-form videos to traditional print, broadcast, and outdoor ads. The Obama team—aided by its agency GMMB—also put the Internet at the heart of the campaign, letting it serve as the “central nervous system” for PR, advertising, advance work, fund-raising, and organizing in all 50 states. Their guiding philosophy was to “build online tools to help people self-organize and then get out of their way.” Technology was a means to “empower people to do what they were interested in doing in the first place.” Although social media like Facebook, Meetup, YouTube, and Twitter were crucial, perhaps Obama’s most powerful digital tool was a massive 13.5 million-name e-mail list. What were the results of these online efforts? About \$500 million (most in sums of less than \$100) was raised online from 3 million donors; 35,000 groups organized through the Web site, My.BarackObama.com; 1,800 videos posted to YouTube; the creation of Facebook’s most popular page; and, of course, the election of the next President of the United States.¹

Good marketing is no accident, but a result of careful planning and execution using state-of-the-art tools and techniques. It becomes both an art and a science as marketers strive to find creative new solutions to often-complex challenges amid profound changes in the 21st century marketing environment. In this book, we describe how top marketers balance discipline and imagination to address these new marketing realities. In the first chapter, we lay the foundation by reviewing important marketing concepts, tools, frameworks, and issues.

The Importance of Marketing

The first decade of the 21st century challenged firms to prosper financially and even survive in the face of an unforgiving economic environment. Marketing is playing a key role in addressing those challenges. Finance, operations, accounting, and other business functions won’t really matter without sufficient demand for products and services so the firm can make a profit. In other words, there must be a top line for there to be a bottom line. Thus financial success often depends on marketing ability.

Marketing's broader importance extends to society as a whole. Marketing has helped introduce and gain acceptance of new products that have eased or enriched people's lives. It can inspire enhancements in existing products as marketers innovate to improve their position in the marketplace. Successful marketing builds demand for products and services, which, in turn, creates jobs. By contributing to the bottom line, successful marketing also allows firms to more fully engage in socially responsible activities.²

CEOs recognize the role of marketing in building strong brands and a loyal customer base, intangible assets that contribute heavily to the value of a firm. Consumer goods makers, health care insurers, nonprofit organizations, and industrial product manufacturers all trumpet their latest marketing achievements. Many now have a chief marketing officer (CMO) to put marketing on a more equal footing with other C-level executives such as the chief financial officer (CFO) or chief information officer (CIO).³

Making the right marketing decisions isn't always easy. One survey of more than a thousand senior marketing and sales executives revealed that although 83 percent felt that marketing and sales capabilities were a top priority for their organization's success, in rating their actual marketing effectiveness, only 6 percent felt that they were doing an "extremely good" job.⁴

Marketers must decide what features to design into a new product or service, what prices to set, where to sell products or offer services, and how much to spend on advertising, sales, the Internet, or mobile marketing. They must make those decisions in an Internet-fueled environment where consumers, competition, technology, and economic forces change rapidly, and the consequences of the marketer's words and actions can quickly multiply.



Domino's When two employees in Conover, North Carolina, posted a YouTube video showing themselves preparing sandwiches while putting cheese up their noses and violating other health-code standards, Domino's learned an important lesson about PR and brand communications in a modern era. Once it found the employees—who claimed the video was just a gag and the sandwiches were never delivered—the company fired them. In just a few days, however, there had been more than a million downloads of the video and a wave of negative publicity. When research showed that perception of quality for the brand had turned from positive to negative in that short time, the firm aggressively took action through social media such as Twitter, YouTube, and others.⁵



After a distasteful video was posted online by two employees, Domino's Pizza learned a valuable lesson about the power of social media.

As Domino's learned, in an era of connectivity, it is important to respond swiftly and decisively. While marketers were coming to grips with this increasingly wired world, the economic recession of 2008–2009 brought budget cuts and intense pressure from senior management to make every marketing dollar count. More than ever, marketers need to understand and adapt to the latest marketplace developments. At greatest risk are firms that fail to carefully monitor their customers and competitors, continuously improve their value offerings and marketing strategies, or satisfy their employees, stockholders, suppliers, and channel partners in the process.

Skillful marketing is a never-ending pursuit. Consider how some top firms drive business:

- OfficeMax promoted a new line of products by professional organizer Peter Walsh with Web videos and in-store events featuring local experts demonstrating his OfficeMax-branded organizing system.
- eBay promoted its "Let's Make a Daily Deal" holiday promotion by recreating the famous 1970s TV game show *Let's Make a Deal* in Times Square, adding an online component so people outside New York City could play.
- Johnson & Johnson launched BabyCenter.com to help new parents. Its success is thought to have contributed to subscription slumps experienced by parenting magazines.

Good marketers are always seeking new ways to satisfy customers and beat competition.⁶

The Scope of Marketing

To prepare to be a marketer, you need to understand what marketing is, how it works, who does it, and what is marketed.

What Is Marketing?

Marketing is about identifying and meeting human and social needs. One of the shortest good definitions of marketing is “meeting needs profitably.” When eBay recognized that people were unable to locate some of the items they desired most, it created an online auction clearinghouse. When IKEA noticed that people wanted good furnishings at substantially lower prices, it created knockdown furniture. These two firms 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 the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.*⁷ Coping with these 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. Thus 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; for example, one marketer has 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.*

Managers sometimes think of marketing as “the art of selling products,” but many people are surprised when they hear that selling is *not* the most important part of marketing! 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.⁸

When Nintendo designed its Wii game system, when Canon launched its ELPH digital camera line, and when Toyota introduced its Prius hybrid automobile, these manufacturers were swamped with orders because they had designed the right product, based on doing careful marketing homework.

What Is Marketed?

Marketers market 10 main types of entities: goods, services, events, experiences, persons, places, organizations, information, and ideas. Let’s take a quick look at these categories.

GOODS Physical goods constitute the bulk of most countries’ production and marketing efforts. Each year, U.S. companies market billions of fresh, canned, bagged, and frozen food products and millions of cars, refrigerators, televisions, machines, and other mainstays of a modern economy.

SERVICES As economies advance, a growing proportion of their activities focuses on the production of services. The U.S. economy today produces a 70–30 services-to-goods mix. Services include the work of airlines, hotels, car rental firms, barbers and beauticians, maintenance and repair people, and accountants, bankers, lawyers, engineers, doctors, software programmers, and management consultants. Many market offerings mix goods and services, such as a fast-food meal.

EVENTS Marketers promote time-based events, such as major trade shows, artistic performances, and company anniversaries. Global sporting events such as the Olympics and the World Cup are promoted aggressively to both companies and fans.

The Rolling Stones have done a masterful job of marketing their rebellious form of rock and roll to audiences of all ages.



EXPERIENCES By orchestrating several services and goods, a firm can create, stage, and market experiences. Walt Disney World’s Magic Kingdom allows customers to visit a fairy kingdom, a pirate ship, or a haunted house. There is also a market for customized experiences, such as a week at a baseball camp with retired baseball greats, a four-day rock and roll fantasy camp, or a climb up Mount Everest.⁹

PERSONS Artists, musicians, CEOs, physicians, high-profile lawyers and financiers, and other professionals all get help from celebrity marketers.¹⁰ Some people have done a masterful job of marketing themselves—David Beckham, Oprah Winfrey, and the Rolling Stones. Management consultant Tom Peters, a master at self-branding, has advised each person to become a “brand.”

PLACES Cities, states, regions, and whole nations compete to attract tourists, residents, factories, and company headquarters.¹¹ Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies. The Las Vegas Convention & Visitors Authority succeeded with its provocative ad campaign, “What Happens Here, Stays Here,” portraying Las Vegas as “an adult playground.” In the recession of 2008, however, convention attendance declined. Concerned about its potentially out-of-step racy reputation, the Authority took out a full-page *BusinessWeek* ad to defend its ability to host serious business meetings. Unfortunately, the 2009 summer box office blockbuster *The Hangover*, set in a debauched Las Vegas, likely did not help the city position itself as a choice business and tourist destination.¹²

PROPERTIES Properties are intangible rights of ownership to either real property (real estate) or financial property (stocks and bonds). They are bought and sold, and these exchanges require marketing. Real estate agents work for property owners or sellers, or they buy and sell residential or commercial real estate. Investment companies and banks market securities to both institutional and individual investors.

ORGANIZATIONS Organizations work to build a strong, favorable, and unique image in the minds of their target publics. In the United Kingdom, Tesco’s “Every Little Helps” marketing program reflects the food marketer’s attention to detail in everything it does, within the store and in the community and environment. The campaign has vaulted Tesco to the top of the UK supermarket chain industry. Universities, museums, performing arts organizations, corporations, and nonprofits all use marketing to boost their public images and compete for audiences and funds.

INFORMATION The production, packaging, and distribution of information are major industries.¹³ Information is essentially what books, schools, and universities produce, market, and distribute at a price to parents, students, and communities. The former CEO of Siemens Medical



For a city like Las Vegas that thrives on tourism, good marketing is essential.

Solutions USA, 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.”¹⁴

IDEAS Every market offering includes a basic idea. Charles Revson of Revlon once observed: “In the factory we make cosmetics; in the drugstore we sell hope.” Products and services are platforms for delivering some idea or benefit. Social marketers are busy promoting such ideas as “Friends Don’t Let Friends Drive Drunk” and “A Mind Is a Terrible Thing to Waste.”

Who Markets?

MARKETERS AND PROSPECTS A **marketeer** 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.

TAKE THE KEYS.
CALL A CAB.
TAKE A STAND.



FRIENDS DON'T LET FRIENDS DRIVE DRUNK

One of the most important areas of marketing is the work that social marketers do to promote socially desirable behaviors.

Marketers are skilled at stimulating demand for their products, but that's a limited view of what they do. Just as production and logistics professionals are responsible for supply management, marketers are responsible for demand management. They 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 to avoid it.
2. **Nonexistent demand**—Consumers may be unaware of or uninterested in the product.
3. **Latent demand**—Consumers may share a strong need that cannot be satisfied by an existing product.
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 determine a plan of action to shift 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 (such as the housing market or the grain market).

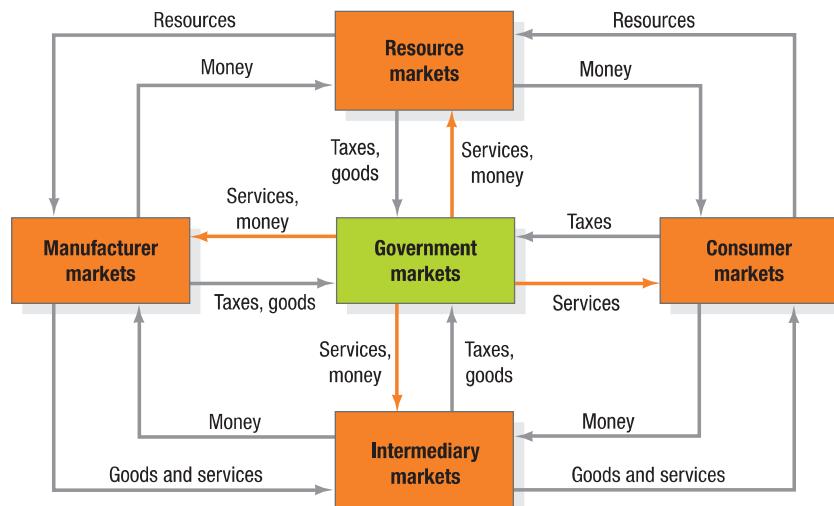
Five basic markets and their connecting flows are shown in ▲ Figure 1.1. Manufacturers go to resource markets (raw material markets, labor markets, money markets), buy resources and turn them into goods and services, and sell finished products to intermediaries, who sell them to consumers. Consumers 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, consists of interacting sets of markets linked through exchange processes.

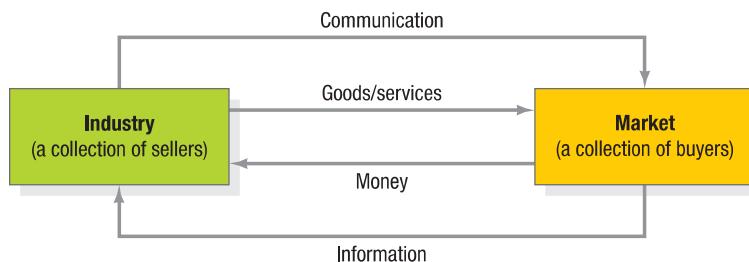
Marketers use the term **market** to cover various groupings of customers. They view sellers as constituting the industry and buyers as constituting the market. They talk about need markets (the diet-seeking market), product markets (the shoe market), demographic markets (the youth market), and geographic markets (the Chinese market); or they extend the concept to cover voter markets, labor markets, and donor markets, for instance.

▲ Figure 1.2 shows the relationship between the industry and the market. Sellers and buyers are connected by four flows. Sellers send goods and services and communications such as ads and direct mail to the market; in return they receive money and information such as customer attitudes and sales data. The inner loop shows an exchange of money for goods and services; the outer loop shows an exchange of information.

|Fig. 1.1| ▲

Structure of Flows in a Modern Exchange Economy





|Fig. 1.2| ▲

A Simple Marketing System

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 juices, cosmetics, athletic shoes, and air travel spend a great deal of time establishing a strong brand image by developing a superior product and packaging, ensuring its availability, and backing it with engaging communications and reliable service.

Business Markets Companies selling business goods and services often face well-informed professional buyers skilled at evaluating competitive offerings. Business buyers buy goods to make or resell a product to others at a profit. Business marketers must demonstrate how their products will help achieve higher revenue or lower costs. Advertising can play a role, but the sales force, the price, and the company's reputation may play a greater one.

Global Markets Companies in the global marketplace must decide which countries to enter; how to enter each (as an exporter, licensor, joint venture partner, contract manufacturer, or solo manufacturer); how to adapt product and service features to each country; how to price products in different countries; and how to design communications for different cultures. They face different requirements for buying and disposing of property; cultural, language, legal and political differences; and currency fluctuations. Yet, the payoff can be huge.

Nonprofit and Governmental Markets Companies selling to nonprofit organizations with limited purchasing power such as churches, universities, charitable organizations, and government agencies need to price carefully. Lower selling prices affect the features and quality the seller can build into the offering. Much government purchasing calls for bids, and buyers often focus on practical solutions and favor the lowest bid in the absence of extenuating factors.¹⁵

MARKETPLACES, MARKETSPACES, AND METAMARKETS The *marketplace* is physical, such as a store you shop in; the *marketspace* is digital, as when you shop on the Internet.¹⁶ Northwestern University's Mohan Sawhney has proposed the concept of a *metamarket* to describe a cluster of complementary products and services closely related in the minds of consumers, but spread across a diverse set of industries.

Metamarkets are the result of marketers packaging a system that simplifies carrying out these related product/service activities. The automobile metamarket consists of automobile manufacturers, new 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.

A car buyer will engage many parts of this metamarket, creating an opportunity for *metamediaries* to assist him or her in moving seamlessly through them. Edmund's (www.edmunds.com) lets a car buyer find the stated features and prices of different automobiles and easily click to other sites to search for the lowest-price dealer for financing, accessories, and used cars. Metamediaries also serve other metamarkets, such as home ownership, parenting and baby care, and weddings.¹⁷

Core Marketing Concepts

To understand the marketing function, we need to understand the following core set of concepts.

Needs, Wants, and Demands

Needs are the basic human requirements such as for air, food, water, clothing, and shelter. Humans 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. A U.S. consumer needs food but may want a Philly cheesesteak and an iced tea. A person in Afghanistan needs food but may want rice, lamb, and carrots. Wants are shaped by our society.

Demands are wants for specific products backed by an ability to pay. Many people want a Mercedes; only a few are able to buy one. Companies must measure not only how many people want their product, but also how many are 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. They 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.

Some customers have needs of which they are not fully conscious or that they cannot articulate. What does it mean when the customer asks for a “powerful” lawn mower or a “peaceful” hotel? The marketer must probe further. We can distinguish 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 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 GPS navigation system.)
5. Secret needs (The customer wants friends to see him or her as a savvy consumer.)

Responding only to the stated need may shortchange the customer.¹⁸ Consumers did not know much about cellular phones when they were first introduced, and Nokia and Ericsson fought to shape consumer perceptions of them. To gain an edge, companies must help customers learn what they want.

Target Markets, Positioning, and Segmentation

Not everyone likes the same cereal, restaurant, college, or movie. Therefore, marketers start by dividing the market into segments. They identify and profile distinct groups of buyers who might prefer or require varying product and service mixes by examining demographic, psychographic, and behavioral differences among buyers.

After identifying market segments, the marketer decides which present the greatest opportunities—which are its *target markets*. For each, the firm develops a *market offering* that it *positions* in the minds of the target buyers as delivering some central benefit(s). Volvo develops its cars for buyers to whom safety is a major concern, positioning its vehicles as the safest a customer can buy.

Offerings and Brands

Companies address customer needs by putting forth a **value proposition**, a set of benefits that satisfy those 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 such as McDonald’s carries many associations in people’s minds that make up its image: hamburgers, cleanliness, convenience, courteous service, and golden arches. All companies strive to build a brand image with as many strong, favorable, and unique brand associations as possible.

Value and Satisfaction

The buyer chooses the offerings he or she perceives to deliver the most *value*, the sum of the tangible and intangible benefits and costs to her. Value, a central marketing concept, is primarily a combination of quality, service, and price (qsp), called the *customer value triad*. Value perceptions increase with quality and service but decrease with price.

We can think of marketing as the identification, creation, communication, delivery, and monitoring of customer value. *Satisfaction* reflects a person’s judgment of a product’s perceived performance in relationship to expectations. If the performance falls short of expectations, the customer is disappointed. If it matches expectations, the customer is satisfied. If it exceeds them, the customer is 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, firms communicate through the look of their retail stores and Web sites and other media. Marketers are increasingly adding dialogue channels such as e-mail, blogs, and toll-free numbers to familiar 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. These channels may be direct via the Internet, mail, or mobile phone or telephone, or indirect with distributors, wholesalers, retailers, and agents as intermediaries.

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

Supply Chain

The supply chain is a longer channel stretching from raw materials to components to finished products carried to final buyers. The supply chain for coffee may start with Ethiopian farmers who plant, tend, and pick the coffee beans, selling their harvest to wholesalers or perhaps a Fair Trade cooperative. If sold through the cooperative, the coffee is washed, dried, and packaged for shipment by an Alternative Trading Organization (ATO) that pays a minimum of \$1.26 a pound. The ATO transports the coffee to the developing world where it can sell it directly or via retail channels. Each company captures only a certain percentage of the total value generated by the supply chain's value delivery system. When a company acquires competitors or expands 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 a buyer might consider. An automobile manufacturer can buy steel from U.S. Steel in the United States, from a foreign firm in Japan or Korea, or from a minimill such as Nucor at a cost savings, or it can buy aluminum for certain parts from Alcoa to reduce the car's weight, or engineered plastics from Saudi Basic Industries Corporation (SABIC) instead of steel. Clearly, U.S. Steel would be thinking too narrowly about its competition if it thought only of other integrated steel companies. In the long run, U.S. Steel is more likely to be hurt by substitute products than by other steel companies.

Marketing Environment

The marketing environment consists of the task environment and the broad environment. The *task environment* includes the actors engaged in producing, distributing, and promoting the offering. These are the company, suppliers, distributors, dealers, and target customers. 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. Distributors and dealers include agents, brokers, manufacturer representatives, and others who facilitate finding and selling to customers.

The *broad environment* consists of six components: demographic environment, economic environment, social-cultural environment, natural environment, technological environment, and political-legal environment. Marketers must pay close attention to the trends and developments in these and adjust their marketing strategies as needed. New opportunities are constantly emerging that await the right marketing savvy and ingenuity. Here are two good examples.

TerraCycle

TerraCycle After finding that some of his friend's indoor herbal plants flourished with a fertilizer made by feeding table scraps to red wiggler worms in a composting bin, TerraCycle founder Tom Szaky came up with an idea for a business. TerraCycle is devoted to "upcycling," finding new ways to use nonrecyclable waste materials. Plastic bags become sturdy

totes, yogurt cups become plant holders, and cookie wrappers become notebook covers, all distributed by major retailers such as Home Depot, Whole Foods, and Walmart. The firm also has partnerships with Kraft, Target, Honest Tea, Stonyfield Farms, and others. Schools, churches, wineries, and nonprofits provide space to store donated used bottles, corks, and candy wrappers. For each item collected, TerraCycle makes a donation to a charity (typically 2 cents).¹⁹



Allrecipes.com Allrecipes.com has cooked up a winning online formula by blending recipes posted by individuals with those provided by corporations promoting their own products like Kraft cheese or Campbell's Soup. After almost a 50 percent increase in site visits and unique visitors in 2009, the Web site overtook the Food Network's recipe site as the market leader. With tens of thousands of posted recipes, it thrives on people's willingness to share recipes and the satisfaction they feel if their recipe becomes popular with others. The viral nature of the site's success is obvious—it doesn't spend any money on advertising! Users tend to think of it as "their" site—not something with a big company behind it.²⁰

The New Marketing Realities

We can say with some confidence that the marketplace isn't what it used to be. It is dramatically different from what it was even 10 years ago.

Major Societal Forces

Today, major, and sometimes interlinking, societal forces have created new marketing behaviors, opportunities, and challenges. Here are 12 key ones.

- **Network information technology.** The digital revolution has created an Information Age that promises to lead to more accurate levels of production, more targeted communications, and more relevant pricing.
- **Globalization.** Technological advances in transportation, shipping, and communication have made it easier for companies to market in, and consumers to buy from, almost any country in the world. International travel has continued to grow as more people work and play in other countries.
- **Deregulation.** Many countries have deregulated industries to create greater competition and growth opportunities. In the United States, laws restricting financial services, telecommunications, and electric utilities have all been loosened in the spirit of greater competition.
- **Privatization.** Many countries have converted public companies to private ownership and management to increase their efficiency, such as the massive telecom company Telefónica CTC in Chile and the international airline British Airways in the United Kingdom.
- **Heightened competition.** Intense competition among domestic and foreign brands raises marketing costs and shrinks profit margins. Brand manufacturers are further buffeted by powerful retailers that market their own store brands. Many strong brands have become megabrands and extended into a wide variety of related product categories, presenting a significant competitive threat.
- **Industry convergence.** Industry boundaries are blurring as companies recognize new opportunities at the intersection of two or more industries. The computing and consumer electronics industries are converging, for example, as Apple, Sony, and Samsung release a stream of entertainment devices from MP3 players to plasma TVs and camcorders. Digital technology fuels this massive convergence.²¹
- **Retail transformation.** Store-based retailers face competition from catalog houses; direct-mail firms; newspaper, magazine, and TV direct-to-customer ads; home shopping TV; and e-commerce. In response, entrepreneurial retailers are building entertainment into



Modern retailers increasingly emphasize in-store experiences for their customers, as does Dick's Sporting Goods.

their stores with coffee bars, demonstrations, and performances, marketing an “experience” rather than a product assortment. Dick’s Sporting Goods has grown from a single bait-and-tackle store in Binghamton, New York, into a 300-store sporting goods retailer in 30 states. Part of its success springs from the interactive features of its stores. Customers can test golf clubs in indoor ranges, sample shoes on its footwear track, and shoot bows in its archery range.²²

- **Disintermediation.** The amazing success of early dot-coms such as AOL, Amazon.com, Yahoo!, eBay, E*TRADE, and others created *disintermediation* in the delivery of products and services by intervening in the traditional flow of goods through distribution channels. These firms struck terror into the hearts of established manufacturers and retailers. In response, traditional companies engaged in *reintermediation* and became “brick-and-click” retailers, adding online services to their offerings. Some became stronger contenders than pure-click firms, because they had a larger pool of resources to work with and established brand names.
- **Consumer buying power.** In part, due to disintermediation via the Internet, consumers have substantially increased their buying power. From the home, office, or mobile phone, they can compare product prices and features and order goods online from anywhere in the world 24 hours a day, 7 days a week, bypassing limited local offerings and realizing significant price savings. Even business buyers can run a *reverse auction* in which sellers compete to capture their business. They can readily join others to aggregate their purchases and achieve deeper volume discounts.
- **Consumer information.** Consumers can collect information in as much breadth and depth as they want about practically anything. They can access online encyclopedias, dictionaries, medical information, movie ratings, consumer reports, newspapers, and other information sources in many languages from anywhere in the world. Personal connections and user-generated content thrive on social media such as Facebook, Flickr (photos), Del.icio.us (links), Digg (news stories), Wikipedia (encyclopedia articles), and YouTube (video).²³ Social networking sites—such as Dogster for dog lovers, TripAdvisor for ardent travelers, and Moterus for bikers—bring together consumers with a common interest. At CarSpace.com auto enthusiasts talk about chrome rims, the latest BMW model, and where to find a great local mechanic.²⁴
- **Consumer participation.** Consumers have found an amplified voice to influence peer and public opinion. In recognition, companies are inviting them to participate in designing and even marketing offerings to heighten their sense of connection and ownership. Consumers see their favorite companies as workshops from which they can draw out the offerings they want.
- **Consumer resistance.** Many customers today feel there are fewer real product differences, so they show less brand loyalty and become more price- and quality-sensitive in their search for value, and less tolerant about undesired marketing. A Yankelovich study

found record levels of marketing resistance from consumers; a majority reported negative opinions about marketing and advertising and said they avoid products they feel are over-marketed.²⁵

New Company Capabilities

These major societal forces create complex challenges for marketers, but they have also generated a new set of capabilities to help companies cope and respond.

- **Marketers can use the Internet as a powerful information and sales channel.** The Internet augments marketers' geographical reach to inform customers and promote products worldwide. A Web site can list products and services, history, business philosophy, job opportunities, and other information of interest. In 2006, a Montgomery, Alabama, flea market gained national popularity when owner Sammy Stephens's rap-style advertisement spread virally through the Internet. Created for \$1,500, the advertisement was viewed more than 100,000 times on YouTube and landed Stephens on *The Ellen DeGeneres Show*. Stephens now sells T-shirts, ring tones, and other branded merchandise through his Web site, advises retailers about advertising, and hosts hundreds of visitors from all over the world at his store each month.²⁶
- **Marketers can collect fuller and richer information about markets, customers, prospects, and competitors.** Marketers can conduct fresh marketing research by using the Internet to arrange focus groups, send out questionnaires, and gather primary data in several other ways. They can assemble information about individual customers' purchases, preferences, demographics, and profitability. The drugstore chain CVS uses loyalty-card data to better understand what consumers purchase, the frequency of store visits, and other buying preferences. Its ExtraCare program netted an extra 30 million shoppers and \$12 billion a year in revenue across 4,000 stores.²⁷
- **Marketers can tap into social media to amplify their brand message.** Marketers can feed information and updates to consumers via blogs and other postings, support online communities, and create their own stops on the Internet superhighway. Dell Corporation's @DellOutlet Twitter account has more than 600,000 followers. Between 2007 and June 2009, Dell took in more than \$2 million in revenue from coupons provided through Twitter, and another \$1 million from people who started at Twitter and went on to buy a new computer on the company's Web site.²⁸
- **Marketers can facilitate and speed external communication among customers.** Marketers can also create or benefit from online and offline "buzz" through brand advocates and user

Sammy Stephen's viral video helped his flea market receive unprecedented attention.



communities. Word-of-mouth marketing agency BzzAgent has assembled a nationwide volunteer army of 600,000 consumers who join promotional programs for products and services they deem worth talking about.²⁹ In 2005, Dunkin' Donuts hired BzzAgent to help launch a new espresso beverage, Latte Lite. Three thousand trained volunteers (called BzzAgents) in 12 test markets experienced the Latte Lite, formed their opinions, engaged in natural conversations about the product, and reported back to BzzAgent via the company's reporting interface. After four weeks, product sales had increased by more than 15 percent in test markets.³⁰

- **Marketers can send ads, coupons, samples, and information to customers who have requested them or given the company permission to send them.** Micro-target marketing and two-way communication are easier thanks to the proliferation of special-interest magazines, TV channels, and Internet newsgroups. Extranets linking suppliers and distributors let firms send and receive information, place orders, and make payments more efficiently. The company can also interact with each customer individually to *personalize* messages, services, and the relationship.
- **Marketers can reach consumers on the move with mobile marketing.** Using GPS technology, marketers can pinpoint consumers' exact location and send them messages at the mall with coupons good only that day, a reminder of an item on their wish list, and a relevant perk (buy this book today and get a free coffee at the bookstore's coffee shop). Location-based advertising is attractive because it reaches consumers closer to the point of sale. Firms can also advertise on video iPods and reach consumers on their cell phones through mobile marketing.³¹
- **Companies can make and sell individually differentiated goods.** Thanks to advances in factory customization, computer technology, and database marketing software, customers can buy M&M candies, TABASCO jugs, or Maker's Mark bottles with their names on them; Wheaties boxes or Jones soda cans with their picture on the front; and Heinz ketchup bottles with customized messages.³² BMW's technology allows buyers to design their own car models from among 350 variations, with 500 options, 90 exterior colors, and 170 trims. The company claims that 80 percent of the cars bought in Europe and up to 30 percent bought in the United States are built to order.
- **Companies can improve purchasing, recruiting, training, and internal and external communications.** Firms can recruit new employees online, and many have Internet training products for their employees, dealers, and agents. Retailer Patagonia has joined Walt Disney, General Motors, and McDonald's in embracing corporate blogging to communicate with the public and employees. Patagonia's The Cleanest Line posts environmental news, reports the results of its sponsored athletes, and posts pictures and descriptions of employees' favorite outdoor locations.³³
- **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. Seeking a single online employee portal that transcended business units, General Motors launched a platform called mySocrates in 2006 consisting of announcements, news, links, and historical information. GM credits the portal with \$17.4 million in cost savings to date.³⁴
- **Companies can improve their cost efficiency by skillful use of the Internet.** Corporate buyers can achieve substantial savings by using the Internet to compare sellers' prices and purchase materials at auction, or by posting their own terms in reverse auctions. Companies can improve logistics and operations to reap substantial cost savings while improving accuracy and service quality.

Companies are increasingly allowing customers to customize their products, such as with personalized messages on the front labels of Heinz ketchup bottles.



Marketing in Practice

Not surprisingly, these new marketing forces and capabilities have profoundly changed marketing management. In theory, the marketing *planning* process consists of analyzing marketing opportunities, selecting target markets, designing marketing strategies, developing marketing programs, and managing the marketing effort.

In practice, however, in the highly competitive marketplaces that are more often the norm, marketing planning is more fluid and is continually refreshed.

Companies must always be moving forward with marketing programs, innovating products and services, staying in touch with customer needs, and seeking new advantages rather than relying on past strengths. This is especially true of incorporating the Internet into marketing plans. Marketers must try to balance increased spending on search advertising, social media, direct e-mail, and text/SMS marketing efforts with appropriate spending on traditional marketing communications. But they must do so in tough economic times, when accountability has become a top priority and returns on investment are expected from every marketing activity. “Marketing Insight: Marketing in an Age of Turbulence” offers some recommendations for adjusting to new marketing realities.



Marketing in an Age of Turbulence

The severe economic recession of 2008–2009 caused marketers to rethink best practices of management. Philip Kotler and John Caslione see management entering a new Age of Turbulence in which chaos, risk, and uncertainty characterize many industries, markets, and companies. According to them, turbulence is the new normal, punctuated by periodic and intermittent spurts of prosperity and downturn—including extended downturns amounting to recession, or even depression. They see many new challenges in the foreseeable future, and unlike past recessions, there may be no assurance that a return to past management practices would ever be successful again.

According to Kotler and Caslione, marketers should always be ready to activate automatic responses when turbulence whips up and chaos reigns in. They recommend marketers keep these eight factors in mind as they create *“chaotics* marketing strategies.”

- 1. Secure your market share from core customer segments.** This is not a time to get greedy, so get your core customer segments firmly secured, and be prepared to ward off attacks from competitors seeking your most profitable and loyal customers.
- 2. Push aggressively for greater market share from competitors.** All companies fight for market share, and in turbulent and chaotic times, many have been weakened. Slashing marketing budgets and sales travel expenses is a sure sign a competitor is buckling under pressure. Push aggressively to add to your core customer segments at the expense of your weakened competitors.
- 3. Research customers more now, because their needs and wants are in flux.** Everyone is under pressure during times of turbulence and chaos, and all customers—even those in your core segments whom you know so well—are changing. Stay close to

them as never before. Research them more than ever. Don’t find yourself using old, tried-and-true marketing messages that no longer resonate with them.

- 4. Minimally maintain, but seek to increase, your marketing budget.** With your competitors aggressively marketing to your core customers, this is the worst time to think about cutting anything in your marketing budget that targets them. In fact, you need to add to it, or take money away from forays into totally new customer segments. It’s time to secure the home front.
- 5. Focus on all that’s safe and emphasize core values.** When turbulence is scaring everyone in the market, most customers flee to higher ground. They need to feel the safety and security of your company and your products and services. Do everything possible to tell them that continuing to do business with you is safe, and to sell them products and services that keep making them feel safe.
- 6. Drop programs that aren’t working for you quickly.** Your marketing budgets will always be scrutinized, in good times and bad times. If anyone is to cut one of your programs, let it be you, before anyone else spots any ineffective ones. If you’re not watching, rest assured someone else is, including your peers whose budgets couldn’t be protected from the axe.
- 7. Don’t discount your best brands.** Discounting your established and most successful brands tells the market two things: your prices were too high before, and your products won’t be worth the price in the future once the discounts are gone. If you want to appeal to more frugal customers, create a new brand with lower prices. This lets value-conscious customers stay close to you, without alienating those still willing to pay for your higher-priced brands. Once the turbulence subsides, you may consider discontinuing the value product line—or not.
- 8. Save the strong; lose the weak.** In turbulent markets, your strongest brands and products must become even stronger. There’s no time or money to be wasted on marginal brands or products that lack strong value propositions and a solid customer base. Appeal to safety and value to reinforce strong brands and product and service offerings. Remember, your brands can never be strong enough, especially against the waves of a turbulent economy.

Source: Based on Philip Kotler and John A. Caslione, *Chaosics: The Business and Marketing in the Age of Turbulence* (New York: AMACOM, 2009) pp. 151–153.

THE NEW CMO The rapidly changing marketing environment is putting even greater demands on marketing executives. A well-publicized survey revealed that the average CMO tenure at U.S. companies is about 28 months, well below the average tenure of CEOs (54 months) or other C-level positions. One explanation is that the role of marketing—and thus management expectations—varies widely among firms. Harvard's Gail McGovern and John Quelch find tremendous variability in CMO responsibilities and job descriptions.³⁵

Another challenge CMOs face is that the success factors for top marketers are many and varied. CMOs must have strong quantitative skills but also well-honed qualitative skills; they must have an independent, entrepreneurial attitude but also work in close harmony with other departments such as sales; and they must capture the “voice” and point of view of consumers yet have a keen bottom-line understanding of how marketing creates value within their organization.³⁶ One survey asked 200 senior-level marketing executives which innate and learned qualities were most important; here are their answers:³⁷

- | |
|--|
| <ul style="list-style-type: none">• Innate Qualities<ul style="list-style-type: none">• Risk taker• Willingness to make decisions• Problem-solving ability• Change agent• Results-oriented• Learned Qualities<ul style="list-style-type: none">• Global experience• Multichannel expertise• Cross-industry experience• Digital focus• Operational knowledge |
|--|

Perhaps the most important role for any CMO is to infuse a customer perspective and orientation in business decisions affecting any customer *touch point* (where a customer directly or indirectly interacts with the company in some form). The CMO of lodging franchisor Choice Hotels International, Chris Malone, is responsible for directing virtually all customer-facing efforts for the firm, including:³⁸

- Advertising, loyalty programs, and direct response;
- Guiding the company's central reservations systems, including its call centers, Web site, and relationships with outside travel vendors such as Travelocity and Orbitz; and
- Heading up the company's global group sales efforts with organizations such as AAA, AARP, and professional sports teams.

MARKETING IN THE ORGANIZATION Although an effective CMO is crucial, increasingly marketing is *not* done only by the marketing department. Because marketing must affect every aspect of the customer experience, marketers must properly manage all possible touch points—store layouts, package designs, product functions, employee training, and shipping and logistics methods. Marketing must also be influential in key general management activities, such as product innovation and new-business development. To create a strong marketing organization, marketers must think like executives in other departments, and executives in other departments must think more like marketers.³⁹

As the late David Packard of Hewlett-Packard observed, “Marketing is far too important to leave to the marketing department.” Companies now know that every employee has an impact on the customer and must see the customer as the source of the company’s prosperity. So they’re beginning to emphasize interdepartmental teamwork to manage key processes. They’re emphasizing the smooth management of core business processes, such as new-product realization, customer acquisition and retention, and order fulfillment.

Company Orientation Toward the Marketplace

Given these new marketing realities, what philosophy should guide a company’s marketing efforts? Increasingly, marketers operate consistent with the holistic marketing concept. Let’s first review the evolution of earlier marketing ideas.

The Production Concept

The **production concept** is one of the oldest concepts in business. It holds that consumers 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 (principal owner of Lenovo Group), and domestic appliances giant Haier take advantage of the country's huge and inexpensive labor pool to dominate the market. Marketers also use the production concept when they want to expand the market.⁴⁰

The Product Concept

The **product concept** proposes that consumers favor products offering the most quality, performance, or innovative features. However, managers are sometimes caught in a love affair with their products. They might commit the “better-mousetrap” fallacy, believing a better product will by itself lead people to beat a path to their door. A new or improved product will not necessarily be successful unless it’s priced, distributed, advertised, and sold properly.

The Selling Concept

The **selling concept** holds that consumers and businesses, if left alone, won’t buy enough of the organization’s products. It is practiced most aggressively with unsought goods—goods buyers don’t normally think of buying such as insurance and cemetery plots—and when firms with overcapacity aim to sell what they make, rather than make what the market wants. Marketing based on hard selling is risky. It assumes customers coaxed into buying a product not only won’t return or bad-mouth it or complain to consumer organizations but might even buy it again.

The Marketing Concept

The **marketing concept** emerged in the mid-1950s⁴¹ as a customer-centered, sense-and-respond philosophy. The job is to find not the right customers for your products, but the right products for your customers. Dell doesn’t 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.

The marketing concept holds that the key to achieving organizational goals is being more effective than competitors in creating, delivering, and communicating superior customer value to your target markets. Harvard’s Theodore Levitt 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.⁴²

Several scholars found that companies embracing the marketing concept at that time achieved superior performance.⁴³

The Holistic Marketing Concept

Without question, the trends and forces that have defined the first decade of the 21st century are leading business firms to a new set of beliefs and practices. “Marketing Memo: Marketing Right and Wrong” suggests where companies go wrong—and how they can get it right—in their marketing.

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 acknowledges that everything matters in marketing—and that a broad, integrated perspective is often necessary.

Holistic marketing thus recognizes and reconciles the scope and complexities of marketing activities. ▲ Figure 1.3 provides a schematic overview of four broad components characterizing holistic marketing: relationship marketing, integrated marketing, internal marketing, and performance marketing. We'll examine these major themes throughout this book. Successful companies keep their marketing changing with the changes in their marketplace—and marketspace.



|Fig. 1.3| ▲
Holistic Marketing Dimensions

marketing **Memo**

Marketing Right and Wrong

The Ten Deadly Sins of Marketing

1. The company is not sufficiently market focused and customer driven.
2. The company does not fully understand its target customers.
3. The company needs to better define and monitor its competitors.
4. The company has not properly managed its relationships with its stakeholders.
5. The company is not good at finding new opportunities.
6. The company's marketing plans and planning process are deficient.
7. The company's product and service policies need tightening.
8. The company's brand-building and communications skills are weak.
9. The company is not well organized to carry on effective and efficient marketing.
10. The company has not made maximum use of technology.

The Ten Commandments of Marketing

1. The company segments the market, chooses the best segments, and develops a strong position in each chosen segment.
2. The company maps its customers' needs, perceptions, preferences, and behavior and motivates its stakeholders to obsess about serving and satisfying the customers.
3. The company knows its major competitors and their strengths and weaknesses.
4. The company builds partners out of its stakeholders and generously rewards them.
5. The company develops systems for identifying opportunities, ranking them, and choosing the best ones.
6. The company manages a marketing planning system that leads to insightful long-term and short-term plans.
7. The company exercises strong control over its product and service mix.
8. The company builds strong brands by using the most cost-effective communication and promotion tools.
9. The company builds marketing leadership and a team spirit among its various departments.
10. The company constantly adds technology that gives it a competitive advantage in the marketplace.

Source: Adapted from Philip Kotler, *Ten Deadly Marketing Sins* (Hoboken, NJ: John Wiley & Sons, 2004) pp. 10, 145–148.

Relationship Marketing

Increasingly, a key goal of marketing is to develop deep, enduring relationships with people and organizations that directly or indirectly affect the success of the firm's marketing activities. **Relationship marketing** aims to build mutually satisfying long-term relationships with key constituents in order to earn and retain their business.⁴⁴

Four key constituents for relationship marketing are customers, employees, marketing partners (channels, suppliers, distributors, dealers, agencies), and members of the financial community (shareholders, investors, analysts). Marketers must create prosperity among all these constituents and balance the returns to all key stakeholders. To develop strong relationships with them requires understanding their capabilities and resources, needs, goals, and desires.

The ultimate outcome of relationship marketing is a unique company asset called a **marketing network**, consisting of the company and its supporting stakeholders—customers, employees, suppliers, distributors, retailers, and others—with whom it has built mutually profitable business relationships. The operating principle is simple: build an effective network of relationships with key stakeholders, and profits will follow.⁴⁵ Thus more companies are choosing to own brands rather than physical assets and are subcontracting activities to firms that can do them better and more cheaply, while retaining core activities at home.

Companies are also shaping separate offers, services, and messages to *individual customers*, based on information about past transactions, demographics, psychographics, and media and distribution preferences. By focusing on their most profitable customers, products, and channels, these firms hope to achieve profitable growth, capturing a larger share of each customer's expenditures by building high customer loyalty. They estimate individual customer lifetime value and design their market offerings and prices to make a profit over the customer's lifetime.

These activities fall under what Columbia Business School professor Larry Selden and his wife and business consulting partner, Yoko Sugiura Selden, call "customer centricity." The Seldens offer the Royal Bank of Canada as an example.

Royal Bank of Canada

Thinking of its business in terms of customer segments rather than product segments, Royal Bank of Canada (RBC) has put each of its roughly 11 million clients into meaningful segments whose profitability it can measure. In the process, it discovered a sizable subsegment of customers hidden within its broader categories of "wealth preservers" and "wealth accumulators." Dubbed "snowbirds," these individuals spent a number of months each winter in Florida, where they were experiencing difficulties establishing credit as well as missing their Canadian communities, particularly the familiarity of the French-Canadian accent and fluency in French. To meet their unique needs, RBC created a Canadian banking experience in Florida.⁴⁶

Because attracting a new customer may cost five times as much as retaining an existing one, relationship marketing also emphasizes customer retention. Companies build customer share by offering a larger variety of goods to existing customers, training employees in cross-selling and up-selling. Marketing must skillfully conduct not only customer relationship management (CRM), but partner relationship management (PRM) as well. Companies are deepening their partnering arrangements with key suppliers and distributors, seeing them as partners in delivering value to final customers so everybody benefits.

Integrated Marketing

Integrated marketing occurs when the marketer devises marketing activities and assembles marketing programs to create, communicate, and deliver value for consumers such that "the whole is greater than the sum of its parts." Two key themes are that (1) many different marketing activities can create, communicate, and deliver value and (2) marketers should design and implement any one marketing activity with all other activities in mind. When a hospital buys an MRI from General Electric's Medical Systems division, for instance, it expects good installation, maintenance, and training services to go with the purchase.

All company communications also must be integrated. Using an integrated communication strategy means 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 each contributes on its own as well as improving the effectiveness of the others. Each must also deliver a consistent brand message at every contact.

When BMW launched the modernized MINI Cooper in 2002, it employed an integrated marketing strategy in the United States that included a broad mix of media: billboards, posters, Internet, print, PR, product placement, and grassroots campaigns. Many were linked to a cleverly designed Web site with product and dealer information. The car was placed atop Ford Excursion SUVs at 21 auto shows across the United States, was used as seats in a sports stadium, and appeared in *Playboy* magazine as a centerfold. The imaginative integrated campaign built a six-month waiting list for the MINI Cooper.

The company must also develop an integrated channel strategy. It should assess each channel option for its direct effect on product sales and brand equity, as well as its indirect effect through interactions with other channel options. Marketers must weigh the trade-off between having too many channels (leading to conflict among channel members and/or a lack of support) and too few (resulting in market opportunities being overlooked).

Online marketing activities are increasingly prominent in building brands and sales. Created for \$300,000 and no additional promotional expense, the Carnival Connections site made it easy for cruise fans to compare notes on destinations and onboard entertainment from casinos to conga lines. In a few short months, 2,000 of the site's 13,000 registered users planned trips aboard Carnival's 22 ships, generating an estimated \$1.6 million in revenue for the company.⁴⁷

Internal Marketing

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



Snowshoe Mountain Snowshoe Mountain in Snowshoe, West Virginia, embarked on a marketing program to better brand the ski resort with a promise of an “authentic, rustic and engaging wilderness experience.” In launching a branding initiative to define their goals and articulate what they wanted the Snowshoe Mountain



To improve its guests' experiences, Snowshoe Mountain ski resort engages in a series of internal marketing activities to build its brand promise with employees.

brand to represent to visitors, the resort's marketers started inside. They incorporated the new brand promise in a 40-page brand book that contained the history of the resort and a list of seven attitude words that characterized how employees should interact with guests. On-mountain messaging and signs also reminded employees to deliver on the brand promise. All new hires received a brand presentation from the director of marketing to help them better understand the brand and become effective advocates.⁴⁸

Marketing is no longer the responsibility of a single department—it is a company-wide undertaking that drives the company's vision, mission, and strategic planning.⁴⁹ It succeeds only when all departments work together to achieve customer goals (see Table 1.1): when engineering designs the right products, finance furnishes the right amount of funding, purchasing buys the right materials, production makes the right products in the right time horizon, and accounting measures profitability in the right ways. Such interdepartmental harmony can only truly coalesce, however, when management clearly communicates a vision of how the company's marketing orientation and philosophy serve customers. The following example highlights some of the potential challenge in integrating marketing:

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 by 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 inexpensive cleaning services; 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 his efforts to create an integrated marketing program.

Internal marketing requires vertical alignment with senior management and horizontal alignment with other departments, so everyone understands, appreciates, and supports the marketing effort.

Performance Marketing

Performance marketing requires understanding the financial and nonfinancial returns to business and society from marketing activities and programs. Top marketers are increasingly going beyond sales revenue to examine the marketing scorecard and interpret what is happening to market share, customer loss rate, customer satisfaction, product quality, and other measures. They are also considering the legal, ethical, social, and environmental effects of marketing activities and programs.

FINANCIAL ACCOUNTABILITY Marketers are increasingly asked to justify their investments in financial and profitability terms, as well as in terms of building the brand and growing the customer base.⁵⁰ They're employing a broader variety of financial measures to assess the direct and indirect value their marketing efforts create and recognizing that much of their firms' market value comes from intangible assets, particularly brands, customer base, employees, distributor and supplier relations, and intellectual capital. Marketing metrics can help firms quantify and compare their marketing performance along a broad set of dimensions. Marketing research and statistical analysis assess the financial efficiency and effectiveness of different marketing activities. Finally, firms can employ processes and systems to make sure they maximize the value from analyzing these different metrics.

SOCIAL RESPONSIBILITY MARKETING Because the effects of marketing extend beyond the company and the customer to society as a whole, marketers must consider the ethical, environmental, legal, and social context of their role and activities.⁵¹

The organization's task is thus to determine the needs, wants, and interests of target markets and satisfy them more effectively and efficiently than competitors while preserving or enhancing consumers' and society's long-term well-being. LG Electronics, Toshiba, and NEC Display Solutions

TABLE I.1**Assessing Which Company Departments Are Customer-Minded****R&D**

- They spend time meeting customers and listening to their problems.
- They welcome the involvement of marketing, manufacturing, and other departments to each new project.
- They benchmark competitors' products and seek "best of class" solutions.
- They solicit customer reactions and suggestions as the project progresses.
- They continuously improve and refine the product on the basis of market feedback.

Purchasing

- They proactively search for the best suppliers.
- They build long-term relationships with fewer but more reliable, high-quality suppliers.
- They don't compromise quality for price savings.

Manufacturing

- They invite customers to visit and tour their plants.
- They visit customer plants.
- They willingly work overtime to meet promised delivery schedules.
- They continuously search for ways to produce goods faster and/or at lower cost.
- They continuously improve product quality, aiming for zero defects.
- They meet customer requirements for "customization" where possible.

Marketing

- They study customer needs and wants in well-defined market segments.
- They allocate marketing effort in relation to the long-run profit potential of the targeted segments.
- They develop winning offers for each target segment.
- They measure company image and customer satisfaction on a continuous basis.
- They continuously gather and evaluate ideas for new products, product improvements, and services.
- They urge all company departments and employees to be customer centered.

Sales

- They have specialized knowledge of the customer's industry.
- They strive to give the customer "the best solution."
- They make only promises that they can keep.
- They feed back customers' needs and ideas to those in charge of product development.
- They serve the same customers for a long period of time.

Logistics

- They set a high standard for service delivery time and meet this standard consistently.
- They operate a knowledgeable and friendly customer service department that can answer questions, handle complaints, and resolve problems in a satisfactory and timely manner.

Accounting

- They prepare periodic "profitability" reports by product, market segment, geographic areas (regions, sales territories), order sizes, channels, and individual customers.
- They prepare invoices tailored to customer needs and answer customer queries courteously and quickly.

Finance

- They understand and support marketing expenditures (e.g., image advertising) that produce long-term customer preference and loyalty.
- They tailor the financial package to the customer's financial requirements.
- They make quick decisions on customer creditworthiness.

Public Relations

- They send out favorable news about the company and "damage control" unfavorable news.
- They act as an internal customer and public advocate for better company policies and practices.

Source: ©Philip Kotler, *Kotler on Marketing* (New York: Free Press, 1999), pp. 21–22. Reprinted with permission of The Free Press, a Division of Simon & Schuster Adult Publishing Group. Copyright © 1999 by Philip Kotler. All rights reserved.

TABLE 1.2 Corporate Social Initiatives

Type	Description	Example
Corporate social marketing	Supporting behavior change campaigns	McDonald's promotion of a statewide childhood immunization campaign in Oklahoma
Cause marketing	Promoting social issues through efforts such as sponsorships, licensing agreements, and advertising	McDonald's sponsorship of Forest (a gorilla) at Sydney's Zoo—a 10-year sponsorship commitment, aimed at preserving this endangered species
Cause-related marketing	Donating a percentage of revenues to a specific cause based on the revenue occurring during the announced period of support	McDonald's earmarking of \$1 for Ronald McDonald Children's Charities from the sale of every Big Mac and pizza sold on McHappy Day
Corporate philanthropy	Making gifts of money, goods, or time to help nonprofit organizations, groups, or individuals	McDonald's contributions to Ronald McDonald House Charities
Corporate community involvement	Providing in-kind or volunteer services in the community	McDonald's catering meals for firefighters in the December 1997 bushfires in Australia
Socially responsible business practices	Adapting and conducting business practices that protect the environment and human and animal rights	McDonald's requirement that suppliers increase the amount of living space for laying hens on factory farms

Source: Philip Kotler and Nancy Lee, *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause* (Hoboken, NJ: Wiley, 2004). Copyright © 2005 by Philip Kotler and Nancy Lee. Used by permission of John Wiley & Sons, Inc.



Ben & Jerry's "triple bottom line" business philosophy is based on monitoring the environmental and social effects of its actions in addition to the profits from the sale of its products.

offer electronic recycling programs, for instance, often providing consumers with prepaid postage to return old items. Retailers such as Office Depot, Best Buy, and AT&T offer similar programs in their stores.

Table 1.2 displays some different types of corporate social initiatives, illustrated by McDonald's.⁵²

As goods become more commoditized, and consumers grow more socially conscious, some companies—including The Body Shop, Timberland, and Patagonia—incorporate social responsibility as a way to differentiate themselves from competitors, build consumer preference, and achieve notable sales and profit gains. When they founded Ben & Jerry's, Ben Cohen and Jerry Greenfield embraced the performance marketing concept by dividing the traditional financial bottom line into a "double bottom line" that also measured the environmental impact of their products and processes. That later expanded into a "triple bottom line," to represent the social impacts, negative and positive, of the firm's entire range of business activities.⁵³



Stonyfield Farm Social responsibility has been at the core of Stonyfield Farm—makers of all-natural organic yogurts—from the start. Stonyfield's suppliers eschew the productivity practices of agribusiness, including the use of antibiotics, growth hormones, pesticides, and fertilizers. After calculating the amount of energy used to run its plant, Stonyfield decided to make an equivalent investment in environmental projects such as reforestation and wind farms. The company dropped plastic lids on its yogurt, saving about a million pounds of plastic a year, and added on-package messages about global warming, the perils of hormones, and genetically modified foods. It makes low-fat versions of its products, and adds cultures or dietary supplements to help the immune system fight off illness. The attitudes and beliefs Stonyfield adopted have not hurt its financial performance as it has become the number-three yogurt brand in the United States.⁵⁴

Updating The Four Ps

McCarthy classified various marketing activities into *marketing-mix* tools of four broad kinds, which he called *the four Ps* of marketing: product, price, place, and promotion.⁵⁵ The marketing variables under each P are shown in ▲ Figure 1.4.

Given the breadth, complexity, and richness of marketing, however—as exemplified by holistic marketing—clearly these four Ps are not the whole story anymore. If we update them to reflect the holistic marketing concept, we arrive at a more representative set that encompasses modern marketing realities: people, processes, programs, and performance, as in ▲ Figure 1.5.

People reflects, in part, internal marketing and the fact that employees are critical to marketing success. Marketing will only be as good as the people inside the organization. It also reflects the fact that marketers must view consumers as people to understand their lives more broadly, and not just as they shop for and consume products and services.

Processes reflects all the creativity, discipline, and structure brought to marketing management. Marketers must avoid ad hoc planning and decision making and ensure that state-of-the-art marketing ideas and concepts play an appropriate role in all they do. Only by instituting the right set of processes to guide activities and programs can a firm engage in mutually beneficial long-term relationships. Another important set of processes guides the firm in imaginatively generating insights and breakthrough products, services, and marketing activities.

Programs reflects all the firm's consumer-directed activities. It encompasses the old four Ps as well as a range of other marketing activities that might not fit as neatly into the old view of marketing. Regardless of whether they are online or offline, traditional or nontraditional, these activities must be integrated such that their whole is greater than the sum of their parts and they accomplish multiple objectives for the firm.



|Fig. 1.4| ▲
The Four P
Components of the
Marketing Mix



|Fig. 1.5| ▲
The Evolution
of Marketing
Management

We define *performance* as in holistic marketing, to capture the range of possible outcome measures that have financial and nonfinancial implications (profitability as well as brand and customer equity), and implications beyond the company itself (social responsibility, legal, ethical, and community related).

Finally, these new four Ps actually apply to *all* disciplines within the company, and by thinking this way, managers grow more closely aligned with the rest of the company.

Marketing Management Tasks

With the holistic marketing philosophy as a backdrop, we can identify a specific set of tasks that make up successful marketing management and marketing leadership. We'll use the following situation to illustrate these tasks in the context of the plan of the book. (The "Marketing Memo: Marketers' Frequently Asked Questions" is a good checklist for the questions marketing managers ask, all of which we examine in this 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, which produces a range of 35mm and digital cameras. Although Zeus has a sizable share and is producing revenue, the 35mm market is rapidly declining. In the much faster-growing digital camera segment, Zeus faces 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.

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 make 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

Atlas needs a reliable marketing information system to closely monitor its marketing environment so it can continually assess market potential and forecast demand. Its microenvironment consists of all the players who affect its ability to produce and sell cameras—suppliers, marketing intermediaries, customers, and competitors. Its macroenvironment includes 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. To transform strategy into programs, marketing managers must make basic decisions about their expenditures, activities, and budget

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 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?

allocations. They may use sales-response functions that show how the amount of money spent in each application will affect sales and profits (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, it needs to understand consumer markets (see Chapter 6). Who buys cameras, and why? What features and prices are they looking for, and where do they shop? Atlas also sells cameras to business markets, including large corporations, professional firms, retailers, and government agencies (see Chapter 7), where 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 well trained in presenting product benefits.

Atlas will not want to market to all possible customers. It must divide the market into major market segments, evaluate each one, and target those it can best serve (see Chapter 8).

Building Strong Brands

Atlas must understand the strengths and weaknesses of the Zeus brand as customers see it (see Chapter 9). Is its 35mm film heritage a handicap in the digital camera market? Suppose Atlas decides to focus on the consumer market and develop a positioning strategy (see Chapter 10). Should it position itself 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? Or something in between?

Atlas must also pay close attention to competitors (see Chapter 11), anticipating their 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). To gain a competitive advantage, Atlas may provide leasing, delivery, repair, and training as part of its product offering (see Chapter 13).

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

Delivering Value

Atlas must also determine how to properly deliver to the target market the value embodied in its products and services. Channel activities include those 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 to the target market the value embodied by its products and services. It will need an integrated marketing communication program that maximizes the individual and collective contribution of all communication activities (see Chapter 17). Atlas needs to set up mass communication programs consisting of advertising, sales promotion, events, and public relations (see Chapter 18). It also needs to plan more personal communications, in the form of direct and interactive marketing, as well as hire, train, and motivate salespeople (see Chapter 19).

Creating Successful Long-Term Growth

Based on its product positioning, Atlas must initiate new-product development, testing, and launching as part of its long-term view (see Chapter 20). The strategy should take into account changing global opportunities and challenges (see Chapter 21).

Finally, Atlas must build a marketing organization capable of implementing the marketing plan (see Chapter 22). Because surprises and disappointments can occur as marketing plans unfold, Atlas will need feedback and control to understand the efficiency and effectiveness of its marketing activities and how it can improve them.⁵⁶

Summary

1. 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 stakeholders. 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 its level, timing, and composition for goods, services, events, experiences, persons, places, properties, organizations, information, and ideas. They also operate in four different marketplaces: consumer, business, global, and nonprofit.
3. Marketing is not done only by the marketing department. It needs to affect every aspect of the customer experience. To create a strong marketing organization, marketers must think like executives in other departments, and executives in other departments must think more like marketers.
4. Today's marketplace is fundamentally different as a result of major societal forces that have resulted in many new consumer and company capabilities. These forces have created new opportunities and challenges and changed marketing management significantly as companies seek new ways to achieve marketing excellence.
5. 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.
6. 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 in 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.
7. The set of tasks necessary for successful marketing management includes developing marketing strategies and plans, capturing marketing insights, connecting with customers, building strong brands, shaping the market offerings, delivering and communicating value, and creating 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. They feel marketers encourage consumers to spend more money than they should on goods and services they do not really need.

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

Marketing Discussion

Shifts in Marketing

Consider the broad shifts in marketing. Do any themes emerge in them? Can you relate the shifts to the major societal forces? Which force has contributed to which shift?

Marketing Excellence

>>Nike



Nike hit the ground run-

ning in 1962. Originally known as Blue Ribbon Sports, the company focused on providing high-quality running shoes designed for athletes by athletes. Founder Philip Knight believed high-tech shoes for runners could be manufactured at competitive prices if imported from abroad. Nike's commitment to designing innovative footwear for serious athletes helped it build a cult following among U.S. consumers.

Nike believed in a "pyramid of influence" in which the preferences of a small percentage of top athletes influenced the product and brand choices of others. From the start its marketing campaigns featured accomplished athletes. Runner Steve Prefontaine, the first spokesperson, had an irreverent attitude that matched the company's spirit.

In 1985, Nike signed up then-rookie guard Michael Jordan as a spokesperson. Jordan was still an up-and-comer, but he personified superior performance. Nike's bet paid off—the Air Jordan line of basketball shoes flew off the shelves and revenues hit over \$100 million in the first year alone. As one reporter stated, "Few marketers have so reliably been able to identify and sign athletes who transcend their sports to such great effect."

In 1988, Nike aired the first ads in its \$20 million "Just Do It" ad campaign. The campaign, which ultimately featured 12 TV spots in all, subtly challenged a generation of athletic enthusiasts to chase their goals. It was a natural manifestation of Nike's attitude of self-empowerment through sports.

As Nike began expanding overseas to Europe, it found that its U.S.-style ads were seen as too aggressive. Nike realized it had to "authenticate" its brand in Europe, so it focused on soccer (known as football outside the United States) and became active as a sponsor of youth leagues, local clubs, and national teams. However, for Nike to build authenticity among the soccer audience, consumers had to see professional athletes using its product, especially athletes who won. Nike's big break came in 1994 when the Brazilian team (the only national team for which Nike had any real sponsorship) won the World Cup. That victory transformed Nike's image in

Europe from a sneaker company into a brand that represented emotion, allegiance, and identification. It also helped launch Nike into other international markets over the next decade, and by 2003, overseas revenues surpassed U.S. revenues for the first time.

In 2007, Nike acquired Umbro, a British maker of soccer-related footwear, apparel, and equipment. The acquisition helped boost Nike's presence in soccer as the company became the sole supplier of uniforms to over 100 professional soccer teams around the world.

Nike focused its efforts on international markets, especially China, during the 2008 Summer Olympics in Beijing. Although Nike's rival, Adidas, was the official sponsor of the Olympic Games, Nike received special permission from the International Olympic Committee to run Nike ads featuring Olympic athletes during the games. In addition, Nike sponsored several teams and athletes, including most of the Chinese teams and 11 of the 12 high-profile members on the United States men's basketball teams. That year, sales in the Asian region grew 15 percent to \$3.3 billion and Nike's international divisions grew to 53 percent of the company's revenue. Some believed Nike's marketing strategy during the Olympics was more effective than Adidas's Olympic sponsorship.

In addition to expanding the brand overseas, Nike successfully entered new athletic footwear, apparel, and equipment product categories by using endorsements from high-profile athletes and consumer outreach programs. The Nike Golf brand, endorsed by Tiger Woods, has changed the way professional golfers dress. Tiger's powerful influence on the game and his Nike emblazoned style have turned the greens at the majors into "golf's fashion runway." In addition, Nike has used the superstar to help build its relationship with consumers. In 2009, it launched a Tiger Web Talkback session at nikegolf.com, where fans could ask questions and hear Tiger talk about golf. The session was part of a nationwide Nike Golf consumer experience day, which included equipment demos, long-drive contests, and in-store specials.

In tennis, Nike has aligned with Maria Sharapova, Roger Federer, and Rafael Nadal to push its line of tennis clothing and gear. Some called the famous 2008 Wimbledon match between Roger Federer and Rafael Nadal—both dressed in swooshes from head to toe—a five-hour Nike commercial valued at \$10.6 million.

Nike teamed up with seven-time Tour de France champion Lance Armstrong not only to sell Nike products but also to help Armstrong's LIVESTRONG campaign. Nike designed, manufactured, and sold over 70 million yellow LIVESTRONG bracelets, netting \$80 million for the Lance Armstrong Foundation. It also featured Armstrong's message of survival, willpower, and giving in a series of Nike commercials.

To promote its line of basketball shoes and apparel, Nike continues to feature basketball superstars such as Kobe Bryant and LeBron James. In addition, it formed a partnership with Foot Locker to create a new chain of stores, House

of Hoops by Foot Locker, which offers only basketball products by Nike brands such as Converse and Jordan.

Recently, Nike's lead in the running category has grown to 60 percent market share thanks to its exclusive partnership with Apple. Nike+ (Plus) technology includes a sensor that runners put into their running shoes and a receiver, which fits into an iPod, iPhone, or iPad. When the athlete goes for a run or hits the gym, the receiver captures his or her mileage, calories burned, and pace and stores it until the information is downloaded. Nike+ is now considered the world's largest running club.

In 2008 and 2009, Nike+ hosted the Human Race 10K, the largest and only global virtual race in the world. The event, designed to celebrate running, drew 780,000 participants in 2008 and surpassed that number in 2009. To participate, runners register online, gear up with Nike+ technology, and hit the road on race day, running any 10K route they choose at any time during the day. Once the data is downloaded from the Nike+ receiver, each runner's official time is posted and can be compared to the times of runners from around the world.

Like many companies, Nike is trying to make its company and products more eco-friendly. However, unlike many companies, Nike does not promote its efforts. One brand consultant explained, "Nike has always been about winning. How is sustainability relevant to its brand?" Nike executives agree that promoting an eco-friendly message

would distract from its slick high-tech image, so efforts like recycling old shoes into new shoes are kept quiet.

Today, Nike dominates the athletic footwear market with a 31 percent market share globally and a 50 percent market share in the United States. Swooshes abound on everything from wristwatches to skateboards to swimming caps. The firm's long-term strategy focuses on basketball, running, football, women's fitness, men's training, and sports culture. As a result of its successful expansion across geographic markets and product categories, Nike is the top athletic apparel and footwear manufacturer in the world, with corporate fiscal 2009 revenues exceeding \$19 billion.

Questions

1. What are the pros, cons, and risks associated with Nike's core marketing strategy?
2. If you were Adidas, how would you compete with Nike?

Sources: Justin Ewers and Tim Smart, "A Designer Swooshes In," *U.S. News & World Report*, January 26, 2004, p. 12; "Corporate Media Executive of the Year," *Delaney Report*, January 12, 2004, p. 1; Barbara Lippert, "Game Changers: Inside the Three Greatest Ad Campaigns of the Past Three Decades," *Adweek*, November 17, 2008; "10 Top Nontraditional Campaigns," *Advertising Age*, December 22, 2003, p. 24; Chris Zook and James Allen, "Growth Outside the Core," *Harvard Business Review*, December 2003, p. 66; Jeremy Mullman, "NIKE: What Slowdown? Swoosh Rides Games to New High," *Advertising Age*, October 20, 2008, p. 34; Allison Kaplan, "Look Just Like Tiger (until you swing)," *America's Intelligence Wire*, August 9, 2009; Reena Jana and Burt Helm, "Nike Goes Green, Very Quietly," *BusinessWeek*, June 22, 2009.

Marketing Excellence

>>Google



In 1998, two Stanford University PhD students, Larry Page and Sergey Brin, founded a search engine company and named it Google. The name plays on the number *googol*—1 followed by 100 zeroes—and refers to the massive quantity of data available online that the company helps users find. Google's corporate mission is "To organize the world's information and make it universally accessible and useful." From the beginning, Google has strived to be one of the "good guys" in the corporate world, supporting a touchy-feely work

environment, strong ethics, and a famous founding credo: "Don't be evil."

The company has become the market leader for search engines through its business focus and constant innovation. As Google grew into a primary destination for Web users searching for information online, it attracted a host of online advertisers. These advertisers drove Google's revenue by buying "search ads," little text-based boxes shown alongside search results that advertisers pay for only when users click on them. Google's search ad program, called AdWords, sells space on its search pages to ads linked with specific keywords. Google auctions off the keyword ads, with prime keywords and page locations going to the highest bidder. Google recently added a program called AdSense, which allows any Web site to display targeted Google ads related to the content of its site. Web site publishers earn money every time visitors click on these ads.

In addition to offering prime online "real estate" for advertisers, Google adds value by providing tools to better target their ads and better understand the effectiveness of their marketing. Google Analytics, free to Google's advertisers, provides a custom report, or dashboard, detailing how Internet users found the site, what ads they saw and/or clicked on, how they behaved while there, and how much traffic was generated. Google client Discount Tire was able

to identify where visitors encountered problems that led them to abandon a purchase midstream. After modifying its site and updating its keyword search campaign, Discount Tire measured a 14 percent increase in sales within a week.

With its ability to deploy data that enable up-to-the-minute improvements in a Web marketing program, Google supports a style of marketing in which the advertising resources and budget can be constantly monitored and optimized. Google calls this approach “marketing asset management,” implying that advertising should be managed like assets in a portfolio depending on the market conditions. Rather than following a marketing plan developed months in advance, companies use the real-time data collected on their campaigns to optimize the campaign’s effectiveness and be more responsive to the market.

Over the past decade, Google has expanded far beyond its search capabilities with numerous other services, applications, and tools. It creates and distributes its products for free, which in turn provide new opportunities for the firm to sell additional targeted advertising space. Since 97 percent of Google’s revenues come from online advertising, new advertising space is critical to the company’s growth.

Google’s wide range of products and services fall into five categories: desktop products, mobile products, Web products, hardware products, and other products. *Desktop products* include both stand-alone applications such as Google Earth (a virtual globe that uses satellite imagery and aerial photography), Google Chrome (a Web browser), and Google Video/YouTube (Google acquired the video hosting site YouTube in 2006 for \$1.65 billion), or desktop extensions such as Google Toolbar (a browser toolbar). *Mobile products* include all Google products available for mobile devices. *Web products* are broken down into the following subsets—advertising (e.g., AdWorks, DoubleClick, Click-to-Call), communications and publishing (e.g., Google Docs, Google Calendar, Google Gadgets, Wave), development (e.g., Android, Google Code), mapping (e.g., Google Sky, Google Maps), Search (e.g., Google Dictionary, Google Alerts, Google Scholar), and statistics (e.g., Google Trends, Google Analytics).

Google’s stage of development starts within Google Labs, which lists new products available for testing. It next moves to beta status, where invited users test early prototypes. Once the product is fully tested and ready to be released to the general public, it moves into the gold stage as a core Google product. Google Voice, for example, is in the beta stage. It provides consumers with one Google phone number, which then connects to the user’s home, office, and cell numbers. The user decides which phones ring, based on who calls. Due to Google Voice’s complexity and popularity, users can sign up only by invitation.

Google has not spent a lot of money on traditional advertising. Recent efforts have targeted Microsoft consumers with appeals to use Google’s “cloud computing” applications instead of Microsoft Office or Windows. By

“Going Google,” a user can access all of his or her documents and applications via a Web browser instead of owning the physical infrastructure and software. In addition, in 2009 Google launched its first-ever television commercial for Google Chrome, an alternative to Microsoft’s Internet Explorer Web browser.

Google is also betting big in the mobile category. With its 2008 launch of Android, a mobile operating system, Google went head-to-head with Apple’s iPhone. Although many still prefer Apple’s platform, even critics have praised Android’s benefits. Most importantly, Android is free, open sourced, and backed by a multimillion-dollar investment. That means Google wants its partners to help build and design Android over the years. In addition, the iPhone is available only through AT&T in the United States, while most of AT&T’s competitors support Android phones. If Google influences millions of new consumers to use smart phones, it could make billions in mobile advertising. One analyst stated that Google “is trying to get ahead of the curve with these initiatives so when [mobile advertising] becomes mainstream, Google will be one of the major players, and display is a key growth area for Google.”

Google’s goal is to reach as many people as possible on the Web—whether by PC or by phone. The more users on the Web, the more advertising Google can sell. Google’s new products also accomplish this goal and make the Web a more personalized experience. One program allows users to mark their current position on Google Maps, click the local tab, and receive information about local restaurants, bars, and entertainment venues.

Google has enjoyed great success as a company and a brand since its launch. When it experienced an hour-long outage in 2009, worldwide Internet traffic decreased by 5 percent. In 2009, Google held a 65 percent market share in search in the United States, significantly greater than second place Yahoo!’s 20 percent market share. Globally, Google held a more dominant lead with 89 percent market share versus Yahoo!’s 5 percent and MSN’s 3 percent. Google’s revenues topped \$21 billion in 2008, and the company was ranked the most powerful brand in the world with a brand value of \$86 billion.

Questions

1. With a portfolio as diverse as Google’s, what are the company’s core brand values?
2. What’s next for Google? Is it doing the right thing taking on Microsoft with the concept of cloud computing, and Apple in the fight for smart phones?

Sources: www.google.com; Catherine P. Taylor, “Google Flex,” *Adweek*, March 20, 2006, cover story; Richard Karpinski, “Keywords, Analytics Help Define User Lifetime Value,” *Advertising Age*, April 24, 2006, p. S2; Danny Gorog, “Survival Guide,” *Herald Sun*, March 29, 2006; Julie Schlosser, “Google,” *Fortune*, October 31, 2005, pp. 168–69; Jefferson Graham, “Google’s Profit Sails Past Expectations,” *USA Today*, October 21, 2005; Dan Frommer, “BrandZ Top 100 2008 Report”; “Google’s Android Mobile Platform Is Getting Huge,” *Advertising Age*, October 8, 2009; Rita Chang, “Google Set for Richer Advertising on Smartphones,” *Advertising Age*, October 5, 2009.

In This Chapter, We Will Address the Following **Questions**

1. How does marketing affect customer value?
2. How is strategic planning carried out at different levels of the organization?
3. What does a marketing plan include?

Yahoo! faces many strategic challenges as it attempts to fend off competition from Google and others.

