



MARKETING

3rd edition

GREWAL • LEVY • MATHEWS • HARRIGAN • BUCIC • KOPANIDIS



MARKETING



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*I dedicate this to my loving family
who make my life so wonderful.*
Shane Mathews

For Maggie, Grace and Rory
Paul Harrigan

For Mark, Jack and Max
Tania Bucic

For my daughter, Danae
Foula Kopanidis



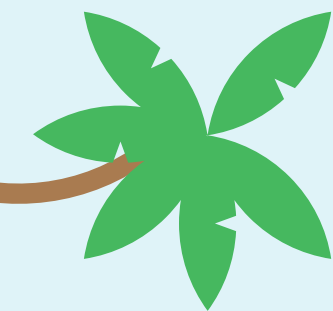
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Dhruv Grewal, PhD (Virginia Tech), is the Toyota Chair in Commerce and Electronic Business and a Professor of Marketing at Babson College in the United States. His research and teaching interests focus on direct marketing and e-commerce, marketing research, the broad areas of value-based marketing strategies, services and retailing, and pricing. He is listed in Thompson Reuters' 2014 World's Most Influential Scientific Minds list (only eight from the marketing field and 95 from economics and business are listed). He is an Honorary Distinguished Visiting Professor of Retailing and Marketing, Center for Retailing, Stockholm School of Economics; an Honorary Distinguished Visiting Professor of Retailing and Marketing, Tecnológico de Monterrey; a GSBE Extramural Fellow, Maastricht University; a Global Chair in Marketing at University of Bath; and has been a Visiting Scholar at Dartmouth. He has also served as a faculty member at the University of Miami, where he was a department chair.

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He has won a number of awards for his research: 2018 William R. Davidson *Journal of Retailing* Best Paper Award (for paper published in 2016); 2017 *Journal of Interactive Marketing* Best Paper Award (for paper published in 2016); 2016 *Journal of Marketing* Sheth Award; 2016 William R. Davidson *Journal of Retailing* Best Paper Award (for paper published in 2014); 2015 Louis W. Stern Award (American Marketing Association Interorganizational SIG); Babson College Faculty Scholarship Award (2015); William R. Davidson *Journal of Retailing* Best Paper Award 2012 (for paper published in 2010); 2011 Best Paper Award (La Londe Conference for Marketing Communications and Consumer Behavior); 2011 Louis W. Stern Award (American Marketing Association Interorganizational SIG); William R. Davidson *Journal of Retailing* Honorable Mention Award 2011 (for paper published in 2009); Babson College Faculty Scholarship Award (2010); William R. Davidson *Journal of Retailing* Best Paper Award 2010 (for paper published in 2008); William R. Davidson *Journal of Retailing* Honorable Mention Award 2010 (for paper published in 2008); 2017 Best Paper Award, Connecting for Good Track, Winter AMA Conference; Stanley C. Hollander Best Retailing Paper, Academy of Marketing Science Conference 2002, 2008, and 2016; M. Wayne DeLozier Best Conference Paper, Academy of Marketing Science 2002 and 2008; Best Paper, CB Track, Winter AMA 2009; Best Paper, Technology & e-Business Track, AMA Summer 2007; Best Paper Award, Pricing Track, Best Services Paper Award (2002), from the American Marketing Association Services SIG presented at the Service Frontier Conference, October 2003; Winter American Marketing Association Conference 2001; Best Paper Award, Technology Track, Summer American Marketing

Association Educators' Conference 2000; and University of Miami School of Business Research Excellence Award for 1991, 1995, 1996, and 1998. He has also been a finalist for the 2014 *Journal of Marketing* Harold H. Maynard Award, the 2012 Paul D. Converse Award, and the 2005 Best Services Paper Award from the Services SIG.

Professor Grewal has coedited a number of special issues including *Journal of Public Policy & Marketing* 'Pricing & Public Policy' (Spring 1999); *Journal of the Academy of Marketing Science*, 'Serving Customers and Consumers Effectively in the 21st Century: Emerging Issues and Solutions' (Winter 2000); *Journal of Retailing*, 'Creating and Delivering Value through Supply-Chain Management' (2000); *Journal of Retailing*, 'Branding and Customer Loyalty' (2004); *Journal of Retailing*, 'Service Excellence' (2007); *Journal of Retailing*, 'Customer Experience Management' (2009); and *Journal of Retailing*, 'Pricing in a Global Arena' (2012).

He co-chaired the 1993 Academy of Marketing Science Conference; the 1998 Winter American Marketing Association Conference 'Reflections & Future Directions for Marketing'; Marketing Science Institute Conference (December 1998) 'Serving Customers and Consumers Effectively in the 21st Century: Emerging Issues and Solutions'; the 2001 AMA doctoral consortium; the American Marketing Association 2006 Summer Educator's Conference; the 2008 Customer Experience Management Conference; the 2010 Pricing Conference; the 2011 DMEF research summit; the 2012 AMA/ACRA First Triennial Retailing Conference; the 2013 Pricing & Retailing Conferences; the 2014 Shopper Marketing conference at SSE; and the 2015 AMA/ACRA Second Triennial Retailing Conference.

Professor Grewal has also co-authored *Marketing* (publisher McGraw-Hill, 1e 2008; 2e 2010–Awarded Revision of the Year, McGraw-Hill Corporate Achievement Award with Connect Marketing in the category of Content and Analytical Excellence; 3e 2012; 4e 2014; 5e 2016; 6e 2018); *M Series: Marketing* (publisher McGraw-Hill, 1e 2009, 2e 2011, 3e 2013, 4e 2015, 5e 2017, 6e 2019); *Retailing Management* (publisher McGraw-Hill, 9e 2014, 10e 2018—the leading textbook in the field); and *Marketing Research* (publisher Houghton Mifflin Co., 1e 2004, 2e 2007). He was ranked number 86 for Books in Business and Investing by Amazon in 2013.

Professor Grewal has won many awards for his teaching: 2005 Sherwin-Williams Distinguished Teaching Award, Society for Marketing Advances; 2003 American Marketing Association, Award for Innovative Excellence in Marketing Education; 1999 Academy of Marketing Science Great Teachers in Marketing Award; Executive MBA Teaching Excellence Award (1998); School of Business Teaching Excellence Awards (1993, 1999); and Virginia Tech Certificate of Recognition for Outstanding Teaching (1989).

He has taught executive seminars/courses and/or worked on research projects with numerous firms such as Dell, ExxonMobil, IRI, RadioShack, Telcordia, Khimetrics Profit-Logic, McKinsey, Ericsson, Motorola, Nextel, FP&L, Lucent, Sabre, Goodyear Tire & Rubber Company, Sherwin-Williams and Asahi. He has delivered seminars in the United States, Europe, Latin America and Asia. He has served as an expert witness or worked as a consultant on numerous legal cases. He serves on the Board of Directors of Babson Global, and on the Board of Trustees of Marketing Edge.

Michael Levy

Michael Levy, PhD (Ohio State University), is the Charles Clarke Reynolds Professor of Marketing Emeritus at Babson College and CEO of RetailProf LLC in the United States. He received his PhD in business administration from The Ohio State University and his undergraduate and MS degrees in business administration from the University of Colorado at Boulder. He taught at Southern Methodist University before joining the faculty as professor and chair of the marketing department at the University of Miami.

Professor Levy received the inaugural ACRA Academic Lifetime Achievement Award presented at the 2015 AMA/ACRA (American Marketing Association/American Collegiate Retailing Association) Triennial Conference and was recognised for 25 years of dedicated service to the editorial review board of the *Journal of Retailing* in 2011. He won the McGraw-Hill Corporate Achievement Award for Grewal-Levy *Marketing* 2e with Connect in the category of excellence in content and analytics (2010); Revision of the Year for *Marketing* 2e (Grewal-Levy) from McGraw-Hill/Irwin (2010); the 2009 Lifetime Achievement Award, American Marketing Association, Retailing Special Interest Group (SIG); the Babson Faculty Scholarship Award (2009); and the Distinguished Service Award, *Journal of Retailing* (2009) (at winter AMA).

He was rated as one of the best researchers in marketing in a survey published in *Marketing Educator* (Summer 1997). He has developed a strong stream of research in retailing, business logistics, financial retailing strategy, pricing, and sales management. He has published over 50 articles in leading marketing and logistics journals, including the *Journal of Retailing*, *Journal of Marketing*, *Journal of the Academy of Marketing Science*, and *Journal of Marketing Research*. He has served on the editorial review boards of the *Journal of Retailing*, *Journal of the Academy of Marketing Science*, *International Journal of Physical Distribution and Materials Management*, *International Journal of Business Logistics*, *ECR*

Journal, *European Business Review*, and has been on the editorial advisory boards of *European Retail Research* and the *European Business Review*. He is co-author of *Retailing Management*, 10e (2019), the best-selling college-level retailing text in the world. Professor Levy was co-editor of the *Journal of Retailing* from 2001 to 2007. He co-chaired the 1993 Academy of Marketing Science conference and the 2006 summer AMA conference.

Professor Levy has worked in retailing and related disciplines throughout his professional life. Prior to his academic career, he worked for several retailers and a housewares distributor in Colorado. He has performed research projects with many retailers and retail technology firms, including Accenture, Federated Department Stores, Khimetrics (SAP), Mervyn's, Neiman Marcus, ProfitLogic (Oracle), Zale Corporation and numerous law firms.

About the Australian authors



Shane Mathews

Shane Mathews is an Associate Professor in the School of Advertising, Marketing and Public Relations, Queensland University of Technology Business School. Shane has more than 20 years of experience in the marketing profession both domestic and international. He has teaching experience from undergraduate to executive education in marketing and international business and has won a number of awards for teaching excellence. Shane's research investigates digitalisation: the internet's impact on digital marketing such as digital branding, firm digital marketing capabilities, virtual social networks and the broader implications of digital marketing and international marketing.

Shane has published articles in many marketing journals, including the *Journal of Business Research*, *International Marketing Review*, *International Business Review*, *Journal of Marketing Management*, *Journal of Strategic Marketing*, *Journal of Marketing Communications*, *International Journal of Tourism Research*, *Australasian Marketing Journal* and *Educational Research*.



Paul Harrigan

Paul Harrigan is Associate Professor of Marketing at UWA Business School, at the University of Western Australia. He has been at UWA since 2012. Before this, Paul was a Lecturer in Marketing at the University of Southampton in the UK from 2008-2012. He is also an Adjunct Professor at IESEG School of Management in France. Paul received his PhD from Ulster University in the UK in 2008.

His research expertise is in digital marketing, specifically social media marketing. Paul has published his research in over 40 international journal articles and books, presented at over 30 international conferences, and supervised many research students. His teaching focus is on digital marketing and he creates and delivers undergraduate, postgraduate and executive education courses, internationally. More broadly, Paul is a member of the Australian and New Zealand Marketing Academy, and was appointed Vice President in December 2019. He is also an Associate Editor at the *Journal of Marketing Management* and is on the editorial board of the *Journal of Interactive Advertising*. Paul consults with industry and regularly engages with the media on digital marketing issues.



Tania Bucic

Tania Bucic is Associate Professor of Marketing at the UNSW Business School, at the University of New South Wales, Australia. As a Scientia Education Fellow, she is passionate about teaching and has distinguished herself by winning a string of teaching-related accolades at faculty, university, national and international levels. For example, Tania received the 2019 Ivey Publishing Global Best Seller Award for her business case studies, the 2018 Marketing Management Association's Master Teacher Award (USA), a Citation for Outstanding Contribution to Student Learning, from the Australian Office of Learning and Teaching, and the UNSW Vice Chancellor's Teaching Award (medal). In addition, Tania's research appears in *Industrial Marketing Management*, *Journal of Business Ethics*, *Journal of Marketing Education*, *Journal of Strategic Marketing*, *Australian Journal of Management*, *Journal of Services Marketing* and *International Journal of Innovation Management* among others. Tania is a former President of the Australian and New Zealand Marketing Academy.



Foula Kopanidis

Foula Kopanidis is an Associate Professor with RMIT University's College of Business, School of Economics, Finance and Marketing, and is the Postgraduate Course Coordinator of Consumer Behaviour. Her teaching and research expertise areas include consumer behaviour, selection behaviour, choice criteria, education and marketing. Foula's teaching excellence has been recognised at a college, university and national level with a Citation for Outstanding Contribution to Student Learning from the Australian Office of Learning and Teaching. She was recently awarded Fellow of the Higher Education Academy (UK).

Foula's research is anchored across the three disciplines of marketing, education and psychology. She has recent publications in the journals of *Education + Training*, *Higher Education*, *Research and Development*, *Higher Education Policy and Management*, *Women & Aging*, and *Journal of Services Marketing* and is also a co-author of McGraw-Hill Education's publication *Consumer Behaviour* 7e. Foula is active in research and is currently supervising PhD students.

About the digital authors

We are indebted to our digital resource authors who have worked hard to ensure that we have the best resource package on the market.

- Karen Fernandez, University of Auckland
- Sandy Sergeant, Queensland University of Technology

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New to this edition

The third edition of *Marketing* sees significant changes. As always, every example, fact and key term has been checked, updated and/or replaced. What follows are major changes in the text, chapter-by-chapter.

Chapter	Chapter updates
PART 1 Assessing the marketplace	
Chapter 1 Overview of marketing	• Thoroughly updated discussion on what is marketing • Updated discussion on how marketing firms become more value driven • New vignettes • New case studies
Chapter 2 Digital marketing	• Updated discussion on digital channels • Substantially improved explanation of 4E network • Updated discussion on social media marketing • Added discussion on the influence of augmented reality (AR) in retail sector
Chapter 3 Marketing ethics, sustainability and CSR	• Added discussion on the rise of social marketing (using marketing techniques to create a behavioural change) • Updated opening vignette includes changes in the fashion industry since the Rana Plaza incident in Bangladesh • Updated section on ethical issues includes efforts being made by Google and Microsoft in this sphere • Added findings from the survey Ethics at Work • New Adding value on supply chain that adheres to a code of ethics • New Adding value on ban on plastic bags in Australian supermarkets • Updated discussion on ethics and marketing strategy, including the example of Roma boots, how celebrities influence consumers' decisions, the Cambridge Analytica scandal
Chapter 4 Analysing the marketing environment	• Entire chapter has been revised to lay a greater emphasis on the importance of understanding competition and how it impacts on the development of marketing strategy • New Superior service highlights how Chemist Warehouse adapted itself for the Chinese market • Added discussion on consumers pushing brands to take position in key societal issues such as equality • Expanded discussion on health and wellness including mental wellbeing • New Adding value feature on Netflix and its predictive analytics • Updated and revised discussion on privacy and data and how the EU has led the way in implementing legislation to protect consumers' privacy

Chapter	Chapter updates
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PART 2 Understanding and targeting the marketplace

Chapter 5 Consumer behaviour	- Updated discussion on consumer decision process including examples from varied fields to highlight the importance of engaging the customer - New examples explaining various factors influencing consumer decision process
Chapter 6 Segmentation, targeting and positioning	- Greater emphasis on discussion around segmentation methods including pricing strategies, distribution strategies and overall appeals - Addition of more complex segmentation methods such as psychographic, benefits derived and behavioural - Inclusion of the seven segments of consumer lifestyle segmentation in New Zealand developed by the University of Otago - Updated section on behavioural segmentation - New Social media and mobile marketing feature describing how various tech companies and online platforms segment customers based on the use of their services - Updated table on value proposition statement key elements - New Adding value discusses the influence and message of evolving company logos
Chapter 7 Marketing research	- Updated opening vignette showing the impact of wearable devices in day-to-day life and how the personal data they collect is used by companies to deliver timely information - New graph about secondary data and how it is used by policy makers to draft economic policies - Updated table on firms that provide syndicated data - Updated section on social media research with examples of LEGO and Sephora and how they engage with their customers - New Superior service feature on the use of drones in the service industry - Updated section on emerging technology and the ethics of using customer information

PART 3 Value creation

Chapter 8 Product and branding decisions	- Updated section on branding includes examples of Amazon and Sony and how they operate - Updated table on the world's most valuable brands - New Ethical and societal dilemma feature on how brands get creative to cater to a particular market
Chapter 9 Developing new products	- Updated opening vignette emphasises the importance of innovation—from companies and also driven by consumers' demands - New Adding value feature on reusable plastic bags examines the Australian retail sector's transformation to improve sustainability practices - New Ethical and societal dilemma feature regarding innovation in the smart products industry and its privacy concerns - Updated discussion on using the diffusion of innovation theory - Revised section about how firms develop new products

Chapter	Chapter updates
Chapter 10 Services: The intangible product	- Revised and updated opening vignette on the services provided by online retail stores - Updated discussion on the intangibility of services including involvement of the ACCC in dealing with various advertisements - Revised section on the service gaps model - Updated Social media and mobile marketing feature highlighting the growth of digital marketing in Australia - New Social media and mobile marketing feature on Spotify and how it uses social media for customer service—in particular, to recover from service failures

PART 4 Value capture, delivery and communication

Chapter 11 Pricing concepts	- New Adding value feature exploring the rising popularity of online stores and how they are attracting customers and businesses alike - New Ethical and societal dilemma feature about the long-running court case between Amazon, Apple, a group of book publishers and customers who fought a tough battle over the price of reading - New Superior service feature on leasing
Chapter 12 Supply chain, channel management and retail	Added discussion on customer store pick-up technology
Chapter 13 Integrated marketing communications	- Updated opening vignette to reflect the influence of media on advertising - New Social media and mobile marketing feature emphasising new ideas adopted by companies to promote themselves - New Adding value feature on Puma's use of Google Analytics to revamp its advertising strategy - New Ethical and societal dilemma feature on Volkswagen's advertising campaign to persuade customers to trust it again after recent scandals - Revised section on product placement

Text at a glance

Marketing is a pedagogically rich learning resource. The features laid out on these pages are designed to encourage and enhance your understanding of marketing.

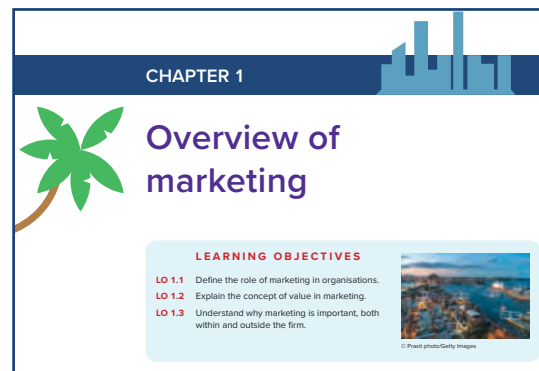
REAL-WORLD EXAMPLES

Real-world examples are used to illustrate concepts throughout the text, giving you an opportunity to think about how these concepts are used in everyday life. They are presented in the following elements.

Part opener



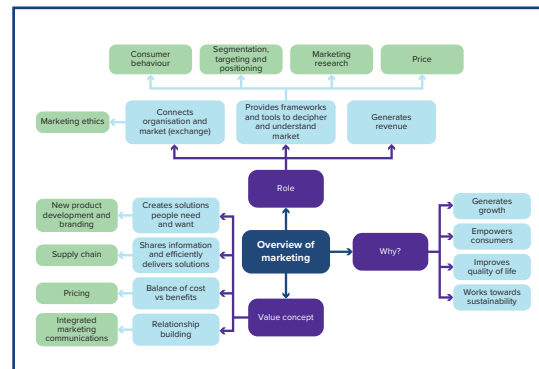
Chapter opener



Learning objectives outline the skills and knowledge that you should have gained on completing each chapter.

Concept map

A visual and stimulating summary concept map for each chapter links the key theoretical points of each topic.



Graduate spotlight

Graduate spotlights are a series of Q&As with marketing graduates to find out where they have taken their careers and what advice they would give to new students in the field.

Graduate spotlight

NAME
Carla Young

DEGREE STUDIED
Master of Marketing

UNIVERSITY
University of Western Australia

CURRENT POSITION
Senior Content Marketer

EMPLOYER
Murdoch University

What did you learn from your degree and how has it prepared you for a career in marketing?
The first place I ever heard the term 'content marketing' was in a lecture, and five years later I've made a career out of it. I think that says it all!

Another skill I strengthened during my degree was my ability to work effectively in a group. Every single project you work on as a marketer has different project members/stakeholders/colleagues involved, university is great preparation for that collaboration.

What interested you about studying or working in marketing?
In school, I was a good writer and interested in video production. I was also very strategic and tactical. I enjoyed debating, problem-solving and lateral thinking. These things sparked my interest in marketing.

I decided to study English and Communications in my undergraduate degree, followed by a Master of Marketing. I

The fashion industry is often criticised for reinforcing superficial ideals and for contributing to materialistic lifestyles in developed economies, while exploiting those in developing countries through unethical manufacturing and distribution strategies. For many profit-driven companies in the fashion industry, balancing the needs of shareholders and the wider community is not always easy. For example, many firms in the clothing industry compete on offering great value for the latest fashions by maintaining low prices. Low prices, of course, mean that cost savings must be made along the supply chain, often affecting the manufacturing process. In our globalised world, most fashion labels outsource their manufacturing function to countries with significantly lower labour costs. This, in turn, leads to a competitive manufacturing landscape, where contractors in developing countries compete to offer the lowest cost of production. As a result, working conditions in many contracted factories in developing countries are poor.

Media coverage has questioned the sustainability of the fashion industry and how brands will continue to minimise their impact given Western consumer culture's obsession with low prices and its insatiable appetite for the latest fashion trends. Globally, 80 billion new pieces of clothing are consumed every year and, by 2030, the industry will have manufactured 92 million tonnes of clothes and shoes in

Chapter opening vignette

These short cases focus on well-known companies to draw you into thoughtful discussion about some of the challenges you may face as a marketer.

h anniversary selling vehicles in
s, sedans, station wagons, people
anages to connect with different
(see Exhibit 6.1). Mazda has been
ehicle manufacturers it has been
arketplace.
taining its position in the number
yota in number one and Hyundai
in sales than either.¹ So, what are
ance? To better understand and
e marketing to ensure Australian
sition.
ompany's website (www.mazda.com.au)



Exhibit 6.1 Targeting the mid-range car buyer.
© Tony Vingerhoets/Alamy Stock Photo/DAL

Exhibits

Every chapter contains a variety of advertisements and images that reflect the chapter theme.

CHECK YOURSELF

1. What is the definition of marketing?
2. Marketing is about satisfying _____ and _____.
3. What are the four components of the marketing mix?
4. Who can perform marketing?
5. What are the various eras of marketing?

Check yourself

These quick questions, which are included after key points, allow you to check your understanding and apply what you have learned.

Case study 5.1: Tourism Australia uses ingenious Hollywood magnet to pull in American visitors



By Victoria Jennifer Harrison, Deakin University

Overview

Australia's tourism market share in the United States had stagnated over time, even though outbound tourism was flourishing. To get things moving, Tourism Australia creatively used the 2018 NFL Super Bowl to launch a strong lead-generation campaign disguised as the 'big Hollywood blockbuster reboot' (see Exhibit 5.14).

Strategy

The resurrection of *Crocodile Dundee*, a three-decades-old iconic Australian film, was Tourism Australia's innovative solution to breaking through the reluctance of North Americans to travel Down Under. The challenge was finding a way to motivate people to travel to Australia, which, though among

Continued

Case studies

Two new short case studies appear in each chapter to bring the theory to life, with real examples of businesses and events that illustrate the concepts discussed.



Adding value 3.1

Etiko: wear no evil, do no harm

As consumers are increasingly placing value on ethical and environmentally conscious products and services, questions of malpractice and exploitation have demanded a more transparent supply chain. An ethical supply chain considers employment practices, working conditions and workers' pay. The Rana Plaza factory collapse in 2013 in Bangladesh highlighted both human rights and environmental

Adding value

These boxed features illustrate how companies add value, not only in providing products and services, but also in making contributions to society.

Ethical and societal dilemma

These short features emphasise the role of marketing in society.

Social media and mobile marketing

These boxed features discuss how social media are used in marketing real products.

Superior service

These features highlight the emerging role of the service industry.

Ethical and societal dilemma 1.2



Free fruit for children: what could go wrong?

Childhood obesity is a serious, global problem. For parents, shopping with hungry kids who demand sugary snacks may sometimes seem like an equally vexing challenge. In an effort to help resolve both concerns, several supermarket chains are offering a new kind of appealing giveaway: specifically, these grocers have set up stands that display a range of fruit, with signs offering the produce for free to children under a certain age. The idea is that a banana or apple at the start of the shopping trip can keep kids from getting hungry and cranky, thus making the shopping experience more pleasant for their parents. The fruit options are healthier and less troublesome than other options, such as the free biscuits or doughnuts that some in-store bakeries provide for young shoppers. Because the fruit is free, it also offers notable benefits over packaged chocolate bars, fruit snacks or muesli bars that parents might open in the aisles before they check out. The fruit giveaway experiments have expanded globally, with chains in the United States, United Kingdom and Australia all taking part. Although many responses have been positive, including



Social media and mobile marketing 3.1

Believe me ... I'm a celebrity

Social media influences our lives across a broad spectrum of activities, which includes accessing and sharing information, socialising and making everyday decisions concerning issues such as our health, wellbeing, happiness and purchasing behaviour. In 2019, with an estimated 15 million active users of Facebook in Australia, and with Instagram coming in at nine million monthly active Australian users,⁷² the risk of misinformation and what and who to trust has become a minefield. This is especially the case when celebrities use their status via social media for promotion, to create lifestyle sites and give advice on topics in which they lack expertise. And yet, they often hope to make an impact as socially and ethically responsible brands with credentials. Should social media provide the building blocks for those perceived as celebrities to engage and build intimate relationships through highly curated social media



Exhibit 3.12 Celebrities often use various social media platforms to share their lives.
© guukaa/Shutterstock/DAL



Superior service 7.2

When the sky is the delivery: drones in action

Feel like a hot coffee? Have three minutes to spare? Registered in the Early Flyer program? Then it can be yours.

In a service economy where the customer expects everything to be delivered and done quicker and more efficiently than by competitors, drones are an emerging and evolving technology that is carving a path to meet this goal. Defined as an unmanned aircraft that can be remotely controlled or fly autonomously through software-controlled flight plans, drones have been associated with the military, construction, aerial photography and film companies, and with public safety surveillance organisations to name a few.⁵⁶



Exhibit 7.16 Drones have already launched in our skies.
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END-OF-CHAPTER FEATURES

Summing up

The main points are summarised at the end of each chapter, organised by learning objective to assist your learning.

Key terms

A list of page-referenced key terms for the chapter appears after the summary.

SUMMING UP

LO 1.1 Define the role of marketing in organisations.

Marketing is the activity, set of institutions and processes for creating, capturing, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large. Marketing strives to create value in many ways. Marketers are to succeed, their customers must believe that the firm's goods and services are valuable; that is, they are worth more to the customers than they cost. Another important and closely related marketing role is to capture value of a product based on potential buyers' beliefs about its value. Marketers also enhance the value of goods and services through various forms of communication, such as advertising and personal selling. Through communications, marketers educate and inform customers about the benefits of their goods and services and thereby increase their perceived value. Marketers facilitate delivery of value by making sure the right goods and services are available when, where and in the quantities their customers want. Better marketers are not concerned about just one transaction with their customers. They recognise the value of customers and strive to develop long-term relationships with them.

KEY TERMS

- B2B (business-to-business) 11
- B2C (business-to-consumer) 11
- C2C (consumer-to-consumer) 11
- customer relationship management (CRM) 17
- entrepreneurs 21
- exchange 6
- goods 8
- ideas 9
- marketing 5
- marketing channel 20
- marketing mix (four Ps) 7
- marketing plan 5
- relational orientation 17
- services 8
- supply chain 20
- value 14
- value co-creation 14

MARKETING APPLICATIONS

1. Evaluate CBA's social media strategy using the 4E framework.
2. Using the components of the 4E framework, outline how an entrepreneur marketing T-shirts can augment or enhance their marketing mix efforts.
3. Suppose a herbal tea company introduced a new product called 'mint-enhanced tea'—mint and lemon herbal tea. How should it go about creating excitement using various social and mobile media tools?
4. If you were marketing a new running shoe, what sort of mobile applications might enhance your marketing efforts?
5. Assume you work for a large consumer packaged-goods firm that has discovered that its latest line of snack foods is moving very slowly off store shelves. Recommend a strategy for listening to what consumers are saying on blogs, review sites and the firm's website. Describe how your strategy might provide insights into consumers' sentiments about the new product line.
6. As a new employee of Subway, you have been asked to develop a social media campaign for a new sub. The objective of the campaign is to increase awareness and trial of the new line of subs. How would you go about putting such a campaign together?
7. Make sure your LinkedIn profile is up to date. Make it reflect the type of career you want. If you want to go further, get on Twitter and follow key people in the field you are interested in; for example, if it is social media marketing, just search for this and it will list key people talking about it.

QUIZ YOURSELF

1. The 'Got milk?' advertising campaign was designed to help market a(n):
 - a. individual
 - b. firm
 - c. industry
 - d. organisation.
2. Henry Ford's statement, 'Customers can have any colour they want so long as it's black', typified the _____ era of marketing.
 - a. production
 - b. sales
 - c. marketing
 - d. value-based

(Answers to these two questions can be found on page 455.)

NET SAVVY

1. Visit www.apple.com/au. What value does Apple provide for customers? What are the advantages to people of using Apple to buy music or to rent/buy videos?
2. Go to www.facebook.com/facebook/info and newsroom.fb.com. What is Facebook's mission? How could a marketer use Facebook? What other social media tools could they use? What are the drawbacks a marketer might face when using Facebook and other social media tools?
3. Go to www.snapchat.com/ and click on the 'Ads' tab. Scroll down until you see the 'Creative Spotlight' examples. Click on the video link for one of the highlighted campaigns. Why do you think the use of Snapchat worked for this company over and above other social media options?

CHAPTER CASE STUDY

Greensteel at the Whyalla Steelworks

By Dr Jacqueline Burgess, University of the Sunshine Coast

There was deep concern in the town of Whyalla, South Australia, when Australian mining company Arrium, collapsed in April 2016 owing \$2.8 billion in unpaid debts. Arrium owned the Whyalla Steelworks, which was the largest single employer in the town of 22 000 people. The purchase in 2017 of the Whyalla Steelworks by the Liberty Group, headed by UK billionaire Sanjeev Gupta, meant thousands of jobs, and by extension the town itself, were saved. Gupta was welcomed to Whyalla by a parade and it was half-jokingly suggested that the town should be renamed Guptaville.

Within months of the acquisition, Gupta announced a \$1 billion upgrade of the steelworks, which would involve doubling its production, modernising equipment and implementing new technology to cut power costs. The focus would be on powering

ENDNOTES

1. Kurt Badenhausen, 'The World's Most Valuable Brands 2019: Apple on Top at \$206 Billion', *Forbes*, 22 May 2019, available at www.forbes.com/sites/kurtbadenhausen/2019/05/22/the-worlds-most-valuable-brands-2019-apple-on-top-at-206-billion/?sh=ae0a37c2 (accessed 2 December 2019).
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10. Wolfgang Ulaga and Werner Reinartz, 'Hybrid Offerings: How Manufacturing Firms Combine Goods and Services Successfully', *Journal of Marketing*, 75 (November 2011), pp. 5–23.
11. Anja Lambrecht and Catherine Tucker, 'Playing with Money or Effort: Pricing When Customers Anticipate Hassle', *Journal of Marketing Research*, 49 (February 2012), pp. 66–82.

Marketing applications

Each chapter concludes with several Marketing applications in which you are asked to consider what you have learned in the chapter and answer essay-style questions.

Quiz yourself

These questions give you a chance to test your knowledge by answering chapter-specific questions and checking your answers against those provided at the back of the textbook.

Net savvy

These activities are provided to encourage you to go online to research and/or write about a particular company or practice.

Chapter case studies

The end-of-chapter case studies illustrate real-world applications of various marketing concepts. They are designed to help you develop your analytical, critical thinking and technology skills.

Endnotes

References and other notes are listed at the end of each chapter.

Case matrix

Chapter	Adding value	Ethical and societal dilemma	Social media and mobile marketing	Superior service	Case study
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PART 1 Assessing the marketplace

Chapter 1 Overview of marketing	1.1 Jeans: from workwear to image-wear	1.1 Making a family business more valuable by addressing gender inequality in the coffee market 1.2 Free fruit for children: what could go wrong?	1.1 Mobile marketing: changing the landscape of advertising	1.1 Skiing industry offers service enhancements	1.1 Amazon. co.au: from A to Z in Australia 1.2 Why Telstra and not Belong? Chapter case study: Getting real with Dove
Chapter 2 Digital marketing	2.1 The Commonwealth Bank invests in its future 2.2 Engagement at Booking.com 2.3 Dropbox educates its customers 2.4 Co-creation with LEGO 2.5 Careers in social media marketing			2.1 Telstra's social customer service 2.2 Moshi Monsters	2.1 BMW: the innovation leader making the technological shift towards digitalisation 2.2 Sukin: the power of digital marketing in building a brand Chapter case study: Coca-Cola: 'Share a Coke'
Chapter 3 Marketing ethics, sustainability and CSR	3.1 Etiko; wear no evil, do no harm 3.2 War on plastic bags: are Australian supermarkets taking action?		3.1 Believe me . . . I'm a celebrity 3.2 Ethics, information and Facebook: how my data becomes your data		3.1 Shopkins: 'Real Little' brands for real little hands 3.2 Barramundi: an Australian icon? Chapter case study: Greenwashing: walking the green talk

Chapter	Adding value	Ethical and societal dilemma	Social media and mobile marketing	Superior service	Case study
Chapter 4 Analysing the marketing environment	4.1 Comparison sites 4.2 When best is good enough: Netflix's stellar predictive analytics	4.1 The next target: infants?	4.1 TransferWise making banking easier	4.1 Chemist Warehouse for Chinese consumers 4.2 Grocery retailers help time-poor consumers	4.1 When video games and politics collide 4.2 The sustainability of luxury fashion Chapter case study: Greensteel at the Whyalla Steelworks

PART 2 Understanding and targeting the marketplace

Chapter 5 Consumer behaviour	5.1 Engaging with brands: the Instagram effect 5.2 Judging a product by its cover	5.1 The obesity epidemic and fast foods 5.2 Fit to wear the healthy/natural/organic label	5.1 Shopping online with friends		5.1 Tourism Australia uses ingenious Hollywood magnet to pull in American visitors 5.2 'Paytm karo': situation changes everything Chapter case study: Influence of advertising on consumer behaviour
Chapter 6 Segmentation, targeting and positioning	6.1 Samsung's many markets 6.2 Zara's changing logo and positioning		6.1 Google's your match 6.2 Australian open rebranding 6.3 Spotify's segments for everyone	6.1 Customers flock to The ICONIC	6.1 The Coke story heard around the world 6.2 Starbucks in Australia: a failure to understand Chapter case study: One company, multiple brands

Continued

Chapter	Adding value	Ethical and societal dilemma	Social media and mobile marketing	Superior service	Case study
Chapter 7 Marketing research	7.1 Ipsos Australia	7.1 Who is watching whom? 7.2 How digital characters work		7.1 Data capture and banking incentives 7.2 When the sky is the delivery: drones in action	7.1 Many facets of the Ruby 7.2 Digitally ethical connections Chapter case study: Yarra Valley Water and 'Make every drop count—Target 155': the value of market research

PART 3 Value creation

Chapter 8 Product and branding decisions		8.1 Burger wars in India: fast-food chains are finding creative ways to enter a no-beef market 8.2 Pure water? Or pure spin?	8.1 Lynx effect: Lynx Anarchy fragrance		8.1 Zara: never out of fashion 8.2 Modibodi product innovation in personal hygiene Chapter case study: Coca-Cola promotes no-sugar consumption
Chapter 9 Developing new products	9.1 The demand for reusable bags 9.2 LifeStraw: innovation designed for the other 90 per cent 9.3 New options to better serve customers	9.1 Innovation at all costs? Privacy concerns at the forefront 9.2 Drones	9.1 From luxury and expensive to fast and casual	9.1 Coca-Cola Freestyle	9.1 Low-fat chocolate: love it, like it, hate it? 9.2 Vinyl is making a comeback Chapter case study: Do co-working spaces really work?

Chapter	Adding value	Ethical and societal dilemma	Social media and mobile marketing	Superior service	Case study
Chapter 10 Services: the intangible product	10.1 SugarSync cloud backup 10.2 Wolgan Valley Service quality	10.1 Fake reviews	10.1 Growth of digital marketing in Australia 10.2 Spotify cares	10.1 Amazon: prime service	10.1 Making history matter 10.2 Visiting Uluru—a new set of expectations Chapter case study: Happy airways—how to keep the passengers happy!

PART 4 Value capture, delivery and communication

Chapter 11 Pricing concepts for establishing value	11.1 Price in-store, online and in new markets	11.1 The verdict: Apple conspired to raise prices on e-books	11.1 Pricing on eBay	11.1 Great service lowers price elasticity 11.2 Leasing for cashflow	11.1 Your next cup of coffee 11.2 Operating a tall ship in a price-sensitive marketplace Chapter case study: The role of pricing in Australia's streaming media: a case of Netflix versus Disney+
Chapter 12 Supply chain, channel management and retail	12.1 How will 3D printing alter the supply chain?	12.1 Do customers care more about the newest iPhone or about working conditions in China?	12.1 Virtual store fronts? What would this mean for the supply chain?	12.1 Terry White Chemists and online doctor consultation via Skype 12.2 The globalisation of online retail	12.1 Retail theft: the dark side of retailing 12.2 The road ahead for Village Cinemas Chapter case study: Hypercompetition in the Australian retail sector

Continued

Chapter	Adding value	Ethical and societal dilemma	Social media and mobile marketing	Superior service	Case study
Chapter 13 Integrated marketing communications	13.1 Arts Centre Melbourne 'Fuelling imaginations'. Agency: Ogilvy Melbourne	13.1 Volkswagen tries to put emissions woes behind it as it vows to 'Think New'	13.1 Tasty: a revolution in marketing or just the latest example of IMC?		13.1 Consumers shopping big for 'Little Shop'
	13.2 Puma's use of Google Analytics	13.2 When make-up companies really do make up models' faces			13.2 <i>Star Wars</i> : an integrated marketing force Chapter case study: An 'All Mitey' battle

Overview of marketing

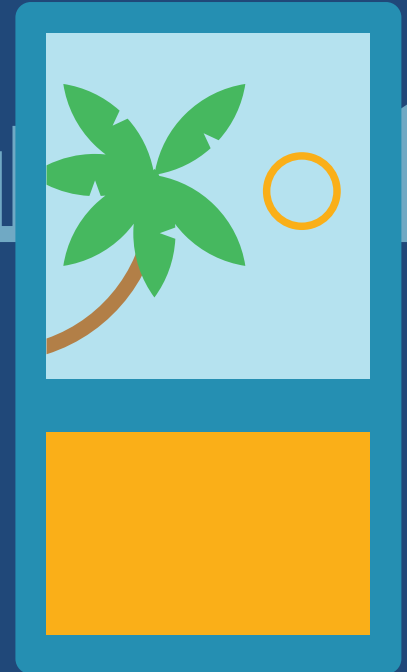
At the beginning of each chapter, a visual and stimulating summary concept map that links the key theoretical points of each topic is included. It starts with the concept map below, which examines the key theories and direct and indirect relationships that will be examined in our study of marketing. Marketing is an important business function that achieves value creation by connecting marketplaces and businesses for the purpose of solving problems. The more clearly that solutions resolve customer problems, the greater the value that is created.

The marketing function achieves value creation by using a unique toolkit that unlocks complex marketplace understandings that can be used to develop new products or brands, or to improve existing ones, and to make them available at the right places and at the right prices, to cater to changing societal needs and wants. Marketing is a dynamic discipline that evolves continually as it leverages direct and indirect relationships with multiple stakeholders in the process of value creation, value delivery and value capture.



PART 1

Assessing the marketplace



CHAPTER 1

Overview of marketing

CHAPTER 2

Digital marketing

CHAPTER 3

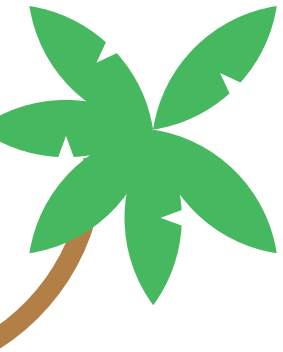
Marketing ethics, sustainability and CSR

CHAPTER 4

Analysing the marketing environment

Part 1, Assessing the marketplace, contains four chapters. An introduction to marketing is presented in Chapter 1. A central theme of that chapter is how firms can effectively create, capture, deliver and communicate value to their customers. Chapter 2 is devoted to understanding how one can develop digital marketing strategies. Chapter 3 focuses on marketing ethics where an ethical decision framework is developed and presented. Finally, Chapter 4 focuses on how marketers can make sense of the marketing environment to systematically uncover and evaluate opportunities.

CHAPTER 1



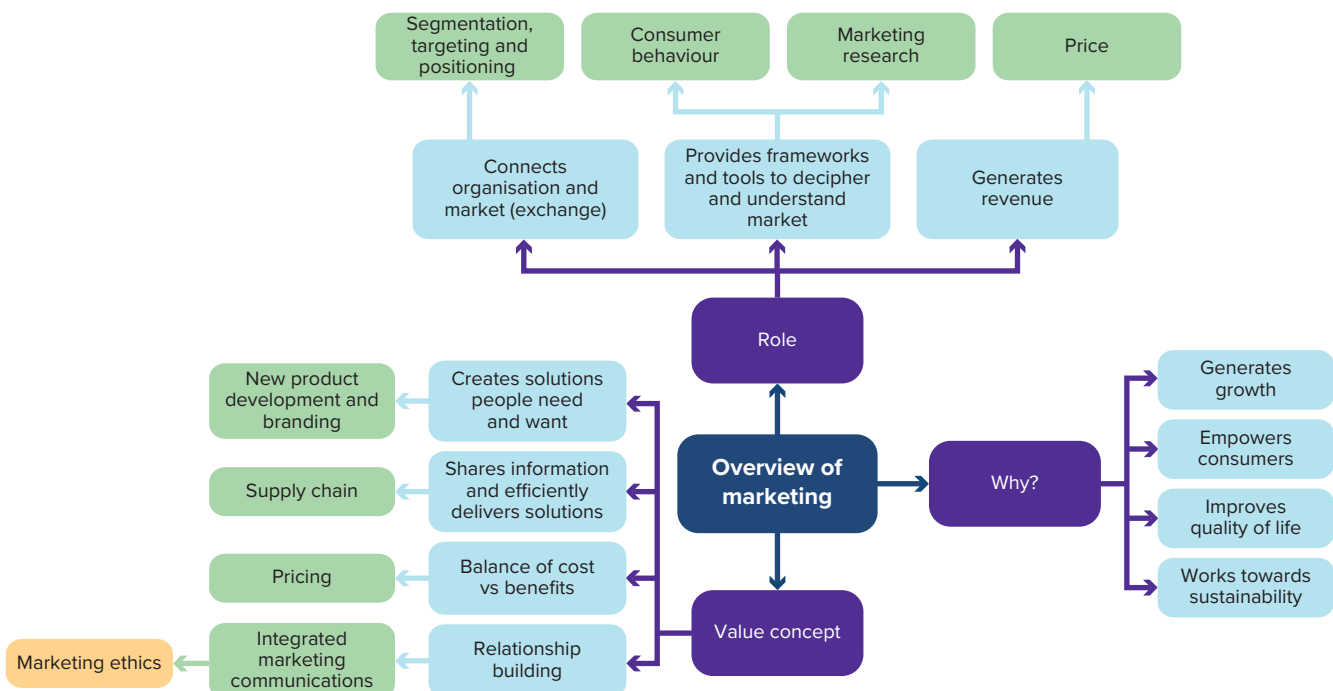
Overview of marketing

LEARNING OBJECTIVES

- LO 1.1** Define the role of marketing in organisations.
- LO 1.2** Explain the concept of value in marketing.
- LO 1.3** Understand why marketing is important, both within and outside the firm.



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Graduate spotlight

NAME

Carla Young

DEGREE STUDIED

Master of Marketing

UNIVERSITY

University of Western Australia

CURRENT POSITION

Senior Content Marketer

EMPLOYER

Murdoch University

**What did you learn from your degree and how has it prepared you for a career in marketing?**

The first place I ever heard the term 'content marketing' was in a lecture, and five years later I've made a career out of it. I think that says it all!

Another skill I strengthened during my degree was my ability to work effectively in a group. Every single project you work on as a marketer has different project members/stakeholders/colleagues involved; university is great preparation for that collaboration.

What interested you about studying or working in marketing?

In school, I was a good writer and interested in video production. I was also very strategic and tactical; I enjoyed debating, problem-solving and lateral thinking. These things sparked my interest in marketing.

I decided to study English and Communications in my undergraduate degree, followed by a Master of Marketing. I intentionally avoided taking Marketing in my undergraduate course as I wasn't interested in taking other units within Commerce.

What have you been up to since graduation?

While studying the Master of Marketing, I started working for a content marketing agency where I spent three and a half years writing content marketing strategies for clients of all sizes and industries.

Just over a year ago I made the move to Murdoch University, where I now work as the Senior Content Marketer in their marketing team.

What does your current job involve?

When I started my current job, my first task was to write a content marketing strategy for the university. Once it was approved, I moved into project managing its implementation.

This includes overseeing all content production and ensuring it aligns with our defined strategy. It also involves working in integrated marketing project teams, where I bring a content marketing perspective to our bigger marketing projects.

What do you enjoy most about your job?

Moving out of an agency environment, I thought I might miss the varied, project-style work. What I love about my current job is the fact that I still have these project-style opportunities, yet I also have the consistency of focus and authority to oversee more long-term goals.

The crux of my interest in content marketing is that I love effective storytelling. At a university, there are so many stories to tell.

What are your thoughts on the future of the marketing and communication industry? What advice would you give to students wanting to work in marketing?

I'm excited for the future of the marketing industry. One of the things I love about it is its rapidly changing and evolving landscape.

My advice to current students would be to keep an open mind, and to take every opportunity to get involved. If you keep your finger on the pulse, you'll be able to ride the waves of change, rather than getting left behind!

In many ways, marketing is already familiar to you. Every time you make a purchase, swap an idea, have something done for you or do something for someone else, you are engaging in an exchange. If you paid money to buy a travel pass, then tapped your pass to deduct the correct fare for your travel, and were transported to your desired location, then you engaged in a system of interconnected marketing activities—you made choices about how much you would spend on your travel, how much time you could spare for the journey, which route you would take and which transport options you would use. Alternatively, if you refuelled your car so that you could drive it, you made decisions about which service station you would use, which roads you would drive on—free roads or toll roads—and which suburbs you would drive through. You also made decisions about where to park your car—on the street for free or closer to the venue with metered parking, in a public or paid car park, or in the private garage of a friend or one that you rented. Before taking any of those actions, you also decided which brand and type of car you would buy, and in which colour, as well as which insurance company you would take a policy with. All of your decisions are connected to the concepts of exchange and value—the foundations of the marketing function.

It seems logical then, that the task of marketers is to create value for people. This has always been true, but it is much more challenging in modern markets, where consumers have access to a vast array of options in saturated environments and can easily compare offerings through the ready availability of product information; they also have the ability to connect with others in online forums to share their experiences or obtain advice. Marketers are guided by the mantra '*people don't buy products, they buy solutions to problems*', meaning that you don't buy a travel pass (you buy the ability to use transport that will move you between locations); you don't buy a car (you buy personal flexible transport); you don't buy car insurance (you buy security and peace of mind).

To better understand how marketers can create value to support exchange, we need to understand how marketing works. If we take a scholarly perspective, we delve into the theories, frameworks and key concepts that comprise the discipline of marketing. In this book, we showcase the key concepts that will become your tools as a marketer, helping you to break through the clutter to reach your market with clearly crafted value that will resonate with their unique needs. In short, marketing allows businesses to tell their story to people who are interested. Welcome to *Marketing 3e*—we look forward to sharing the marketing discipline with you.



Exhibit 1.1 Marketing allows businesses to tell their story to people who are interested.

© Nora Carol Photography/Getty Images

LO 1.1

WHAT IS MARKETING?

When people think of marketing, they often think of selling. While selling is certainly one part of the picture, marketing involves a great deal more. For example, before anyone can even think of selling, marketers work to understand what is happening in the world around them. They take note of macro market influences, such as the state of the economy, the political and legal situation, and other factors that impact society at large and which cannot be controlled by the marketer. They also work to recognise the immediate environment that encompasses their customers, competitors and the company. Marketers use this initial analysis as the starting point to understand where their business is located in the market and what the threats and opportunities might be. They can also identify potential ways to either extend their leading position or inspire them to create and deliver better value that will then help them to become more competitive in the marketplace.

By applying marketing research approaches that help them delve into the reasons why people behave as they do, marketers gain an insight into what people really need and want. They use diverse methods to analyse this consumer information and identify the population of interest for specific purposes. They narrow the population down to segments of potential consumers and, finally, to the target markets that they will invest in because they believe that this group of potential consumers will benefit most from their offerings. From here, marketers are involved in new product development and innovation, and in positioning the new and improved solution in ways that will resonate with the target market. Here, value propositions come to life. Once the product is in the market, it becomes part of the product portfolio for which a marketing manager is responsible.

Marketing is an exciting and very dynamic discipline that advances with the evolution of society. It is the only function in business that connects the market and the firm. Marketing is consumer-centric, meaning that it is always focused on the market—including the customer, the company and its

employees, as well as society at large. Marketing considers the strength of relationships with these stakeholders to be important company assets.

Consider some of the most successful brands in the world. While we don't know what is in their secret recipe for success, we do know that marketing has played a key role! Look at Apple, for instance. Most people own or have used at least one Apple hardware product. If you ask them why, they will probably cite functionality and value. But the other brands offer almost the same technology and often at lower prices. The fact is that there are many smartphones, tablets and music players on the market and Apple does not hold the market leadership position for volume of sales, but loyal users have spent their dollars buying Apple iOS products—iPod, iPhone, iPad—and further dollars on software and subscriptions at the App Store. Apple has successfully leveraged its brand strength in hardware to create new businesses and sources of revenue in services that keep it positioned as a leading global brand worth over US\$200 billion¹ and a company that is worth about US\$1 trillion.

Marketing can be defined as 'the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large'.² Marketing is closely connected to other organisational functions, such as accounting and finance. Its role of creating market-based assets, including customer and supplier relationships, enables the creation and leveraging of marketing assets such as brands which are represented on company balance sheets.³ Brands also have a multifaceted impact on broader business, including consumer sentiment, shareholder activity, customer loyalty and determination of organisational value.

Effective marketing is not a random activity; it requires thoughtful planning with an emphasis on the ethical implications of those decisions on society in general. Firms assess their market position and decide on their marketing strategy. They then develop a **marketing plan** (refer to online Appendix) that specifies the marketing activities for a specific period of time. The marketing plan is also broken down into various components—how the product will be conceived or designed, how much it should cost, where and how it will be promoted and how it will get to the consumer. In any exchange, all parties in the transaction should be satisfied. For example, you should be satisfied or even delighted with your iTunes downloads and Apple should be satisfied with the amount of money it received from you.

The core aspects of marketing are summarised in Figure 1.1.



Figure 1.1 Core aspects of marketing

marketing

An organisational function and a set of processes for creating, capturing, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders.

marketing plan

A written document composed of an analysis of the current marketing situation, opportunities and threats for the firm, marketing objectives and strategy specified in terms of the four Ps, action programs, and projected or pro forma income (and other financial) statements.

Marketing is about satisfying customer needs and wants

Understanding the marketplace, and especially consumer needs and wants, is fundamental to marketing success. In the broadest terms, the marketplace refers to the world of trade. More narrowly, however, the marketplace can be segmented or divided into groups of people who are pertinent to an organisation for particular reasons. Marketers engage in segmentation and targeting to shift the attention away from commodities to distinguishable products that can deliver clearer benefits to consumers. For example, if there are two jars of honey and one jar does not have a label, people might not understand or trust what is inside the unlabelled jar, or even where the product is from and who has manufactured it. In contrast, if a label is present on the same jar, then it will be used by marketers to convey all of the relevant information, including product details such as nutritional information, source and manufacturer details and perhaps even price. Demystifying the offering enables consumers to understand its value.



Exhibit 1.2 A label on a jar can make all the difference to marketers and consumers.
© Grigor Unkovski/Shutterstock/DAL

Another example is the marketplace for soft drinks, which includes vast numbers of people across the globe. As Pepsi and Coke battle each other for domination, they divide the global population into a host of categories: men versus women, calorie-conscious or not, people who prefer carbonated versus non-carbonated drinks and multiple categories of flavour preferences, among others.⁴ If you manufacture a beverage with zero calories, you will want to know the marketplace segments for which your product is most relevant, then make sure you build a marketing strategy that targets those groups. Certain diet- and health-conscious customers may prefer Diet Coke® or Diet Pepsi®; others may opt for bottled water products such as Fiji Water®, Mount Franklin® or even niche brands that support charitable works, humanitarian projects or which simply represent small businesses. Others still might prefer to buy their own drink bottles and refill them at water fountains. Consumers are diverse and marketers are tasked with identifying which consumers are alike enough to desire the same solution and who can therefore be grouped into target markets.

From a marketing perspective, it is neither practical nor realistic to target everybody. Effective marketing activities take time, money and resources, and good marketers therefore carefully seek out potential customers who have both an interest in the product and an ability to buy it. For example, most people need some form of transportation and many people probably would like to own a prestige vehicle, but not everyone can afford to pay what such a vehicle costs. Car companies instead manufacture vehicles that emphasise different types of value, at varying price points that are reasonable for viable target markets—or for those consumers who want *and* can afford such a product.⁵ This approach is consistent across all industries.

Marketing entails an exchange

Marketing is about an **exchange**—the trade of things of value between the buyer and the seller so that each is better off as a result. As depicted in Figure 1.2, sellers provide goods or services, then communicate and facilitate the delivery of their offering to consumers. Buyers complete the exchange by giving money and information to the seller. Suppose you learn about a new Taylor Swift album by hearing one of her songs on the radio. The same day, a friend tweets on her Twitter

exchange

The trade of things of value between the buyer and the seller so that each is better off as a result.

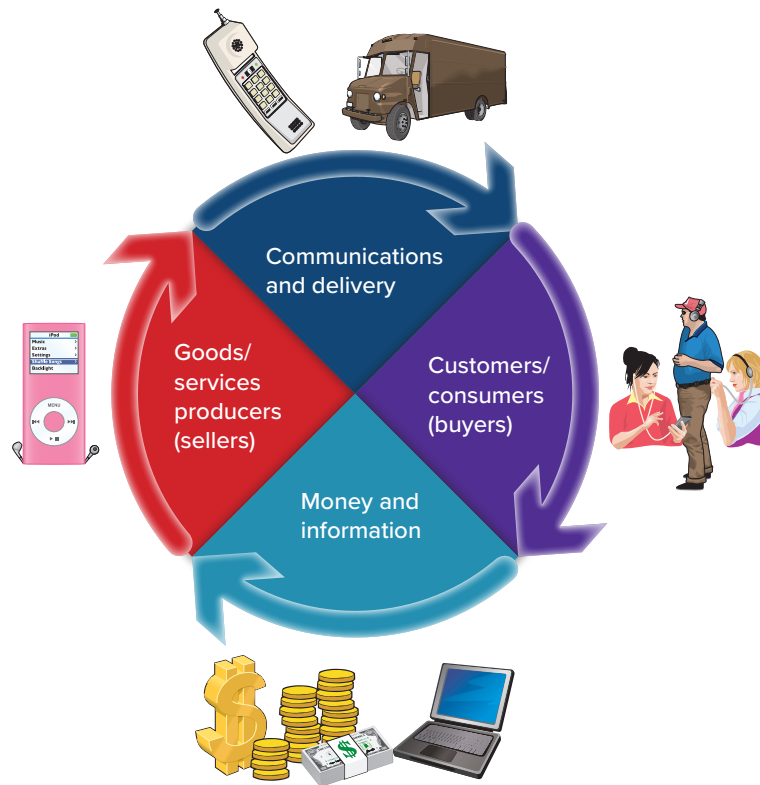


Figure 1.2 Exchange: the underpinning of seller–buyer relationships

account that she loves the new album and you visit the Taylor Swift Facebook fan page, which is full of recommendations. From there, you click into the iTunes store, where you can purchase the song you heard, multiple songs or the entire new album. You begin with the song you heard, which you continue to love after hearing it several times. Therefore, you go back to iTunes and take advantage of its offer to complete the album by downloading the rest of the songs to your iTunes library. Your billing information is already in the company's system, so you do not have to enter your credit card number or other information. Furthermore, iTunes creates a record of your purchase, which it uses, together with your other purchase trends, to create personalised recommendations of other albums or songs that you might like. Thus, Apple uses the valuable information you provide to facilitate future exchanges and solidify its relationship with you.



Exhibit 1.3 Purchasing a Taylor Swift song from the iTunes store entails an exchange. The customer gets the song and Apple gets money and information.

© Dimitrios Kambouris/Getty Images

Marketing requires product, price, place and promotion decisions

Marketing traditionally has been divided into a set of four interrelated decisions and consequent actions known as the **marketing mix**, or **four Ps**: product, price, place and promotion (as defined in Figure 1.3).⁶ The four Ps are the controllable set of decisions/activities that the firm uses to respond to the wants of its target markets. But what does each of these activities in the marketing mix entail?

marketing mix (four Ps)
Product, price, place and promotion—the controllable set of activities that a firm uses to respond to the wants of its target markets.

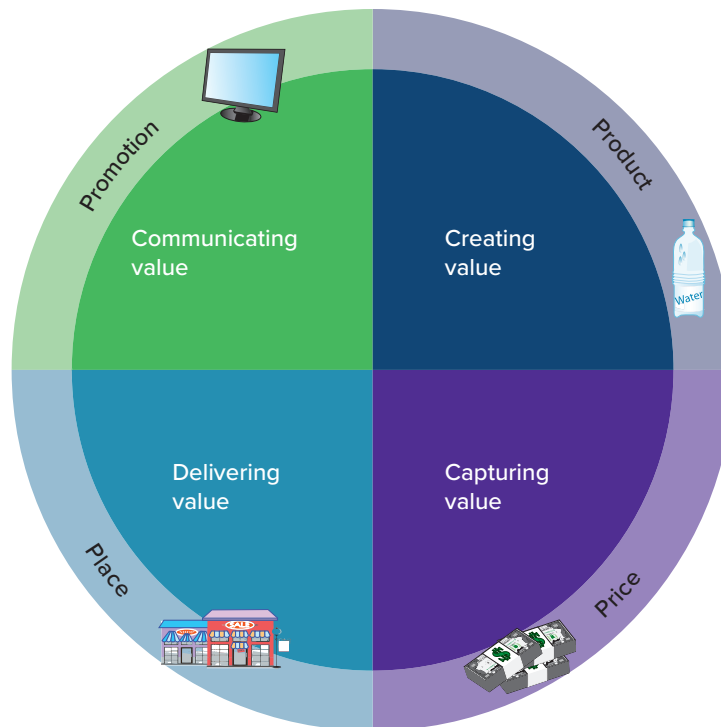


Figure 1.3 The marketing mix

Product: creating value

Although marketing is a multifaceted function that is pervasive throughout the organisation, its fundamental purpose is to create value to elicit exchange between two or more parties. Marketers achieve this by developing a variety of offerings, including goods, services and ideas, to satisfy customer needs.⁷ Take, for example, a frozen dessert. Not too long ago, consumers perceived milk-based ice-cream as their primary option. But as the market evolves, numerous other options are available, such as frozen yoghurt, sorbets and even liquid-nitrogen frozen concoctions.⁸ It seems that with the range of desserts available, there is something for everyone. In terms of a product, from a marketing perspective, the dessert is a good, the service involves how it is served to you or your experience within the store, and there might even be an idea driving your experience—for example, that frozen yoghurt desserts can also be healthy for you.

A consumer's judgement of value is influenced by many factors. At the minimum, we know that value can be conveyed through four types of benefits: functional, hedonic, social and cognitive.⁹ Consumers consider the value of these benefits in different ways, depending on the type of exchange and other situational factors.

Goods are items that you can physically touch. Nike shoes, Pepsi-Cola®, Tooheys, Bega cheese, Cold Power®, iPads® and countless other products are examples of goods. The producers of these items tend to add extra value to their goods to increase their presence in the market. For instance, Nike primarily makes shoes but also adds value to its products by offering custom designs under its Nike ID brand, which increase their fashionable appeal, and by enlisting popular celebrities such as Sam Kerr, Australian soccer player and Matildas captain, to add their names to the designs and add performance credibility.

Unlike goods, **services** are intangible customer benefits that are produced by people or machines and cannot be separated from the producer. When people buy tickets—whether for airline travel, a sporting event or the theatre—they are paying not for the physical ticket stub but for the experience they gain. Hotels, insurance agencies and spas similarly provide services. Withdrawing money from your bank, whether through an ATM or from a teller, is another example of using a service. In this case, cash machines usually add value to the banking experience because they are conveniently located, fast and easy to use. Many offerings in the market combine goods and services.¹⁰ When you go to an optometrist, you get your eyes examined (a service) and purchase new contact lenses (a good). If you

goods

Items that can be physically touched, as opposed to services.

services

Any intangible offering that involves a deed, performance or effort that cannot be physically possessed; intangible customer benefits that are produced by people or machines and cannot be separated from the producer.

enjoy visiting the Sydney Opera House, you can attend a concert that can be provided only at that particular time and place (a service) and which gives you the chance to purchase concert memorabilia such as a program and, often, related books, T-shirts or CDs (tangible goods) that are often signed by the performing artists—a small detail that puts the finishing touch on and even extends a satisfying service experience.

Although much of their appeal relies on another P—that of *place*—ski slopes worldwide have also been striving to provide their customers with a better product, which in this case means more amenities and great customer service, as Superior service 1.1 relates.

Ideas include concepts, opinions and philosophies, and intellectual concepts such as these also can be marketed. Groups promoting bicycle safety go to schools, give talks and sponsor bike helmet poster contests for the members of their primary market: children. Then their secondary target market—parents and siblings—gets involved through their interactions with the young contest participants. The exchange of value occurs when the children listen to the sponsors' presentation and wear their helmets while bicycling. This means that the children have adopted and become 'users' of the safety idea that the



Exhibit 1.4 Sam Kerr adds value to the Nike brand.

© Matt King/Getty Images

Superior service 1.1

Skiing industry offers service enhancements

Black-diamond ski runs are not for everyone. Actually, skiing is not for everyone, but the friendly folk at Australian ski resorts would like to make it accessible to as many people as possible. That means that whatever your skiing ability level, you can rest assured that at places such as Thredbo Alpine Village there will be something for you. From serious runs to racing and special events or private lessons, they have you covered. They will even accommodate individuals or groups. The flexibility of such operators allows them to tap into markets that have traditionally avoided ski fields.

For example, for families with young children, skiing was not previously an attractive family holiday option because of the challenges of accommodating young children. Young children often do not possess skiing proficiency equal to their parents and also need 24-hour care—meaning that adults are unable to indulge in skiing on the tougher slopes. At Thredbo, though, specialised programs are offered, through 'Thredboland', for children aged three to six years—programs that are specially designed to stimulate children's imagination and curiosity. Emphasising safety and putting parents' minds at ease, there is a 'kids only' area as well as special activities and events during the day. This means that parents can enjoy the slopes and the resort, knowing that their children are being well looked after.

The targeting of multiple markets and a commitment to meeting the needs of each market enables ski resort operators to appeal to a wider audience and gain a competitive edge. That is, by being flexible operators, they are able to create offerings that appeal to skiers, non-skiers, occasional skiers and new skiers, such as children. These offerings are spreading across the ski industry as operators learn that reducing wait times and adding more challenging slopes are not the only ways to create appeal to varied audiences. Instead, they are focusing on newer and more exciting rounds of value-added service enhancements. This trend is focused on life off the slopes, with the emphasis on downtime. By extending a resort's appeal to new segments of the market, these new services ensure that everyone in the family can find something they want to do—even those who tire after just one or two runs down the bunny slopes.



Exhibit 1.5 Ski resorts are constantly increasing the amenities offered to their patrons.

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ideas

Intellectual concepts—thoughts, opinions and philosophies.