

16th Edition

MARKETING

AN INTRODUCTION



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Marketing

An Introduction

SIXTEENTH EDITION

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Dedication

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

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Preface

New to This Edition

Please note that all eText assessments, videos, and other interactive media items are only available in the Pearson+ eText, which is available both for standalone purchase as well as part of a MyLab subscription.

All That's New: Creating Customer Value and Engagement in the Marketing Technology–Driven Digital Age

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

- **Customer engagement framework.** This sixteenth edition continues to build on its *customer engagement* framework—creating direct and continuous customer involvement in shaping brands, brand conversations, brand experiences, brand advocacy, and brand community. New coverage and fresh examples throughout the text address the latest customer engagement tools, practices, and developments.
- **Digital marketing.** Digital marketing now plays a major role in almost every aspect of marketing strategy and practice. As such, the sixteenth edition covers digital developments and practices in every chapter, along with running examples and highlight features that bring these developments to life. Then the recently restructured *Digital Marketing* chapter (Chapter 14) focuses on special considerations in preparing digital marketing campaigns. The chapter is organized around a four-step digital marketing process that involves understanding digital marketing, preparing for a digital marketing campaign, employing digital channels (online, social media, and mobile marketing) in an omnichannel strategy, and addressing public policy issues in digital marketing.
- **Marketing technology.** Keeping up with digital concepts, technologies, and practices is a top priority and major challenge for today's marketers. The sixteenth edition of *Marketing: An Introduction* provides thoroughly refreshed, up-to-date coverage of these explosive developments in every chapter—from online, mobile, and social media engagement technologies in Chapters 1, 4, 12, and 14; to “big data,” new marketing analytics, and artificial intelligence (AI) in Chapters 1, 3, 4, 12, and 14; to the massive shift to omnichannel, digital, and mix-reality marketing in Chapters 11 and 14; to marketing in the metaverse (Chapters 6 and 14); to the exploding use of AI across a broad range of marketing areas throughout the entire text. A Chapter 1 section on *Marketing in the Digital Age* introduces the exciting developments in digital and social media marketing. Then a revised Chapter 14 on *Digital Marketing* digs more deeply into digital marketing strategy and the digital tools by which marketers engage consumers anywhere, anytime via their digital devices.
- **Artificial intelligence (AI) in marketing.** As it has in other human and business endeavors, AI has burst into almost every area of marketing. It is helping automate many analytical and creative tasks that

are typically done by humans but doing them faster, often better, and at lower costs. *Marketing: An Introduction* integrates important AI discussions and examples into every chapter, along with special new sections and highlight features relating to topics such as AI-powered data analytics and “speed to insight” (Chapter 4); AI and marketing analytics in B-to-B marketing (Chapter 5); AI and new product development (Chapter 8); using AI in marketing content creation (Chapters 12 and 14); and others. And a new Digital Marketing and AI feature at the end of each chapter presents a digital marketing case in which students apply AI hands-on to evaluate a digital marketing situation and recommend solutions.

- **Marketing information and customer insights management.** In the sixteenth edition, the *Managing Marketing Information to Gain Customer Insights* chapter (Chapter 4) has been heavily restructured and revised to reflect the extensive transformation of marketing research and information insights management in the digital age—from data sources and digital insights gathering to big data and marketing analytics. The massive digital shift in managing marketing information is now fully integrated into the chapter.
- **Marketing in the age of disruption.** Throughout the sixteenth edition, you’ll find new coverage of how companies are dealing with recent major disruptions in the marketing environment. The recent past has been marked by everything from the rapid rise of digital technologies and large economic swings to extreme environmental patterns, social and political turmoil, and global health crises. For example, the digital age has caused an enormous shift in what, how, and where consumers buy. And wide-ranging social, environmental, and political developments require a new approach to social responsibility, sustainability, diversity, and brand activism. Such disruptions create both threats and opportunities for marketers, who must adapt quickly and create flexible strategies that can deal with uncertain times and futures.
- **Inclusiveness and diversity.** With guidance from experts, every effort has been made to ensure that the sixteenth edition of *Marketing: An Introduction* fully and responsibly represents the interests of inclusiveness and diversity in its treatment of marketing topics, examples, and illustrations. We also take care throughout this edition to note how marketers are applying inclusiveness values in their strategies and actions. As just a few examples, see the new Chapter 12 section on *Inclusiveness in Advertising* and Marketing at Work 12.2: *Inclusiveness in Advertising: More Than a Catchphrase*. Also see the revised and updated Chapter 5 *Subculture* sections, Chapter 3 *Diversity* section, and Chapter 7 discussion of gender segmentation and gender-neutral marketing.
- **Content marketing and marketing communications.** The sixteenth edition continues to track fast-changing developments in marketing communications and the creation of brand content. Marketers no longer simply create advertising and integrated marketing communications programs; they join with customers and media to curate and share marketing content in paid, owned, earned, and shared media. You won’t find fresher coverage of these important topics in any other marketing text.
- **Omnichannel marketing and retailing.** Linked with all the new digital marketing developments, this edition continues to strengthen its coverage of the substantial shifts toward omnichannel marketing and retailing. Such discussions are integrated throughout the text but see especially the *Marketing Channels* and *Retailing and Wholesaling* chapters (Chapters 10 and 11) and the *Digital Marketing* chapter (Chapter 14).
- **Fast-changing marketing trends and topics.** This edition adds fresh coverage of both traditional marketing areas and fast-changing topics such as digital, mobile, and social media marketing; customer engagement marketing; the customer journey; big data, artificial intelligence (AI), and new marketing analytics and “speed to insight” technologies; influencer and micro-influencer marketing; the major digital transformation in marketing research; omnichannel marketing and the game-changing shifts in today’s retailing; real-time customer listening and marketing; marketing content creation and curation; technology-driven customer service; B-to-B social media and social selling; online and dynamic pricing; and much more.

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

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

- **New company cases, applications, and exercises.** The sixteenth edition provides 16 new company cases by which students can apply what they learn to actual company situations. End-of-chapter discussion questions, critical thinking exercises, and other applications features are also all completely updated.
- **Chapter-opening stories, Marketing at Work highlights, and in-text examples.** The sixteenth edition brings marketing to life with new or revised chapter-opening vignettes and boxed features highlighting relevant companies and marketing issues, along with many new in-text examples and images that illustrate contemporary marketing practice.

Teaching the Skills Students Need

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

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

Six Major Customer Value and Engagement Themes

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

1. **Creating value for customers in order to capture value from customers in return.** Today's marketers must be good at *creating customer value*, *engaging customers*, and *managing customer relationships*. In return, they capture value from customers in the form of sales, profits, customer advocacy, and customer equity. This innovative *customer value and engagement framework* is introduced at the start of Chapter 1 in a unique five-step marketing process model, which details how marketing *creates* customer value and *captures* value in return. The framework is carefully developed in the first two chapters and then fully integrated throughout the remainder of the text.
2. **Customer engagement and today's digital and technology-intensive marketing landscape.** Digital, mobile, and social media have dramatically changed how companies and brands engage consumers, and how consumers connect and influence each other's brand behaviors. AI has also burst onto the marketing scene, affecting everything from data analytics and insights gathering to product development, creating marketing content, and personalizing customer experiences. The sixteenth edition thoroughly explores the exciting digital technologies that help brands to engage customers more deeply and interactively. It starts with two major Chapter 1 sections: *Customer Engagement and Today's Digital Media* and *Marketing in the Digital Age*. A much-revised Chapter 14 on *Digital Marketing* summarizes the latest developments in digital marketing strategy and digital engagement tools. Chapters 11 and 14 discuss the massive shift toward digital and omnichannel buying and marketing. Chapters 1, 4, 5, 8, 12, and 14 present new discussions and examples of the use of AI in marketing. Everywhere in between, you'll find revised and expanded coverage of the exploding use of digital, social marketing, and AI tools.
3. **Building and managing strong, value-creating brands.** Well-positioned brands with strong brand equity provide the basis upon which to build customer value and profitable customer relationships. Today's marketers must position their brands powerfully and manage them well to create valued brand experiences. The sixteenth edition provides a deep focus on brands, anchored by a Chapter 7 section on *Branding Strategy: Building Strong Brands*.
4. **Measuring and managing return on marketing.** Especially in uneven economic times and an uncertain marketing environment, marketing managers must ensure that their marketing dollars are being well spent. "Marketing accountability"—measuring and managing marketing return on investment—has

now become an important part of strategic marketing decision making. This emphasis on marketing accountability is addressed in Chapter 2, Appendix 3 *Marketing by the Numbers*, and throughout the sixteenth edition.

5. **Sustainable marketing around the globe.** As technological developments make the world an increasingly smaller and more fragile place, marketers must be good at marketing their brands globally and in sustainable ways. New material throughout the sixteenth edition emphasizes the concepts of global marketing and sustainable marketing—meeting the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs. The sixteenth edition integrates global marketing and sustainability topics throughout the text. It then provides focused coverage on each topic in Chapters 15 and 16, respectively.
6. **Marketing in the age of disruption.** Disruptions in the marketing environment have always been around. There will be a constant flow of future disruptions, and the “new normal” will always be elusive and evolving. Throughout the sixteenth edition, you’ll find discussions and examples of how companies and brands are successfully meeting disruptive challenges—from the digital revolution and large economic swings to new-age disruptive brands, the aftermath of the global COVID-19 pandemic, and wide-ranging environmental, social, and political movements. As a basic tenet of marketing, to prosper in this age of disruption or even to survive, marketers must bend and adapt to fend off the threats and take advantage of the opportunities. They must learn to serve customers profitably in the face of constant change and uncertainty.

In-Text Teaching and Learning Features

Marketing: An Introduction provides a wealth of learning features that help students learn, think, and apply major concepts.

- **Integrated chapter-opening preview sections.** The active and integrative chapter-opening spread in each chapter starts with an *Objectives Outline* that provides a helpful preview of chapter contents and learning objectives. Next, a *Previewing the Concepts* section briefly previews chapter concepts, links them with previous chapter concepts, and introduces the chapter-opening story. Finally, a *First Stop* chapter-opening vignette—an engaging, deeply developed, illustrated, and annotated marketing story—introduces the chapter material and sparks student interest.
- **Author comments and figure annotations.** Throughout each chapter, author comments ease and enhance student learning by introducing and explaining major chapter sections and figures.
- **Reviewing and extending the concepts.** Sections at the end of each chapter summarize key chapter concepts and provide questions and exercises by which students can review and apply what they’ve learned. Students can watch a *Concept Recap* video to review a core concept from the chapter. The *Objectives Review and Key Terms* section reviews major chapter concepts and links them to chapter objectives. It also provides a helpful listing of chapter key terms by order of appearance to facilitate easy reference. A *Discussion and Critical Thinking* section provides discussion questions and critical thinking exercises that help students to keep track of and apply what they’ve learned in the chapter.
- **Mini-cases and Applications.** Sections at the end of each chapter provide brief *Digital Marketing and AI*; *Marketing Ethics*; and *Marketing by the Numbers* applications cases that facilitate discussion of current issues and company situations in areas such as digital marketing and AI, ethics, and financial marketing analysis. An end-of-chapter *Company Cases* section identifies which of the all-new company cases found in Appendix 1 are best for use with each chapter.

Developing Employability Skills

- **Marketing at Work features.** Each chapter contains a chapter-opening story and two deeply developed *Marketing at Work* highlight features that provide in-depth looks at real brand marketing strategies and contemporary marketing issues.

For example, students learn:

- How Amazon’s deep-down passion for creating customer value, engagement, and relationships earns customer buying dollars and loyalty in return
- How clean-shave giant Gillette has adapted to its changing marketing environment by “embracing the beard”

- How McCormick's spices and condiments marketing is heating things up in the hot sauces niche
- Why LinkedIn is the place to be for B-to-B marketers
- How Mayo Clinic has become a model for service quality
- Why omnichannel retailer Best Buy is thriving in the fast-changing digital marketing environment
- How Patagonia promotes conscious consumption by telling consumers to buy less
- How companies ranging from Coca-Cola and Salesforce to Airbnb and Avocados From Mexico are using AI to develop new products and services, create innovative marketing content, and design engaging new customer experiences.

And they read about how brands are now incorporating inclusiveness and diversity values into the fabric of their brand identities and marketing. No other text brings marketing to life like the sixteenth edition of *Marketing: An Introduction*.

- **Company cases.** Sixteen all-new company cases (Appendix 1) help students apply major marketing concepts and critical thinking to real company and brand situations.
- **Marketing Plan.** A detailed sample marketing plan (Appendix 2) helps students apply important marketing planning concepts and includes the use of AI to help students learn effective skills.
- **Marketing by the Numbers.** Appendix 3 provides students with a comprehensive introduction to the financial analysis that guides, assesses, and supports marketing decisions. A new or revised exercise at the end of each chapter lets students apply analytical and financial thinking to the concepts and links the chapter to the Marketing by the Numbers appendix.
- **Careers in Marketing.** Newly revised Appendix 4 helps students explore marketing career paths and provides a process for landing a marketing job that best matches their special skills and interests.

MyLab Marketing

The most interactive and experiential approach to teaching with *Marketing: An Introduction* is with the MyLab for the sixteenth edition.

- Pearson+ powers your course **eTextbook**, which can be accessed directly in your MyLab course. You and your students can dive right into the course eTextbook—take notes, make highlights, and review flashcards—and even listen to your book at home or on the go with the Pearson+ mobile app.
- **NEW: Generative AI Study Tool within the eText** gives students individualized help with instant explanations, on-demand summaries, choose-your-own practice, and flashcards and notes.
- **NEW: In the News feature** within the eText includes current news, technology, and industry updates related to the content of each chapter. Updated twice in the semester, this feature is a great lecture or in-class discussion topic to keep students engaged with the marketing field.
- **NEW: Interactive Reading Assignments** engage students in the eText and encourage reading and comprehension through graded Concept Check questions following each learning objective.
- **NEW: Using AI projects** in each chapter get students using AI for various marketing tasks, teaching them how to use AI effectively and help them gain critical employability skills.
- **NEW and UPDATED: Video and Podcast** auto-graded assignments help students connect key course concepts to real-world events.
- **NEW: Two all-new Mini Sims** (on branding and socially responsible marketing) are included in this edition's MyLab along with a large selection of other simulations for each chapter. The Mini-Simulations and Team Mini-Simulations put students in the role of professional marketers and give them the opportunity to apply course concepts and develop decision-making skills through real-world business challenges.
- **NEW and UPDATED: Dynamic Study Modules.** This adaptive study tool uses the latest developments in cognitive science to help students study and learn course concepts by adapting to their performance in real time.
- **NEW and UPDATED: Chapter Quizzes** check students' understanding of key course and chapter concepts. These quizzes are customizable.

- **UPDATED: The Marketing Plan Assignments** are seven open-ended writing assignments that require original work and the use of AI to complete the essential parts of a Marketing Plan. Rubrics are included to assist with grading.
- **Case Study Library:** These assignments offer a wide variety of business examples and scenarios. Pearson's flexible and growing collection of over 100 supplemental Case Study assignments are aligned to courses across the business school.
- **Marketing by the Numbers:** These auto-graded, algorithmic assessments help improve students' understanding of the quantitative aspects of marketing.
- **UPDATED: Learning Catalytics library.** This is Pearson's bring-your-own-device classroom response system that includes new and updated questions aligned to each chapter. Use these customizable questions to engage your students.
- **AACSB Learning Standards:** The assessment materials in this MyLab course are aligned to the eight AACSB Learning Standards.

Visit www.pearson.com/mylab/marketing to learn more about MyLab Marketing.

Instructor Teaching Resources

Detailed information and resources are available at www.pearson.com.

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Gary Armstrong
Philip Kotler
Sridhar Balasubramanian

About the Authors

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

Gary Armstrong

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

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

Philip Kotler

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

Professor Kotler was named the first recipient of four major awards: the Distinguished Marketing Educator of the Year Award and the William L. Wilkie "Marketing for a Better World" Award, both given

by the American Marketing Association; the Philip Kotler Award for Excellence in Health Care Marketing presented by the Academy for Health Care Services Marketing; and the Sheth Foundation Medal for Exceptional Contribution to Marketing Scholarship and Practice. He is a charter member of the Marketing Hall of Fame, was voted the first Leader in Marketing Thought by the American Marketing Association, and was named the Founder of Modern Marketing Management in the Handbook of Management Thinking. His numerous other major honors include the Sales and Marketing Executives International Marketing Educator of the Year Award; the European Association of Marketing Consultants and Trainers Marketing Excellence Award; the Charles Coolidge Parlin Marketing Research Award; and the Paul D. Converse Award, given by the American Marketing Association to honor “outstanding contributions to science in marketing.” A recent Forbes survey ranked Professor Kotler in the top 10 of the world’s most influential business thinkers. And in a Financial Times poll of 1,000 senior executives across the world, Professor Kotler was ranked as the fourth “most influential business writer/guru” of the twenty-first century. He is considered by many to be the “father of modern marketing.”

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

Sridhar Balasubramanian

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

Professor Balasubramanian—commonly referred to as “Dr. B”—is an award-winning researcher, teacher, and academic administrator. He has served as Senior Associate Dean for MBA programs at UNC-CH. His research and teaching interests are in the areas of market strategy and technology strategy, innovation and growth strategy, customer focus, globalization and sustainability, and managing competition. He also specializes in bringing tools and concepts related to innovation, market focus, and customer focus into other functional areas, including the management of human resources. He has published pioneering, award-winning research on the impact of the internet, other technology-intensive channels, and social media on marketing. His research has been cited more than 13,140 times on Google Scholar.

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

Marketing: Creating Customer Value and Engagement

Previewing the Concepts

This first chapter introduces you to the basic concepts of marketing. We start with the question: What is marketing? Simply put, marketing is engaging customers and managing profitable customer relationships. The goal of marketing is to maximize long-term profitability by creating value for customers in order to capture value from customers in return. Next we discuss the five steps in the marketing process—from understanding customer needs to designing customer value-driven marketing strategies and integrated marketing mix programs to building customer relationships and recapturing value for the firm. Finally, we discuss the major trends and forces affecting marketing in this digital age. Understanding these basic concepts will provide a solid foundation for all that follows.

Let's start with a good story about marketing in action at Amazon, the nation's leading online marketer. Amazon is flat-out customer-obsessed. It has a deep-down passion for creating customer value, engagement, and relationships. In return, customers reward Amazon with their buying dollars and loyalty. You'll see this theme of creating customer value in order to recapture value in return repeated throughout this chapter and the remainder of the text.

First Stop

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

Amazon opened its virtual doors in 1995, selling books out of founder Jeff Bezos's garage in suburban Seattle. Amazon still sells books—lots and lots of books, many now in digital form. But it sells just about everything else as well, from electronics, housewares, apparel, and groceries to diamonds, musical instruments, and Maine lobsters. And Amazon has rapidly moved beyond online selling, not just into physical stores but also into video and music streaming, smart devices and security systems, cloud services, online self-publishing, robotics, artificial intelligence

(AI) technologies, the Internet of Things, and online gaming—the list goes on and on. If one company best represents where the world is now headed, it's probably Amazon.

From the start, Amazon has grown explosively. During just the past three years, Amazon's revenues have rocketed to \$575 billion, an increase of 49 percent in just three years. That's an average of about \$1.1 million in sales each minute of each day. Amazon will likely soon overtake mighty Walmart to become the world's largest company.

Objectives Outline

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

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

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

Amazon makes each customer’s experience personal. For example, the Amazon.com site greets each customer with their own home page, complete with personalized content and AI-based recommendations based on their past purchase and browsing histories and the purchases of other customers with similar profiles. If it has 310 million customers, Amazon reasons, it should have 310 million stores. Thus, most Amazon.com regulars strongly connect with the company, even in the absence of human interaction.

Once on Amazon.com, you’re compelled to stay for a while—looking, learning, and discovering. More than just a place to buy things, Amazon.com is an online community where customers can browse for products, research purchase alternatives, and share opinions with other visitors. Thus, beyond selling, Amazon engages customers and creates personalized customer relationships and satisfying experiences. To enhance customer experiences and choices, Amazon allows competing retailers—from mom-and-pop operations to Marks & Spencer—to sell their products on Amazon.com through the Amazon Marketplace, creating a never-ending virtual shopping mall.

Some shoppers love to leisurely browse Amazon’s wares. But Amazon is great at helping time-pressed customers get what they want quickly and at a competitive price. The retailing giant has relentlessly pursued a series of end-to-end shopping innovations that make ordering, delivery, and returns a breeze. Amazon’s 1-Click ordering lets customers purchase and ship to preset options with just one click. Customers can use an Echo smart speaker to voice-shop. At a simple command, such as “Alexa, reorder laundry detergent,” Amazon’s AI-driven digital assistant will place and ship the order in the preferred quantities and sizes. Easier yet, Amazon’s Subscribe & Save system gives customers discounts for setting up automatic repurchase and delivery of consumable products.

As much as it sells products and convenience, Amazon also sells “speed.” When the online giant first introduced Amazon Prime 20 years ago, free 48-hour shipping was unheard of; now, it’s standard across the industry. So Amazon upped the ante. It now often delivers same-day or even within a few hours with Amazon Prime Now. “It’s cheap, easy, and outrageously fast,” says one awestruck customer.

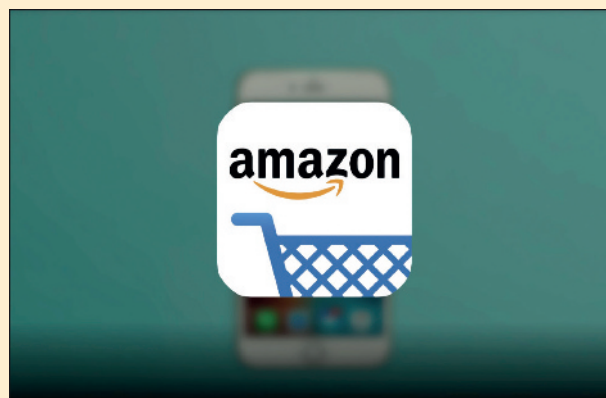
Online buyers often worry about the hassle associated with returns. Returning Amazon.com purchases is now easier

than returning store-bought items. Just drop them off at a nearby Kohl’s, UPS, or Whole Foods location. That’s it. Store employees will pack, label, and ship them back for free. And for some problematic items, Amazon or UPS will even pick up a package from the customer’s front door at no charge.

None of this comes cheap for Amazon. So the company has invested heavily in a range of technologies that support the customer experiences it delivers. And as Walmart and other store retailers have moved heavily into digital selling, Amazon has moved into their brick-and-mortar worlds. It knows that a complete customer relationship will require merging online and offline selling into the seamless omnichannel shopping experience that today’s consumers expect. For example, Amazon purchased upscale grocery chain Whole Foods Market to expand into the huge but competitive grocery business. Amazon has tested numerous other physical store formats and now operates a growing number of Amazon Fresh stores (assortments of fresh and prepared foods) and Amazon Go convenience and grocery stores that feature sophisticated “just walk out” technology. Each Amazon physical store doubles as a platform for the pickup, delivery, and return of other goods, enhancing the customer’s omnichannel experience.

Amazon has also amassed its own fleets of delivery vans, trucks, and more than 110 Airbus and Boeing cargo planes. By one estimate, Amazon currently delivers two-thirds of its own packages. In fact, Amazon already delivers more packages in the United States than either FedEx or UPS. Still not content, the company is already rolling out technologies such as AI-driven warehouse robots, delivery drones, and driverless vehicles to get things out faster and cheaper.

In its physical stores, as in everything it does, Amazon is using technology to revolutionize the consumer shopping experience. The company uses everything from AI-based face recognition technology, shelf- and cart-mounted cameras, and RFID and near-field communications sensors to smart Dash Carts equipped with touchscreens and sensors. It uses smartphone and app tracking to recognize customers, unravel their needs and wants, and track their behaviors and actions.



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

Small wonder, then, that at Amazon Go stores, customers can scan their apps, walk in, pick up what they want, and walk out. Their credit card is charged and the bill arrives only a few seconds later on their phone.

So what future customer-pleasing changes can you expect from Amazon? According to Bezos, that's not the key question. The key question is what *is not* going to change?

And at Amazon, that's creating superior customer value. "Our customers are loyal to us right up until the second somebody offers them a better service," says Bezos. "And I love that. It's super-motivating for us." He concludes, "When things get complicated, we simplify them by asking, 'What's best for the customer?' We believe that if we do that, things will work out in the long term."¹

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

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

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

What is Marketing?

1.1 Define marketing and outline the steps in the marketing process.

Marketing, more than any other business function, deals with customers. For example, Amazon dominates the online marketplace by pursuing the mission to "be Earth's most customer-centric company." Facebook has attracted more than 3 billion monthly active web and mobile users worldwide by helping them to "connect and share with the people in their lives."² Sound marketing is critical to the success of every organization. Large for-profit firms such as Apple, Target, Coca-Cola, Google, and Microsoft use marketing. But so do not-for-profit organizations, such as colleges, hospitals, museums, symphony orchestras, and even churches.

You already know a lot about marketing—it's all around you. At home, at school, where you work, and where you play, you see marketing in almost everything you do. You see it in the abundance of products at your nearby shopping mall and in the ads that fill your TV screen, spice up your magazines, stuff your mailbox, and line your highways on billboards. Brands reach out to you directly, personally, and interactively on digital platforms ranging from imaginative websites and smartphone apps to online videos and social media. Today's marketers don't want just to blast out one-way messages. Instead, they want to become a part of your life and enrich your experiences with their brands.

Yet there is much more to marketing than meets the casual eye. Behind it all is a massive network of people, technologies, and activities competing for your attention and purchases. This book will give you a complete and contemporary introduction to modern marketing. We begin by defining marketing and the marketing process.

Marketing Defined

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

Today, marketing must be understood not in the sense of making a sale—"telling and selling"—but in the sense of satisfying customer needs. If marketers engage consumers effectively, understand their needs, develop products that provide superior customer value, and price, distribute, and promote them well, these products will sell

Author Comment

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



Black Salmon/Shutterstock

Today's successful companies have one thing in common: They are strongly customer-focused and committed to customers and marketing.

Marketing

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

Needs

States of felt deprivation.

Wants

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

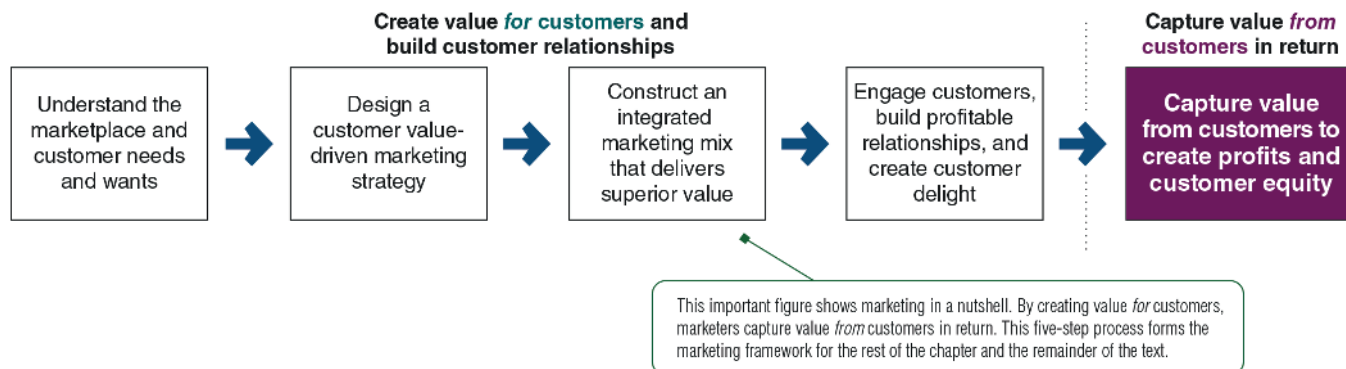
easily. In fact, according to management guru Peter Drucker, “The aim of marketing is to make selling unnecessary.”³ Selling and advertising are only part of a larger marketing mix—a set of marketing tools that must work together to engage customers, satisfy customer needs, build customer relationships, and ultimately help drive the company’s profits.

Broadly defined, marketing is a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others. In a narrower business context, marketing involves building profitable, value-laden exchange relationships with customers. Hence, we define **marketing** as the set of strategies and activities by which companies acquire and engage customers, build strong customer relationships, and create superior customer value in order to capture value from customers in return.⁴ The threefold goals of marketing are to attract new customers by promising superior value, engage and grow current customers by delivering the promised value, and help drive long-term company profitability by recapturing some of the delivered value from satisfied and loyal customers.

The Marketing Process

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

Figure 1.1 The Marketing Process: Creating and Capturing Customer Value

**Demands**

Human wants that are backed by buying power.

Market offerings

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

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

Understanding the Marketplace and Customer Needs

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

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

Customer Needs, Wants, and Demands

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

Author Comment

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

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

Companies go to great lengths to learn about and understand customer needs, wants, and demands. They conduct consumer research, analyze mountains of customer data, and observe customers as they shop and interact, offline and online. People at all levels of the company—including top management—should stay close to customers. For example, Starbucks CEO Kevin Johnson regularly spends time in Starbucks stores, working the counter, brewing coffee, handing out orders, wiping tables, and chatting with customers. Johnson wants to be certain that he understands “what it means to be human in a digital age and what that means for the future of Starbucks.” And legendary Southwest Airlines founder and CEO Herb Kelleher was famous for standing at the entryway to aircraft, greeting employees and passengers and even serving peanuts to customers on Southwest flights. Such personal involvement helps marketers shape new customer solutions based on real user experiences.⁵



AP Photo/Ted S. Warren

Staying close to customers: Starbucks CEO Kevin Johnson regularly spends time in local Starbucks stores, working the counter, brewing coffee, handing out orders, wiping tables, and chatting with customers. He wants to understand “what it means to be human in a digital age.”

Market Offerings—Products, Services, Solutions, and Experiences

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

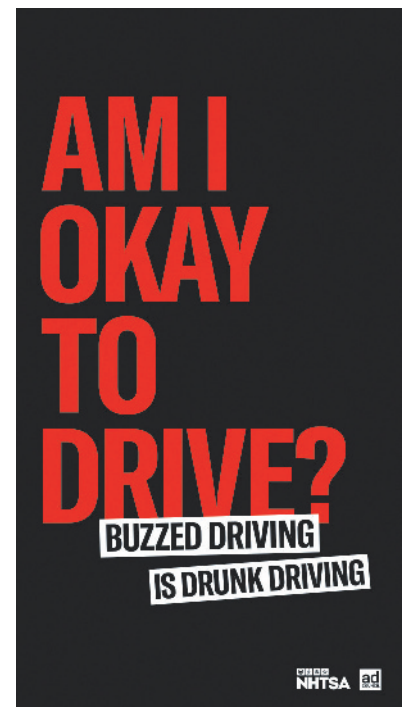
More broadly, market offerings also include other entities, such as persons, places, organizations, information, ideas, and causes. For example, The Ad Council runs campaigns promoting a wide range of ideas and causes, from buzzed driving prevention and safe gun storage to emergency preparedness and wildfire prevention. Its “Buzzed Driving is Drunk Driving” campaign, a refreshed version of its now-classic “Friends Don’t Let Friends Drive Drunk” campaign, prompts young people ages 21 to 34 to examine their own warning signs of impairment and take responsibility for their decisions behind the wheel by reminding them: “If you need to do something to make yourself feel okay to drive, you’re not okay to drive.”⁶

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

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

Marketing myopia

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



The Advertising Council, Inc., Buzzed Driving Prevention Campaign

Marketing ideas and causes: The Ad Council’s Buzzed Driving Prevention campaign reminds young drivers that buzzed driving is drunk driving.

Marketing at Work 1.1

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

At the core, every lodging business provides people with a place to stay when they travel away from home. But the very best hospitality businesses offer life-altering experiences built around those accommodations.

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

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

Living up to its name—Mahali Mzuri means "beautiful place" in Swahili—the safari camp is located in the smaller, privately owned Olare Motorogi Conservancy on the northern border of the reserve. One of only five safari camps located in the conservancy, the eco-friendly Mahali Mzuri camp minimizes its environmental impact while creating memorable natural experiences.

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

As guests check in, it becomes immediately apparent that a stay at the Mahali Mzuri safari camp hardly qualifies as "camping." The guest "tents" are in fact spacious tented suites, with handsome furnishings made by local Maasai people. The ensuite stylish bathrooms feature dark wood trim and contemporary fittings, including a large walk-in shower and a claw-foot bathtub. Each suite comes stocked with a Bose

sound system, a Nespresso machine, a fridge, a minibar, and Africology bath products. A centrally located main tent serves as a gathering place. It's home to a relaxing lounge furnished with leather sofas, cowhide rugs, and velvet armchairs arranged around an open fireplace, library, and entertainment area featuring satellite TV and Wi-Fi. The main tent also houses the camp's 36-foot infinity-edge swimming pool and full-service spa.

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

The Mahali Mzuri's stunning location and opulent accommodations, however, are only the backdrop to the most essential Mahali Mzuri "world's-best" experience—an introduction to the wildlife and culture of Kenya's savannah. A stay at the Mahali Mzuri includes two safari game drives per day, led by expert local guides, giving guests unique and exciting vantage points for spotting animals.

The guided game excursions venture deep into the conservancy and the national reserve. But at other times, Mahali Mzuri guests don't have to go searching for game—it comes to them. "I saw elephants and giraffes while drinking coffee in the



Adam Slama

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

morning,” said one guest. “When we walked in and were greeted by a herd of elephants, I knew this was the right place for us,” said another. Within a three-minute drive from camp, it’s common for guests to see a herd of elephants, a troop of baboons, or a dazzle of zebras. But even from within the camp, guests armed with binoculars and telescopes have a front-row seat for viewing wildlife from any of an abundance of viewing decks.

In fact, guests are told not to leave their tents unaccompanied after dark when the animals come closest. After “lights out” (the entire camp goes dark after hours to preserve energy), guests are immersed in nothing but the sounds of nature. It isn’t unusual for them to hear lions growling during a hunt or the cackling laughter of packs of hyenas.

Beyond the wildlife, a stay at the Mahali Mzuri includes an immersive cultural experience—a visit to a local Maasai village that lies just a short drive from camp. At the village, guests tour a traditional Maasai home, where they are treated to tea and a basic lesson in Maa, the Maasai language. They visit local markets, schools, and cattle holding areas. They learn about and observe local culture and even participate in games,

traditional songs and dances, and building fires using dried elephant dung.

Beyond its guests, the Mahali Mzuri connects deeply with the local Maasai community, enhancing access to education, water, and sanitation and health. Individual guests contribute generously to these development initiatives. And more than 80 percent of the Mahali Mzuri team comes from the local community, cycling an appreciable portion of the resort’s earnings back into sustainable local development.

A stay at the Mahali Mzuri is priced from \$1,000 to \$1,700 per person per night, depending on the time of year. But visitors to the world’s number one hotel aren’t looking for a bargain. Instead, they’re seeking a transformational experience. When asked what lures travelers to the Mahali Mzuri, the resort’s general manager had this to say: “As human beings, anything that draws us back to nature or to our origin like the Garden of Eden, we will pay for it. People will pay even more to come to a place like this where they are in touch with nature more privately and intimately. Nature takes you back to where it all started, to your roots.”⁸

Customer Value and Satisfaction

Consumers usually face a broad array of products and services that might satisfy a given need. How do they choose among these many market offerings? Customers form expectations about the value and satisfaction that various market offerings will deliver and buy accordingly. Satisfied customers buy again and tell others about their good experiences. Dissatisfied customers often switch to competitors and disparage the product to others.

Marketers must be careful to set the right level of expectations. If they set expectations too low, they may satisfy those who buy but fail to attract enough buyers. If they set expectations too high, buyers will be disappointed. Customer value and customer satisfaction are key building blocks for developing and managing customer relationships. We will revisit these core concepts later in the chapter.

Exchanges and Relationships

Marketing occurs when people decide to satisfy their needs and wants through exchange relationships. **Exchange** is the act of obtaining a desired object from a person or an organization by offering something in return. Usually, a customer offers some money (the price) and obtains a product, service, solution, or experience in return. The exchange may involve more than just products and services. A political candidate, for instance, wants votes; a church wants membership and participation; an orchestra wants an audience; and a social action group wants idea acceptance.

Marketers create, maintain, and grow desirable exchange relationships with target audiences involving a product, service, idea, or other object. This involves building strong relationships by consistently delivering superior value. We will expand on the important concept of managing customer relationships later in the chapter.

Exchange

The act of obtaining a desired object from a person or an organization by offering something in return.

Markets

The concepts of exchange and relationships lead to the concept of a market. A **market** is the set of actual and potential buyers of a product or service. The buyers share a need or want that can be satisfied through exchange relationships.

Marketers must manage markets to create profitable customer relationships. However, creating such relationships takes work. Sellers must search for and engage buyers, identify their needs, design market offerings, set prices for them, promote them, and store and deliver them. They must do all this consistently across time. Therefore, activities such as consumer research, product development, communication, distribution, pricing, and service are core marketing activities.

Although we normally think of marketing as being carried out by sellers, buyers also carry out marketing. Consumers do marketing when they search for products, interact with companies to obtain information, and

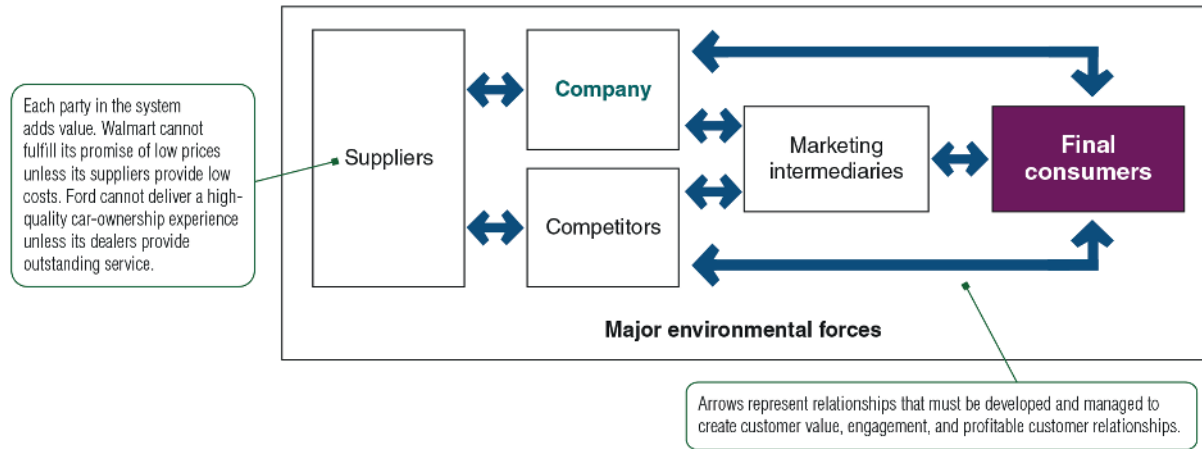
Market

The set of all actual and potential buyers of a product or service.

make their purchases. In fact, today's digital technologies, from websites and social media to smartphone apps, have empowered consumers and made marketing a truly two-way affair. Thus, in addition to customer relationship management, today's marketers must also deal effectively with customer-managed relationships. Marketers are no longer just asking, "How can we influence our customers?" Instead, they are also asking, "How can our customers influence us?" and even "How can our customers influence each other?"

Figure 1.2 shows the main elements in a marketing system. Marketing involves serving a market of final consumers in the face of competitors. The company and competitors research the market and interact with consumers to understand their needs. Then they create and exchange market offerings, messages, and other marketing content with consumers, either directly or through marketing intermediaries. Each party in the system is affected by major environmental forces (demographic, economic, natural, technological, political, and social/cultural).

Figure 1.2 A Modern Marketing System



Each party in the system adds value for the next level. The arrows represent relationships that must be developed and managed. Thus, a company's success at engaging customers and building profitable relationships depends not only on its own actions but also on how well the entire system serves the needs of final consumers. Consumer product giant P&G cannot fulfill its promise of high-quality products that offer good customer value unless its suppliers provide good-quality raw materials at reasonable costs. And downstream marketing intermediaries and channel partners such as Target and Kroger must effectively distribute and market its products. Importantly, if competitors such as Unilever offer products with more compelling value propositions or employ more effective distribution channels, P&G will lose market share and profits.

Author Comment

Once a company fully understands its consumers and the marketplace, it must decide which customers it will serve and how it will bring value to them.

Designing a Customer Value–Driven Marketing Strategy and Plan

1-3 Identify the key elements of a customer value–driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.

Customer Value–Driven Marketing Strategy

Once they fully understand consumers and the marketplace, marketing managers can design a customer value–driven marketing strategy. Marketing involves choosing target markets and building profitable relationships with them. The marketing manager must acquire, engage, keep, and grow target customers by creating, delivering, and communicating superior customer value.

To design a winning marketing strategy, marketing managers must answer two key questions: What customers will we serve (what's our target market)? and How can we serve these customers best (what's our value proposition)? We discuss these marketing strategy concepts briefly here and then explore them in more detail in later chapters.

Selecting Customers to Serve

The company must first decide who it will serve. It does this by dividing the market into segments of customers (market segmentation) and selecting which segments it will go after (targeting). Marketing managers who try to serve as many customers as possible may not serve any customers well. Instead, the company should target only customer segments that it can serve well and profitably. For example, Nordstrom profitably targets affluent professionals; Dollar General profitably targets families with modest means. Ultimately, marketers must be disciplined in deciding which customer segments they want to target.

Choosing a Value Proposition

The company must also decide *how* it will serve targeted customers—how it will differentiate and position itself in the marketplace. A brand's value proposition is the set of benefits or values it promises to deliver to consumers to satisfy their needs. JetBlue promises “award-winning service from award-winningly nice humans,” proclaiming that “Just Alright Doesn't Fly Here.” By contrast, Spirit Airlines gives you “Bare Fare” pricing: “Less Money. More Go.” Video streaming service Hulu aims to “empower everyone to discover, share, and celebrate the stories that connect us.” Netflix wants simply to let you “See What's Next.” And online accommodations site Airbnb helps people “Belong Anywhere”—to live like a local wherever they travel.

Such value propositions differentiate brands and answer the customer's question: “Why should I buy your brand rather than a competitor's?” A company's value proposition must give it a distinct advantage in its target market.



Value propositions: JetBlue promises “award-winning service from award-winningly nice humans.” “Just Alright Doesn't Fly Here.”

Marketing Orientations

Marketing managers should design strategies that engage target customers and build profitable relationships with them. But what philosophy should guide these marketing strategies? What weight should be given to the interests of customers, the organization, and society? Very often, these interests are in conflict.

There are five alternative concepts under which organizations can design and carry out their marketing strategies: the production, product, selling, marketing, and societal marketing concepts.

The Production Concept

The **production concept** holds that consumers will favor available and highly affordable products. Therefore, management should focus on improving production and distribution efficiency. The production concept is useful in some situations. For example, home appliance maker Haier dominates the highly competitive, price-sensitive Chinese market through low labor costs, high efficiency, and mass distribution. However, such companies run a major risk of marketing myopia—focusing too narrowly on their own operations and losing sight of the real objective—satisfying customer needs and building profitable customer relationships.

Production concept

The idea that consumers will favor available and highly affordable products; therefore, the organization should focus on improving production and distribution efficiency.

The Product Concept

The **product concept** holds that consumers will favor products that offer the most in quality, performance, and innovative features. Thus, marketing strategy focuses on continuous product improvement.

Product quality and improvement are important parts of most marketing strategies. However, focusing only on products can also lead to marketing myopia. For example, some manufacturers believe that if they “build a better mousetrap, the world will beat a path to their doors.” But they are often rudely shocked. Buyers may be looking for a better solution to a mouse problem but not necessarily for a better mousetrap. The better solution might be a chemical spray, an exterminating service, a house cat, or something else that suits their needs even better than a mousetrap. Furthermore, a better mousetrap will not sell unless the manufacturer designs, packages, prices, and distributes it effectively; brings it to the attention of people who need it; and convinces buyers that it is a better product.

Product concept

The idea that consumers will favor products that offer the most quality, performance, and features; therefore, the organization should devote its energy to making continuous product improvements.

Selling concept

The idea that consumers will not buy enough of the firm's products unless the firm undertakes a large-scale selling and promotion effort.

The Selling Concept

Many companies follow the **selling concept**, which holds that consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort. The selling concept is typically practiced with unsought goods—those that buyers do not normally think of buying, such as life insurance or blood donations. These industries must be good at tracking down prospects and selling them on a product's benefits.

Such aggressive selling, however, carries high risks. It focuses on creating sales transactions rather than on building long-term, profitable customer relationships. The aim often is to sell what the company makes rather than to make what the market wants. It assumes that customers who are coaxed into buying the product will like it. Or, if they don't like it, they will possibly forget their disappointment and buy it again later. These are usually poor assumptions.

Marketing concept

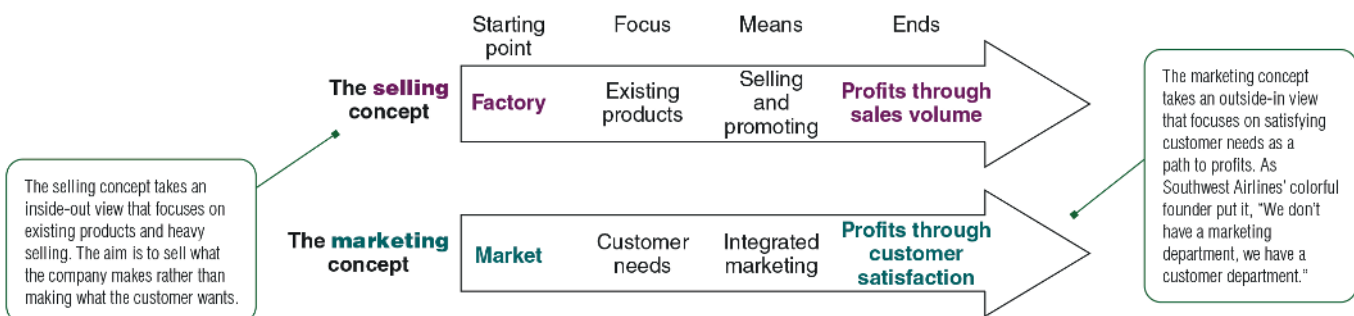
A philosophy in which achieving organizational goals depends on knowing the needs and wants of target markets, delivering the desired offerings, and creating more customer satisfaction than competitors.

The Marketing Concept

The **marketing concept** holds that achieving organizational goals depends on knowing the needs and wants of target markets, delivering the desired offerings, and creating more customer satisfaction than competitors. Under the marketing concept, customer focus and value are the paths to sales and profits. Instead of a product-centered make-and-sell philosophy, the marketing concept is a customer-centered sense-and-respond philosophy. The job is not to find the right customers for your product but to find the right products for your customers.

Figure 1.3 contrasts the selling concept and the marketing concept. The selling concept takes an inside-out perspective. It starts with the factory, focuses on the company's existing products, and calls for heavy selling and promotion to obtain profitable sales. It focuses primarily on customer conquest—getting short-term sales with little concern about who buys or why.

Figure 1.3 Selling and Marketing Concepts Contrasted



In contrast, the marketing concept takes an outside-in perspective. As Herb Kelleher, the colorful founder of Southwest Airlines, once put it, "We don't have a marketing department; we have a customer department." The marketing concept starts with a well-defined market, focuses on customer needs, and integrates all the marketing activities that affect customers. In turn, it yields profits by creating long-term relationships with the right customers based on customer value and satisfaction.

Implementing the marketing concept means more than simply responding to customers' stated desires and obvious needs. Such customer value-driven marketing usually works well when a clear need exists and when customers know what they want. In many cases, however, customers don't know what they want or even what is possible. As Henry Ford supposedly remarked, "If I'd asked people what they wanted, they would have said faster horses." For example, even 30 years ago, how many consumers would have thought to ask for now-commonplace products such as 24-hour mobile buying and digital video and music streaming? Such situations call for *customer-driving* marketing—understanding customer needs even better than customers themselves do and creating products and services that meet both existing and latent needs, now and in the future. As legendary Apple cofounder Steve Jobs once said, "Our job is to figure out what [consumers are] going to want before they do Our task is to read things that are not yet on the page."

Societal marketing concept

The idea that a company's marketing decisions should consider consumers' wants, the company's requirements, consumers' long-run interests, and society's long-run interests.

The Societal Marketing Concept

The **societal marketing concept** questions whether the pure marketing concept overlooks possible conflicts between consumer short-run wants and consumer long-run welfare. Is a firm that satisfies the immediate needs and wants of target markets always doing what's best for its consumers in the long run? The societal marketing

concept holds that marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's and society's well-being. It calls for sustainable marketing, socially and environmentally responsible marketing that meets the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs.

A growing number of companies known for their hard-nosed approach to business—such as Google, Johnson & Johnson, Nestlé, Unilever, and Walmart—are rethinking the interactions between society and corporate performance. They are concerned not just with short-term economic gains but with the well-being of their customers, the depletion of natural resources needed by their businesses, the welfare of key suppliers, and the economic well-being of the communities in which they operate. As consumer goods giant Nestlé puts it, “We believe that if we want to be successful in the long term, we must create value for our shareholders and society while also protecting the planet.”⁹

As **Figure 1.4** shows, companies should balance three considerations in setting their marketing strategies: company profits, consumer wants, and society's interests.

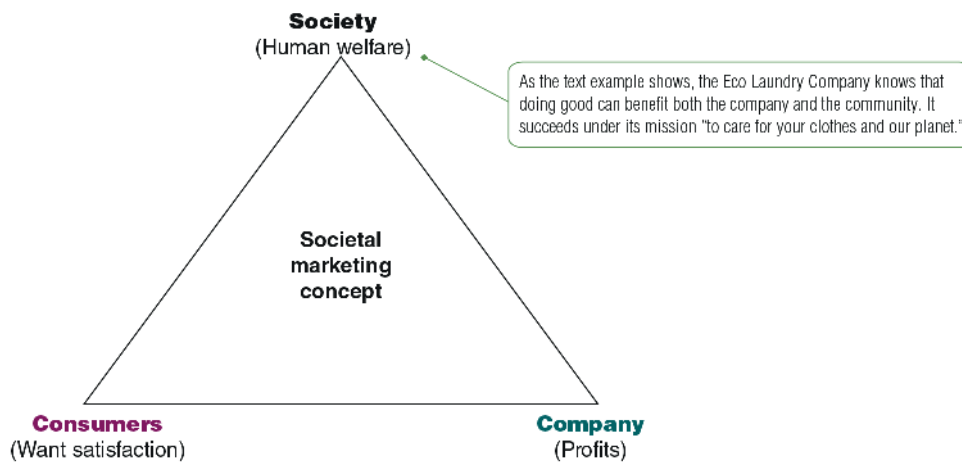
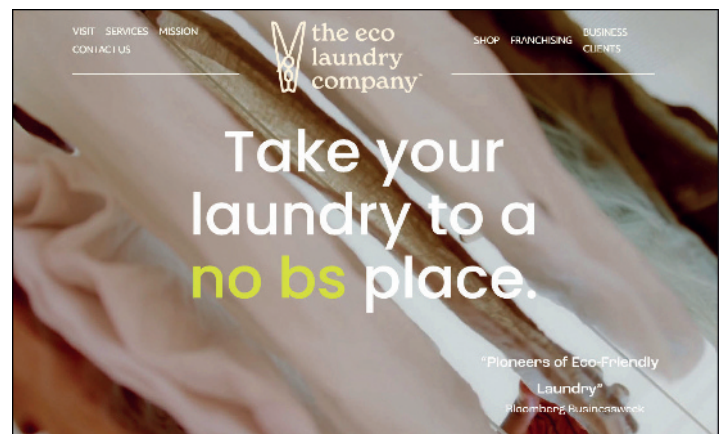


Figure 1.4 Three Considerations Underlying the Societal Marketing Concept

The Eco Laundry Company in New York operates this way, embracing a total sustainability mission in both its operations and its community:¹⁰

“We’re a brand built on sustainability, with a mission to care for your clothes and our planet,” says the Eco Laundry company. The company’s laundry operations feature clean-energy powered, high-efficiency machines that save significant water and energy. It uses plant-derived nontoxic and biodegradable detergents and no toxic solvents. Beyond its laundry operations, Eco Laundry works with local public schools and sustainability programs and with assistance programs such as The Laundry Truck, which provides laundry access to those experiencing homelessness or poverty. Eco Laundry also partners with sustainability organizations such as Valpo Surf Project—which uses surfing and academic tutoring to support underprivileged and at-risk youth—and WeForest—which focuses on restoring rainforests and their associated ecosystems. Its sustainability efforts have helped Eco Laundry avoid emitting more than 360,000 pounds of carbon dioxide into the atmosphere and support the planting of more than 17,000 trees and 50 football-field-sized areas of reforestation.

Even as it pursues a sustainable business model with passion and discipline, the company ensures that its customers receive top-notch service, driving customer loyalty and profitability. As one business customer notes: “The Eco Laundry Company team is efficient, dependable, and always willing to go above and beyond. It is a relief to know that we can always rely on our towels being clean, crisp, and delivered on time. That, and 100% eco-friendly.” Eco Laundry Company sums up its value proposition this way: “Take your laundry to a new, beautiful, friendly, conscious, natural, no bs place.”



The Eco Laundry Company

The societal marketing concept: The Eco Laundry Company positions itself as “a brand built on sustainability, with a mission to care for your clothes and our planet.”

Preparing an Integrated Marketing Mix

The company's marketing strategy outlines which customers it will serve and how it will create value for them. Next, the marketer develops an integrated marketing mix that will deliver the intended value to target customers. The marketing mix consists of the set of marketing tools the firm uses to implement its marketing strategy.

The major marketing mix tools are classified into four broad groups, called the *four Ps of marketing*: product, price, place, and promotion. To deliver on its value proposition, the firm must first create a need-satisfying market offering (product). As discussed earlier, we can define the product broadly to include services, solutions, and experiences. The firm must then decide how much it will charge for the offering (price) and how it will make the offering available to target consumers (place). Today, the "place" includes not just traditional brick-and-mortar stores but also the internet, mobile channels, and other media that facilitate digital interaction and delivery. Finally, it must engage target consumers, communicate about the offering, and persuade consumers of the offer's merits (promotion). The firm must blend each of the marketing mix tools—the four Ps—into a comprehensive and integrated marketing program that communicates and delivers the intended value to chosen customers. We will explore the marketing mix in more detail in later chapters.

Linking the Concepts

Stop here for a moment and stretch your mind. What have you learned so far about marketing? Set aside the more formal definitions we've examined and try to develop your own understanding of marketing.

- In *your own words*, what *is* marketing? Write down *your* definition. Does your definition include such key concepts as customer value, engagement, and relationships?
- What does marketing *mean* to you? How does it affect your daily life?
- What brand of athletic shoes did you purchase last? Describe your relationship with Nike, adidas, New Balance, Under Armour, Asics, Reebok, Converse, or whatever brand of shoes you purchased.

Author Comment

Doing a good job with the first three steps in the marketing process sets the stage for step four, building and managing customer relationships.

Managing Customer Relationships and Capturing Customer Value

- 1-4** Discuss customer relationship management and identify strategies for creating value for customers and capturing value from customers in return.

Engaging Customers and Managing Customer Relationships

The first three steps in the marketing process—understanding the marketplace and customer needs, designing a customer value-driven marketing strategy, and constructing a marketing mix composed of the four Ps—all lead up to the fourth and overarching step: engaging customers and managing profitable customer relationships. We first discuss the basics of customer relationship management. Then we examine how companies go about engaging customers on a deeper level in this age of digital and social marketing.

Customer Relationship Management

Customer relationship management is a central concept in modern marketing. In the broadest sense, **customer relationship management (CRM)** is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. It deals with all aspects of acquiring, engaging, and growing customers.

Relationship Building Blocks: Customer Value and Satisfaction

The key to building lasting customer relationships is to create superior customer value and satisfaction. Satisfied customers are more likely to be loyal customers and give the company a larger share of their business.

Customer relationship management (CRM)

The overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.

Attracting and retaining customers can be a difficult task. Customers often face a bewildering array of products and services from which to choose. A customer buys from the firm that offers the highest **customer-perceived value**—the customer's evaluation of the difference between the benefits delivered by and the costs of obtaining and using a market offering, relative to those of competing offerings. Importantly, customers often do not judge values and costs “accurately” or “objectively.” They act on *perceived* value.

To some consumers, value might mean sensible products at affordable prices. To other consumers, however, value might mean paying more to get more. For example, a Jacob & Co. Astronomia Solar Zodiac watch is priced at \$550,000 and above. That might seem like an astronomical price, but to those who own one, the privilege of being able to place a dynamic solar system on their wrist is well worth that price.¹¹

Founder Jacob Arabo's parents and his four sisters came to the United States from the former USSR with only what they could carry. Driven by a sense of entrepreneurship and risk taking, Arabo ended up founding Jacob & Co. and making some of the world's finest, most complicated wristwatches. Jacob & Co. considers itself to be a different kind of watch company, one that combines “the daring and entrepreneurial spirit of America with the high watchmaking and high jewelry making of Switzerland.”

This all comes into sharp focus in the company's Astronomia Zodiac wristwatch. The Astronomia translates astrophysics into watchmaking form. According to the company: “The Astronomia Solar Zodiac case is designed like an astronomer's observatory. . . . A vibrant sun sits at the top of the movement, giving the collection its name. The rotating satellite holds three more planets. All four symbolic stellar bodies are made from Jacob-cut, 288-facet gems of intense color, showcasing the unique Jacob & Co. signature shape. A starry night sky made of aventurine stone serves as a base underneath it all, inlaid with seven planets made of a selection of hard stone cabochons.” Stated simply, the Astronomia Solar Zodiac places a dynamic solar system on the wearer's wrist. And that makes the watch worth its seemingly astronomical price.

Customer satisfaction depends on the product's perceived performance relative to a buyer's expectations. If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or even delighted.

Good marketers must keep important customers satisfied. Higher customer satisfaction often increases customer loyalty, which usually improves company performance. Companies should aim to delight customers by promising only what they can deliver and then delivering more than they promise—they should “underpromise and overdeliver.” Delighted customers not only make repeat purchases but also become brand advocates and “customer evangelists” who share their good experiences with others. This is critically important in today's networked, digital age.

For companies that aim to delight customers, exceptional value and service become part of the overall company culture. For example, fast-food chicken chain Chick-fil-A excels at customer delight by creating an environment in which employees go the “second mile” in everyday customer service:¹²

Chick-fil-A's melt-in-your-mouth chicken sandwich has kept customers lining up at its counters for decades. But loyal customers will tell you that beyond the food, it's the unbeatable service that sets the chain apart. All Chick-fil-A employees are trained to go the “second mile”—going beyond the basic standards of food quality, cleanliness, and politeness by delivering orders to customer tables, happily fetching drink refills, and providing unexpected touches such as a fresh-cut flower and ground pepper for salads.

Customer delight is in the spirit of the place. Chick-fil-A employees constantly look for special ways to serve customers—such as retrieving dental appliances from dumpsters, walking customers to cars under umbrellas when it rains, or delivering smartphones and wallets that customers have left behind. Many Chick-fil-As even offer a special family service, inviting parents juggling small children to order at the drive-thru and then come inside where the family's meal is waiting on placemats at a table, complete with highchairs in place. Whole social media and blogs are devoted to the marvels of service at Chick-fil-A stores.

Customer-perceived value

The customer's evaluation of the difference between the benefits delivered by and the costs of obtaining and using a market offering, relative to those of competing offerings.



Photo of Astronomia Solar Zodiac by Jacob & Co.

Perceived value: Despite its astronomical price, given what they get for what they pay, owners consider a Jacob & Co. Astronomia Solar Zodiac watch a great value.

Customer satisfaction

The sense of pleasure a buyer feels when a product's perceived performance matches or exceeds their expectations.



Ken Wolter/Shutterstock

Customer satisfaction: Fast-food restaurant chain Chick-fil-A excels at customer delight by creating an environment in which employees go the “second mile” in everyday customer service. It’s in the spirit of the place.

By consistently delighting customers, Chick-fil-A has earned a trophy case full of awards for top service quality. The chain has ranked number one in customer service among fast-food chains for nine straight years in the American Customer Service Satisfaction Index (ACSI). Such high-quality service makes for happy customers, and happy customers make for fast-growing sales and profits. Chick-fil-A’s revenues have nearly doubled in just the past five years, making it the nation’s third-largest fast-food chain, behind only McDonald’s and Starbucks. But in the hearts, minds, and stomachs of its loyal fans, Chick-fil-A has long been number one.

Other companies that have become legendary for customer service include L.L.Bean, Amazon.com, Wegmans, and Nordstrom department stores. However, a company doesn’t need to have over-the-top service to create customer delight. For example, no-frills grocery chain ALDI’s everyday very low pricing on good-quality products delights its loyal customers, who willingly bag their own groceries. Thus, customer satisfaction comes not just from service heroics but from how well a company delivers on the expectations it sets.

Although a customer-centered firm seeks to deliver high customer satisfaction relative to competitors, it does not attempt to maximize customer satisfaction. A company can

always increase customer satisfaction by lowering its prices or increasing its services. But this usually lowers profits. Marketing must generate customer value profitably. This requires a delicate balance: Marketers must *manage* customer satisfaction to *maximize* long-run profitability.

Customer Engagement and Today’s Digital Media

Today’s digital technologies have profoundly changed the ways that companies, brands, and customers connect. The digital age has spawned a dazzling set of customer relationship-building tools, from websites, online ads and videos, mobile ads and apps, and blogs to online communities and major social media platforms such as Facebook, Instagram, YouTube, TikTok, and Snapchat.

Historically, companies have focused mostly on mass marketing brands at arm’s length to broad segments of customers. In contrast, companies now use online, mobile, and social media to refine their targeting and to engage customers more deeply and interactively. This new marketing is **customer-engagement marketing**—fostering direct and continuous customer involvement in shaping brand conversations, brand experiences, and brand community. Customer-engagement marketing goes beyond just selling a brand to customers. Its goal is to make the brand a meaningful part of customers’ conversations and lives.

The burgeoning digital interfaces have boosted customer-engagement marketing. Today’s newly empowered and more informed consumers have more information about brands, and they can access a wealth of digital platforms to air and share their brand views. Thus, marketers are now embracing not only customer relationship management but also *customer-managed relationships*, in which customers connect with companies and with each other to forge and share their own brand experiences. Beyond customer brand loyalty, marketers now seek **customer brand advocacy**, by which satisfied customers initiate favorable interactions with others about a brand.

Greater customer empowerment means that companies must shift from marketing by *intrusion* to marketing by *attraction*—creating market offerings and messages that engage customers rather than interrupt them. Hence, marketers now combine their mass-media marketing with a rich mix of online, mobile, and social media marketing that promotes brand-customer engagement, brand conversations, and brand advocacy among customers. “Rather than have their brand content peppered around something that people want to engage with, only to have people be annoyed by the brand for interrupting that engagement,” says an analyst, “marketers want their brands to be producing the thing that people want to engage with now.”¹³

For example, companies post their latest ads and videos on social media sites, hoping they’ll go viral. They use a host of digital channels to start conversations with and between customers, address customer issues, research customer reactions, and drive traffic to relevant articles, web and mobile marketing sites, videos, and other brand content. They launch blogs, mobile apps, brand microsites, and consumer review systems to engage customers on a more personal, interactive level. Skilled use of digital media can get customers involved with a brand, talking about it, and advocating it to others.

Customer-engagement marketing

Making the brand a meaningful part of customers’ conversations and lives by fostering direct and continuous customer involvement in shaping brand conversations, experiences, and community.

Customer brand advocacy

Actions by which satisfied customers initiate favorable interactions about a brand with others.

Beyond simply posting a humorous video, creating a social media page, or hosting a blog, successful engagement marketing requires making relevant and genuine contributions to targeted customers' lives and interactions. Consider how iconic guitar maker Fender made a comeback based not just on selling guitars but on enhanced customer engagement.¹⁴

Wrap your mind around these statistics: Five years ago, more than 45 percent of all guitars Fender sold went to a new player. But 90 percent of its customers quit within three months of starting to play. The 10 percent who stuck with it generated an average customer lifetime value of more than \$10,000—buying multiple guitars, amps, and other hardware over time. These statistics highlighted a key insight: “We don’t have a problem attracting new entrants,” said Fender’s CEO. “We have a member retention issue.” More than just selling guitars, Fender needed to engage guitar buyers to keep them passionate about playing the guitar and relentlessly focused on getting better at it.

So the company launched Fender Play, an online and app-based learning platform that systematically teaches people at novice to moderate skill levels how to play a guitar well—or at least better. Fender Play lets learners strum along with their favorite artists, generates instant feedback, and scores their songs and riffs so that they can gauge their progress on their path to improvement. It provides backing tracks so that learners can feel like they are jamming with a band. To date, Fender Play membership has soared to more than 1 million subscribers, with a nearly 95 percent retention rate. Learners have taken more than 55 million tutorials, drawing from an inventory of more than 3,000 available lessons. And as they get better at playing the guitar, learners return to Fender to buy better or different kinds of guitars, more sophisticated amps, and other equipment—just about anything that can help every strum and riff sound even better. Fender Play subscribers spend 43 percent more on average than nonsubscribers.



Engaging customers: More than just selling guitars, iconic guitar maker Fender’s app—Fender Play—engages customers to keep them passionate about getting better at playing the guitar. Fender Play subscribers spend 43 percent more on average at Fender than nonsubscribers.

Westend61 GmbH/Alamy Stock Photo; BELL Art/Shutterstock

Customer-Generated Marketing

One form of customer-engagement marketing is **customer-generated marketing**, by which customers themselves help shape their own brand experiences and those of others. This might happen through uninvited customer-to-customer exchanges in social media, blogs, online review sites, and other digital forums. But increasingly, companies themselves are inviting customers to play a more active role in shaping products and brand content.

Many companies, including cookie maker Oreo, T-shirt maker Threadless, and toymaker LEGO, ask customers for new product and service ideas. Other companies invite customers to play a role in shaping ads and social media content. For example, as part of its “Get Crackin’” campaign, Wonderful Pistachios ran ads inviting fans and TikTok influencers to post videos showing creative ways to open pistachios—the winner received \$10,000 and a one-year supply of pistachios. Under its “Create Real Magic” campaign, Coca-Cola opened a “digital sandbox” website where people could use generative AI tools to create Coca-Cola-related artwork using the brand’s iconic visual assets—the contour bottle, script logo, and its Santa Claus and polar bear figures. The best pieces were featured on billboards in New York’s Times

Customer-generated marketing

Brand exchanges created by customers themselves—both invited and uninvited—by which customers play a role in shaping their own brand experiences and those of other customers.



Customer-generated content: Wonderful Pistachios invited fans to post videos showing creative ways to crack open pistachios—the winner received \$10,000 and a one-year supply of pistachios.

The Wonderful Company LLC

Square and London's Piccadilly Circus. And to propel the launch of *Barbie: The Movie*, Mattel launched an AI-powered Barbie Selfie Generator page. Using a smartphone, a fan could take a self-portrait, position it next to Barbie (or Ken) in either a Corvette or a Poster setting, and share the image with their social networks. This simple but effective platform for customer-generated content added to the buzz surrounding the movie and remains an active destination for Barbie fans.¹⁵

Despite the successes, however, harnessing customer-generated content can be time-consuming and costly, and companies may find it difficult to mine even a little gold from all the content submitted. Moreover, customer participation and cocreation can backfire. For example, Australian airline Qantas's social media team once asked customers to share their #QantasLuxury "dream luxury inflight experience." It seemed like a good idea, but it was launched just one day after the airline had grounded its fleet and locked out staff for 48 hours over a union pay dispute. Needless to say, staff and customers went into full bashtag mode on X (formerly Twitter).

Customer brand engagement—whether invited by marketers or not—will be an increasingly important marketing force. Customers and the broader public are playing a growing role in shaping their own and other customers' brand experiences through a profusion of videos, shared reviews, mobile apps, blogs, and websites. Brands must embrace such customer empowerment and master digital and social media relationship tools—or risk being left behind.

Partner Relationship Management

When it comes to creating customer value and building strong customer relationships, today's marketers know that they can't do it alone. Instead, marketers must be good at **partner relationship management (PRM)**—working with others inside and outside the company to jointly engage and bring more value to their customers.

Traditionally, marketers have been largely charged with managing the customer interface. In today's more connected world, other functional areas in the organization can interact with customers. Firms must align all areas with the cause of creating customer value. At the same time, firms must be careful to not overwhelm customers with too many contacts across areas.

Marketers must also partner with suppliers, channel partners, and others outside the company. Marketing channels consist of distributors, retailers, and others who connect the company to its buyers. The supply chain describes a longer channel, stretching from raw materials to components to final products that are carried to final buyers. Through supply chain management, companies today are strengthening their connections with partners all along the supply chain. They know that their profits depend on how well their entire supply chain performs against competitors' supply chains.

Partner relationship management (PRM)

Working closely with partners in other company departments and outside the company to jointly bring greater value to customers.

Author Comment

Look back at Figure 1.1. In the first four steps of the marketing process, the company creates value for target customers, engages them, and builds strong relationships with them. If it does that well, it can capture value from customers in return, in the form of loyal customers who buy and advocate for the company's brands.

Capturing Value from Customers

The first four steps in the marketing process outlined in Figure 1.1 involve engaging customers and building customer relationships by creating and delivering superior customer value. The final step involves capturing value in return in the form of sales, market share, advocacy, and profits. By creating superior customer value, the firm creates satisfied customers who stay loyal, buy more, and advocate the brand to others. This, in turn, means greater long-run profits for the firm. Here, we discuss the outcomes of creating customer value: customer loyalty and retention, share of market and share of customer, and customer equity.

Creating Customer Loyalty and Retention

Good customer relationship management creates customer satisfaction. In turn, satisfied customers remain loyal and talk favorably to others about the company and its products. Even slight dissatisfaction can create an enormous drop in loyalty, especially when customer expectations are high and competitors are strong. Thus, customer relationship management must create not just customer satisfaction but also customer delight.

Keeping customers loyal makes good economic sense. In most cases, loyal customers spend more and stay around longer. Companies with highly loyal customer bases grow faster and deliver two to five times the shareholder returns compared to companies with shifting customer bases. Research also shows that it's five times cheaper to keep an existing customer than acquire a new one. In addition, customer defections can be costly. Losing a good customer means losing the entire stream of purchases that the customer would make over a lifetime of patronage. Here is a classic illustration of **customer lifetime value** at work:¹⁶

Stew Leonard Jr., who operates a highly profitable eight-store farm-fresh food chain in Connecticut, New Jersey, and New York, once said that he saw \$50,000 flying out of his store every time he saw a sulking customer. Why? Because his average customer spent about \$100 a week, shopped 50 weeks a year, and remained in the area for about 10 years. If this customer had an unhappy experience and switched to another supermarket, Stew Leonard's

Customer lifetime value

The value of the entire stream of purchases a customer makes over a lifetime of patronage.

lost \$50,000 in lifetime revenue. The loss could be much greater if the disappointed customer shared the bad experience with other customers and caused them to defect.

To keep customers coming back, Stew Leonard's has created what the *New York Times* called the “Disneyland of Dairy Stores,” complete with costumed characters, scheduled entertainment, a petting zoo, and animatronics throughout the store. From its humble beginnings as a small dairy store in 1969, Stew Leonard's grew at an amazing pace. It's built 30 additions onto the original store. All eight stores serve about 300,000 customers per week. This legion of loyal shoppers is largely a result of the store's passionate approach to customer service. “Rule #1: The customer is always right. Rule #2: If the customer is ever wrong, reread Rule #1.”

Customer lifetime value looks beyond the profitability of any given transaction and emphasizes the long-term value of a customer or customer segment to the company over the lifetime of their relationship. In fact, a company can lose money on a specific transaction but still benefit greatly from a long-term relationship. This means that companies must aim high in building customer relationships. Customer delight creates an emotional relationship with a brand, not just a rational preference. And that relationship keeps customers coming back.



Courtesy of Stew Leonard's

Customer lifetime value: Stew Leonard's keeps customers coming back. As noted on its “Customer Service Commitment Rock”: “Rule #1: The customer is always right. Rule #2: If the customer is ever wrong, reread Rule #1.”

Growing Share of Customer

Beyond simply retaining good customers to capture customer lifetime value, good customer relationship management can help marketers increase their **share of customer**—the share they get of the customer's purchasing in their product categories. Thus, banks want to increase “share of wallet.” Supermarkets and restaurants want to get more “share of stomach.” Car companies want to increase “share of garage” and airlines want greater “share of travel.”

To increase share of customer, firms can offer greater variety to current customers. Or they can create programs to cross-sell and up-sell more products and services to existing customers. For example, Uber started off as a simple ride-sharing service but has steadily innovated to offer customers an ever-wider range of transportation opportunities:¹⁷

At Uber's core is UberX—a simple ride service from source to destination. But Uber quickly recognized that other opportunities awaited. It launched UberX Share, which let customers share a ride with a co-rider, reducing both the ride's price and its per-capita carbon footprint. Or, for the price, customers could upshift to a more comfortable or luxurious ride with Uber Comfort or Uber Black. If a customer needed to travel only a few city blocks and thought a car wasn't needed, they could zip across on an Uber Scooter while enjoying the fresh air. In large cities with sprawling public transit systems—such as the DART system in Dallas, Texas—customers can use Uber to connect with the transit system over the “last mile,” managing their commute predictably and efficiently door-to-door on a single app. And when a tired customer comes home in the evening and flops down on the couch, they can just whip out the Uber Eats app and order food delivered from their favorite restaurant. Thus, Uber has increased its share of customer by systematically capturing new opportunities to make its customers' transportation lives easier. Don't be surprised if Uber introduces something akin to “UberAir”—covering helicopter-based intra-city transport and efficient private plane rides for individuals or small groups traveling between cities, avoiding the pains associated with both driving and conventional airports.

Building Customer Equity

We can now see the importance of not only acquiring customers but also keeping and growing them. Customer relationship management takes a long-term view. Companies want to not only create profitable customers but also keep them for life, earn a greater share of their purchases, and capture their customer lifetime value.

What is Customer Equity?

The value of a company comes from the value of its current and future customers. The ultimate aim of customer relationship management is to produce high customer equity.¹⁸ **Customer equity** is the total combined customer lifetime values of all of the company's current and potential customers. As such, it's a measure of the current and

Share of customer

The portion of the customer's spending in its product categories that a company captures.

Customer equity

The total combined customer lifetime values of all of the company's customers.

future value of the company's customer base. Clearly, the more loyal the firm's profitable customers, the higher its customer equity. Customer equity may be a better measure of a firm's performance than current sales or market share. Whereas sales and market share reflect the past and present, customer equity looks to the future. Consider Levi Strauss & Co.:¹⁹

In 1873, Levi Strauss and Jacob Davis crafted the first pair of "blue jeans," aimed at serving hardworking people. Over the next century, Levi's became America's uniform, "worn by miners, cowboys, rebels, rock stars, presidents, and everyday people." Revenues were solid and the brand's future looked rosy. However, measures of brand equity would have painted a bleaker picture. Moving into the twenty-first century, denim was losing its appeal as a "cool" fabric, especially among younger consumers. To counter slumping revenues and rebuild its customer base, in 2009 Levi Strauss launched a youth-oriented campaign called "Go Forth." But for young Americans, burnt out by the Great Recession, the campaign struck an unrealistically upbeat tone, and the campaign went nowhere.

However, Levi Strauss's quest to deepen its customer base and strengthen its brand equity gained inspiration when one fan noted that "you wear other jeans, but you live in Levi's." The theme that emerged—"Live in Levi's"—became the centerpiece of a rebranding campaign. The now-decade-long campaign features a broad range of people living their lives to the fullest in their Levi's—people young and old, outdoor workers, office managers, walkers, skateboarders, students, shoppers, and motorcyclists—that is, everybody. It positions Levi's as the "unofficial uniform for progress." At the same time, Levi Strauss reinvented its products to the new times. It developed a Commuter line that was popular with cyclists, skateboarders, and motorcyclists. It introduced four-way stretch jeans that regained market share from athleisure brands. It even rethought its legacy trucker jacket, building in technology that lets wearers control their phones from a button on the wrist. Today, Levi Strauss is back, with revenues near all-time highs. The moral: Brands should not just rest on past and current sales and profits. Future-looking customer lifetime value and customer equity are the name of the game.

Building the Right Relationships with the Right Customers

Companies should view customers as assets that need to be managed so that their value is maximized. But not all customers, not even all loyal customers, are good investments. Surprisingly, some loyal customers can be unprofitable, and some disloyal customers can be profitable. Which customers should the company acquire and retain?

The company can classify customers according to its potential profitability and manage its relationships with them accordingly. **Figure 1.5** classifies customers into one of four relationship groups, according to their profitability and projected loyalty.²⁰ Each group requires a different relationship management strategy. *Strangers* show low potential profitability and little projected loyalty. There is little fit between the company's offerings and their needs. The relationship management strategy for these customers is simple: Don't invest anything in them; try to make money on every transaction.

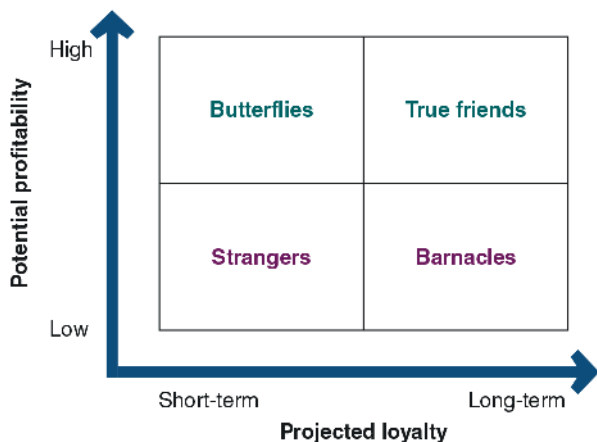
Butterflies are potentially profitable but not loyal. There is a good fit between the company's offerings and their needs. However, like real butterflies, we can enjoy them for only a short while and then they're gone.

An example is stock market investors who trade shares often and in large amounts but who enjoy hunting out the best deals without building a regular relationship with any single brokerage company. Efforts to convert butterflies into loyal customers are rarely successful. Instead, the company should enjoy the butterflies for the moment. It should create satisfying and profitable transactions with them, capturing as much of their business as possible in the short time during which they buy from the company. Then it should move on and cease investing in them until the next time around.

True friends are both profitable and loyal. There is a strong fit between their needs and the company's offerings. The firm wants to make continuous relationship investments to delight these customers and engage, nurture, retain, and grow them. It wants to turn true friends into true believers, who come back regularly and tell others about their good experiences with the company.

Consider how American Airlines uses its AAdvantage Frequent Flyer program to reward its most loyal and profitable customers:²¹

Figure 1.5 Customer Relationship Groups



Depending on how much they spend and fly each year, American Airlines AAdvantage members can earn different levels of membership—Gold, Platinum, Platinum Pro, Executive Platinum, and ConciergeKey. Executive Platinum and ConciergeKey members—who represent the highest levels of the airline’s “true friends”—receive auto-requested complimentary upgrades (when available) on all domestic flights, complimentary upgrades on award tickets, free companion upgrades, priority check-in at airports, three free checked bags, complimentary same-day flight changes, free lounge access during global travel, a free snack and alcoholic drink even when traveling in economy class, discounted American lounge membership rates, and other benefits. Beyond those perks, ConciergeKey members are even escorted to and from the plane and lounges at airports, transported on-ramp between planes, and chauffeured on dedicated ConciergeKey carts at some airports. Customers can attain membership levels in a variety of ways, including spending on an American-branded credit card, staying at partner hotels, and purchasing online through the American Airlines portal. Thus, even as AAdvantage promotes customer loyalty, it allows American to profit from multiple revenue streams.



Ian Dagnall/Alamy Stock Photo

Customer relationship groups: The American Airlines AAdvantage goes above and beyond in rewarding its “true friends” customers—those most loyal and profitable to the company.

Barnacles are highly loyal but not profitable. Barnacles are perhaps the most problematic customers. There is a limited fit between their needs and the company’s offerings. An example is smaller bank customers who bank regularly but do not generate enough returns to cover the costs of maintaining their accounts. Yet, being long-term customers, they often ask for and absorb a lot of time and attention, taking away from efforts that would otherwise be spent on developing and nurturing true friends. Like barnacles on the hull of a ship, they create drag and reduce profitability. The company might be able to improve their profitability by selling them more, raising their fees, or reducing service to them. However, if they cannot be made profitable, barnacles should be “fired.”

For example, Best Buy offers an attractive returns policy. But a small segment of frequent customers abuses this policy. So it tracks and scores individual customer returns. The system identifies the shoppers whose behavior suggests returns abuse or fraud. A shopper who exceeds a certain score is informed that future returns will be denied, even if it means losing the customer. Many large retailers, including Amazon, have similar policies. “We want everyone to be able to use Amazon,” says Amazon, “but there are rare occasions where someone abuses our service over an extended period of time [causing us to] take action when appropriate to protect the experience for all our customers.”²²

The point here is important: Although pursuing customer satisfaction and loyalty is generally a good approach, some types of customers require different engagement and relationship management strategies. The goal is to build the right kinds of relationships with the right customers.

Linking the Concepts

We’ve covered a lot of ground. Again, pause for a moment and develop *your own* thoughts about marketing.

- In *your own words*, what *is* marketing, and what does it seek to accomplish?
- How well does Amazon manage its relationships with customers? What customer relationship management strategy does it use? What relationship management strategy does Walmart use?
- Think of a company for which you are a “true friend.” What strategy does this company use to manage its relationship with you?

Author Comment

Marketing doesn't take place in a vacuum. Now that we've discussed the five steps in the marketing process, let's look at how the ever-changing marketplace affects both consumers and the marketers who serve them. We'll look more deeply into these and other marketing environment factors in Chapter 3.

The Changing Marketing Landscape

1-5 Describe the major trends and forces that are changing the marketing landscape in this age of relationships.

Every day, dramatic changes are occurring in the marketplace. Richard Love of HP once observed, “The pace of change is so rapid that the ability to change has now become a competitive advantage.” Yogi Berra, the legendary New York Yankees catcher and manager, summed it up more simply when he said, “The future ain't what it used to be.” As the marketplace changes, so must those who serve it. A company may not be able to control changes in the market, but it can do a lot to adjust to such changes.

Change has always shaped the marketing world. But change has been accelerated in recent years by major disruptions, ranging from the rapid rise of digital technologies and a number of culture-changing social movements to major environmental challenges and the COVID-19 pandemic. Marketing in the age of disruption requires new thinking, strategies, and tactics. We will discuss the changing marketing environment in detail in Chapter 3. In this section, we examine four major developments that are changing the marketing landscape and challenging marketing strategy: the digital age, the growth of not-for-profit marketing, rapid globalization, and the call for sustainable marketing practices.

Marketing in the Digital Age

The digital age has fully exploded onto the marketing scene. Today, everything and everyone is digitally connected to everything and everyone else. Worldwide, there are now 4.9 billion smartphone users, 5.4 billion internet users, and 5 billion social media users. Global online users spend an average of 6.4 hours online daily. The explosive growth in digital technologies has fundamentally changed the way we live—how we communicate, share information, access entertainment, and shop. As a result, it has dramatically changed how marketers plan, design, and execute their strategies. Digital marketing spending now totals about \$700 billion per year globally, and global e-commerce runs about \$6 trillion annually.²³

Online, Mobile, and Social Media Marketing

The consumer love affair with digital technologies makes them fertile ground for marketers trying to engage customers. It's no surprise then that online, mobile, social media, and other digital technologies have become essential tools in every brand's marketing mix. **Online, mobile, and social media marketing** involves using digital marketing tools such as websites, social media, mobile ads and apps, online video, email, blogs, and other digital platforms to engage consumers anywhere, anytime via their computers, smartphones, tablets, internet-ready TVs, and other digital devices. These days, almost every company is reaching out to customers with multiple websites, Facebook pages, Instagram posts, shoppable TikTok content, viral ads and videos on YouTube, rich-media emails, and mobile apps that engage consumers, build relationships with them, and help them shop.

At the most basic level, marketers set up company and brand websites that provide information and promote the company's products. Many companies also set up online brand community sites, where customers can congregate and exchange brand-related interests and information. For example, beauty products retailer Sephora's Beauty Insider Community—“the world's largest beauty forum”—is a thriving online community where customers can ask questions, share ideas and reviews, post photos, and get beauty advice and inspiration from other enthusiasts.²⁴

Beyond brand websites, companies also integrate social and mobile media into their digital marketing mixes. It's hard to find a brand website, or even a traditional media ad, that doesn't feature links to the brand's social media sites. *Social media marketing* provides exciting opportunities to extend customer engagement and get people talking about a brand. It offers an ideal platform for *real-time marketing*, by which marketers can engage consumers in the moment by linking brands to important trending topics, real-world events, causes, personal occasions, or other happenings in consumers' lives.

Online, mobile, and social media marketing

Using digital marketing tools such as websites, social media, mobile apps and ads, online video, email, and blogs to engage consumers anywhere, at any time, via their digital devices.



Manuel Esteban/Shutterstock; Eyal Dayan Photography

Online brand communities: Sephora's Beauty Insider Community is a thriving online community where customers can ask questions, share ideas and reviews, post photos, and get beauty advice and inspiration from other enthusiasts.

Social media provide an ideal platform for real-time consumer engagement and building brand personality and community. For example, McDonald's generated millions of smiles and social media views across 50 countries, and more than 1,000 Instagram posts, with its Raise Your Arches campaign, which had customers raising their eyebrows to mimic the golden arches in its logo. Chocolate brand Cadbury's annual "Worldwide Hide" campaigns have thousands of egg hunters search for digital eggs hidden on Google Maps worldwide—the result was one of the biggest egg hunts ever and, of course, a great brand story. To introduce its new series *Wednesday*, a spin-off from *The Addams Family* series, Netflix arranged for a mechanical, disembodied hand to scutter through the streets of New York city, capturing video of startled reactions of walkers and commuters. The resulting video drew more than 40 million YouTube views. The list goes on. Today, social and digital media are a critical part of marketing, helping build and maintain customer engagement and relationships in ways that traditional media cannot match.²⁵

Mobile marketing is the fastest-growing digital marketing platform. Some 91 percent of U.S. shoppers make online purchases using their smartphones, and mobile commerce sales are expected to account for 62 percent of all retail sales by 2027.²⁶ Smartphones are ever present, always on, finely targeted, and highly personal. This makes them ideal for engaging customers anytime, anywhere as they move through the buying process. For example, Starbucks customers can use their mobile devices for everything from finding the nearest Starbucks and learning about new products to placing and paying for orders. In turn, Starbucks uses the data collected by the app about customer preferences and purchasing behaviors to craft personalized offers and discounts for individual customers. Nearly two-thirds of Starbucks customers use the mobile app and 31 percent of all orders in its stores are placed using the mobile app.

It's important to note that online, mobile, and social media technologies should not be stand-alone marketing efforts. They must be carefully integrated with each other and with non-digital efforts. Today's consumers routinely navigate across both the physical and digital worlds. They seek *omnichannel* brand experiences in which their brand engagement and buying span brick-and-mortar, online, mobile, social media, and other channels and platforms. Companies must integrate all of their marketing activities in an *omnichannel marketing* effort that helps customers to seamlessly navigate across channels at different stages of the customer journey, from initial awareness and engagement through purchase, loyalty, and brand advocacy.

Consider how Taco Bell integrates mobile marketing into its store operations through its app and its "Taco Bell Go Mobile" restaurant concept:²⁷

As part of its ongoing push to promote Taco Bell for breakfast, the chain uses carefully targeted mobile advertising to reach consumers just as they are starting their day. It targets mobile ads based on specific behaviors such as which apps consumers use first in the morning, their favorite news apps, or what time of day they've looked at a breakfast recipe. Taco Bell also targets mobile ads geographically using navigation and traffic apps such as Google's Waze to zero in on specific customer locations, even providing step-by-step directions to nearby stores. In these ways, Taco Bell can customize mobile ads to link customers to stores.

Taco Bell is further linking mobile marketing to its store operations through a new "Taco Bell Go Mobile" restaurant concept. It is opening new stores especially designed for customers ordering ahead through the Taco Bell mobile app. The Go Mobile stores are smaller, with separate priority drive-through lanes for customers who use the app to order and pay ahead. The stores are fitted with "smart kitchen" technology integrated with the app, which can detect when customers arrive and create a more seamless pickup experience. Taco Bell has also begun opening innovative "Taco Bell Defy" stores, two-story restaurants with four drive-through lanes running beneath and vertical lifts to transport Taco Bell menu items straight from the kitchen to drive-through fans.

Digital technologies have given rise to anytime-anywhere commerce and paved the way to new and richer types of customer interactions. Using a smartphone, a customer can check in to a flight while sitting on a sunny, white-sand beach 24 hours before the flight departs. They can order a gift on Amazon.com in the middle of the night and have it delivered to a friend in another city the next day. Using geofencing technology, companies can send personalized coupons to the phones of customers within a half-mile radius of their stores to encourage a store visit.

Many digital technologies are geared to just make life easier for customers, such as the "just walk



Ken Wolter/Shutterstock

Omnichannel marketing: Under its "go Mobile" concept, Taco Bell is now opening stores like this "Taco Bell Defy" store that integrate store drive-through with mobile ordering and pick up to create a seamless mobile customer experience.

out” technologies at Amazon Go stores. Others strengthen customer service experiences. For example, AI-powered chatbots can provide sophisticated, personalized services to customers, ranging from asking questions to accurately gauge customer needs to putting together solutions to address those needs. For example, homeowners’ and renters’ insurance provider Lemonade Insurance’s AI-powered chatbot, Maya, can craft a customized insurance policy for a new customer in as little as 90 seconds and can settle and pay out claims within three minutes, compared to multiple days or weeks traditional insurers take for these tasks.

Companies can now use digital technologies to engage customers with more realistic customer experiences. Augmented reality (AR) and virtual reality (VR) have opened the doors for the notion of a virtual “try before you purchase.” Customers can now use AR to see how a piece of IKEA furniture would look in their office or home or what a pair of Ray Bans would look like on them before deciding to buy. A customer planning a vacation can strap on an Apple Vision Pro headset and be immediately transported to the glaciers of Alaska or the sunny beaches of Jamaica. The customer can experience a walk through a suite in a resort, check out the view from the balcony, and even take a stroll around the pool area. These technologies anchor customer expectations, helping companies manage customer satisfaction—and therefore customer loyalty and profitability.

Artificial Intelligence (AI) and Big Data

With the explosion in digital technologies, marketers can now amass mountains of data. They are tapping information sources ranging from customer transactions to real-time data flowing from website and social media monitoring, smartphones, connected Internet of Things (IoT) devices, and many other sources. Brands can use such *big data* to gain deep customer insights, personalize marketing offers, and improve customer engagements and service.

To make sense of all this big data and use it to benefit their brands and customers, marketers are turning to ever-more-advanced technologies. One such technology, artificial intelligence (AI), has burst onto the marketing scene. **Artificial intelligence (AI)** involves technology that mimics the way humans think and learn to perform tasks that typically require human intelligence but much faster and with greater analytical capacity.

The use of AI is revolutionizing marketing by helping to automate many analytical and creative tasks that are typically done by humans but doing them faster, often better, and at lower costs. AI is being applied in almost every area of marketing. Here’s just a partial list of how marketers are using AI:

- **Data gathering, analysis, and insights.** AI can be used to quickly gather and analyze huge datasets to identify trends and patterns, providing insights that guide more effective marketing strategies and actions. AI enables “speed to insight,” providing real-time, actionable assessments of market trends and consumer behavior and preferences.
- **Customer engagement and personalization.** Marketers use AI to interact with consumers and create personalized customer engagements, marketing messages and offerings, recommendations, and brand experiences.
- **Idea generation.** AI can be used to generate new ideas and concepts, from new product ideas to marketing strategy ideation and brainstorming. For example, using its AI-powered Coke Creations platform, Coca-Cola can develop new product ideas in just weeks versus the 12 months it usually takes without AI.²⁸

Artificial intelligence (AI)
Technology that mimics the way humans think and learn to perform tasks that typically require human intelligence but much faster and with greater analytical capacity.



Hirun laowisit/Alamy Stock Photo

AI in marketing: AI is revolutionizing marketing by helping automate many analytical and creative tasks that are typically done by humans but doing them faster, often better, and at lower costs.

- **Marketing content creation.** Marketers use AI to create high-quality, original marketing content, ranging from advertising copy and images, video scripts, and website designs to personalized email, blog posts, and social media posts. With AI, marketers can create compelling, almost-human content at a fraction of the time and cost.
- **Customer service.** AI can be used to provide enhanced customer service and support, such as answering customer questions and resolving issues or routing customers to FAQs, tutorials, and videos. For example, AI-powered Chatbots and digital assistants can interact directly with customers to provide instant responses, personalized recommendations, and seamless customer support.

Despite these benefits, AI must be used with caution. AI will never completely replace human planning and thinking. AI responses are only as good as the queries that human planners make and their ability to turn the responses into effective actions. In the end, marketers must assess and use what AI reveals, making good decisions based on selected insights. But when properly used, AI can inspire and augment human creativity and critical thinking, greatly speed up the process, and enrich the outcomes. AI is now integral to the future of marketing decision making across the board. As one AI expert observes, “AI won’t replace humans—but humans with AI will replace humans without AI.”²⁹ We will discuss the fascinating developments in AI and marketing in detail throughout the text.

Companies need to embrace and integrate digital technologies into every aspect of their customer- and market-facing activity, from market research and product design to digital marketing and post-sale services. Global electronics and appliances giant Samsung is a leader in this area—pushing technology-driven innovation and change across the board (see Marketing at Work 1.2).

Marketing at Work 1.2

Samsung: Building Customer Value and Engagement in the Digital Age

Imagine stepping into metaverse platform Decentraland and visiting the Samsung 837X virtual store, an impressive digital version of the company’s flagship Samsung 837 retail experience store in New York City’s Meatpacking District. As you explore this immersive world, you’re drawn to the Connectivity Theater, where you learn about the latest Samsung technology and how it powers seamless connectivity. Next, you journey through the Sustainability Forest, a spectacular portal filled with millions of trees, symbolizing Samsung’s commitment to the environment. The adventure continues at the Customization Stage, where you join a mixed reality live dance party, feeling the energy of the crowd. Along the way, you complete quests and earn 837X Non-Fungible Token (NFT) badges, which you can cash in for discounts on Samsung products.

Whether you’re attending a live virtual event or exploring the latest Samsung products, every moment at Samsung 837X is a step further into the future of digital interaction. And you can share every moment of the experience with your social network. Samsung 837X is about more than just showcasing products. It’s about building a community of Samsung brand enthusiasts and offering customers a unique space to connect, share, and discover all things Samsung.

Digital technologies have revolutionized marketing, ushering in an era where personalized, digitized, data-driven strategies pervade the customer experience. Gone are the days of one-size-fits-all marketing. Now, marketers can leverage cutting-edge tools to understand their audiences’ desires and behaviors like never before. From social media platforms and specialized apps to artificial intelligence and big data analytics, digital technologies are empowering brands to craft campaigns that resonate deeply with customers and engage them on a personal level. Samsung is at the vanguard of this digital revolution, pioneering new ways to build customer engagement and value.

Once overshadowed by Sony, in 2013 Samsung made a bold decision that would redefine its future—it would lead in the market rather than follow. This marked a key point in Samsung’s

transformation from a manufacturer of budget-friendly products to a pioneer of groundbreaking technology. Samsung brought in new, forward-thinking managers and designers who would aim not just to make a Samsung product functional but to “Make it Meaningful.” As the Head of Samsung’s Design Strategy Team noted, more than just functional products, Samsung would create “new and meaningful product-service experiential value and lifestyles for customers, thereby going beyond exterior style and convenient use.”

Samsung embarked on this journey by harnessing new-age digital technologies to craft compelling narratives around its products, making them not just pieces of technology but indispensable companions in their customers’ daily lives. The company developed a broad and impactful social media presence to create crucial customer-brand touchpoints, share product updates, and foster meaningful connections.

On platforms such as Instagram and Facebook, Samsung is not just active; it’s interactive. The company’s official Instagram community page, @samsungwithgalaxy, boasts 4.8 million followers. It serves as a hub where Samsung creators engage in open-minded social listening. This helps them connect deeply with the customer community, understand customer interests, and deliver content that resonates with customers. Samsung then creates diverse content that fosters customer engagement—from product review videos and unboxing reels to static posts, brand stories, and user-generated content.

For example, Samsung’s @samsungwithgalaxy account is designed to foster a community of Samsung Galaxy mobile device users who are enthusiastic about photography and videography. The platform showcases user-generated content while serving as a feedback loop for Samsung, allowing the company to understand what features are most appreciated and could be enhanced in future product iterations. The account helps build demand for new devices while ensuring that the devices meet or exceed customer expectations.

Samsung’s omnichannel presence lets the brand meet customers wherever and whenever they choose to interact.

(continued)

It blends the digital and physical worlds to offer consumers a collaborative environment where they can participate in the value creation process. From Samsung KX—the brand's large flagship physical/digital experience space in Kings Cross, London, where consumers can immerse themselves in Samsung technology, culture, and community—to live broadcasts and virtual events, Samsung delivers customer experiences that drive stronger brand connections and loyalty.

Samsung's Live Virtual Assistant has revolutionized the way customers interact with the brand. The video-powered app provides virtual customer consultations, blending digital buying and troubleshooting with human interaction. Using the assistant, customers can connect with Samsung Experience Store experts from the convenience of their homes or anywhere else. They can explore a range of Samsung products and receive expert advice and demonstrations to help support their purchasing decisions. A recent addition to this service is the "Add to Basket" feature, where the Samsung Experience Store expert can add items to the customer's cart so they can review and complete their order at their convenience.

Samsung also uses virtual reality (VR) and augmented reality (AR) technologies to enhance customers' experiences with the brand and community. For example, Samsung collaborated with NASA to create an immersive 4D lunar gravity VR experience in its flagship New York store. The campaign, titled "A Moon for All Mankind VR," gave participants a realistic moon landing experience. Customers would step into a flight suit and harness, put on a Samsung Gear VR headset, and immerse themselves in a visual and physical experience that recreated a moon mission. Such collaborations build Samsung's digital brand credibility.

Likewise, a Samsung AR-based campaign combined Snapchat's AR try-on feature with Samsung's new AR ear and wrist tracking technology, allowing customers to view and virtually try on new smartphone, watch, and earphone devices. During the immersive digital experience, consumers could purchase the devices directly in-app using a shopping button.



ZUMA Press, Inc./Alamy Stock Photo

Samsung has systematically harnessed the power of digital technologies, creating exciting new ways to build customer value, engage customers, and make Samsung a part of customers' lives.

Thus, Samsung provided customers with an 'experience to believe' option that helped them realize the benefits of the products before purchasing them.

Samsung is also investing heavily in artificial intelligence technologies that enable people to experience their Samsung devices more intuitively and conveniently. Samsung is at the cutting-edge when it comes to smart devices and Internet of Things (IoT) products. Consider the state-of-the-art Samsung television—the Neo QLED 8K QN900D—that boasts a built-in AI processor. This sophisticated processor automatically upscales low-resolution content to 8K quality, creating a much better customer viewing experience. It also sharpens fast-moving images via AI Motion Enhancer Pro. Further, the TV features Active Voice Amplifier Pro, which analyzes voice and background noise in the viewing room and uses AI to optimize the TV listening experience in real time.

Likewise, consider Samsung's AI-powered SmartThings ecosystem. SmartThings now serves close to 300 million customers by extending the functionality of everyday Samsung devices, from home security systems and TVs to washing machines and refrigerators, allowing them to interact with customers. SmartThings devices operate with unprecedented intelligence and create personalized customer experiences—all while being controlled by the customer using just one app. For example, the Samsung Family Hub transforms a humble refrigerator into a smart home hub where families can share notes, view calendars, and even see inside their fridge remotely through their smartphones.

Samsung is also moving aggressively on using digital technology to market its products. For example, to fuel the Samsung Galaxy S22 and Samsung Z Series foldable phone marketing campaigns, the company identified a diverse global group of more than 50 influencers, ranging from technology experts and lifestyle bloggers to social activists and celebrities—including the likes of homeware designer Matilda Goad, education champion Sarah Langa, fashion and lifestyle entrepreneur Abisola Omole in the UK, and environmentalist Ulrich Janse van Vuuren in Africa. Samsung worked with the influencers to develop engaging digital content that showcased the benefits of Samsung's new products and how they fit seamlessly into customers' daily lives. The influencers were the heroes of the campaign, sharing their personal stories of how Samsung's new products enabled them to go beyond what was good enough and explore new possibilities. The campaign resulted in 146 collaborations with the influencers, who created 1,574 pieces of digital content that generated 19.7 million impressions and significant brand engagement.

Overall, Samsung represents a gripping story of how a company can thrive in the fast-moving world of digital technology. Samsung has systematically harnessed the power of technology to create and deliver greater customer value. At the same time, the company has excelled in using technology to market its offerings, creating exciting new ways to engage customers with the brand and make Samsung a part of their lives.³⁰

As we have seen, technology has opened up new ways to shape and deliver customer value, manage customer journeys and relationships, and increase customer profitability. Yet we are just at the beginning of what is possible. In the coming years, look for advances in technologies related to artificial intelligence (AI), smart sensors and devices, digital networking, big data analytics, augmented and virtual reality (AR/VR), robotics, and automation to usher in an even braver and newer world of marketing.

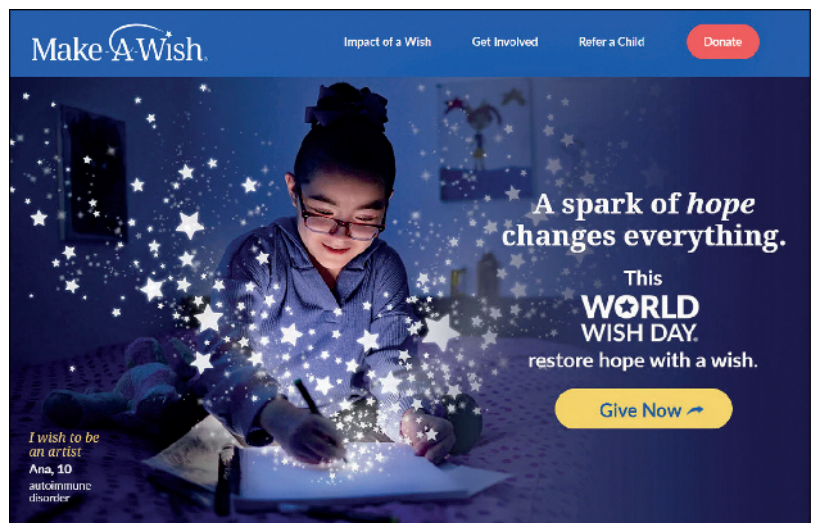
The Growth of Not-for-Profit Marketing

In recent years, marketing has also become a major part of the strategies of many not-for-profit organizations, such as colleges, hospitals, museums, zoos, symphony orchestras, foundations, and even churches. The nation's not-for-profits face stiff competition for support and membership. Sound marketing can help them attract membership, funds, and support. For example, consider the not-for-profit Make-A-Wish Foundation.³¹

Make-A-Wish® has a powerful mission: “Together, we create life-changing wishes for children with critical illnesses.” The organization works with volunteers, donors, and supporters with the lofty goal of meeting the wish of every child with a critical illness. Make-A-Wish operates in 50 countries worldwide and never bills families for wishes fulfilled. Granting wishes uplifts these children’s spirits and provides hope for the future.

However, fulfilling the average wish can cost more than \$10,000. So Make-A-Wish has to market its mission well to keep contributions rolling in. Its most potent marketing tools are the moving stories of children in great need whose lives have been uplifted when their wishes were fulfilled. Make-A-Wish does a wonderful job of marketing through these stories—on its websites, through its ads, and through its robust presence on social media platforms ranging from Facebook to LinkedIn. Make-A-Wish works with volunteers to host a wide variety of fundraising events ranging from annual galas to fashion shows and special movie screenings. And the organization garners the support of corporate partners, including “Mission Champion” Disney, which contributes more than \$5 million annually, and multiple “Wish Champions” such as Avis, Subaru, and Southwest that contribute more than \$1 million annually.

Make-A-Wish marketing efforts produce amazing results. In a typical year, the organization raises more than \$400 million and grants more than 16,000 wishes within just the United States. Since its founding in 1980, Make-A-Wish has granted more than 375,000 wishes to children in the United States and more than 858,000 wishes globally.



Not-for-profit marketing: Make-A-Wish® skillfully markets its mission to “create life-changing wishes for children with critical illnesses.” Since its founding, Make-A-Wish has fulfilled more than 585,000 wishes worldwide to children at dark times in their lives, bringing them welcome rays of light and hope that can play an important part in their healing.

Government agencies have also shown an increased interest in marketing. The U.S. military has a marketing plan to attract recruits to its different services. Various government agencies are now designing social marketing campaigns to encourage energy conservation and concern for the environment, drive participation in census counts, or discourage smoking, illegal drug use, and junk food consumption. Even the once-stodgy U.S. Postal Service has developed innovative marketing to sell commemorative stamps, promote Priority Mail services, and lift its image as a contemporary and competitive organization. In all, the U.S. government spends over \$1 billion on advertising each year.³²

Rapid Globalization

Today, almost every company is influenced in some way by global competition. A neighborhood florist may buy its flowers from Mexican nurseries, and a large U.S. electronics manufacturer may compete in its home markets with giant Asian rivals. A fledgling internet retailer may find itself receiving orders from all over the world at the same time that an American consumer goods producer introduces new products into emerging markets abroad.

Companies such as Toyota, Nestlé, and Samsung have often outperformed their U.S. competitors in American markets. At the same time, quintessentially American McDonald’s now serves 70 million customers daily in more

than 41,500 local restaurants in more than 119 countries and territories worldwide—59 percent of its corporate revenues come from outside the United States. Similarly, Nike markets in 190 countries, dominating many of those sports footwear markets, with non-U.S. sales accounting for 60 percent of its worldwide sales.³³ Beyond just selling their existing products globally, today's companies are sourcing supplies from abroad and developing specialized new products for markets around the world.

Thus, managers in countries around the world are increasingly taking a global, not just local, view of the company's industry, competitors, and opportunities. They are asking: What is global marketing? How does it differ from domestic marketing? How do global competitors and forces affect our business? To what extent should we “go global”? We will discuss the global marketplace in more detail in Chapter 15.

Sustainable Marketing: The Call for More Environmental and Social Responsibility

Today's consumers expect marketers to be socially and environmentally responsible, and these expectations will likely grow in the future. In response, marketers are reexamining their social responsibilities and their relationship with the very earth that sustains us. Some companies resist these pressures, budging only when forced by legislation or organized consumer outcries. But most companies now view sustainable marketing as an opportunity to do well by doing good. They seek ways to profit by serving immediate needs and the best long-run interests of their customers and communities.

Some companies, such as Patagonia, Warby Parker, Ben & Jerry's, and others, practice *caring capitalism*, setting themselves apart by being civic minded and responsible. They build social and environmental responsibility into their company value and mission statements. For example, Ben & Jerry's, a division of Unilever, has long prided itself on being a “values-led business,” one that creates “linked prosperity” for everyone connected

to the brand—from suppliers to employees to customers and communities.³⁴

Under its three-part mission, Ben & Jerry's wants to make fantastic ice cream (product mission), manage the company for sustainable financial growth (economic mission), and use the company “in innovative ways to make the world a better place” (social mission). Ben & Jerry's backs its mission with actions. For example, the company is committed to using wholesome, natural, non-GMO, fair-trade-certified ingredients and buys from local farms. It employs business practices “that respect the earth and the environment,” investing in wind energy, solar usage, travel offsets, and carbon neutrality. Its Caring Dairy program helps farmers develop more sustainable practices on the farm (“Caring Dairy means happy cows, happy farmers, and a happy planet”). The Ben & Jerry's Foundation awards nearly \$2 million annually in grassroots grants to community service organizations and projects in communities across the nation. Ben & Jerry's also operates 14 PartnerShops, scoop shops that are independently owned and operated by community-based not-for-profit organizations. The company waives standard franchise fees for these shops.



Sustainable marketing: Ben & Jerry's three-part “linked prosperity” mission drives it to make fantastic ice cream (product mission), manage the company for sustainable financial growth (economic mission), and use the company in “innovative ways to make the world a better place” (social mission). Both Ben & Jerry's and its products are “Made of Something Better.”

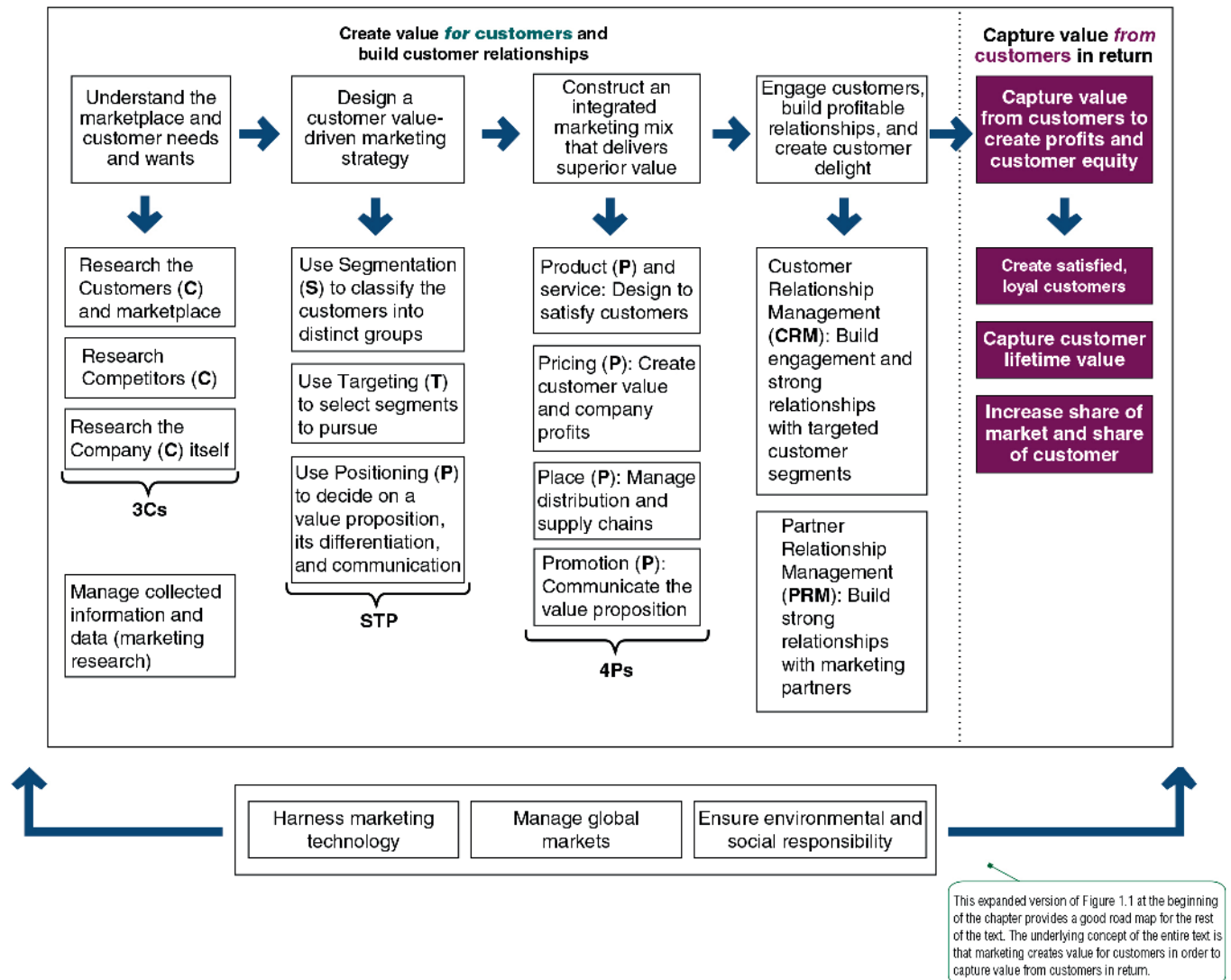
Author Comment

Remember Figure 1.1 outlining the marketing process? Now, based on everything we've discussed in this chapter, we'll expand that figure to provide a road map for learning marketing throughout the remainder of the text.

Sustainable marketing presents both opportunities and challenges for marketers. We will revisit the topic of sustainable marketing in greater detail in Chapter 16.

So What is Marketing? Pulling It All Together

At the start of this chapter, Figure 1.1 presented a simple model of the marketing process. Now that we've discussed all the steps in the process, **Figure 1.6** presents an expanded model that will help you pull it all together. What is marketing? Simply put, marketing is the set of strategies and activities by which companies acquire and engage

Figure 1.6 An Expanded Model of the Marketing Process

customers, build strong customer relationships, and create superior customer value in order to capture value from customers in return—usually with the goal of maximizing long-term profitability. The goal can vary by the type of organization. While for-profit organizations will seek to maximize long-term profitability, a not-for-profit organization may seek to maximize donations that it can put to work to advance a cause, and an advocacy organization may seek to influence public policy.

The first four steps of the marketing process focus on creating value for customers. The company first gains a full understanding of the marketplace by deeply understanding the key players: *customers*, the *competition*, and its own self as a *company*—together, these entities are referred to as the 3Cs. Rigorous marketing research is often key to gaining such an understanding. The company then designs a customer value-driven marketing strategy based on the answers to two simple questions.

The first question is “What consumers will we serve?” Answering this question calls for effective market *segmentation*—breaking up the marketing into distinct groups of customers with similar within-group needs, and *targeting*—choosing which customer segments to serve. Successful marketers know that they need to focus their resources on the customers they can serve best and most profitably. The second marketing strategy question is “How can we best serve targeted customers?” The answer to this question involves effective *positioning*—carving out a unique space for the brand in the minds of customers. But strong positioning is rarely all about perceptions. Instead, it is driven by real differentiation of the offering from those of competitors. Together, this segmentation, targeting, and positioning formulation stage is often referred to as STP.

With its core marketing strategy chosen, the company now constructs an integrated marketing mix consisting of a blend of the four mix elements—the four Ps—that transforms the marketing strategy into real value for

customers. The company develops *product* offerings and creates strong brand identities for them. It *prices* these offers to create real customer value. It distributes or *places* the offers to make them available to target consumers. Finally, the company designs *promotion* programs that engage target customers, communicate the value proposition, and persuade customers to act on the market offering. The marketing mix must always be designed so that the four components work together to support the chosen positioning.

With these elements in place, perhaps the most important step in the marketing process involves engaging target customers and building value-laden, profitable relationships with them. Throughout the process, marketers practice customer relationship management to create customer satisfaction and delight. They engage customers in the process of creating brand conversations, experiences, and community. In creating customer value and relationships, however, the company cannot go it alone. It must work closely with marketing partners both inside the company and throughout its marketing system. Thus, beyond practicing good customer relationship management (CRM) and customer-engagement marketing, firms must also practice good partner relationship management (PRM).

The first four steps in the marketing process create value for customers. In the final step, the company reaps the rewards of its strong customer relationships by capturing value from customers. Delivering superior customer value creates highly satisfied customers who will buy more, buy again, and advocate for the brand. This helps the company capture customer lifetime value and a greater share of the customer's spending. The result is increased long-term customer equity for the company.

Pulling it all together, great marketing companies excel at first deeply understanding the key players (the 3Cs). They then design a strong core marketing strategy built around effective segmentation, targeting, and positioning (STP). An integrated marketing mix of product, price, place, and promotion (the 4Ps) supports the chosen targeting and positioning. Finally, the company engages target customers and builds strong, value-laden, and profitable long-term customer relationships (CRM). In return, it captures value from customers.

In the face of today's changing marketing landscape, companies must consider three additional factors. In engaging customers and building customer and partner relationships, they must harness marketing technologies in the new digital age, take advantage of global opportunities, and ensure that they act in a socially and environmentally sustainable way.

Figure 1.6 provides a good road map for future chapters of this text. Chapters 1 and 2 introduce the marketing process, with a focus on building customer relationships and capturing value from customers. Chapters 3, 4, and 5 address the first step of the marketing process—understanding the marketing environment, managing marketing information, and understanding consumers, business buyers, and competitors. In Chapter 6, we look more deeply into the two major marketing strategy decisions: selecting which customers to serve (segmentation and targeting) and determining a value proposition (differentiation and positioning). Chapters 7, 8, 9, 10, 11, 12, and 13 discuss the marketing mix variables—the four Ps—in turn. Chapters 14, 15, and 16 examine special marketing considerations: digital marketing, global marketing, and sustainable marketing.

Developing Skills for Your Career

Marketing is an exciting, fast-changing discipline that offers a wide range of rewarding careers. See Appendix 4, *Careers in Marketing*, to see if one of these careers is right for you. But even if you're not planning a career in marketing or business, the lessons you learn in this course will help you in whatever career you choose and in your life. You will acquire and apply many of the skills that employers have identified as critical to success in the workplace, which will contribute to your employability. Ultimately, good marketing managers are also good general managers.

In studying this text, you'll sharpen your *critical-thinking* and *problem-solving* skills as you learn about and assess marketing strategies, tactics, and issues. You'll expand your persuasive *communication* skills as you study and report on how marketers create advertising, digital, social media, and other promotional campaigns that engage consumers and create brand relationships. You'll see how *technology and marketing analytics*, including developments related to *artificial intelligence (AI)* are dramatically reshaping the marketing world and apply some of these technologies in completing your own analyses of marketing problems. You'll learn the importance of *collaboration and teamwork* as you see how marketers work closely with others on their marketing teams and with managers in other company areas to develop overall organizational strategies and tactics. And you'll learn more about *business ethics and social responsibility*, from sections in the very first chapter through the final chapter on sustainable marketing.

During the course, your professors will help you to improve your critical thinking, analytical, communication, presentation, and teamwork skills through meaningful assignments, perhaps from the end-of-chapter exercises, cases, or appendixes in this text. Finally, beyond business applications, you'll see that marketing applies to your life more generally. For the rest of your life, you will be marketing yourself to others—championing your “personal brand.” In fact, a favorite tactic of some employers during job interviews is to give you this challenge: “Pretend you are a product and market yourself to me.” After taking this course and studying this text, you should have ready answers.

Reviewing and Extending the Concepts

Chapter Review and Key Terms

Objectives Review

Today's successful companies—whether large or small, for-profit or not-for-profit, domestic or global—share a strong customer focus and a heavy commitment to marketing. The goal of marketing is to engage customers and manage profitable customer relationships.

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

Marketing is the set of strategies and activities by which companies acquire and engage customers, build strong customer relationships, and create superior customer value in order to capture value from customers in return. The marketing process involves five steps. The first four steps create value for customers. First, marketers need to understand the marketplace and customer needs and wants. Next, marketers design a customer value-driven marketing strategy with the goal of getting, engaging, and growing target customers. In the third step, marketers construct a marketing mix that actually delivers superior value. All of these steps form the basis for the fourth step: engaging customers, building profitable customer relationships, and creating customer delight. In the final step, the company reaps the rewards of strong customer relationships by capturing value from customers.

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

Outstanding marketing companies go to great lengths to learn about and understand their customers' needs, wants, and demands. This understanding helps them to design want-satisfying market offerings and build value-laden customer relationships by which they can capture customer lifetime value and greater share of customer. The result is increased long-term customer equity for the firm. The core marketplace concepts are needs, wants, and demands; market offerings (products, services, solutions, and experiences); value and satisfaction; exchange and relationships; and markets. Companies address needs, wants, and demands by putting forth a value proposition, a set of benefits that they promise to consumers to satisfy their needs. The value proposition is fulfilled through a market offering, which delivers customer value and satisfaction, resulting in long-term exchange relationships with customers.

OBJECTIVE 1-3 Identify the key elements of a customer value-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy.

To design a winning marketing strategy, the company must first decide whom it will serve. It does this by dividing the market into segments of customers (market segmentation) and selecting which segments it will cultivate (target marketing). Next, the company must decide how it will serve targeted customers (how it will differentiate and position itself in the marketplace).

Marketing can adopt one of five competing market orientations. The *production* concept holds that management's task is to improve production efficiency and bring down prices. The *product* concept holds that consumers favor products that offer the most in quality, performance, and innovative features; thus, little promotional effort is required. The *selling* concept holds that consumers will not buy enough of an organization's products unless it undertakes a large-scale selling and promotion effort. The *marketing* concept holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do. The *societal marketing* concept holds that generating customer satisfaction and long-run societal well-being through sustainable marketing strategies is key to both achieving the company's goals and fulfilling its social responsibilities.