

SEVENTH EDITION



Marketing Management

AN ASIAN PERSPECTIVE

Philip Kotler
Kevin Lane Keller
Swee Hoon Ang
Chin Tiong Tan
Siew Meng Leong

 **Pearson**

SEVENTH EDITION



Marketing Management

Philip Kotler
Kevin Lane Keller
Swee Hoon Ang
Chin Tiong Tan
Siew Meng Leong

AN ASIAN PERSPECTIVE



Pearson

Harlow, England London New York Boston San Francisco Toronto Sydney Dubai Singapore Hong Kong
Tokyo Seoul Taipei New Delhi Cape Town Sao Paulo Mexico City Madrid Amsterdam Munich Paris Milan

Vice President, Business Publishing:

Donna Battista

Editor-in-Chief: Stephanie Wall

Managing Editor, Asian Perspective:

Steven Jackson

Associate Acquisitions Editor, Asian Perspective:

Ishita Sinha

Senior Project Editor, Asian Perspective:

Daniel Luiz

Program Manager Team Lead: Ashley Santora

Program Manager: Jennifer Collins

Editorial Assistant: Daniel Petrino

Vice President, Product Marketing: Maggie Moylan

Director of Marketing, Digital Services and

Products: Jeanette Koskinas

Executive Product Marketing Manager:

Anne Fahlgren

Field Marketing Manager: Lenny Ann Raper

Senior Strategic Marketing Manager: Erin Gardner

Project Manager Team Lead: Judy Leale

Project Manager: Becca Groves

Senior Manufacturing Controller, Production,

Asian Perspective: Trudy Kimber

Operations Specialist: Carol Melville

Creative Director: Blair Brown

Senior Art Director: Janet Slowik

Cover Designer: Design Route, India

Cover Image: Olga Lyubkin/shutterstock

Vice President, Director of Digital Strategy &

Assessment: Paul Gentile

Manager of Learning Applications: Paul Deluca

Digital Editor: Brian Surette

Digital Studio Manager: Diane Lombardo

Digital Studio Project Manager: Robin Lazrus

Digital Studio Project Manager: Alana Coles

Digital Studio Project Manager:

Monique Lawrence

Digital Studio Project Manager: Regina DaSilva

Full-Service Project Management and

Composition: S4Carlisle Publishing Services

Pearson Education Limited

KAO Two

KAO Park

Harlow

CM17 9NA

United Kingdom

and Associated Companies throughout the world

Visit us on the World Wide Web at: www.pearsonglobaleditions.com

© Pearson Education Limited 2018

The rights of Philip Kotler, Kevin Lane Keller, Swee Hoon Ang, Chin Tiong Tan, and Siew Meng Leong to be identified as the authors of this work have been asserted by them in accordance with the Copyright, Designs and Patents Act 1988.

Authorized adaptation from the United States edition, entitled Marketing Management, 15th edition, ISBN 978-0-13-385646-0, by Philip Kotler and Kevin Lane Keller, published by Pearson Education, Inc © 2016.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without either the prior written permission of the publisher or a license permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency Ltd, Saffron House, 6–10 Kirby Street, London EC1N 8TS.

All trademarks used herein are the property of their respective owners. The use of any trademark in this text does not vest in the author or publisher any trademark ownership rights in such trademarks, nor does the use of such trademarks imply any affiliation with or endorsement of this book by such owners.

ISBN 10: 1-292-08958-X

ISBN 13: 978-1-292-08958-4

British Library Cataloguing-in-Publication Data

A catalogue record for this book is available from the British Library.

10 9 8 7 6 5 4 3 2 1

14 13 12 11 10

Typeset in Utopia Std by S4Carlisle Publishing Services.

Printed and bound by Vivar, Malaysia.

About the Authors

Philip Kotler is the S. C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg Graduate School of Management, Northwestern University. He received his M.A. from the University of Chicago and his Ph.D. from the Massachusetts Institute of Technology. He is the author of over 20 books, including *Principles of Marketing*, *Marketing: An Introduction*, and *Strategic Marketing for Nonprofit Organizations*. He has contributed over 100 articles to leading journals, including *Harvard Business Review*, *Sloan Management Review*, *Management Science*, *Journal of Marketing Research*, and *California Management Review*. He is the only three-time winner of the Alpha Kappa Psi award for the best annual article published in the *Journal of Marketing*. Professor Kotler has also received the Paul D. Converse Award, Distinguished Marketing Educator Award, and Charles Coolidge Parlin Award. He has served as chair of the College of 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 for such major companies as AT&T, Bank of America, Ford, General Electric, and IBM.



Kevin Lane Keller is the E. B. Osborn Professor of Marketing at the Tuck School of Business, Dartmouth College. He has degrees from Cornell, Carnegie-Mellon, and Duke universities. Previously, he was on the marketing faculty of the Graduate School of Business, Stanford University, the University of California at Berkeley, and the University of North Carolina at Chapel Hill. He was also Visiting Professor at Duke University and the Australian Graduate School of Management. His widely-cited research on branding has been published in the *Journal of Marketing*, *Journal of Marketing Research*, and *Journal of Consumer Research*. He has also served on the editorial boards of these journals and has received numerous research awards from his over 50 publications. He is author of *Strategic Brand Management*. He is also an academic trustee for the Marketing Science Institute. Professor Keller has consulted for such leading businesses as Accenture, American Express, Bank of America, Disney, Intel, Levi Strauss, Kodak, Shell, and Unilever.



Swee Hoon Ang is an Associate Professor at the National University of Singapore (NUS) Business School. She received her PhD from the University of British Columbia. She was a Visiting Professor at the University of California, Berkeley, Aalto University (then Helsinki School of Economics and Business Administration), and the China–Europe International Business School. She excels as an educator as evident by she receiving the university's Teaching Excellence Awards thrice consecutively, putting her on the Honour Roll. Administratively, Professor Ang manages the curriculum for the Marketing Department at NUS. Her sharing of knowledge has seen her undertake several consultancy projects and executive education seminars, some of which involved service quality evaluation, customer profiling, and feasibility studies. Her clients include Caterpillar, Citibank, Johnson & Johnson Medical, Ministry of Health, Singapore Pools, and Wipro-Unza. Beyond this, she also advises the Corporate Communications team of NUS Business School that has seen the School in the media with research commentaries and features. Professor Ang is also the co-author of *Principles of Marketing: An Asian Perspective*. She has published in *Journal of Advertising*, *Journal of Cross-Cultural Psychology*, *Marketing Letters*, and *Social Indicators*.





Chin Tiong Tan is a Professor in Marketing and Senior Advisor to the President of the Singapore Management University. He was the founding Provost of Singapore Management University and the founding President of Singapore Institute of Technology. Professor Tan received his PhD in Business from the Pennsylvania State University. He had taught in various programmes globally over the years and was a Visiting Scholar at the Stanford Business School. He has published in *Journal of Consumer Research*, *Journal of International Business Studies*, *Journal of Business and Industrial Marketing*, *International Marketing Review*, *European Journal of Marketing*, and other international journals and conference proceedings. Professor Tan is also the co-author of *Principles of Marketing: An Asian Perspective*, *New Asian Emperors: The Business Strategies of the Overseas Chinese*, *The Chinese Tao of Business: The Logic of Successful Business Strategy*, and *Strategic Marketing Cases for 21st Century Asia*. He was on the board of Citibank Singapore Ltd and other publicly listed companies in Singapore.



Siew Meng Leong (1956–2013) was a Professor at the National University of Singapore (NUS) Business School. He received his MBA and PhD from the University of Wisconsin, Madison. As a prolific researcher, he has published in the *Journal of Consumer Research*, *Journal of Marketing*, *Journal of Marketing Research*, *Journal of International Business Studies*, *Marketing Letters*, and other international journals and conference proceedings. During his battle with cancer, he showed tenacity and care for students by continuing to share his knowledge in his usual witty manner till two weeks before his passing. We at Pearson appreciate his professionalism, good nature, and collaboration. He will be missed.

About this Book xviii

Preface xxi

PART 1 Understanding Marketing Management 2

- Chapter 1 Defining Marketing for the New Realities 2
- Chapter 2 Developing Marketing Strategies and Plans 36

PART 2 Capturing Marketing Insights 74

- Chapter 3 Gathering Information and Forecasting Demand 74
- Chapter 4 Conducting Marketing Research 112

PART 3 Connecting with Customers 142

- Chapter 5 Creating Customer Value, Satisfaction, and Loyalty 142
- Chapter 6 Analyzing Consumer Markets 172
- Chapter 7 Analyzing Business Markets 214
- Chapter 8 Identifying Market Segments and Targets 246

PART 4 Building Strong Brands 274

- Chapter 9 Creating Brand Equity 274
- Chapter 10 Crafting the Brand Positioning 316
- Chapter 11 Competitive Dynamics 344

PART 5 Shaping the Market Offerings 384

- Chapter 12 Setting Product Strategy 384
- Chapter 13 Designing and Managing Services 422
- Chapter 14 Developing Pricing Strategies and Programs 458

PART 6 Delivering Value 500

- Chapter 15 Designing and Managing Marketing Channels and Value Networks 500
- Chapter 16 Managing Retailing, Wholesaling, and Logistics 545

PART 7 Communicating Value 580

- Chapter 17 Designing and Managing Integrated Marketing Communications 580
- Chapter 18 Managing Mass Communications: Advertising, Sales Promotions, Events, and Public Relations 612
- Chapter 19 Managing Digital Communications: Online, Social Media, and Mobile 656
- Chapter 20 Managing Personal Communications: Direct and Database Marketing and Personal Selling 678

PART 8 Creating Successful Long-Term Growth 714

- Chapter 21 Introducing New Market Offerings 714
- Chapter 22 Tapping into Global Markets 758
- Chapter 23 Managing a Holistic Marketing Organization 802

Appendix A1

Endnotes E1

Glossary G1

Image Credits C1

Name Index I1

Company, Brand, and Organization Index I11

Subject Index I13

Contents

About this Book xviii

Preface xxi

PART 1 Understanding Marketing Management 2

Chapter 1 Defining Marketing for the New Realities 2

1.1 The Importance of Marketing 4

1.2 The Scope of Marketing 4

1.2.1 What is Marketing? 4

1.2.2 What is Marketed? 5

1.2.3 Who Markets? 8

1.3 Core Marketing Concepts 10

1.3.1 Needs, Wants, and Demands 10

1.3.2 Target Markets, Positioning, and Segmentation 11

1.3.3 Offerings and Brands 11

1.3.4 Value and Satisfaction 12

1.3.5 Marketing Channels 12

1.3.6 Supply Chain 12

1.3.7 Competition 12

1.3.8 Marketing Environment 13

1.4 The New Marketing Realities 13

1.4.1 Major Societal Forces 13

1.4.2 New Company Capabilities 15

1.4.3 Marketing in Practice 15

MARKETING MEMO Reinventing Marketing At Coca-Cola 16

1.5 Company Orientation Toward the Marketplace 17

1.5.1 The Production Concept 17

1.5.2 The Product Concept 17

1.5.3 The Selling Concept 17

1.5.4 The Marketing Concept 17

1.5.5 The Holistic Marketing Concept 18

1.6 Updating the Four P's 22

MARKETING INSIGHT Understanding The 4 A's of Marketing 23

1.7 Marketing Management Tasks 24

1.7.1 Developing Marketing Strategies and Plans 24

MARKETING MEMO Marketers' Frequently Asked Questions 25

1.7.2 Capturing Marketing Insights and Performance 25

1.7.3 Connecting with Customers 25

1.7.4 Building Strong Brands 25

1.7.5 Shaping the Market Offerings 26

1.7.6 Delivering Value 26

1.7.7 Communicating Value 26

1.7.8 Creating Successful Long-Term Growth 26

Summary 27

Applications 29

MARKETING LESSON Modern Creation München (MCM) 30

MARKETING LESSON Google 33

Chapter 2 Developing Marketing Strategies and Plans 36

2.1 Marketing and Customer Value 38

2.1.1 The Value Delivery Process 38

2.1.2 The Value Chain 38

MARKETING INSIGHT The Value of WhatsApp to Facebook 39

2.1.3 Core Competencies 40

2.1.4 The Central Role of Strategic Planning 41

MARKETING MEMO What Does it Take to Be a Successful CMO? 41

2.2 Corporate and Division Strategic Planning 42

2.2.1 Defining the Corporate Mission 42

2.2.2 Establishing Strategic Business Units (SBUs) 44

2.2.3 Assigning Resources to Each SBU 45

2.2.4 Assessing Growth Opportunities 46

2.2.5 Organization and Organizational Culture 48

2.2.6 Marketing Innovation 50

MARKETING INSIGHT Creating Innovative Marketing 51

2.3 Business Unit Strategic Planning 52

2.3.1 The Business Mission 52

2.3.2 SWOT Analysis 52

MARKETING MEMO Checklist for Performing Strengths/Weaknesses Analysis 54

2.3.3 Goal Formulation 55

2.3.4 Strategic Formulation 56

2.3.5 Program Formulation and Implementation 57

2.3.6 Feedback and Control 58

2.4 Product Planning: The Nature and Contents of a Marketing Plan 58

MARKETING MEMO Marketing Plan Criteria 59

2.4.1	The Role of Research	60
2.4.2	The Role of Relationships	60
2.4.3	From Marketing Plan to Marketing Action	60
Summary 61		
Applications 63		
MARKETING LESSON	TWG Tea	64
MARKETING LESSON	Yum! Brands	66
Sample Marketing Plan: Pegasus Sports International 69		
PART 2 Capturing Marketing Insights 74		
Chapter 3	Gathering Information and Forecasting Demand 74	
3.1	Components of a Modern Marketing Information System 76	
3.2	Internal Records and Marketing Intelligence 77	
3.2.1	The Order-to-Payment Cycle	77
3.2.2	Sales Information Systems	77
3.2.3	Databases, Data Warehousing, and Data Mining	77
MARKETING INSIGHT	Making Big Data Work for You	78
3.2.4	The Marketing Intelligence System	78
3.2.5	Collecting Marketing Intelligence on the Internet	79
3.2.6	Communicating and Acting on Marketing Intelligence	80
3.3	Analyzing the Macroenvironment 80	
3.3.1	Needs and Trends	80
MARKETING INSIGHT	Ten Forces Forging China's Future	81
3.3.2	Identifying the Major Forces	82
3.3.3	The Demographic Environment	82
MARKETING INSIGHT	Finding Gold at the bottom of the Pyramid	84
3.3.4	Economic Environment	87
3.3.5	Social-Cultural Environment	90
3.3.6	Natural Environment	92
MARKETING INSIGHT	The Green Marketing Revolution	93
3.3.7	Technological Environment	94

3.3.8	Political-Legal Environment	95
3.4	Forecasting and Demand Measurement 97	
3.4.1	The Measures of Market Demand	97
3.4.2	A Vocabulary for Demand Measurement	98
3.4.3	Estimating Current Demand	100
3.4.4	Estimating Future Demand	102
Summary 104		
Applications 106		
MARKETING LESSON	Microsoft	107
MARKETING LESSON	Uber	109
Chapter 4	Conducting Marketing Research 112	
4.1	The Marketing Research System 114	
4.2	The Marketing Research Process 115	
4.2.1	Step 1: Define the Problem, the Decision Alternatives, and the Research Objectives	115
4.2.2	Step 2: Develop the Research Plan	116
MARKETING MEMO	Conducting Informative Focus Groups	117
MARKETING MEMO	Questionnaire Do's and Don'ts	120
MARKETING INSIGHT	Getting into Consumers' Heads With Qualitative Research	121
MARKETING INSIGHT	Understanding Brain Science	122
4.2.3	Step 3: Collect the Information	125
4.2.4	Step 4: Analyze the Information	125
4.2.5	Step 5: Present the Findings	125
4.2.6	Step 6: Make the Decision	125
4.3	Marketing Research in Asia 126	
4.4	Measuring Marketing Productivity 128	
4.4.1	Marketing Metrics	128
4.4.2	Marketing-Mix Modeling	129
4.4.3	Marketing Dashboards	129
MARKETING INSIGHT	Marketing Dashboards to Improve Effectiveness and Efficiency	130
Summary 132		
Applications 134		
MARKETING LESSON	Nestlé Malaysia: Lactogen 4	135
MARKETING LESSON	Procter & Gamble	139

PART 3 Connecting with Customers 142

Chapter 5 **Creating Customer Value, Satisfaction, and Loyalty** 142

5.1 **Building Customer Value, Satisfaction, and Loyalty** 144

- 5.1.1 Customer Perceived Value 144
- 5.1.2 Total Customer Satisfaction 149
- 5.1.3 Monitoring Satisfaction 149
- 5.1.4 Product and Service Quality 150

5.2 **Maximizing Customer Lifetime Value** 152

- 5.2.1 Customer Profitability 152
- 5.2.2 Measuring Customer Lifetime Value 153
- 5.2.3 Attracting and Retaining Customers 153

MARKETING MEMO Calculating Customer Lifetime Value 154

MARKETING INSIGHT Seven Lessons from Samsung's Note 7 Crisis 155

- 5.2.4 Building Loyalty 158
- 5.2.5 Win-Backs 160

5.3 **Cultivating Customer Relationships** 160

- 5.3.1 Customer Relationship Management (CRM) 160

MARKETING INSIGHT The Behavioral Targeting Controversy 161

Summary 164

Applications 166

MARKETING LESSON Food Scandals in Taiwan: The Case of Tin Hsin International Group 167

MARKETING LESSON Tesco 170

Chapter 6 **Analyzing Consumer Markets** 172

6.1 **What Influences Consumer Behavior?** 174

- 6.1.1 Cultural Factors 174
- 6.1.2 Social Factors 175

MARKETING INSIGHT Face-saving and the Chinese Consumer 177

- 6.1.3 Personal Factors 178

6.2 **Key Psychological Processes** 181

- 6.2.1 Motivation: Freud, Maslow, Herzberg 181
- 6.2.2 Perception 183

MARKETING MEMO The Power of Sensory Marketing 183

- 6.2.3 Learning 186

- 6.2.4 Emotions 187

- 6.2.5 Memory 188

6.3 **The Buying Decision Process: The Five-Stage Model** 190

- 6.3.1 Problem Recognition 190

- 6.3.2 Information Search 190

- 6.3.3 Evaluation of Alternatives 191

- 6.3.4 Purchase Decisions 194

- 6.3.5 Postpurchase Behavior 195

- 6.3.6 Moderating Effects on Consumer Decision Making 197

6.4 **Behavioral Decision Theory and Behavioral Economics** 198

- 6.4.1 Decision Heuristics 198

- 6.4.2 Framing 199

- 6.4.3 Mental Accounting 200

Summary 201

Applications 205

MARKETING LESSON Hello Kitty 206

MARKETING LESSON Gold Misses 209

Chapter 7 **Analyzing Business Markets** 214

7.1 **What is Organizational Buying?** 216

- 7.1.1 The Business Market versus the Consumer Market 216

- 7.1.2 Buying Situations 217

7.2 **Participants in the Business Buying Process** 218

- 7.2.1 The Buying Center 218

- 7.2.2 Buying Center Influences 219

- 7.2.3 Targeting Firms and Buying Centers 219

7.3 **The Purchasing/Procurement Process** 220

7.4 **Stages in the Buying Process** 221

- 7.4.1 Problem Recognition 221

- 7.4.2 General Need Description and Product Specification 222

- 7.4.3 Supplier Search 222

MARKETING INSIGHT The Asian B2B Environment 223

- 7.4.4 Proposal Solicitation 224

- 7.4.5 Supplier Selection 224

MARKETING MEMO Developing Compelling Customer Value Propositions 225

7.4.6	Order-Routine Specification	226
7.4.7	Performance Review	227
7.5	Developing Effective Business-to-Business Marketing Programs	227
7.5.1	Communication and Branding Activities	227
7.5.2	Systems Buying and Selling	228
MARKETING MEMO	Spreading the Word With Customer Reference Programs	229
7.5.3	Role of Services	229
7.6	Managing Business-to-Business Customer Relationships	230
MARKETING INSIGHT	Rules of Social and Business Etiquette	230
7.6.1	The Benefits of Vertical Coordination	231
MARKETING INSIGHT	Establishing Corporate Trust, Credibility, and Reputation	232
7.6.2	Business Relationships: Risks and Opportunism	233
7.7	Relationship Marketing in the <i>Keiretsu</i> and <i>Chaebol</i>	234
7.8	Institutional and Government Markets	234
Summary		237
Applications		239
MARKETING LESSON	Tagit	240
MARKETING LESSON	Accenture	244
Chapter 8	Identifying Market Segments and Targets	246
8.1	Bases for Segmenting Consumer Markets	248
8.1.1	Geographic Segmentation	249
8.1.2	Demographic Segmentation	250
8.1.3	Psychographic Segmentation	253
8.1.4	Behavioral Segmentation	255
8.2	Bases for Segmenting Business Markets	258
8.3	Market Targeting	259
8.3.1	Effective Segmentation Criteria	260
8.3.2	Evaluating and Selecting the Market Segments	261
MARKETING INSIGHT	Segmentation Strategy for China	263

MARKETING INSIGHT	Chasing the Long Tail	265
Summary		267
Applications		269
MARKETING LESSON	PT Heinz ABC	270
MARKETING LESSON	Fulla Dolls: The Alternative Barbie	272

PART 4 Building Strong Brands 274

Chapter 9 Creating Brand Equity 274

9.1 How Does Branding Work? 276

9.1.1 The Role of Brands 276

9.1.2 The Scope of Branding 278

9.2 Defining Brand Equity 278

9.2.1 Brand Equity Models 281

9.3 Building Brand Equity 284

9.3.1 Choosing Brand Elements 285

MARKETING INSIGHT Driving Deeper Brand Connection in China 289

9.3.2 Designing Holistic Marketing Activities 290

9.3.3 Brand Communities 291

9.3.4 Leveraging Secondary Association 292

9.4 Measuring Brand Equity 294

MARKETING INSIGHT The Brand Value Chain 294

MARKETING INSIGHT What is a Brand Worth? 296

9.5 Managing Brand Equity 296

9.5.1 Brand Reinforcement 296

9.5.2 Brand Revitalization 297

9.6 Devising a Branding Strategy 298

9.6.1 Branding Decisions 299

9.6.2 Brand Portfolios 300

9.6.3 Brand Extensions 302

9.7 Customer Equity 305

MARKETING MEMO 21st Century Branding 306

Summary 307

Applications 310

MARKETING LESSON Malaysian Airlines 311

MARKETING LESSON McDonald's 314

Chapter 10 Crafting the Brand Positioning 316

10.1 Developing and Communicating a Positioning Strategy 318

10.1.1 Understanding Positioning and Value Propositions 318

10.2 Determining a Competitive Frame of Reference 319

10.2.1 Identifying Competitors 319
10.2.2 Analyzing Competitors 320
10.2.3 Identifying Optimal Points-of-Parity and Points-of-Difference 320
10.2.4 Choosing Specific POPs and PODs 324

10.3 Brand Mantras 326

10.3.1 Role of Brand Mantras 326
10.3.2 Designing a Brand Mantra 327

10.4 Establishing Brand Positioning 328

10.4.1 Communicating Category Membership 328

MARKETING MEMO Constructing a Brand Positioning Bull's-eye 329

10.4.2 Communicating POPs and PODs 330

10.4.3 Monitoring Competition 330

10.5 Alternative Approaches to Positioning 331

10.5.1 Brand Narratives and Storytelling 331
10.5.2 Cultural Branding 332

10.6 Positioning and Branding a Small Business 332

Summary 334

Applications 336

MARKETING LESSON Under Armour 337

MARKETING LESSON Nike China 339

Chapter 11 Competitive Dynamics 344

11.1 Competitive Strategies for Market Leaders 346

MARKETING INSIGHT *Pokémon Go: A Game-Changer for Nintendo?* 346

11.1.1 Expanding Total Market Demand 347

11.1.2 Protecting Market Share 349

MARKETING INSIGHT *Sun Tzu Bing Fa: Modern Strategy Insights from Ancient China* 350

11.1.3 Increasing Market Share 354

11.2 Other Competitive Strategies 355

11.2.1 Market-Challenger Strategies 356

11.2.2 Market-Follower Strategies 358

MARKETING INSIGHT Counteracting Counterfeiting 359

11.2.3 Market-Nicher Strategies 360

MARKETING MEMO Niche Specialist Roles 361

11.3 Product Life-Cycle Marketing Strategies 361

11.3.1 Product Life Cycles (PLC) 362

11.3.2 Style, Fashion, and Fad Life Cycles 362

11.3.3 Marketing Strategies: Introduction Stage and the Pioneer Advantage 363

MARKETING INSIGHT Understanding Double Jeopardy 364

11.3.4 Marketing Strategies: Growth Stage 366

11.3.5 Marketing Strategies: Maturity Stage 367

11.3.6 Marketing Strategies: Decline Stage 369

11.3.7 Evidence for the Product Life-Cycle Concept 370

11.3.8 Critique of the Product Life-Cycle Concept 371

11.3.9 Market Evolution 371

11.4 Marketing in a Slow-Growth Economy 372

11.4.1 Explore the Upside of Increasing Investment 372

11.4.2 Get Closer to Customers 372

11.4.3 Review Budget Allocations 372

11.4.4 Put Forth the Most Compelling Value Proposition 373

11.4.5 Fine-tune Brand and Product Offerings 373

Summary 374

Applications 377

MARKETING LESSON Tata Salt (A) 378

MARKETING LESSON Tata Salt (B) 382

PART 5 Shaping the Market Offerings 384

Chapter 12 Setting Product Strategy 384

12.1 Product Characteristics and Classifications 386

12.1.1 Product Levels: The Customer-Value Hierarchy 386

12.1.2 Product Classifications 387

12.2	Differentiation 389				
12.2.1	Product Differentiation	389			
12.2.2	Services Differentiation	391			
12.3	Design 393				
12.4	Luxury Products 394				
12.4.1	Characterizing Luxury Brands	394			
12.4.2	Growing Luxury Brands	395			
12.4.3	Marketing Luxury Brands	395			
12.5	Environmental Issues 397				
MARKETING MEMO	A Sip or A Gulp: Environmental Concerns in the Water Industry	398			
12.6	Product and Brand Relationships 398				
12.6.1	The Product Hierarchy	398			
12.6.2	Product Systems and Mixes	399			
12.6.3	Product-Line Analysis	400			
12.6.4	Product-Line Length	401			
MARKETING INSIGHT	When Less Is More	402			
12.6.5	Product-Mix Pricing	405			
MARKETING MEMO	Product-Bundle Pricing Considerations	407			
12.6.6	Co-Branding and Ingredient Branding	407			
12.7	Packaging, Labeling, and Warranties and Guarantees 409				
12.7.1	Packaging	409			
12.7.2	Labeling	412			
12.7.3	Warranties and Guarantees	412			
Summary		413			
Applications		416			
MARKETING LESSON	Nintendo	417			
MARKETING LESSON	Toyota	419			
Chapter 13	Designing and Managing Services 422				
13.1	The Nature of Services 424				
13.1.1	Service Industries Are Everywhere	424			
13.1.2	Categories of Service Mix	424			
13.1.3	Distinctive Characteristics of Services	426			
13.2	The New Service Realities 430				
13.2.1	A Shifting Customer Relationship	430			
MARKETING INSIGHT	The Japanese Philosophy of Service	432			
13.3	Achieving Excellence in Services Marketing 433				
13.3.1	Marketing Excellence	433			
13.3.2	Technology and Service Delivery	434			
MARKETING INSIGHT	Tapping Technology for Service Excellence: Henn-na Hotel	434			
13.3.3	Service in Asia	435			
13.3.4	Best Practices of Top Service Companies	436			
MARKETING MEMO	Service Excellence: Five Pointers from SIA	436			
13.3.5	Differentiating Services	440			
13.4	Managing Service Quality 441				
MARKETING MEMO	Recommendations for Improving Service Quality	443			
13.4.1	Managing Customer Expectations	443			
13.4.2	Incorporating Self-Service Technologies (SSTs)	446			
13.5	Managing Product-Support Services 446				
13.5.1	Identifying and Satisfying Customer Needs	447			
13.5.2	Post-Sale Service Strategy	447			
Summary		449			
Applications		451			
MARKETING LESSON	Shangri-La Bosphorus Hotel	452			
MARKETING LESSON	Singapore Airlines	456			
Chapter 14	Developing Pricing Strategies and Programs 458				
14.1	Understanding Pricing 460				
14.1.1	Pricing in a Digital World	460			
MARKETING INSIGHT	Giving It All Away	461			
14.1.2	A Changing Pricing Environment	461			
14.1.3	How Companies Price	462			
14.1.4	Consumer Psychology and Pricing	463			
14.2	Setting the Price 466				
14.2.1	Step 1: Selecting the Pricing Objective	466			
MARKETING INSIGHT	Trading Up, Down, and Over	467			
14.2.2	Step 2: Determining Demand	469			
14.2.3	Step 3: Estimating Costs	472			

14.2.4	Step 4: Analyzing Competitors' Costs, Prices, and Offers	475	15.3.3	Identifying Major Channel Alternatives	513
14.2.5	Step 5: Selecting a Pricing Method	476	15.3.4	Evaluating the Major Alternatives	515
14.2.6	Step 6: Selecting the Final Price	480	15.4	Channel-Management Decisions	517
MARKETING INSIGHT	Stealth Price Increases	481	15.4.1	Selecting Channel Members	517
14.3	Adapting the Price	482	15.4.2	Training and Motivating Channel Members	517
14.3.1	Geographical Pricing (Cash, Countertrade, Barter)	482	15.4.3	Evaluating Channel Members	520
14.3.2	Price Discounts and Allowances	483	15.4.4	Modifying Channel Design and Arrangements	520
14.3.3	Promotional Pricing	484	15.4.5	Global Channel Considerations	521
14.3.4	Differentiated Pricing	484	15.5	Channel Integration and Systems	521
14.4	Initiating and Responding to Price Changes	485	15.5.1	Vertical Marketing Systems	521
14.4.1	Initiating Price Cuts	485	15.5.2	Horizontal Marketing Systems	523
14.4.2	Initiating Price Increases	486	15.6	E-Commerce Marketing Practices	523
14.4.3	Responding to Competitors' Price Changes	487	15.6.1	Pure-Click Companies	523
Summary	489		15.6.2	Brick-and-Click Companies	526
Applications	492		15.7	M-Commerce Marketing Practices	526
MARKETING LESSON	Siam Park City	493	15.7.1	Changes in Customer and Company Behavior	526
MARKETING LESSON	eBay	497	15.7.2	Marketing Practices	526
PART 6	Delivering Value	500	MARKETING MEMO	Lessons from South Korea's Mobile-Retailers	527
Chapter 15	Designing and Managing Marketing Channels and Value Networks	500	15.8	Conflict, Cooperation, and Competition	528
15.1	Marketing Channels and Value Networks	502	15.8.1	Types of Conflict and Competition	528
15.1.1	The Importance of Channels	502	15.8.2	Causes of Channel Conflict	528
15.1.2	Multichannel Marketing	503	15.8.3	Managing Channel Conflict	529
15.1.3	Integrating Multichannel Marketing Systems	503	15.8.4	Dilution and Cannibalization	529
15.1.4	Value Networks	504	15.8.5	Legal and Ethical Issues in Channel Relations	530
15.1.5	The Digital Channels Revolution	505	Summary	532	
15.2	The Role of Marketing Channels	505	Applications	536	
15.2.1	Channel Functions and Flows	505	MARKETING LESSON	7-Eleven	537
15.2.2	Channel Levels	507	MARKETING LESSON	Taobao	541
15.2.3	Service Sector Channels	509	Chapter 16	Managing Retailing, Wholesaling, and Logistics	544
15.3	Channel-Design Decisions	509	16.1	Retailing	546
15.3.1	Analyzing Customer Needs and Wants	509	16.1.1	Types of Retailers	546
MARKETING INSIGHT	Understanding the Showrooming Phenomena	510	MARKETING INSIGHT	Enhancing Online Shopping in Asia	548
15.3.2	Establishing Objectives and Constraints	511	16.1.2	The Modern Retail Marketing Environment	549

MARKETING INSIGHT	Franchise Fever in Asia	550	MARKETING INSIGHT	Collectivism, Consensus Appeals, and Credibility	592
16.1.3	Marketing Decisions	553	17.2.4	Select the Communications Channels	592
MARKETING INSIGHT	The Growth of Shopper Marketing	554	17.2.5	Establish the Total Marketing Communications Budget	594
MARKETING MEMO	Helping Stores to Sell	559	17.3	Selecting the Marketing Communications Mix	596
MARKETING INSIGHT	<i>Feng Shui</i> and Its Application to Retailing and Marketing in the Far East	561	MARKETING INSIGHT	Marketing Communications and the Chinese Consumer	597
16.2	Private Labels	562	17.3.1	Characteristics of the Marketing Communications Mix	597
16.2.1	Role of Private Labels	562	17.3.2	Factors in Setting the Marketing Communications Mix	600
16.2.2	Private Label Success Factors	563	17.3.3	Measuring Communication Results	601
MARKETING INSIGHT	Manufacturer's Response to the Private Label Threat	564	17.4	Managing the Integrated Marketing Communications Process	602
16.3	Wholesaling	564	17.4.1	Coordinating Media	602
16.3.1	Trends in Wholesaling	565	17.4.2	Implementing IMC	603
16.4	Market Logistics	565	MARKETING MEMO	How Integrated Is Your IMC Program?	603
16.4.1	Integrated Logistics Systems	566	Summary	604	
16.4.2	Market-logistics Objectives	567	Applications	607	
16.4.3	Market-logistics Decisions	568	MARKETING LESSON	Red Bull	608
Summary	570		MARKETING LESSON	Target	610
Applications	572				
MARKETING LESSON	Shanghai Tang	573			
MARKETING LESSON	Amazon.com	577			
PART 7	Communicating Value	580	Chapter 18	Managing Mass Communications: Advertising, Sales Promotions, Events, and Public Relations	612
Chapter 17	Designing and Managing Integrated Marketing Communications	580	18.1	Developing and Managing an Advertising Program	614
17.1	The Role of Marketing Communications	582	18.1.1	Setting the Advertising Objectives	614
17.1.1	The Changing Marketing Communications Environment	582	18.1.2	Deciding on the Advertising Budget	615
17.1.2	Marketing Communications and Brand Equity	582	18.1.3	Developing the Advertising Campaign	616
17.1.3	The Communications Process Models	585	MARKETING INSIGHT	Safi Rania Gold	618
17.2	Developing Effective Communications	587	MARKETING INSIGHT	Advertising Guidelines for Modern Asia	619
17.2.1	Identify the Target Audience	587	MARKETING MEMO	Print Ad Evaluation Criteria	621
17.2.2	Set the Communications Objectives	588	18.2	Choosing Media	622
17.2.3	Design the Communications	588	18.2.1	Reach, Frequency, and Impact	622
MARKETING INSIGHT	Celebrity Endorsements as a Message Strategy	591	18.2.2	Choosing among Major Media Types	623
			18.2.3	Place Advertising Options	624
			MARKETING INSIGHT	Playing Games with Brands	626

18.2.4	Evaluating Advertising Effectiveness	628
18.3	Sales Promotion	630
MARKETING INSIGHT	Alibaba's Singles' Day Phenomenon Sets Sights on Going Global	630
18.3.1	Concerns with Promotion	631
18.3.2	Major Decisions	632
18.4	Events and Experiences	637
MARKETING INSIGHT	Brands and Sport Sponsorship	637
18.4.1	Events Objectives	639
18.4.2	Major Sponsorship Decisions	640
MARKETING MEMO	Measuring High Performance Sponsorship Programs	641
18.4.3	Creating Experiences	642
18.5	Public Relations	642
18.5.1	Marketing Public Relations	643
18.5.2	Major Decisions in Marketing PR	644
Summary	646	
Applications	649	
MARKETING LESSON	Gillette (A)	650
MARKETING LESSON	Gillette (B)	654
Chapter 19	Managing Digital Communications: Online, Social Media, and Mobile	656
19.1	Online Marketing	658
19.1.1	Advantages and Disadvantages of Online Marketing Communications	658
MARKETING INSIGHT	Asia's Technologically Savvy Shoppers	659
19.1.2	Online Marketing Communication Options	659
MARKETING MEMO	How to Maximize the Marketing Value of Emails	662
19.2	Social Media	663
19.2.1	Social Media Platforms	663
19.2.2	Using Social Media	664
19.3	Word of Mouth	665
19.3.1	Forms of Word of Mouth	665
19.3.2	Creating Word-of-Mouth Buzz	665
MARKETING MEMO	How To Start A Buzz Fire	667
19.3.3	Measuring the Effects of Word of Mouth	667

MARKETING INSIGHT	Tracking Online Buzz	668
19.4	Mobile Marketing	668
19.4.1	The Scope of Mobile Marketing	668
19.4.2	Developing Effective Mobile Marketing Programs	669
19.4.3	Mobile Marketing across Markets	669
Summary	671	
Applications	672	
MARKETING LESSON	Facebook	673
MARKETING LESSON	Unilever (Axe and Dove)	675
Chapter 20	Managing Personal Communications: Direct and Database Marketing and Personal Selling	678
20.1	Direct Marketing	680
20.1.1	The Benefits of Direct Marketing	680
20.1.2	Direct Mail	681
20.1.3	Catalog Marketing	682
20.1.4	Telemarketing	683
20.1.5	Public and Ethical Issues in Direct Marketing	683
20.2	Customer Databases and Database Marketing	684
20.2.1	Customer Databases	684
20.2.2	Data Warehouses and Data Mining	684
20.2.3	The Downside of Database Marketing	686
20.3	Designing the Sales Force	687
20.3.1	Sales Force Objectives and Strategy	688
20.3.2	Sales Force Structure	689
MARKETING INSIGHT	Major Account Management	690
20.3.3	Sales Force Size	690
20.3.4	Sales Force Compensation	691
20.4	Managing the Sales Force	692
20.4.1	Recruiting and Selecting Representatives	692
20.4.2	Training and Supervising Sales Representatives	692
20.4.3	Sales Rep Productivity	693
20.4.4	Motivating Sales Representatives	694
20.4.5	Evaluating Sales Representatives	695
20.5	Principles of Personal Selling	697
20.5.1	The Six Steps	698
20.5.2	Negotiation	699
20.5.3	Relationship Marketing	701

MARKETING INSIGHT	Culture and Relationship Marketing 702		
Summary	705		
Applications	708		
MARKETING LESSON	Progressive 709		
MARKETING LESSON	Victoria's Secret 711		
PART 8	Creating Successful Long-Term Growth 714		
Chapter 21	Introducing New Market Offerings 714		
21.1	New-Product Options 716	21.5	Managing the Development Process: Concept to Strategy 731
21.1.1	Make or Buy 716	21.5.1	Concept Development and Testing 731
21.1.2	Types of New Products 716	21.5.2	Marketing Strategy Development 734
21.2	Challenges in New-Product Development 717	21.5.3	Business Analysis 735
21.2.1	The Innovation Imperative 717	21.6	Managing the Development Process: Development to Commercialization 736
MARKETING INSIGHT	Lessons from Google in Creating an Innovative Culture 718	21.6.1	Product Development 737
21.2.2	New-Product Success 719	21.6.2	Market Testing 737
21.2.3	New-Product Failure 720	21.6.3	Commercialization 740
21.2.4	Asian Perspective of New-Product Development 721	21.7	The Consumer-Adoption Process 742
21.3	Organizational Arrangements 721	21.7.1	Stages in the Adoption Process 742
21.3.1	Budgeting for New-Product Development 722	21.7.2	Factors Influencing the Adoption Process 742
21.3.2	Organizing New-Product Development 722	Summary	746
21.4	Managing the Development Process: Ideas 724	Applications	750
21.4.1	Generating Ideas 724	MARKETING LESSON	Apple 751
MARKETING MEMO	Ten Ways to Great New-Product Ideas 725	MARKETING LESSON	Tiger Balm 753
MARKETING INSIGHT	New-Idea Generation in Japanese Companies 725	Chapter 22	Tapping into Global Markets 758
MARKETING INSIGHT	P&G's New CONNECT + DEVELOP Approach to Innovation 726	22.1	Competing on a Global Basis 760
MARKETING MEMO	Seven Ways to Draw New Ideas from Your Customers 727	22.2	Deciding Whether to Go Abroad 761
MARKETING MEMO	How to Run a Successful Brainstorming Session 729	22.3	Deciding Which Markets to Enter 762
		22.3.1	How Many Markets to Enter 762
		22.3.2	Evaluating Potential Markets 763
		22.3.3	Succeeding in Developing Markets 764
		MARKETING INSIGHT	Heinz's Four A's for Emerging Market Expansion 767
		MARKETING INSIGHT	How Chinese Brands can Gain Global Acceptance 770
		22.4	Deciding How to Enter the Market 771
		22.4.1	Indirect and Direct Export 771
		22.4.2	Licensing 772
		22.4.3	Joint Ventures 773
		MARKETING INSIGHT	<i>Guanxi</i> and Its Application to Marketing in Greater China 774
		22.4.4	Direct Investment 775
		22.5	Deciding on the Marketing Program 776
		22.5.1	Global Similarities and Differences 777
		22.5.2	Marketing Adaptation 778
		MARKETING MEMO	The Ten Commandments Of Global Branding 779

22.5.3	Global Product Strategies	780
22.5.4	Global Communication Strategies	783
22.5.5	Global Pricing Strategies	785
22.5.6	Global Distribution Strategies	787
22.6	Country-of-Origin Effects	789
22.6.1	Building Country Images	789
22.6.2	Consumer Perceptions of Country of Origin	790
Summary 792		
Applications 795		
MARKETING LESSON	L'Oréal	796
MARKETING LESSON	Volkswagen	798
Chapter 23	Managing a Holistic Marketing Organization	802
23.1	Trends in Marketing Practices	804
23.2	Internal Marketing	805
23.2.1	Organizing the Marketing Department	805
MARKETING MEMO	Characteristics of Customer-Driven Company Departments	806
23.2.2	Relations with Other Departments	809
23.2.3	Building a Creative Marketing Organization	810
23.3	Socially Responsible Marketing	810
MARKETING INSIGHT	The Marketing CEO	810
23.3.1	Corporate Social Responsibility	812
23.3.2	Socially Responsible Business Models	815

MARKETING INSIGHT	Confucius and Marketing in East Asia	815
23.3.3	Cause-Related Marketing	816
MARKETING MEMO	Making a Difference: Top 10 Tips for Cause Branding	817
23.3.4	Social Marketing	818
23.4	Marketing Implementation and Control	820
23.4.1	Marketing Implementation	820
23.4.2	Marketing Control	821
23.5	The Future of Marketing	827
MARKETING MEMO	Major Marketing Weaknesses	827
Summary 829		
Applications 832		
MARKETING LESSON	Unilever Platinum Stores	833
MARKETING LESSON	Timberland	837
Appendix	Tools for Marketing Control	839
Appendix A1		
Endnotes E1		
Glossary G1		
Image Credits C1		
Name Index I1		
Company, Brand, and Organization Index I11		
Subject Index II3		

MARKETING MANAGEMENT

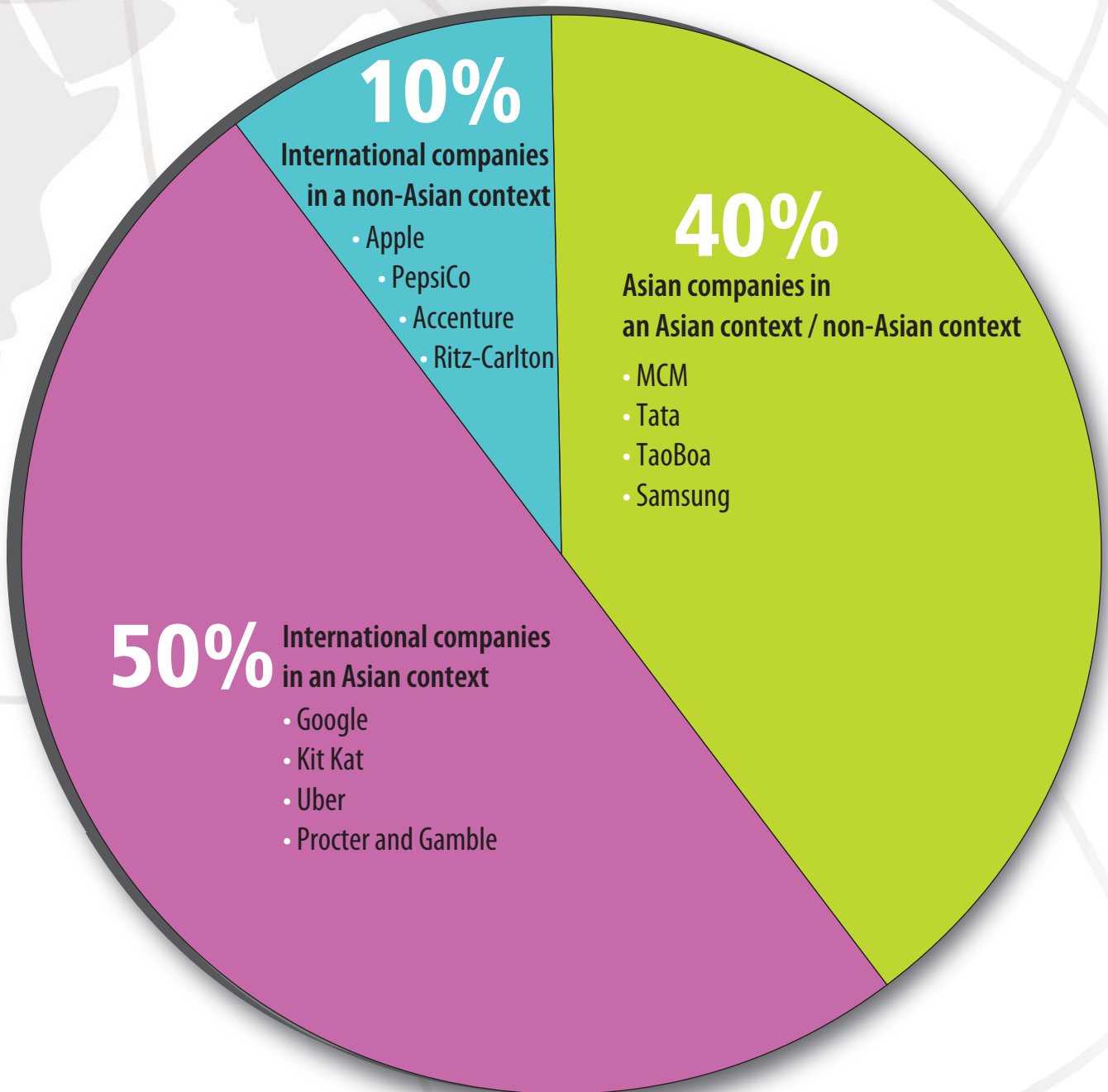
AN ASIA PERSPECTIVE Now into its seventh edition, this book continues to showcase the excellent content that Kotler has created with examples and case studies that are easily recognized. This enables students to relate to and grasp marketing concepts better.

IN THIS EDITION, YOU WILL FIND THAT WE HAVE:

- 1** Global brand names to provide a balanced look at Marketing Management
- 2** An in-depth look at Asian concepts and practices such as Islamic marketing, *guanxi*, online marketing, etc.
- 3** An emphasis on 3 key marketing changes—Economic, Environmental, and Technological

Global brand names to provide a balanced look at Marketing Management

The cases and examples in *Marketing Management: An Asian Perspective* (Seventh Edition) have been carefully selected to provide your students with a comprehensive understanding of marketing in today's world.



This page intentionally left blank

What's New in the Seventh Edition

Welcome to the seventh edition of *Marketing Management: An Asian Perspective*. With the seventh edition, a great care was taken to truly reflect the modern realities of marketing in Asia brought on by technology and the increasing role of social responsibility; while in selected parts of Asia, culture and heritage nuances suggest adaptation of marketing practices.

Throughout the text, three broad forces—growth and downturns, technology, and social responsibility—are identified as critical to the success of marketing programmes. These three topics are evident throughout the text.

As has been the case for a number of editions now, the overriding goal of the revision for the seventh edition of *Marketing Management: An Asian Perspective* is to create as comprehensive, current, and engaging a marketing textbook as possible. Wherever appropriate, new materials have been added, old materials updated, and no longer relevant or necessary material removed.

While marketing is changing in many significant ways, yet many core elements remain. We feel that a balanced approach of classic and contemporary approaches and perspectives is the way to go. *Marketing Management: An Asian Perspective* seventh edition allows instructors to build on what they have prepared for teaching previously while at the same time offering a text that is unsurpassed in breadth, depth, and relevance for students experiencing *Marketing Management: An Asian Perspective* for the first time.

Many of the favourably received chapter features such as topical chapter opening vignettes, in-text boxes highlighting noteworthy companies or issues, and the **Marketing Insight** and **Marketing Memo** boxes that provide in-depth conceptual and practical commentary, have been retained.

At the end of each chapter, the **Summary** page consolidates the students' knowledge and serves as a speedy revision tool.

The organizational structure of *Marketing Management: An Asian Perspective* has largely been preserved although several adjustments have been made to improve student understanding, as described below.

Significant changes to the seventh edition include:

- Brand-new opening vignettes for over 80 per cent of the chapters set the stage for the chapter material to follow. By covering topical brands or companies, the vignettes are great classroom discussion starters.
- Almost half of the in-text boxes are new. These boxes provide vivid illustrations of chapters using actual companies and situations. The boxes cover a variety of products, services, and markets. **Marketing Insight** boxes include contemporary issues such as “The Value of Whatsapp to Facebook.” They also delve into important marketing topics such as the use of technology in services marketing in “Tapping on Technology for Service Excellence: Henn-na Hotel” and developing effective brand names in “Driving Deeper Brand Connection in China.” **Marketing Memo** boxes offer practical advice and direction in dealing with various decisions at all the stages of the marketing management process. Topics covered include “Lessons from South Korea's Mobile Retailers” and “Service Excellence: Five Pointers from SIA.”
- Several of the in-text box materials are from *Think Business*, the knowledge portal of the National University of Singapore Business School, which carries a wide range of business articles and videos.
- Each end-of-chapter section includes two expanded Marketing Lessons for case problem solving. Over 75 per cent of Marketing Lessons are new cases. The rest have been updated. These cases highlight challenges that companies face in Asia as well as innovative, insightful marketing accomplishments by leading organizations that businesses, including those in Asia, can learn from. Each case includes questions that promote classroom discussion and analysis. Almost all the cases are new. They include companies such as MCM, Yum, Uber, Unilever, 7-Eleven, Heinz, and Nintendo.
- A brand new Chapter 19 on *Managing Digital Communications: Online, Social Media, and Mobile* gives the deserved attention to the impact of the digital revolution on marketing.

What Is Marketing Management All About?

Changes are observed in the marketing discipline like fundamental topics such as segmentation, targeting, and positioning as well as concepts such as brand equity, customer value analysis, database marketing, e-commerce, value networks, hybrid channels, supply chain management, and integrated marketing communications.

Asian businesses must acknowledge and respond to the new elements in today's marketplace. Firms now sell goods and services through a variety of direct and indirect channels. Mass advertising is not nearly as effective as it was, so marketers are exploring new forms of communication, such as experiential, entertainment, and viral marketing. Asian consumers are telling companies what types of product or services they want and when, where, and how they want to buy them. They are increasingly reporting to other consumers what they think of specific companies and products—using email, blogs, and other digital media to do so. Company messages are becoming a smaller fraction of the total “conversation” about products and services.

In response, forward-thinking Asian companies are shifting gears from managing product portfolios to managing customer portfolios. They are compiling databases on individual customers to better understand them and to construct individualized offerings and messages. They are doing less product and service standardization and more niching and customization and are replacing monologues with customer dialogues. They are improving their methods of measuring customer profitability and customer lifetime value. They are measuring the return on their marketing investment and its impact on shareholder value. Ethical and social implications of their marketing decisions are also their area of concern.

As companies change, so does their marketing organization. Marketing is no longer a company department charged with a limited number of tasks—it is a company-wide undertaking. It drives the company's vision, mission, and strategic planning. Marketing includes decisions like who the company wants as its customers; which of their needs to satisfy; what products and services to offer; what prices to set; what communications to send and receive; what channels of distribution to use; and what partnerships to develop. Marketing succeeds only when all departments work together to achieve goals: when engineering designs the right products, finance furnishes the required funds, purchasing buys high-quality materials, production makes high-quality products on time, and accounting measures the profitability of different customers, products, and areas.

To address all these different shifts, good marketers are practicing holistic marketing. *Holistic marketing* is the development, design, and implementation of marketing programs, processes, and activities that recognize the breadth and interdependencies of today's marketing environment. Four key dimensions of holistic marketing are:

1. **Internal marketing**—ensuring everyone in the organization embraces appropriate marketing principles, especially senior management.
2. **Integrated marketing**—ensuring that multiple means of creating, delivering, and communicating value are employed and combined in the best way.
3. **Relationship marketing**—having rich, multifaceted relationships with customers, channel members, and other marketing partners.
4. **Performance marketing**—understanding returns to the business from marketing activities and programs, as well as addressing broader concerns and their legal, ethical, social, and environmental effects.

These four dimensions are woven throughout the book and at times spelled out explicitly. The text specifically addresses the following tasks that constitute modern marketing management:

1. Developing marketing strategies and plans
2. Capturing marketing insights
3. Connecting with customers

4. Building strong brands
5. Creating value
6. Delivering value
7. Communicating value
8. Conducting marketing responsibly for long-term success

What Makes *Marketing Management* the Marketing Leader?

As marketing has maintained its respected position among students, educators, and businesspeople, *Marketing Management: An Asian Perspective* has kept up-to-date and remains contemporary. Students (and instructors) feel that the book is talking directly to them in terms of both content and delivery.

Marketing Management: An Asian Perspective owes its marketplace success to its ability to maximize three dimensions that characterize the best marketing texts—depth, breadth, and relevance—as measured by the following criteria:

- **Depth.** Does the book have solid academic grounding? Does it contain important theoretical concepts, models, and frameworks? Does it provide conceptual guidance to solve practical problems?
- **Breadth.** Does the book cover all the right topics? Does it provide the proper amount of emphasis on those topics?
- **Relevance.** Does the book engage the reader? Is it interesting to read? Does it have lots of compelling examples?

This seventh edition builds on the fundamental strengths of past editions that collectively distinguish it from all other marketing management texts:

- **Managerial Orientation.** The book focuses on the major decisions that marketing managers and top management face in their efforts to harmonize the organization's objectives, capabilities, and resources with marketplace needs and opportunities.
- **Analytical Approach.** *Marketing Management: An Asian Perspective* presents conceptual tools and frameworks for analyzing recurring problems in marketing management. Cases and examples illustrate effective marketing principles, strategies, and practices.
- **Multidisciplinary Perspective.** The book draws on the rich findings of various scientific disciplines—economics, behavioral science, management theory, and mathematics—for fundamental concepts and tools directly applicable to marketing challenges.
- **Universal Applications.** The book applies strategic thinking to the complete spectrum of marketing: products, services, persons, places, information, ideas and causes; consumer and business markets; profit and nonprofit organizations; domestic and foreign companies; small and large firms; manufacturing and intermediary businesses; and low and high-tech industries.
- **Asian Insights.** This book provides insights with an Asian flavour, drawing from regional thinkers and business leaders (from Confucius and Sun Tzu to Jong-Yong Yun and Carlos Ghosn, among others), institutions (*chaebol*, *keiretsu*, and so on), Asian trends and events (China's reliance on its domestic market, demographic changes, etc.), and practices that impact Asian marketing (*guanxi*, *mianzi*, *feng shui*, counterfeiting, etc.).
- **Comprehensive and Balanced Coverage.** *Marketing Management: An Asian Perspective* covers all the topics an informed marketing manager needs to understand to execute strategic, tactical, and administrative marketing.

The Teaching and Learning Package

Marketing Management: An Asian Perspective is an entire package of materials available to students and instructors. This edition includes a number of ancillaries designed to make the marketing management course an exciting, dynamic, interactive experience.

INSTRUCTOR'S MANUAL

The Instructor's Manual includes chapter/summary overviews, key teaching objectives, answers to end-of-chapter materials, exercises, projects, and detailed lecture outlines. Also included is the feature, "Professors on the Go!" which was created with the busy professor in mind. It brings key material upfront, where an instructor who is short on time can find key points and assignments that can be incorporated into the lecture, without having to page through all the material provided for each chapter.

TEST ITEM FILE

The Test Item File contains more than 3,000 multiple-choice, true-false, short-answer, and essay questions, with page reference and difficulty level provided for each question. Please note that an entire section is dedicated to application questions. These real-life situations take students beyond basic chapter concepts and vocabulary and ask them to apply marketing skills.

The Test Item File supports Association to Advance Collegiate Schools of Business (AACSB) International Accreditation. Each chapter of the Test Item File was prepared with the AACSB curricula standards in mind. Where appropriate, the answer line of each question* indicates a category within which the question falls. This AACSB reference helps instructors identify those test questions that support that organization's learning goals.

*Please note that not all the questions will offer an AACSB reference.

POWERPOINT SLIDES

Teaching slides are available for easy customization and sharing.

Acknowledgements

The seventh edition of *Marketing Management: An Asian Perspective* bears the imprint of many people. Our colleagues at the Kellogg Graduate School at Northwestern University, Dartmouth College, the National University of Singapore Business School, and the Singapore Management University continue to have an impact on our thinking. We also want to thank our respective academic leaders, Deans Dipak Jain at Kellogg, Paul Danos at Tuck, and Bernard Yeung at National University of Singapore Business School for their continuous support of our research and writing efforts.

The talented staff at Pearson Education—particularly Steven Jackson and Ishita Sinha—deserve praise for their role in shaping this book. We thank Alison A.C. Lim and MingMin Yeh, Institute of Asian Consumer Insight, Nanyang Business School, for contributing the case “Food Scandals in Taiwan: The Case of Tin Hsin International Group”; Dae Ryun Chang, Yonsei School of Business, and Kevin Sproule, Singapore Management University, for contributing the case “Gold Misses”; Desai Narasimhalu and Sarita Mathur, Singapore Management University, for contributing the case “Tagit”; Philip Zerrillo, Havovi Joshi, and S. N. Venkat, Singapore Management University for contributing the cases “Tata Salt (A)” and “Tata Salt (B)”; Srinivas Reddy and Havovi Joshi, Singapore Management University for contributing the case “Shangri-La Bosphorus Hotel”; Philip C. Zerillo and Sarita Mathur, Singapore Management University, and Pannapachr Itthiopassagul, Thammasat University for contributing the cases “Siam Park City” and “Unilever”; Srinivas Reddy and Christopher Dula, Singapore Management University for contributing the case “Gillette (A)”; Srinivas Reddy, Christopher Dula, and Adina Wong for contributing the case “Gillette (B)”; Doreen Kum, National University of Singapore Business School while she was at Singapore Management University for contributing the case “Tiger Balm”; Steven Wyatt and Christopher Dula, Singapore Management University for contributing the case “Shanghai Tang”. Our overriding debt continues to be to our families, who provided the time, support, and inspiration to prepare this edition.

We are grateful to the following individuals and companies for providing us permission to use some of the materials for this book:

Banyan Tree Hotels and Resorts
BMW of North America
Center for Insurance Studies
Clear Channel Singapore
Eu Yan Sang International Ltd.
Essilor Singapore
Frito-Lay, Inc.
Groupe Danone
Haier America
Haw Par Healthcare Limited
Hotel Mume
Hyundai Motor Company
LG Electronics Chile Ltd
Lion Corporation (S) Pte Ltd.
Mindbody Inc.
Mondo USA Inc.
Sigg Switzerland AG
NTUC Fairprice Cooperative Limited
Nu Skin Innovation Center
Singapore Cancer Society
Smooth E Company Limited
The Coca-Cola Company
The Gatorade Company
Tourism Bureau of Ministry of Transportation and Communications, R.O.C

Toyota Motor Sales, U.S.A
Wipro Unza Singapore Pte Ltd
Winter Wolves Games

Philip Kotler
Kevin Lane Keller
Swee Hoon Ang
Chin Tiong Tan
Siew Meng Leong



Marketing Management

AN ASIAN PERSPECTIVE

PART 1



Understanding Marketing Management

Defining Marketing for the New Realities

Formally or informally, people and organizations engage in a vast number of activities called marketing. In the face of digital revolution and other major changes in the business environment, good marketing is both increasingly vital and radically new.

Under the leadership of ex-P&G marketing executive Paul Polman and marketing whiz Keith Weed, Unilever is steering in an aggressive new direction. Its marketing model “Crafting Brands for Life” establishes social, economic, and product missions for each brand, including Dove, Ben & Jerry’s, Lifebuoy, and Knorr. Polman states, “I have a vision of all of our brands, including a force for good, with each having a billion fans or more to help drive change.” One part of the mission, for instance, is sustainability—specifically, to halve its ecological footprint while doubling revenues. To improve advertising and marketing communications, Unilever aims to strike a balance between “magic” and “logic,” doubling marketing training expenditures and

emphasizing ad research. To better understand the digital world, Weed took Unilever’s top marketing executives to Silicon Valley to visit Google and Facebook, and he took a similar group to visit Hollywood executives at Disney and Universal. Unilever has set its sights on developing and emerging (D&E) markets, hoping to grow by 15 percent to 20 percent annually in China and to draw 70 percent to 75 percent of its business from D&E markets by 2020. The company has adopted “reverse innovation” by applying branding and packaging innovations from developing markets to recession-hit developed markets. In Indonesia and the Philippines, it sells its detergents and shampoos in small satchets.¹

In this chapter, we will address the following questions:

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

Good marketing is no accident, but a result of careful planning and execution. Marketing practices are continually being refined and reformed in virtually all industries to increase the chances of success. But marketing excellence is rare and difficult to achieve. Marketing is both an “art” and a “science”—there is constant tension between the formulated side of marketing and the creative side. It is easier to learn the formulated side, which will occupy most of our attention in this book; but we will also describe how creativity and passion operate in many companies. This book will help to improve your understanding of marketing and your ability to make the right marketing decisions. In this chapter, we lay the foundation for our study by reviewing important marketing concepts, tools, frameworks, and issues.

1.1 The Importance of Marketing

The first decade of the 21st century challenged firms to prosper financially and even survive in the face of an unforgiving economic environment. The second decade is also financially challenging. Marketing is playing a key role in addressing these challenges. Without demand for products and services, business functions such as finance, operations, and accounting will not exist. Thus, financial success often depends on marketing ability.

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

Making the right decisions is not always easy. Marketing managers must decide what features to design into a new product, what prices to offer customers, where to sell products, and how much to spend on advertising, sales, the Internet, or mobile marketing. They must make those decisions in an Internet-fueled environment where consumers, competition, technology, and economic forces change rapidly and the consequences of the marketer’s words and actions can quickly multiply.

1.2 The Scope of Marketing

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

1.2.1 What Is Marketing?

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

The American Marketing Association offers the following formal definition: *Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.*³ Coping with exchange processes calls for a considerable amount of work and skill.

Marketing management takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties. We see **marketing management** as the art and science of *choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.*

We can distinguish between a social and a managerial definition of marketing. A social definition shows the role marketing plays in society. A social definition that serves our purpose is: *Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.* Managers sometimes think of marketing as “the art of selling products,” but people are surprised when they hear that the most important part of marketing is not selling! Selling is only the tip of the marketing iceberg. Peter Drucker, a leading management theorist, puts it this way:

There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available.⁴

When Apple designed its iPhone and when Toyota introduced its Lexus automobile, they were swamped with orders because they had designed the “right” product based on careful marketing homework.

1.2.2 What Is Marketed?

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

Goods

Physical goods constitute the bulk of most countries’ production and marketing efforts. Each year, companies worldwide market billions of fresh, canned, bagged, and frozen food products and millions of automobiles, refrigerators, television sets, machines, and various other mainstays of a modern and global economy.

Services

As economies advance, a growing proportion of their activities is focused on the production of services. Developed economies usually have a 70–30 services-to-goods mix. Services include the work of airlines, hotels, automobile rental firms, hairstylists and beauticians, maintenance and repair people, as well as professionals working within or for companies, such as accountants, bankers, lawyers, engineers, doctors, software programmers, and management consultants. Many market offerings consist of a variable mix of goods and services. At a fast-food restaurant, for example, the customer consumes both a product and a service.

Maidreamin Café—Japan’s Maidreamin Café has become very popular, especially with those who seek companionship. The service attendants are young women who serve customers with deference. They can personalize pancakes for customers, for instance, drawing pictures of a cat, taking pictures with you, or even putting on a dance performance—all for a fee, of course. Warm and welcoming, they chat with guests and invite them into their dream-like world for a special dining experience.



Apple introduced its watch for a more complete ecosystem consisting of its iPod, iPhone, and iPad that its competitors find difficult to compete with.



At Maidreamin Café, Japan, service comes with personalized decoration of pancakes for customers.



Maidreamin Café is a popular Japanese theme café that provides an opportunity for guests to relax and enjoy innocent fun.



Singapore Night Safari, the world's first wildlife night park, offers unique experiences—walking trails and tram rides for its visitors.

Events

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

Experiences

By orchestrating several services and goods, a firm can create, stage, and market experiences. Tokyo Disneyland and DisneySea represent experiential marketing: customers visit a fairy kingdom or a pirate ship. There is also a market for customized experiences, such as spending a week on eco-tourism in remote natural habitats in Asia, or learning about wildlife at the Singapore Night Safari.

People

Celebrity marketing is a major business. Today, every major film star has an agent, a personal manager, and ties to a public relations agency. Artists, musicians, and even CEOs, physicians, high-profile lawyers and financiers, and other professionals are also getting help from celebrity marketers.⁵ Some people have done a masterful job of marketing themselves—think of Korean singing sensation Girls' Generation, and film stars Jackie Chan and Zhang Ziyi.

Places

Cities, states, regions, and whole nations compete actively to attract tourists, factories, company headquarters, and new residents.⁶ Place marketers include national tourism agencies, economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies. For example, Asian tourism promotion boards market their respective countries to woo regional and international visitors. Some campaign taglines used include: "Malaysia—Truly Asia," "Amazing Thailand," "Hong Kong: Live It. Love It!," "Your Singapore," Macau's "A Heritage of Two Cultures," and Taiwan's "The Heart of Asia."



Properties

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

Organizations

Organizations actively work to build a strong, favorable, and unique image in the minds of their target public. Companies spend money on corporate identity ads. This is certainly the case with Philips “Sense and Simplicity” campaign.

Royal Philips—Philips researchers asked 1,650 consumers and 180 customers in dozens of in-depth and quantitative interviews and focus groups what was most important to them in using technology. Respondents from the United Kingdom, the United States, France, Germany, the Netherlands, Hong Kong, China, and Brazil agreed on one thing: they wanted the benefits of technology without the hassle. With its “Sense and Simplicity” advertising campaign and focus, Philips believes “our brand now reflects our belief that simplicity can be a goal of technology. It just makes sense.” The campaign consists of print, online, and television advertising directed by five experts from the worlds of health care, lifestyle, and technology whose role is to provide “additional outside perspectives on the journey to simplicity.”⁷

Information

The production, packaging, and distribution of information are major industries.⁸ The former CEO of Siemens Medical Solutions, Tom McCausland, says, “[our product] is not necessarily an X-ray or an MRI, but information. Our business is really health-care information technology, and our end product is really an electronic patient record: information on lab tests, pathology, and drugs as well as voice dictation.”⁹

Ideas

Every market offering includes a basic idea. Charles Revson of Revlon observed: “In the factory, we make cosmetics; in the store we sell hope.” Products and services are platforms for delivering some idea or benefit. Social marketers are busy promoting such ideas as “Say No to Drugs,”

“Exercise Daily,” and “Eat Healthy Food.” In Asia, governments often engage in social marketing. In Thailand, there is a campaign against driving when sleepy. The Singapore government is noted for its social marketing, including encouraging graduate women to get married and have more children.

1.2.3 Who Markets?

Marketers and Prospects

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

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

Eight demand states are possible:

1. **Negative demand**—Consumers dislike the product and may even pay a price to avoid it.
2. **Non-existent demand**—Consumers may be unaware or uninterested in the product.
3. **Latent demand**—Consumers may share a strong need that cannot be satisfied by an existing product.
4. **Declining demand**—Consumers begin to buy the product less frequently or not at all.
5. **Irregular demand**—Consumer purchases vary on a seasonal, monthly, weekly, daily, or even hourly basis.
6. **Full demand**—Consumers are adequately buying all products put into the marketplace.
7. **Overfull demand**—More consumers would like to buy the product than can be satisfied.
8. **Unwholesome demand**—Consumers may be attracted to products that have undesirable social consequences.

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

Markets

Traditionally, a “market” was a physical place where buyers and sellers gathered to buy and sell goods. Economists describe a **market** as a collection of buyers and sellers who transact over a particular product or product class (e.g., the housing market or grain market).

Five basic markets and their connecting flows are shown in **Figure 1.1**. Manufacturers go to resource markets (raw material markets, labor markets, money markets), buy resources and turn them into goods and services, and then sell finished products to intermediaries, who sell them to consumers. Consumers sell their labor and receive money with which they pay for goods and services. The government collects tax revenues to buy goods from resource, manufacturer, and intermediary markets, and uses these goods and services to provide public services. Each nation’s economy and the global economy consist of complex interacting sets of markets linked through exchange processes.

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

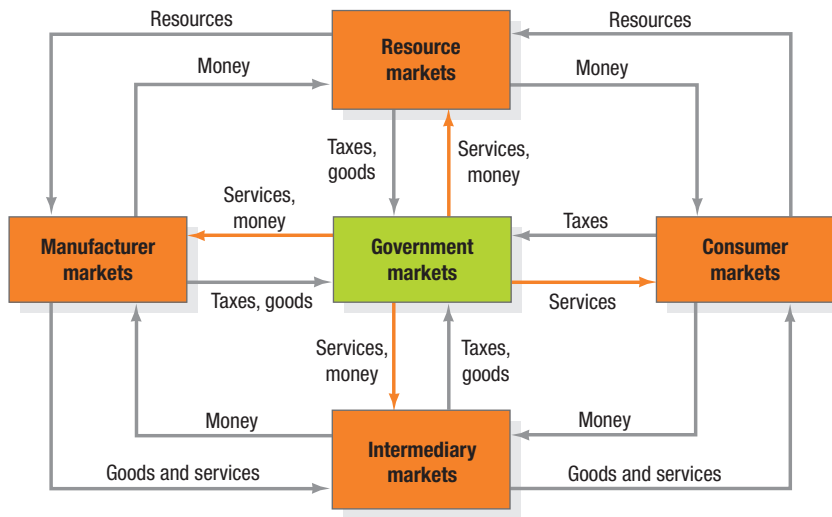


Figure 1.1 Structure of Flows in a Modern Exchange Economy

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

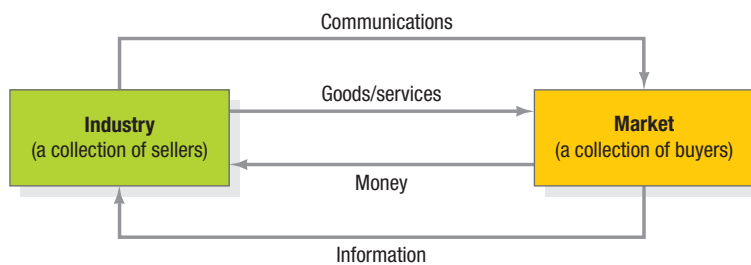


Figure 1.2 A Simple Marketing System

Key Customer Markets

Consider the following key customer markets: consumer, business, global, and non-profit and governmental.

Consumer Markets

Companies selling mass consumer goods and services, such as soft drinks, cosmetics, air travel, and athletic shoes and equipment, spend a great deal of time trying to establish a superior brand image. Much of a brand's strength depends on developing a superior product and packaging, ensuring its availability, and backing it with engaging communications and reliable service.

Business Markets

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



International business expands as companies export, license, contract manufacture, and enter joint venture partnerships. Marketers have to be more aware of cultural and legislative differences and adapt their strategies accordingly.

Global Markets

Companies in the global marketplace must decide which countries to enter; how to enter each country (as an exporter, licensor, joint venture partner, contract manufacturer, or solo manufacturer); how to adapt their product and service features to each country; how to price their products in different countries; and how to design their communications for different cultures. These decisions must be made in the face of different requirements for buying, negotiating, owning, and disposing of property; different cultures, languages, and legal and political systems; and a currency that might fluctuate in value.

McDonald's—With the U.S. dining landscape full of fast-food outlets, McDonald's is looking to China for revenue and profits. In 2016, China is McDonald's 3rd largest market behind the United States and Japan. China's informal out-of-home eating industry is expanding and McDonald's is pouncing on this opportunity with its plan to open another 1,300 outlets to add to the current 2,200 outlets. How will it achieve this? It is relying on a combination of the traditional and the new to capture a large slice of the market. It is seeking investment partners to help build its franchise business. It has a \$2 million innovation center in Hong Kong dedicated to coming up with suitable products. Alongside the Big Mac and fries, Chinese diners can choose from green pea pies, rice burgers, and a mint-flavored soda called Blue Haven. Its Chicken McNuggets come with chili garlic sauce. It also offers a chicken-and-mushroom pie in the shape of a pinwheel because according to Chinese folklore, the pinwheel is supposed to bestow good luck. When the company opened its first drive-through outlet in Guangzhou, it realized that this concept was foreign to the Chinese. Customers would drive up, collect their food, and then park their automobiles before entering the restaurant to eat their meal. Yet, with the anticipated boom in the Chinese auto market, McDonald's is opening more automobile-friendly outlets. It has an agreement with Sinopec, the state-owned oil company, to give it first refusal on locating its outlets at any of Sinopec's 30,000 fuel stations across China.¹⁰

Non-profit and Governmental Markets

Companies selling to non-profit organizations with limited purchasing power, such as churches, universities, charitable organizations, or government agencies, need to price carefully. Lower prices affect the features and the quality that the seller can build into the offering. Much government purchasing calls for bids, with the lowest bid being favored in the absence of extenuating factors.

Marketplaces, Marketspaces, and Metamarkets

The *marketplace* is physical, as when you shop in a store; the *marketspace* is digital, as when you shop on the Internet.¹¹

Mohan Sawhney proposed the concept of a *metamarket* to describe a cluster of complementary products and services that are closely related in the minds of consumers, but are spread across a diverse set of industries. The automobile metamarket consists of automobile manufacturers, new and used car dealers, financing companies, insurance companies, mechanics, spare parts dealers, service shops, auto magazines, classified auto ads in newspapers, and auto sites on the Internet. In purchasing a car, a buyer will get involved in many parts of this metamarket, and this has created an opportunity for metamediaries to assist buyers to move seamlessly through these groups, although they are disconnected in physical space. Metamediaries can also serve other metamarkets, such as the home ownership market, the parenting and baby care market, and the wedding market.¹²

1.3 Core Marketing Concepts

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

1.3.1 Needs, Wants, and Demands

Needs are the basic human requirements. People need food, air, water, clothing, and shelter to survive. People also have strong needs for recreation, education, and entertainment. These needs become *wants* when they are directed to specific objects that might satisfy the need. A Japanese

needs food but may want *tempura*, *soba*, and *ocha*. A Thai needs food but may want a coconut drink and rice with green curry, followed by glutinous rice with mango for dessert. Wants are shaped by one's society. *Demands* are wants for specific products backed by an ability to pay. Many people want a Mercedes; only a few are willing and able to buy one. Companies must measure not only how many people want their product, but also how many would actually be willing and able to buy it.

Best Buy—The world's largest consumer electronics retailer, Best Buy, entered China in 2006 when it took control of Jiangsu Five Star Appliance Company, then China's fourth-largest electronics retailer. However, in 2011, Best Buy closed all of its nine Best Buy branded stores in China to focus on expanding the more profitable domestic chain it had acquired. Why? While Chinese consumers appreciated Best Buy's reliability and the quality of its goods, they found the prices too high. Further, it was challenging for Best Buy to gain brand recognition against Five Star, which has been around for a much longer time. Thus, even though there might have been a need for quality products, wants were low because of poor brand recognition, and demand suffered because of the inability and in some cases, unwillingness, to pay a high price.¹³



Best Buy was considered too expensive by consumers in China, where local stores offer much cheaper products and have higher brand recognition.

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

Some customers have needs of which they are not fully conscious, or that they cannot articulate: they might use words that require some interpretation. What does it mean when the customer asks for a “powerful” fan or a “peaceful” hotel? The marketer must probe further.

We can distinguish among five types of needs:

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

1.3.2 Target Markets, Positioning, and Segmentation

A marketer can rarely satisfy everyone in a market. Not everyone likes the same *dim sum*, hotel room, restaurant, automobile, college, or movie. Thus, marketers start by dividing the market into segments. They identify and profile distinct groups of buyers who might prefer or require varying product and services mixes by examining demographic, psychographic, and behavioral differences among buyers. The marketer then decides which segments present the greatest opportunity—which are its **target markets**. For each chosen target market, the firm develops a *market offering*. The offering is **positioned** in the minds of the target buyers as delivering some central benefit(s). For example, Volvo develops its cars for buyers to whom automobile safety is a major concern. Volvo, therefore, positions its car as the safest a customer can buy.

1.3.3 Offerings and Brands

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

A **brand** is an *offering from a known source*. A brand name such as McDonald's carries many associations in the minds of people: hamburgers, fun, children, fast food, convenience, and golden arches. These associations make up the brand image. All companies strive to build brand strength—that is, a strong, favorable, and unique brand image.



Coca-Cola capitalized on Japanese love for coffee by offering Georgia canned coffee through vending machines, a distribution strategy that is consistent with the Japanese lifestyle.

1.3.4 Value and Satisfaction

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

Marketing can be seen as the identification, creation, communication, delivery, and monitoring of customer value. **Satisfaction** reflects *a person’s comparative judgments resulting from a product’s perceived performance (or outcome) in relation to his or her expectations.* If the performance falls short of expectations, the customer is dissatisfied and disappointed. If the performance matches the expectations, the customer is satisfied. If it exceeds them, the customer is highly satisfied or delighted.

1.3.5 Marketing Channels

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

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

Coca-Cola—Coca-Cola in Japan popularized the idea of canning coffee and making it available through vending machines. While Americans can enjoy a hot cup of coffee in most places, Japanese traditionally drink *ocha* or green tea. However, Coca-Cola found that the Japanese enjoy coffee but just cannot get it readily. Hence, in a country where vending machines are a common form of retailing, Coca-Cola’s Georgia-brand canned coffee can be bought from many of the thousands of vending machines to suit Japanese lifestyle needs.

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

1.3.6 Supply Chain

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

1.3.7 Competition

Competition includes all the actual and potential rival offerings and substitutes that a buyer might consider.

Apple—When Apple introduced the iPad, it took a huge bite off the sales of dedicated e-book readers such as Amazon’s Kindle and Sony’s Reader. Apple sold over 450,000 iPads in less than a week when it was first launched. When the iPad2 was launched in 2011, sales were estimated in the range of 400,000 to 600,000 units during the first three days on the market. A survey found that most of those who bought the iPad2 did not own the previous version. The introduction of the iPad thus posed a significant competition to the Kindle, forcing Amazon to improve on its tablet device. Amazon responded by introducing a more friendly version. Apple, in turn, introduced the iPad Mini.¹⁴



Apple’s iPad changed the e-book reading landscape by affording readers an alternative to Amazon’s Kindle and Sony’s Reader.

1.3.8 Marketing Environment

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

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

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

1.4 The New Marketing Realities

We can say with some confidence that “the marketplace is not what it used to be.” Marketers must attend and respond to a number of significant developments.

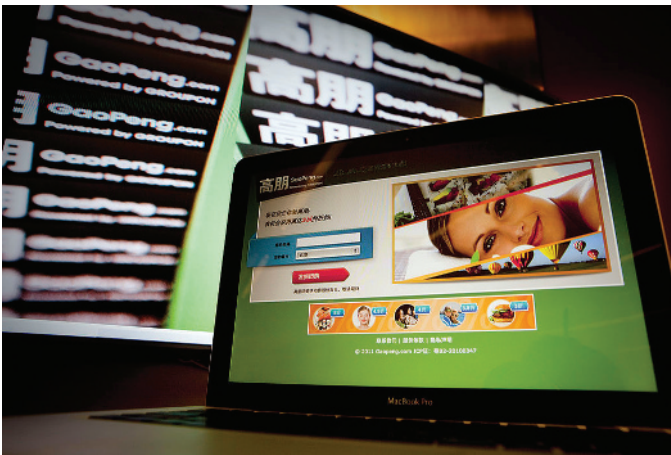
1.4.1 Major Societal Forces

Today the marketplace is radically different as a result of major, sometimes interlinking societal forces that have created new behaviors, new opportunities, and new challenges:

- **Network information**—The digital revolution has created an Information Age that promises to lead to more accurate levels of production, more targeted communications, and more relevant pricing.
- **Globalization**—Technological advances in transportation, shipping, and communications have made it easier for companies to market in other countries and easier for consumers to buy products and services from marketers in other countries. International travel continues to grow as more people work and play in other countries.
- **Deregulation**—Many countries have deregulated industries to create greater competition and growth opportunities. Companies in the telecommunications, domestic air travel, and electrical utilities industries may face foreign competition and may enter other local markets.
- **Privatization**—Many countries, such as China, have converted state-owned enterprises to private ownership and management to increase their efficiency.
- **Heightened competition**—Brand manufacturers are facing intense competition from domestic and foreign brands, which is resulting in rising promotion costs and shrinking

profit margins. They are further buffeted by powerful retailers who command limited shelf space and are putting out their own store brands in competition with national brands. Many strong brands are extending into related product categories, creating megabrands with much presence and reputation.

- **Industry convergence**—Industry boundaries are blurring at an incredible rate as companies are recognizing that new opportunities lie at the intersection of two or more industries. The computing and consumer electronics industries are converging, for example, Apple and Samsung release a stream of devices from MP3 players to phones to notebooks and watches for a complete entertainment and functional integrated system.
- **Retail transformation**—Small retailers are succumbing to the growing power of giant retailers and “category killers.” Store-based retailers are facing growing competition from e-commerce on the Internet. In response, entrepreneurial retailers are building entertainment into stores with coffee bars, lectures, demonstrations, and performances. They are marketing an “experience” rather than a product assortment.
- **Disintermediation**—The amazing success of early online dot-coms such as Amazon, Taobao, E*Trade, and others who created *disintermediation* in the delivery of products and services struck terror in the hearts of many established manufacturers and retailers. In response to disintermediation, many traditional companies engaged in *reintermediation* and became “brick-and-click,” adding online services to their existing offerings. Many brick-and-click competitors became stronger contenders than the pure-click firms, since they had a larger pool of resources to work with and well-established brand names.
- **Consumer buying power**—Buyers today are only a click away from comparing competitor prices and product attributes on the Internet. They can even name the price they want to pay for a hotel room, airline ticket, or mortgage, and see if there are any willing suppliers. Further, buyers can join with others to aggregate their purchases to achieve deeper volume discounts—hence the popularity of coupon sites such as Groupon. Business buyers can run a reverse auction where sellers compete to capture the buyer’s business.



Coupon sites such as Groupon allow consumers to aggregate their purchases for deeper volume discounts, hence, increasing their buying power.

- **Consumer information**—Consumers can get a good breadth and depth of information on practically anything. They can access information online. Personal connections and user-generated content thrive on social media such as Facebook, Flickr (photos), Wikipedia (encyclopedia articles), and YouTube (videos).¹⁵ Social networking sites—such as TripAdvisor for ardent travelers—bring together consumers with a common interest.
- **Consumer participation**—Particularly through the Internet, consumers have found an amplified voice to influence peer and public opinion. In recognition, companies are inviting them to participate in designing and even marketing offerings to heighten their sense of connection and ownership.
- **Consumer resistance**—Many customers feel there are fewer real product differences. So they show less brand loyalty and become more price- and quality-sensitive in their search for value, and less tolerant about undesired marketing.

Marketers can involve consumers through **crowdsourcing**, which is *the act of outsourcing ideas through an open call to a community*. Consumers can give ideas on product improvement or vote on which product design they like best. Crowdder, a crowdsourcing site in the Philippines, is a Web-based consumer insight service that combines real-time insighting and social gaming into a single system. The portal allows a company to input questions, upload media, and select a preferred set of consumers classified by gender and location. Marketers therefore have access to consumers’ insights.

1.4.2 New Company Capabilities

Societal forces have also combined to generate a new set of capabilities for today's companies:

1. **Marketers can use the Internet as a powerful information and sales channel.** The Internet augments marketers' geographical reach to inform customers and promote their products worldwide. By establishing one or more Web sites, marketers can list their companies' products and services, histories, business philosophies, job opportunities, and other information of interest to visitors.
2. **Researchers can collect fuller and richer information about markets, customers, prospects, and competitors.** They can also conduct fresh marketing research by using the Internet to arrange for focus groups, send out questionnaires, and gather primary data in several other ways.
3. **Marketers can tap into social media to amplify their brand message.** They can feed information and updates to consumers via blogs and other postings, support communities, and create their own stops on the Internet superhighway. Over a two-year period, Dell took in more than \$2 million in U.S. revenue from coupons provided through Twitter and another \$1 million from people who started at Twitter and bought a new computer on Dell's Web site. The @DellOutlet Twitter account generated millions of followers.
4. **Marketers can facilitate and speed external communication among customers.** They can also create online and offline "buzz" through brand advocates and user communities.
5. **Marketers can send ads, coupons, samples, and information to customers who have requested them or have given the company permission to send them.** Micro-target marketing and two-way communication are easier thanks to the proliferation of special-interest magazines, TV channels, and Internet newsgroups. Extranets linking suppliers and distributors let firms send and receive information, place orders, and make payments more efficiently. A company can also interact with each customer individually to personalize messages, services, and the relationship.
6. **Marketers can reach consumers on the move with mobile marketing.** Using GPS technology, for instance, marketers can pinpoint consumers' exact locations and send them messages at the mall with coupons and a relevant perk (buy this book today and get a free coffee at the bookstore's coffee shop). Location-based advertising is attractive because it reaches consumers close to the point of sale. Firms can also advertise on video iPods and reach consumers on their mobile phones through mobile marketing.¹⁶
7. **Companies can produce individually differentiated goods.** Thanks to advances in factory customization, computers, the Internet, and database marketing software, customers can, for a price, buy M&M candies with their names on them. BMW's technology allows buyers to design their own models from among 350 variations, with 500 options, 90 exterior colors, and 170 trims. The company claims that 80 percent of the cars bought by individuals in Europe and up to 30 percent bought in the United States are built to order.
8. **Companies can improve purchasing, recruiting, training, and internal and external communications.** Aerospace and defense contractor Boeing joins large, high-profile companies Walt Disney, General Motors, and McDonald's in embracing corporate blogging to communicate with the public, customers, and employees. External blogs allow dialogues with a marketing vice president and a glimpse into the flight testing of new aircraft models; internal blogs allow conversations on hot topics and anonymous feedback.¹⁷
9. **Companies can facilitate and speed up internal communication among their employees by using the Internet as a private intranet.** Employees can query one another, seek advice, and download or upload needed information from and to the company's main computer.
10. **Companies can improve their cost efficiency by skillful use of the Internet.** Corporate buyers can achieve substantial savings by using the Internet to compare sellers' prices and purchase materials at auction, or by posting their own terms in reverse auctions. Companies can improve logistics and operations to reap substantial cost savings while improving accuracy and service quality.

1.4.3 Marketing in Practice

Given the new marketing realities, organizations are challenging their marketers to find the best balance of old and new and to provide demonstrable evidence of success. **Marketing Memo: Reinventing Marketing at Coca-Cola** describes some of the many different ways that the organization has changed its marketing.



Coca-Cola is fundamentally changing the way it does marketing, primarily by adding a strong digital component to its traditional marketing tools. The new model is based on moving consumers from *impressions* to *expressions* to *conversations* to *transactions*.

Coca-Cola defines consumer expressions as any level of engagement with brand content: a comment, “like,” or share on Facebook; a tweet; or an uploaded photo or video. Coca-Cola strives to put strongly sharable pieces of communications online that will not only generate impressions but also lead to expressions from consumers who join or extend the communication storyline and ultimately buy the product.

These communications focus on the core themes of “happiness” and “optimism” that define the brand’s positioning. One successful application is the video of the “Hug Me” vending machine in Singapore, which dispensed cans of Coke when people put their arms around it and hugged it. Within a week, the video generated 112 million impressions.

Coca-Cola actively experiments, allocating 70 percent of its budget to activities it knows will work, 20 percent to improving those activities, and 10 percent to experimentation. The company accepts that experiments can fail but believes in taking chances to learn and develop better solutions. Even in its traditional advertising and promotion, it looks for innovation.

For instance, Coca-Cola places much importance on cultural leadership and causes that benefit others. The mission of its Arctic Home project is to protect the habitat of polar bears, which have starred in animated form in its holiday ads for years. Committing \$3 million to the World Wildlife Fund, Coca-Cola drew attention to the project by turning its traditional red cans white.



Coca-Cola reinforces its message of happiness with special promotional “Hug Me” vending machines which dispense free products.

Sources: Joe Tripodi, “Coca-Cola Marketing Shifts from Impressions to Expressions,” *Harvard Business Review*, *HBR Blog Network*, 27 April 2011; Tim Nudd, “Coca-Cola Joins the Revolution in World Where the Mob Rules,” *Adweek*, 19 June 2012; Surajeet Das Gupta and Viveka Susan Pinto, “Q&A: Joseph Tripodi,” *Business Standard*, 3 November 2011; “Coca-Cola Sets Facebook Record,” www.warc.com, 6 September 2012.

Marketing Balance

Companies must always move forward, innovating in products and services, staying in touch with customer needs, and seeking new advantages rather than relying on past strengths. India’s Hindustan Unilever asks all staff members—not just marketers—to obtain a “consumer license” to work on its brands, which requires spending 50 hours of face time with shoppers. One senior executive noted, “Our consumers are moving faster than marketers do, whether in terms of rural or urban changes or the way they consume media and entertainment.”¹⁸

Moving forward especially means incorporating Internet and digital efforts into marketing plans. Marketers must balance increased spending on search advertising, social media, e-mails, and text messages with appropriate spending on traditional marketing communications. But they must do so in tough economic times, when accountability has become a top priority and returns on investment are expected from every marketing activity. The ideal is retaining winning practices from the past while adding fresh approaches that reflect the new marketing realities.¹⁹

Marketing Accountability

Marketers are increasingly asked to justify their investments in financial and profitability terms, as well as in terms of building the brand and growing the customer base. Organizations recognize that much of their market value comes from intangible assets, particularly brands, the customer base, employees, distributor and supplier relations, and intellectual capital. They are thus applying more metrics—brand equity, customer lifetime value, return on marketing investment (ROMI)—to understand and measure their marketing and business performance and a broader variety of financial measures to assess the direct and indirect value their marketing efforts create.

Marketing in the Organization

As the late David Packard of Hewlett-Packard observed, “Marketing is far too important to leave to the marketing department.” Increasingly, marketing is *not* done only by the marketing department; every employee has an impact on the customer. Marketers now must properly manage all possible touch points: store layouts, package designs, product functions, employee training, and shipping and logistics. To create a strong marketing organization, marketers must think like executives in other departments, and executives in other departments must think more like marketers. Interdepartmental teamwork that includes marketers is needed to manage key processes such as production innovation, new-business development, customer acquisition and retention, and order fulfillment.

1.5 Company Orientation toward the Marketplace

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

1.5.1 The Production Concept

The **production concept** is one of the oldest concepts in business. It holds that *consumers will prefer products that are widely available and inexpensive*. Managers of production-oriented businesses concentrate on achieving high production efficiency, low costs, and mass distribution. This orientation makes sense in developing countries such as China where the largest PC manufacturer, Lenovo, and domestic appliances giant, Haier, take advantage of the country’s huge inexpensive labor pool to dominate the market. It is also used when a company wants to expand the market.²⁰

1.5.2 The Product Concept

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

1.5.3 The Selling Concept

The **selling concept** holds that *consumers and businesses, if left alone, will ordinarily not buy enough of the organization’s products*. The organization must, therefore, undertake an aggressive selling and promotion effort.

The selling concept is practiced most aggressively with unsought goods, goods that buyers normally do not think of buying, such as insurance, encyclopedias, and funeral plots. Most firms practice the selling concept when they have overcapacity. Marketing based on hard selling carries high risks. It assumes that customers who are coaxed into buying a product will like it; and that if they do not, they will not return it or badmouth it or complain to consumer organizations, or might even buy it again.

1.5.4 The Marketing Concept

The **marketing concept** is a customer-centered, “sense-and-respond” philosophy. The job is not to find the right customers for your products, but the right products for your customers. The marketing concept holds that *the key to achieving organizational goals consists of the company being more effective than competitors in creating, delivering, and communicating superior customer value to its chosen target markets*.

Theodore Levitt drew a perceptive contrast between the selling and marketing concepts:

Selling focuses on the needs of the seller; marketing on the needs of the buyer. Selling is preoccupied with the seller’s need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering, and finally consuming it.²¹



China’s abundant cheap labor has led some companies to engage in massive production to drive costs down.

1.5.5 The Holistic Marketing Concept

Without question, the trends and forces defining the 21st century are leading business firms to a new set of beliefs and practices. Today's best marketers recognize the need to have a more complete, cohesive approach that goes beyond traditional applications of the marketing concept.

The **holistic marketing** concept is based on *the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies*. Holistic marketing recognizes that “everything matters” with marketing and that a broad, integrated perspective is often necessary.

Holistic marketing thus recognizes and reconciles the scope and complexities of marketing activities. **Figure 1.3** provides a schematic overview of the four broad themes characterizing holistic marketing: relationship marketing, integrated marketing, internal marketing, and performance marketing. We will examine these major themes throughout the book.

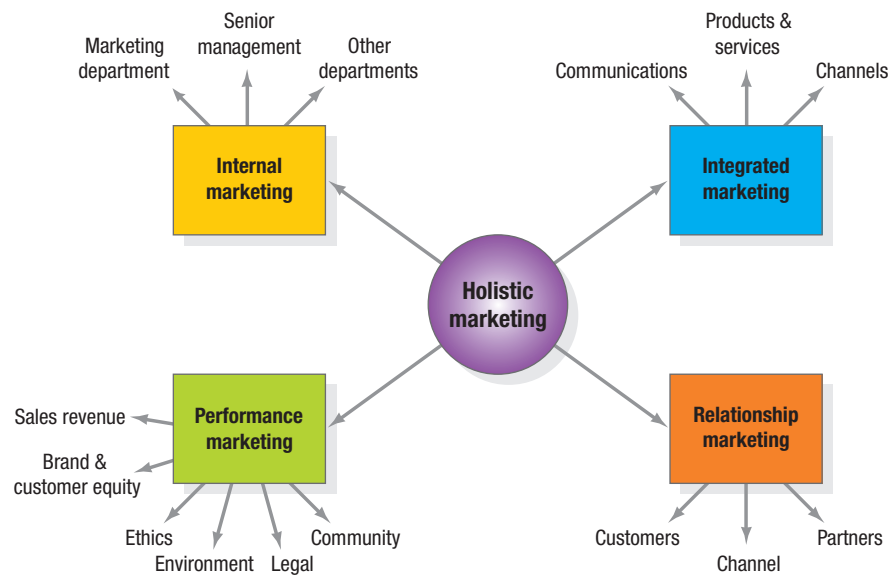


Figure 1.3 Holistic Marketing Dimensions

Relationship Marketing

Increasingly, a key goal of marketing is to develop deep, enduring relationships with people and organizations that could directly or indirectly affect the success of the firm's marketing activities. *Relationship marketing* aims to build mutually satisfying long-term relationships with key constituents to earn and retain their business.²²

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

The ultimate outcome of relationship marketing is a unique company asset called a marketing network. A *marketing network* consists of the company and its supporting stakeholders—customers, employees, suppliers, distributors, retailers, ad agencies, university scientists, and others—with whom it has built mutually profitable business relationships. The operating principle is simple: build an effective network of relationships with key stakeholders, and profits will follow.²³

Relationships and networks take on added importance in Asian marketing. In East Asia, the cultivation of personal relationships and the use of *guanxi* (personal connections) in business are still evident. In countries like China, which have a long history of being exploited by other nations, personal relations are useful in developing trust among business partners. To conduct business successfully in Asia, hiring a consultant or an intermediary to foster *guanxi* may be

fruitful, and selecting a joint-venture partner who has valuable connections with the local government may also prove beneficial.

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

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



In East Asia, *guanxi* or the cultivation of personal relationships is an integral part of doing business.

ExxonMobil, Shell, Caltex, and SPC—In Singapore, petrol companies are increasingly relying on their rewards programs to hold on to their customers. ExxonMobil has an upgraded Smiles reward program that gives a more favorable earn rate and a higher discount for petrol purchases. It also introduced a Gold Tier scheme which gives 30 percent bonus points to customers who spend at least S\$250 a month. Shell's Escape program changed its awards based on number of liters pumped instead of amount spent. With increasing petrol prices, the point issuance based on liters insulates customers against pump price changes. Caltex's Thanks! Program rewards high-value customers with a Platinum Pack that includes fuel discount vouchers, free beverages, and bonus Thanks! Points. SPC's program saves customers the trouble of keeping track of their points and deciding what to redeem them for. The company's computer system stores the points earned in a given month and gives upfront discounts over and above other discounts the following month.

Integrated Marketing

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

All company communications also must be integrated. Using an integrated communication strategy means choosing communication options that reinforce and complement each other. A marketer might selectively employ television, radio, and print advertising, public relations and events, and PR and Web site communications so each contributes on its own as well as improving the effectiveness of the others. Each must also deliver a consistent brand message at every contact.

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

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

Internal Marketing

Internal marketing, an element of holistic marketing, is *the task of hiring, training, and motivating able employees who want to serve customers well*. Smart marketers recognize that marketing activities within the company can be as important as—if not even more so—than marketing activities directed outside the company. It makes no sense to promise excellent service before the company’s staff is ready to provide it.

Marketing is no longer the responsibility of a single department—it is a company-wide undertaking that drives the company’s vision, mission, and strategic planning. It succeeds only when all departments work together to achieve customer goals (see **Table 1.1**): when engineering

Table 1.1 Assessing which Company Departments are Customer-Minded

<p>R&D</p> <ul style="list-style-type: none"> • They spend time meeting customers and listening to their problems. • They welcome the involvement of marketing, manufacturing, and other departments to each new project. • They benchmark competitors’ products and seek “best of class” solutions. • They solicit customer reactions and suggestions as the project progresses. • They continuously improve and refine the product on the basis of market feedback. <p>Purchasing</p> <ul style="list-style-type: none"> • They proactively search for the best suppliers. • They build long-term relationships with fewer but more reliable, high-quality suppliers. • They do not compromise quality for price savings. <p>Manufacturing</p> <ul style="list-style-type: none"> • They invite customers to visit and tour their plants. • They visit customer plants. • They willingly work overtime to meet promised delivery schedules. • They continuously search for ways to produce goods faster and/or at lower cost. • They continuously improve product quality, aiming for zero defects. • They meet customer requirements for “customization” where possible. <p>Marketing</p> <ul style="list-style-type: none"> • They study customer needs and wants in well-defined market segments. • They allocate marketing effort in relation to the long-run profit potential of the targeted segments. • They develop winning offers for each target segment. • They measure company image and customer satisfaction on a continuous basis. • They continually gather and evaluate ideas for new products, product improvements, and services. • They urge all company departments and employees to be customer-centered. 	<p>Sales</p> <ul style="list-style-type: none"> • They have specialized knowledge of the customer’s industry. • They strive to give the customer “the best solution.” • They make only promises that they can keep. • They feedback customers’ needs and ideas to those in charge of product development. • They serve the same customers for a long period of time. <p>Logistics</p> <ul style="list-style-type: none"> • They set a high standard for service delivery time and meet this standard consistently. • They operate a knowledgeable and friendly customer service department that can answer questions, handle complaints, and resolve problems in a satisfactory and timely manner. <p>Accounting</p> <ul style="list-style-type: none"> • They prepare periodic “profitability” reports by product, market segment, geographic areas (regions, sales territories), order sizes, channels, and individual customers. • They prepare invoices tailored to customer needs and answer customer queries courteously and quickly. <p>Finance</p> <ul style="list-style-type: none"> • They understand and support marketing expenditures (e.g., image advertising) that produce long-term customer preference and loyalty. • They tailor the financial package to the customer’s financial requirements. • They make quick decisions on customer creditworthiness. <p>Public Relations</p> <ul style="list-style-type: none"> • They send out favorable news about the company and “damage control” unfavorable news. • They act as an internal customer and public advocate for better company policies and practices.
---	--

designs the right products, finance furnishes the right amount of funding, purchasing buys the right materials, production makes the right product in the right time horizon, and accounting measures profitability in the right ways. Such interdepartmental harmony can only truly coalesce, however, when management clearly communicates a vision of how the company's marketing orientation and philosophy serve customers. The following example highlights the coordination problem:

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

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

Performance Marketing

Holistic marketing incorporates **performance marketing**, which requires *understanding the returns to the business from marketing activities and programs, as well as addressing broader concerns and their legal, ethical, social, and environmental effects*. Top management is going beyond sales revenue to examine the marketing scorecard and interpret what is happening to market share, customer loss rate, customer satisfaction, product quality, and other measures.

Financial Accountability

Marketers are thus being increasingly asked to justify their investments to senior management in financial and profitability terms, as well as in terms of building the brand and growing the customer base.²⁴ As a consequence, they are employing a broader variety of financial measures to assess the direct and indirect value their marketing efforts create. They are also recognizing that much of their firms' market value comes from intangible assets, particularly their brands, customer base, employees, distributor and supplier relations, and intellectual capital.

Social Responsibility Marketing

The effects of marketing clearly extend beyond the company and the customer to society as a whole. Marketers must carefully consider their role in broader terms, and the ethical, environmental, legal, and social context of their activities.²⁵ Increasingly, consumers demand such behavior, as Starbucks Chairman Howard Schultz has observed:

We see a fundamental change in the way consumers buy their products and services ... Consumers now commonly engage in a cultural audit of providers. People want to know your value and ethics demonstrated by how you treat employees, the community in which you operate. The implication for marketers is to strike the balance between profitability and social consciousness and sensitivity.... It is not a program or a quarterly promotion, but rather a way of life. You have to integrate this level of social responsibility into your operation.²⁶

This realization calls for a new term that enlarges the marketing concept. We propose calling it the "societal marketing concept." The **societal marketing concept** holds that the *organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and society's long-term well-being*. Sustainability has become a major corporate concern in the face of challenging environmental forces. Firms such as Panasonic are building factories that are environmentally friendly; McDonald's strives for a "socially responsible supply system" encompassing everything from healthy fisheries to redesigned packaging.²⁷

The societal marketing concept calls upon marketers to build social and ethical considerations into their marketing practices. They must balance and juggle the often conflicting

criteria of company profits, consumer want satisfaction, and public interest. **Table 1.2** displays some different types of corporate social initiatives, illustrated by McDonald's.²⁸

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

Bata Indonesia—Bata Indonesia is different from other shoe manufacturers. While some sports apparel manufacturers have been labeled negatively for exploiting cheap Asian sweatshop labor, Bata Indonesia's factory compound looks better as a park than Jakarta's few parks do. Wide, tree-lined avenues lead to clean, spacious work sheds. There is also a grassy pitch for soccer matches, and a clean, well-stocked medical clinic situated near the main gate. While stories of other factories that force and lock their workers out of the factory grounds during lunchtime are rampant, Bata Indonesia provides two canteens for its staff. This display of social welfare is the reason that it was chosen by Bienestar, a U.S.-based clothing manufacturer, to make its No Sweat sneakers. While a pair of Nike sneakers cost \$2, No Sweat's cost \$4.50 a pair. The extra cost for workers' benefits, ranging from free health care and a monthly rice allowance, to a pay package that is about 30 percent above the minimum wage in Indonesia, is detailed on every No Sweat shoe box.²⁹

Table 1.2 Corporate Social Initiatives by McDonald's in Asia

Type	Description	Example
Corporate social marketing	Supporting behavior change campaigns	McDonald's sponsorship of Clean Community Days in China through which it encourages participation in tree planting and recycling programs.
Cause marketing	Promoting social issues through efforts such as sponsorships, licensing agreements, and advertising	McDonald's use of funds raised during World Children's Day to sponsor dictionaries for needy children in China. In Japan, McDonald's sponsors an annual All-Japan Rubber Baseball Tournament. Rubber baseball is an original Japanese product, created to provide a safe way for children to play baseball.
Cause-related marketing	Donating a percentage of revenues to a specific cause based on the revenue occurring during the announced period of support	During the relief efforts for the 2004 Asian tsunami, McDonald's India saw employees donating a day's pay, while McDonald's Singapore committed a portion of sales from popular menu items, and employees from McDonald's Hong Kong volunteered for UNICEF.
Corporate philanthropy	Making gifts of money, goods, or time to help non-profit organizations, groups, or individuals	McDonald's Singapore donated part of the proceeds made on World Children's Day to support children with HIV/AIDS.
Corporate community involvement	Providing in-kind or volunteer services in the community	In Mumbai, McDonald's was involved in restoring a designated "heritage structure" in a historically and commercially important part of the city.
Socially responsible business practices	Adapting and conducting business practices that protect the environment and human and animal rights	McDonald's Japan leads in energy efficiency programs. It has tracked its energy use for more than 10 years and has developed metrics to monitor carbon dioxide emissions.

Source: Adapted from Philip Kotler and Nancy Lee, *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause* (Hoboken, NJ: Wiley, 2004). Copyright © 2005 by Philip Kotler and Nancy Lee. Used by permission of John Wiley & Sons, Inc; www.mcdonalds.com/corp/values.html.

1.6 Updating the Four P's

E. Jerome McCarthy classified these tools into four broad groups that he called *the four P's* of marketing: product, price, place, and promotion.³⁰ Collectively, these P's are called the **marketing mix**. The marketing variables under each P are shown in **Figure 1.4**. A complementary view of the four P's can be found in **Marketing Insight: Understanding of the 4 A's of Marketing**.



According to Jagdish Sheth and Rajendra Sisodia, poor management as a consequence of not knowing what drives consumers is behind the majority of marketing failures. The authors make the case that consumer knowledge is a much more reliable route to success. Their customer-centric marketing management framework emphasizes what they believe are the most important consumer values and which they call the four A's: acceptability, affordability, accessibility, and awareness.

Acceptability

Is the extent to which a firm's total product offering exceeds customer expectations. The authors assert that *acceptability* is the dominant component in the framework and that design, in turn, is at the root of acceptability. Functional aspects of design can be boosted by, for instance, enhancing the core benefit or increasing reliability of the product; psychological acceptability can be improved with changes to brand image, packing and design, and positioning.

Affordability

Is the extent to which customers in the target market are able and willing to pay the product's price. It has two dimensions: economic (*ability* to pay) and psychological (*willingness* to pay). Acceptability combined with affordability determines the product's value proposition. When a software company lowered the price of its software from \$5,000 to \$199 and started charging for customer support, sales demand increased enormously.

Accessibility

The extent to which customers are able to readily acquire the product, has two dimensions: availability and convenience. Successful companies develop innovative ways to deliver both, as some online retailers do with excellent customer service and return policies and tracking of up-to-the-minute information about warehouse stock, brands, and styles.

Awareness

Is the extent to which customers are informed regarding the product's characteristics, persuaded to try it, and reminded to repurchase. It has two dimensions: brand awareness and product knowledge. Sheth and Sisodia say that awareness is the ripest for improvement because most companies are either ineffectual or inefficient at developing it. For instance, properly done advertising can be incredibly powerful, but word-of-mouth marketing and co-marketing can more effectively reach potential customers.

Sheth and Sisodia base the 4 A's framework on the four distinctive roles a consumer plays in the marketplace—seeker, buyer, payer, and user. A fifth consumer role—evangelizer—captures the fact that consumers often recommend products to others and have become increasingly critical with the advent of the Internet and social media platforms.

Note that we can easily relate the 4 A's to the traditional 4 P's. Marketers set the product (which mainly influences acceptability), the price (which mainly influences affordability), the place (which mainly influences accessibility), and promotion (which mainly influences awareness).

Sources: Jagdish N. Sheth and Rajendra Sisodia, *The 4 A's of Marketing: Creating Value for Customer, Company and Society* (New York: Routledge, 2012); "New Rules: Jagdish Sheth Outlines 4 A's of Marketing," *The Financial Express*, 6 April 2004; "Industry Leaders Discuss Marketing for Not for Profit Organizations @ BIMTECH Marketing Summit," www.mbauniverse.com, 1 May 2012.

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

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

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

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