Part 1: Introduction to Marketing Management

Chapter 1

Scope of Marketing for New Realities

In this chapter, we will address the following questions:

1. Why is marketing important? (Page 26)
2. What is the scope of marketing? (Page 26)
3. What are some core marketing concepts? (Page 29)
4. What forces are defining the new marketing realities? (Page 31)
5. What tasks are necessary for successful marketing management? (Page 34)

Marketing Management at Unilever

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 “Crafting Brands for Life” model establishes social, economic, and product missions for each brand, including Dove, Ben & Jerry’s, and Knorr. One part of the mission, for instance, is sustainability—specifically, to halve its ecological footprint while doubling revenues. To improve marketing communications, it aims to strike a balance between “magic” and “logic,” doubling marketing training expenditures and emphasizing ad research. Unilever has set its sights on developing and emerging markets, hoping to draw 70 percent to 75 percent of revenues from these markets by 2020. The company has also adopted “reverse innovation” by applying marketing innovations from developing markets to recession-hit developed markets. In Spain, it now sells Surf detergent in five-wash packs. In Greece, it offers mayonnaise in small packages.

Good marketing is no accident. It is both an art and a science, and it results from careful planning and execution using state-of-the-art tools and techniques. In this book, we describe how skillful marketers are updating classic practices and inventing new ones to find creative,
practical solutions to new marketing realities. In the first chapter, we lay our foundation by reviewing important marketing concepts, tools, frameworks, and issues.

The Value of Marketing

Finance, operations, accounting, and other business functions won’t really matter without sufficient demand for products and services so the firm can make a profit. In other words, there must be a top line for there to be a bottom line. Thus, financial success often depends on marketing ability. Marketing’s value extends to society as a whole. It has helped introduce new or enhanced products that ease or enrich people’s lives. 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.

Many firms, even service and nonprofit, now have a chief marketing officer (CMO) to put marketing on a more equal footing with other C-level executives such as the chief financial officer (CFO) or chief information officer (CIO).

In an Internet-fueled environment where consumers, competition, technology, and economic forces change rapidly and consequences quickly multiply, marketers in every organization must choose features, prices, and markets and decide how much to spend on advertising, sales, and online and mobile marketing—while under intense pressure to make every marketing dollar count.

At greatest risk are those that fail to carefully monitor their customers and competitors, continuously improve their value offerings and marketing strategies, or satisfy their employees, stockholders, suppliers, and channel partners in the process. Thus, skillful marketing is a never-ending pursuit. Despite these challenges, some businesses are adapting and thriving in these changing times.

The Scope of Marketing

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

What Is Marketing?

Marketing is about identifying and meeting human and social needs. One of the shortest good definitions of marketing is “meeting needs profitably.” When Google recognized that people needed to more effectively and efficiently access information on the Internet, it created a powerful search engine that organized and prioritized queries. When IKEA noticed that people wanted good furnishings at substantially lower prices, it created knockdown furniture. These two firms demonstrated marketing savvy and turned a private or social need into a profitable business opportunity.

The American Marketing Association offers the following formal definition: Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. 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. Cocreation of value among consumers and with businesses and the importance of value creation and sharing have become important themes in the development of modern marketing thought.

Note that selling is not the most important part of marketing. Peter Drucker, famed management theorist, says that “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. When Apple launched its iPad tablet computer and when Toyota introduced its Prius hybrid automobile, these manufacturers were swamped with orders because they designed the right product, based on careful marketing homework.

**What Is Marketed?**

Marketers market 10 main types of entities: goods, services, events, experiences, persons, places, properties, organizations, information, and ideas.

**Goods** Physical goods constitute the bulk of most countries’ production and marketing efforts. Each year, U.S. companies market billions of fresh, canned, bagged, and frozen food products and other tangible items.

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

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

**Experiences** By orchestrating several services and goods, a firm can create, stage, and market experiences. Walt Disney World’s Magic Kingdom lets customers visit a fairy kingdom, a pirate ship, or a haunted house. Customized experiences include a week at a baseball camp with retired baseball greats, as one example.

**Persons** Artists, musicians, CEOs, physicians, high-profile financiers, and other professionals often get help from marketers. Management consultant Tom Peters, himself a master at self-branding, has advised each person to become a “brand.”

**Places** Cities, states, regions, and whole nations compete to attract tourists, residents, factories, and company headquarters. Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies.

**Properties** Properties are intangible rights of ownership to either real property (real estate) or financial property (stocks and bonds). They can be bought and sold and therefore require marketing through the efforts of real estate agents, investment companies, and banks.

**Organizations** Museums, performing arts organizations, corporations, and nonprofits all use marketing to boost their public images and compete for audiences and funds. Some universities have created chief marketing officer (CMO) positions to better manage their school identity and image, via everything from admission brochures and Twitter feeds to brand strategy.
Information is essentially what books, schools, and universities produce, market, and distribute at a price to parents, students, and communities.

Ideas

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

Who Markets?

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.

Increasingly, marketing is not done only by the marketing department. Marketers now must properly manage all possible touch points (where a customer directly or indirectly interacts with the company), including 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 like production innovation, new-business development, customer acquisition and retention, and order fulfillment.

What Is a Market?

Traditionally, a “market” was a physical place where buyers and sellers gathered to buy and sell goods. Economists describe a market as a collection of buyers and sellers who transact over a particular product or product class (such as the housing market or the grain market). Marketers use the term market to describe customer groups. They talk about need markets (the diet-seeking market), product markets (the shoe market), demographic markets (the “millennium” youth market), geographic markets (the Chinese market), or voter markets, labor markets, and donor markets. Four key customer markets are consumer, business, global, and nonprofit.

Figure 1.1 shows how sellers and buyers are connected by four flows. Sellers send goods and services and communications such as ads and direct mail to the market; in return they receive money and information such as customer attitudes and sales data. The inner loop shows an exchange of money for goods and services; the outer loop shows an exchange of information.

**FIGURE 1.1** A Simple Marketing System
Core Marketing Concepts

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

Needs, Wants, and Demands

Needs are the basic human requirements such as for air, food, water, clothing, and shelter. Humans also have strong needs for recreation, education, and entertainment. These needs become wants when directed to specific objects that might satisfy the need. A U.S. consumer needs food but may want a Chicago-style “deep-dish” pizza and a craft beer. A person in Afghanistan needs food but may want rice, lamb, and carrots. Our wants are shaped by our society. Demands are wants for specific products backed by an ability to pay. Many people want a Mercedes; only a few can buy one. Companies must measure not only how many people want their product, but also how many are willing and able to buy it.

These distinctions shed light on the criticism that “marketers get people to buy things they don’t want.” Marketers do not create needs: Needs pre-exist marketers. Marketers might promote the idea that a Mercedes satisfies a person’s need for social status. They do not, however, create the need for social status.

Some customers have needs of which they are not fully conscious or that they cannot articulate. What does the customer mean in asking for a “powerful” lawn mower or a “peaceful” hotel? We can distinguish five types of needs:

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

Responding only to the stated need may shortchange the customer. Consumers did not know much about tablet computers when they were first introduced, but Apple worked hard to shape consumer perceptions of them. To gain an edge, companies must help customers learn what they want.

Target Markets, Positioning, and Segmentation

Not everyone likes the same cereal, restaurant, university, or movie. Marketers therefore identify distinct segments of buyers by identifying demographic, psychographic, and behavioral differences between them. They then decide which segment(s) present the greatest opportunities. For each of these target markets, the firm develops a market offering that it positions in target buyers’ minds as delivering some key benefit(s). Porsche targets buyers who seek pleasure and excitement in driving and want to make a statement about their wheels.

Offerings and Brands

Companies address customer needs by putting forth a value proposition, a set of benefits that satisfy those needs. The intangible value proposition is made physical by an offering, which can be a combination of products, services, information, and experiences. A brand is an offering from a known source. A brand name such as Apple carries many different kinds of associations in people’s minds that make up its image: creative, innovative, easy-to-use, fun, cool, iPhone, and iPad to name just a few. All companies strive to build a brand image with strong, favorable, and unique brand associations.
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, smart phone, billboards, posters, and the Internet. Firms also communicate through the look of their retail stores and Web sites and other media, adding dialogue channels such as e-mail, blogs, text messages, and URLs to familiar monologue channels such as ads.

Distribution channels help display, sell, or deliver the physical product or service(s) to the buyer or user. These channels may be direct via the Internet, mail, or mobile phone or telephone or indirect with distributors, wholesalers, retailers, and agents as intermediaries. To carry out transactions with potential buyers, the marketer also uses service channels that include warehouses, transportation companies, banks, and insurance companies. Marketers clearly face a design challenge in choosing the best mix of communication, distribution, and service channels.

Paid, Owned, and Earned Media
We can group communication options for interacting with customers into three categories. Paid media include TV, magazine and display ads, paid search, and sponsorships, all of which allow marketers to show their ad or brand for a fee. Owned media are communication channels marketers actually own, like a company or brand brochure, Web site, blog, Facebook page, or Twitter account. Earned media are streams in which consumers, the press, or other outsiders voluntarily communicate something about the brand via word of mouth, buzz, or viral marketing methods. The emergence of earned media has allowed some companies, such as Chipotle, to reduce paid media expenditures.

Impressions and Engagement
Marketers now think of three “screens” or means to reach consumers: TV, Internet, and mobile. Impressions, which occur when consumers view a communication, are a useful metric for tracking the scope or breadth of a communication’s reach that can also be compared across all communication types. The downside is that impressions don't provide any insight into the results of viewing the communication. Engagement is the extent of a customer’s attention and active involvement with a communication, which is more likely to create value for the firm. Some online measures of engagements are Facebook “likes,” Twitter tweets, comments on a blog or Web site, and sharing of video or other content.

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

Satisfaction reflects a person’s judgment of a product’s perceived performance in relationship to expectations. If performance falls short of expectations, the customer is disappointed. If it matches expectations, the customer is satisfied. If it exceeds them, the customer is delighted.

Supply Chain
The supply chain is a longer channel stretching from raw materials to components to finished products carried to final buyers. The supply chain for coffee may start with farmers who plant, tend, and pick the coffee beans and sell their harvest. After farmers sell their harvest to
wholesalers or perhaps a Fair Trade cooperative, the beans are prepared and then transported to
the developed world for sale through wholesale or retail channels. Each company in the chain
captures only a certain percentage of the total value generated by the supply chain's value deliv-
ergy system. When a company acquires competitors or expands upstream or downstream, its aim
is to capture a higher percentage of supply chain value.

**Competition**

Competition includes all the actual and potential rival offerings and substitutes a buyer might
consider. An automobile manufacturer can buy steel from U.S. Steel, from a firm in Japan or
Korea, or from a mini-mill. Alternatively, it can buy aluminum parts from Alcoa to reduce the
car's weight or engineered plastics instead of steel. Clearly, U.S. Steel is more likely to be hurt by
substitute products than by other integrated steel companies and would be defining its competi-
tion too narrowly if it didn't recognize this.

**Marketing Environment**

The marketing environment consists of the task environment and the broad environment. The
*task environment* includes the actors engaged in producing, distributing, and promoting the
offering. These are the company, suppliers, distributors, dealers, and target customers. In the
supplier group are material suppliers and service suppliers, such as marketing research agen-
cies, advertising agencies, banking and insurance companies, transportation companies, and
telecommunications companies. Distributors and dealers include agents, brokers, manufacturer
representatives, and others who facilitate finding and selling to customers.

The *broad environment* consists of six components: demographic environment, economic
environment, social-cultural environment, natural environment, technological environment,
and political-legal environment. Marketers must pay close attention to the trends and develop-
ments in these and adjust their marketing strategies as needed.

**The New Marketing Realities**

The marketplace is dramatically different from even 10 years ago, with new marketing behaviors,
opportunities, and challenges emerging. In this book we focus on three transformative forces:
technology, globalization, and social responsibility.

**Technology**

The pace of change and the scale of technological achievement can be staggering. With the
rapid rise of e-commerce, the mobile Internet, and Web penetration in emerging markets,
the Boston Consulting Group believes brand marketers must enhance their “digital balance
sheets.”¹⁵ Massive amounts of information and data about almost everything are now avail-
able to consumers and marketers. In fact, the technology research firm Gartner predicts that
by 2017, chief marketing officers will spend more time on information technology than chief
information officers.

The old credo “information is power” is giving way to the new idea that “sharing information
is power.”¹⁶ Even traditional marketing activities are profoundly affected by technology. As just
one example, drug maker Roche decided to issue iPads to its entire sales team to improve sales
force effectiveness. Now sales personnel can do real-time data entry, improving the quality of the
data entered while freeing up time for other tasks.¹⁷
Globalization
The world has become a smaller place. New transportation, shipping, and communication technologies have made it easier for us to know the rest of the world, to travel, to buy and sell anywhere. By 2025, annual consumption in emerging markets will total $30 trillion and contribute more than 70 percent of global GDP growth. A staggering 56 percent of global financial services consumption is forecast to come from emerging markets by 2050, up from 18 percent in 2010.

Globalization has made countries increasingly multicultural. U.S. minorities have much economic clout, and their buying power is growing faster than that of the general population. As a result, one survey found that 87 percent of companies planned to increase or maintain multicultural media budgets. Companies can now take marketing ideas and lessons from one country and apply them to another. After years of little success with premium ultrasound scanners in the Chinese market, GE successfully developed a portable, ultra-low-cost version that addressed the country's unique market needs. Later, it began to successfully sell the product throughout the developed world for use in ambulances and operating rooms where existing units were too big.

Social Responsibility
Poverty, pollution, water shortages, climate change, wars, and wealth concentration demand our attention. The private sector is taking some responsibility for improving living conditions, and firms all over the world have elevated the role of corporate social responsibility. Because marketing's effects extend to society as a whole, marketers must consider the ethical, environmental, legal, and social context of their activities. “Marketing Insight: Getting to Marketing 3.0” describes how companies need to change to do that.

A Dramatically Changed Marketplace
These three forces—technology, globalization, and social responsibility—have dramatically changed the marketplace and provided both consumers and companies with new capabilities, as shown in Table 1.1.

One of the reasons consumers have more choices is that channels of distribution have changed. Store-based retailers face competition from catalog houses; direct-mail firms; newspaper, magazine, and TV direct-to-customer ads; home shopping TV; and e-commerce. In

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<tr>
<th>TABLE 1.1</th>
<th>New Capabilities in the Changed Marketplace</th>
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<td><strong>New Consumer Capabilities:</strong></td>
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<tr>
<td>• Can use the Internet as a powerful information and purchasing aid</td>
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<tr>
<td>• Can search, communicate, and purchase on the move</td>
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<tr>
<td>• Can tap into social media to share opinions and express loyalty</td>
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<tr>
<td>• Can actively interact with companies</td>
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<td>• Can reject marketing they find inappropriate</td>
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<tr>
<td><strong>New Company Capabilities:</strong></td>
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<tr>
<td>• Can use the Internet as a powerful information and sales channel, including for individually differentiated goods</td>
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<tr>
<td>• Can collect fuller and richer information about markets, customers, prospects, and competitors</td>
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<tr>
<td>• Can reach customers quickly and efficiently via social media and mobile marketing, sending targeted ads, coupons, and information</td>
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<tr>
<td>• Can improve purchasing, recruiting, training, and internal and external communications</td>
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<td>• Can improve cost efficiency</td>
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Getting to Marketing 3.0

Philip Kotler, Hermawan Kartajaya, and Iwan Setiawan believe today’s customers want marketers to treat them as whole human beings and acknowledge that their needs extend beyond pure consumerism. Successful marketing is thus distinguished by its human or emotional element. A third wave of thinking, values-driven and heralded as “Marketing 3.0,” has moved us beyond the product-centric and consumer-centric models of the past, these authors say. Its three central trends are increased consumer participation and collaborative marketing, globalization, and the rise of a creative society.

• We live with sustained technological development—low-cost Internet, cheap computers and mobile phones, open source services and systems. Expressive and collaborative social media, such as Facebook and Wikipedia, have changed the way marketers operate and interact with consumers.

• Culturally relevant brands can have far-reaching effects. A cultural brand might position itself as a national or local alternative to a global brand with poor environmental standards, for instance.

• Creative people are increasingly the backbone of developed economies. Marketing can now help companies tap into creativity and spirituality by instilling marketing values in corporate culture, vision, and mission.

These authors believe the future of marketing will be consumer-to-consumer. They say the recent economic downturn has not fostered trust in the marketplace and customers are increasingly turning to one another for credible advice and information when selecting products.


response, entrepreneurial retailers are building entertainment into their stores with coffee bars, demonstrations, and performances, marketing an “experience” rather than a product assortment. Early dot-coms such as Amazon.com successfully created disintermediation in the delivery of products and services by intervening in the traditional flow of goods. Now traditional companies are engaging in reintermediation and becoming “brick-and-click” retailers, adding online services to their offerings.

While globalization has created intense competition among domestic and foreign brands, the rise of private labels (marketed by powerful retailers) and mega-brands (and brands extended into related product categories) plus a trend toward deregulation and privatization have also increased competition. Many countries have deregulated industries to create greater competition and growth opportunities. In the United States, laws restricting financial services, telecommunications, and electric utilities have all been loosened in the spirit of greater competition. Meanwhile, many countries have converted public companies to private ownership and management to increase efficiency, which also adds to the competitive pressure.

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,
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—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.

**Company Orientation Toward the Marketplace**

Given these new marketing realities, what philosophy should guide a company’s marketing efforts? Let’s first review the evolution of marketing philosophies.

**The Production Concept**

The production concept is one of the oldest concepts in business. It holds that consumers prefer products that are widely available and inexpensive. Managers of production-oriented businesses concentrate on achieving high production efficiency, low costs, and mass distribution. This orientation has made sense in developing countries such as China, where the largest PC manufacturer, Lenovo, has taken advantage of the country’s huge, inexpensive labor pool to dominate the market. Marketers also use the production concept when they want to expand the market.

**The Product Concept**

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

**The Selling Concept**

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

**The Marketing Concept**

The marketing concept emerged in the mid-1950s as a customer-centered, sense-and-respond philosophy. The job is to find not the right customers for your products, but the right products for your customers. The marketing concept holds that the key to achieving organizational goals is being more effective than competitors in creating, delivering, and communicating superior customer value to your target markets. Harvard’s Theodore Levitt drew a perceptive contrast between the selling and marketing concepts:

Selling focuses on the needs of the seller; marketing on the needs of the buyer. Selling is preoccupied with the seller’s need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering, and finally consuming it.
The Holistic 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 acknowledges that everything matters in marketing—and that a broad, integrated perspective is often necessary. Holistic marketing thus recognizes and reconciles the scope and complexities of marketing activities. Figure 1.2 provides a schematic overview of four broad components characterizing holistic marketing: relationship marketing, integrated marketing, internal marketing, and performance marketing. We’ll examine these major themes throughout this book.

**Relationship Marketing**  
**Relationship marketing** aims to build mutually satisfying long-term relationships with key constituents in order to earn and retain their business. Four key constituents for relationship marketing are customers, employees, marketing partners (channels, suppliers, distributors, dealers, agencies), and members of the financial community (shareholders, investors, analysts). Marketers must create prosperity among all these constituents and balance the returns to all key stakeholders.

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

Companies are also shaping separate offers, services, and messages to *individual customers*, based on information about their past transactions, demographics, psychographics, and media.

**FIGURE 1.2 Holistic Marketing Dimensions**

![Diagram of Holistic Marketing Dimensions](image-url)
Part 1 Introduction to Marketing Management

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. Marketing must skillfully conduct not only customer relationship management but partner relationship management as well. Companies are deepening their partnering arrangements with suppliers and distributors, seeing them as partners in delivering value to final customers so everybody benefits.

**Integrated Marketing** Integrated marketing occurs when the marketer devises activities and programs to create, communicate, and deliver value for consumer 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 each marketing activity with all other activities in mind. When a hospital buys an MRI machine 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 so they 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 and improves the effectiveness of the others while delivering a consistent brand message at every contact.

**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 firm can be as important as, or even more important than, those directed outside the company.

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

When they founded Ben & Jerry’s, Ben Cohen and Jerry Greenfield embraced the performance marketing concept by dividing the traditional financial bottom line into a “double bottom line” that also measured the environmental impact of their products and processes. That later expanded into a “triple bottom line” to represent the positive and negative social impacts of the firm’s entire range of business activities. Some firms have failed to live up to their legal and ethical responsibilities, and consumers are demanding more responsible behavior. One research study reported that at least one-third of consumers around the world believed that banks, insurance providers, and packaged-food companies should be subject to stricter regulation.

**Updating The Four Ps**

Many years ago, McCarthy classified various marketing activities into marketing-mix tools of four broad kinds, which he called the four Ps of marketing: product, price, place, and promotion. The marketing variables under each P are shown in Figure 1.3.

Given the breadth, complexity, and richness of marketing, however—as exemplified by holistic marketing—clearly these four Ps are not the whole story anymore. Updating them to reflect the holistic marketing concept results in a more representative set that encompasses modern marketing realities: people, processes, programs, and performance, as in Table 1.2.
People reflects, in part, internal marketing and the fact that employees are critical to marketing success. Marketing will only be as good as the people inside the organization. It also reflects the fact that marketers must view consumers as people to understand their lives more broadly and not just as shoppers who consume products and services.

Processes are all the creativity, discipline, and structure brought to marketing management. Marketers must ensure that state-of-the-art marketing ideas and concepts play an appropriate role in all they do, including creating mutually beneficial long-term relationships and imaginatively generating insights and breakthrough products, services, and marketing activities.

Programs are all the firm’s consumer-directed activities, encompassing the old four Ps as well as a range of other marketing activities that might not fit as neatly into the old view of marketing. Regardless of whether they are online or offline, traditional or nontraditional, these activities must be integrated such that their whole is greater than the sum of their parts and they accomplish multiple objectives for the firm.
Performance reflects, as in holistic marketing, the range of possible outcome measures that have financial and nonfinancial implications (profitability as well as brand and customer equity) and implications beyond the company itself (social responsibility, legal, ethical, and community related).

Marketing Management Tasks

Figure 1.4 summarizes the three major market forces, two key market outcomes, and four fundamental pillars of holistic marketing that help to capture the new marketing realities. With these concepts in place, we can identify a specific set of tasks that make up successful marketing management and marketing leadership.

- **Developing and implementing marketing strategies and plans.** The first task is to identify and plan for the organization’s potential long-run opportunities, given its market experience and core competencies. See Chapter 2 for more detail.
- **Capturing marketing insights.** Each organization should closely monitor its marketing environment, continually assess market potential, and forecast demand. Chapter 3 looks at marketing information and research, market demand, and the marketing environment.
- **Connecting with customers.** Management must decide how to best create value for the firm’s chosen target markets and how to develop strong, profitable, long-term relationships with customers, as discussed in Chapters 4 and 5.
- **Building strong brands.** The organization must divide the market into major market segments, evaluate each one, and target those it can best serve, as explained in Chapter 6.

**FIGURE 1.4 The New Marketing Realities**

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<tr>
<th>Three Major Market Forces</th>
<th>Two Key Market Outcomes</th>
<th>Four Fundamental Pillars of Holistic Marketing</th>
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<tbody>
<tr>
<td>Technology</td>
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<td>Globalization</td>
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<td>Integrated Marketing</td>
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<td>Social Responsibility</td>
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<td>Internal Marketing</td>
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<td>Performance Marketing</td>
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Next, it needs to craft a brand positioning and plan to compete effectively, as shown in Chapter 7. Also, it should understand how customers perceive its brands and plan for growth, topics covered in Chapter 8.

- **Creating value.** At the heart of the marketing program is the product—the firm’s tangible offering to the market—which includes the product quality, design, features, and packaging, all explored in Chapter 9. Chapter 10 looks at how firms can design and market services, and Chapter 11 examines critical marketing decisions related to pricing.

- **Delivering value.** Based on its products and services, how can the firm deliver value to its target market? Chapter 12 discusses channel activities needed to make the product accessible and available to customers. Chapter 13 explores the marketing decisions made by retailers, wholesalers, and physical-distribution firms.

- **Communicating value.** Each marketer needs to communicate to the target market the value embodied by its offerings. This requires an integrated marketing program that maximizes the individual and collective contribution of all communication activities, as shown in Chapter 14. Chapter 15 examines mass communications such as advertising, sales promotion, events, and public relations, while Chapter 16 discusses online, social media, and mobile options for reaching consumers. Chapter 17 looks at personal communications such as direct and database marketing as well as personal selling.

- **Managing the marketing organization for long term success.** The marketing strategy should take into account changing global opportunities and challenges as well as social responsibility and ethics. Management must also establish an appropriate marketing organization. See Chapter 18 for more detail.

## Executive Summary

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. Marketing management is the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value. Marketers can market goods, services, events, experiences, persons, places, properties, organizations, information, and ideas in four different marketplaces: consumer, business, global, and nonprofit.

Today’s marketplace is fundamentally different than in the past, resulting in many new consumer and company capabilities. Technology, globalization, and social responsibility are creating new opportunities and challenges and significantly changing the management of marketing. Organizations can conduct business under the production concept, the product concept, the selling concept, the marketing concept, or the holistic marketing concept. The holistic marketing concept (including relationship marketing, integrated marketing, internal marketing, and performance marketing) is based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies. Successful marketing management includes developing and implementing marketing strategies and plans, capturing marketing insights, connecting with customers, building strong brands, creating, delivering, and communicating value, and managing the marketing organization within the global economy.
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Notes


