Principles of MARKETING
To Kathy, Betty, Mandy, Matt, KC, Keri, Delaney, Molly, Macy, and Ben; and Nancy, Amy, Melissa, and Jessica
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Preface

New to This Edition

All That’s New in Marketing

The eighteenth edition of Principles of Marketing reflects the major trends and shifting forces that impact marketing in this digital age of customer value, engagement, and relationships. Here are just some of the major new and continuing changes you’ll find in this edition.

• Customer engagement framework: This eighteenth edition continues to build on its customer engagement framework—creating direct and continuous customer involvement in shaping brands, brand conversations, brand experiences, brand advocacy, and brand community. New coverage and fresh examples throughout the text address the latest customer engagement tools, practices, and developments.

• Fast-changing marketing trends and topics: This edition adds fresh coverage of both traditional marketing areas and fast-changing topics such as digital, mobile, and social media marketing; customer engagement marketing; the customer journey; big data, artificial intelligence, and new marketing analytics; the major digital transformation in marketing research; omni-channel marketing and the massive shifts in today’s retailing; direct-to-consumer marketing (DTC); real-time customer listening and marketing; marketing content creation and native advertising; B-to-B social media and social selling; online and dynamic pricing; sustainability; global marketing; and much more.

• Online, mobile, social media, and other digital marketing technologies: Keeping up with digital concepts, technologies, and practices has become a top priority and major challenge for today’s marketers. The eighteenth edition of Principles of Marketing provides thoroughly refreshed, up-to-date coverage of these explosive developments in every chapter—from digital, online, mobile, and social media engagement technologies in Chapters 1, 5, 14, 15, and 17; to “big data,” new marketing analytics, the Internet of Things, and artificial intelligence in Chapters 1, 3, and 4; to the massive shift to omni-channel and digital retailing in Chapters 13 and 17; to the increasing use of augmented and virtual reality in Chapters 4 and 13. A Chapter 1 section on The Digital Age: Online, Mobile, and Social Media Marketing introduces the exciting new developments in digital and social media marketing. Then a Chapter 17 section on Direct, Online, Social Media, and Mobile Marketing digs more deeply into digital marketing tools such as online sites, social media, mobile ads and apps, online video, email, and other digital platforms that engage consumers anywhere, anytime via their computers, smartphones, tablets, and other digital devices.

• Content marketing and marketing communications: The eighteenth edition continues to track fast-changing developments in marketing communications and the creation of brand content. Marketers no longer simply create advertising and integrated marketing communications programs; they join with customers and media to curate and share marketing content in paid, owned, earned, and shared media. You won’t find fresher coverage of these important topics in any other marketing text.

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

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

• Chapter-opening stories, Real Marketing highlights, and in-text examples: The eighteenth edition brings marketing to life with new or heavily revised chapter-opening vignettes,
PREFACE

Company Case: Qualtrics—Managing the Complete Customer Experience

Over the past few decades, the practice of gathering customer feedback data has been changing as new technologies allow marketers to dig deeper. Take customer satisfaction surveys, for example. Today’s retail cashiers and hospitality staff commonly hand out questionnaires in person or through the mail. As such, clients had to either fill out the form by hand or request Qualtrics to fill it out on their behalf. But to characterize Qualtrics’ services as “online” would be an oversimplification. Ask anyone at Qualtrics what business they’re in and they’ll say “all about experience management.”

Pioneering the Online Survey

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

In this digital age, to go along with their tried-and-true traditional marketing methods, marketers have a dazzling set of new online, mobile, and social media tools for engaging customers anytime, anywhere, by means of social conversations, experiences, advocacy, and community. If marketers do these things well, they will reap the rewards in terms of market share, profits, and customer equity. In the eighteenth edition of Principles of Marketing, students learn about how to create customer value and customer engagement drive every good marketing strategy.

Five Major Customer Value and Engagement Themes

The eighteenth edition of Principles of Marketing builds on five major customer value and engagement themes:

• Creating value for customers in order to capture value from customers in return.

Today’s marketers must be good at creating customer value, engaging customers, and managing customer relationships. In return, they capture value from customers in the form of sales, profits, and customer equity. This innovative customer value and engagement framework is introduced at the start of Chapter 1 in a unique five-step marketing process model, which details how marketing creates customer value and captures value in return. The framework is carefully developed in the first two chapters and then fully integrated throughout the remainder of the text.

Marketing: Engaging Customers to Create and Capture Customer Value

Create value for customers and build customer relationships

Understand the customer needs and wants

Design a customer value-driven marketing strategy

Construct an integrated marketing program that delivers superior value

Engage customers, build profitable relationships, and create customer delight

Capture value from customers to create profits and customer equity

• New company cases and end-of-chapter applications and exercises: The eighteenth edition provides 20 new company cases by which students can apply what they learn to actual company situations. End-of-chapter discussion questions, critical thinking exercises, and other applications features are also new and revised.

Solving Teaching and Learning Challenges

Today’s marketing is all about creating customer value and engagement in a fast-changing, increasingly digital and social marketplace. Marketing starts with understanding consumer needs and wants, determining which target markets the organization can serve best, and developing a compelling value proposition by which the organization can attract and grow valued consumers. Then, more than just making a sale, today’s marketers want to engage customers and build deep customer relationships that make their brands a meaningful part of consumers’ conversations and lives.
Customer engagement and today's digital and social media. Digital and social media have taken today’s marketing by storm, dramatically changing how companies and brands engage consumers and how consumers connect and influence each other’s brand behaviors. The eighteenth edition thoroughly explores the exciting new digital, mobile, and social media technologies that help brands to engage customers more deeply and interactively. It starts with two major Chapter 1 sections: Customer Engagement and Today’s Digital and Social Media and The Digital Age: Online, Mobile, and Social Media. A refreshed Chapter 17 on Direct, Online, Social Media, and Mobile Marketing summarizes the latest developments in digital engagement and relationship-building tools. Everywhere in between, you’ll find revised and expanded coverage of the exploding use of digital and social marketing tools.

Building and managing strong, value-creating brands. Well-positioned brands with strong brand equity provide the basis upon which to build customer value and profitable customer relationships. Today’s marketers must position their brands powerfully and manage them well to create valued brand experiences. The eighteenth edition provides a deep focus on brands, anchored by a Chapter 8 section on Branding Strategy: Building Strong Brands.

Measuring and managing return on marketing. Especially in uneven economic times, marketing managers must ensure that their marketing dollars are being well spent. “Marketing accountability”—measuring and managing marketing return on investment—has now become an important part of strategic marketing decision making. This emphasis on marketing accountability is addressed in Chapter 2, in Appendix 2: Marketing by the Numbers, and throughout the eighteenth edition.

Sustainable marketing around the globe. As technological developments make the world an increasingly smaller and more fragile place, marketers must be good at marketing their brands globally and in sustainable ways. New material throughout the eighteenth edition emphasizes the concepts of global marketing and sustainable marketing—meeting the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs. The eighteenth edition integrates global marketing and sustainability topics throughout the text. It then provides focused coverage on each topic in Chapters 19 and 20, respectively.

In-Text Teaching and Learning Features

Principles of Marketing provides a wealth of chapter-opening, within-chapter, and end-of-chapter learning features that help students to learn, link, and apply major concepts.

Integrated chapter-opening preview sections. The active and integrative chapter-opening spread in each chapter starts with an Objectives Outline that provides a helpful preview of chapter contents and learning objectives, complete with page numbers. Next, a Chapter Preview section briefly previews chapter concepts, links them with previous chapter concepts, and introduces the chapter-opening story. Finally, a chapter-opening vignette—an engaging, deeply developed, illustrated, and annotated marketing story—introduces the chapter material and sparks students interest.

APPENDIX 2 Marketing by the Numbers

Marketing managers are facing increased accountability for the financial implications of their actions. This appendix provides a brief introduction to measuring marketing financial performance. Such financial analysis gauges marketers in existing, renewal marketing, decisions, and in assessing the outcomes of these decisions.

CHAPTER 17 Direct, Online, Social Media, and Mobile Marketing

Marketing by the Numbers Uniqlo’s Digital Marketing Campaigns

Consider one of the most recent digital campaigns running in the United States to increase brand awareness and sales of its children’s line of clothing.

<table>
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<th>Value</th>
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<td>Click-throughs</td>
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<tr>
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<tr>
<td>Number of orders</td>
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<tr>
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</tr>
<tr>
<td>Required and heating costs (per order)</td>
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</tbody>
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Company Case OfferUp: A Mobile Solution for the Mobile Era

When people think of buying and selling things online, they usually think of eBay and even Amazon by flexing its muscles beyond local market boundaries. Unexpectedly, OfferUp now rivals the most popular social media apps in terms of time spent by users. OfferUp is a relatively new mobile app that has been in the digital marketplace since 2012. OfferUp is one of the most-recognized mobile apps in terms of its potential for an online marketplace that makes it easy to buy and sell among people, extending eBay and comparable online marketplaces.
Author comments and figure annotations. Throughout each chapter, author comments ease and enhance student learning by introducing and explaining major chapter sections and figures. Reviewing and extending the concepts. Sections at the end of each chapter summarize key chapter concepts and provide questions and exercises by which students can review and apply what they’ve learned. The Objectives Review section reviews major chapter concepts and links them to chapter objectives. The Key Terms section provides a helpful listing of chapter key terms by order of appearance with page numbers that facilitate easy reference. Discussion Questions and Critical Thinking Exercises sections help students to keep track of and apply what they’ve learned in the chapter.

Applications and Cases. Completely revised sections at the end of each chapter provide brief Online, Mobile, and Social Media Marketing; Marketing Ethics; and Marketing by the Numbers applications cases that facilitate discussion of current issues and company situations in areas such as mobile and social marketing, ethics, and financial marketing analysis. All-new end-of-chapter company cases in each chapter help students apply major marketing concepts and critical thinking to real company and brand situations.

Developing Employability Skills

Real Marketing features. Each chapter features two deeply developed Real Marketing highlight features that provide in-depth looks at real brand marketing strategies and contemporary marketing issues. For example, students learn how retail titan Walmart and Amazon are battling it out for supremacy in the new omnichannel retailing world; how Netflix uses big data and advanced marketing analytics to personalize each customer’s experience; why Apple’s products fly off the shelves despite their premium prices; how basketball’s Chicago Bulls bond with superfans in real time; how Instagram has made itself a win-win winner for the company, advertisers, and Instagrammers alike; what makes LinkedIn the place to be for B-to-B marketers; why store retailer Best Buy is thriving in the age of Amazon; how Coca-Cola, long a master of mass market advertising, has now also mastered digital, mobile, and social media marketing; and how outdoor apparel and gear maker Patagonia urges “conscious consumption,” telling customers to buy less of its products. They learn that artificial intelligence in marketing is now “a bigger deal than fire and electricity,” how companies are increasingly using augmented and virtual reality to enhance consumer shopping experiences, and how mobile marketing engages consumers in the moments that matter most. No other text brings marketing to life like the eighteenth edition of Principles of Marketing.

Marketing Plan appendix. Appendix 1 contains a detailed sample marketing plan that helps students to apply important marketing planning concepts.

Marketing by the Numbers appendix. An innovative and freshly revised Appendix 2 provides students with a comprehensive introduction to the marketing financial analysis that helps guide, assess, and support marketing decisions. A new or revised exercise at the end of each test chapter lets students apply analytical and financial thinking to that chapter’s concepts and links the chapter to the Marketing by the Numbers appendix.

Careers in Marketing. Appendix 3 helps students to explore marketing career paths and lays out a process for landing a marketing job that best matches their special skills and interests.

For more information and resources, visit www.pearsonglobaled.com/realmarketing.
No book is the work only of its authors. We greatly appreciate the valuable contributions of several people who helped make this new edition possible. As always, we owe especially thanks to Keri Jean Miksza for her dedicated and valuable contributions to all phases of the project and to her husband Pete and daughters Lucy and Mary for all the support they provide Keri during this very absorbing project.

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Many reviewers at other colleges and universities provided valuable comments and suggestions for this and previous editions. We are indebted to the following colleagues for their thoughtful input: Timothy W. Aurand, Northern Illinois University; Aysen Bakir, Illinois State University; Leta Beard, University of Washington; Thomas C. Hewett, Kennesaw State University; Robert M. McMillen, James Madison University; Carlton O’Neal, University of San Diego; Rebecca Reczek, The Ohio State University; Sandra Robertson, Thomas Nelson Community College; Emily Rosenzweig, Tulane University; Professor Carol Rowey, Community College of Rhode Island; and Aninda Shome, University of Idaho.

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Philip Kotler
Gary Armstrong
About the Authors

As a team, Philip Kotler and Gary Armstrong provide a blend of skills uniquely suited to writing an introductory marketing text. Professor Kotler is one of the world’s leading authorities on marketing. Professor Armstrong is an award-winning teacher of undergraduate business students. Together, they make the complex world of marketing practical, approachable, and enjoyable.

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

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

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

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

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