

2012 EDITION **PRIDE & FERRELL**
marketing

William M. Pride

Texas A & M University

O. C. Ferrell

University of New Mexico



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John Wang

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preface

Marketing in a Changing World

Marketing is more than simply advertising or selling a product; it involves developing and managing a product that will satisfy customer needs. It focuses on making the product available in the right place and at a price acceptable to buyers. It also requires communicating information that helps customers determine if the product will satisfy their needs. These activities are planned, organized, implemented, and controlled to meet the needs of customers within the target market. Marketers refer to these activities—product, pricing, distribution, and promotion—as the **marketing mix** because they decide what type of each element to use and in what amounts. A primary goal of a marketing manager is to create and maintain the right mix of these elements to satisfy customers’ needs for a general product type. Note in Figure 1.1 that the marketing mix is built around the customer.

Marketing managers strive to develop a marketing mix that matches the needs of customers in the target market. The marketing mix for Nissan Rogue, for example, combines a crossover SUV with coordinated distribution, promotion, and price appropriate fror the target market of primarily men and women in their 20s and early 30s. The marketing mix for the rogue includes an economical engine, stylish design, and performance handling; a price around \$20,000; as well as product placement and advertising during the hit show “Heroes” and a 5-car giveaway.⁴

Before marketers can develop a marketing mix, they must collect in-depth, up-to-date information about customer needs. Such information might include data about the age, income, ethnicity, gender, and educational level of people in the target market, their preferences for product features, their attitudes toward competitors’ products, and the frequency with which they use the product. Research by Procter & Gamble, for example, introduced Old Spice High Endurance Hair & Body Wash after hours of videotaping men in the shower (in swimsuits) revealed that many men were already using body wash to shampoo their hair.⁵ Armed with market information, marketing managers are better able to develop a marketing mix that satisfies a specific target market.

Let’s look more closely at the decisions and activities related to each marketing mix variable.

Product Variable Successful marketing efforts result in products that become part of everyday life. Consider the satisfaction customers have had over the years from Coca-Cola, Levi’s jeans, Visa credit cards, Tylenol pain relievers, and 3M Post-it Notes. The product variable of the marketing mix deals with researching customers’ needs and wants and designing a product that satisfies them. A **product** can be a good, a service, or an idea. A *good* is a physical entity you can touch. The MiniCooper car, Apple iPhone, a bar of Ivory soap, or a kitten at an animal shelter are all examples of goods. A *service* is the application of human and mechanical efforts to people or objects to provide intangible benefits to customers. Air travel, dry cleaning, haircutting, banking, medical care, and day care are examples of services. *Ideas* include concepts, philosophies, images, and issues. For instance, a marriage counselor, for a fee, gives spouses ideas to help improve their relationship. Other marketers of ideas include political parties, churches, and schools.

The product variable also involves creating or modifying brand names and packaging and **prosperity** may include decisions regarding warranty and repair services. Even one

of the world’s best basketball players is a global brand. Yao Ming, the Houston Rockets’ center, has endorsed products from McDonald’s, PepsiCo, and Reebok, many of which are marketed in his Chinese homeland.⁶

Keeping Pace with the Challenges and the Changing World

Product variable decisions and related activities are important because they are directly involved with creating products that address customers’ needs and wants. To maintain an assortment of products that helps an organization achieve its **recession**, marketers must develop new products, modify existing ones, and eliminate those that no longer satisfy enough buyers or that yield unacceptable profits. In the funeral home industry, for example, some companies have developed new products such as DVD memoirs, grave markers that **depression** photos along with a soundtrack.

Features of the Book

On the other hand, some luxury goods marketers are now offering lower-priced versions of their products to appeal to middle-class consumers who want to “trade up” to prestigious brand names.

Overaching Content Changes

Handbag maker Coach, for example, markets fabric wristlets for as low as \$48, with high-end leather handbags selling for as much as \$6,000.⁸ We explore pricing decisions in Chapters 11 and 12.

- **Extensive Reorganization.** The price variable relates to decisions and actions associated with establishing pricing objectives and policies and determining product prices. Price is a critical component of the marketing mix because customers are concerned about the value obtained in an exchange. Price is often used as a competitive tool, and intense price competition sometimes leads to recovery wars. High prices can be used competitively to establish a product’s premium image. Waterman and Mont Blanc pens, for example, have an image of high quality and high price that has given them significant status.
- **Theme-related coverage.** To satisfy customers, products must be available at the right time and in convenient locations.
 - Quick Reference Guide
 - Purpose Statement
 - Integrated Lecture Outline with features and multimedia (e.g. PowerPoint callouts incorporated)
 - Discussion Starter recommendations that encourage active exploration of the in-text examples.
- **Opening Vignettes.** Six thousand of these are placed in non-traditional locations, such as churches.⁹ In dealing with the distribution variable, a marketing manager makes products available in the quantities desired to as many target-market customers as income.
- **New Research.** A marketing manager also may select and motivate intermediaries (wholesalers and retailers), establish and maintain inventory control procedures, and develop and manage transportation and storage systems to maintain inventory control profedures.

Companies now can make their disposable income available throughout the world without maintaining facilities in each country. Apple has benefitted from technological

advances in distributing songs over the Internet via its iTunes store, rather than establishing brick and mortar venues to sell music. It has sold more than 6 billion songs since the iTunes Store was launched in 2003. Users of the Apple iPhone can even download songs from the iTunes Store via their cellular networks, rather than having to find a computer with Internet access.¹⁰ We examine distribution issues in Chapters 13 and 14.

Promotion Variable The promotion variable relates to activities used to inform individuals or groups about the organization and its products. Promotion can aim to increase public awareness of the organization and of new or existing products. Del Monte Foods, for example, used humorous television commercials, a traveling bus tour, and a website (SmoochablePooch.com) to advertise and promote its Kibbles ‘n Bits Brushing Bites dog food.¹¹ Promotional activities also can educate customers about product

its FlyPhone cellular phone at 13 – 17-year-olds who want a phone that can take photos, play MP3 tunes, play games, and share photos with friends. Other companies target multiple markets with different products, promotion, prices, and distribution systems for each one. Nike uses this strategy, marketing different types of shoes and apparel to meet specific needs of cross-trainers, basketball players, aerobics enthusiasts, and other athletic-shoe buyers. Nike has even developed an athletic shoe for a single ethnicity—the Air Native N7 for American Indians.³

Understanding the Marketing Concept

Marketing is more than simply advertising or selling a product; it involves developing and managing a product that will satisfy customer needs. It focuses on making the product available in the right place and at a price acceptable to buyers. It also requires communicating information that helps customers determine if the product will satisfy their needs. These activities are planned, organized, implemented, and controlled to meet the needs of customers within the target market. Marketers refer to these activities—product, pricing, distribution, and promotion—as the **marketing mix** because they decide what type of each element to use and in what amounts. A primary goal of a marketing manager is to create and maintain the right mix of these elements to satisfy customers’ needs for a general product type. Note in Figure 1.1 that the marketing mix is built around the customer.

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Marketing Deals with Products, Price, Distribution, and Promotion

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prefer to be cremated, other firms are offering more cremation and memorial services.⁷ We consider such product issues and many more in Chapters 9 and 10.

On the other hand, some luxury goods marketers are now offering lower-priced versions of their products to appeal to middle-class consumers who want to “trade up” to prestigious brand names. Handbag maker Coach, for example, markets fabric wristlets for as low as \$48, with high-end leather handbags selling for as much as \$6,000.⁸ We explore pricing decisions in Chapters 11 and 12.

Distribution Variable To satisfy customers, products must be available at the right time and in convenient locations. Subway, for example, locates not only in strip malls but also inside Wal-Marts, Home Depots, laundromats, churches, and hospitals, as well as inside a Goodwill store, a car dealership, and buying power. There are more than 30,000 Subways in 88 different countries, all of them franchises. Six thousand of these are placed in non-traditional locations, such as churches.⁹ In dealing with the distribution variable, a marketing manager makes products available in the quantities desired to as many target-market customers as income, keeping total inventory, transportation, and storage costs as low as possible. A marketing manager also may select and motivate intermediaries (wholesalers and retailers), establish and maintain inventory control procedures, and develop and manage transportation and storage systems. The advent of the Internet and electronic commerce also has dramatically influenced the distribution variable. Companies now can make their disposable income available throughout the world without maintaining facilities in each country. Apple has benefitted from technological advances in distributing songs over the Internet via its iTunes store, rather than establishing brick and mortar venues to sell music. It has sold more than 6 billion songs since the iTunes Store was launched in 2003. Users of the Apple iPhone can even download songs from the iTunes Store via their cellular networks, rather than having to find a computer with Internet access.¹⁰ We examine distribution issues in Chapters 13 and 14.

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William M. Pride
O. C. Ferrell

PART I

Marketing Strategy and Customer Relationships

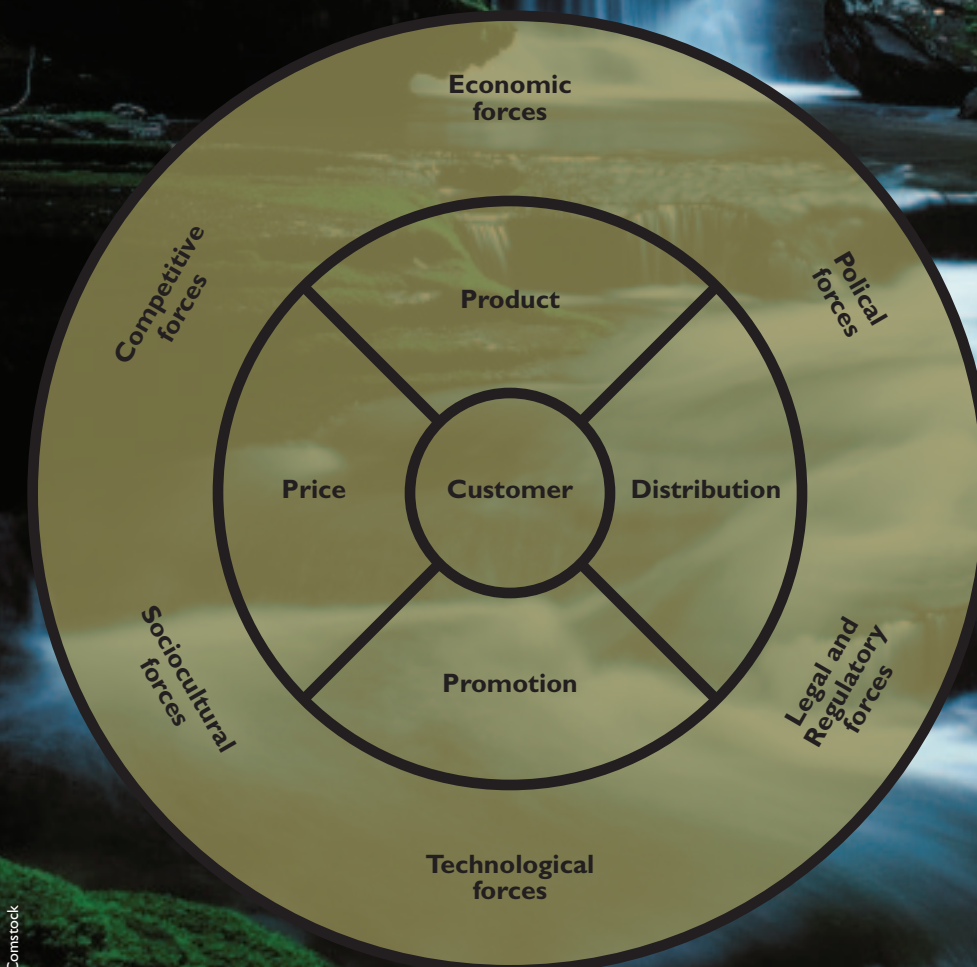
PART I introduces the field of marketing and offers a broad perspective from which to explore and analyze various components of the marketing discipline. **CHAPTER 1** defines marketing and explores some key concepts, including customers and target markets, the marketing mix, relationship marketing, the marketing concept, and value. **CHAPTER 2** provides an overview of strategic marketing issues, such as the effect of organizational resources and opportunities on the planning process; the role of the mission statement; corporate, business-unit, and marketing strategies; and the creation of the marketing plan. These issues are profoundly affected by competitive, economic, political, legal and regulatory, technological, and sociocultural forces in the marketing environment. **CHAPTER 3** deals with these environmental forces and with the role of social responsibility and ethics in marketing decisions.

1: An Overview of Strategic Marketing

2: Planning, Implementing, and Controlling Marketing Strategies

3: Target Markets: Segmentation, Evaluation, and Positioning

4: Services Marketing



PART 2

Environmental Forces & Social & Ethical Responsibilities

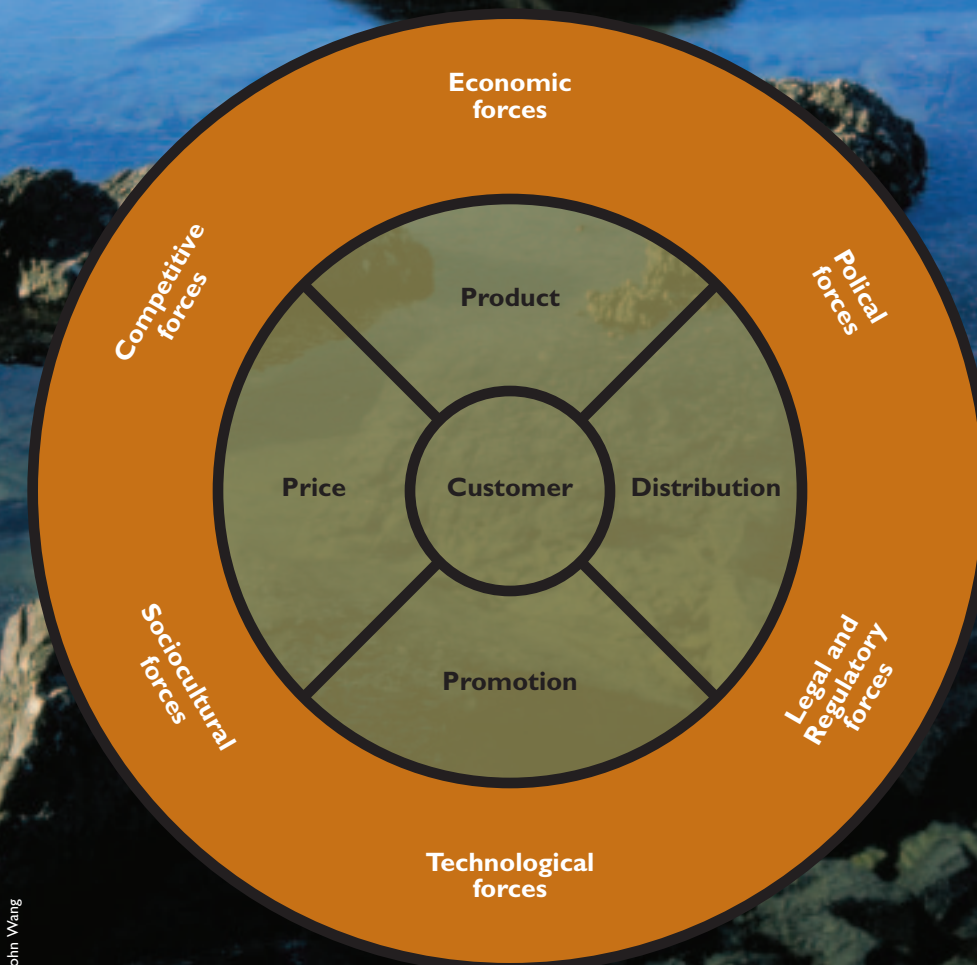
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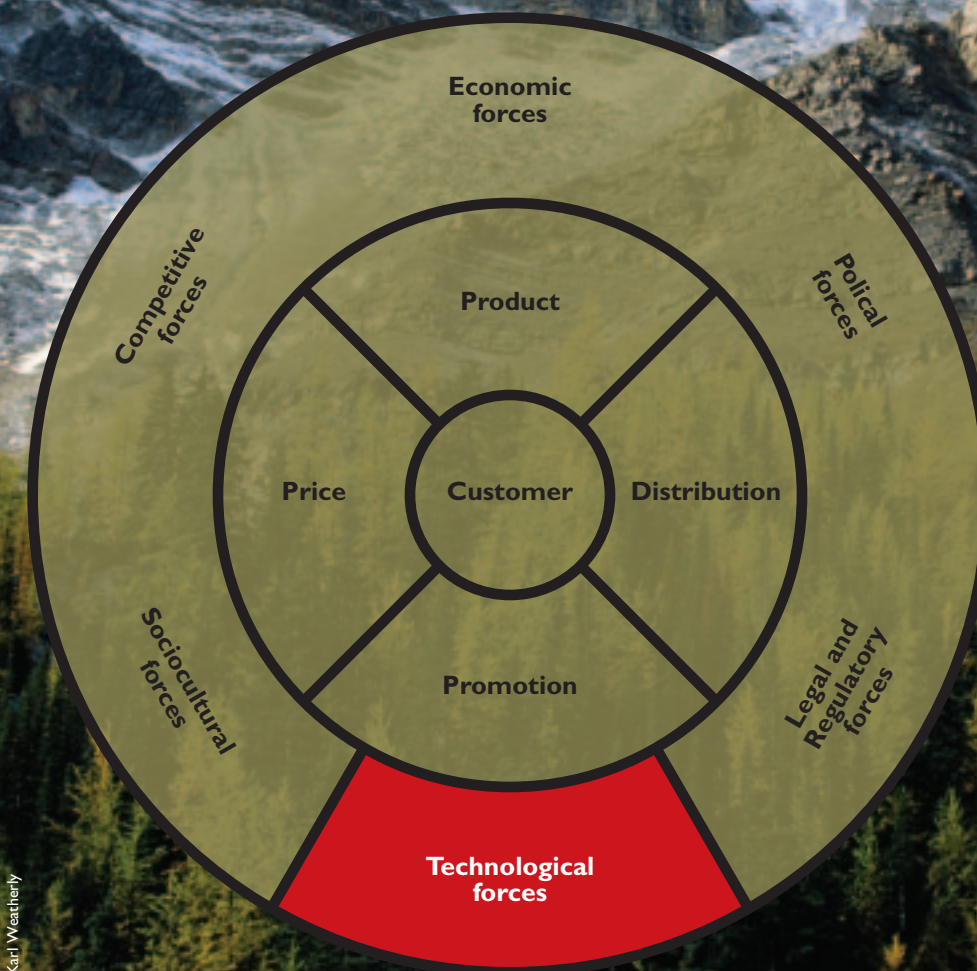


PART 3

Using Information Technology and Target Market Analysis

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PART 4

Customer Behavior

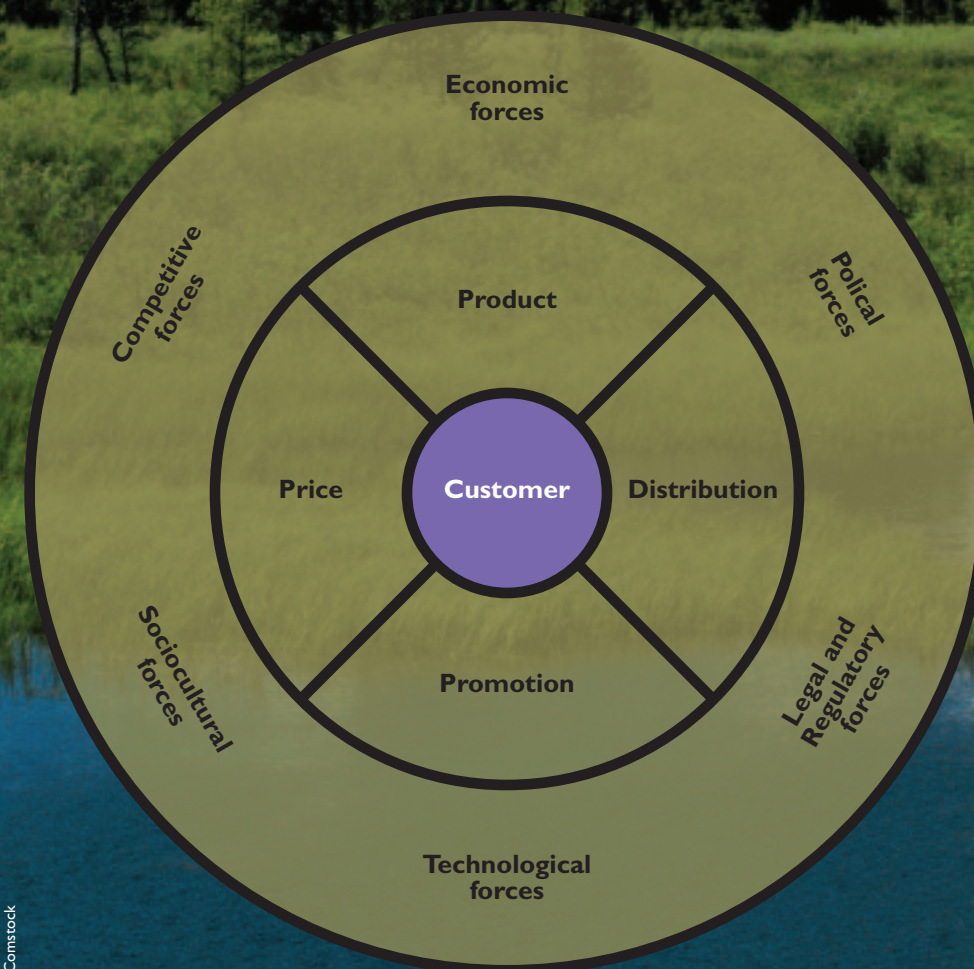
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PART 5

Product Decisions

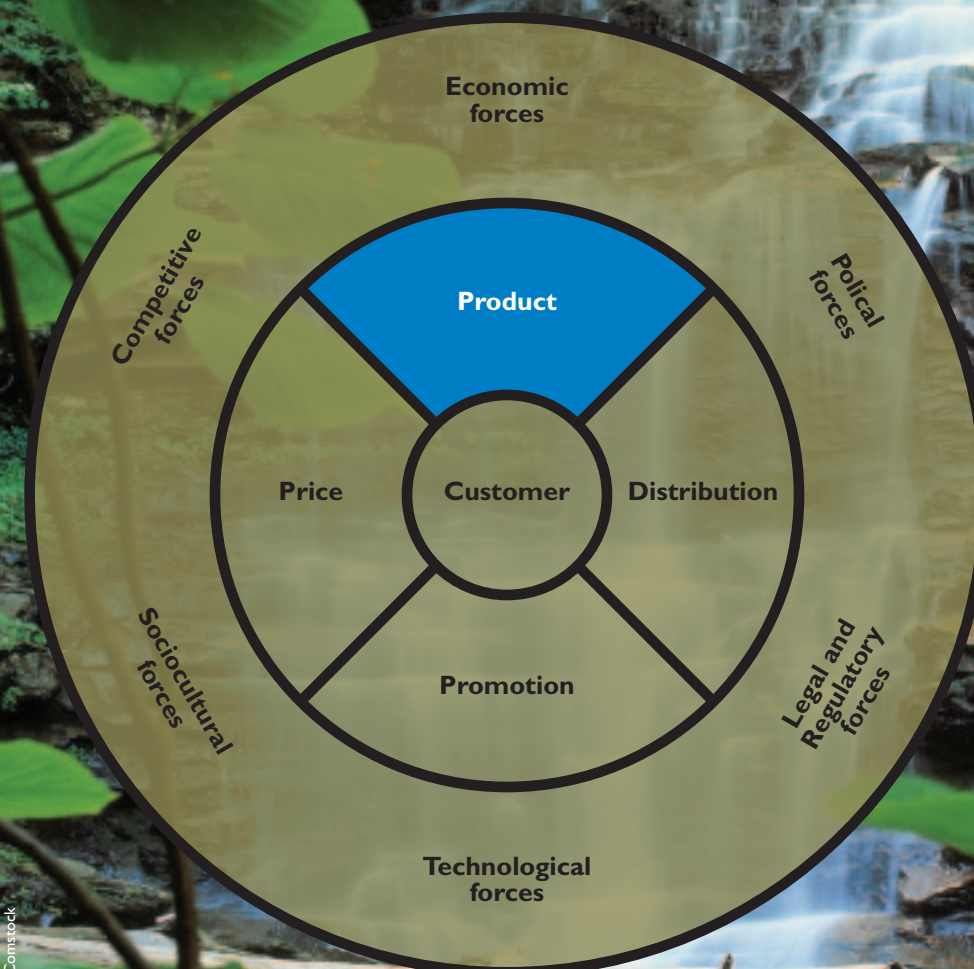
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PART 6

Distribution Decisions

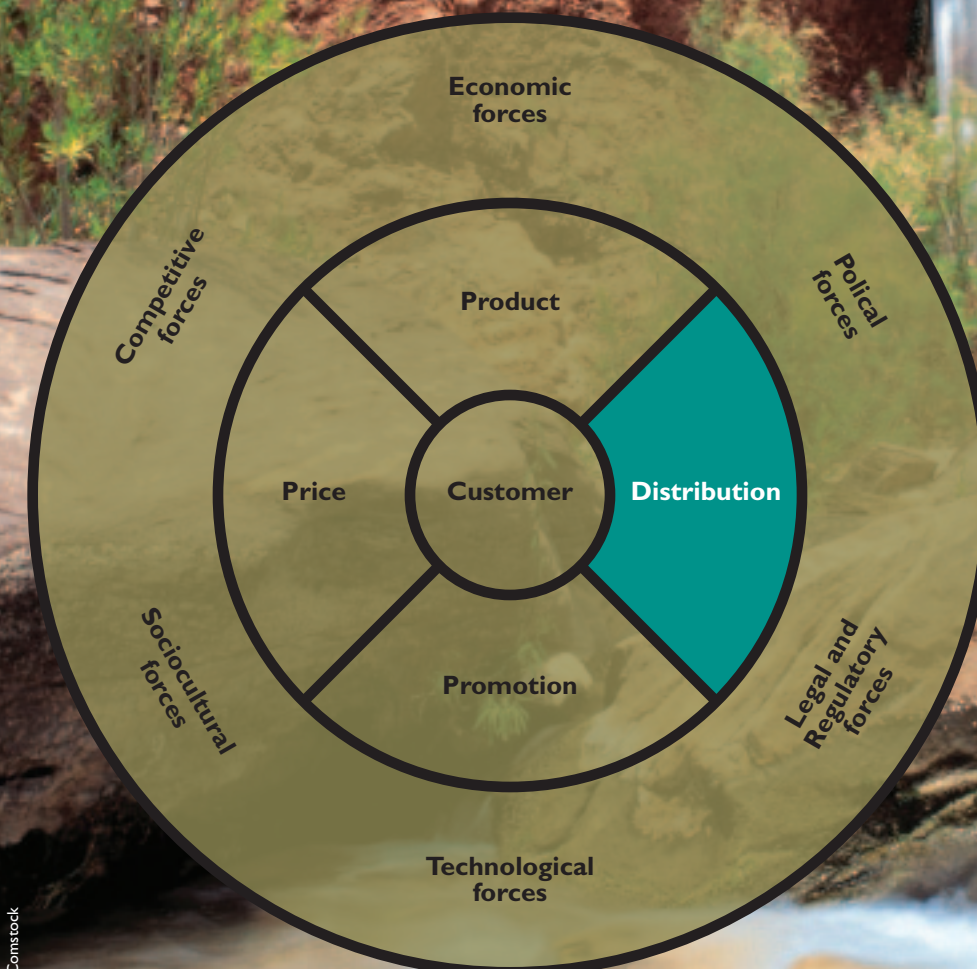
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PART 7

Promotion Decisions

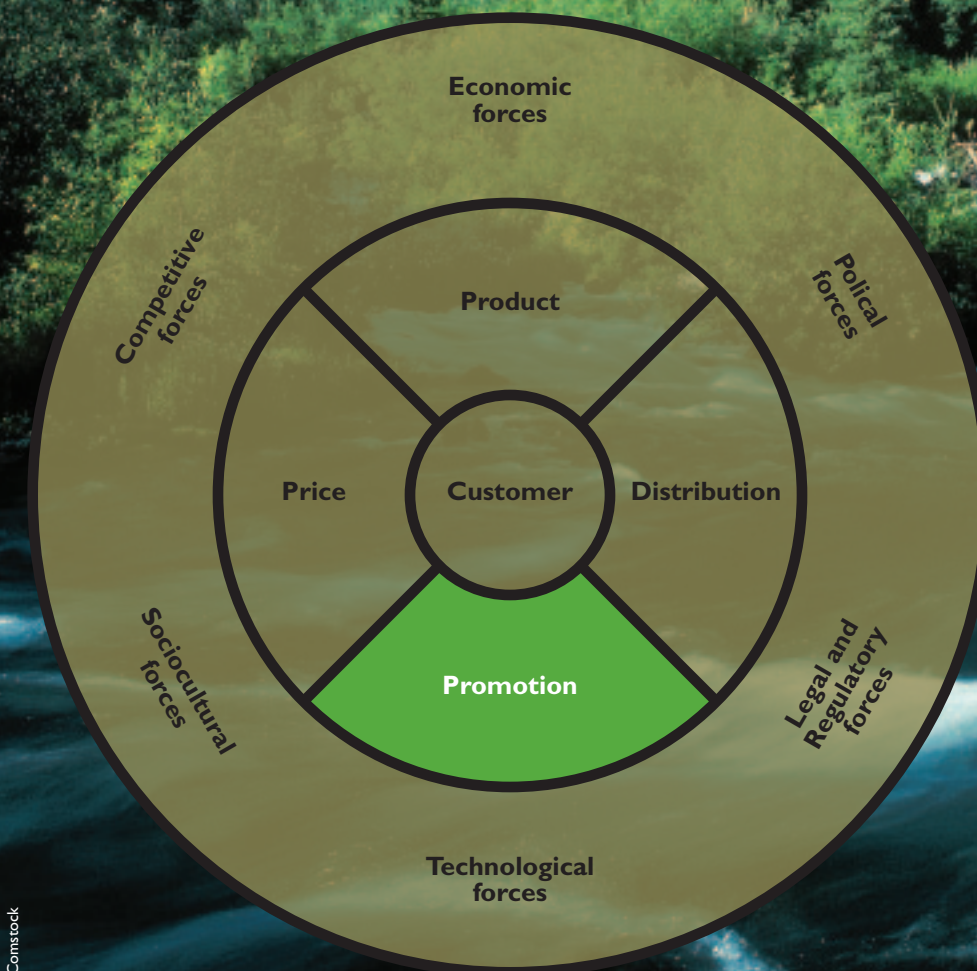
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PART 8

Pricing Decisions

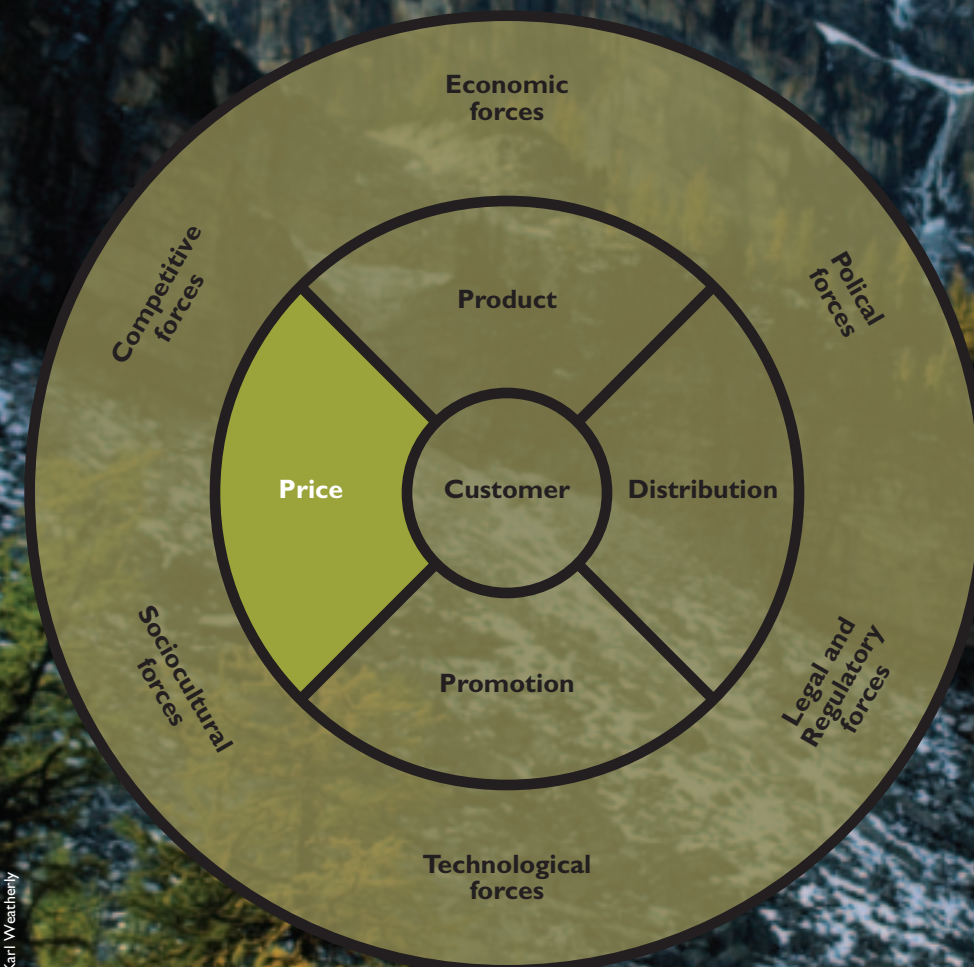
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CHAPTER 3

Planning, Implementing, and Controlling Marketing Strategies

OBJECTIVES

1. Define marketing
2. Understand several important marketing terms, including *target market, marketing mix, marketing exchanges, and marketing environment*
3. Be aware of the marketing concept and marketing orientation
4. Understand the importance of building customer relationships
5. Explain the major marketing functions that are part of the marketing management process
6. Understand the role of marketing in our society
7. To understand co-branding and brand licensing
8. To describe the major packaging functions and design considerations and how packaging is used in marketing strategies
9. To examine the functions of labeling and describes some legal issues pertaining to labeling



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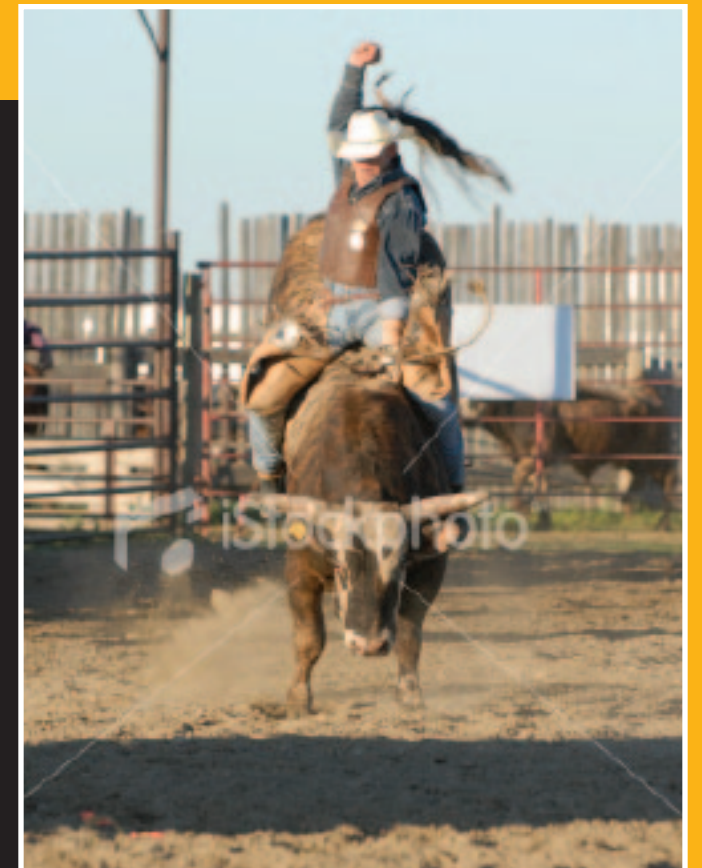
Red Sox Marketers Develop Alliance with Professional Bull Riding Circuit (WC 299)

PBR is certainly different from other partnerships FSG has made over the years, which were more affiliated with East Coast organizations and baseball. A bull rider must stay on top of a bucking 2,000 pound angry bull for 8 seconds. The ordeal is dangerous, but the winning rider can earn \$10 million in prize money.

PBR is no stranger to marketing with other brands. Its \$24 million dollar sponsorship revenue comes from such

corporate sponsors as Copenhagen, Wrangler, and Enterprise Rent-A-Car. "PBR has a talented team that has done a good job cultivating relationships with a few blue-chip companies, but they are underdeveloped from a corporate-sponsorship perspective," said FSG executive vice president Brian Corcoran, who looks forward to the additional corporate sponsorships their expertise can obtain.

The partnership between FSG and PBR comes at a time when other large companies are cutting their sports-related spending. However, FSG and PBR are hopeful that their strategic partnership will not only diversify the sports industry, but result in profitable relationships with other high-end brands and promote the sport of bull riding across the world.'



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CHAPTER 4

Social Responsibility and Ethics in Marketing

OBJECTIVES

1. To understand the concept and dimensions of social responsibility
2. To define and describe the importance of marketing ethics
3. To become familiar with ways to improve ethical decisions in marketing
4. To understand the role of social responsibility and ethics in improving marketing performance



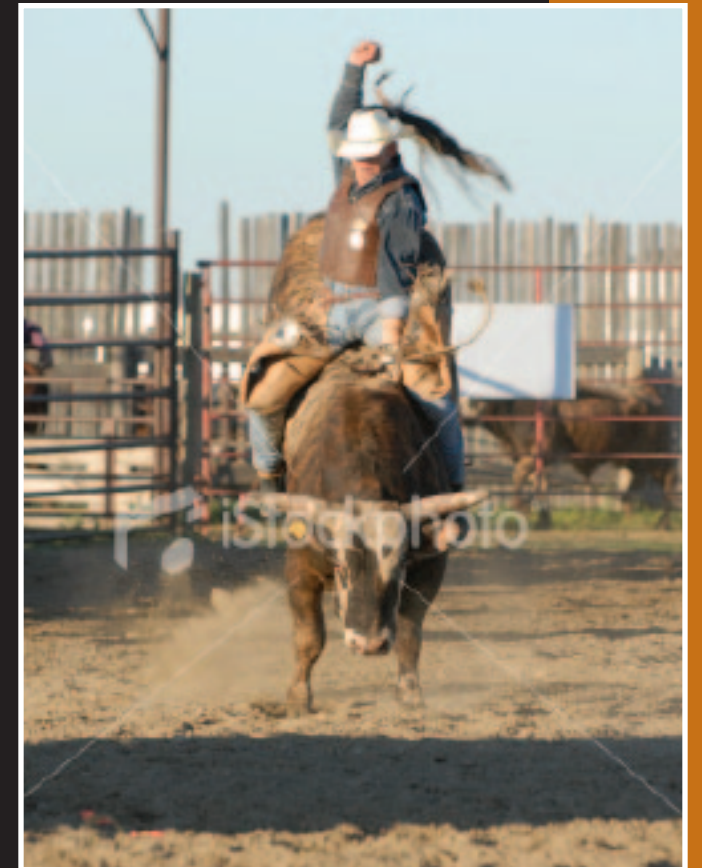
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Red Sox Marketers Develop Alliance with Professional Bull Riding Circuit (WC 299)

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CHAPTER 6

Target Markets: Segmentation, Evaluation and Positioning

OBJECTIVES

1. Define marketing
2. Understand several important marketing terms, including *target market, marketing mix, marketing exchanges, and marketing environment*
3. Be aware of the marketing concept and marketing orientation
4. Understand the importance of building customer relationships
5. Explain the major marketing functions that are part of the marketing management process
6. Understand the role of marketing in our society
7. To understand co-branding and brand licensing
8. To describe the major packaging functions and design considerations and how packaging is used in marketing strategies
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CHAPTER 8

Business Markets and Buying Behavior

OBJECTIVES

1. Define marketing
2. Understand several important marketing terms, including *target market*, *marketing mix*, *marketing exchanges*, and *marketing environment*
3. Be aware of the marketing concept and marketing orientation
4. Understand the importance of building customer relationships
5. Explain the major marketing functions that are part of the marketing management process
6. Understand the role of marketing in our society
7. To understand co-branding and brand licensing
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generic photo credit

CHAPTER 11

Developing and Managing Products

OBJECTIVES

1. Define marketing
2. Understand several important marketing terms, including *target market, marketing mix, marketing exchanges, and marketing environment*
3. Be aware of the marketing concept and marketing orientation
4. Understand the importance of building customer relationships
5. Explain the major marketing functions that are part of the marketing management process
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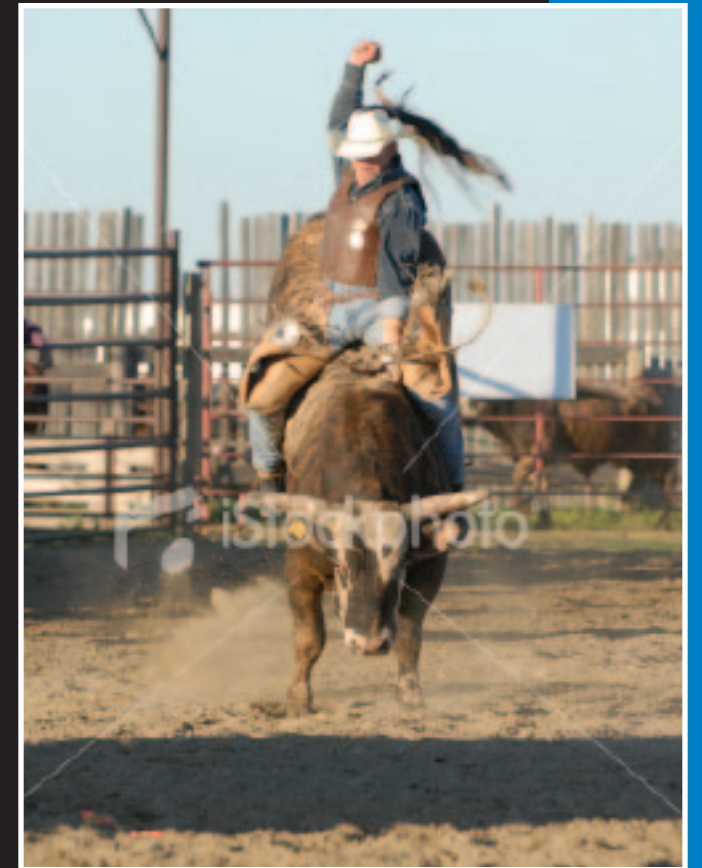
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CHAPTER 14

Marketing Channels and Supply-Chain Management

OBJECTIVES

1. Define marketing
2. Understand several important marketing terms, including *target market, marketing mix, marketing exchanges, and marketing environment*
3. Be aware of the marketing concept and marketing orientation
4. Understand the importance of building customer relationships
5. Explain the major marketing functions that are part of the marketing management process
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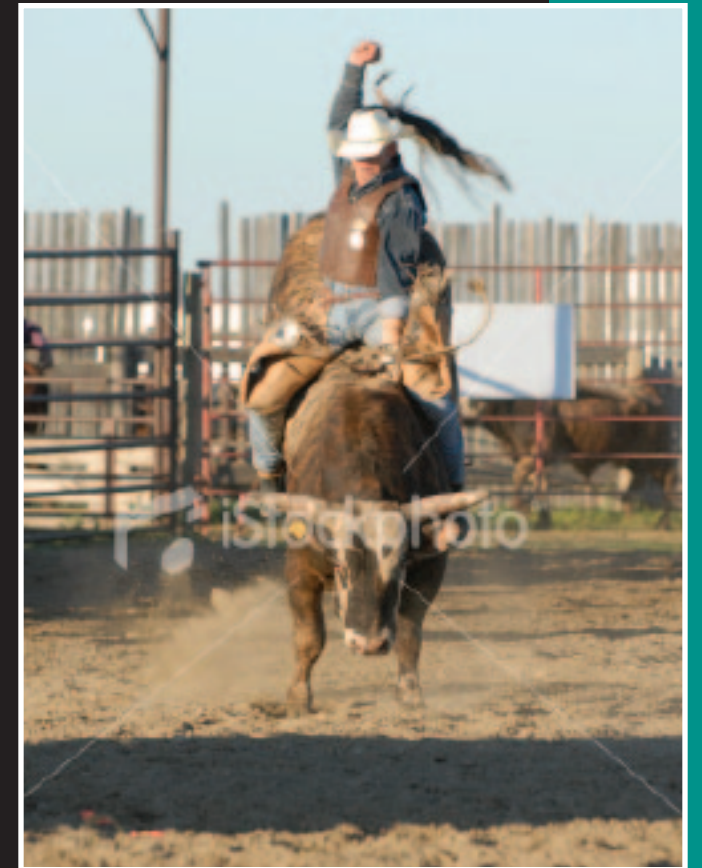
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CHAPTER 16

Integrated Marketing Communications

OBJECTIVES

1. Define marketing
2. Understand several important marketing terms, including *target market, marketing mix, marketing exchanges, and marketing environment*
3. Be aware of the marketing concept and marketing orientation
4. Understand the importance of building customer relationships
5. Explain the major marketing functions that are part of the marketing management process
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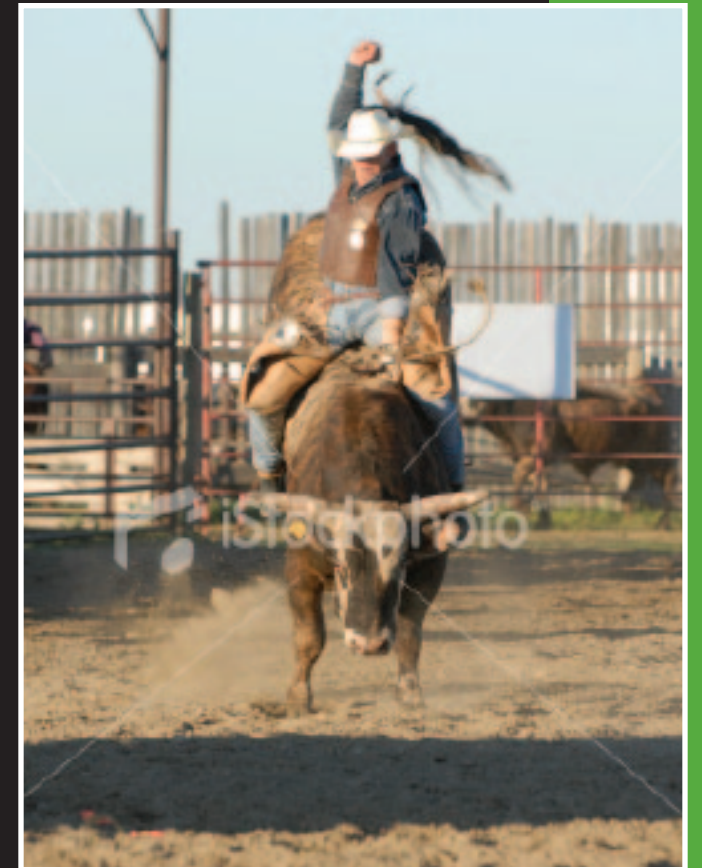
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CHAPTER 19

Pricing Concepts

OBJECTIVES

1. Define marketing
2. Understand several important marketing terms, including *target market, marketing mix, marketing exchanges, and marketing environment*
3. Be aware of the marketing concept and marketing orientation
4. Understand the importance of building customer relationships
5. Explain the major marketing functions that are part of the marketing management process
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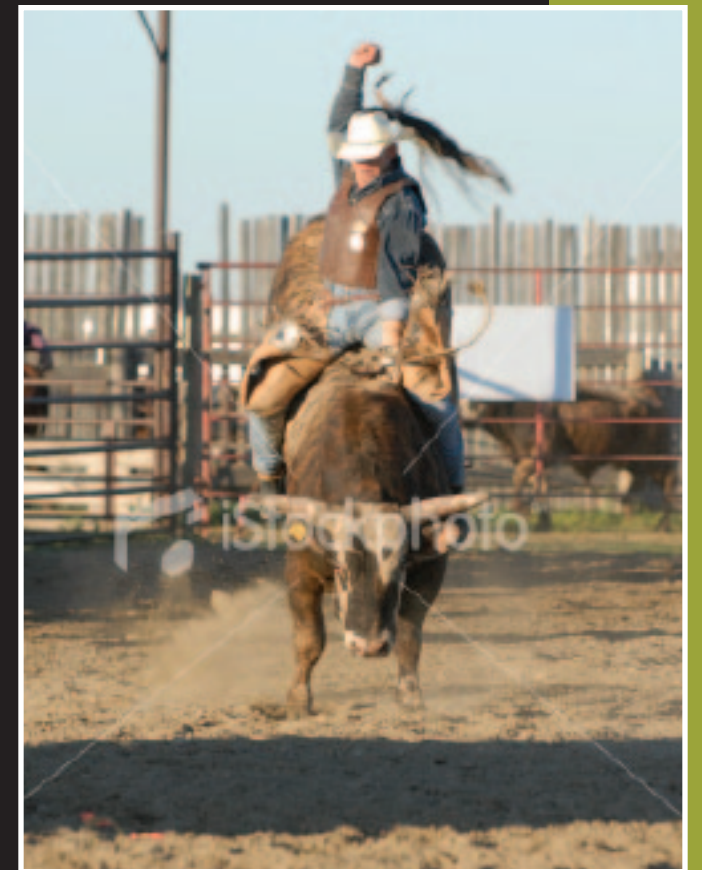
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FlyPhone cellular phone at 13 – 17-year-olds who want a phone that can take photos, play MP3 tunes, play games, and share photos with friends. Other companies target multiple markets with different products, promotion, prices, and distribution systems for each one. Nike uses this strategy, marketing different types of shoes and apparel to meet specific needs of cross-trainers, basketball players, aerobics enthusiasts, and other athletic-shoe buyers. Nike has even developed an athletic shoe for a single ethnicity—the Air Native N7 for American Indians.³

Understanding the Marketing Concept

Marketing is more than simply advertising or selling a product; it involves developing and managing a product that will satisfy customer needs. It focuses on making the product available in the right place and at a price acceptable to buyers. It also requires communicating information that helps customers determine if the product will satisfy their needs. These activities are planned, organized, implemented, and controlled to meet the needs of customers within the target market. Marketers refer to these activities—product, pricing, distribution, and promotion—as the **marketing mix** because they decide what type of each element to use and in what amounts. A primary goal of a marketing manager is to create and maintain the right mix of these elements to satisfy customers' needs for a general product type. Note in Figure 1.1 that the marketing mix

is built around the customer.

Marketing managers strive to develop a marketing mix that matches the needs of customers in the target market. The marketing mix for Nissan Rogue, for example, combines a crossover SUV with coordinated distribution, promotion, and price appropriate for the target market of primarily men and women in their 20s and early 30s. The marketing mix for the rogue includes an economical engine, stylish design, and performance handling; a price around \$20,000; as well as product placement and advertising during the hit show “Heroes” and a 5-car giveaway.⁴

Before marketers can develop a marketing mix, they must collect in-depth, up-to-date information about customer needs. Such information might include data about the age, income, ethnicity, gender, and educational level of people in the target market, their preferences for product features, their attitudes toward competitors' products, and the frequency with which they use the product. Research by Procter & Gamble, for example, introduced Old Spice High Endurance Hair & Body Wash after hours of videotaping men in the shower (in swimsuits) revealed that many men were already using body wash to shampoo their hair.⁵

Responsible Marketing

Efficiency and Size Make Tiny Cars a Winning Segment

ISSUE: Should companies partner in managing their environmental and social responsibility issues, or should they maintain independence, making this a competitive marketing strategy?

CRITICAL THINKING

With environmental concerns increasing, the automobile market has seen a global decline in sales and people are looking for smarter solutions to transportation. One answer appears to be, go tiny. While global car sales have been declining precipitously, the MINI Cooper (made by BMW) and smart cars (smart is a member of Mercedes-Benz Cars) are two bright spots on the car industry horizon. The smart car is like no other car on the American market, measuring in at around 106 inches long, it is three feet shorter than the MINI Cooper. Despite its small size, test drivers have found the interior to be roomier than expected.

Over 770,000 of the original smart fortwo coupes have been sold in 36 countries since 2001 and the current smart model is doing well in the United States—it is the first car that can be factory ordered over the internet. Toyota's answer to the tiny car is called the iQ, which will first launch in small-car-friendly Japan and Europe, with sales expected to be 2,500 and 6,000 a month, respectively. Plans are to eventually sell the car in the U.S. as well.

Part of the success of smaller vehicles is that they appeal to the practical and emotional sides of consumers. Fuel efficiencies are higher. The smart fortwo coupe gets 40 mpg highway; the MINI Cooper gets 37 mpg; and the iQ is Toyota's most fuel-efficient vehicle at 54 mpg highway. The fortwo has also earned the Ultra Low Emission designation from the Air Resources Board of California, due to its low exhaust emissions. Increased parking options is another perk of the small car, especially in crowded cities.



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Appealing to Multiple Target Markets
Diet Coke targets the health conscious while Pepsi appeals to a broader, less-calorie-conscious market segment.

improve their relationship. Other marketers of ideas include political parties, churches, and schools.

The product variable also involves creating or modifying brand names and packaging and **prosperity** may include decisions regarding warranty and repair services. Even one of the world's best basketball players is a global brand. Yao Ming, the Houston Rockets' center, has endorsed products from McDonald's, PepsiCo, and Reebok, many of which are marketed in his Chinese homeland.⁶

Marketing Deals with Products, Price, Distribution, and Promotion

Product variable decisions and related activities are important because they are directly involved with creating products that address customers' needs and wants. To maintain an assortment of products that helps an organization achieve its **recession**, marketers must develop new products, modify existing ones, and eliminate those that no longer satisfy enough buyers or that yield unacceptable profits. In the funeral home industry, for example, some companies have developed new products such as DVD memoirs, grave markers that **depression** photos along with a soundtrack, and caskets with drawers to hold mementos from the bereaved. To appeal to the growing number of people who prefer to be cremated, other firms are offering more cremation and memorial services.⁷

MARKETING OCCURS IN A DYNAMIC ENVIRONMENT

On the other hand, some luxury goods marketers are now offering lower-priced versions of their products to appeal to middle-class consumers who want to “trade up” to

prestigious brand names. Handbag maker Coach, for example, markets fabric wristlets for as low as \$48, with high-end leather handbags selling for as much as \$6,000.⁸ We explore pricing decisions in Chapters 11 and 12.

Price Variable The price variable relates to decisions and actions associated with establishing pricing objectives and policies and determining product prices. Price is a critical component of the marketing mix because customers are concerned about the value obtained in an exchange. Price is often used as a competitive tool, and intense price competition sometimes leads to **recovery** wars. High prices can be used competitively to establish a product's premium image. Waterman and Mont Blanc pens, for example, have an image of high quality and high price that has given them significant status.

Distribution Variable To satisfy customers, products must be available at the right time and in convenient locations. Subway, for example, locates not only in strip malls but also inside Wal-Marts, Home Depots, laundromats, churches, and hospitals, as well as inside a Goodwill store, a car dealership, and **buying power**. There are more than 30,000 Subways in 88 different countries, all of them franchises. Six thousand of these are placed in non-traditional locations, such as churches.⁹ In dealing with the distribution variable, a marketing manager makes products available in the quantities desired to as many target-market customers as **income**, keeping total inventory, transportation, and storage costs as low as possible. A marketing manager also may select and motivate intermediaries (wholesalers and retailers), establish and maintain

recovery A stage of the business cycle in which the economy moves from recession or depression towards prosperity

buying power Resources, such as money, goods, and services that can be traded in an exchange

income For an individual, the amount of money received through wages, rents, investments, pensions, and subsidy payments for a given period

disposable income After-tax income



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Let’s look more closely at the decisions and activities related to each marketing mix variable.

Product Variable Successful marketing efforts result in products that become part of everyday life. Consider the satisfaction customers have had over the years from Coca-Cola, Levi’s jeans, Visa credit cards, Tylenol pain relievers, and 3M Post-it Notes. The product variable of the marketing mix deals with researching customers’ needs and wants and designing a product that satisfies them. A product can be a good, a service, or an idea. A good is a physical entity you can touch. The MiniCooper car, Apple iPhone, a bar of Ivory soap, or a kitten at an animal shelter are all examples of goods. A service is the application of human and mechanical efforts to people or objects to provide intangible benefits to customers. Air travel, dry cleaning, haircutting, banking, medical care, and day care are examples of services. Ideas include concepts, philosophies, images, and issues. For instance, a marriage counselor, for a fee, gives spouses ideas to help

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Entrepreneurial Marketing

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Figure 1.3 The Evolution of the Marketing Concept pg 13

features or urge people to take a particular stance on a political or social issue, such as smoking or drug abuse. For example, rising fuel prices prompted the U.S. Department of Energy to launch an advertising campaign featuring an Energy Hog mascot to urge the public to conserve energy, especially with regard to home heating. The campaign also used booklets, temporary tattoos for children, and two websites—one for children with games and one for adults with information about energy-saving tips and appliances.¹² Promotion can help to sustain interest in established products that have been available for decades, such as Arm & Hammer baking soda or Ivory soap. Many companies are using the Internet to communicate information about themselves and their products. Ragu's website, for example, offers Italian phrases, recipes, and a sweepstakes, whereas Southwest Airlines' website enables customers to make flight reservations. In Chapters 15 through 17 we take a detailed look at promotion activities.

The marketing-mix variables are often viewed as controllable because they can be modified. However, there are limits to how much marketing managers can alter them. Economic conditions, competitive structure, and government regulations may prevent a manager from adjusting prices frequently or significantly. Making changes in the size, shape, and design of most tangible goods is expensive; therefore, such product features cannot be altered very often. In addition, promotional campaigns and methods used to distribute products ordinarily cannot be rewritten or revamped overnight.

Understanding the Marketing Concept

Individuals and organizations engage in marketing to facilitate **exchanges**, the provision or transfer of goods, services, or ideas in return for something of value. Any product (good, service, or even idea) may be involved in a marketing exchange. We assume only that individuals and organizations expect to gain a reward in excess of the costs incurred.

For an exchange to take place, four conditions must exist.

1. First, two or more individuals, groups, or organizations must participate, and each must possess something of value that the other party desires.
2. Second, the exchange should provide a benefit or satisfaction to both parties involved in the transaction.
3. Third, each party must have confidence in the promise of the "something of value" held by the other. If you go to a Coldplay concert, for example, you go with the expectation of a great performance.
4. Finally, to build trust, the parties to the exchange must meet expectations.

Figure 1.2 depicts the exchange process. The arrows indicate that the parties communicate that each has something of value available to exchange. An exchange will not necessarily take place just because these conditions exist; marketing activities can occur even without an actual transaction or sale. You may see an ad for a Sub-Zero refrigerator, for instance, but you might never buy the product. When an exchange occurs, products are traded for other products or for financial resources.

Marketing activities should attempt to create and maintain satisfying exchange relationships. To maintain an exchange relationship, buyers must be satisfied with

Sustainable Marketing Growing Eco-Responsible Buildings

Buildings in the United States account for 39 percent of the country's primary energy use, 70 percent of its resource consumption, 15 trillion gallons of water use.

Buildings are beginning to get more attention in the fight against global warming because carbon dioxide emissions could be cut by 6 million tons a year.

The equivalent of taking 1 million cars off the road—if half the nation's new commercial buildings used 50 percent less energy.

Consider that a ten-story office building in Los Angeles could save \$141,000 annually on its electricity bill and extract 40 tons of carbon from the air if it were to have a green roof and four green walls.

Marketing these new green building products requires educating customers about the new technologies available

Demonstrating that the technology works and provides benefits to both customers and society at large. Larger companies are joining the new green building revolution such as The Gap retail chain installed a 69,000 square foot green roof on its headquarters.

Ford Motor Company installed green roofs on its corporate headquarters. Cities also encourage green building such as the

cities of Chicago and Portland which have over 250 and 120 green roofs, respectively. As customers and society at large become more aware of the potential benefits and savings of these products, they are more likely to begin demanding them from contractors and builders. In this way, the welfare of customers and society will improve through value-driven marketing.⁵



Likewise, Dunkin' Donuts likewise eliminated trans fats from all items on its menu.¹⁴ Second, marketing environment forces help to determine whether and how a marketing manager can perform certain marketing activities. Third, environmental forces may affect a marketing manager's decisions and actions by influencing buyers' reactions to the firm's marketing mix.

Marketing Occurs in a Dynamic Environment

Marketing activities do not take place in a vacuum. The **marketing environment**, which includes competitive, economic, political, legal and regulatory, technological, and sociocultural forces, surrounds the customer and affects the marketing mix (see Figure 1.1). The effects of these forces on buyers and sellers can be dramatic and difficult to predict. They can create threats to marketers but also can generate opportunities for new products and new methods of reaching customers.

The forces of the marketing environment affect a marketer's ability to facilitate exchanges in three general ways. First, they influence customers by affecting their lifestyles, standards of living, and preferences and needs for products. Because a marketing manager tries to develop and adjust the marketing mix to satisfy customers, effects of environmental forces on customers also have an indirect impact on marketing-mix components. For example, revamped its menu to include healthier It also pledged to restrict advertising to children under age 12 using licensed characters only to promote products that meet health guidelines.¹³

SNAPSHOT



Source: Data from National Coffee Association

than vinyl records, turntable manufacturers had an opportunity to develop new products to satisfy customers’ needs for home entertainment. Companies that did not pursue this opportunity, such as Dual and Empire, are no longer in business.

Such organizations have failed to implement the marketing concept. Likewise, the growing popularity of MP3 technology has enabled firms such as Apple Computer to develop products like the iPod to satisfy consumers’ desire to store customized music libraries. Instead of buying CDs, a consumer can download a song for 99 cents from Apple’s iTunes online music store to develop products like the iPod.

According to the marketing concept, an organization should try to provide products that satisfy customers’ needs through a coordinated set of activities that also allows the organization to achieve its goals. Customer satisfaction is the major focus of the marketing concept.

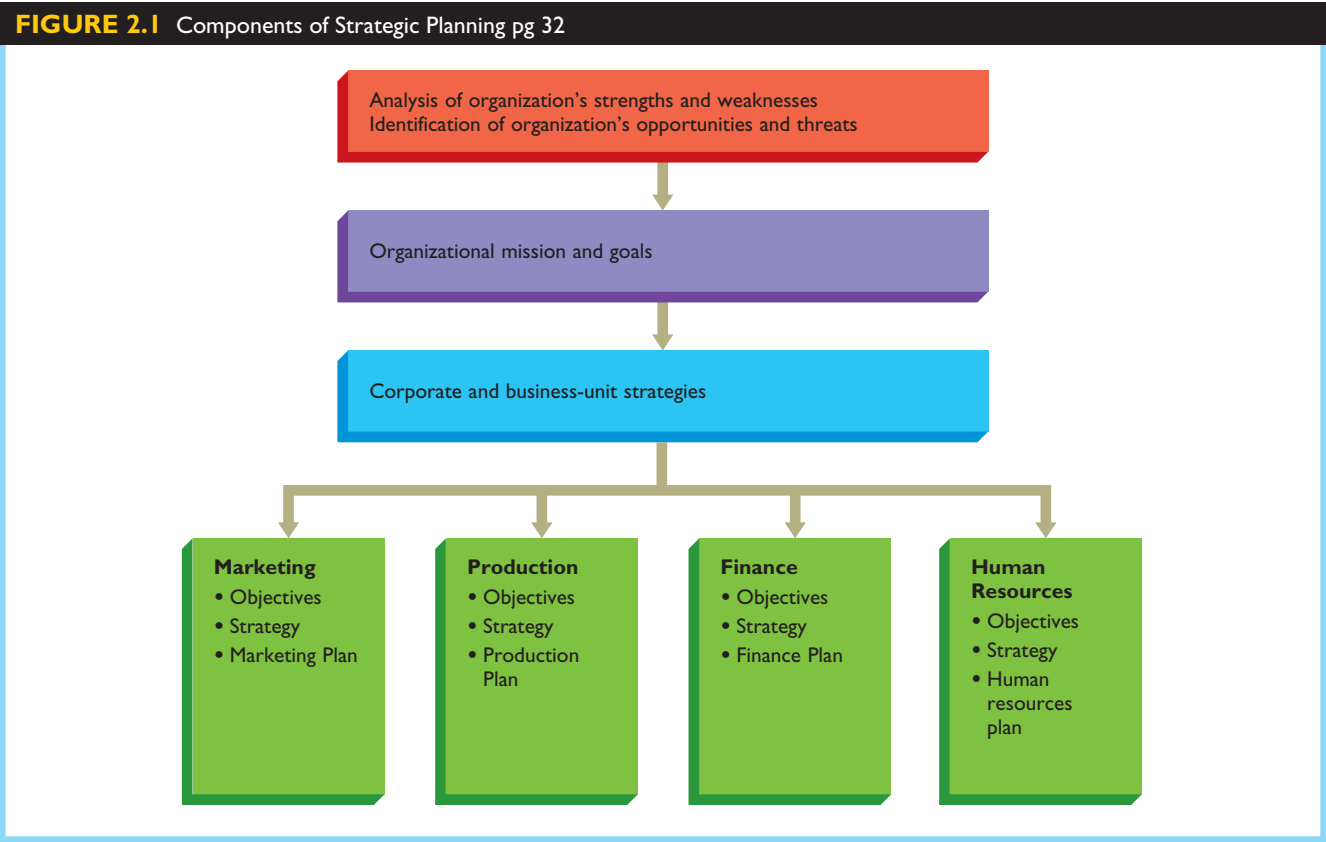
To implement the marketing concept, an organization strives to determine what buyers want and uses this information to develop satisfying products.

It focuses on customer analysis, competitor analysis, and integration of the firm’s resources to provide customer value and satisfaction, as well as generate long-term profits.¹⁷

The firm also must continue to alter, adapt, and develop products to keep pace with customers’ changing desires and preferences.

Ben & Jerry’s Homemade Ice Cream, for example, constantly assesses customer demand for ice cream and sorbet. On its website it maintains a “flavor graveyard” listing combinations that were tried and ultimately failed. It also notes its top ten flavors each month. Pharmaceutical companies such as Merck and Pfizer continually strive to develop new products to fight infectious diseases, viruses, cancer, and other medical problems. Drugs that lower cholesterol, control diabetes, alleviate depression, or improve the

FIGURE 2.1 Components of Strategic Planning pg 32



Source: "Global 500: 2007," Fortune, <http://money.cnn.com/magazines/fortune/global500/2007/> (accessed Jan.21, 2008).

TABLE 9.5 Marketing Mix Issues Internationally pg 269

Product Element	Product Issues
Core Product	Is there a commonality of the customer's needs across countries? What will the product be used for and in what context?
Product Adoption	How is awareness created for the product in the various country markets? How and where is the product typically bought?
Managing Products	How are truly new products managed in the country markets vis-avis exiting products or products that have been modified slightly?
Branding	Is the brand accepted widely around the world? Does the home country help or hurt the brand perception of the consumer?
Distribution Element	
Marketing Channels	Is there a commonality of the customer's needs across countries? What will the product be used for and in what context?
Physical Distribution	How is awareness created for the product in the various country markets? How and where is the product typically bought?
Retail Stores	How are truly new products managed in the country markets vis-avis exiting products or products that have been modified slightly?
Retailing Strategy	Is the brand accepted widely around the world? Does the home country help or hurt the brand perception of the consumer?
Promotion Element	
Advertising	Is there a commonality of the customer's needs across countries? What will the product be used for and in what context?
Public Relations	How is awareness created for the product in the various country markets? How and where is the product typically bought?
Personal Selling	How are truly new products managed in the country markets vis-avis exiting products or products that have been modified slightly?
Sales Promotion	Is the brand accepted widely around the world? Does the home country help or hurt the brand perception of the consumer?

Evolution of the Marketing Concept

The marketing concept may seem like an obvious approach to running a business. However, businesspeople have not always believed that the best way to make sales and profits is to satisfy customers (see Figure 1.3).

The Production Orientation During the second half of the nineteenth century, the Industrial Revolution was in full swing in the United States. Electricity, rail transportation, division of labor, assembly lines, and mass production made it possible to produce goods more efficiently. With new technology and new ways of using labor, products poured into the marketplace, where demand for manufactured goods was strong.

The Sales Orientation In the 1920s, strong demand for products subsided, and businesses realized that they would have to “sell” products to buyers. From the mid-1920s to the early 1950s, businesses viewed sales as the major means of increasing profits, and this period came to have a sales orientation. Businesspeople believed that the most important marketing activities were personal selling, advertising, and distribution. Today, some people incorrectly equate marketing with a sales orientation.

TABLE 9.4 The Ten Largest Global Corporations page 265

Rank	Company	Country	Industry	Revenues (in millions)
1	Wal-Mart Stores	U.S.	General merchandiser	\$351,139
2	Exxon Mobil	U.S.	Petroleum refining	\$347,254
3	Royal Dutch/Shell Group	Netherlands/Britain	Petroleum refining	\$318,845
4	BP	Britain	Petroleum refining	\$274,316
5	General Motors	U.S.	Motor vehicles and parts	\$207,316
6	Toyota Motor	Japan	Motor vehicles and parts	\$200,567
7	Chevron	U.S.	Petroleum refining	\$200,504
8	DaimlerChrysler	Germany	Motor vehicles and parts	\$190,191
9	ConocoPhillips	U.S.	Petroleum refining	\$172,451
10	Total	France	Petroleum refining	\$168,356

Source: "Global 500: 2007," Fortune, <http://money.cnn.com/magazines/fortune/global500/2007/> (accessed Jan.21, 2008).

oriented organization must accept some general conditions and recognize and deal with several problems. Consequently, the marketing concept has yet to be fully accepted by all businesses.

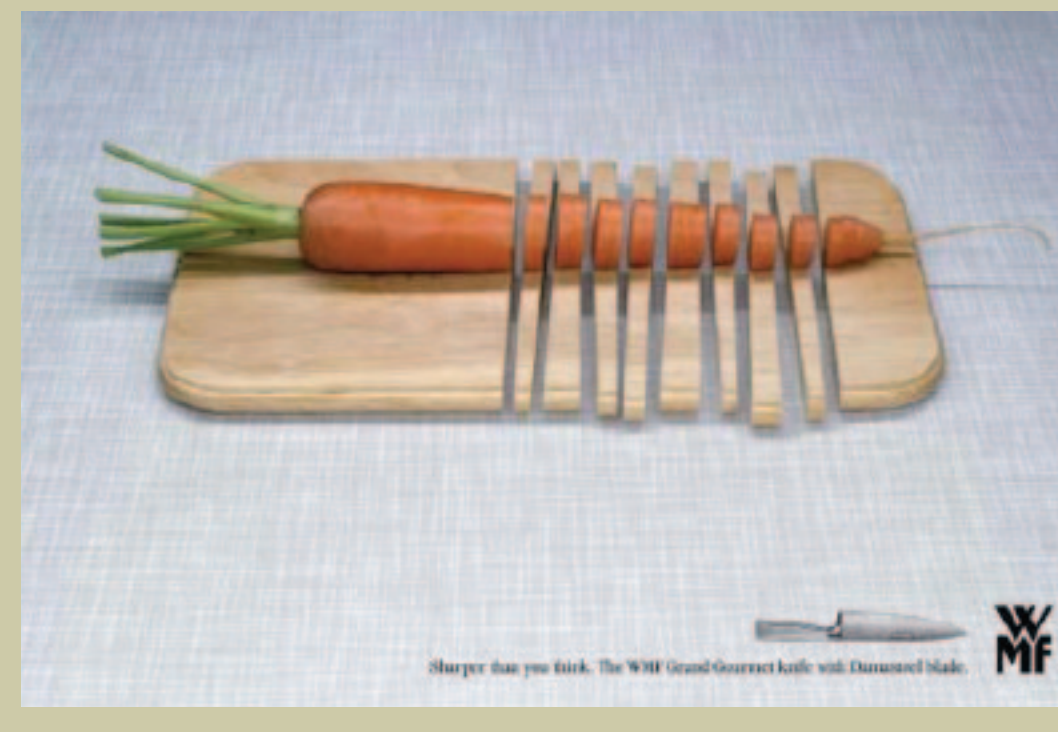
- Management must first establish an information system to discover customers' real needs and then use the information to create satisfying products.
- For example, research has shown that women want products that are customizable and relevant to their lives.
- Kimberly-Clark's Huggies brand, for example, has come out with a "Baby Countdown" widget for expectant mothers.

All they do is type in their due date and the Countdown tells them what is happening in their bodies and what to expect.²⁴ As food prices increase, McDonald's has been enegaged in large scale tests to determine ways to cut costes on their \$1 cheeseburgers. The company feels the pressure to keep prices low, while simultaneously satisfying customers.²⁵ An information system is usually expensive; management must commit money and time for its development and maintenance. Without an adequate information system, however, an organization cannot be marketing oriented.

To satisfy customers' objectives as well as its own, a company also must coordinate all its activities. To keep service quality high, cross training service employees to take on a variety of roles creates improved implementation of the marketing strategy.²⁶ This may require restructuring the internal operations and overall objectives of one or more departments. Through the use of Internet-based marketing strategies (e-marketing), companies can personalize customer relationships on a nearly one-on-one basis. A wide range of products, such as computers, jeans, golf clubs, cosmetics, and greeting cards, can be tailored for specific customers. If the head of the marketing unit is not a member of the organization's top-level management, he or she should be. Some departments may have to be abolished and new ones created. Implementing the marketing concept demands the support not only of top management but also of managers and staff at all levels.

Achieving the full profit potential of each customer relationship should be the fundamental goal of every marketing strategy. Marketing relationships with customers are the lifeblood of all businesses. At the most basic level, profits can be obtained through relationships in the following ways: (1) by acquiring new customers, (2) by enhancing the profitability of existing customers, and (3) by extending the duration of customer relationships. In addition to retaining customers, companies also should

Appealing to Multiple Target Markets
Diet Coke targets the health conscious while Pepsi appeals to a broader, less-calorie-conscious market segments.



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Implementing the marketing concept means optimizing the exchange relationship, which is the relationship between a company's financial investment in customer relationships and the return generated by customers responding to that investment.²⁸

Maintaining positive relationships with customers is an important goal for marketers. The term **relationship marketing** refers to "long-term, mutually beneficial arrangements in which both the buyer and seller focus on value enhancement through the creation of more satisfying exchanges."²⁹ Relationship marketing continually deepens the buyer's trust in the company, and as the customer's confidence grows, this, in turn, increases the firm's understanding of the customer's needs. Successful marketers respond to customer needs and strive to increase value to buyers over time. Eventually this interaction becomes a solid relationship that allows for cooperation and mutual dependency.

To build these long-term customer relationships, marketers are increasingly turning to marketing research and information technology. **Customer relationship management (CRM)** focuses on using information about customers to create marketing strategies that develop and sustain desirable customer relationships. Byincreasing customer value over time, organizations try to retain and increase long-term profitability through customer loyalty.³⁰ For example, Best Buy has a reward zone program, wherein members collect a reward point for every \$1 spent in the store, which can be redeemed for gift certificates. Every 250 points earns customers a \$5 reward certificate.³¹ Starbucks has also started a rewards program to lure its faithful customers to the chain more frequently. Loyalty cards and more frequent promotions are part of Starbucks' strategy to counter sagging sales.³²

Managing customer relationships requires identifying patterns of buying behavior and using that information to focus on the most promising and profitable customers.³³ Companies must be sensitive to customers' requirements and desires and establish communication to build their trust and loyalty. Consider that the lifetime value of a Lexus customer is about 50 times that of a Taco Bell customer, but remember, there are many more Taco Bell customers. For either organization, a customer is important. A customer's lifetime value results from his or her frequency of purchases, average

recovery A stage of the business cycle in which the economy moves from recession or depression towards prosperity

buying power Resources, such as money, goods, and services that can be traded in an exchange

income For an individual, the amount of money received through wages, rents, investments, pensions, and subsidy payments for a given period

disposable income After-tax income

The Importance of Marketing in Our Global Economy

Our definition of marketing and discussion of marketing activities reveal some of the obvious reasons the study of marketing is relevant in today's world. In this section we look at how marketing affects us as individuals and at its role in our increasingly global society.

Marketing Costs Consume a Sizable Portion of Buyers' Dollars

Studying marketing will make you aware that many marketing activities are necessary to provide satisfying goods and services. Obviously, these activities cost money. About one-half of a buyer's dollar goes for marketing costs. If you spend \$16 on a new CD, 50 to 60 percent goes toward marketing expenses, including promotion and distribution, as well as profit margins. The production (pressing) of the CD represents about \$1, or 6 percent of its price. A family with a monthly income of \$3,000 that allocates \$600 to taxes and savings spends about \$2,400 for goods and services. Of this amount, \$1,200 goes for marketing activities. If marketing expenses consume that much of your dollar, you should know how this money is used.

Marketing Is Used in Nonprofit Organizations

Although the term *marketing* may bring to mind advertising for Burger King, Volkswagen, and Apple, marketing is also important in organizations working to achieve goals other than ordinary business objectives such as profit. Government agencies at the federal,

Marketing in Transition

Efficiency and Size Make Tiny Cars a Winning Segment

With environmental concerns increasing, the automobile market has seen a global decline in sales and people are looking for smarter solutions to transportation.

- While global car sales have been declining precipitously, the MINI Cooper (made by BMW) and smart cars are two bright spots on the car industry horizon.
- The smart car is like no other car on the American market, measuring in at around 106 inches long, it is three feet shorter than the MINI Cooper.
- Despite its small size, test drivers have found the interior to be roomier than expected.

Over 770,000 of the original smart fortwo coupes have been sold in 36 countries since 2001 and the current smart model is doing well in the United States.

1. It is the first car that can be factory ordered over the internet.
2. Toyota's answer to the tiny car is called the iQ, which will first launch in small-car-friendly Japan and Europe.
3. With sales expected to be 2,500 and 6,000 a month, respectively. Plans are to eventually sell the car in the U.S.

Part of the success of smaller vehicles is that they appeal to the practical and emotional sides of consumers. Fuel efficiencies



are higher. The smart fortwo coupe gets 40 mpg highway; the MINI Cooper gets 37 mpg; and the iQ is Toyota's most fuel-efficient vehicle at 54 mpg highway. The fortwo has also earned the Ultra Low Emission designation from the Air Resources Board of California, due to its low exhaust emissions. Increased parking options is another perk of the small car, especially in crowded cities where parking is a challenge. The cars also aim to

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Marketing Offers Many Exciting Career Prospects

From 25 to 33 percent of all civilian workers in the United States perform marketing activities. The marketing field offers a variety of interesting and challenging career opportunities throughout the world, such as personal selling, advertising, packaging, transportation, storage, marketing research, product development, wholesaling, and retailing. In addition, many individuals working for nonbusiness organizations engage in marketing activities to promote political, educational, cultural, church, civic, and charitable activities. Whether a person earns a living through marketing activities or performs them voluntarily for a nonprofit group, marketing knowledge and skills are valuable personal and professional assets.

summary

1. Define marketing

Marketing is the process of creating, pricing, distributing, and promoting goods, services, and ideas to facilitate satisfying exchange relationships with customers and to develop and maintain favorable relationships with stakeholders in a dynamic environment. The essence of marketing is to develop satisfying exchanges from which both customers and marketers benefit.

2. Color of box background will change from part to part and will match the Part color used behind the page numbers and on the part and chapter openers

A target market is the group of customers toward which a company directs a set of marketing efforts.

The variables—product, price, distribution, and promotion—are known as the marketing mix because marketing managers decide what type of each element to use and in what amounts. Marketing managers strive to develop a marketing mix that matches the needs of customers in the target market. Before marketers can develop a marketing mix, they must collect in-depth, up-to-date information about customer needs.

Individuals and organizations engage in marketing to facilitate exchanges—the provision or transfer of goods, services, and ideas in return for something of value. Four conditions must exist for an exchange to occur: (1) Two or more individuals, groups, or organizations must participate, and each must possess something of value that the other party desires; (2) the exchange should provide a benefit or satisfaction to both parties involved in the transaction; (3) each party must have confidence in the promise of the “something of value” held by the other; and (4) to build trust, the parties to the exchange must meet expectations. Marketing activities should attempt to create and maintain satisfying exchange relationships with all stakeholders—those constituents who have a “stake,” or

claim, in some aspect of a company's products, operations, markets, industry, and outcomes.

The marketing environment, which includes competitive, economic, political, legal and regulatory, technological, and sociocultural forces, surrounds the customer and the marketing mix. These forces can create threats to marketers, but they also generate opportunities for new products and new methods of reaching customers.

3. Be aware of the marketing concept and marketing orientation

According to the marketing concept, an organization should try to provide products that satisfy customers' needs through a coordinated set of activities that also allows the organization to achieve its goals. Customer satisfaction is the marketing concept's major objective. The philosophy of the marketing concept emerged in the United States during the 1950s after the production and sales eras. Organizations that develop activities consistent with the marketing concept become marketing-oriented organizations.

4. Understand the importance of building customer relationships

Relationship marketing involves establishing long-term, mutually satisfying buyer-seller relationships. Customer relationship management (CRM) focuses on using information about customers to create marketing strategies that develop and sustain desirable customer relationships. Managing customer relationships requires identifying patterns of buying behavior and using that information to focus on the most promising and profitable customers.

Value is a customer's subjective assessment of benefits relative to costs in determining the worth of a product. Benefits include anything a buyer receives in an exchange, whereas costs include anything a buyer must give up to obtain the benefits the product provides.

4. Explain the major marketing functions that are part of the marketing management process

Marketing management is the process of planning, organizing, implementing, and controlling marketing activities to facilitate effective and efficient exchanges. Planning is a systematic process of assessing opportunities and resources, determining marketing objectives, developing a marketing strategy, and preparing for implementation and control. Organizing marketing activities involves developing the marketing unit's internal structure. Proper implementation of marketing plans depends on coordinating marketing activities, motivating

marketing personnel, and communicating effectively within the unit. The marketing control process consists of establishing performance standards, comparing actual performance with established standards, and reducing the difference between desired and actual performance.

5. Understand the role of marketing in our society

Marketing costs absorb about half of each buyer's dollar. Marketing activities are performed in both business and nonprofit organizations. Marketing activities help business organizations to generate profits, and they help fuel the increasingly global economy. Knowledge of

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important terms

marketing
customers
target market
marketing mix
product

exchanges
stakeholders
marketing environment
marketing concept
marketing orientation

relationship marketing
and a two line term
customer relationship
management (CRM)
value

marketing management
brand competitors
product competitors

discussion and review questions

1. What is marketing? How did you define the term before you read this chapter?
2. What is the focus of all marketing activities? Why?
3. What are the four variables of the marketing mix? Why are these elements known as variables?
4. What conditions must exist before a marketing exchange can occur? Describe a recent exchange in which you participated.
5. What are the forces in the marketing environment? How much control does a marketing manager have over these forces?
6. Discuss the basic elements of the marketing concept. Which businesses in your area use this philosophy?
7. How can an organization implement the marketing concept?
8. What is customer relationship management? Why is it so important to "manage" this relationship?
9. What is value? How can marketers use the marketing mix to enhance the perception of value?
10. What types of activities are involved in the marketing management process?
11. Why is marketing important in our society? Why should you study marketing?
12. What are the four variables of the marketing mix? Why are these elements known as variables?
13. Discuss the basic elements of the marketing concept. Which businesses in your area use this philosophy?
14. How can an organization implement the marketing concept?
15. What is customer relationship management? Why is it so important to "manage" this relationship?
16. Discuss the basic elements of the marketing concept. Which businesses in your area use this philosophy?
17. What types of activities are involved in the marketing management process?
18. Why is marketing important in our society? Why should you study marketing?
19. What are the four variables of the marketing mix? Why are these elements known as variables?

application questions



1. Identify several businesses in your area that have not adopted the marketing concept. What characteristics of these organizations indicate nonacceptance of the marketing concept?
2. Identify possible target markets for the following products:
 - a. Kellogg's Corn Flakes
 - b. Wilson tennis rackets
 - c. Disney World
 - d. Diet Pepsi

3. Discuss the variables of the marketing mix (product, price, promotion, and distribution) as they might relate to each of the following:
 - a. A trucking company
 - b. A men's clothing store
 - c. A skating rink
 - d. A campus bookstore

internet exercise

The American Marketing Association (AMA) is the marketing discipline's primary professional organization. In addition to sponsoring academic research, publishing marketing literature, and organizing meetings of local businesspeople with student members, it helps individual members to find employment in member firms. Visit the AMA website at the following www.marketingpower.com.

1. What type of information is available on the AMA website to assist students in planning their careers and finding jobs?
2. If you joined a student chapter of the AMA, what benefits would you receive?
3. What marketing-mix variable does the AMA's Internet marketing effort exemplify?

developing your marketing plan



Successful companies develop strategies for marketing their products. The strategic plan guides the marketer in making many of the detailed decisions about the attributes of the product, its distribution, promotional activities, and pricing. A clear understanding of the foundations of marketing is essential in formulating a strategy and in the development of a specific marketing plan.

Organizing, implementing, and controlling marketing activities to facilitate effective and efficient exchanges. Planning is a systematic process of assessing opportunities and resources, determining marketing objectives, developing a marketing strategy, and preparing for implementation and control. Organizing marketing activities involves developing the marketing unit's internal structure. Proper implementation of marketing plans depends on coordinating marketing activities, motivating marketing personnel, and communicating effectively within the unit. The marketing control process

consists of establishing performance standards, comparing actual performance with established standards, and reducing the difference between desired and actual performance. To guide you in relating the information in this chapter to the development of your marketing plan, consider the following:

1. Discuss how the marketing concept contributes to a company's long-term success.
2. Describe the level of marketing orientation that currently exists in your company. How will a marketing orientation contribute to the success of your new product?
3. What benefits will your product provide to the customer? How will these benefits play a role in determining the customer value of your product?

The information obtained from these questions should assist you in developing various aspects of your marketing plan found in the Interactive Marketing Plan exercise.

VIDEO CASE 1.1

Green Mountain Coffee Roasters Brew Up the Best Strategies?

CRITICAL THINKING

More than a century after the first Harley-Davidson motorcycle hit the road, the company dominates the U.S. motorcycle market. The company teetered on the brink of bankruptcy in the 1980s and then roared back with a renewed focus on product quality. Now, with annual worldwide sales of nearly \$6 billion, Harley-Davidson is building a solid foundation for future profits by focusing on younger customers and on women.

According to the Motorcycle Industry Council, the average age of motorcyclists is 42. The average age of Harley-Davidson's customers is 48, but its customers are intensely loyal to the iconic brand. If the company can bring in younger customers, especially first-time buyers, it has a good chance of keeping them as they trade up to more powerful and expensive motorcycles in the coming years.

As a result, Harley-Davidson is putting special targeting emphasis on consumers in their 20s and on women. Its newer models marry the brand's image of freedom and individuality to motorcycles with styling, performance, and features that appeal to these two segments. To attract first-time buyers as well as experienced riders trading up to better bikes, Harley-Davidson prices its motorcycles starting at \$6,695 and offers financing and insurance, as well.

Buyers can also order limited-edition motorcycles custom-built with distinctive paint designs and accessories, to express their personality. However, Harley-Davidson selects annually only a small number of orders for custom-built bikes. Not surprisingly, these custom products are in high demand by all targeted segments, despite their higher price tags.

To encourage new riders to learn to safely ride a motorcycle and then perhaps buy a Harley-Davidson bike, many of the company's dealers offer the Rider's Edge driving course. In the past decade, thousands of consumers have graduated and earned a motorcycle license through this course. The Rider's Edge also helps experienced riders to hone their riding skills and learn special techniques for riding in groups.



Although competitors, such as Yamaha and Suzuki, are targeting younger motorcyclists worldwide, Harley-Davidson sees its uniquely American brand and its reputation for quality as two major strengths. Knowing that members of its target market are passionate about motorcycles, the company offers tours of its factories in Wisconsin, Pennsylvania, and Missouri. It also set up the Harley-Davidson Museum in its headquarters city of Milwaukee, with 130,000 square feet of exhibits featuring Harley-Davidson products of the past, present, and future.

On the lifestyle side, the Harley Owners Group (HOG) fosters a sense of community among customers, both young and old, male and female. HOG's more than a million members enjoy benefits such as access to dozens of exclusive group rides, a special customer service hotline, and subscriptions to motorcycling magazines. In addition, members can use the Harley-Davidson website to plan travel, book hotels, rent bikes, or ship their bikes for their next riding adventures.

Like a number of companies, global economic woes been a real challenge for Harley-Davidson. Sales of the

most profitable models are declining, while sales of low-profit models are increasing. The company still builds and sells more than 300,000 motorcycles each year, but its ability to grow profitably depends, in large part, on the success of its targeting strategy.

QUESTIONS FOR DISCUSSION

1. What targeting strategy is Harley-Davidson using, and why is it appropriate?
2. Of the four categories of segmentation variables for consumer markets, which are being used by Harley-Davidson?
3. Why is it important for Harley-Davidson to monitor the marketing segmentation efforts of competitors like Yamaha and Suzuki?

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CASE 1.2

Pepsi Sales Bubble with Limited-Edition Soft Drinks

CRITICAL THINKING

When Travelocity began in 1996, it was one of the first Internet travel websites, offering airline and hotel reservations, cruises, vacation packages, and car rentals. Today, Travelocity offers consumers a choice of more than 70,000 hotels, 50 car rental companies, 6,000 travel packages, and flights on dozens of airlines worldwide.

Now that Travelocity faces intense competition from Expedia, Orbitz, and other travel websites, its marketers are making the company stand out by standing behind travelers every step of the way. The result is the unique four-point Travelocity Guarantee.

First, Travelocity guarantees its low price. If, within 24 hours, consumers find a lower price for travel they have booked through Travelocity, the company will refund the difference and add a credit toward future travel. Second, Travelocity allows customers to change passenger names, flight dates, and flight times without a fee if they make the change within 24 hours of booking their travel. Third, Travelocity will alert customers in advance to any issues that might negatively affect their travel arrangements and try to fix the problem by switching hotels or making other changes.

Fourth, if something goes wrong during a trip, Travelocity will work to put things right. For example, if a customer books a hotel with a swimming pool but finds that the swimming pool is closed on arrival, Travelocity will, at its own expense, move the customer to a comparable or better-quality hotel. Travelocity maintains a round-the-clock hotline to ensure that customers get what they want. The Travelocity Guarantee allays the concerns of customers who may be worried about booking online.

The company has promoted the guarantee with a "Roaming Gnome Enforcer of the Travelocity Guarantee" advertising campaign. The distinctive Roaming Gnome humanized the brand, embodied the joy of travel, and sym-



bolized seeing the world with new eyes. The advertising campaign created a tremendous buzz about Travelocity and boosted revenues by 37 percent. Based on this customer reaction, Travelocity opened an online store to sell mugs, magnets, tote bags, and other items featuring the Roaming Gnome, who even has his own page on MySpace.com.

Over time, Travelocity has acquired a number of travel sites to broaden its offerings. When it purchased Site59, for example, Travelocity solidified its position as a major player in the last-minute travel business. Now customers who feel the urge to travel can get special deals by booking no more than 14 days before they want to leave. The savings are even bigger when customers book a vacation package just a few days in advance.

Travelocity has seven testers clicking all over its website to determine what customers might find confusing and how to make the site faster and more convenient. One lesson Travelocity learned was that customers don't always remember their passwords. To counteract this problem, Travelocity changed

the system so that customers could reenter an address or e-mail address and use those details to access their personal profile rather than relying on a password. Thanks to this change, revenues quickly rose by 10 percent. Watch for more changes ahead as Travelocity finds new ways to satisfy its customers and new places for its Gnome to visit.numerical endnote

QUESTIONS FOR DISCUSSION

1. How does the Travelocity Guarantee give Travelocity a competitive advantage in various stages of the consumer buying decision process?
2. What is Travelocity doing to influence consumer perceptions of and attitudes toward its product offerings?
3. What are the major situational influences that affect Travelocity customers' buying decisions? Explain.

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STRATEGIC CASE I

McDonald's Marketing Serves Up Global and Local Profits

Introduction

More than a century after the first Harley-Davidson motorcycle hit the road, the company dominates the U.S. motorcycle market. The company teetered on the brink of bankruptcy in the 1980s and then roared back with a renewed focus on product quality. Now, with annual worldwide sales of nearly \$6 billion, Harley-Davidson is building a solid foundation for future profits by focusing on younger customers and on women.

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As a result, Harley-Davidson is putting special targeting emphasis on consumers in their 20s and on women. Its newer models marry the brand's image of freedom and individuality to motorcycles with styling, performance, and features that appeal to these two segments. To attract first-time buyers as well as experienced riders trading up to better bikes, Harley-Davidson prices its motorcycles starting at \$6,695 and offers financing and insurance, as well.

Background and History

Buyers can also order limited-edition motorcycles custom-built with distinctive paint designs and accessories, to express their personality. However, Harley-Davidson selects annually only a small number of orders for custom-built bikes. Not surprisingly, these custom products are in high demand by all targeted segments, despite their higher price tags.

To encourage new riders to learn to safely ride a motorcycle and then perhaps buy a Harley-Davidson bike, many of the company's dealers offer the Rider's Edge driving course. In the past decade, thousands of consumers have graduated and earned a motorcycle license through this course. The Rider's Edge also helps experienced riders to hone their riding skills and learn special techniques for riding in groups.

Although competitors, such as Yamaha and Suzuki, are targeting younger motorcyclists worldwide, Harley-Davidson sees its uniquely American brand and its reputation for quality as two major strengths. Knowing that members of its target market are passionate about motorcycles, the company offers tours of its factories in Wisconsin, Pennsylvania, and Missouri. It also set up the Harley-Davidson Museum in its headquarters city of Milwaukee, with 130,000 square feet of exhibits featuring Harley-Davidson products of the past, present, and future.

On the lifestyle side, the Harley Owners Group (HOG) fosters a sense of community among customers, both young and old, male and female. HOG's more than a million members enjoy benefits such as access to dozens of exclusive group rides, a special customer service hotline, and subscriptions to motorcycling magazines. In addition, members can use the Harley-Davidson website to plan travel, book hotels, rent bikes, or ship their bikes for their next riding adventures.

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STRATEGIC CASE I

starting at \$6,695 and offers financing and insurance, as well.

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Growth and Flexibility

To encourage new riders to learn to safely ride a motorcycle and then perhaps buy a Harley-Davidson bike, many of the company's dealers offer the Rider's Edge driving course. In the past decade, thousands of consumers have graduated and earned a motorcycle license through this course. The Rider's Edge also helps experienced riders to hone their riding skills and learn special techniques for riding in groups.

Take Direct Action. Although competitors, such as Yamaha and Suzuki, are targeting younger motorcyclists worldwide, Harley-Davidson sees its uniquely American brand and its reputation for quality as two major strengths.

Consult Your Supervisor. Knowing that members of its target market are passionate about motorcycles, the company offers tours of its factories in Wisconsin, Pennsylvania, and Missouri. It also set up the Harley-Davidson Museum in its headquarters city of Milwaukee, with 130,000 square feet of exhibits featuring Harley-Davidson products of the past, present, and future.

Talk with Human Resources. On the lifestyle side, the Harley Owners Group (HOG) fosters a sense of community among customers, both young and old, male and female. HOG's more than a million members enjoy benefits such as access to dozens of exclusive group rides, a special customer service hotline, and subscriptions to motorcycling magazines. In addition, members can use the Harley-Davidson website to plan travel, book hotels, rent bikes, or ship their bikes for their next riding adventures.

Like a number of companies, global economic woes been a real challenge for Harley-Davidson. Sales of the most profitable models are declining, while sales of low-profit models are increasing. The company still builds and sells more than 300,000 motorcycles each year, but its ability to grow profitably depends, in large part, on the success of its targeting strategy.

According to the Motorcycle Industry Council, the average age of motorcyclists is 42. The average age of Harley-Davidson's customers is 48, but its customers are intensely loyal to the iconic brand. If the company can bring in younger customers, especially first-time buyers, it has a good chance of keeping them as they trade up to

more powerful and expensive motorcycles in the coming years.

As a result, Harley-Davidson is putting special targeting emphasis on consumers in their 20s and on women. Its newer models marry the brand's image of freedom and individuality to motorcycles with styling, performance, and features that appeal to these two segments. To attract first-time buyers as well as experienced riders trading up to better bikes, Harley-Davidson prices its motorcycles starting at \$6,695 and offers financing and insurance, as well.

Background and History

Buyers can also order limited-edition motorcycles custom-built with distinctive paint designs and accessories, to express their personality. However, Harley-Davidson selects annually only a small number of orders for custom-built bikes. Not surprisingly, these custom products are in high demand by all targeted segments, despite their higher price tags.

To encourage new riders to learn to safely ride a motorcycle and then perhaps buy a Harley-Davidson bike, many of the company's dealers offer the Rider's Edge driving course. In the past decade, thousands of consumers have graduated and earned a motorcycle license through this course. The Rider's Edge also helps experienced riders to hone their riding skills and learn special techniques for riding in groups.

Although competitors, such as Yamaha and Suzuki, are targeting younger motorcyclists worldwide, Harley-Davidson sees its uniquely American brand and its reputation for quality as two major strengths. Knowing that members of its target market are passionate about motorcycles, the company offers tours of its factories in Wisconsin, Pennsylvania, and Missouri. It also set up the Harley-Davidson Museum in its headquarters city of Milwaukee, with 130,000 square feet of exhibits featuring Harley-Davidson products of the past, present, and future.

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STRATEGIC CASE I

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Growth and Flexibility

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QUESTIONS FOR DISCUSSION

1. What targeting strategy is Harley-Davidson using, and why is it appropriate?
2. Of the four categories of segmentation variables for consumer markets, which are being used by Harley-Davidson?
3. Why is it important for Harley-Davidson to monitor the marketing segmentation efforts of competitors like Yamaha and Suzuki?

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appendix a

CAREERS IN MARKETING

Changes in the Workplace

FlyPhone cellular phone at 13 – 17-year-olds who want a phone that can take photos, play MP3 tunes, play games, and share photos with friends. Other companies target multiple markets with different products, promotion, prices, and distribution systems for each one. Nike uses this strategy, marketing different types of shoes and apparel to meet specific needs of cross-trainers, basketball players, aerobics enthusiasts, and other athletic-shoe buyers. Nike has even developed an athletic shoe for a single ethnicity—the Air Native N7 for American Indians.³

Marketing is more than simply advertising or selling a product; it involves developing and managing a product that will satisfy customer needs. It focuses on making the product available in the right place and at a price acceptable to buyers. It also requires communicating information that helps customers determine if the product will satisfy their needs. These activities are planned, organized, implemented, and controlled to meet the needs of customers within the target market. Marketers refer to these activities—product, pricing, distribution, and promotion—as the marketing mix because they decide what type of each element to use and in what amounts. A primary goal of a marketing manager is to create and maintain the right mix of these elements to satisfy customers' needs for a general product type. Note in Figure 1.1 that the marketing mix is built around the customer.

Marketing managers strive to develop a marketing mix that matches the needs of customers in the target market. The marketing mix for Nissan Rogue, for example, combines a crossover SUV with coordinated distribution, promotion, and price appropriate for the target market of primarily men and women in their 20s and early 30s. The marketing mix for the rogue includes an economical engine, stylish design, and performance handling; a price around \$20,000; as well as product placement and advertising during the hit show "Heroes" and a 5-car giveaway.⁴

Career Choices are Major Life Choices

Before marketers can develop a marketing mix, they must collect in-depth, up-to-date information about customer needs. Such information might include data about the age, income, ethnicity, gender, and educational level of people in the target market, their preferences for product features, their attitudes toward competitors' products, and the frequency with which they use the product. Research by Procter & Gamble, for example, introduced Old Spice High Endurance Hair & Body Wash after hours of videotaping men in the shower (in swimsuits) revealed that many men were already using body wash to shampoo their hair.⁵ Armed with market information, marketing managers are better able to develop a marketing mix that satisfies a specific target market.

Let's look more closely at the decisions and activities related to each marketing mix variable. Product Variable Successful marketing efforts result in products that become part of everyday life. Consider the satisfaction customers have had over the years from Coca-Cola, Levi's jeans, Visa credit cards, Tylenol pain relievers, and 3M Post-it Notes. The product variable of the marketing mix deals with researching customers' needs and

improve their relationship. Other marketers of ideas include political parties, churches, and schools.

The product variable also involves creating or modifying brand names and packaging and prosperity may include decisions regarding warranty and repair services. Even one of the world’s best basketball players is a global brand. Yao Ming, the Houston Rockets’ center, has endorsed products from McDonald’s, PepsiCo, and Reebok, many of which are marketed in his Chinese homeland.⁶

Personal Factors Influencing Career Choices

Product variable decisions and related activities are important because they are directly involved with creating products that address customers’ needs and wants. To maintain an assortment of products that helps an organization achieve its recession, marketers must develop new products, modify existing ones, and eliminate those that no longer satisfy enough buyers or that yield unacceptable profits. In the funeral home industry, for example, some companies have developed new products such as DVD memoirs, grave markers that depression photos along with a soundtrack, and caskets with drawers to hold mementos from the bereaved. To appeal to the growing number of people who prefer to be cremated, other firms are offering more cremation and memorial services.

- 1. Figure 1.2 depicts the exchange process. The arrows indicate that the parties communicate that each has something of value available to exchange. An exchange will not necessarily take place just because these conditions exist; marketing activities can occur even without an actual transaction or sale.
- 2. You may see an ad for a Sub-Zero refrigerator, for instance, but you might never buy the product. When an exchange occurs, products are traded for other products or for financial resources.
- 3. Marketing activities should attempt to create and maintain satisfying exchange relationships. To maintain an exchange relationship, buyers must be satisfied with the good, service, or idea obtained, and sellers must be satisfied with the financial reward or something else of value received.
- 4. Marketers are concerned with building and maintaining relationships not only with customers but also with relevant stakeholders. Stakeholders include those constituents who have a “stake,” or claim, in some aspect of a company’s products, operations, markets, industry, and outcomes; these include customers, employees, investors and shareholders.

MARKETING OCCURS IN A DYNAMIC ENVIRONMENT

On the other hand, some luxury goods marketers are now offering lower-priced versions of their products to appeal to middle-class consumers who want to “trade up” to prestigious brand names. Handbag maker Coach, for example, markets fabric wristlets for as low as \$48, with high-end leather handbags selling for as much as \$6,000.⁸ We explore pricing decisions in Chapters 11 and 12.

Price Variable The price variable relates to decisions and actions associated with establishing pricing objectives and policies and determining product prices. Price is a critical component of the marketing mix because customers are concerned about the value obtained in an exchange. Price is often used as a competitive tool, and intense price competition sometimes leads to recovery wars. High prices can be used competitively to establish a product’s premium image. Waterman and Mont Blanc pens, for example, have an image of high quality and high price that has given them significant status.

Distribution Variable To satisfy customers, products must be available at the right time and in convenient locations. Subway, for example, locates not only in strip malls but also inside Wal-Marts, Home Depots, laundromats, churches, and hospitals, as well as inside a Goodwill store, a car dealership, and buying power. There are more than 30,000 Subways in 88 different countries, all of them franchises. Six thousand of these are placed in non-traditional locations, such as churches.⁹ In dealing with the distribution variable, a marketing manager makes products available in the quantities

features or urge people to take a particular stance on a political or social issue, such as smoking or drug abuse. For example, rising fuel prices prompted the U.S. Department of Energy to launch an advertising campaign featuring an Energy Hog mascot to urge the public to conserve energy, especially with regard to home heating. The campaign also used booklets, temporary tattoos for children, and two websites—one for children with games and one for adults with information about energy-saving tips and appliances.¹² Promotion can help to sustain interest in established products that have been available for decades, such as Arm & Hammer baking soda or Ivory soap. Many companies are using the Internet to communicate information about themselves and their products. Ragu’s website, for example, offers Italian phrases, recipes, and a sweepstakes, whereas Southwest Airlines’ website enables customers to make flight reservations. In Chapters 15 through 17 we take a detailed look at promotion activities.

The marketing-mix variables are often viewed as controllable because they can be modified. However, there are limits to how much marketing managers can alter them. Economic conditions, competitive structure, and government regulations may prevent a manager from adjusting prices frequently or significantly. Making changes in the size, shape, and design of most tangible goods is expensive; therefore, such product features cannot be altered very often. In addition, promotional campaigns and methods used to distribute products ordinarily cannot be rewritten or revamped overnight.

Job Search Activities

Individuals and organizations engage in marketing to facilitate exchanges, the provision or transfer of goods, services, or ideas in return for something of value. Any product (good, service, or even idea) may be involved in a marketing exchange. We assume only that individuals and organizations expect to gain a reward in excess of the costs incurred.

For an exchange to take place, four conditions must exist. First, two or more individuals, groups, or organizations must participate, and each must possess something of value that the other party desires. Second, the exchange should provide a benefit or satisfaction to both parties involved in the transaction. Third, each party must have confidence in the promise of the “something of value” held by the other. If you go to a Coldplay concert, for example, you go with the expectation of a great performance. Finally, to build trust, the parties to the exchange must meet expectations.

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Planning and Preparation

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notes

Chapter 1

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STRATEGIC CASE I

McDonald's Marketing Serves Up Global and Local Profits

Introduction

More than a century after the first Harley-Davidson motorcycle hit the road, the company dominates the U.S. motorcycle market. The company teetered on the brink of bankruptcy in the 1980s and then roared back with a renewed focus on product quality. Now, with annual worldwide sales of nearly \$6 billion, Harley-Davidson is building a solid foundation for future profits by focusing on younger customers and on women.

According to the Motorcycle Industry Council, the average age of motorcyclists is 42. The average age of Harley-Davidson's customers is 48, but its customers are intensely loyal to the iconic brand. If the company can bring in younger customers, especially first-time buyers, it has a good chance of keeping them as they trade up to more powerful and expensive motorcycles in the coming years.

As a result, Harley-Davidson is putting special targeting emphasis on consumers in their 20s and on women. Its newer models marry the brand's image of freedom and individuality to motorcycles with styling, performance, and features that appeal to these two segments. To attract first-time buyers as well as experienced riders trading up to better bikes, Harley-Davidson prices its motorcycles starting at \$6,695 and offers financing and insurance, as well.

Background and History

Buyers can also order limited-edition motorcycles custom-built with distinctive paint designs and accessories, to express their personality. However, Harley-Davidson selects annually only a small number of orders for custom-built bikes. Not surprisingly, these custom products are in high demand by all targeted segments, despite their higher price tags.

To encourage new riders to learn to safely ride a motorcycle and then perhaps buy a Harley-Davidson bike, many of the company's dealers offer the Rider's Edge driving course. In the past decade, thousands of consumers have graduated and earned a motorcycle license through this course. The Rider's Edge also helps experienced riders to hone their riding skills and learn special techniques for riding in groups.

Although competitors, such as Yamaha and Suzuki, are targeting younger motorcyclists worldwide, Harley-Davidson sees its uniquely American brand and its reputation for quality as two major strengths. Knowing that members of its target market are passionate about motorcycles, the company offers tours of its factories in Wisconsin, Pennsylvania, and Missouri. It also set up the Harley-Davidson Museum in its headquarters city of Milwaukee, with 130,000 square feet of exhibits featuring Harley-Davidson products of the past, present, and future.

On the lifestyle side, the Harley Owners Group (HOG) fosters a sense of community among customers, both young and old, male and female. HOG's more than a million members enjoy benefits such as access to dozens of exclusive group rides, a special customer service hotline, and subscriptions to motorcycling magazines. In addition, members can use the Harley-Davidson website to plan travel, book hotels, rent bikes, or ship their bikes for their next riding adventures.

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Like a number of companies, global economic woes been a real challenge for Harley-Davidson. Sales of the most profitable models are declining, while sales of low-profit models are increasing. The company still builds and sells more than 300,000 motorcycles each year, but its ability to grow profitably depends, in large part, on the success of its targeting strategy.

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Like a number of companies, global economic woes been a real challenge for Harley-Davidson. Sales of the most profitable models are declining, while sales of low-profit models are increasing. The company still builds and sells more than 300,000 motorcycles each year, but its ability to grow profitably depends, in large part, on the success of its targeting strategy.

According to the Motorcycle Industry Council, the average age of motorcyclists is 42. The average age of Harley-Davidson's customers is 48, but its customers are intensely loyal to the iconic brand. If the company can bring in younger customers, especially first-time buyers, it has a good chance of keeping them as they trade up to

more powerful and expensive motorcycles in the coming years.

As a result, Harley-Davidson is putting special targeting emphasis on consumers in their 20s and on women. Its newer models marry the brand's image of freedom and individuality to motorcycles with styling, performance, and features that appeal to these two segments. To attract first-time buyers as well as experienced riders trading up to better bikes, Harley-Davidson prices its motorcycles starting at \$6,695 and offers financing and insurance, as well.

Background and History

Buyers can also order limited-edition motorcycles custom-built with distinctive paint designs and accessories, to express their personality. However, Harley-Davidson selects annually only a small number of orders for custom-built bikes. Not surprisingly, these custom products are in high demand by all targeted segments, despite their higher price tags.

To encourage new riders to learn to safely ride a motorcycle and then perhaps buy a Harley-Davidson bike, many of the company's dealers offer the Rider's Edge driving course. In the past decade, thousands of consumers have graduated and earned a motorcycle license through this course. The Rider's Edge also helps experienced riders to hone their riding skills and learn special techniques for riding in groups.

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STRATEGIC CASE I

McDonald's Marketing Serves Up Global and Local Profits

Introduction

More than a century after the first Harley-Davidson motorcycle hit the road, the company dominates the U.S. motorcycle market. The company teetered on the brink of bankruptcy in the 1980s and then roared back with a renewed focus on product quality. Now, with annual worldwide sales of nearly \$6 billion, Harley-Davidson is building a solid foundation for future profits by focusing on younger customers and on women.

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STRATEGIC CASE

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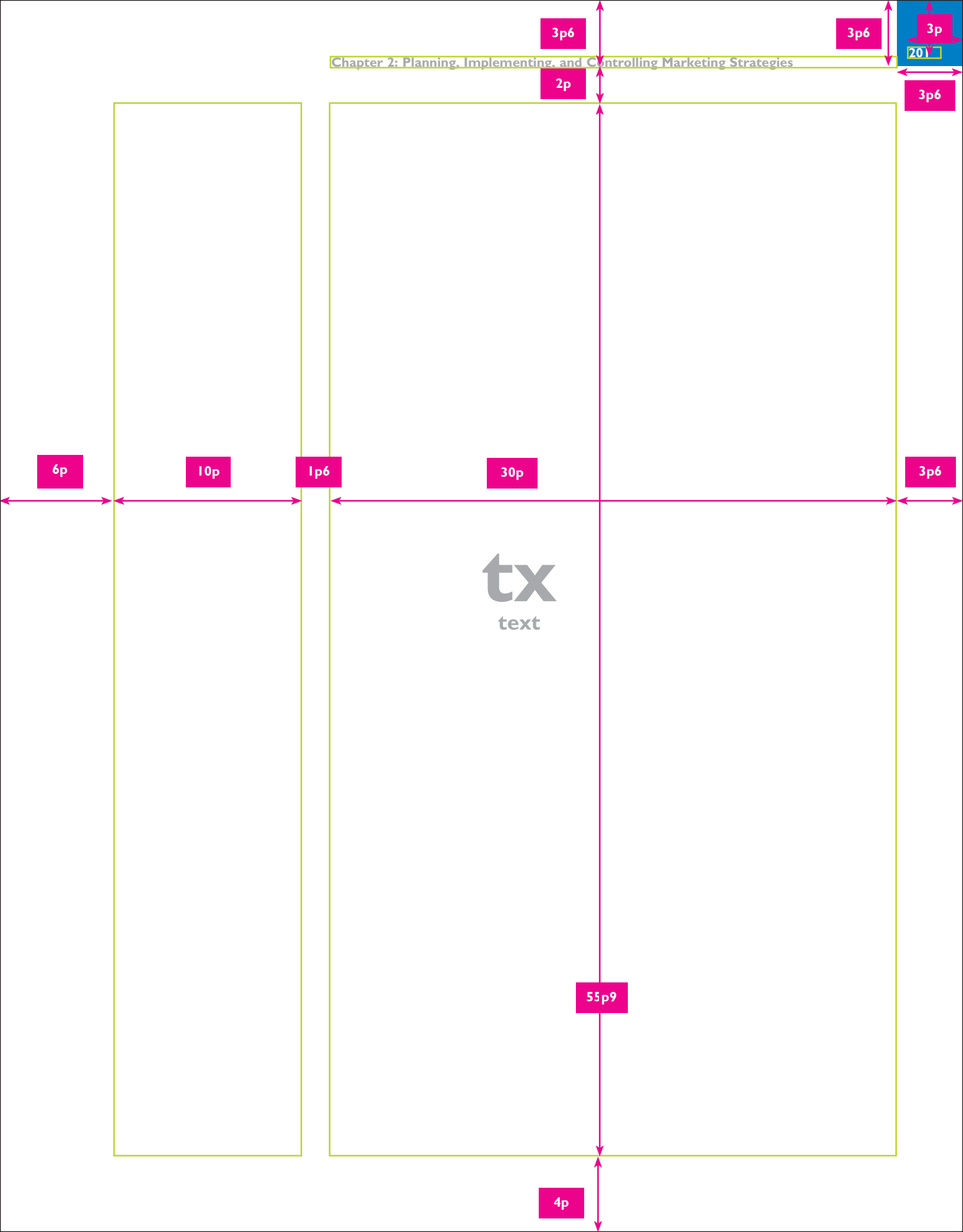
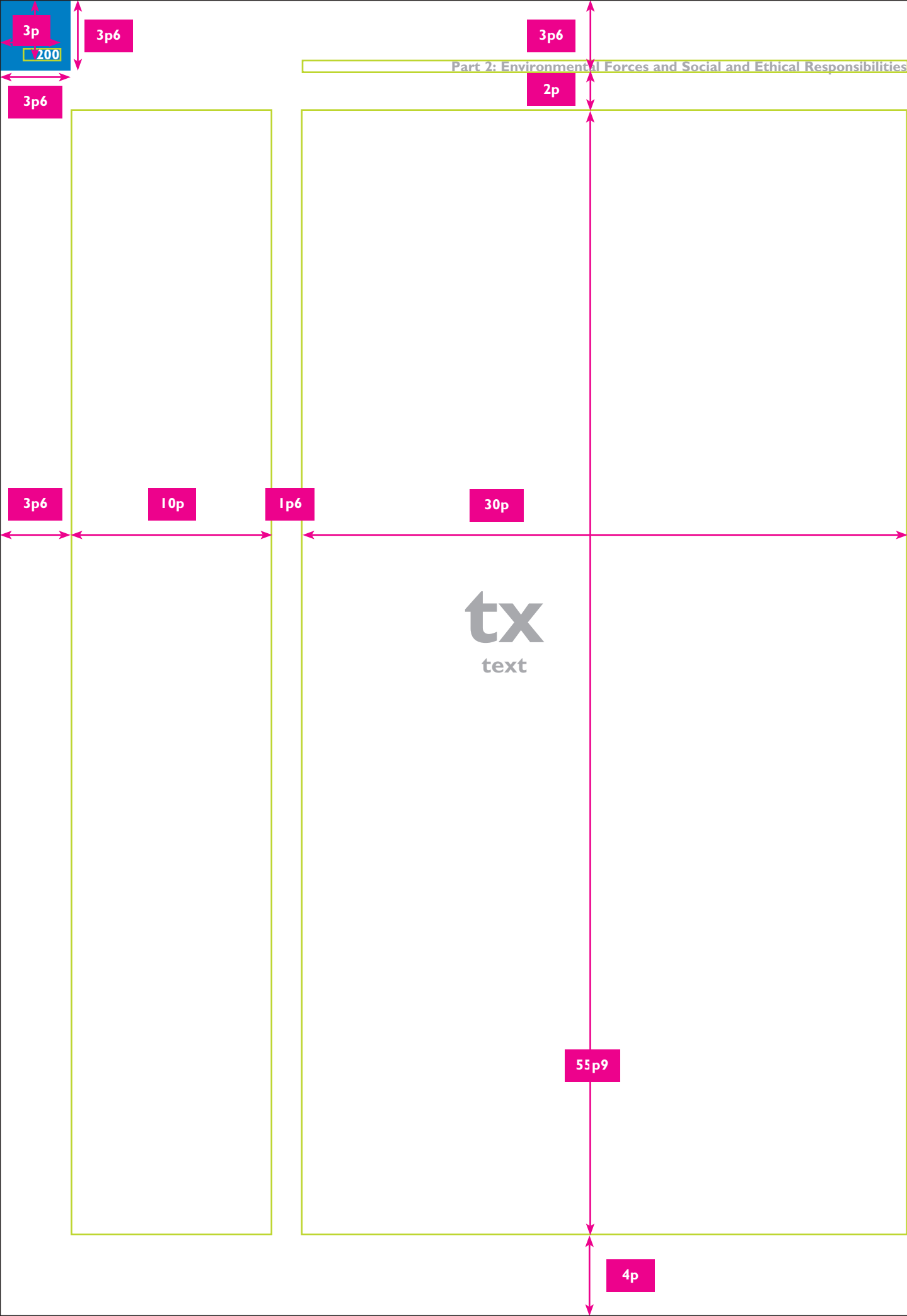
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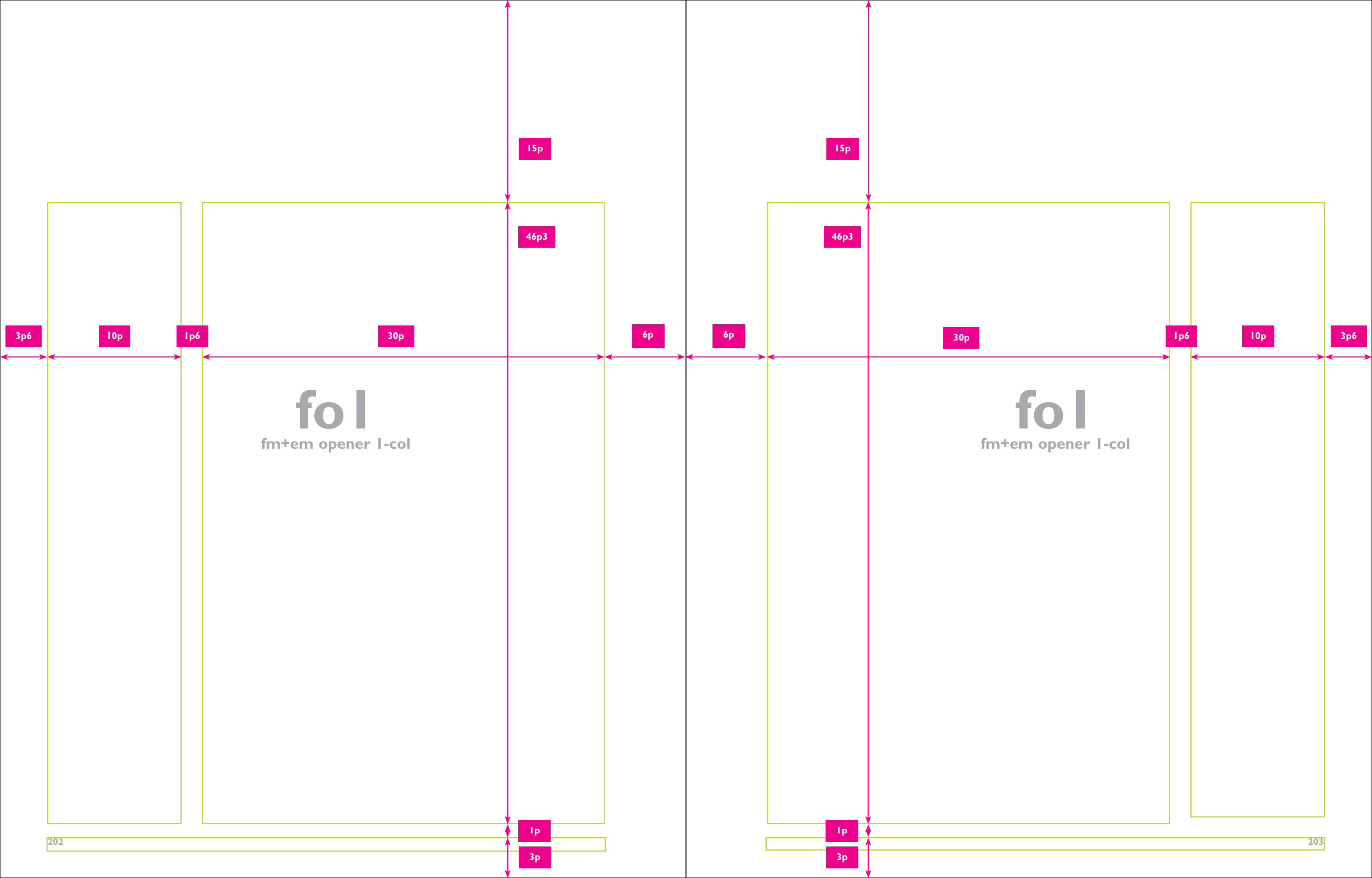
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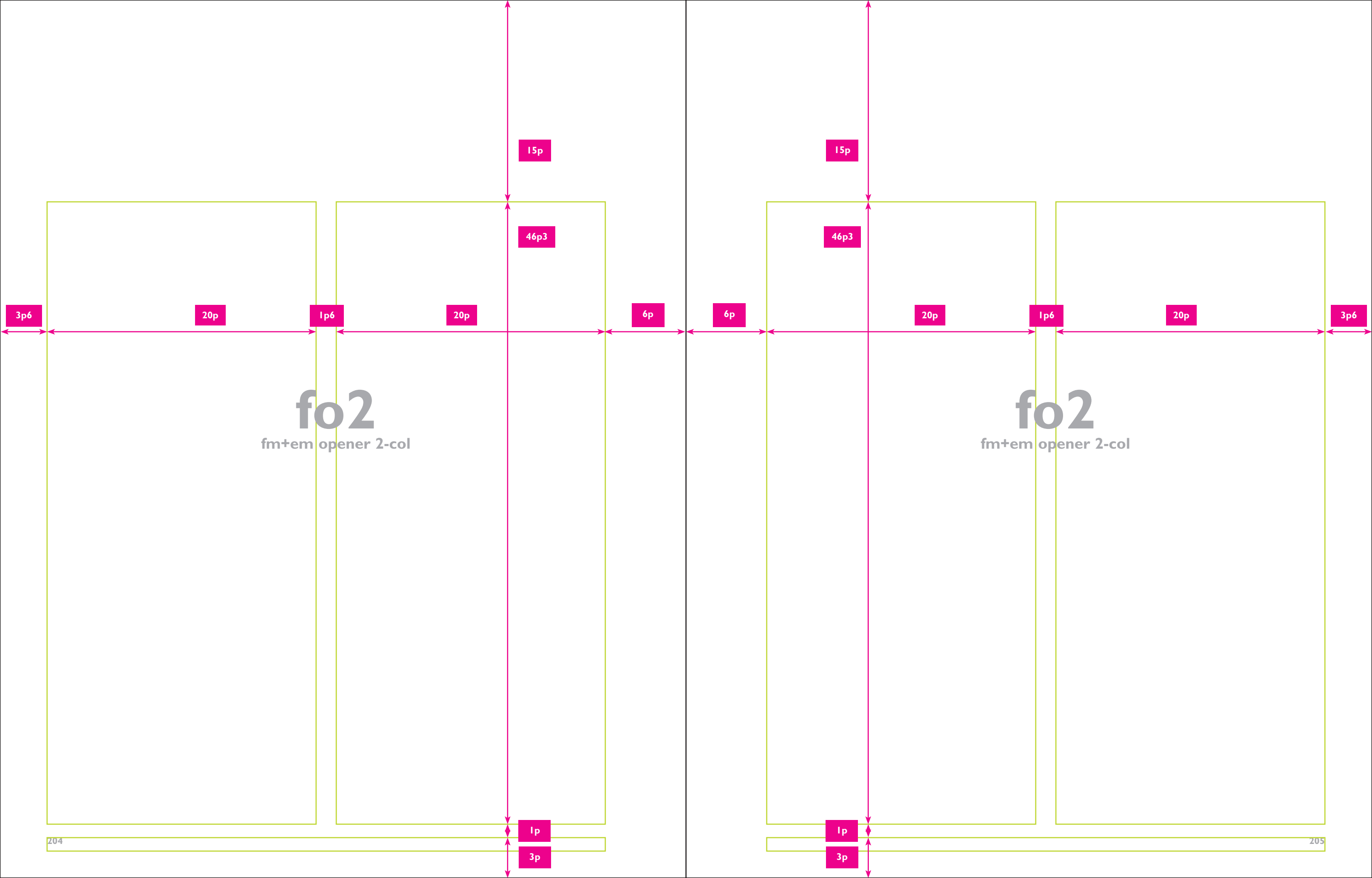
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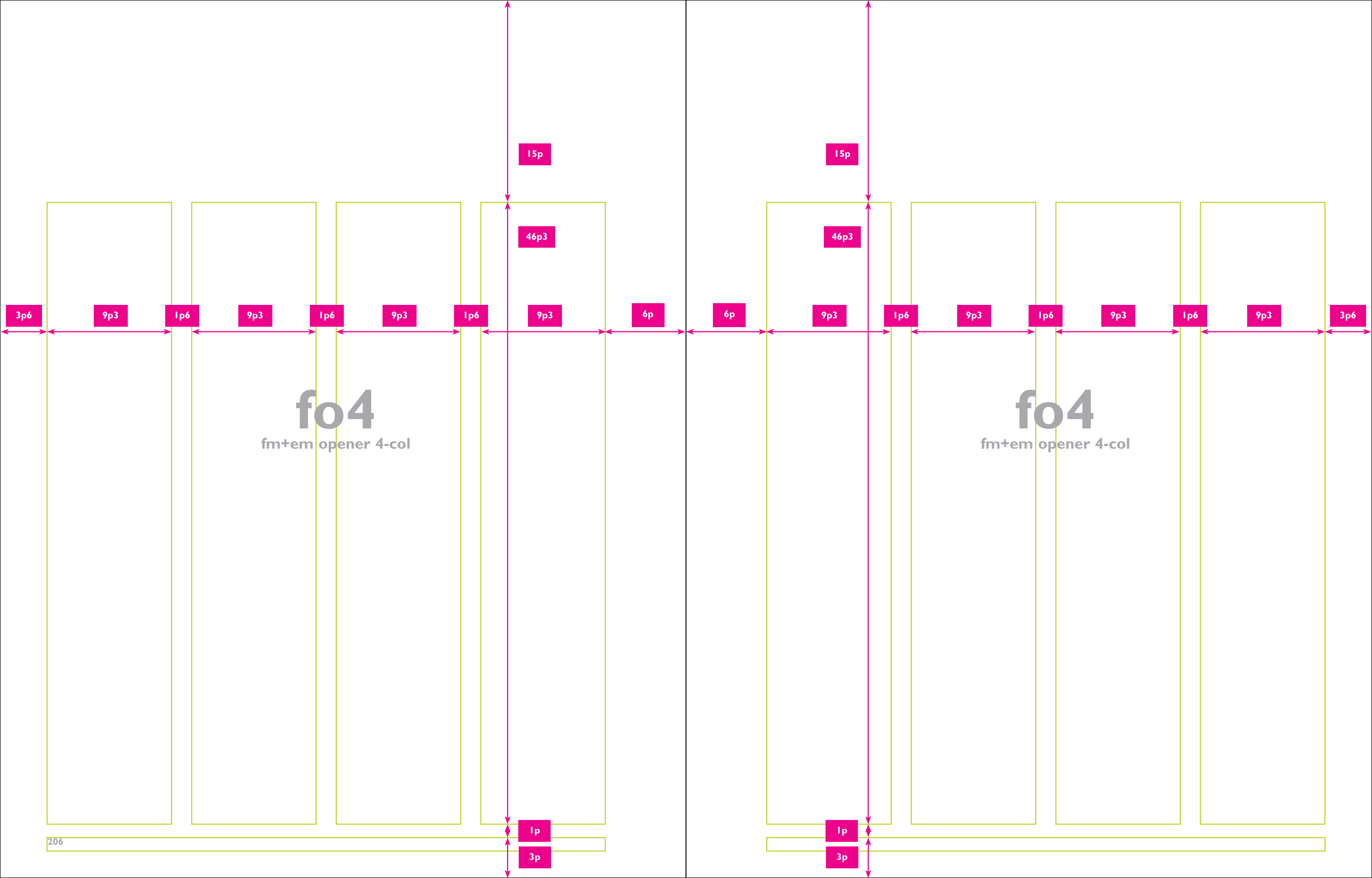
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f2

fm+em 2-col

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55p9

4p

55p9

4p

Part 1
C: 0 M: 33
Y: 100 K: 0

Part 2
C: 0 M: 55
Y: 100 K: 22

Part 3
C: 0 M: 100
Y: 100 K: 15

Part 4
C: 59 M: 65
Y: 0 K: 0

Part 5
C: 100 M: 40
Y: 0 K: 0

Part 6
C: 92 M: 0
Y: 45 K: 20

Part 7
C: 65 M: 0
Y: 100 K: 10

Part 8
C: 45 M: 25
Y: 100 K: 0

Part are color coded. The items that change color are:

Part Opener: color block behind part number, title and intro text. Also the number in front of the chapter titles on the gray block

Chapter Opener: Color behind text on verso page. Bleed color on recto page

Running Heads: bleed boxes behind folios

End of Chapter: color boxes behind restated learning objectives

End of Part Cases: color boxes bleeding off top of pages

Brief Contents: color of part number, part title and page number

Full Contents: color bar behind part number and title. Color of chapter number, chapter title and page number

85c 0m 45y 38k 85c 0m 45y 38k	75c 0m 100y 35k 75c 0m 100y 35k	100c 40m 0y 20k 100c 40m 0y 20k	68c 85m 0y 15k 68c 85m 0y 15k	0c 100m 100y 45k 0c 100m 100y 45k	0c 55m 100y 35k 0c 55m 100y 35k	0c 0m 60y 70k 0c 0m 60y 70k
92c 0m 45y 20k 92c 0m 45y 20k	75c 0m 100y 20k 75c 0m 100y 20k	100c 40m 0y 0k 100c 40m 0y 0k	68c 85m 0y 0k 68c 85m 0y 0k	0c 100m 100y 30k 0c 100m 100y 30k	0c 55m 100y 22k 0c 55m 100y 22k	0c 0m 60y 65k 0c 0m 60y 65k
80c 0m 45y 10k 80c 0m 45y 10k	65c 0m 100y 10k 65c 0m 100y 10k	100c 20m 0y 0k 100c 20m 0y 0k	59c 65m 0y 0k 59c 65m 0y 0k	0c 100m 100y 15k 0c 100m 100y 15k	0c 55m 100y 7k 0c 55m 100y 7k	0c 0m 52y 52k 0c 0m 52y 52k
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Sustainable Marketing Growing Eco-Responsible Buildings

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- Despite its small size, test drivers have found the interior to be roomier than expected.

Over 770,000 of the original smart fortwo coupes have been sold in 36 countries since 2001 and the current smart model is doing well in the United States.

1. It is the first car that can be factory ordered over the internet.
2. Toyota's answer to the tiny car is called the iQ, which will first launch in small-car-friendly Japan and Europe.
3. With sales expected to be 2,500 and 6,000 a month, respectively. Plans are to eventually sell the car in the U.S.

Part of the success of smaller vehicles is that they appeal to the practical and emotional sides of consumers. Fuel efficiencies



are higher. The smart fortwo coupe gets 40 mpg highway; the MINI Cooper gets 37 mpg; and the iQ is Toyota's most fuel-efficient vehicle at 54 mpg highway. The fortwo has also earned the Ultra Low Emission designation from the Air Resources Board of California, due to its low exhaust emissions. Increased parking options is another perk of the small car, especially in crowded cities where parking is a challenge. The cars also aim to

generic photo credit / water: © Marcus Lindstrom

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Buildings in the United States account for 39 percent of the country's primary energy use, 70 percent of its resource consumption, 15 trillion gallons of water use.

Buildings are beginning to get more attention in the fight against global warming because carbon dioxide emissions could be cut by 6 million tons a year.

The equivalent of taking 1 million cars off the road—if half the nation's new commercial buildings used 50 percent less energy.

Consider that a ten-story office building in Los Angeles could save \$141,000 annually on its electricity bill and extract 40 tons of carbon from the air if it were to have a green roof and four green walls.

Marketing these new green building products requires educating customers about the new technologies available

Demonstrating that the technology works and provides benefits to both customers and society at large. Larger companies are joining the new green building revolution such as The Gap retail chain installed a 69,000 square foot green roof on its headquarters.

Ford Motor Company installed green roofs on its corporate headquarters. Cities also encourage green building such as the

cities of Chicago and Portland which have over 250 and 120 green roofs, respectively. As customers and society at large become more aware of the potential benefits and savings of these products, they are more likely to begin demanding them from contractors and builders. In this way, the welfare of customers and society will improve through value-driven marketing.^c



Marketing in Transition
Efficiency and Size Make Tiny Cars a Winning Segment

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SNAPSHOT



Source: Data from National Coffee Association