

Global Text



Core Concepts of Marketing

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Core Concepts of Marketing

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PREFACE

Through good economic times and bad, marketing remains the pivotal function in any business. Determining and satisfying the needs of customers through products that have value and accessibility and whose features are clearly communicated is the general purpose of any business. It is also a fundamental definition of marketing. This text introduces students to the marketing strategies and tools that practitioners use to market their products.

BALANCED COVERAGE

To emphasize how various marketing areas work together to create a cohesive strategy, I define and explain the various marketing areas and their comparative strengths and weaknesses, as well as stress how to best "mix" marketing tools in a strategic, integrated plan. The book begins with a discussion of the marketing planning process, continues with a discussion of the preliminary tasks of developing the plan, and concludes with the tactics available to the marketing planner. This complete coverage ensures that students will learn how to plan, execute, and evaluate a marketing program that is effective and efficient from start to finish.

INTERNATIONAL AND TECHNOLOGY COVERAGE

Introducing Marketing recognizes the impact of the global community on marketing practices. International implications are discussed in Chapter 6 and are also integrated into the text through relevant examples.

Technology is altering many marketing practices. The World Wide Web, databases, tracking devices, and market simulations are only a few examples of the ways technology has affected marketing strategies. Technology coverage is woven throughout the text, features, and end-of-chapter materials of this book. (Note that because technology is changing so rapidly, it is virtually impossible for a text such as this to remain absolutely current.)

CURRENT EXAMPLES FROM ALL TYPES AND SIZES OF BUSINESS

This book demonstrates how companies use marketing. Specific examples appear not only in text discussions, but also in the chapter openers, the Integrated Marketing and Newline boxes, and the end of chapter cases. Examples and stories bring theory to life, demonstrating the relevance of the reading. The example subjects are vivid, current, and varied. They range from Fortune 500 companies to smaller, privately held businesses. The text also focuses on international companies of all sizes.

Learning is not always about success stories. Diagnosing problems and failures is an important aspect of critical thinking, and examples of such are introduced to challenge students to learn from others' mistakes and better manage real-world problems.

A CLEAR, EFFECTIVE ORGANIZATION

Time is a precious commodity to instructors and students. Market feedback revealed that instructors want an introductory marketing text that (1) covers the basics well and (2) omits unnecessary detail. Careful selection of topics, appropriate depth of coverage, and concise writing helped us meet those two objectives. Instead of the typical 20-25 chapters, this text offers 10 chapters of manageable length.

HELPFUL PEDAGOGY

We introduce several features to reinforce learning and help students build business skills that they can use on the job. Our comprehensive learning system enables students to master materials quickly and thoroughly. Some features of that system include opening vignettes, performance-based learning objectives, concept reviews, Integrated Marketing boxes, Newline boxes, end-of-chapter projects, and end-of chapter cases.

SUPPLEMENTS OF THE BOOK

- The Instructor's Manual with Test Questions provides helpful teaching ideas, advice on course development, sample assignments and chapter-by-chapter text highlights, learning objectives, lecture outlines, class exercises and more. This manual also includes multiple choice, true/false, and short answer text questions for each chapter.
- PowerPoint Presentations are available for download via the text web site (www.wiley.com/college/burnett). These slides contain lecture outlines for each chapter of the text.
- A computerized version of the Test Bank is available to instructors for customization of their exams.
- Additional online resources are available to instructors via the text web site. These resources include: *In Practice* exercises for each chapter, which relate directly to the Wall Street Journal articles on-line; an interactive Study Guide; interactive web-based cases; on-line chapter summaries; a Reading Room containing on-line articles from the Wall Street Journal, which correlate with key concepts and topics within each chapter of the text; and more.

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INTRODUCING MARKETING

LEARNING OBJECTIVES

As you read the chapter, you should develop an understanding of the following key marketing concepts:

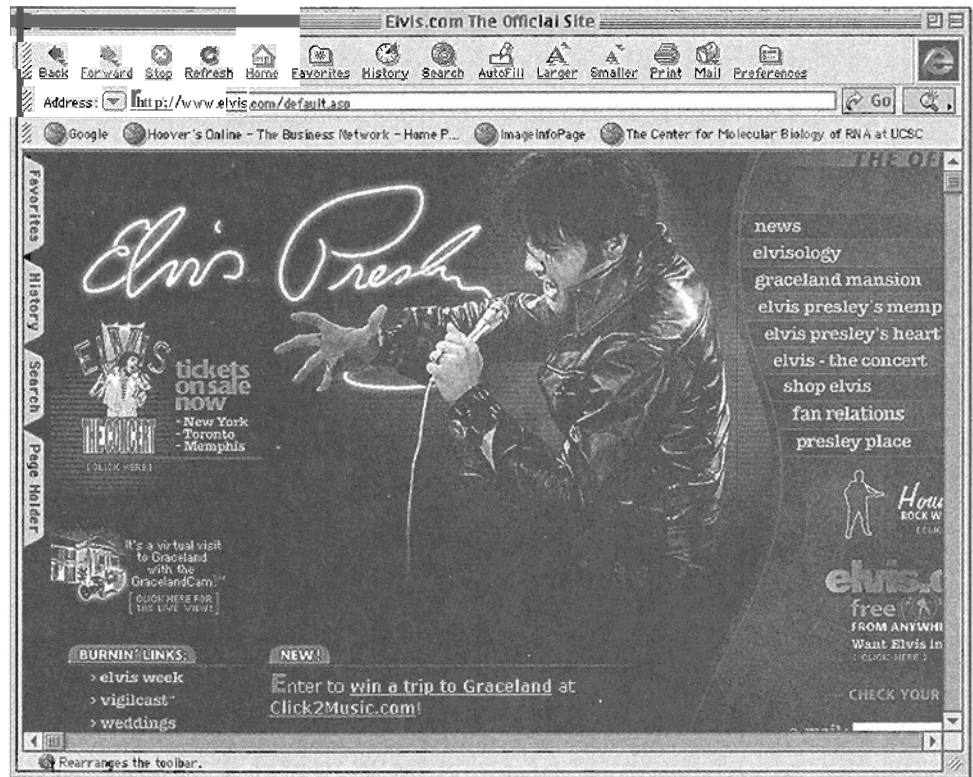
- The important role marketing can play in the success of an organization.
- Organizations that correctly employ marketing have several common characteristics.
- The various kinds of marketing.
- the strategic workings of marketing components.

ELVIS-ALIVE AND WELL

It's Elvis week in Memphis, and all over town they've got banners: "'20 years/Still Rocking.'" Is it just us, or is it weird to wax so upbeat about the twentieth anniversary of a death? You can't help but feel that the world's got the Elvis Presley it wanted: a changeless, ageless object of contemplation and veneration. Elvis Week culminates in an event called *Elvis-The Concert 2000* in which the man himself, resurrected by video technology, will sing with his living ex-band mates and the Memphis Symphony Orchestra. Who wouldn't secretly prefer this fail-safe digitized spectacle to a weary 62-year-old grinding out "If I Can Dream" one more time?

Twenty years ago, no one close to Elvis could have imagined that his fans would spend over \$250 million annually on Elvis dolls, plates, key chains, towels, and wigs-to name just a few items. Two years after Elvis's death, his estate was worth less on paper than it owed in taxes. Then, in 1979, Priscilla Presley, Elvis's ex-wife, was named an executor of the estate for her daughter. The family's crown jewels-Elvis's recordings-had been sold off years earlier and Priscilla had just one chance to save the legacy. She gambled that Elvis's name, image, and likeness were worth something. And she turned his home into a roadside attraction to finance a legal war, fighting for control of all that was Elvis.

Priscilla concluded that there was only one way to save Graceland: sell tickets to the hundreds of gawkers who daily pressed their faces against Elvis's gates. Meanwhile, why not sell some gewgaws to the fans that were already buying cheesy trinkets at the strip mall across the street? Buoyed by an initial investment of \$560,000, Graceland's doors were opened to the public in 1982. It took 38 days to recoup their investment; 350,000 visitors walked through the house the first year. "I felt I was betraying Elvis," says Priscilla, recalling her decision to enter the amusement business. "Graceland was



© Elvis Presley Enterprises, Inc.

his pride and joy. But it came down to the reality that I had to open it up for my daughter's future."

Today 750,000 people visit Graceland each _____ of them under 35, which suggests this is a business with a future. The mansion has upgraded its public facilities many times over the years, but there still are no vending machines on the grounds and the lawns have never been turned into a parking lot. The original 24 acres have been expanded into an 80-acre compound and Priscilla intends to add a hotel to the complex. There are also plans for a casino in Las Vegas—perhaps with an Elvis wedding chapel—and an international chain of Hard Rock Cafe-style restaurants called *Elvis Presley's Memphis*. Finally, a staff of ten lawyers is employed full-time by Elvis Presley Enterprises simply to protect Elvis's image from interlopers.

Sources: Corie Brown, "Look Who's Taking Care of Business," *Newsweek*, August 18, 1997, p. 62. Karen Schoemer, "Burning Love," *Newsweek*, August 18, 1997, pp. 58-61. G. Brown, "More Earl! Elvis Unearthed," *The Denver Post*, August 15, 1997, p. 9F. Greg Hassell, "King of Trees Rises From Graceland," *Houston Chronicle*, Dec. 8, 1999, p. 11. Duncan Hughes, "Elvis is Back From the Dead Financially," *Sunday Business*, August 15, 1999, p. 23.

INTRODUCTION

The success of Elvis Presley Enterprises was a result of the insights and courage of Priscilla Presley. Despite her lack of formal training in marketing, she exhibited a creative approach

toward doing business that will become more and more necessary as the 21st century continues. Innovative thinking has become a prerequisite for success in today's global environment, *which* is saturated with near clone products being sold by millions of comparable competitors. The status quo will no longer suffice. The need for constant change paired with clear strategies is now essential.

Marketing constitutes just one of the functions available to every business. Along with research, production, finance, accounting, and a myriad of other functions, marketing contributes to the ability of a business to succeed. In many businesses, marketing may be deemed of highest importance; in others, it may be relegated to a lesser role. The very existence of business depends upon successful products and services, which in turn rely on successful marketing. For this reason, every business person will benefit from even basic marketing knowledge. Moreover, marketing principles have been effectively applied to several non-business institutions for more than 30 years. Bankers, physicians, accounting firms, investment analysts, politicians, churches, architectural firms, universities, and the United Way have all come to appreciate the benefits of marketing.

A word of warning: there is a long-standing myth that marketing is easy. After going through this book you may conclude that marketing is interesting, fun, challenging--even vague--but it is not easy. Whether you like numbers or hate numbers, like people or hate people, like doing the same thing every day or like constant change there are opportunities for you in marketing.

MARKETING: DEFINITION AND JUSTIFICATION

Defining Marketing

Noted Harvard Professor of Business Theodore Levitt, states that the purpose of all business is to "find and keep customers." Furthermore, the only way you can achieve this objective is to create a *competitive advantage*. That is, you must convince buyers (potential customers) that what you have to offer them comes closest to meeting their particular need or want at that point in time. Hopefully, you will be able to provide this advantage consistently, so that eventually the customer will no longer consider other alternatives and will purchase your product out of habit. This loyal behavior is exhibited by people who drive only Fords, brush their teeth only with Crest, buy only Dell computers, and have their plumbing fixed only by "Samson Plumbing-On Call 24 hours, 7 days a week." Creating this blind commitment--without consideration of alternatives--to a particular brand, store, person, or idea is the dream of all businesses. It is unlikely to occur, however, without the support of an effective marketing program. In fact, the specific role of marketing is to *provide assistance in identifying, satisfying, and retaining customers*.

While the general tasks of marketing are somewhat straightforward, attaching an acceptable definition to the concept has been difficult. A textbook writer once noted, "Marketing is not easy to define. No one has yet been able to formulate a clear, concise definition that finds universal acceptance." Yet a definition of some sort is necessary if we are to layout the boundaries of what is properly to be considered "marketing." How do marketing activities differ from nonmarketing activities? What activities should one refer to as marketing activities? What institutions should one refer to as marketing institutions?

Marketing is advertising to advertising agencies, events to event marketers, knocking on doors to salespeople, direct mail to direct mailers. In other words, to a person with a hammer, everything looks like a nail. In reality, marketing is a way of thinking about business, rather than a bundle of techniques. It's much more than just selling stuff and collecting money. It's the connection between people and products, customers and companies. Like

organic tissue, this kind of connection-or relationship-is always growing or dying. It can never be in a steady state. And like tissue paper, this kind of connection is fragile. Customer relationships, even long-standing ones, are contingent on the last thing that happened.

Tracing the evolution of the various definitions of marketing proposed during the last thirty years reveals two trends: 1) expansion of the application of marketing to non-profit and non-business institutions; e.g., charities, education, or health care; and 2) expansion of the responsibilities of marketing beyond the personal survival of the individual firm, to include the betterment of society as a whole. These two factors are reflected in the official American Marketing Association definition published in 1988.

"Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual (customer) and organizational objectives."

While this definition can help us better comprehend the parameters of marketing, it does not provide a full picture. Definitions of marketing cannot flesh out specific transactions and other relationships among these elements. The following propositions are offered to supplement this definition and better position marketing within the firm:

1. The overall directive for any organization is the mission statement or some equivalent statement of organizational goals. It reflects the inherent business philosophy of the organization.
2. Every organization has a set of functional areas (e.g., accounting, production, finance, data processing, marketing) in which tasks that are necessary for the success of the organization are performed. These functional areas must be managed if they are to achieve maximum performance.
3. Every functional area is guided by a philosophy (derived from the mission statement or company goals) that governs its approach toward its ultimate set of tasks.
4. Marketing differs from the other functional areas in that its primary concern is with exchanges that take place in markets, outside the organization (called a *transaction*).
5. Marketing is most successful when the philosophy, tasks, and manner of implementing available technology are coordinated and complementary.

Perhaps an example will clarify these propositions: L.L. Bean is an extremely successful mail order company. The organization bases much of its success on its longstanding and straightforward mission statement: "Customer Satisfaction: An L.L. Bean Tradition" (Proposition 1). The philosophy permeates every level of the organization and is reflected in high quality products, fair pricing, convenience, a 100% satisfaction policy and above all-dedication to customer service (Proposition 2). This philosophy has necessitated a very high standard of production, efficient billing systems, extensive and responsive communication networks, computerization, innovative cost controls, and so forth. Moreover, it has meant that all of these functional areas have to be in constant communication, must be totally coordinated, and must exhibit a level of harmony and mutual respect that creates a positive environment in order to reach shared goals (Proposition 3). The L.L. Bean marketing philosophy is in close harmony with its mission statement. Everything the marketing department does must reinforce and make real the abstract concept of "consumer satisfaction" (Proposition 4). The price-product-quality relationship must be fair. The product must advertise in media that reflects this high quality. Consequently, L.L. Bean adver-



AD 1.1 The website for L.L. Bean represents the newest form of marketing communication,

tises through its direct-mail catalogue and through print ads in prestigious magazines (e.g., *National Geographic*). It also has one of the most highly regarded websites (Ad 1.1). Product selection and design are based upon extensive research indicating the preferences of their customers. Since product delivery and possible product return is critical, marketing must be absolutely sure that both these tasks are performed in accordance with customers' wishes (Proposition 5). While one might argue that the marketing function must be the most important function at L.L. Bean, this is not the case. L.L. Bean is just as likely to lose a customer because of incorrect billing (an accounting function) or a flawed hunting boot (a product function) as it is from a misleading ad (a marketing function).

Admittedly, marketing is often a critical part of a firm's success. Nevertheless, the importance of marketing must be kept in perspective. For many large manufacturers such as Procter & Gamble, Microsoft, Toyota, and Sanyo, marketing represents a major expenditure, and these businesses depend on the effectiveness of their marketing effort. Conversely, for regulated industries (such as utilities, social services, or medical care) or small businesses providing a one-of-a-kind product) marketing may be little more than a few informative brochures. There are literally thousands of examples of businesses—many quite small—that have neither the resources nor the inclination to support an elaborate marketing organization and strategy. These businesses rely less on research than on common sense. In all these cases, the marketing program is worth the costs only if it fits the organization and facilitates its ability to reach its goals.

NEWSLINE: PICTURE YOUR MISSION

Artist Linda Armantrout, owner of Armantrout Graphic Design and Illustration, works with businesses to help them picture their goals—literally—through a "pictorial mission statement."

As opposed to the typical written mission statement that is handed down to employees from management, Armantrout creates a bright watercolor picture of the statement, after receiving input from both employees and managers. The final result is usually a collage of sorts that depicts what is important to the staff and the business—such as clients, products, services, and ethics.

The mission statement picture that Armantrout designs is framed and hung at the company to remind employees of their goals. The pictorial statements also can be put on coffee mugs, jackets, and desktop posters, or turned into screen savers.

One of Armantrout's clients, BancOne Leasing Corporation, came up with a colorful image of a globe surrounded by images representing its clients and services. Drawings of airplanes and buses represent what the company leases and the globe represents its national presence.

Sources: Katie Ford, "Picture Your Goals In Color," *The Denver Business Journal*, March 17-18, 1999, pp. 33A, 35A. Shirleen Holt, "Mission Possible," *Business Week*, August 16, 1999, p. F-12. Teri Lammers, "The Effective and Indispensable Mission Statement," *Inc.*, August, 1999, p. 75.

Justification for Study

This task of determining the appropriateness of marketing for a particular business or institution serves as a major justification for learning about marketing. Although marketing has clearly come of age during the decades of the 1970, 1980s, and 1990s, there is still a great deal of misunderstanding about the meaning and usefulness of marketing. For most of the global public, marketing is still equated with advertising and personal selling. While marketing is both of those, it is also much more.

The business community can attribute a partial explanation for this general lack of understanding about marketing to the uneven acceptance and adoption of marketing. Some businesses still exist in the dark ages when marketing was defined as "the sales department will sell whatever the plant produces." Others have advanced a bit further, in that they have a marketing officer and engage in market research, product development, promotion and have a long list of marketing activities. More and more businesses firmly believe that the aim of marketing is to make selling superfluous, meaning that the marketer knows and understands the customer so well that the product or service is already what's wanted and sells itself. This does not mean that marketers ignore the engineering and production of the product or the importance of profits. It does suggest, however, that attention to customers—who they are and who they are going to be—is seen to be in the best long-term interest of the company. As a student interested in business, it is beneficial for you to have an accurate and complete comprehension of the role marketing can and should play in today's business world.

There are also several secondary reasons to study marketing. One we have already alluded to in our discussion on definitions: The application of marketing to more nonprofit

and nonbusiness institutions is growing. Churches, museums, the United Way, the U.S. Armed Forces, politicians, and others are hiring individuals with marketing expertise. This has opened up thousands of new job opportunities for those with a working knowledge of marketing.

Even if you are not getting a degree in marketing, knowing about marketing will pay off in a variety of careers. Consider the following individuals:

- Paul Moore, an engineer specializing in earth moving equipment, constantly works with product development and sales personnel in order to create superior products.
- Christy Wood, a CPA, is a top tax specialist who spends much of her time maintaining customer relationships, and at least three days a month seeking new customers.
- Steve Jacobson, a systems analyst and expert programmer, understands that his skills must be used to find the right combination of hardware and software for every one of his customers.
- Doris Kelly, a personnel manager, must be skilled at finding, hiring, and training individuals to facilitate her organization's marketing efforts.
- Craig Roberts, an ex-Microsoft engineer, has recently started a dot-com company and is in the process of raising capital.

There are two final factors that justify the study of marketing for nearly every citizen. First of all, we are all consumers and active participants in the marketing network. Understanding the rudiments of marketing will make us better consumers, which in turn will force businesses to do their jobs better. Second, marketing has an impact on society as a whole. Concepts such as trade deficit, embargo, devaluation of a foreign currency, price fixing, deceptive advertising, and product safety take on a whole new meaning when we view them in a marketing context. This knowledge should make you a more enlightened citizen who understands what such social and political issues mean to you and to our society.

Marketing capsules summarize the information throughout this text.

Characteristics of a Marketing Organization

As noted earlier, the application of marketing in a particular organization varies tremendously, ranging from common-sense marketing to marketing departments with thousands of staff members and multimillion-dollar budgets. Yet both may have a great deal in common in respect to how they view the activity called marketing. We refer to these common characteristics as the *Cs of Marketing*. They are your clues that a business understands marketing.

MARKETING CAPSULE 1.

1. The purpose of marketing is to help find and keep customers by creating a competitive advantage.
 2. Marketing, one of several functions operating in an organization, is directed by the mission statement of the organization and provides certain tools to reach objectives.
 3. The value of marketing must be kept in perspective: it must contribute to the growth of the firm.
 4. The primary reasons for studying marketing are:
 - a. It is important to assess the role marketing should play in the firm.
 - b. Marketing offers growing career opportunities.
 - c. Marketing enhances our chances of becoming more effective consumers and citizens.
-

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