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Marketing Management

A South Asian Perspective

Philip Kotler
Kevin Lane Keller
Abraham Koshy
Mithileshwar Jha

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Brief Contents

Preface xviii
Acknowledgments xxii

PART 1 Understanding Marketing Management 2

Chapter 1 Defining Marketing for the 21st Century 2
Chapter 2 Developing Marketing Strategies and Plans 30

PART 2 Assessing Market Opportunities and Customer Value 58

Chapter 3 Scanning the Marketing Environment, Forecasting Demand, and Conducting Marketing Research 58
Chapter 4 Creating Customer Value and Customer Relationships 106
Chapter 5 Analyzing Consumer Markets 132
Chapter 6 Analyzing Business Markets 160

PART 3 Choosing Value 188

Chapter 7 Identifying Market Segments and Targets 188
Chapter 8 Competitive Dynamics 212
Chapter 9 Crafting the Brand Positioning 238
Chapter 10 Creating Brand Equity 260

PART 4 Designing Value 290

Chapter 11 Setting Product Strategy 290
Chapter 12 Designing and Managing Services 320
Chapter 13 Developing Pricing Strategies and Programs 346

PART 5 Delivering Value 374

Chapter 14 Designing and Managing Integrated Marketing Channels 374
Chapter 15 Managing Retailing, Wholesaling, and Logistics 402

PART 6 Communicating Value 426

Chapter 16 Designing and Managing Integrated Marketing Communications 426
Chapter 17 Managing Mass Communications 450
Chapter 18 Managing Personal Communications 478

PART 7 Sustaining Growth and Value 506

Chapter 19 Introducing New Market Offerings 506
Chapter 20 Tapping into Global Markets 536
Chapter 21 Managing a Holistic Marketing Organization for the Long Run 562

Appendix: Sonic Marketing Plan A1
Endnotes E1
Glossary G1
Image Credits C1
Name Index I1
Company, Brand, and Organization Index I3
Subject Index I8

About the Authors

Philip Kotler

Philip Kotler *is one of the world's leading authorities on marketing. He is the S. C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University. He received his master's degree at the University of Chicago and his Ph.D. at MIT, both in economics. He did postdoctoral work in mathematics at Harvard University and in behavioral science at the University of Chicago.*

Dr. Kotler is the coauthor of ***Principles of Marketing*** *and* ***Marketing: An Introduction.*** *His* ***Strategic Marketing for Nonprofit Organizations,*** *now in its seventh edition, is the best seller in that specialized area. Dr. Kotler's other books include* ***Marketing Models; The New Competition; Marketing Professional Services; Strategic Marketing for Educational Institutions; Marketing for Health Care Organizations; Marketing Congregations; High Visibility; Social Marketing; Marketing Places; The Marketing of Nations; Marketing for Hospitality and Tourism; Standing Room Only—Strategies for Marketing the Performing Arts; Museum Strategy and Marketing; Marketing Moves; Kotler on Marketing; Lateral Marketing: Ten Deadly Marketing Sins;*** *and* ***Corporate Social Responsibility.***

In addition, he has published more than one hundred articles in leading journals, including the ***Harvard Business Review, Sloan Management Review, Business Horizons, California Management Review,*** *the* ***Journal of Marketing,*** *the* ***Journal of Marketing Research, Management Science,*** *the* ***Journal of Business Strategy,*** *and* ***Futurist.*** *He is the only three-time winner of the coveted Alpha Kappa Psi award for the best annual article published in the* ***Journal of Marketing.***

Professor Kotler was the first recipient of the American Marketing Association's (AMA) Distinguished Marketing Educator Award (1985). The European Association of Marketing Consultants and Sales Trainers awarded him their Prize for Marketing Excellence. He was chosen as the Leader in Marketing Thought by the Academic Members of the AMA in a 1975 survey. He also received the 1978 Paul Converse Award of the AMA, honoring his original contribution to marketing. In 1995, the Sales and Marketing Executives International (SMEI) named him Marketer of the Year. In 2002, Professor Kotler received the Distinguished Educator Award from the Academy of Marketing Science. He has received honorary doctoral degrees from Stockholm University, the University of Zurich, Athens University of Economics and Business, DePaul University, the Cracow School of Business and Economics, Groupe H.E.C. in Paris, the Budapest School of Economic Science and Public Administration, and the University of Economics and Business Administration in Vienna.

Professor Kotler has been a consultant to many major U.S. and foreign companies, including IBM, General Electric, AT&T, Honeywell, Bank of America, Merck, SAS Airlines, Michelin, and others in the areas of marketing strategy and planning, marketing organization, and international marketing.

He has been Chairman of the College of Marketing of the Institute of Management Sciences, a Director of the American Marketing Association, a Trustee of the Marketing Science Institute, a Director of the MAC Group, a member of the Yankelovich Advisory Board, and a member of the Copernicus Advisory Board. He was a member of the Board of Governors of the School of the Art Institute of Chicago and a member of the Advisory Board of the Drucker Foundation. He has traveled extensively throughout Europe, Asia, and South America, advising and lecturing to many companies about global marketing opportunities.

Kevin Lane Keller

Kevin Lane Keller *is widely recognized as one of the top marketing academics of the last 25 years. He is the E. B. Osborn Professor of Marketing at the Tuck School of Business at Dartmouth College. Professor Keller has degrees from Cornell, Carnegie-Mellon, and Duke universities. At Dartmouth, he teaches MBA courses on marketing management and strategic brand management and lectures in executive programs on those topics.*

Previously, Professor Keller was on the faculty of the Graduate School of Business at Stanford University, where he also served as the head of the marketing group. Additionally, he has been on the marketing faculty at the University of California at Berkeley and the University of North Carolina at Chapel Hill, been a visiting professor at Duke University and the Australian Graduate School of Management, and has two years of industry experience as Marketing Consultant for Bank of America.

Professor Keller's general area of expertise lies in marketing strategy and planning, and branding. His specific research interest is in how understanding theories and concepts related to consumer behavior can improve marketing strategies. His research has been published in three of the major marketing journals—the ***Journal of Marketing,*** *the* ***Journal of Marketing Research,*** *and the* ***Journal of Consumer Research.*** *He also has served on the Editorial Review Boards of those journals. With over ninety published papers, his research has been extensively cited and has received numerous awards.*

Professor Keller is acknowledged as one of the international leaders in the study of brands and branding. His textbook on those subjects, ***Strategic Brand Management,*** *has been adopted at top business schools and leading firms around the world and has been heralded as the "bible of branding."*

Actively involved with industry, he has worked on a host of different types of marketing projects. He has served as a consultant and advisor to marketers for some of the world's most successful brands, including Accenture, American Express, Disney, Ford, Intel, Levi Strauss, Procter & Gamble, and Samsung. Additional brand consulting activities have been with other top companies such as Allstate, Beiersdorf (Nivea), BlueCross BlueShield, Campbell's, Colgate, Eli Lilly, ExxonMobil, General Mills, GfK, Goodyear, Intuit, Johnson & Johnson, Kodak, L.L.Bean, Mayo Clinic, Nordstrom, Ocean Spray, Red Hat, SAB Miller, Shell Oil, Starbucks, Unilever, and Young & Rubicam. He has also served as an academic trustee for the Marketing Science Institute.

A popular and highly sought-after speaker, he has made speeches and conducted marketing seminars to top executives in a variety of forums. Some of his senior management and marketing training clients have included such diverse business organizations as Cisco, Coca-Cola, Deutsche Telekom, GE, Google, IBM, Macy's, Microsoft, Nestle, Novartis, and Wyeth. He has lectured all over the world, from Seoul to Johannesburg, from Sydney to Stockholm, and from Sao Paulo to Mumbai. He has served as keynote speaker at conferences with hundreds to thousands of participants.

An avid sports, music, and film enthusiast, in his so-called spare time, he has helped to manage and market, as well as serve as executive producer for, one of Australia's great rock and roll treasures, The Church, as well as American power-pop legends Dwight Twilley and Tommy Keene. Additionally, he is the Principal Investor and Marketing Advisor for Second Motion Records. He is also on the Board of Directors for The Doug Flutie, Jr. Foundation for Autism and the Montshire Museum of Science. Professor Keller lives in Etna, NH, with his wife, Punam (also a Tuck marketing professor), and his two daughters, Carolyn and Allison.

PART 1 Understanding Marketing Management

Chapter 1 | Defining Marketing for the 21st Century
Chapter 2 | Developing Marketing Strategies and Plans

Chapter 1

In This Chapter, We Will Address the Following Questions

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

Satisfying the unmet needs of the masses through well-designed and affordable prouducts and services is an important trend in contemporary marketing.

Defining Marketing for the 21st Century

Formally or informally, people and organizations engage in a vast number of activities we could call marketing. Good marketing has become increasingly vital for success. But what constitutes good marketing is constantly evolving and changing. Tata Chemicals, Eureka Forbes, and Hindustan Unilever's introduction of low-priced water purifiers that do not require electricity or running water are examples of how today's marketers offer creative solutions to complex challenges in a bid to stay competitive.

Availability of clean and safe drinking water, especially to the poorer sections of society, is a challenge many South Asian countries have been grappling with. Many companies in India are showing the way to meet this challenge by designing technologically advanced household water purifiers that are appropriate for consumers' usage conditions, and yet available at affordable price ranges.[1] Tata Chemicals, for example, has launched an innovative water purifier called Tata Swach, which requires neither electricity nor running water to function. The purifier, made from natural materials such as rice husk ash filled with nano-silver particles, is marketed at a price of about ₹1,000. As this product does not require electricity to operate, it is suitable for geographical areas where there is little or no electricity. Eureka Forbes Ltd, a leader in the water purification market with its well-known brand Aquaguard, has launched an innovative product called AquaSure. This product is also available at prices affordable for middle-income consumers and does not require electricity or running water. Hindustan Unilever Limited is yet another company that has launched battery-operated water purifiers at lower price ranges under the brand name PureIt. Such initiatives that address the unmet needs of the masses through appropriate technology and product design at affordable price points reflect contemporary marketing thought, and this trend has inspired many companies in emerging markets to innovate and grow.

Good marketing is no accident, but a result of careful planning and execution using state-of-the-art tools and techniques. It becomes both an art and a science as marketers strive to find creative new solutions to often-complex challenges amid profound changes in the 21st century marketing environment. In this book, we describe how top marketers balance discipline and imagination to address these new marketing realities. In the first chapter, we lay the foundation by reviewing important marketing concepts, tools, frameworks, and issues.

The Importance of Marketing

The first decade of the 21st century challenged firms to prosper financially and even survive in the face of an unforgiving economic environment. Marketing is playing a key role in addressing those challenges. Finance, operations, accounting, and other business functions won't really matter without sufficient demand for products and services so the firm can make a profit. In other words, there must be a top line for there to be a bottom line. Thus financial success often depends on marketing ability.

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

CEOs recognize the role of marketing in building strong brands and a loyal customer base, intangible assets that contribute heavily to the value of a firm. Consumer goods makers, health care insurers, nonprofit organizations, and industrial product manufacturers all trumpet their latest marketing achievements.

Marketers must decide what features to design into a new product or service, what prices to set, where to sell products or offer services, and how much to spend on advertising, sales, the Internet, or mobile marketing. They must make those decisions in an Internet-fueled environment where consumers, competition, technology, and economic forces change rapidly, and the consequences of the marketer's words and actions can quickly multiply. One of the defining changes resulting from the increasing popularity of the Internet is the explosive growth of social networking media. This powerful medium is rapidly changing the ways in which companies connect with customers and how they market their product and services.

Social Media Marketing

Social Media Marketing

With over 80 million Internet users—a significant proportion of them visiting one social networking site or the other—the Internet has become a significant force in India, transforming the way companies market their products and services. In fact, India ranks fourth in terms of the number of Internet users. *Social networking* is the practice of using an online service platform, or sites such as Facebook, Twitter, LinkedIn, Orkut, and MySpace, that focuses on building social networks or relations among people. Social networking sites allow members to share ideas, opinions, activities, events, and interests within their individual networks. With over 33 million unique visitors, India ranks seventh in the world as far as the use of social media is concerned. Young people constitute by far the largest proportion of social media consumers and therefore constitute an important target segment for many companies. As these social network communities engage in conversations with other people through the Web, data that reflects their interests, opinions, assessments, and feelings are generated. Therefore, social networking media are a useful source that companies listen to in order to understand their consumers. Companies are now using data analytics tools to obtain user insights and to analyze customer feedback on a real-time basis from this source, and this is helping them improve their marketing responses and in reducing service inefficiencies. Some companies have specifically designated executives who are assigned responsibilities to track social networking conversations to understand different facets of user communities. This may include feedback on a variety of issues—What are people discussing about our brands? What are the positive and negative comments about our brands? Which features are liked and disliked by consumers? How many consumers like or dislike our brands? How effective are our efforts to communicate through social networking media? The term "crowd-sourcing" has entered the lexicon of companies in the new era of social networking. This is a method through which companies and organizations pose questions, seek inputs, and source ideas from community members through mass collaboration. Social networking is rapidly becoming the "next big thing" in almost all major decision areas of marketing, such as product and service modifications and improvements, advertising, customer relationship management, and brand building and for supporting socially relevant action initiatives. The advent of 3G technology—which facilitates streaming of voice, data, and videos—and the increasing demand for smart phones and other 3G-enabled mobile devices further enhances the importance of social networking media for marketers.[3]

The Scope of Marketing

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

What Is Marketing?

Marketing is about identifying and meeting human and social needs. One of the shortest good definitions of marketing is "meeting needs profitably." When eBay recognized that people were unable to locate some of the items they desired most, it created an online auction clearinghouse. When IKEA noticed that people wanted good furnishings at substantially lower prices, it created knockdown furniture. These two firms demonstrated marketing savvy and turned a private or social need into a profitable business opportunity.

The American Marketing Association offers the following formal definition: *Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.*[4] Coping with these exchange processes calls for a considerable amount of work and skill. *Marketing management* takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties. Thus we see **marketing management** as *the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.*

We can distinguish between a social and a managerial definition of marketing. A social definition shows the role marketing plays in society; for example, one marketer has said that marketing's role is to "deliver a higher standard of living." Here is a social definition that serves our purpose: *Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.*

Managers sometimes think of marketing as "the art of selling products," but many people are surprised when they hear that selling is *not* the most important part of marketing! Selling is only the tip of the marketing iceberg. Peter Drucker, a leading management theorist, puts it this way:

> There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available.[5]

When Nintendo designed its Wii game system, when Canon launched its ELPH digital camera line, and when Toyota introduced its Prius hybrid automobile, these manufacturers were swamped with orders because they had designed the right product, based on doing careful marketing homework.

What Is Marketed?

Marketers market 10 main types of entities: goods, services, events, experiences, persons, places, properties, organizations, information, and ideas. Let's take a quick look at these categories.

GOODS Physical goods constitute the bulk of most countries' production and marketing efforts. Each year, Indian companies market cars, trucks, television sets, machine tools, machines, industrial chemicals, watches, cosmetics, and various other mainstays of a modern economy.

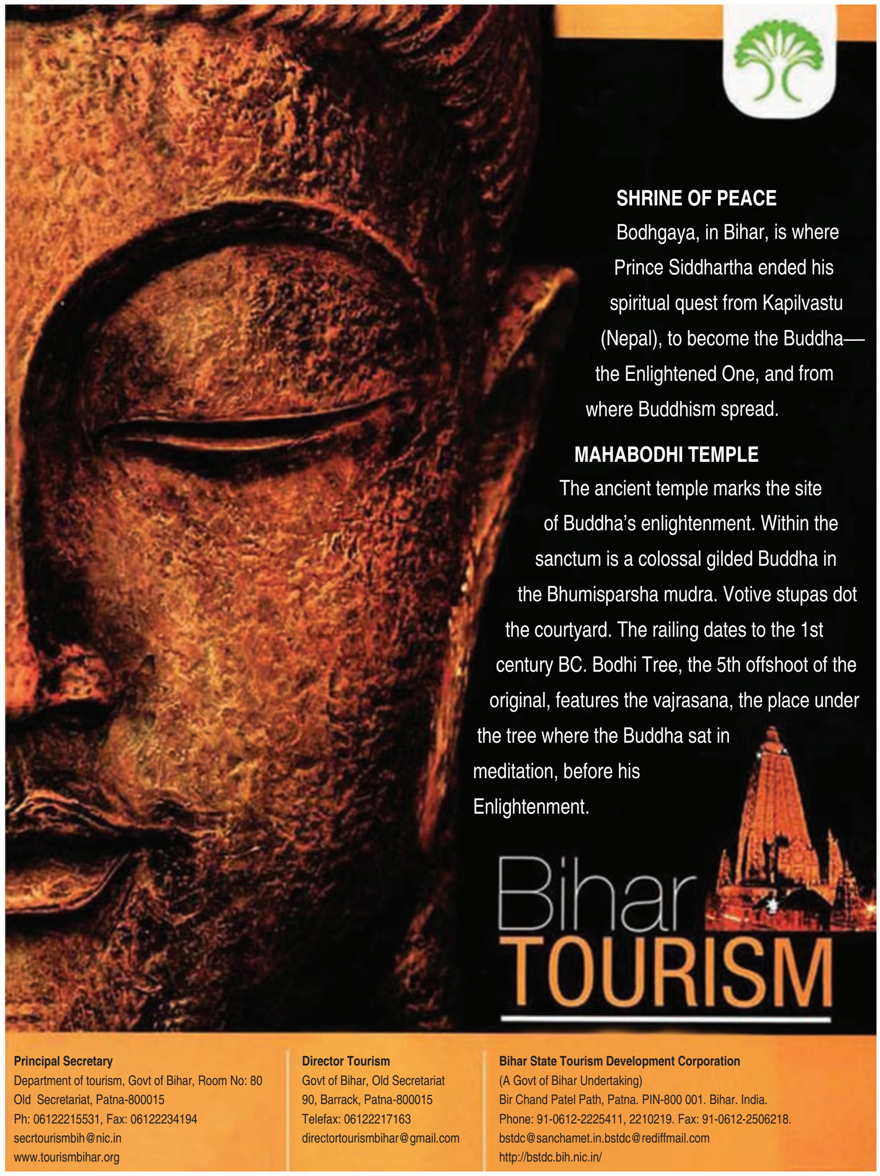
SERVICES As economies advance, a growing proportion of their activities focuses on the production of services. Services include the work of airlines, hotels, car rental firms, barbers and beauticians, maintenance and repair people, and accountants, bankers, lawyers, engineers, doctors, software programmers, and management consultants. Many market offerings mix goods and services, such as a fast-food meal.

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

EXPERIENCES By orchestrating several services and goods, a firm can create, stage, and market experiences. An amusement park or a water park represents experiential marketing: by taking rides in the amusement park or the water park, customers enjoy the thrill provided by these experiences. So does a "theme-based restaurant" that creates the ambience of a village in Rajasthan or Gujarat.

PERSONS Artists, musicians, CEOs, physicians, high-profile lawyers and financiers, and other professionals all get help from celebrity marketers.[6] Celebrities such as Amitabh Bachchan,

The tourism industry is a good example of place marketing. Bihar Tourism has done a good job of promoting Bihar as the birthplace of Lord Buddha.



Sachin Tendulkar, Shahrukh Khan, Amir Khan, Kareena Kapoor, and Mahendra Singh Dhoni are big brands in themselves.

PLACES Cities, states, regions, and whole nations compete to attract tourists, residents, factories, and company headquarters.[7] Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies. The tourism industry is a good example of place marketing. The Government of India and various state governments are putting in considerable efforts to promote places and destinations for tourism. Given their diverse culture, rich history, and scenic beauty, many places in India are attractive to domestic and international tourists. Bihar, for example, being the birthplace of Lord Buddha, has special appeal for many. The royal history and the palaces of Rajasthan tell an incredible array of stories that enchant visitors. The national parks and wildlife sanctuaries of Madhya Pradesh appeal to people interested in nature and adventure. Gujarat Tourism recently unveiled a new logo to promote tourism and has roped in celebrity film personality Amitabh Bachchan as its brand endorser.

PROPERTIES Properties are intangible rights of ownership to either real property (real estate) or financial property (stocks and bonds). They are bought and sold, and these exchanges require marketing. Real estate agents work for property owners or sellers, or they buy and sell residential or commercial real estate. Investment companies and banks market securities to both institutional and individual investors.

ORGANIZATIONS Organizations work to build a strong, favorable, and unique image in the minds of their target publics. Many organizations in India and its neighboring countries undertake socially useful initiatives in domains such as health, education, women's empowerment, and poverty alleviation as part of their corporate social responsibilities. These help companies to develop a favorable company image and enhance brand perceptions among the public and other relevant constituencies.

INFORMATION The production, packaging, and distribution of information are major industries.[8] Information is essentially what books, schools, and universities produce, market, and distribute at a price to parents, students, and communities. The former CEO of Siemens Medical Solutions USA, Tom McCausland, says, "[our product] is not necessarily an X-ray or an MRI, but information. Our business is really health care information technology, and our end product is really an electronic patient record: information on lab tests, pathology, and drugs as well as voice dictation."[9]

IDEAS Every market offering includes a basic idea. Charles Revson of Revlon once observed: "In the factory we make cosmetics; in the drugstore we sell hope." Products and services are platforms for delivering some idea or benefit. In South Asian countries, ideas that lead to responsible actions and wholesome consumption behavior are needed for social welfare. Marketing has an important role in influencing attitudes and behaviors, such as creating awareness about HIV/AIDS, encouraging family planning, discouraging smoking and alcoholism, promoting voluntary eye and blood donation, and other such ideas that fall under the realm of social marketing.

Promoting powerful ideas that encourage socially desirable behavior and action is part of social marketing. This advertisement appeals to people to pledge their eyes to improve a visually impaired person's future.

Who Markets?

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

Marketers are skilled at stimulating demand for their products, but that's a limited view of what they do. Just as production and logistics professionals are responsible for supply management, marketers are responsible for demand management. They seek to influence the level, timing, and composition of demand to meet the organization's objectives. Eight demand states are possible:

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

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

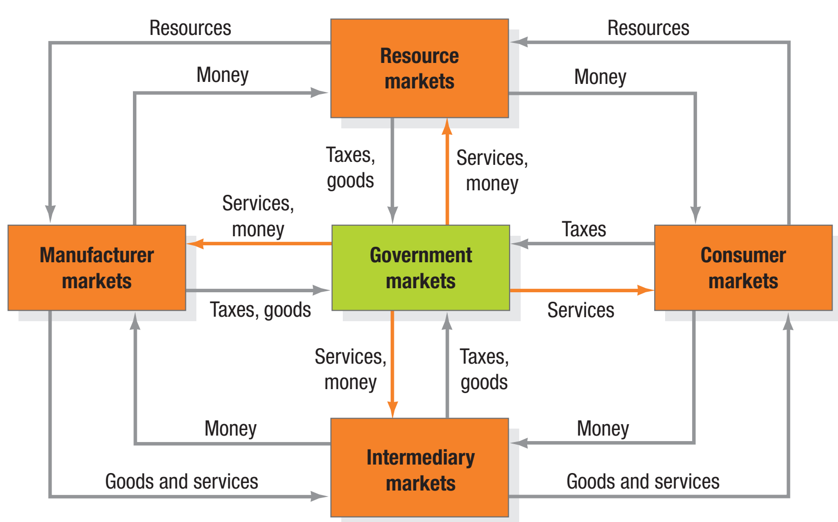
MARKETS Traditionally, a "market" was a physical place where buyers and sellers gathered to buy and sell goods. Economists describe a *market* as a collection of buyers and sellers who transact over a particular product or product class (such as the housing market or the grain market).

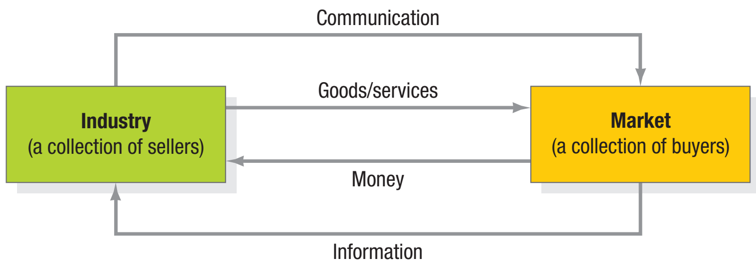
Five basic markets and their connecting flows are shown in Figure 1.1. Manufacturers go to resource markets (raw material markets, labor markets, money markets), buy resources and turn them into goods and services, and sell finished products to intermediaries, who sell them to consumers. Consumers sell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

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

|Fig. 1.1|

Structure of Flows in a Modern Exchange Economy





|Fig. 1.2|

A Simple Marketing System

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

KEY CUSTOMER MARKETS Consider the following key customer markets: consumer, business, global, and nonprofit.

Consumer Markets Companies selling mass consumer goods and services such as juices, cosmetics, athletic shoes, and air travel spend a great deal of time establishing a strong brand image by developing a superior product and packaging, ensuring its availability, and backing it with engaging communications and reliable service.

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

Global Markets Companies in the global marketplace must decide which countries to enter; how to enter each (as an exporter, licenser, joint venture partner, contract manufacturer, or solo manufacturer); how to adapt product and service features to each country; how to price products in different countries; and how to design communications for different cultures. They face different requirements for buying and disposing of property; cultural, language, legal and political differences; and currency fluctuations. Yet, the payoff can be huge.

Nonprofit and Governmental Markets Companies selling to nonprofit organizations with limited purchasing power such as churches, temples, universities, charitable organizations, and government agencies need to price carefully. Lower selling prices affect the features and quality the seller can build into the offering. Much government purchasing calls for bids, and buyers often focus on practical solutions and favor the lowest bid in the absence of extenuating factors.[10] See "Marketing Insight: Rural Markets in South Asia" for a discussion of the special features and the importance of rural markets in South Asia.

MARKETPLACES, MARKETSPACES, AND METAMARKETS The *marketplace* is physical, such as a store you shop in; the *marketspace* is digital, as when you shop on the Internet.[11] Northwestern University's Mohan Sawhney has proposed the concept of a *metamarket* to describe a cluster of complementary products and services closely related in the minds of consumers, but spread across a diverse set of industries.

Metamarkets are the result of marketers packaging a system that simplifies carrying out these related product/service activities. The automobile metamarket consists of automobile manufacturers, new and used car dealers, financing companies, insurance companies, mechanics, spare parts dealers, service shops, auto magazines, classified auto ads in newspapers, and auto sites on the Internet.

A car buyer will engage many parts of this metamarket, creating an opportunity for *metamediaries* to assist him or her in moving seamlessly through them. Maruti Suzuki India, through its Web site, www.marutitruevalue.com, helps buyers and sellers of secondhand cars to sell, buy, or exchange Maruti Suzuki-certified used vehicles. This Web site provides details to facilitate informed transactions for buyers and sellers. Metamediaries also serve other markets, such as the buying, Marketing Insight

Rural Markets in South Asia

The fact that the majority of South Asia's population of about 1.5 billion resides in villages points towards the need for marketers to develop a good understanding of rural markets and the rural marketing phenomenon. For our purpose, we define rural marketing as any marketing activity in which one dominant participant is from a rural area. This implies that rural marketing comprises marketing of inputs (products and services) to rural markets as well as marketing of outputs from rural markets to other geographical areas.

It is not only the size of the population that makes rural markets in South Asia very important for marketers. Rural markets offer immense potential for market expansion and growth. For example, in India, consumption in rural markets has been growing at an compounded annual growth rate of around 4 percent for the last 20 years; but this is estimated to grow by over 5 percent in the next two decades and this is expected to treble by 2025. As per the McKinsey Global Institute forecasts, spending per household in rural India would reach the level prevailing in urban India in 2008 by the year 2017. In addition to consumption trends, the market potential of rural markets is considered to be the driver of the future growth by a number of companies. The market size for fast-moving consumer goods (FMCG) in rural markets in India is estimated to be ₹6,500 billion; consumer durables at ₹500 billion, agricultural inputs (including tractors) at ₹4,500 billion, and automobiles (two-wheelers and four-wheelers) at ₹800 billion, totaling to ₹12,300 billion. The rural market for FMCG products expanded by about 30 percent between 1992–1993 and 1998–1999, and accounted for about 53 percent of this product category's total consumption in India. Rural markets accounted for a similar proportion for consumer durable products too. Market indicators such as size and growth rate for many products and product categories are too attractive for any company to ignore. Another indicator of the potential can be gauged from the fact that 48 percent of the rural population is below 20 years of age.

Although rural markets offer immense potential, marketers need to recognize the fact that rural consumers are vastly different from their urban counterparts in many respects including the nature, characteristics, and buying patterns and behavior. While the urban economy thrives mainly on secondary and tertiary activities such as manufacturing and services, the rural economy is driven by primary activities such as agriculture, fishing, and forestry. Demand and consumption patterns also differ across rural and urban areas. In India, for example, electricity reaches only 57.6 percent of the rural population and, therefore, the market for household and other electrical equipment such as televisions and fans is also restricted. Similarly, there are also differences in rural literacy and education levels; in Pakistan the rural and urban literacy levels are 33.64 percent and 63.08 percent, in Bangladesh it is 33.4 percent and 51.7 percent, and in India it is 58.7 percent and 79.9 percent respectively. The pattern of income levels in rural markets is yet another differentiating factor that affects the buying power and consumption behavior of rural consumers. About 80 percent of rural households in India, for instance, have a monthly income of less than ₹3,000 (or about $70). It is estimated that only 15 percent of the rural population in India owns a table fan and about 9 percent owns two-wheelers. In addition, the dispersed nature of the population, the inadequacy of physical infrastructure like roads, the weak banking system, limited availability of credit facilities, and problems of storage infrastructure are additional challenges for marketers. These challenges need innovative solutions.

All the South Asian governments accord special attention to the development of rural areas by addressing issues such as poverty, unequal growth, and poor infrastructure. This has led to appreciable improvements in rural literacy levels in the last few years in all the South Asian countries. In Bangladesh, rural literacy levels have almost doubled in the period 1981–2001 rising from 17 percent to 33 percent, and in India from 36 percent in 1981 to 59 percent by 2001. Likewise, it is expected that by the year 2015, about 70 percent of the villages in India would be accessible by road. The tele-density in rural areas in India has increased by 174 percent from 2001 to 2006, and all villages with a population of over 500 people have telephones with subscriber trunk dialing (STD) facility. In addition, investments by governments in improving farm productivity and generating greater employment opportunities in rural areas have made rural markets in South Asia more vibrant and prosperous. This has far-reaching implications for marketers. On the one hand, in rural areas the demand for production and consumption of goods such as farm equipment and machinery, seeds, fertilizers, pesticides, banking services, and products for personal and family use has increased substantially. On the other hand, the increased output of the rural economy, namely food grains, fruits and vegetables, milk, poultry products, handloom and handicraft products need to be marketed to the processing and consumption centers, which are usually in urban areas. As a result, rural marketing that consists of marketing of products to and from rural areas is a vital activity in South Asia.

Source: www.worldbank.org; *The Marketing Whitebook* 2007–2008 (New Delhi: Businessworld, pp. 72, 74, 76, 80, 114, 115, and 140); Pradeep Kashyap, *Rural Marketing*, 2nd ed. (New Delhi: Pearson, 2012); *1998 Census Report of Pakistan*, Population Census Organization, Government of Pakistan, www.census.gov.pk; The Office of the Registrar General and Census Commissioner, Government of India, *The Census of India 2001*; www.censusindia.gov.in; The Department of Census and Statistics, Government of Sri Lanka, *The Census of Population and Housing 2001*; www.statistics.gov.lk; www.martrural.com; Department of Telecommunications, Government of India, *Annual Report 2006–2007*, pp. 10, www.dot.gov.in.

selling, and renting of real estate (MagicBricks.com, for example), the booking of air tickets, rail tickets, and accommodation for tourists (MakeMyTrip.com, Yatra.com, and Cleartrip.com are some examples).

Core Marketing Concepts

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

Needs, Wants, and Demands

Needs are the basic human requirements such as for air, food, water, clothing, and shelter. Humans also have strong needs for recreation, education, and entertainment. These needs become *wants* when they are directed to specific objects that might satisfy the need. A person in India needs food but may want chapattis, rice, curries, and yogurt. A person in Afghanistan needs food but may want rice, lamb, and carrots. Wants are shaped by our society.

Demands are wants for specific products backed by an ability to pay. Many people want a Mercedes; only a few are able to buy one. Companies must measure not only how many people want their product, but also how many are willing and able to buy it.

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

Some customers have needs of which they are not fully conscious or that they cannot articulate. What does it mean when the customer asks for a "powerful" lawn mower or a "peaceful" hotel? The marketer must probe further. We can distinguish five types of needs:

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

Responding only to the stated need may shortchange the customer.[12] Consumers did not know much about cellular phones when they were first introduced, and Nokia and Ericsson fought to shape consumer perceptions of them. To gain an edge, companies must help customers learn what they want.

Target Markets, Positioning, and Segmentation

Not everyone likes the same cereal, restaurant, college, or movie. Therefore, marketers start by dividing the market into segments. They identify and profile distinct groups of buyers who might prefer or require varying product and service mixes by examining demographic, psychographic, and behavioral differences among buyers.

After identifying market segments, the marketer decides which present the greatest opportunities—which are its *target markets.* For each, the firm develops a *market offering* that it *positions* in the minds of the target buyers as delivering some central benefit(s). Volvo develops its cars for buyers to whom safety is a major concern, positioning its vehicles as the safest a customer can buy.

Offerings and Brands

Companies address customer needs by putting forth a **value proposition**, a set of benefits that satisfy those needs. The intangible value proposition is made physical by an *offering,* which can be a combination of products, services, information, and experiences.

A *brand* is an offering from a known source. A brand name such as McDonald's carries many associations in people's minds that make up its image: burgers, cleanliness, convenience, courteous service, and golden arches. All companies strive to build a brand image with as many strong, favorable, and unique brand associations as possible.

Value and Satisfaction

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

We can think of marketing as the identification, creation, communication, delivery, and monitoring of customer value. *Satisfaction* reflects a person's judgment of a product's perceived performance in relationship to expectations. If the performance falls short of expectations, the customer is disappointed. If it matches expectations, the customer is satisfied. If it exceeds them, the customer is delighted.

Marketing Channels

To reach a target market, the marketer uses three kinds of marketing channels. *Communication channels* deliver and receive messages from target buyers and include newspapers, magazines, radio, television, mail, telephone, billboards, posters, fliers, CDs, audiotapes, and the Internet. Beyond these, firms communicate through the look of their retail stores and Web sites and other media. Marketers are increasingly adding dialogue channels such as e-mail, blogs, and toll-free numbers to familiar monologue channels such as ads.

The marketer uses *distribution channels* to display, sell, or deliver the physical product or service(s) to the buyer or user. These channels may be direct via the Internet, mail, or mobile phone or telephone, or indirect with distributors, wholesalers, retailers, and agents as intermediaries.

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

Supply Chain

The supply chain is a longer channel stretching from raw materials to components to finished products carried to final buyers. The supply chain for a retail pack of cashew nuts may start with farmers in Kerala or Africa who plant, tend to, and harvest cashew, selling their produce to agents who buy from different farmers and aggregate the produce. The agents who procure the produce from domestic producers or through import channels may sell it to cashew processors who, in turn, process raw cashew. The processors may sell the processed cashew to marketing companies who re-pack the processed cashew in smaller packets under specific brand names and market these to retailers. Each intermediary captures only a certain percentage of the total value generated by the supply chain's value delivery system. When a company acquires competitors or expands upstream or downstream, its aim is to capture a higher percentage of supply chain value.

Competition

Competition includes all the actual and potential rival offerings and substitutes a buyer might consider. A car manufacturer can buy steel from Tata Steel or the Steel Authority of India Limited, or import it from abroad; or buy aluminum for certain parts to lighten the car's weight; or buy engineered plastics for bumpers instead of steel. Clearly, Tata Steel would be thinking narrowly of competition if it thought only of other integrated steel companies. In fact, in the long run, steel companies are more likely to be hurt by substitute products than by other steel companies.

Marketing Environment

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

The *broad environment* consists of six components: demographic environment, economic environment, social-cultural environment, natural environment, technological environment, and political-legal environment. Marketers must pay close attention to the trends and developments in these and adjust their marketing strategies as needed. New opportunities are constantly emerging that await the right marketing savvy and ingenuity. Consider the new opportunities the massive Unique Identity (UID) Project in India has opened up for marketers.

Aadhaar

Aadhaar With the implementation of Aadhaar—the Government of India's Unique Identity Project—India joined the select group of countries that give each citizen individual identity cards. Across almost all regional languages in India, the name *Aadhaar* means "foundation" or "support." Considered the largest exercise of this kind in the world, the project's aim is to help every Indian, including those living in tribal and rural areas, to establish his or her identity through an ID card that carries a unique 12-digit identification number. This card can be used anywhere in India as an identity proof and for accessing a host of services and benefits—opening bank accounts, paying bills through electronic media, obtaining a driving license, filing income tax returns, using as a voter identification card, and for buying subsidized food grains and other essential commodities from the public distribution system. The logo for the project is a sun in red and yellow and the impression of a fingerprint at the center. The sun represents a new dawn of equal opportunity for each individual, and the fingerprint reflects a unique identity, which in effect communicates Aadhaar's vision.[13] This project has important implications for marketers because of its inclusive nature, in that it provides all sections of society access to products and services that were inaccessible to them so far.

The New Marketing Realities

We can say with some confidence that the marketplace isn't what it used to be. It is dramatically different from what it was even 10 years ago.

Major Societal Forces

Today, major, and sometimes interlinking, societal forces have created new marketing behaviors, opportunities, and challenges. Here are 11 key ones.

1. ***Network information technology.*** The digital revolution has created an Information Age that promises to lead to more accurate levels of production, more targeted communications, and more relevant pricing.
2. ***Globalization.*** Technological advances in transportation, shipping, and communication have made it easier for companies to market in, and consumers to buy from, almost any country in the world. International travel has continued to grow as more people work and play in other countries.
3. ***Deregulation.*** Many countries have deregulated industries to create greater competition and growth opportunities. In India, the domestic airline industry has been growing very rapidly after deregulation. Airlines are competing with each other by offering different and better services to customers. Much of the growth in many sectors of the Indian economy is due to the government policies of deregulation and liberalization.
4. ***Heightened competition.*** Intense competition among domestic and foreign brands raises marketing costs and shrinks profit margins. Brand manufacturers are further buffeted by powerful retailers that market their own store brands. Many strong brands have become megabrands and extended into a wide variety of related product categories, presenting a significant competitive threat.
5. ***Industry convergence.*** Industry boundaries are blurring as companies recognize new opportunities at the intersection of two or more industries. The computing and consumer electronics industries are converging, for example, as Apple, Sony, and Samsung release a stream of entertainment devices from MP3 players to plasma TVs and camcorders. Digital technology fuels this massive convergence.[14]


Organized retailing in India is expected to contribute 18 percent of the total retail sales by 2015.

6. ***Retail transformation.*** Retailing in South Asia in general and India in particular is undergoing a major transformation. Organized retailing in India, which includes supermarket chains, department stores, and discount retailers, is expected to grow from about 5 percent of the total market to about 14 percent to 18 percent of the total retail sales by 2015.[15] Due to the rapid penetration of organized retailing in India, the shopping behavior of customers is also undergoing discernible changes. As a response to competition from organized retail chains, many local entrepreneurial retailers have improved their product range and service quality. The retail revolution has spread to a range of product categories, from provisions and daily use items to consumer durable products and books. Croma is an example of an organized retail chain in consumer durables while Crossword is an organized book retailer in India.
7. ***Disintermediation.*** The amazing success of early dot-coms such as AOL, Amazon.com, Yahoo!, eBay, E*TRADE, and others created *disintermediation* in the delivery of products and services by intervening in the traditional flow of goods through distribution channels. These firms struck terror into the hearts of established manufacturers and retailers. In response, traditional companies engaged in *reintermediation* and became "brick-and-click" retailers, adding online services to their offerings. Some became stronger contenders than pure-click firms, because they had a larger pool of resources to work with and established brand names.
8. ***Consumer buying power.*** In part, due to disintermediation via the Internet, consumers have substantially increased their buying power. From the home, office, or mobile phone, they can compare product prices and features and order goods online, bypassing limited local offerings and realizing significant price savings. Even business buyers can run a *reverse auction* in which sellers compete to capture their business. They can readily join others to aggregate their purchases and achieve deeper volume discounts.
9. ***Consumer information.*** Consumers can collect information in as much breadth and depth as they want about practically anything. They can access online encyclopedias, dictionaries, medical information, movie ratings, consumer reports, newspapers, and other information sources in many languages from anywhere in the world. Personal connections and user-generated content thrive on social media such as Facebook, Flickr (photos), Wikipedia (encyclopedia articles), and YouTube (video).[16] Social networking sites bring together consumers with a common interest. At CarSpace.com auto enthusiasts talk about chrome rims, the latest BMW model, and where to find a great local mechanic.[17]

10. ***Consumer participation.*** Consumers have found an amplified voice to influence peer and public opinion. In recognition, companies are inviting them to participate in designing and even marketing offerings to heighten their sense of connection and ownership. Consumers see their favorite companies as workshops from which they can draw out the offerings they want.
11. ***Consumer resistance.*** Many customers today feel there are fewer real product differences, so they show less brand loyalty and become more price- and quality-sensitive in their search for value, and less tolerant about undesired marketing. A Yankelovich study found record levels of marketing resistance from consumers; a majority reported negative opinions about marketing and advertising and said they avoid products they feel are overmarketed.[18]

New Company Capabilities

These major societal forces create complex challenges for marketers, but they have also generated a new set of capabilities to help companies cope and respond.

- ***Marketers can use the Internet as a powerful information and sales channel.*** The Internet augments marketers' geographical reach to inform customers and promote products worldwide. A Web site can list products and services, history, business philosophy, job opportunities, and other information of interest.
- ***Marketers can collect fuller and richer information about markets, customers, prospects, and competitors.*** Marketers can conduct fresh marketing research by using the Internet to arrange focus groups, send out questionnaires, and gather primary data in several other ways. They can assemble information about individual customers' purchases, preferences, demographics, and profitability.
- ***Marketers can tap into social media to amplify their brand message.*** Marketers can feed information and updates to consumers via blogs and other postings, support online communities, and create their own stops on the Internet superhighway. Dell Corporation's @DellOutlet Twitter account has more than 600,000 followers. Between 2007 and June 2009, Dell took in more than $2 million in revenue from coupons provided through Twitter, and another $1 million from people who started at Twitter and went on to buy a new computer on the company's Web site.[19]
- ***Marketers can facilitate and speed external communication among customers.*** Marketers can also create or benefit from online and offline "buzz" through brand advocates and user communities.
- ***Marketers can send ads, coupons, samples, and information to customers who have requested them or given the company permission to send them.*** Micro-target marketing and two-way communication are easier thanks to the proliferation of special-interest magazines, TV channels, and Internet newsgroups. Extranets linking suppliers and distributors let firms send and receive information, place orders, and make payments more efficiently. The company can also interact with each customer individually to *personalize* messages, services, and the relationship.
- ***Marketers can reach consumers on the move with mobile marketing.*** Using GPS technology, marketers can pinpoint consumers' exact location and send them messages at the mall with coupons good only that day, a reminder of an item on their wish list, and a relevant perk (buy this book today and get a free coffee at the bookstore's coffee shop). Location-based advertising is attractive because it reaches consumers closer to the point of sale. Firms can also advertise on video iPods and reach consumers on their cell phones through mobile marketing.[20]
- ***Companies can make and sell individually differentiated goods.*** Thanks to advances in factory customization, computer technology, and database marketing, mass customization is now becoming increasingly feasible and popular. Many automobile manufacturers in India offer facilities to customers to configure a vehicle by combining a range of features according to their preferences. It is now possible to design one's own T-shirts through the Internet and order them. Raymond, the well-known brand of fabric and garments, has started made-to-measure services in its retail outlets.

- ***Companies can improve purchasing, recruiting, training, and internal and external communications.*** Firms can recruit new employees online, and many have Internet training products for their employees, dealers, and agents.
- ***Companies can facilitate and speed up internal communication among their employees by using the Internet as a private intranet.*** Employees can query one another, seek advice, and download or upload needed information from and to the company's main computer. Most progressive companies in South Asia have active intranet communities and many use the intranet as one of the platforms to provide information to their employees and to spread good corporate governance practices.
- ***Companies can improve their cost efficiency by skillful use of the Internet.*** Corporate buyers can achieve substantial savings by using the Internet to compare sellers' prices and purchase materials at auction, or by posting their own terms in reverse auctions. Companies can improve logistics and operations to reap substantial cost savings while improving accuracy and service quality.

Raymond Made-to-Measure Traditionally, customers would rely on local tailors who specialize in stitching custom-made dresses for their clients. However, with the increasing preference for readymade garments, customers started adjusting to standard sizes of garments rather than adjusting the garments' fit to variations in individual sizes. As an alternative, Raymond started made-to-measure services in the company's flagship outlets in various Indian cities. At its retail points, customers select the fabric they like and the measurements are taken. This data is transmitted to a central manufacturing location where the garment is stitched according to the specifications. The custom-made garments reach the shop on prespecified dates. The advantage of this service offer is that the garments have the finish of readymade garments, but are made to suit individual measurements.

Marketing in Practice

Not surprisingly, these new marketing forces and capabilities have profoundly changed marketing management. In theory, the marketing *planning* process consists of analyzing marketing opportunities, selecting target markets, designing marketing strategies, developing marketing programs,

Raymond has moved toward mass customization with its made-to-measure services.

and managing the marketing effort. In practice, however, in the highly competitive marketplaces that are more often the norm, marketing planning is more fluid and is continually refreshed.

Companies must always be moving forward with marketing programs, innovating products and services, staying in touch with customer needs, and seeking new advantages rather than relying on past strengths. This is especially true of incorporating the Internet into marketing plans. Marketers must try to balance increased spending on search advertising, social media, direct e-mail, and text/SMS marketing efforts with appropriate spending on traditional marketing communications. But they must do so in tough economic times, when accountability has become a top priority and returns on investment are expected from every marketing activity. "Marketing Insight: Marketing in an Age of Turbulence" offers some recommendations for adjusting to new marketing realities.

Marketing Insight

Marketing in an Age of Turbulence

The severe economic recession of 2008–2009 caused marketers to rethink best practices of management. Philip Kotler and John Caslione see management entering a new Age of Turbulence in which chaos, risk, and uncertainty characterize many industries, markets, and companies. According to them, turbulence is the new normal, punctuated by periodic and intermittent spurts of prosperity and downturn—including extended downturns amounting to recession, or even depression. They see many new challenges in the foreseeable future, and unlike past recessions, there may be no assurance that a return to past management practices would ever be successful again.

According to Kotler and Caslione, marketers should always be ready to activate automatic responses when turbulence whips up and chaos reigns in. They recommend marketers keep these eight factors in mind as they create "*chaotics* marketing strategies."

1. ***Secure your market share from core customer segments.*** This is not a time to get greedy, so get your core customer segments firmly secured, and be prepared to ward off attacks from competitors seeking your most profitable and loyal customers.
2. ***Push aggressively for greater market share from competitors.*** All companies fight for market share, and in turbulent and chaotic times, many have been weakened. Slashing marketing budgets and sales travel expenses is a sure sign a competitor is buckling under pressure. Push aggressively to add to your core customer segments at the expense of your weakened competitors.
3. ***Research customers more now, because their needs and wants are in flux.*** Everyone is under pressure during times of turbulence and chaos, and all customers—even those in your core segments whom you know so well—are changing. Stay close to them as never before. Research them more than ever. Don't find yourself using old, tried-and-true marketing messages that no longer resonate with them.
4. ***Minimally maintain, but seek to increase, your marketing budget.*** With your competitors aggressively marketing to your core customers, this is the worst time to think about cutting anything in your marketing budget that targets them. In fact, you need to add to it, or take money away from forays into totally new customer segments. It's time to secure the home front.
5. ***Focus on all that's safe and emphasize core values.*** When turbulence is scaring everyone in the market, most customers flee to higher ground. They need to feel the safety and security of your company and your products and services. Do everything possible to tell them that continuing to do business with you is safe, and to sell them products and services that keep making them feel safe.
6. ***Drop programs that aren't working for you quickly.*** Your marketing budgets will always be scrutinized, in good times and bad times. If anyone is to cut one of your programs, let it be you, before anyone else spots any ineffective ones. If you're not watching, rest assured someone else is, including your peers whose budgets couldn't be protected from the axe.
7. ***Don't discount your best brands.*** Discounting your established and most successful brands tells the market two things: your prices were too high before, and your products won't be worth the price in the future once the discounts are gone. If you want to appeal to more frugal customers, create a new brand with lower prices. This lets value-conscious customers stay close to you, without alienating those still willing to pay for your higher-priced brands. Once the turbulence subsides, you may consider discontinuing the value product line—or not.
8. ***Save the strong; lose the weak.*** In turbulent markets, your strongest brands and products must become even stronger. There's no time or money to be wasted on marginal brands or products that lack strong value propositions and a solid customer base. Appeal to safety and value to reinforce strong brands and product and service offerings. Remember, your brands can never be strong enough, especially against the waves of a turbulent economy.

Source: Based on Philip Kotler and John A. Caslione, *Chaotics: The Business and Marketing in the Age of Turbulence* (New York: AMACOM, 2009) pp. 151–153.

Company Orientation Toward the Marketplace

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

The Production Concept

The **production concept** is one of the oldest concepts in business. It holds that consumers prefer products that are widely available and inexpensive. Managers of production-oriented businesses concentrate on achieving high production efficiency, low costs, and mass distribution. This orientation makes sense in developing countries such as China, where the largest PC manufacturer, Legend (principal owner of Lenovo Group), and domestic appliances giant Haier take advantage of the country's huge and inexpensive labor pool to dominate the market. Marketers also use the production concept when they want to expand the market.[21]

The Product Concept

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

The Selling Concept

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

The Marketing Concept

The **marketing concept** emerged in the mid-1950s[22] as a customer-centered, sense-and-respond philosophy. The job is to find not the right customers for your products, but the right products for your customers. Dell doesn't prepare a perfect computer for its target market. Rather, it provides product platforms on which each person customizes the features he or she desires in the computer.

The marketing concept holds that the key to achieving organizational goals is being more effective than competitors in creating, delivering, and communicating superior customer value to your target markets. Harvard's Theodore Levitt drew a perceptive contrast between the selling and marketing concepts:

> Selling focuses on the needs of the seller; marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering, and finally consuming it.[23]

Several scholars found that companies embracing the marketing concept at that time achieved superior performance.[24]

The Holistic Marketing Concept

Without question, the trends and forces that have defined the first decade of the 21st century are leading business firms to a new set of beliefs and practices. "Marketing Memo: Marketing Right and Wrong" suggests where companies go wrong—and how they can get it right—in their marketing.

The **holistic marketing** concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies.

marketing Memo — **Marketing Right and Wrong**

The Ten Deadly Sins of Marketing	The Ten Commandments of Marketing
1. The company is not sufficiently market focused and customer driven.	1. The company segments the market, chooses the best segments, and develops a strong position in each chosen segment.
2. The company does not fully understand its target customers.	2. The company maps its customers' needs, perceptions, preferences, and behavior and motivates its stakeholders to obsess about serving and satisfying the customers.
3. The company needs to better define and monitor its competitors.	3. The company knows its major competitors and their strengths and weaknesses.
4. The company has not properly managed its relationships with its stakeholders.	4. The company builds partners out of its stakeholders and generously rewards them.
5. The company is not good at finding new opportunities.	5. The company develops systems for identifying opportunities, ranking them, and choosing the best ones.
6. The company's marketing plans and planning process are deficient.	6. The company manages a marketing planning system that leads to insightful long-term and short-term plans.
7. The company's product and service policies need tightening.	7. The company exercises strong control over its product and service mix.
8. The company's brand-building and communications skills are weak.	8. The company builds strong brands by using the most cost-effective communication and promotion tools.
9. The company is not well organized to carry on effective and efficient marketing.	9. The company builds marketing leadership and a team spirit among its various departments.
10. The company has not made maximum use of technology.	10. The company constantly adds technology that gives it a competitive advantage in the marketplace.

Source: Adapted from Philip Kotler, *Ten Deadly Marketing Sins* (Hoboken, NJ: John Wiley & Sons, 2004) pp. 10, 145–148.

Holistic marketing acknowledges that everything matters in marketing—and that a broad, integrated perspective is often necessary.

Holistic marketing thus recognizes and reconciles the scope and complexities of marketing activities. Figure 1.3 provides a schematic overview of four broad components characterizing holistic marketing: relationship marketing, integrated marketing, internal marketing, and performance marketing. We'll examine these major themes throughout this book. Successful companies keep their marketing changing with the changes in their marketplace—and marketspace.

Relationship Marketing

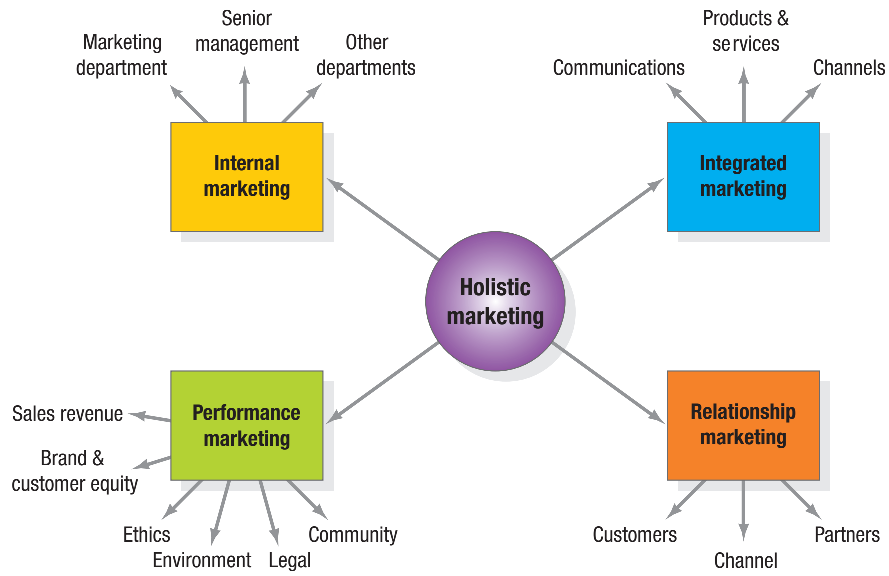
Increasingly, a key goal of marketing is to develop deep, enduring relationships with people and organizations that directly or indirectly affect the success of the firm's marketing activities. **Relationship marketing** aims to build mutually satisfying long-term relationships with key constituents in order to earn and retain their business.[25]

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

The ultimate outcome of relationship marketing is a unique company asset called a **marketing network**, consisting of the company and its supporting stakeholders—customers, employees, suppliers, distributors, retailers, and others—with whom it has built mutually profitable business relationships. The operating principle is simple: build an effective network of relationships with key stakeholders, and profits will follow.[26] Thus more companies are choosing to own brands rather than physical assets and are subcontracting activities to firms that can do them better and more cheaply, while retaining core activities at home.

|Fig. 1.3|

Holistic Marketing Dimensions



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

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

Integrated Marketing

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

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

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

Internal Marketing

Internal marketing, an element of holistic marketing, is the task of hiring, training, and motivating able employees who want to serve customers well. It ensures that everyone in the organization embraces appropriate marketing principles, especially senior management. Smart marketers recognize that marketing activities *within* the company can be as important—or even more important—than those directed outside the company. It makes no sense to promise excellent service before the company's staff is ready to provide it.

Marketing is no longer the responsibility of a single department—it is a company-wide undertaking that drives the company's vision, mission, and strategic planning.[27] It succeeds only when all departments work together to achieve customer goals (see Table 1.1): when engineering designs the right products, finance furnishes the right amount of funding, purchasing buys the right materials, production makes the right products in the right time horizon, and accounting measures profitability in the right ways. Such interdepartmental harmony can only truly coalesce, however, when management clearly communicates a vision of how the company's marketing orientation and philosophy serve customers. The following example highlights some of the potential challenge in integrating marketing:

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

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

Performance Marketing

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

FINANCIAL ACCOUNTABILITY Marketers are increasingly asked to justify their investments in financial and profitability terms, as well as in terms of building the brand and growing the customer base.[28] They're employing a broader variety of financial measures to assess the direct and indirect value their marketing efforts create and recognizing that much of their firms' market value comes from intangible assets, particularly brands, customer base, employees, distributor and supplier relations, and intellectual capital. Marketing metrics can help firms quantify and compare their marketing performance along a broad set of dimensions. Marketing research and statistical analysis assess the financial efficiency and effectiveness of different marketing activities. Finally, firms can employ processes and systems to make sure they maximize the value from analyzing these different metrics.

SOCIAL RESPONSIBILITY MARKETING Because the effects of marketing extend beyond the company and the customer to society as a whole, marketers must consider the ethical, environmental, legal, and social context of their role and activities.[29]

The organization's task is thus to determine the needs, wants, and interests of target markets and satisfy them more effectively and efficiently than competitors while preserving or enhancing consumers' and society's long-term well-being. LG Electronics, Toshiba, and NEC Display Solutions offer electronic recycling programs, for instance, often providing consumers with prepaid postage to return old items. As goods become more commoditized and consumers grow more socially conscious, some companies incorporate social responsibilities as a way to differentiate themselves from competitors, build consumer preferences, and achieve sales and profit gains. Social responsibility is central to the activities of some companies, as illustrated by the creation of the world-famous artificial limb, the Jaipur Foot.

TABLE 1.1 Assessing Which Company Departments Are Customer-Minded

R&D
- They spend time meeting customers and listening to their problems.
- They welcome the involvement of marketing, manufacturing, and other departments to each new project.
- They benchmark competitors' products and seek "best of class" solutions.
- They solicit customer reactions and suggestions as the project progresses.
- They continuously improve and refine the product on the basis of market feedback.

Purchasing
- They proactively search for the best suppliers.
- They build long-term relationships with fewer but more reliable, high-quality suppliers.
- They don't compromise quality for price savings.

Manufacturing
- They invite customers to visit and tour their plants.
- They visit customer plants.
- They willingly work overtime to meet promised delivery schedules.
- They continuously search for ways to produce goods faster and/or at lower cost.
- They continuously improve product quality, aiming for zero defects.
- They meet customer requirements for "customization" where possible.

Marketing
- They study customer needs and wants in well-defined market segments.
- They allocate marketing effort in relation to the long-run profit potential of the targeted segments.
- They develop winning offers for each target segment.
- They measure company image and customer satisfaction on a continuous basis.
- They continuously gather and evaluate ideas for new products, product improvements, and services.
- They urge all company departments and employees to be customer centered.

Sales
- They have specialized knowledge of the customer's industry.
- They strive to give the customer "the best solution."
- They make only promises that they can keep.
- They feed back customers' needs and ideas to those in charge of product development.
- They serve the same customers for a long period of time.

Logistics
- They set a high standard for service delivery time and meet this standard consistently.
- They operate a knowledgeable and friendly customer service department that can answer questions, handle complaints, and resolve problems in a satisfactory and timely manner.

Accounting
- They prepare periodic "profitability" reports by product, market segment, geographic areas (regions, sales territories), order sizes, channels, and individual customers.
- They prepare invoices tailored to customer needs and answer customer queries courteously and quickly.

Finance
- They understand and support marketing expenditures (e.g., image advertising) that produce long-term customer preference and loyalty.
- They tailor the financial package to the customer's financial requirements.
- They make quick decisions on customer creditworthiness.

Public Relations
- They send out favorable news about the company and "damage control" unfavorable news.
- They act as an internal customer and public advocate for better company policies and practices.

Source: ©Philip Kotler, *Kotler on Marketing* (New York: Free Press, 1999), pp. 21–22. Reprinted with permission of The Free Press, a Division of Simon & Schuster Adult Publishing Group. Copyright © 1999 by Philip Kotler. All rights reserved.

Jaipur Foot

Jaipur Foot Established in 1975, Bhagwan Mahaveer Vikalang Sahayata Samiti (BMVSS) developed the Jaipur Foot, the world-renowned artificial limb.[30] The prosthetic leg was designed to be inexpensive, quick to fit, and water resistant. The design of the product made it easier to manufacture and hence amenable to scale advantages to keep the costs low, making it affordable for common people. The prosthetic foot provides a similar range of movements that a normal foot has. The technology has not been patented and is available in the public domain for the benefit of the larger society. The value systems of human welfare attracted many donors and social workers to the concept, who helped in popularizing the product and reaching out to poorer sections of society through health camps. BMVSS is now the largest limb/caliper-fitting organization in the world because it managed to address a felt need through an innovative product with immense social relevance.

Updating the Four Ps

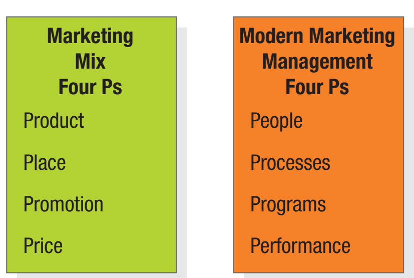
McCarthy classified various marketing activities into *marketing-mix* tools of four broad kinds, which he called *the four Ps* of marketing: product, price, place, and promotion.[31] The marketing variables under each P are shown in Figure 1.4.

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

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

|Fig. 1.4|

The Four P Components of the Marketing Mix



|Fig. 1.5|

The Evolution of Marketing Management

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

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

We define *performance* as in holistic marketing, to capture the range of possible outcome measures that have financial and nonfinancial implications (profitability as well as brand and customer equity), and implications beyond the company itself (social responsibility, legal, ethical, and community related).

Finally, these new four Ps actually apply to *all* disciplines within the company, and by thinking this way, managers grow more closely aligned with the rest of the company.

Marketing Management Tasks

With the holistic marketing philosophy as a backdrop, we can identify a specific set of tasks that make up successful marketing management and marketing leadership. We'll use the following situation to illustrate these tasks in the context of the plan of the book. (The "Marketing Memo: Marketers' Frequently Asked Questions" is a good checklist for the questions marketing managers ask, all of which we examine in this book.)

> Zeus Inc. (name disguised) operates in several industries, including chemicals, cameras, and film. The company is organized into SBUs. Corporate management is considering what to do with its Atlas camera division, which produces a range of 35mm and digital cameras. Although Zeus has a sizable share and is producing revenue, the 35mm market is rapidly declining. In the much faster-growing digital camera segment, Zeus faces strong competition and has been slow to gain sales. Zeus's corporate management wants Atlas's marketing group to produce a strong turnaround plan for the division.

Developing Marketing Strategies and Plans

The first task facing Atlas is to identify its potential long-run opportunities, given its market experience and core competencies (see Chapter 2). Atlas can design its cameras with better features. It can make a line of video cameras, or it can use its core competency in optics to design a line of binoculars and telescopes. Whichever direction it chooses, it must develop concrete marketing plans that specify the marketing strategy and tactics going forward.

marketing Memo — **Marketers' Frequently Asked Questions**

1. How can we spot and choose the right market segment(s)?
2. How can we differentiate our offerings?
3. How should we respond to customers who buy on price?
4. How can we compete against lower-cost, lower-price competitors?
5. How far can we go in customizing our offering for each customer?
6. How can we grow our business?
7. How can we build stronger brands?
8. How can we reduce the cost of customer acquisition?
9. How can we keep our customers loyal longer?
10. How can we tell which customers are more important?
11. How can we measure the payback from advertising, sales promotion, and public relations?
12. How can we improve sales force productivity?
13. How can we establish multiple channels and yet manage channel conflict?
14. How can we get the other company departments to be more customer-oriented?

Assessing Market Opportunities and Customer Value

Atlas needs a robust scanning mechanism to spot profitable market opportunities by closely monitoring its marketing environment so it can continually assess market potential and forecast demand. Its microenvironment consists of all the players who affect its ability to produce and sell cameras—suppliers, marketing intermediaries, customers, and competitors. Its macroenvironment includes demographic, economic, physical, technological, politico-legal, and sociocultural forces that affect sales and profits. Atlas also needs a dependable marketing research system. To transform strategy into programs, marketing managers must make basic decisions about their expenditures, activities, and budget allocations. They may use sales-response functions that show how the amount of money spent in each application will affect sales and profits (see Chapter 3).

Atlas must consider how to best create value for its chosen target markets and develop strong, profitable, long-term relationships with customers (see Chapter 4). To do so, it needs to understand consumer markets (see Chapter 5). Who buys cameras, and why? What features and prices are they looking for, and where do they shop? Atlas also sells cameras to business markets, including large corporations, professional firms, retailers, and government agencies (see Chapter 6), where purchasing agents or buying committees make the decisions. Atlas needs to gain a full understanding of how organizational buyers buy. It needs a sales force well trained in presenting product benefits.

Choosing Value

Atlas will not want to market to all possible customers. It must divide the market into major market segments, evaluate each one, and target those it can provide the best value (see Chapter 7). Atlas must also pay close attention to competitors (see Chapter 8), anticipating their moves and knowing how to react quickly and decisively. It may want to initiate some surprise moves, in which case it needs to anticipate how its competitors will respond. Atlas must understand the strengths and weaknesses of the Zeus brand as customers see it to decide on an appropriate positioning strategy. Suppose Atlas decides to focus on the consumer market and develop a positioning strategy. Should it position itself as a high-end brand, offering superior cameras at a premium price with excellent service and strong advertising? Should it build a simple, low-priced camera aimed at more price-conscious consumers or something in between (see Chapter 9)? Atlas also would like to develop brand development strategies to build competitive differentiation in the long run (see Chapter 10).

Designing Value

At the heart of the marketing program is the product—the firm's tangible offering to the market, which includes the product quality, design, features, and packaging (see Chapter 11). To gain competitive advantage, Atlas may provide services such as leasing, delivery, repair, and training as part of its product offering (see Chapter 12). A critical marketing decision relates to price (see Chapter 13). Atlas must decide on wholesale and retail prices, discounts, allowances, and credit terms. Its price should match well with the offer's perceived value; otherwise, buyers will turn to competitors' products.

Delivering Value

Atlas must also determine how to properly deliver to the target market the value embodied in its products and services. Channel activities include those the company undertakes to make the product accessible and available to target customers (see Chapter 14). Atlas must identify, recruit, and link various marketing facilitators to supply its products and services efficiently to the target market. It must understand the various types of retailers, wholesalers, and physical-distribution firms and how they make their decisions (see Chapter 15).

Communicating Value

Atlas must also adequately communicate to the target market the value embodied by its products and services. It will need an integrated marketing communication program that maximizes the individual and collective contribution of all communication activities (see Chapter 16). Atlas needs to set up mass communication programs consisting of advertising, sales promotion, events, and public relations (see Chapter 17). It also needs to plan more personal communications, in the form of direct and interactive marketing, as well as hire, train, and motivate salespeople (see Chapter 18).

Sustaining Growth and Value

Based on its product positioning, Atlas must initiate new-product development, testing, and launching as part of its long-term view (see Chapter 19). The strategy should take into account changing global opportunities and challenges (see Chapter 20).

Finally, Atlas must build a marketing organization capable of implementing the marketing plan (see Chapter 21). Because surprises and disappointments can occur as marketing plans unfold, Atlas will need feedback and control to understand the efficiency and effectiveness of its marketing activities and how it can improve them.[32]

Summary

1. Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. Marketing management is the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.
2. Marketers are skilled at managing demand: they seek to influence its level, timing, and composition for goods, services, events, experiences, persons, places, properties, organizations, information, and ideas. They also operate in four different marketplaces: consumer, business, global, and nonprofit.
3. Today's marketplace is fundamentally different as a result of major societal forces that have resulted in many new consumer and company capabilities. These forces have created new opportunities and challenges and changed marketing management significantly as companies seek new ways to achieve marketing excellence.
4. There are five competing concepts under which organizations can choose to conduct their business: the production concept, the product concept, the selling concept, the marketing concept, and the holistic marketing concept. The first three are of limited use today.
5. The holistic marketing concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies. Holistic marketing recognizes that everything matters in marketing and that a broad, integrated perspective is often necessary. Four components of holistic marketing are relationship marketing, integrated marketing, internal marketing, and socially responsible marketing.
6. The set of tasks necessary for successful marketing management includes developing marketing strategies and plans; assessing market opportunities and customer value; choosing, designing, delivering, and communicating value; and sustaining long-term growth and value.

Applications

Marketing Debate

Does Marketing Create or Satisfy Needs?

Marketing has often been defined in terms of satisfying customers' needs and wants. Critics, however, maintain that marketing goes beyond that and creates needs and wants that did not exist before. They feel marketers encourage consumers to spend more money than they should on goods and services they do not really need.

Take a position: **Marketing shapes consumer needs and wants** versus **Marketing merely reflects the needs and wants of consumers.**

Marketing Discussion

Shifts in Marketing

Consider the broad shifts in marketing. Do any themes emerge in them? Can you relate the shifts to the major societal forces? Which force has contributed to which shift?

Marketing Excellence

>>Nike

Nike hit the ground running in 1962. Originally known as Blue Ribbon Sports, the company focused on providing high-quality running shoes designed for athletes by athletes. Founder Philip Knight believed high-tech shoes for runners could be manufactured at competitive prices if imported from abroad. Nike's commitment to designing innovative footwear for serious athletes helped it build a cult following among U.S. consumers.

Nike believed in a "pyramid of influence" in which the preferences of a small percentage of top athletes influenced the product and brand choices of others. From the start its marketing campaigns featured accomplished athletes. Runner Steve Prefontaine, the first spokesperson, had an irreverent attitude that matched the company's spirit.

In 1985, Nike signed up then-rookie guard Michael Jordan as a spokesperson. Jordan was still an up-and-comer, but he personified superior performance. Nike's bet paid off—the Air Jordan line of basketball shoes flew off the shelves and revenues hit over $100 million in the first year alone. As one reporter stated, "Few marketers have so reliably been able to identify and sign athletes who transcend their sports to such great effect."

In 1988, Nike aired the first ads in its $20 million "Just Do It" ad campaign. The campaign, which ultimately featured 12 TV spots in all, subtly challenged a generation of athletic enthusiasts to chase their goals. It was a natural manifestation of Nike's attitude of self-empowerment through sports.

As Nike began expanding overseas to Europe, it found that its U.S.-style ads were seen as too aggressive. Nike realized it had to "authenticate" its brand in Europe, so it focused on soccer (known as football outside the United States) and became active as a sponsor of youth leagues, local clubs, and national teams. However, for Nike to build authenticity among the soccer audience, consumers had to see professional athletes using its product, especially athletes who won. Nike's big break came in 1994 when the Brazilian team (the only national team for which Nike had any real sponsorship) won the World Cup. That victory transformed Nike's image in Europe from a sneaker company into a brand that represented emotion, allegiance, and identification. It also helped launch Nike into other international markets over the next decade, and by 2003, overseas revenues surpassed U.S. revenues for the first time.

In 2007, Nike acquired Umbro, a British maker of soccer-related footwear, apparel, and equipment. The acquisition helped boost Nike's presence in soccer as the company became the sole supplier of uniforms to over 100 professional soccer teams around the world.

Nike focused its efforts on international markets, especially China, during the 2008 Summer Olympics in Beijing. Although Nike's rival, Adidas, was the official sponsor of the Olympic Games, Nike received special permission from the International Olympic Committee to run Nike ads featuring Olympic athletes during the games. In addition, Nike sponsored several teams and athletes, including most of the Chinese teams and 11 of the 12 high-profile members on the United States men's basketball teams. That year, sales in the Asian region grew 15 percent to $3.3 billion and Nike's international divisions grew to 53 percent of the company's revenue. Some believed Nike's marketing strategy during the Olympics was more effective than Adidas's Olympic sponsorship.

In addition to expanding the brand overseas, Nike successfully entered new athletic footwear, apparel, and equipment product categories by using endorsements from high-profile athletes and consumer outreach programs. The Nike Golf brand, endorsed by Tiger Woods, has changed the way professional golfers dress. Tiger's powerful influence on the game and his Nike emblazoned style have turned the greens at the majors into "golf's fashion runway." In addition, Nike has used the superstar to help build its relationship with consumers. In 2009, it launched a Tiger Web Talkback session at nikegolf.com, where fans could ask questions and hear Tiger talk about golf. The session was part of a nationwide Nike Golf consumer experience day, which included equipment demos, long-drive contests, and in-store specials.

In tennis, Nike has aligned with Maria Sharapova, Roger Federer, and Rafael Nadal to push its line of tennis clothing and gear. Some called the famous 2008 Wimbledon match between Roger Federer and Rafael Nadal—both dressed in swooshes from head to toe—a five-hour Nike commercial valued at $10.6 million.

Nike teamed up with seven-time Tour de France champion Lance Armstrong not only to sell Nike products but also to help Armstrong's LIVESTRONG campaign. Nike designed, manufactured, and sold over 70 million yellow LIVESTRONG bracelets, netting $80 million for the Lance Armstrong Foundation. It also featured Armstrong's message of survival, willpower, and giving in a series of Nike commercials.

To promote its line of basketball shoes and apparel, Nike continues to feature basketball superstars such as Kobe Bryant and LeBron James. In addition, it formed a partnership with Foot Locker to create a new chain of stores, House of Hoops by Foot Locker, which offers only basketball products by Nike brands such as Converse and Jordan.

Recently, Nike's lead in the running category has grown to 60 percent market share thanks to its exclusive partnership with Apple. Nike+ (Plus) technology includes a sensor that runners put into their running shoes and a receiver, which fits into an iPod, iTouch, or iPhone. When the athlete goes for a run or hits the gym, the receiver captures his or her mileage, calories burned, and pace and stores it until the information is downloaded. Nike+ is now considered the world's largest running club.

In 2008 and 2009, Nike+ hosted the Human Race 10K, the largest and only global virtual race in the world. The event, designed to celebrate running, drew 780,000 participants in 2008 and surpassed that number in 2009. To participate, runners register online, gear up with Nike+ technology, and hit the road on race day, running any 10K route they choose at any time during the day. Once the data is downloaded from the Nike+ receiver, each runner's official time is posted and can be compared to the times of runners from around the world.

Like many companies, Nike is trying to make its company and products more eco-friendly. However, unlike many companies, Nike does not promote its efforts. One brand consultant explained, "Nike has always been about winning. How is sustainability relevant to its brand?" Nike executives agree that promoting an eco-friendly message would distract from its slick high-tech image, so efforts like recycling old shoes into new shoes are kept quiet.

Today, Nike dominates the athletic footwear market with a 31 percent market share globally and a 50 percent market share in the United States. Swooshes abound on everything from wristwatches to skateboards to swimming caps. The firm's long-term strategy focuses on basketball, running, football, women's fitness, men's training, and sports culture. As a result of its successful expansion across geographic markets and product categories, Nike is the top athletic apparel and footwear manufacturer in the world, with corporate fiscal 2009 revenues exceeding $19 billion.

Questions

1. What are the pros, cons, and risks associated with Nike's core marketing strategy?
2. If you were Adidas, how would you compete with Nike?

Sources: Justin Ewers and Tim Smart, "A Designer Swooshes In," *U.S. News & World Report*, January 26, 2004, p. 12; "Corporate Media Executive of the Year," *Delaney Report*, January 12, 2004, p. 1; Barbara Lippert, "Game Changers: Inside the Three Greatest Ad Campaigns of the Past Three Decades," *Adweek*, November 17, 2008; "10 Top Nontraditional Campaigns," *Advertising Age*, December 22, 2003, p. 24; Chris Zook and James Allen, "Growth Outside the Core," *Harvard Business Review*, December 2003, p. 66; Jeremy Mullman, "NIKE; What Slowdown? Swoosh Rides Games to New High," *Advertising Age*, October 20, 2008, p. 34; Allison Kaplan, "Look Just Like Tiger (until you swing)," *America's Intelligence Wire*, August 9, 2009; Reena Jana and Burt Helm, "Nike Goes Green, Very Quietly," *BusinessWeek*, June 22, 2009.

Marketing Excellence

>>Google

In 1998, two Stanford University PhD students, Larry Page and Sergey Brin, founded a search engine company and named it Google. The name plays on the number *googol*—1 followed by 100 zeroes—and refers to the massive quantity of data available online that the company helps users find. Google's corporate mission is "To organize the world's information and make it universally accessible and useful." From the beginning, Google has strived to be one of the "good guys" in the corporate world, supporting a touchy-feely work environment, strong ethics, and a famous founding credo: "Don't be evil."

The company has become the market leader for search engines through its business focus and constant innovation. As Google grew into a primary destination for Web users searching for information online, it attracted a host of online advertisers. These advertisers drove Google's revenue by buying "search ads," little text-based boxes shown alongside search results that advertisers pay for only when users click on them. Google's search ad program, called AdWords, sells space on its search pages to ads linked with specific keywords. Google auctions off the keyword ads, with prime keywords and page locations going to the highest bidder. Google recently added a program called AdSense, which allows any Web site to display targeted Google ads related to the content of its site. Web site publishers earn money every time visitors click on these ads.

In addition to offering prime online "real estate" for advertisers, Google adds value by providing tools to better target their ads and better understand the effectiveness of their marketing. Google Analytics, free to Google's advertisers, provides a custom report, or dashboard, detailing how Internet users found the site, what ads they saw and/or clicked on, how they behaved while there, and how much traffic was generated. Google client Discount Tire was able to identify where visitors encountered problems that led them to abandon a purchase midstream. After modifying its site and updating its keyword search campaign, Discount Tire measured a 14 percent increase in sales within a week.

With its ability to deploy data that enable up-to-the-minute improvements in a Web marketing program, Google supports a style of marketing in which the advertising resources and budget can be constantly monitored and optimized. Google calls this approach "marketing asset management," implying that advertising should be managed like assets in a portfolio depending on the market conditions. Rather than following a marketing plan developed months in advance, companies use the real-time data collected on their campaigns to optimize the campaign's effectiveness and be more responsive to the market.

Over the past decade, Google has expanded far beyond its search capabilities with numerous other services, applications, and tools. It creates and distributes its products for free, which in turn provide new opportunities for the firm to sell additional targeted advertising space. Since 97 percent of Google's revenues come from online advertising, new advertising space is critical to the company's growth.

Google's wide range of products and services fall into five categories: desktop products, mobile products, Web products, hardware products, and other products. *Desktop products* include both stand-alone applications such as Google Earth (a virtual globe that uses satellite imagery and aerial photography), Google Chrome (a Web browser), and Google Video/YouTube (Google acquired the video hosting site YouTube in 2006 for $1.65 billion), or desktop extensions such as Google Toolbar (a browser toolbar). *Mobile products* include all Google products available for mobile devices. *Web products* are broken down into the following subsets—advertising (e.g., AdWorks, DoubleClick, Click-to-Call), communications and publishing (e.g., Google Docs, Google Calendar, Google Gadgets, Wave), development (e.g., Android, Google Code), mapping (e.g., Google Sky, Google Maps), Search (e.g., Google Dictionary, Google Alerts, Google Scholar), and statistics (e.g., Google Trends, Google Analytics).

Google's stage of development starts within Google Labs, which lists new products available for testing. It next moves to beta status, where invited users test early prototypes. Once the product is fully tested and ready to be released to the general public, it moves into the gold stage as a core Google product. Google Voice, for example, is in the beta stage. It provides consumers with one Google phone number, which then connects to the user's home, office, and cell numbers. The user decides which phones ring, based on who calls. Due to Google Voice's complexity and popularity, users can sign up only by invitation.

Google has not spent a lot of money on traditional advertising. Recent efforts have targeted Microsoft consumers with appeals to use Google's "cloud computing" applications instead of Microsoft Office or Windows. By "Going Google," a user can access all of his or her documents and applications via a Web browser instead of owning the physical infrastructure and software. In addition, in 2009 Google launched its first-ever television commercial for Google Chrome, an alternative to Microsoft's Internet Explorer Web browser.

Google is also betting big in the mobile category. With its 2008 launch of Android, a mobile operating system, Google went head-to-head with Apple's iPhone. Although many still prefer Apple's platform, even critics have praised Android's benefits. Most importantly, Android is free, open sourced, and backed by a multimillion-dollar investment. That means Google wants its partners to help build and design Android over the years. In addition, the iPhone is available only through AT&T in the United States, while most of AT&T's competitors support Android phones. If Google influences millions of new consumers to use smart phones, it could make billions in mobile advertising. One analyst stated that Google "is trying to get ahead of the curve with these initiatives so when [mobile advertising] becomes mainstream, Google will be one of the major players, and display is a key growth area for Google."

Google's goal is to reach as many people as possible on the Web—whether by PC or by phone. The more users on the Web, the more advertising Google can sell. Google's new products also accomplish this goal and make the Web a more personalized experience. One program allows users to mark their current position on Google Maps, click the local tab, and receive information about local restaurants, bars, and entertainment venues.

Google has enjoyed great success as a company and a brand since its launch. When it experienced an hour-long outage in 2009, worldwide Internet traffic decreased by 5 percent. In 2009, Google held a 65 percent market share in search in the United States, significantly greater than second place Yahoo!'s 20 percent market share. Globally, Google held a more dominant lead with 89 percent market share versus Yahoo!'s 5 percent and MSN's 3 percent. Google's revenues topped $21 billion in 2008, and the company was ranked the most powerful brand in the world with a brand value of $86 billion.

Questions

1. With a portfolio as diverse as Google's, what are the company's core brand values?
2. What's next for Google? Is it doing the right thing taking on Microsoft with the concept of cloud computing, and Apple in the fight for smart phones?

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