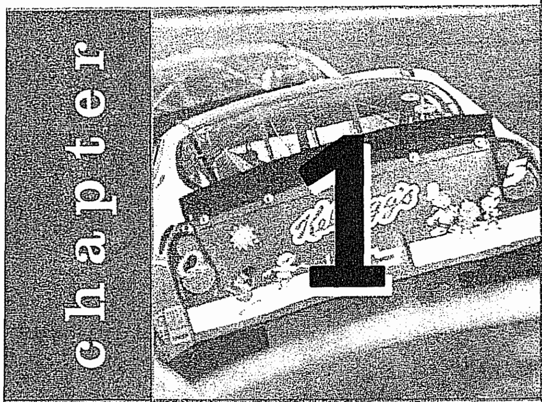
# Principles of Marketing






# Marketing

## Managing Profitable Customer Relationships

### Previewing the Concepts

Welcome to the exciting world of marketing. In this chapter, to start you off, we will first introduce you to the basic concepts. We'll start with a simple question: What *is* marketing? Simply put, marketing is managing profitable customer relationships. The aim of marketing is to create value for customers and to capture value in return. Chapter 1 is organized around five steps in the marketing process—from understanding customer needs, to designing customer-driven marketing strategies and programs, to building customer relationships and capturing value for the firm. Understanding these basic concepts, and forming your own ideas about what they really mean to you, will give you a solid foundation for all that follows.

To set the stage, let's first look at NASCAR. In only a few years, NASCAR has swiftly evolved from a pastime for beer-guzzling Bubbas into a national marketing phenomenon. How? By creating high-octane value for its millions of fans. In return, NASCAR captures value from these fans, both for itself and for its many sponsors. Read on and see how NASCAR does it.

When you think of NASCAR, do you think of tobacco-spitting rednecks and run-down race tracks? Think again! These days, NASCAR (the National Association for Stock Car Auto Racing) is much, much more. In fact, it's one great marketing organization. And for fans, NASCAR is a lot more than stock car races. It's a high-octane, totally involving experience.

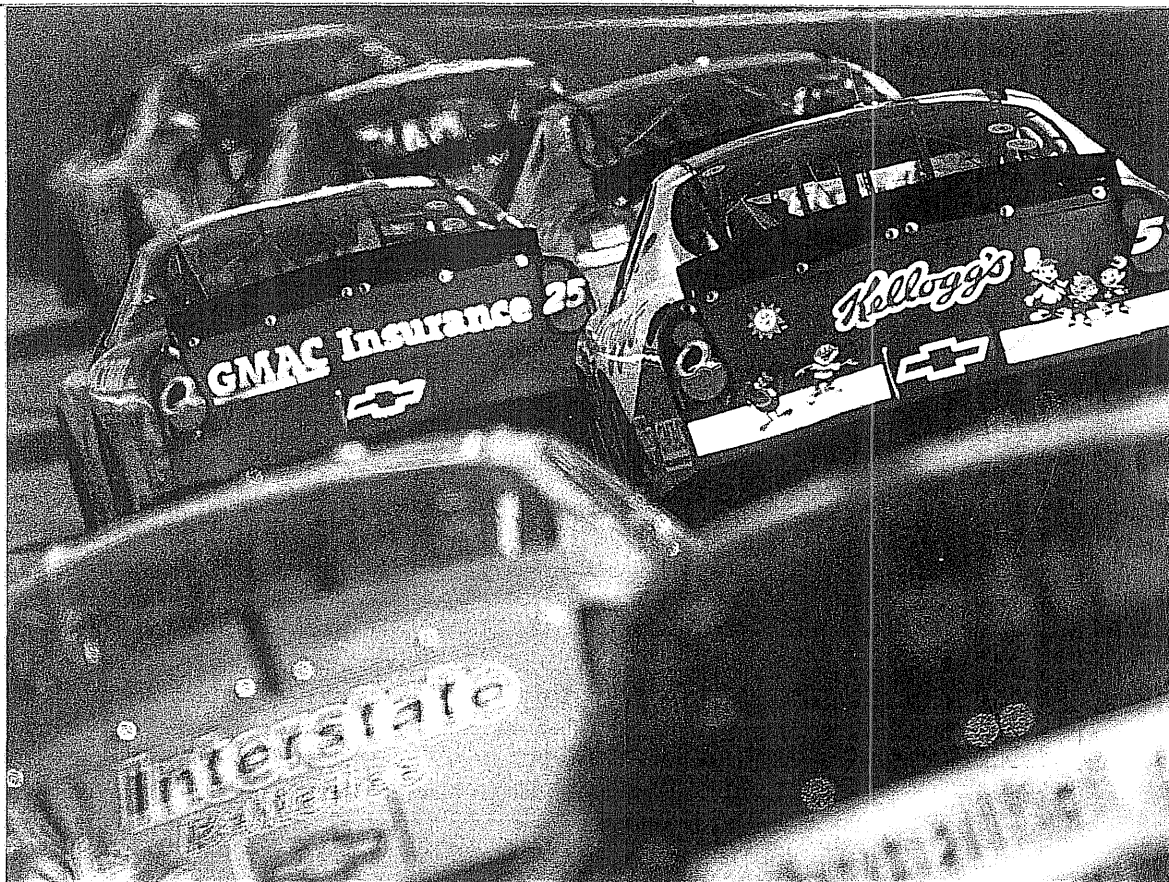
As for the stereotypes, throw them away. NASCAR is now the second-highest rated regular season sport on TV—only the NFL draws more viewers—and races are seen in 150 countries in 23 languages. NASCAR fans are young, affluent, and decidedly family oriented—40 percent are women. What's more, they are 75 million strong—according to one survey, one in three Americans follows NASCAR. Most important, fans are passionate about NASCAR. A hardcore NASCAR fan spends nearly $700 a year on NASCAR-related clothing, collectibles, and other items. NASCAR has even become a cultural force, as politicians scramble to gain the favor of a powerful demographic dubbed "NASCAR dads."

What's NASCAR's secret? Its incredible success results from a single-minded focus: creating lasting customer relationships. For fans, the NASCAR relationship develops through a careful blend of live racing events, abundant media coverage, and compelling Web sites.

Each year, fans experience the adrenalin-charged, heart-stopping excitement of NASCAR racing firsthand by attending national tours to some two dozen tracks around the country. NASCAR races attract the largest crowds of any U.S. sporting event. About 240,000 people attended the recent Daytona 500, far more than attended the Super Bowl, and the Allstate Brickyard 400 sells out its more than 300,000 seats each year. Last year alone, NASCAR events captured 306 million television viewers.

At these events, fans hold tailgate parties, camp and cook out, watch the cars roar around the track, meet the drivers, and swap stories with other NASCAR enthusiasts. Track facilities even include RV parks next to and right inside the racing oval. Marvels one sponsor, "[In] what other sport can you drive your beat-up RV or camper into the stadium and sit on it to watch the race?" NASCAR really cares about its customers and goes out of its way to show them a good time. For example, rather than fleecing fans with over-priced food and beer, NASCAR tracks encourage fans to bring their own. Such actions mean that NASCAR might lose a sale today, but it will keep the customer tomorrow.

To further the customer relationship, NASCAR makes the sport a wholesome family affair. The environment is safe for kids—uniformed security guards patrol the




track to keep things in line. The family atmosphere extends to the drivers, too. Unlike the aloof and often distant athletes in other sports, NASCAR drivers seem like regular guys. They are friendly and readily available to mingle with fans and sign autographs. Fans view drivers as good role models, and the long NASCAR tradition of family involvement creates the next generation of loyal fans.

Can't make it to the track? No problem. An average NASCAR event reaches 18 million TV viewers. Well-orchestrated coverage and in-car cameras put fans in the middle of the action, giving them vicarious thrills that keep them glued to the screen. "When the network gets it right, my surround-sound bothers my neighbors but makes my ears happy," says Angela Kotula, a 35-year-old human resources professional.

NASCAR also delivers the NASCAR experience through its engaging Web sites. NASCAR.com serves up a glut of information and entertainment—in-depth news, driver bios, background information, online games, community discussions, and merchandise. True die-hard fans can subscribe to TrackPass to get up-to-the-minute standings, race video, streaming audio from the cars, and access to a host of archived audio and video highlights. TrackPass with PitCommand even delivers a real-time data feed, complete with the GPS locations of cars and data from drivers' dashboards.

But a big part of the NASCAR experience is the feeling that the sport, itself, is personally accessible. Anyone who knows how to drive feels that he or she, too, could be a champion NASCAR driver. As 48-year-old police officer Ed Sweat puts it: "Genetics did not bless me with the height of a basketball player, nor was I born to have the bulk of a

## Objectives

After studying this chapter, you should be able to

1. define marketing and outline the steps in the marketing process
2. explain the importance of understanding customers and the marketplace, and identify the five core marketplace concepts
3. identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy
4. discuss customer relationship management, and identify strategies for creating value *for* customers and capturing value *from* customers in return
5. describe the major trends and forces that are changing the marketing landscape in this age of relationships

lineman in the NFL. But . . . on any given Sunday, with a rich sponsor, the right car, and some practice, I could be draftin' and passin', zooming to the finish line, trading paint with Tony Stewart. . . . Yup, despite my advancing age and waistline, taking Zocor, and driving by a gym . . . I could be Dale Jarrett!"

Ultimately, such fan enthusiasm translates into financial success for NASCAR, and for its sponsors. Television networks pay on average $555 million per year for the rights to broadcast NASCAR events. With everything from NASCAR-branded bacon and its own series of Harlequin romance novels to NASCAR-branded bikinis, the sport is third in licensed merchandise sales, behind only the NFL and the NCAA. NASCAR itself sells $2 billion in merchandise a year. And marketing studies show that NASCAR's fans are more loyal to the sport's sponsors than fans of any other sport. They are three times more to likely seek out and buy sponsor's products and services than nonfans, and 72 percent of NASCAR fans consciously purchase sponsors' products because of the NASCAR connection.

Just ask Ted Wuebben, a big fan of NASCAR driver Rusty Wallace, whose car is sponsored by Miller beer. "I only drink Miller Lite," he says, "not because it tastes great or it's less filling, but because of Rusty." Or talk to dental hygienist Jenny German, an ardent fan of driver Jeff Gordon. According to one account: "She actively seeks out any product he endorses. She drinks Pepsi instead of Coke, eats Edy's ice cream for dessert, and owns a pair of Ray-Ban sunglasses. 'If they sold underwear with the number 24 on it, I'd have it on,' German says."

Because of such loyal fan relationships, NASCAR has attracted more than 250 big-name sponsors, from Wal-Mart, Home Depot, and Target to Procter & Gamble, UPS, Coca-Cola, and the U.S. Army. In all, corporations spend more than $1 billion a year for NASCAR sponsorships and promotions. Sprint Nextel is shelling out $750 million over a span of ten years to be a NASCAR sponsor and to put its name on the Nextel Cup series. "I could pay you $1 million to try and not run into our name at a NASCAR race and you would lose," says a Nextel spokesperson. Other sponsors eagerly pay up to $20 million per year to sponsor a top car and to get their corporate colors and logos emblazoned on team uniforms and on the hoods or side panels of team cars. Or they pay $3 million to $5 million a year to become the "official" (fill-in-the-blank) of NASCAR racing. Is it worth the price? Office Depot certainly thinks so. It began sponsoring a car when its surveys showed that 44 percent of rival Staples' customers would switch office supply retailers if Office Depot hooked up with NASCAR.

So if you're still thinking of NASCAR as rednecks and moonshine, you'd better think again. NASCAR is a premier marketing organization that knows how to create customer value that translates into deep and lasting customer relationships. "Better than any other sport," says a leading sports marketing executive, "NASCAR listens to its fans and gives them what they want." In turn, fans reward NASCAR and its sponsors with deep loyalty and the promise of lasting profits.[1]

Today's successful companies have one thing in common: Like NASCAR, they are strongly customer focused and heavily committed to marketing. These companies share a passion for satisfying customer needs in well-defined target markets. They motivate everyone in the organization to help build lasting customer relationships through superior customer value and satisfaction. As Wal-Mart founder Sam Walton once asserted: "There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."

## What Is Marketing?

Marketing, more than any other business function, deals with customers. Although we will soon explore more-detailed definitions of marketing, perhaps the simplest definition is this one: Marketing is *managing profitable customer relationships*. The twofold goal of marketing is to attract new customers by promising superior value and to keep and grow current customers by delivering satisfaction.

Wal-Mart has become the world's largest retailer, and one of the world's largest companies, by delivering on its promise, "Always low prices. Always!" At Disney theme parks, "imagineers" work wonders in their quest to "make a dream come true today." Dell leads the personal computer industry by consistently making good on its promise to "be direct." Dell makes it easy for customers to custom-design their own computers and have them delivered quickly to their doorsteps or desktops. These and other highly successful companies know that if they take care of their customers, market share and profits will follow.

Sound marketing is critical to the success of every organization. Large for-profit firms such as Procter & Gamble, Toyota, Target, Apple, and Marriott use marketing. But so do not-for-profit organizations such as colleges, hospitals, museums, symphony orchestras, and even churches.

You already know a lot about marketing—it's all around you. You see the results of marketing in the abundance of products in your nearby shopping mall. You see marketing in the advertisements that fill your TV screen, spice up your magazines, stuff your mailbox, or enliven your Web pages. At home, at school, where you work, and where you play, you see marketing in almost everything you do. Yet, there is much more to marketing than meets the consumer's casual eye. Behind it all is a massive network of people and activities competing for your attention and purchases.

This book will give you a complete introduction to the basic concepts and practices of today's marketing. In this chapter, we begin by defining marketing and the marketing process.

## Marketing Defined

What *is* marketing? Many people think of marketing only as selling and advertising. And no wonder—every day we are bombarded with television commercials, direct-mail offers, sales calls, and Internet pitches. However, selling and advertising are only the tip of the marketing iceberg.

Today, marketing must be understood not in the old sense of making a sale—"telling and selling"—but in the new sense of *satisfying customer needs.* If the marketer understands consumer needs; develops products and services that provide superior customer value; and prices, distributes, and promotes them effectively, these products will sell easily. In fact, according to management guru Peter Drucker, "The aim of marketing is to make selling unnecessary."[2] Selling and advertising are only part of a larger "marketing mix"—a set of marketing tools that work together to satisfy customer needs and build customer relationships.

Broadly defined, marketing is a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others. In a narrower business context, marketing involves building profitable, value-laden exchange relationships with customers. Hence, we define **marketing** as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.[3]

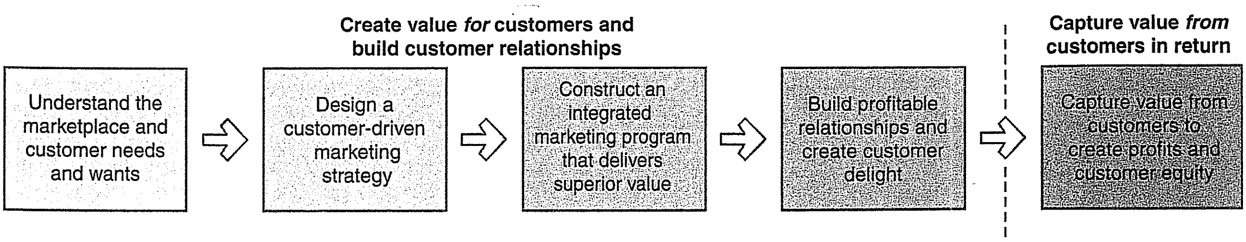
**Marketing**
The process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.

## The Marketing Process

Figure 1.1 presents a simple five-step model of the marketing process. In the first four steps, companies work to understand consumers, create customer value, and build strong customer relationships. In the final step, companies reap the rewards of creating superior customer value. By creating value *for* consumers, they in turn capture value *from* consumers in the form of sales, profits, and long-term customer equity.

In this and the next chapter, we will examine the steps of this simple model of marketing. In this chapter, we will review each step but focus more on the customer relationship steps—understanding customers, building customer relationships, and capturing value from customers. In Chapter 2, we'll look more deeply into the second and third steps—designing marketing strategies and constructing marketing programs.

**FIGURE 1.1** **A simple model of the marketing process**



# Understanding the Marketplace and Customer Needs

As a first step, marketers need to understand customer needs and wants and the marketplace within which they operate. We now examine five core customer and marketplace concepts: (1) *needs, wants, and demands*; (2) *marketing offerings (products, services, and experiences)*; (3) *value and satisfaction*; (4) *exchanges and relationships*; and (5) *markets*.

## Customer Needs, Wants, and Demands

**Needs**
States of felt deprivation.

**Wants**
The form human needs take as shaped by culture and individual personality.

**Demands**
Human wants that are backed by buying power.

The most basic concept underlying marketing is that of human needs. Human **needs** are states of felt deprivation. They include basic *physical* needs for food, clothing, warmth, and safety; *social* needs for belonging and affection; and *individual* needs for knowledge and self-expression. These needs were not created by marketers; they are a basic part of the human makeup.

**Wants** are the form human needs take as they are shaped by culture and individual personality. An American *needs* food but *wants* a Big Mac, french fries, and a soft drink. A person in Mauritius *needs* food but *wants* a mango, rice, lentils, and beans. Wants are shaped by one's society and are described in terms of objects that will satisfy needs. When backed by buying power, wants become **demands**. Given their wants and resources, people demand products with benefits that add up to the most value and satisfaction.

Outstanding marketing companies go to great lengths to learn about and understand their customers' needs, wants, and demands. They conduct consumer research and analyze mountains of customer data. Their people at all levels—including top management—stay close to customers. For example, at Southwest Airlines, all senior executives handle bags, check in passengers, and serve as flight attendants once every quarter. Harley-Davidson's chairman regularly mounts his Harley and rides with customers to get feedback and ideas. And at Build-A-Bear, one of the country's fastest-growing retailers, founder and chief executive Maxine Clark visits two or three of her more than 200 stores each week, meeting customers, chatting with employees, and just getting to know the preteens who buy her products. "I'm on a lot of online buddy lists," she says.[4]

## Market Offerings—Products, Services, and Experiences

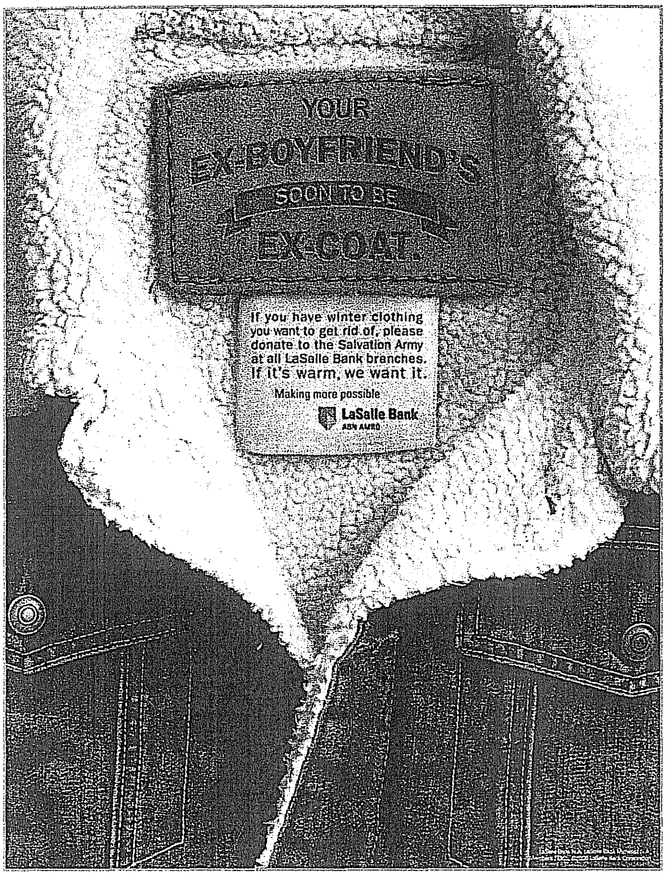
**Market offering**
Some combination of products, services, information, or experiences offered to a market to satisfy a need or want.

Consumers' needs and wants are fulfilled through a **market offering**—some combination of products, services, information, or experiences offered to a market to satisfy a need or want. Market offerings are not limited to physical *products*. They also include *services*, activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything. Examples include banking, airline, hotel, tax preparation, and home repair services. More broadly, market offerings also include other entities, such as *persons, places, organizations, information,* and *ideas*. For example, beyond promoting its banking services, LaSalle Bank runs ads asking people to donate used or old winter clothing to the Salvation Army. In this case, the "market offering" is helping to keep those who are less fortunate warm.

**Marketing myopia**
The mistake of paying more attention to the specific products a company offers than to the benefits and experiences produced by these products.

Many sellers make the mistake of paying more attention to the specific products they offer than to the benefits and experiences produced by these products. These sellers suffer from **marketing myopia**. They are so taken with their products that they focus only on existing wants and lose sight of underlying customer needs.[5] They forget that a product is only a tool to solve a consumer problem. A manufacturer of quarter-inch drill bits may think that the customer needs a drill bit. But what the customer *really* needs is a quarter-inch hole. These sellers will have trouble if a new product comes along that serves the customer's need better or less expensively. The customer will have the same *need* but will *want* the new product.

Smart marketers look beyond the attributes of the products and services they sell. By orchestrating several services and products, they create *brand experiences* for consumers. For example, Walt Disney World is an experience; so is a ride on a Harley-Davidson motorcycle. And you don't just watch a NASCAR race; you immerse yourself in the NASCAR experience. Says A. G. Lafley, CEO of Procter & Gamble, "Consumers want more than attributes and benefits, and even solutions. They want delightful shopping, usage, and service experiences they look forward to, time after time." P&G's Mr. Clean brand "Doesn't ask, 'How can we help to get customers' floors and toilets cleaner?' No, the more inspiring questions is, 'How can we give customers their Saturday mornings back?' "[6]




Market offerings are not limited to physical products. For example, LaSalle Bank runs ads asking people to donate used or old winter clothing to the Salvation Army. In this case, the "marketing offer" is helping to keep those who are less fortunate warm.

Similarly, Hewlett-Packard recognizes that a personal computer is much more than just a collection of wires and electrical components. It's an intensely personal user experience: "There is hardly anything that you own that is *more* personal. Your personal computer is your backup brain. It's your life. . . . It's your astonishing strategy, staggering proposal, dazzling calculation. It's your autobiography, written in a thousand daily words."[7]

## Customer Value and Satisfaction

Consumers usually face a broad array of products and services that might satisfy a given need. How do they choose among these many market offerings? Customers form expectations about the value and satisfaction that various market offerings will deliver and buy accordingly. Satisfied customers buy again and tell others about their good experiences. Dissatisfied customers often switch to competitors and disparage the product to others.

Marketers must be careful to set the right level of expectations. If they set expectations too low, they may satisfy those who buy but fail to attract enough buyers. If they raise expectations too high, buyers will be disappointed. Customer value and customer satisfaction are key building blocks for developing and managing customer relationships. We will revisit these core concepts later in the chapter.

## Exchanges and Relationships

Marketing occurs when people decide to satisfy needs and wants through exchange relationships.

**Exchange**
The act of obtaining a desired object from someone by offering something in return.

**Exchange** is the act of obtaining a desired object from someone by offering something in return. In the broadest sense, the marketer tries to bring about a response to some market offering. The response may be more than simply buying or trading products and services. A political candidate, for instance, wants votes, a church wants membership, an orchestra wants an audience, and a social action group wants idea acceptance.

Marketing consists of actions taken to build and maintain desirable exchange *relationships* with target audiences involving a product, service, idea, or other object. Beyond simply attracting new customers and creating transactions, the goal is to retain customers and grow their business with the company. Marketers want to build strong relationships by consistently delivering superior customer value. We will expand on the important concept of managing customer relationships later in the chapter.

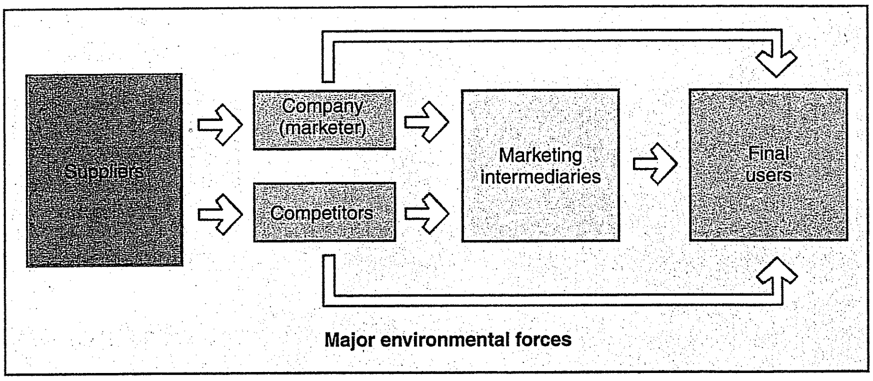
## Markets

**Market**
The set of all actual and potential buyers of a product or service.

The concepts of exchange and relationships lead to the concept of a market. A **market** is the set of actual and potential buyers of a product. These buyers share a particular need or want that can be satisfied through exchange relationships.

Marketing means managing markets to bring about profitable customer relationships. However, creating these relationships takes work. Sellers must search for buyers, identify their needs, design good market offerings, set prices for them, promote them, and store and deliver them. Activities such as product development, research, communication, distribution, pricing, and service are core marketing activities.

**FIGURE 1.2**
**Elements of a modern marketing system**




Although we normally think of marketing as being carried on by sellers, buyers also carry on marketing. Consumers do marketing when they search for the goods they need at prices they can afford. Company purchasing agents do marketing when they track down sellers and bargain for good terms.

Figure 1.2 shows the main elements in a modern marketing system. In the usual situation, marketing involves serving a market of final consumers in the face of competitors. The company and the competitors send their respective offers and messages to consumers, either directly or through marketing intermediaries. All of the actors in the system are affected by major environmental forces (demographic, economic, physical, technological, political/legal, and social/cultural).

Each party in the system adds value for the next level. All of the arrows represent relationships that must be developed and managed. Thus, a company's success at building profitable relationships depends not only on its own actions but also on how well the entire system serves the needs of final consumers. Wal-Mart cannot fulfill its promise of low prices unless its suppliers provide merchandise at low costs. And Ford cannot deliver high quality to car buyers unless its dealers provide outstanding sales and service.

## Designing a Customer-Driven Marketing Strategy

**Marketing management**
The art and science of choosing target markets and building profitable relationships with them.

Once it fully understands consumers and the marketplace, marketing management can design a customer-driven marketing strategy. We define **marketing management** as the art and science of choosing target markets and building profitable relationships with them. The marketing manager's aim is to find, attract, keep, and grow target customers by creating, delivering, and communicating superior customer value.

To design a winning marketing strategy, the marketing manager must answer two important questions: *What customers will we serve (what's our target market)?* and *How can we serve these customers best (what's our value proposition)?* We will discuss these marketing strategy concepts briefly here, and then look at them in more detail in the next chapter.

### Selecting Customers to Serve

The company must first decide *who* it will serve. It does this by dividing the market into segments of customers (*market segmentation*) and selecting which segments it will go after (*target marketing*). Some people think of marketing management as finding as many customers as possible and increasing demand. But marketing managers know that they cannot serve all customers in every way. By trying to serve all customers, they may not serve any customers well. Instead, the company wants to select only customers that it can serve well and profitably. For example, Nordstrom stores profitably target affluent professionals; Family Dollar stores profitably target families with more modest means.

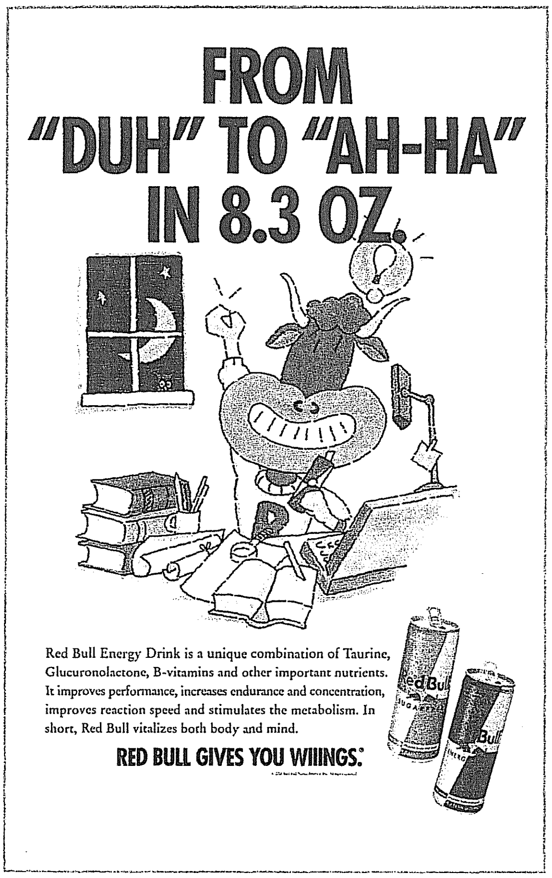
Some marketers may even seek *fewer* customers and reduced demand. For example, many power companies have trouble meeting demand during peak usage periods. In these and other cases of excess demand, companies may practice *demarketing* to reduce the number of customers or to shift their demand temporarily or permanently. For instance, to reduce demand for space on congested expressways in Washington, D.C., the Metropolitan Washington Council of Governments has set up a Web site encouraging commuters to carpool and use mass transit (www.commuterconnections.org).[8]

Thus, marketing managers must decide which customers they want to target and the level, timing, and nature of their demand. Simply put, marketing management is *customer management* and *demand management.*

## Choosing a Value Proposition

The company must also decide how it will serve targeted customers—how it will *differentiate and position* itself in the marketplace. A company's *value proposition* is the set of benefits or values it promises to deliver to consumers to satisfy their needs. Saab promises driving performance and excitement: "Born from jets . . . you can learn what it's like to fly without ever leaving the ground." By contrast, Subaru provides safety: "Air bags save lives. All-wheel drive saves air bags. It's what makes a Subaru a Subaru." Propel Fitness Water by Gatorade is "made for bodies in motion." Red Bull energy drink, on the other hand, helps you fight mental and physical fatigue. It captures 70 percent of the energy drink market by promising "It gives you wiiings!"

Such value propositions differentiate one brand from another. They answer the customer's question "Why should I buy your brand rather than a competitor's?" Companies must design strong value propositions that give them the greatest advantage in their target markets.




Value propositions: Red Bull Energy Drink "vitalizes both body and mind. It Gives You Wiiings."

## Marketing Management Orientations

Marketing management wants to design strategies that will build profitable relationships with target consumers. But what *philosophy* should guide these marketing strategies? What weight should be given to the interests of customers, the organization, and society? Often, these interests conflict.

There are five alternative concepts under which organizations design and carry out their marketing strategies: the *production, product, selling, marketing,* and *societal marketing concepts.*

### The Production Concept

The **production concept** holds that consumers will favor products that are available and highly affordable. Therefore, management should focus on improving production and distribution efficiency. This concept is one of the oldest orientations that guides sellers.

The production concept is still a useful philosophy in some situations. For example, computer maker Lenovo dominates the highly competitive, price-sensitive Chinese PC market through low labor costs, high production efficiency, and mass distribution. However, although useful in some situations, the production concept can lead to marketing myopia. Companies adopting this orientation run a major risk of focusing too narrowly on their own operations and losing sight of the real objective—satisfying customer needs and building customer relationships.

**Production concept**
The idea that consumers will favor products that are available and highly affordable and that the organization should therefore focus on improving production and distribution efficiency.

### The Product Concept

The **product concept** holds that consumers will favor products that offer the most in quality, performance, and innovative features. Under this concept, marketing strategy focuses on making continuous product improvements.

**Product concept**
The idea that consumers will favor products that offer the most quality, performance, and features and that the organization should therefore devote its energy to making continuous product improvements.

Product quality and improvement are important parts of most marketing strategies. However, focusing *only* on the company's products can also lead to marketing myopia. For example, some manufacturers believe that if they can "build a better mousetrap, the world will beat a path to their door." But they are often rudely shocked. Buyers may well be looking for a better solution to a mouse problem but not necessarily for a better mousetrap. The better solution might be a chemical spray, an exterminating service, or something that works better than a mousetrap. Furthermore, a better mousetrap will not sell unless the manufacturer designs, packages, and prices it attractively; places it in convenient distribution channels; brings it to the attention of people who need it; and convinces buyers that it is a better product.

## The Selling Concept

**Selling concept**
The idea that consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort.

Many companies follow the **selling concept**, which holds that consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort. The concept is typically practiced with unsought goods—those that buyers do not normally think of buying, such as insurance or blood donations. These industries must track down prospects and sell them on product benefits.

Such aggressive selling, however, carries high risks. It focuses on creating sales transactions rather than on building long-term, profitable customer relationships. The aim often is to sell what the company makes rather than making what the market wants. It assumes that customers who are coaxed into buying the product will like it. Or, if they don't like it, they will possibly forget their disappointment and buy it again later. These are usually poor assumptions.

## The Marketing Concept

**Marketing concept**
The marketing management philosophy that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do.

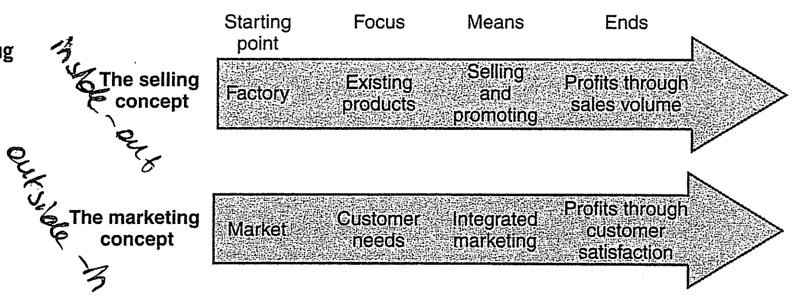
The **marketing concept** holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do. Under the marketing concept, customer focus and value are the *paths* to sales and profits. Instead of a product-centered "make and sell" philosophy, the marketing concept is a customer-centered "sense and respond" philosophy. It views marketing not as "hunting," but as "gardening." The job is not to find the right customers for your product, but to find the right products for your customers.

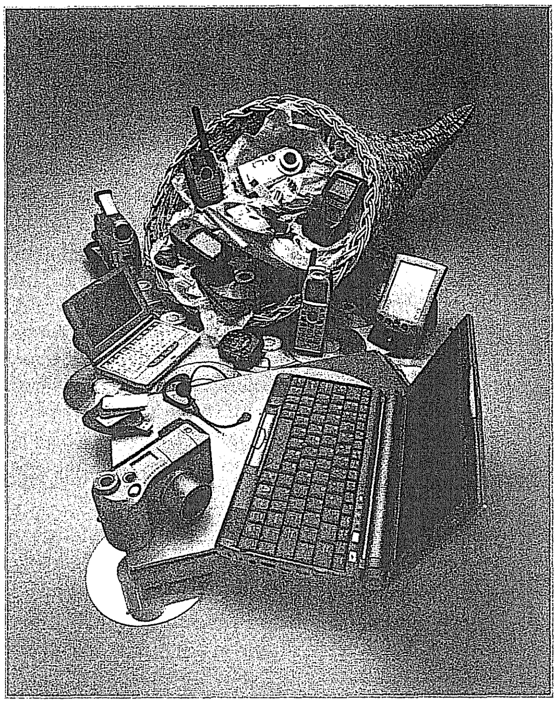
Figure 1.3 contrasts the selling concept and the marketing concept. The selling concept takes an *inside-out* perspective. It starts with the factory, focuses on the company's existing products, and calls for heavy selling and promotion to obtain profitable sales. It focuses primarily on customer conquest—getting short-term sales with little concern about who buys or why.

In contrast, the marketing concept takes an *outside-in* perspective. As Herb Kelleher, Southwest Airlines' colorful CEO, puts it, "We don't have a marketing department; we have a customer department." And in the words of one Ford executive, "If we're not customer driven, our cars won't be either."[9] The marketing concept starts with a well-defined market, focuses on customer needs, and integrates all the marketing activities that affect customers. In turn, it yields profits by creating lasting relationships with the right customers based on customer value and satisfaction.

Implementing the marketing concept often means more than simply responding to customers' stated desires and obvious needs. *Customer-driven* companies research current cus-

**FIGURE 1.3**
**The selling and marketing concepts contrasted**





Customer-driving marketing: Even 20 years ago, how many consumers would have thought to ask for now-commonplace products such as cell phones, personal digital assistants, notebook computers, iPods, and digital cameras? Marketers must often understand customer needs even better than the customers themselves do.

tomers deeply to learn about their desires, gather new product and service ideas, and test proposed product improvements. Such customer-driven marketing usually works well when a clear need exists and when customers know what they want.

In many cases, however, customers *don't* know what they want or even what is possible. For example, even 20 years ago, how many consumers would have thought to ask for now-commonplace products such as cell phones, notebook computers, iPods, digital cameras, 24-hour online buying, and satellite navigation systems in their cars? Such situations call for *customer-driving* marketing—understanding customer needs even better than customers themselves do and creating products and services that meet existing and latent needs, now and in the future. As an executive at 3M puts it: "Our goal is to lead customers where they want to go before *they* know where they want to go."

## The Societal Marketing Concept

The **societal marketing concept** questions whether the pure marketing concept overlooks possible conflicts between consumer *short-run wants* and consumer *long-run welfare.* Is a firm that satisfies the immediate needs and wants of target markets always doing what's best for consumers in the long run? The societal marketing concept holds that marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's *and the society's* well-being.

**Societal marketing concept** A principle of enlightened marketing that holds that a company should make good marketing decisions by considering consumers' wants, the company's requirements, consumers' long-run interests, and society's long-run interests.

Consider the fast-food industry. You may view today's giant fast-food chains as offering tasty and convenient food at reasonable prices. Yet many consumer nutritionists and environmental groups have voiced strong concerns. They point to fast feeders such as Hardee's, who are promoting monster meals such as the Monster Thickburger—two 1/3-pound slabs of Angus beef, four strips of bacon, three slices of American cheese, and mayonnaise on a buttered bun, delivering 1,420 calories and 102 grams of fat. And McDonald's and Burger King still cook their fried foods in oils that are high in artery-clogging trans fats. Such unhealthy fare, the critics claim, is leading consumers to eat too much of the wrong foods, contributing to a national obesity epidemic. What's more, the products are wrapped in convenient packaging, but this leads to waste and pollution. Thus, in satisfying short-term consumer wants, the highly successful fast-food chains may be harming consumer health and causing environmental problems in the long run.[10]

As Figure 1.4 shows, companies should balance three considerations in setting their marketing strategies: company profits, consumer wants, *and* society's interests. Johnson & Johnson does this well. Its concern for societal interests is summarized in a company document called

**FIGURE 1.4**
**Three considerations underlying the societal marketing concept**