



Principles of **MARKETING**

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Principles of **MARKETING**

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GLOBAL EDITION

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Northwestern University

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University of North Carolina

with

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St. Gallen Management Institute



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Dedication

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

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About the Authors

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

Philip Kotler is S.C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University. He received his master's degree at the University of Chicago and his Ph.D. at M.I.T., both in economics. Dr. Kotler is the author of *Marketing Management* (Pearson), now in its fifteenth edition and the most widely used marketing textbook in graduate schools of business worldwide. He has authored more than 50 other successful books and has published more than 150 articles in leading journals. He is the only three-time winner of the coveted Alpha Kappa Psi award for the best annual article in the *Journal of Marketing*.

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

Dr. Kotler has served as chairman of the College on Marketing of the Institute of Management Sciences, a director of the American Marketing Association, and a trustee of the Marketing Science Institute. He has consulted with many major U.S. and international companies in the areas of marketing strategy and planning, marketing organization, and international marketing.

He has traveled and lectured extensively throughout Europe, Asia, and South America, advising companies and governments about global marketing practices and opportunities.

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

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

Marc Oliver Opresnik is Professor of Marketing and Management and Member of the Board of Directors at SGMI St. Gallen Management Institute, a leading international business school. In addition, he is Professor of Business Administration at Luebeck University of Applied Sciences as well as a visiting professor to international universities such as the European Business School in London and East China University of Science and Technology in Shanghai. He has 10 years of experience working in senior management and marketing positions for Shell International Petroleum Co. Ltd. and is the author of numerous articles and books. Along with Kevin Keller and Phil Kotler, he is co-author of the German edition of *Marketing Management*. In addition, he is a co-editor and member of the editorial board of several international journals such as *Transnational Marketing*, *Journal of World Marketing Summit Group*, and *International Journal of New Technologies in Science and Engineering*. He was also appointed Chief Research Officer at Kotler Impact Inc., Philip Kotler's international company. His responsibilities include the global development, planning, implementation, and management of university courses and executive training as well as global research initiatives and cooperations.

As president of his consulting firm Opresnik Management Consulting, Professor Opresnik works as a coach, keynote speaker, and consultant for numerous institutions, governments, and international corporations, including Google, Coca-Cola, McDonald's, Dräger, RWE, SAP, Porsche, Audi, Volkswagen, Shell International Petroleum Co. Ltd., Procter & Gamble, Unilever, L'Oréal, Bayer, BASF, and Adidas. More than 100,000 people have benefited professionally and personally from his work as a coach in seminars on marketing, sales, and negotiation and as a speaker at conferences all over the world, including locations like St. Gallen, Davos, St. Moritz, Berlin, Houston, Moscow, London, Paris, Dubai, and Tokyo.

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Preface

The Seventeenth Edition of Kotler/Armstrong's *Principles of Marketing!* Setting the World Standard in Marketing Education

These are exciting times in marketing. Recent surges in digital technologies have created a new, more engaging, more connected marketing world. Beyond traditional tried-and-true marketing concepts and practices, today's marketers have added a host of new-age tools for engaging consumers, building brands, and creating customer value and relationships. In these digital times, sweeping advances in "the Internet of Things"—from social and mobile media, connected digital devices, and the new consumer empowerment to "big data" and new marketing analytics—have profoundly affected both marketers and the consumers they serve.

All around the world—across five continents, more than 40 countries, and 24 languages—students, professors, and business professionals have long relied on Kotler/Armstrong's *Principles of Marketing* as the most-trusted source for teaching and learning about the latest developments in basic marketing concepts and practices. More than ever, the seventeenth edition introduces new marketing students to the fascinating world of modern marketing in a complete and authoritative yet fresh, practical, and engaging way.

Once again, we've added substantial new content and poured over every page, table, figure, fact, and example in order to make this the best text from which to learn about and teach marketing. Enhanced by MyMarketingLab, our online homework and personalized study tool, the seventeenth edition of *Principles of Marketing* remains the world standard in introductory marketing education.

Marketing: Creating Customer Value and Engagement in the Digital and Social Age

Top marketers share a common goal: putting the consumer at the heart of marketing. Today's marketing is all about creating customer value and engagement in a fast-changing, increasingly digital and social marketplace.

Marketing starts with understanding consumer needs and wants, determining which target markets the organization can serve best, and developing a compelling value proposition by which the organization can attract and grow valued consumers. Then, more than just making a sale, today's marketers want to *engage* customers and build deep customer relationships that make their brands a meaningful part of consumers' conversations and lives.

In this digital age, to go along with their tried-and-true traditional marketing methods, marketers have a dazzling set of new online, mobile, and social media tools for engaging customers anytime, anyplace to jointly shape brand conversations, experiences, and community. If marketers do these things well, they will reap the rewards in terms of market share, profits, and customer equity. In the seventeenth edition of *Principles of Marketing*, you'll learn how *customer value* and *customer engagement* drive every good marketing strategy.

What's New in the Seventeenth Edition?

We've thoroughly revised the seventeenth edition of *Principles of Marketing* to reflect the major trends and forces that affect marketing in this digital age of customer value, engagement, and relationships. Here are just some of the major and continuing changes you'll find in this edition.

- The seventeenth edition adds fresh coverage in both traditional marketing areas and on fast-changing and trending topics such as customer engagement marketing, mobile and social media, big data and the new marketing analytics, the Internet of Things, omni-channel marketing and retailing, customer co-creation and empowerment, real-time customer listening and marketing, building brand community, marketing content creation and native advertising, B-to-B social media and social selling, monetizing social media, tiered and dynamic pricing, consumer privacy, sustainability, global marketing, and much more.
- This new edition continues to build on its *customer engagement* framework—creating direct and continuous customer involvement in shaping brands, brand conversations, brand experiences, and brand community. New coverage and fresh examples throughout the text address the latest customer engagement tools, practices, and developments. See especially Chapter 1 (refreshed sections on *Customer Engagement and Today's Digital and Social Media* and *Consumer-Generated Marketing*); Chapter 4 (big data and real-time research to gain deeper customer insights); Chapter 5 (creating social influence and customer community through digital and social media marketing); Chapter 9 (customer co-creation and customer-driven new-product development); Chapter 13 (omni-channel retailing); Chapters 14 and 15 (marketing content curation and native advertising); Chapter 16 (sales force social selling); and Chapter 17 (direct digital, online, social media, and mobile marketing).
- No area of marketing is changing faster than online, mobile, social media, and other digital marketing technologies. Keeping up with digital concepts, technologies, and practices has become a top priority and major challenge for today's marketers. The seventeenth edition of *Principles of Marketing* provides thoroughly refreshed, up-to-date coverage of these explosive developments in every chapter—from online, mobile, and social media engagement technologies discussed in Chapters 1, 5, 14, 15, and 17 to “real-time listening” and “big data” research tools in Chapter 4, real-time dynamic pricing in Chapter 11, omni-channel retailing in Chapter 13, and social selling in Chapter 16. A Chapter 1 section on *The Digital Age: Online, Mobile, and Social Media Marketing* introduces the exciting new developments in digital and social media marketing. Then a Chapter 17 section on *Direct, Online, Social Media, and Mobile Marketing* digs more deeply into digital marketing tools such as online sites, social media, mobile ads and apps, online video, email, blogs, and other digital platforms that engage consumers anywhere, anytime via their computers, smartphones, tablets, internet-ready TVs, and other digital devices.
- The seventeenth edition continues to track fast-changing developments in marketing communications and the creation of marketing content. Marketers are no longer simply creating integrated marketing communications programs; they are joining with customers and media to curate customer-driven marketing content in paid, owned, earned, and shared media. You won't find fresher coverage of these important topics in any other marketing text.
- The seventeenth edition of *Principles of Marketing* continues to improve on its innovative learning design. The text's active and integrative presentation includes learning enhancements such as annotated chapter-opening stories, a chapter-opening objective outline, explanatory author comments on major chapter sections and figures, and Real Marketing highlights that provide in-depth examples of marketing concepts and practices at work. The chapter-opening layout helps to preview and position the chapter and its key concepts. Figures annotated with author comments help students to simplify and organize chapter material. New and substantially revised end-of-chapter features help to summarize important chapter concepts and highlight important themes, such as marketing ethics, financial marketing analysis, and online, mobile, and social media marketing. This innovative learning design facilitates student understanding and eases learning.
- The seventeenth edition provides 18 new end-of-chapter company cases by which students can apply what they learn to actual company situations. It also features 16 new video cases, with brief end-of-chapter summaries and discussion questions. Finally, all of the chapter-opening stories, Real Marketing highlights, and end-of-chapter features in the seventeenth edition are either new or revised.
- New material throughout the seventeenth edition highlights the increasing importance of *sustainable marketing*. The discussion begins in Chapter 1 and ends in Chapter 20,

which pulls marketing together under a sustainable marketing framework. In between, frequent discussions and examples show how sustainable marketing calls for socially and environmentally responsible actions that meet both the immediate and the future needs of customers, companies, and society as a whole.

- The seventeenth edition provides new discussions and examples of the growth in *global marketing*. As the world becomes a smaller, more competitive place, marketers face new global marketing challenges and opportunities, especially in fast-growing emerging markets such as China, India, Brazil, Africa, and others. You'll find much new coverage of global marketing throughout the text, starting in Chapter 1 and discussed fully in Chapter 19.

Five Major Customer Value and Engagement Themes

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

1. **Creating value for customers in order to capture value from customers in return.** Today's marketers must be good at *creating customer value*, *engaging customers*, and *managing customer relationships*. Outstanding marketing companies understand the marketplace and customer needs, design value-creating marketing strategies, develop integrated marketing programs that engage customers and deliver value and satisfaction, and build strong customer relationships and brand community. In return, they capture value from customers in the form of sales, profits, and customer equity.
This innovative *customer-value and engagement framework* is introduced at the start of Chapter 1 in a five-step marketing process model, which details how marketing *creates* customer value and *captures* value in return. The framework is carefully developed in the first two chapters and then fully integrated throughout the remainder of the text.
2. **Customer Engagement and Today's Digital and Social Media.** New digital and social media have taken today's marketing by storm, dramatically changing how companies and brands engage consumers and how consumers connect and influence each other's brand behaviors. The seventeenth edition introduces and thoroughly explores the contemporary concept of *customer engagement marketing* and the exciting new digital and social media technologies that help brands to engage customers more deeply and interactively. It starts with two major Chapter 1 sections: *Customer Engagement and Today's Digital and Social Media* and *The Digital Age: Online, Mobile, and Social Media*. A refreshed Chapter 17 on *Direct, Online, Social Media, and Mobile Marketing* summarizes the latest developments in digital engagement and relationship-building tools. Everywhere in between, you'll find revised and expanded coverage of the exploding use of digital and social tools to create customer engagement and build brand community.
3. **Building and managing strong, value-creating brands.** Well-positioned brands with strong brand equity provide the basis upon which to build customer value and profitable customer relationships. Today's marketers must position their brands powerfully and manage them well to create valued brand experiences. The seventeenth edition provides a deep focus on brands, anchored by a Chapter 8 section on *Branding Strategy: Building Strong Brands*.
4. **Measuring and managing return on marketing.** Especially in uneven economic times, marketing managers must ensure that their marketing dollars are being well spent. In the past, many marketers spent freely on big, expensive marketing programs, often without thinking carefully about the financial returns on their spending. But all that has changed rapidly. "Marketing accountability"—measuring and managing marketing return on investment—has now become an important part of strategic marketing decision making. This emphasis on marketing accountability is addressed in Chapter 2, in Appendix 2 (*Marketing by the Numbers*), and throughout the seventeenth edition.
5. **Sustainable marketing around the globe.** As technological developments make the world an increasingly smaller and more fragile place, marketers must be good at marketing their brands globally and in sustainable ways. New material throughout the

seventeenth edition emphasizes the concepts of global marketing and sustainable marketing—meeting the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs. The seventeenth edition integrates global marketing and sustainability topics throughout the text. It then provides focused coverage on each topic in Chapters 19 and 20, respectively.

An Emphasis on Real Marketing and Bringing Marketing to Life

Principles of Marketing, seventeenth edition, takes a practical marketing-management approach, providing countless in-depth, real-life examples and stories that engage students with marketing concepts and bring modern marketing to life. In the seventeenth edition, every chapter has an engaging opening story plus *Real Marketing* highlights that provide fresh insights into real marketing practices. Learn how:

- Samsung’s passion for creating superb online customer experiences has made it a poster child for direct and digital marketing.
- Nestlé has set up a customer-driven new product development process for finding and growing new market offerings while living up to its vision to make its products tastier and healthier.
- Apple’s outstanding success has never been about prices; it’s always been about creating “life-feels-good” user experiences that make its products fly off the shelves despite their premium prices.
- Emirates became a lifestyle brand by changing the way it reached out to customers. It framed itself as connecting peoples and cultures, creating meaningful experiences.
- Lenovo’s global success is rooted in its deep and sound understanding of customers and its ability to build profitable relationships. Its business model is thus built on customer satisfaction, innovation, and operational efficiency.
- Philips has realized that assessing multiple factors for change is vital to the understanding of current and probable future shifts in a marketing environment that is continuously shifting.
- Ferrero successfully analyzes and uses marketing information and customer insights to better tailor its offerings to the local market.
- Zara’s control of the entire distribution chain, from design and production to its own worldwide distribution network, has turned the brand into the world’s fastest-growing retailer.
- App-based car sharing service Uber is radically reshaping urban transportation channels in cities around the globe, but it is now facing stiff competition from local rivals like Careem.
- Industrial giant GE has unleashed a remarkable array of digital and social media content that connects the brand with its business customers and positions the 130-year-old company as a youthful, contemporary technology leader in the new digital industrial era.
- High-flying Mountain Dew is “Doin’ the Dew” with brand superfans to build a passionately loyal and engaged brand community. It doesn’t just market to customers; it makes them partners in building the brand.

Beyond such features, each chapter is packed with countless real, engaging, and timely examples that reinforce key concepts. No other text brings marketing to life like the seventeenth edition of *Principles of Marketing*.

Learning Aids That Create Value and Engagement

A wealth of chapter-opening, within-chapter, and end-of-chapter learning devices help students to learn, link, and apply major concepts:

- *Integrated chapter-opening preview sections.* The active and integrative chapter-opening spread in each chapter starts with a *Chapter Preview*, which briefly previews chapter concepts, links them with previous chapter concepts, and introduces the chapter-opening story. This leads to a chapter-opening vignette—an engaging, deeply developed, illustrated, and annotated marketing story that introduces the chapter material and sparks student interest. Finally, an *Objective Outline* provides a helpful preview of chapter contents and learning objectives, complete with page numbers.
- *Real Marketing highlights.* Each chapter contains two carefully developed highlight features that provide an in-depth look at real marketing practices of large and small companies.
- *Author comments and figure annotations.* Each figure contains author comments that ease student understanding and help organize major text sections.
- *Reviewing and Extending the Concepts.* Sections at the end of each chapter summarize key chapter concepts and provide questions and exercises by which students can review and apply what they've learned. The *Objectives Review and Key Terms* section reviews major chapter concepts and links them to chapter objectives. It also provides a helpful listing of chapter key terms by order of appearance with page numbers that facilitate easy reference. A *Discussion and Critical Thinking* section provides discussion questions and critical thinking exercises that help students to keep track of and apply what they've learned in the chapter.
- *Applications and Cases.* *Brief Online, Mobile, and Social Media Marketing; Marketing Ethics;* and *Marketing by the Numbers* sections at the end of each chapter provide short applications cases that facilitate discussion of current issues and company situations in areas such as mobile and social marketing, ethics, and financial marketing analysis. A *Video Case* section contains short vignettes with discussion questions to be used with a set four- to seven-minute videos that accompanied the seventeenth edition. End-of-chapter *Company Case* sections provide all-new or revised company cases that help students to apply major marketing concepts to real company and brand situations.
- *Marketing Plan appendix.* Appendix 1 contains a sample marketing plan that helps students to apply important marketing planning concepts.
- *Marketing by the Numbers appendix.* An innovative Appendix 2 provides students with a comprehensive introduction to the marketing financial analysis that helps to guide, assess, and support marketing decisions. An exercise at the end of each chapter lets students apply analytical and financial thinking to relevant chapter concepts and links the chapter to the *Marketing by the Numbers* appendix.

More than ever before, the seventeenth edition of *Principles of Marketing* creates value and engagement for you—it gives you all you need to know about marketing in an effective and enjoyable total learning package!

A Total Teaching and Learning Package

A successful marketing course requires more than a well-written book. Today's classroom requires a dedicated teacher, well-prepared students, and a fully integrated teaching system. A total package of teaching and learning supplements extends this edition's emphasis on creating value and engagement for both the student and instructor. The following aids support *Principles of Marketing*, seventeenth edition.

Instructor Resources

At the Instructor Resource Center, www.pearsonglobaleditions.com/kotler, instructors can easily register to gain access to a variety of instructor resources available with this text in downloadable format. If assistance is needed, a dedicated technical support team is ready to help with the media supplements that accompany the text. Visit <http://support.pearson.com/getsupport> for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available with this text:

- **Instructor's Resource Manual**
- **Test Bank**
- **TestGen[®] Computerized Test Bank**
- **PowerPoint Presentation**

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