Marketing Management 17th edition Kotler Solutions Manual

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CHAPTER 1 *DEFINING MARKETING FOR THE NEW REALITIES*

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

1.1 Define the scope of marketing.
1.2 Describe the new marketing realities.
1.3 Explain the role of marketing in an organization.
1.4 Illustrate how to organize and manage a modern marketing department.

CHAPTER 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. Companies aim to create value by marketing goods, services, events, experiences, persons, places, properties, organizations, information, and ideas. Firms must constantly move forward. At greatest risk are those companies that fail to continually improve their value offerings and marketing strategies.
3. Today's marketplace is fundamentally different as a result of major societal forces that have resulted in many new consumer and company capabilities. In particular, technology, globalization, and social responsibility have created new opportunities and challenges and significantly changed marketing management. Companies seek the right balance of tried-and-true methods with breakthrough new approaches to achieve marketing excellence.

4. The holistic marketing concept is based on the development, design, and implementation of marketing programs, processes, and activities that are grounded on breadth and interdependencies. Holistic marketing recognizes that everything matters in marketing and that a broad, integrated perspective is often necessary. The four components of holistic marketing are relationship marketing, integrated marketing, internal marketing, and performance marketing.

OPENING THOUGHT

Good marketing is no accident. It is both an art and a science, and it results from careful planning and execution using state-of-the-art tools and techniques. Skillful marketers are continually updating classic practices and inventing new ones to find creative, practical

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ways to adapt to new marketing realities. In this chapter, we lay the foundation for sound marketing practices by reviewing important marketing concepts, tools, frameworks, and issues. Marketing applies to a variety of different areas and is increasingly involving many levels of the organization. Students who are not marketing majors may have some difficulty accepting the encompassing role that marketing has on the other functional disciplines within a firm. For those students who have never been exposed to marketing and its components, the instructor's challenge is to educate the students about the world of marketing.

TEACHING STRATEGY AND CLASS ORGANIZATION

PROJECTS

1. Semester-Long Marketing Plan Project
   An effective way to help students learn about marketing management is through the actual creation of a marketing plan for a product or service. This project is designed to accomplish such a task.

   Dividing the class into groups, have each group decide on a "fictional" consumer product or service they wish to bring to market. During the course of the semester, each of the elements of the marketing plan, coordinating with the text chapter, will be due for the instructor's review. The instructor is encouraged to review each submission and suggest areas for improvement, for more detailed study, or if acceptable, to allow the students to proceed to the next phase in development. Students can use a computer program in creating their proposals and submissions and in their final presentation(s). At the end of the semester, each group is to present their entire marketing plan to the class.

The following is an outline of this process:

Chapter #	Title	Element of the Marketing Plan Due
1	Defining Marketing for the New Realities	None; group formation and begin the process of selecting the product or service.
2	Marketing Planning and Management	Formation of groups; first presentation of "product" to instructor for approval.
3	Analyzing Consumer Markets	Definitive data on the consumer for the product/service including all demographic and other pertinent information obtained and ready for instructor's approval.
4	Analyzing Business Markets	No report due for this chapter; allows students and instructor to "catch up" on the project.
5	Conducting Marketing Research	Initial marketing research parameters completed; demand forecasted and target market selections defined.

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6	Identifying Market Segments and Target Customers	Specific market segmentation, targeting, and positioning statements by the students due.
7	Crafting a Customer Value Proposition and Positioning	At this point in the semester, student projects should include their fictional product or service's brand positioning. In relationship to the material contained in the chapter, students should have delineated and designed a differentiated brand positioning for their project.
8	Designing and Managing Products	At this point in the semester-long project, students should have set their group project's product or service strategy. Instructors are to evaluate their submissions on the product (or service) features, quality, and price and other considerations of "product" found in this chapter.
9	Designing and Managing Services	At this point in the semester-long project, those students who have selected a "service" idea for the marketing plan must submit their offering. Students whose project is a "product-based" component do not have anything to submit for this chapter.
10	Building Strong Brands	At this point in the semester, students are to have their "branding" strategy developed for their project. Questions to have been completed include the brand name, its equity position, and the decisions in developing the brand strategy.
11	Managing Pricing and Sales Promotions	At this point in the semester-long project, students should be prepared to hand in their pricing strategy decisions for their fictional product/service. In reviewing this section, the instructor should make sure that the students have addressed all or most of the material concerning pricing covered in this chapter.
12	Managing Marketing Communications	At this point in the semester-long project, students should have agreed upon their communication campaign that spans different media. The instructor is encouraged to evaluate the submissions vis-à-vis the material presented in this chapter. In reviewing the submissions, the

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		instructor should evaluate the continuity of the message across all possible communication media. (Students will tend to concentrate their media on television or on the internet and exclude other forms such as personal selling and radio.)
13	Designing an Integrated Marketing Campaign in the Digital Age	At this point in the semester-long project, students should submit their advertising program including proposal for digital communications. The instructor is encouraged to evaluate the submissions vis-à-vis the material presented in this chapter.
14	Personal Selling and Direct Marketing	At this point in the semester-long project, students who have decided to market their product/service through direct market channels should submit their proposals. All other groups must decide at this point if they will use a direct sales force, and if so, to outline the specifics (including financials) for this option.
15	Designing and Managing Distribution Channels	At this point in the semester-long project, students should present their channel decisions for getting their product or service to the consumer. In evaluating this section, the instructor should evaluate the completeness of the projects to the material contained in this chapter.
16	Managing Retailing	At this point in the semester-long project for the "fictional" product or service, students should be directed to turn in their retailing, wholesaling, and logistical marketing plans. Those students who are acting in the role of providing a new "service" should include here their plans for locations, hours of operations, and how their "service" plans on managing demand and capacity issues.
17	Driving Growth in Competitive Markets	At this point in the semester-long project, students should be prepared to present their competitive analysis. Who are the market leaders for their chosen product or service? What niche have they identified for their product/service? Is their product or service going to be a leader, follower, or challenger to well-established products or brands?

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18	Developing New Market Offerings	At this point in the semester-long project, in this section should be a brief write up by the students as to the consumer-adoption process for their new product. How will the consumer learn about their new product and how quickly will they adopt it? Will the product be targeted to the heavy users and early adopters first, then early and late majorities? What is their estimated time for full adoption?
19	Building Customer Loyalty	Students should have completed their value proposition for the fictional product, defined how they will deliver satisfaction, and maintain customer loyalty.
20	Tapping into Global Markets	If the project is to be exported to another country, then students' submissions regarding the cultural factors that need to be considered should be done here.
21	Socially Responsible Marketing	Second phase of the presentations of the project; students should ensure that their marketing plans contain a holistic view of the marketing process.

Under the projects heading for each chapter will be a reminder of the material due when that chapter is scheduled to be discussed in class.

ASSIGNMENTS

In small groups, ask the students to review the annual report from Unilever. How do the missions discussed in the opening vignette translate into their current business practices? How are its marketing investments and initiatives affecting its profitability? What conclusions can you draw from Unilever's progress?

Assign students the task of visiting a company's websites to see if they feel that the company is responding to the changes in marketing today, namely, societal marketing. Suggestions include firms like Tom's (shoes) and Ben and Jerry's Ice Cream. Have the students comment on what they find on the sites that are of particular interest to them.

Students can choose a firm of their preference, interview key marketing management members, and ask the firm how they are reacting to the changes in marketing management for the new realities.

Have the students read:
Mobile Advertising: https://www.tapjoy.com/lp/mobile-advertising-that-works/?utm_feeditemid=&utm_device=c&utm_term=%2Bmobile%20%2Badvertising&utm_source=google&utm_medium=ppc&utm_campaign=&hsa_cam=6481850327&hsa_grp=10

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Have the students reflect upon their favorite product and/or service. Then have the students collect marketing examples from each of these companies. This information should be in the form of examples of printed advertising, copies of television commercials, internet advertising, or radio commercials. During class, have the students share what they have collected with others. Questions to ask during the class discussion should focus on why this particular example of advertising elicits a response from the students. What do students like/dislike about this marketing message? Does everyone in the class like/dislike this advertising?

END-OF-CHAPTER SUPPORT

Marketing Spotlight: The Walt Disney Company

1. How does Disney create value for its customers?

Suggested answer: Disney has focused on the value-creation dynamic that sets it apart from its competitors. The *Disney Difference,* based on high standards of quality and recognition, stems from one of Walt Disney's most recognizable quotes: "Whatever you do, do it well. Do it so well that when people see you do it, they will want to come back and see you do it again and they will want to bring others and show them how well you do what you do." Walt Disney lets customers visit a fairy kingdom, a pirateship, or a haunted house. Customized experiences include a week at a baseball camp. The Disney Difference also refers to its commitment to superlative customer service.

2. How is Disney a good marketer? What have been their keys to marketing success?

Suggested answer: Disney works hard to connect with its customers on a multitude of levels and through every single detail. For example, when visiting Disney world, employee "cast members" are trained to be "assertively friendly" and greet visitors by waving big Mickey Mouse hands, giving maps to adults and stickers to kids, and cleaning up the park so diligently that it's difficult to find a piece of garbage anywhere. With so many brands characters, and businesses, Disney uses technology to ensure that a customer's experience is consistent across every platform. The Disney Company expanded through a series of large acquisitions that gave it more world-class properties to propagate across its platforms.

3. How can the Walt Disney Company keep the Disney brand timely and timeless?

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Suggested answer: Benefits: The company thought of creative new ways to target its core family-oriented consumers and expand into areas that would reach an older audience. Disney launched the Disney Channel, Touchstone Pictures, and Touchstone Television. Risks: One major risk for Disney is the effect of the COVID-19 pandemic, because travel to Disney parks was severely curtailed. This affected the business unit *Parks, Experiences and Consumer Products,* which brings Disney's stories, characters, and franchises to life through parks and resorts, toys, apps, apparel, books, and stores. Disney's greatest challenge today is keeping its 90-year-old brand relevant and current, while retaining its core audience and staying true to its heritage and fundamental brand values. With each acquisition, Disney extended the intellectual property into different contexts such as the TV series "Cars on the Road."

Marketing Spotlight: Microsoft

1. **What are the core strengths of the Microsoft brand?**

   Suggested answer: Three of Microsoft's biggest brand strengths are empowerment, innovation, and ubiquity. For empowerment, the company's mission is "to empower every person and every organization on the planet to achieve more." Throughout its history, its products have powered personal and professional productivity, from its early operating systems and its Office suite, through to its cloud computing and AI copilot offerings.

   For innovation, Microsoft has popularized major successive waves of innovation. It played a key role in fueling adoption of the PC, office productivity software, the internet browser, console video games, tablet computers, cloud computing and generative AI, though it largely missed out on the mobile phone revolution.

   In terms of ubiquity, for decades Microsoft products have been so broadly adopted that new customers can have a high degree of confidence in them. When they buy a Microsoft product, customers knowing that they are joining a user base in the millions to hundreds of millions, depending on the product.

2. **How is Microsoft a good marketer? What have been their keys to marketing success?**

   Suggested answer: Microsoft has a proven track record of identifying technology trends and capitalizing on them by building products with mass appeal. The company anticipated the rise of PCs and created the dominant software for that era. More recently Microsoft positioned itself at the forefront of each of the two major tech innovations of the past decade: Cloud computing and AI. In addition, it has continued to evolve its product portfolio to meet the evolving needs of its personal and professional customers. For example, as users transitioned to the cloud, Microsoft introduced cloud versions of its operating system and office suite. As of 2024, the Windows 365 cloud version surpassed $1 billion in annual revenue and the Office 365 cloud version had 400 million paying subscribers. Furthermore,

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it has carefully built Microsoft as a strong corporate brand, going back to its initial advertising that communicated the company's range of products, from DOS to Excel and Windows, and unified them under the Microsoft brand. As part of Office 365, Microsoft developed a competitor to the successful team collaboration platform called Microsoft Teams, which grew to 320 million monthly active users by 2023.

3. **What are Microsoft's biggest challenges going forward? What steps should they take to address them?**

Suggested answer: Student answers may vary and include one or more of the following challenges: intense competition, a complex regulatory environment, and future technology disruption. Each of these challenges has hurt Microsoft's business in the past and poses significant threats for the future. Answers about the competitive challenge may include the importance of staying close to customers to understand their future needs, innovating new products to meet those needs, making strategic acquisitions to capture new opportunities or address gaps in the product portfolio, and leveraging Microsoft's scale and brand familiarity to win business. Answers about the regulatory challenge can touch on the importance of learning from the past antitrust cases and being cautious about bundling its offerings. Answers for the technology disruption challenge may include the value of forming partnerships early in the lifecycle of a new technology, as the company has done with AI, and of making additional acquisitions.

Marketing Spotlight: Microsoft

DETAILED CHAPTER OUTLINE

Opening vignette: Beleza Natural was created by two courageous women who ended up revolutionizing the Brazilian beauty market. Assis and Velez set out to find a solution that would bring out the beauty of textured hair. They realized that they were on the right track when women began stopping them on the streets to ask how they got their curls so well defined. Convinced that they had found a solution to an acute problem faced by many women. Over the next decades, Beleza Natural grew from a single store to a national chain of 33 institutes with over 4,000 employees serving 160,000 customers per month. Marketing is both an art and a science, and results from careful planning and execution using state-of-the-art tools and techniques.

I. The Scope of Marketing

A. What Is Marketing?
   i. Marketing is about identifying and meeting human and social needs.
   ii. Marketing is about meeting needs in a way that harmonizes with the goals of the organization.
   iii. When IKEA saw that people wanted good furnishings at lower prices, it created

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knockdown furniture.

iv. The concept of value is central to marketing management.

v. Social definition of marketing: *Marketing is a societal process by which individuals fulfill their needs by creating and freely exchanging products and services of value with others.*

vi. The managerial definition of marketing *describes marketing as the art and science of identifying, attracting, and retaining customers through creating, delivering, and communicating superior customer value*

vi. Selling is *not* the most important part of marketing; the aim of marketing is to know and understand the customer so well that the product or service fits perfectly and sells itself.

B. What Is Marketed? Marketing Permeates All Aspects of Society

i. Ten main types of entities: goods, services, events, experiences, persons, places, properties, organizations, information, and ideas

ii. Goods: physical goods include food products, cars, refrigerators, televisions, machines, and other mainstays of a modern economy

iii. Services: represent approximately 2/3 of the U.S. economy, including airlines, hotels, maintenance and repair people, accountants, bankers, doctors, and management consultants

iv. Events: time-based, global, and local events

v. Experiences: marketers orchestrate several services and goods to create, stage, and market experiences

vi. Persons: artists, musicians, CEOs, physicians, high-profile lawyers and financiers, and other professionals often get help from marketers, and each person has been advised to become a "brand"

vii. Places: cities, states, regions, and nations

viii. Properties: intangible rights of ownership to either real property (real estate) or financial property (stocks and bonds)

ix. Organizations: museums, performing arts organizations, corporations, and nonprofits that use marketing to boost their public images and compete for audiences and funds

x. Information: what books, schools, and universities produce, market, and distribute at a price to parents, students, and communities

xi. Ideas: Every market offering includes a basic idea. Products and services are platforms for delivering some idea or benefit.

xii. Financial success often depends on marketing ability. Marketing's value extends to society as a whole. 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.

xiii. Innovation in marketing is critical. Imaginative ideas on strategy exist in many places within a company.

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II. The New Marketing Realities (See Fig. 1.1)

A. The Four Major Market Forces

i. The marketplace is dramatically different from even 10 years ago, with new marketing behaviors, opportunities, and challenges emerging.

ii. Technology: Technological developments have given birth to new business models that take advantage of the new capabilities. Advances in data analytics, machine learning, and artificial intelligence have enabled companies to better understand their customers.

a. Artificial Intelligence (AI) has revolutionized the marketing landscape by enabling step change improvements in personalization, efficiency and data analytics.

b. The rapid development of AI is profoundly changing the business environment. AI-enabled marketing accounted for 45 percent of global advertising spending in 2022. In 2023, 62 percent of marketers said their companies used AI.

iii. Globalization: Geographic and political barriers have been eroded as advanced telecommunication technologies and workflow platforms enable all types of computers to work together to create opportunities for communication, collaboration, and data mining.

a. Globalization has made countries increasingly multicultural.

b. Globalization changes innovation and product development as companies take ideas and lessons from one country and apply them to another.

iv. The physical environment has changed during the past decade. Twparticularly far-ranging changes include climate change and changes in global health conditions.

v Social responsibility: The private sector is taking some responsibility for improving living conditions, and firms all over the world have elevated the role of social responsibility.

vi. Because marketing's effects extend to society as a whole, marketers must consider the ethical, environmental, legal, and social context of their activities.

vii. 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.

viii. Marketers must think holistically and craft creative win–win solutions to balance conflicting demands.

B. The Three Key Marketing Outcomes

i. New Consumer Capabilities

a. Consumers can use online resources as a powerful information and purchasing aid.

b. Consumers can search, communicate, and purchase on the move.

c. Consumers can tap into social media to share opinions and express loyalty.

d. Consumers can make better decisions.

e. Consumers can actively interact with companies.

f. Consumers can reject marketing they find inappropriate or annoying.

g. Consumers can extract more value from what they already own.

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ii. New Company Capabilities
    a. Companies increasingly use the internet as their key online communication and distribution channel
    b. Companies can collect fuller and richer market information.
    c. Companies can reach customers more efficiently
    d. Companies can improve cost efficiency.

iii. New Competitive Environment
    a. Deregulation. Many countries have deregulated industries to create greater competition and growth opportunities. In the United States, laws restricting financial services, telecommunications, and electric utilities have all been loosened in the spirit of greater competition. The belief is that competition is the driver of efficiency innovation and consumer welfare.
    b. Privatization. Many countries have converted public companies to private ownership and management to increase their efficiency.
    c. Retail transformation. Store-based retailers face competition from catalog houses; direct-mail firms; newspaper, magazine, and TV direct-to-customer ads; home-shopping TV networks; and e-commerce. The blend of entertainment and retail called "retailment" marks a pivotal shift in competitive strategies.
    d. Disintermediation. Direct-to-consumer start-ups have altered the competitive landscape by cutting out intermediaries in the flow of goods and services.
    e. Private labels. Brand manufacturers are further buffeted by powerful retailers that market their own store brands, increasingly indistinguishable from any other type of brand. The rise of private labels represents a significant shift in the competitive dynamics of the retail industry.
    f. Mega-brands. Many strong brands have become mega-brands and extended into related product categories, including new opportunities at the intersection of two or more industries.

C. The Concept of Holistic Marketing (See Fig. 1.2)

i. Holistic marketing recognizes and reconciles the scope and complexities of marketing activities and offers an integrated approach to managing strategy and tactics. Figure 1.2 shows how 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 as data on customer attitudes and sales.

ii. Marketing must be more holistic and less departmental.

iii. Relationship Marketing: Aims to build mutually satisfying long-term relationships with key constituents in order to earn and retain their business.

iv. Four key constituents for relationship marketing are customers, employees, marketing partners, and members of the financial community (shareholders, investors, analysts).

v. The ultimate outcome of relationship marketing is a marketing network consisting of the company and its supporting stakeholders with whom it has built mutually profitable business relationships.

vi. Integrated Marketing coordinates all marketing activities and marketing programs and directs them toward creating, communicating, and delivering

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consistent value and a consistent message for consumers, such that "the whole is greater than the sum of its parts."

vii. An integrated channel strategy should assess each channel option for its direct effect on product sales and brand equity, as well as its indirect effect on interactions with other channel options.

viii. Internal marketing, an element of holistic marketing, is the task of hiring, training, and motivating able employees who want to serve customers well.

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

x. Performance Marketing: Requires understanding the financial and nonfinancial returns to business and society from marketing activities and programs.

xi. 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.

xii. They also consider the legal, ethical, social, and environmental effects of marketing activities and programs.

III. The Role of Marketing in the Organization

A. Marketing as Value Creation. A key task for any business is defining the role that marketing will play in the organization. See Table 1.

i. The Production Concept: Suggests consumers prefer products that are widely available and inexpensive. Management aims for high production efficiency, low costs, and mass distribution.

ii. The Product Concept: Consumers favor products offering the most quality, performance, or innovative features. Managers may commit the "better mousetrap" fallacy, believing a better product will by itself lead people to beat a path to their door.

iii. The Selling Concept: 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.

iv. The Marketing Concept:Find the right products for your customers. 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.

v. The market-value concept is a holistic approach, based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies.

B. Building a Customer-Oriented Organization

i. Creating a superior customer experience has become a priority for companies in nearly every industry.

ii. Managers who believe the customer is the company's only true "profit center" consider the traditional organization chart in Fig. 1.3(a)—a pyramid with the president at the top, management in the middle, and frontline people and customers

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at the bottom—to be obsolete.

iii. Successful marketing companies transform the traditional organization-hierarchy chart to look like the chart in Fig. 1.3(b). A company's top priority is customers; next in importance are the frontline people who meet, serve, and satisfy these customers; then come service managers, whose job is to support the frontline people so they can serve customers well; and finally, there is the top management.

iv. Although it's *necessary* to be customer oriented, it's not *enough.* The organization must also be creative. See Table 1.2.

C. Marketing Insight: The 10 Deadly Marketing Sins

i. The company is not sufficiently market focused and customer driven.

ii. The company does not fully understand its target customers.

iii. The company needs to better define and monitor its competitors.

iv. The company does not properly manage relationships with stakeholders.

v. The company is not good at finding new opportunities.

vi. The company's marketing planning process is deficient.

vii. Product and service policies need tightening.

viii. The company's brand-building and communication skills are weak.

ix. The company is not organized for effective and efficient marketing.

x. The company has not made maximum use of technology.

IV. Organizing and Managing the Marketing Department

A. Organizing the Marketing Department

i. Functional Organization. In the most common form of a marketing organization, functional specialists report to a chief marketing officer who coordinates their activities. See Fig. 1.4.

ii. Geographic Organization. A company selling in a national market often organizes its sales force (and sometimes its marketing) along geographic lines.

iii. Product or Brand Organization. Companies producing a variety of products and brands often establish a product- or brand-management organization. See Fig. 1.5.

iv. Market Organization. Companies often develop diverse products and services to target distinct target markets.

v. Matrix Organization. Companies that produce many products for many markets may adopt a matrix structure employing both product and market managers. The rub is that this choice is costly and often creates conflicts. Another disadvantage is the potential lack of clear focus and accountability.

B. Managing the Marketing Department

i. The Role of the CEO and CMO. Only a select group of companies have historically stood out as master marketers. These companies focus on the customer and are organized to respond effectively to changing needs.

ii. Perhaps the most important role for any CMO is to infuse a customer perspective in business decisions affecting any customer *touch point* (where a customer directly or indirectly interacts with the company).

iii. Relationships with Other Departments. The firm's success depends not only on how well each department performs its work, but also on how well the company coordinates departmental activities to conduct core business processes.

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iv. Given the goal of providing positive customer experiences from start to finish, all areas of the organization need to work effectively together.

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