

# *Marketing*, First Canadian Edition— An integrated, practical approach

We are proud to say that our book integrates the Canadian Marketing Association's definition of marketing. It takes a value-based perspective and emphasizes the process of creating, communicating, and delivering value to customers, as well as managing relationships in ways that benefit both the organization and its stakeholders.

One of the challenges in teaching marketing is that textbooks tend to “chunk” learning by chapter content. While that approach helps students understand the theory related to marketing research, consumer behaviour, or global marketing, it doesn't always allow them to understand the big picture—how all aspects of marketing fit together. We want students to see marketing as an integrated process. To illustrate this, we follow two brands extensively throughout the book—BlackBerry and Dove—from research and product design to pricing and integrated marketing communications. To a lesser extent, we return to other Canadian examples such as Fairmont Hotels and WestJet to show their marketing efforts in a broader context.

A unique perspective that sets this book apart from others is its focus not just on what marketing is, but also on how and why it's done. Content is woven together to ensure that students develop a deep understanding of marketing principles and can apply them to solve marketing challenges, make sound decisions, and formulate strategies. Examples are carried throughout chapters. Inset boxes provide detailed illustrations of ethics, adding value, Internet marketing, as well as entrepreneurial and small business marketing. Student feedback that told our approach “helped to demonstrate the concepts in real scenarios in the business world.” The pedagogy developed in the text is also carried through the Online Learning Centre, which provides Interactive Toolkit Exercises, Videos, Interactive Quizzes, and several other learning supplements.

Our book was tested in classrooms at Wilfrid Laurier University to gauge students' assessments of how well it helped them learn and apply marketing principles. Similarly, more than a dozen students from the University of Ottawa and Carleton University who had recently completed a marketing principles course compared our book to the book used in their course. Feedback from over 700 students told us the book was “very easy to read and understand.” One student wrote, “This would have to be my favourite text I've read in university. I found all the examples and concepts to be so interesting and I truly looked forward to reading the text. I've learned a lot through reading this text and it has made me question whether a career in marketing would be beneficial to me rather than accounting.” Others commented that they “enjoyed the cases and examples because they were current and applicable.” Several students remarked that the smooth flow from theory to example made it extremely easy for them to digest the material without frustration.

Feedback from instructors who used the text was also very favourable. One professor wrote, “I really like the text. I like the writing style for a university student. I like the examples. I especially like the PowerPoint support. I think it is the first time I haven't had to really change much in my prep.”

We're sure you too will find that *Marketing*, First Canadian Edition, truly uses an integrated, practical approach.

# what is *marketing*?

The function of marketing is multi-faceted, but its fundamental purpose is to create value. Consider these examples:

**Not too long ago water was simply one of the most basic natural elements.** It came out of a faucet in your home and was consumed for the purposes of drinking, washing, etc. Taking a cue from European firms like Perrier in France and San Pellegrino in Italy, firms such as Aberfoyle Springs, Clearly Canadian, Canadian Springs, and Montclair have created new products that customers find valuable by bottling water in attractive and easy-to-carry packages. Today, bottled water is a \$35-billion worldwide industry with global consumption topping 154 billion litres, up 57 percent from five years earlier.

**Why do people buy roughed-up jeans for well over a hundred dollars when they could buy Wrangler jeans at Wal-Mart for under twenty?** The answer lies in marketing brand value: Brands such as Diesel and Seven for All Mankind have created a cache for their brands with edgy advertising and innovative washes and styles. When trendsetters start to wear these brands, others follow.

**Regardless of your age, your gender, or the city in which you live, you already know something about marketing.** You have been an involved consumer in the marketing process since childhood when, for example, you accompanied your mother or father to the grocery store and asked to buy a particular brand of cereal because you saw a friend eating it or heard about it on television. The prize inside the box of cereal was of value to you as a child; the nutritional information offered on the box panel was of value to your mother or father. Once you begin to explore the many ways in which companies and brands create value for their customers through marketing, you will also begin to appreciate the complex set of decisions and activities that are necessary to provide you with the products and services you use every day.



# preface

The prevalence and power of the Internet has created a marketplace of more informed and savvy customers than ever before. Those who teach the marketers of the future need to account for the consumer's ability to assess the marketplace at their fingertips and discern good value from poor value. *Marketing*, First Canadian Edition, is all about the core concepts and tools that help marketers create value for customers. Throughout this book you will find many examples that define how companies create value for customers through branding, packaging, pricing, retailing, service, and advertising. We introduce the concept of value in Chapter 1 and carry it through the entire text.

- **The first section** of the text contains four chapters and the central theme of the section is “Assessing the Marketplace.” Following an introduction to marketing in Chapter 1, Chapter 2 then focuses on how a firm develops a marketing plan. A central theme of the chapter is how firms can effectively create, capture, deliver, and communicate value to their customers. Chapter 3 focuses attention on Marketing Ethics and Socially Responsible Marketing. An ethical decision framework is developed and presented, and the key ethical concepts are linked back to the marketing plan introduced in Chapter 2. Finally, Chapter 4 and presented in the Appendix at the end of the text. (Analyzing the Marketing Environment) focuses on how marketers can systematically uncover and evaluate opportunities. Key elements of scenario planning are introduced and presented to demonstrate how to analyze and capitalize on opportunities presented.

## SECTION ONE Assessing the Marketplace

- CHAPTER 1 Overview of Marketing
- CHAPTER 2 Developing Marketing Strategies
- CHAPTER 3 Ethics and Socially Responsible Marketing
- CHAPTER 4 Analyzing the Marketing Environment

- **The second section** of the book deals with “Understanding the Marketplace” and is composed of three chapters. Chapter 5 on Marketing Research and Information Systems identifies the various tools and techniques that marketers use to uncover these needs and ensure that they create goods and services that provide value to their target markets. Chapter 6, Consumer Behaviour, focuses on all aspects of understanding why consumers purchase products and services. The consumer decision process is highlighted. Chapter 7, Business-to-Business Marketing, focuses on all aspects pertaining to why and how business-to-business buying takes place.

## SECTION TWO Understanding the Marketplace

- CHAPTER 5 Marketing Research and Information Systems
- CHAPTER 6 Consumer Behaviour
- CHAPTER 7 Business-to-Business Marketing

- **The third section** of the book deals with “Targeting the Marketplace.” Chapter 8 focuses on Segmentation, Targeting, and Positioning. In this chapter, we focus on how firms segment the marketplace, pick a target market, and then position their good/service in line with their customers’ needs and wants.

### SECTION THREE Targeting the Marketplace

CHAPTER 8 Segmentation, Targeting, and Positioning

- *Marketing*, First Canadian Edition, devotes three chapters to **Value Creation**. The first two, Chapter 9, “Product, Branding, and Packaging Decisions,” and Chapter 10, “Developing New Products” cover the development and management of products and brands. While many of the concepts involved in developing and managing services are similar to those of physical brands, Chapter 11, “Services: The Intangible Product” addresses the unique challenges of the marketing of services.

### SECTION FOUR Value Creation

CHAPTER 9 Product, Branding, and Packaging Decisions

CHAPTER 10 Developing New Products

CHAPTER 11 Services: The Intangible Product

- Pricing is the activity within a firm responsible for **Transacting Value** by bringing in money and affecting revenues. Chapter 12 examines the importance of setting the right price, the relationship between price and quantity sold, break-even analysis, the impact of price wars, and how the Internet has changed the way people shop.

### SECTION FIVE Transacting Value

CHAPTER 12 Pricing Concepts and Strategies: Establishing Value

- One important reason why Wal-Mart has become the world’s largest retailer is their **Value Delivery** system. They time the delivery of merchandise to get to stores just in time to meet customer demand. To achieve this, they have initiated many innovative programs with their vendors and developed sophisticated transportation and warehousing systems. *Marketing*, First Canadian Edition, devotes two chapters to value delivery. Chapter 13 takes a look at marketing channels, distribution strategy, and supply chain, while Chapter 14 concentrates on retailing.

### SECTION SIX Value Delivery: Designing the Marketing Channel and Supply Chain

CHAPTER 13 Marketing Channels: Distribution Strategy

CHAPTER 14 Retailing

- Today's methods of **Value Communication** are more complex because of new technologies that add e-mail, Blogs, Internet, and Podcasts to the advertising mix that once only utilized radio and television to relay messages to consumers. *Marketing*, First Canadian Edition, devotes two chapters to value communication. Chapter 15 introduces the breadth of integrated marketing communications. Chapter 16 is devoted to advertising, sales promotions, and personal selling.

- Most firms are involved in **Global Marketing** at some level. In less than 10 years, Lululemon has been transformed into a global company and a great Canadian success story in the athletic and sportswear industry. But even small entrepreneurial firms are also involved because they get their materials, products, or services from firms located in other countries. Chapter 17 is devoted exclusively to this topic.

## SECTION SEVEN Value Communication

**CHAPTER 15** Integrated Marketing Communications

**CHAPTER 16** Advertising, Sales Promotions and Personal Selling

## SECTION EIGHT: Marketing in the Global Environment

**CHAPTER 17** Global Marketing

### Adding Value

The value theme is integrated throughout the text in the **Adding Value** boxes that occur in each chapter. These features illustrate how firms find ultimate success by adding value to their products and services.

### Adding Value

1.1

### Bottled Water: Commodity or Super Premium?

Creating value isn't always about offering low prices. Take bottled water for example: Is bottled water better than tap water in Canada? Some bottled water begins the same place as the water that comes from your tap and on its label you may see its origin listed as "public source." Canadians are divided on the merits of tap water versus bottled water but it hasn't stopped us from consuming more bottled water than ever. Global consumption of bottled water tops 154 billion litres (41 billion gallons) up 57 percent from the 98 billion litres consumed five years earlier. In 2006, almost 3 out of 10 households drank predominantly bottled water whether they had a private or municipal water source. This boom in consumption has moved the product beyond niche markets and into the mainstream. Bottled water has become a basic staple for many Canadians.

Adding value to a commodity and charging consumers a premium for a product they can get for free from their taps requires an exceptional strategy—and that is precisely what Voss has done—successfully! Voss Artesian Water, which competes in the super premium market, derives its product from underground aquifers shielded for centuries from pollutants by layers of rock and ice. With prices of over \$15 for an 800-ml glass bottle, its value proposition is built on more than just a pristine product. Voss founder, Ole Christian Sandberg and Christopher Harlem, knew that their packaging would also need to reflect the purity of the water source, to define and differentiate their brand. They enlisted the help of Neil Kraft, a former Calvin Klein creative director, who noted that while premium bottled water was purchased to reflect one's style, taste, and sophistication, the bottles on the market were unsophisticated and lacked style. Taking inspiration from the fragrance industry, a unique cylindrical glass

bottle was chosen. The brand name, set in lowercase type, was silk-screened in grey directly on the bottle so as not to obscure the purity of its contents. Even the cap, in silver plastic, the same diameter as the bottle, was unique.

The last part of the company's value-added strategy involved limiting distribution exclusively to upscale establishments: fine restaurants, hotels, clubs, and spas, first in Europe and eventually in North America. Voss quickly gained popularity helped along by its trendy bottle being seen in the hands of worldwide celebrities. Apparently Madonna took a liking to it. On the other hand, NAYA successfully targets ordinary consumers with its simple message of "source of well being." Although Voss and NAYA both sell water, they add value to different customer segments in different ways.



A differentiation strategy that revolves around stunning cylindrical glass bottles and exclusive distribution helped Voss Artesian Water develop a trendy image and significant market share in the super premium market. Meanwhile, Naya targets mainstream consumers using a simple message based on health and well-being.

# Features inside *Marketing*, First Canadian Edition

In addition to our emphasis on value in *Marketing*, First Canadian Edition, you will also find integrated and highlighted coverage of ethics, entrepreneurship, Internet marketing, services, and globalization within the framework of the marketing discipline:

- *Marketing*, First Canadian Edition, contains an entire chapter on **Marketing Ethics**. Placed early in the text (Chapter 3), it provides rich illustrations of corporate responsibility, and introduces an ethical decision-making framework that is useful for assessing potential ethically troubling situations that are posed throughout the rest of the book. It therefore sets the tone for ethical material in each subsequent chapter.

In addition, Chapters 2 to 17 each contain an **Ethical Dilemma box** with a compelling ethical discussion and end of chapter discussion questions that force students to consider and evaluate each situation.

**Ethical Dilemma** 2.1 Lululemon: Bare It All, Even if You Don't Want To!

Not that long ago, Lululemon, Canada's newest fashion outlet for yoga-inspired men's and women's athletic wear, set a precedent by publishing the opening of their new location, Ontario, store. The first 30 customers to enter their store were given a special gift: a free Lululemon outfit. Everyone else had to wait. The first 30 customers to enter their store were given a special gift: a free Lululemon outfit. Everyone else had to wait. The first 30 customers to enter their store were given a special gift: a free Lululemon outfit. Everyone else had to wait.

- **Entrepreneurship**. An entrepreneurial spirit pervades most marketing innovations and is necessary to keep firms growing and healthy. *Marketing*, First Canadian Edition, nurtures that entrepreneurial spirit by providing examples of young entrepreneurial firms and successful entrepreneurs such as Lululemon, Kicking Horse Coffee, Kettleman's Bagels, and more.

And each chapter contains an **Entrepreneurial Marketing box** that depicts recognizable and interesting young entrepreneurial firms.

**Entrepreneurial Marketing** 2.1 Kicking Horse Coffee—Kicking Ass!

Legend has it that the Kicking Horse Tea was one of the first teas to be developed in Canada. It is a blend of many different teas, including the finest teas from the British Columbia tea fields. The tea is brewed in a way that is both healthy and delicious. The tea is brewed in a way that is both healthy and delicious. The tea is brewed in a way that is both healthy and delicious.

**Internet Marketing** 6.1 Evaluating Travel Alternatives with Expedia®

Further explore the growing use of the Internet as a distribution channel as well as a marketing tool.

For example, Chapter 6 includes a discussion of Canada's Expedia.ca as an example of presenting alternatives for travel, by allowing for choices such as by price, interest, date, hotel, and packages, and is a major player on the competitive market today.

**Internet Marketing** 6.1 Evaluating Travel Alternatives with Expedia®

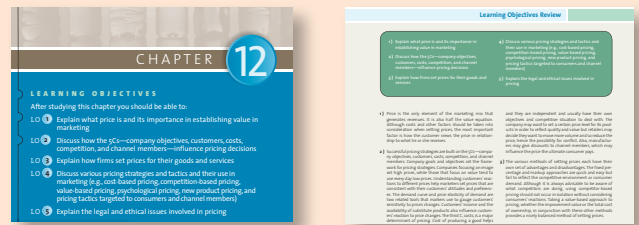
To discover how we evaluate alternatives in a buying decision, consider Expedia.ca. Canada's leading full-service online travel agency. Expedia.ca is a subsidiary of U.S.-based Expedia, Inc., the world's leading online travel agency. The company has a long history of providing high-quality service to its customers. The company has a long history of providing high-quality service to its customers.



# Reinforcing learning

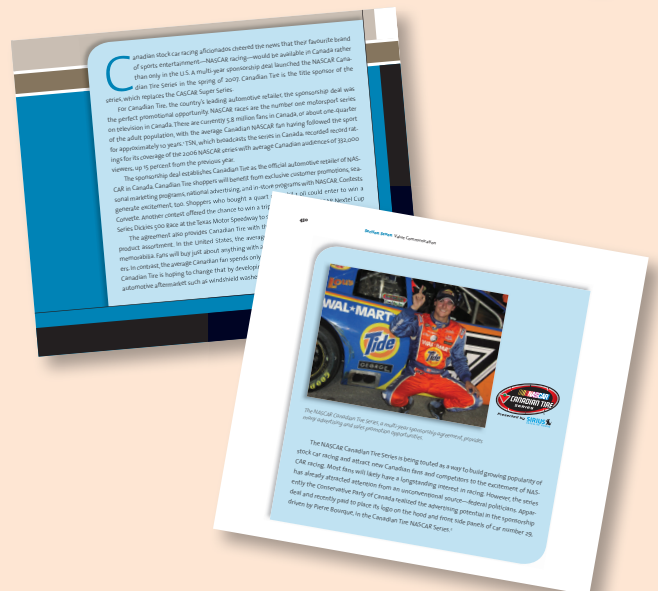
## Learning Objectives

Listed at the beginning of each chapter, **Learning Objectives** show students the main concepts discussed inside. These Learning Objectives are then presented in the margins throughout the chapter when they are introduced. At the end of each chapter, the Learning Objectives are then revisited and reviewed, reinforcing for students the key sections in the chapter, and allowing them to follow their own progress to know where they need help.



## Opening Vignette

Each chapter begins with an Opening Vignette that helps to introduce and illustrate some of the main content that follows. These vignettes have been carefully selected to pique student interest and are designed to provide real world examples of how the theory has been applied by a variety of companies.



## Chapter Roadmap

Each chapter consists of a Chapter Roadmap representing the main steps that describe a chapter. Then in the chapter, each step is explained in detail, allowing students to easily absorb/understand the information. The Chapter Roadmap serves as a useful study tool for students.




# why will **students** enjoy using this book?

- **A Compelling Read.** *Marketing*, First Canadian Edition, was written with the student in mind. The examples are current and appealing, and feature a wide range of products and services that will be recognizable to a diverse group of readers. A draft version of the text was used at Wilfrid Laurier University in the fall of 2007 and received extremely favourable reviews from students.
- **Unique End-of-Chapter Applications and Exercises**
  - **Marketing Applications.** Student-tested at Wilfrid Laurier and University of Ottawa, these Marketing Application questions encourage students to become more critical in their thinking of how marketing theory relates to practice.
  - **Ethical Dilemma.** At least one of the Marketing Applications in each chapter poses an ethical dilemma based on material covered in the chapter. For instance, in Chapter 17 on global marketing, we pose the issue of offshore tax preparation work being done at a local accounting firm that communicates a personal commitment to each customer. Students can apply the ethical decision-making framework introduced in Chapter 3 to these marketing situations.
  - **Net Savvy.** Each chapter contains two exercises that drive students to the Internet to apply material covered in the text. For example, in Chapter 16 on advertising we direct students to the Concerned Children’s Advertisers website, one of the major self-regulatory bodies for children’s advertising at [www.cca-kids.ca/](http://www.cca-kids.ca/). We ask students to choose a PSA and discuss how these ads are used to deliver CCA’s message.
  - **End-of-Chapter Cases.** Each chapter ends with a two or three page case covering a current marketing idea, concept, or company.

- **Online Learning Centre ([www.mcgrawhill.ca/olc/grewal](http://www.mcgrawhill.ca/olc/grewal))**

The Online Learning Centre (OLC) will help students use *Marketing*, First Canadian Edition, effectively, and reinforce what they’ve learned in the text. Some of the features on the OLC include:

- **Interactive Student Toolkit.**  Sophisticated, fun, and instructive, the Tool Kit is a set of interactive exercises that are working models of the concepts presented in the text. An icon in the chapters shows the student where the Tool Kit content can be used and students can go to the OLC for these resources.
- **Videos.** Compelling videos feature firms in the text book such as M&M Meat Shops, Holiday Inn Express, and Netflix. The bottled water industry is also covered in a long segment which integrates several key concepts discussed in the text.
- **Supplemental textbook material**
  - Glossary
  - Chapter Summaries
  - Multiple-Choice questions with feedback



**Marketer's Showdown** is an online, interactive video case program that puts you in the middle of dynamic marketing strategy decision-making with real marketers. Nine cases take you through up-to-the-minute issues in the music industry, the automotive industry, and the soft drink industry.

You get to analyze the marketing problem, choose a proposed solution, and then watch your proposal debated by marketing professionals. After the debate, you can change your mind or stick to your guns. Then see what the outcome is. Just like real life, not every good decision leads to a good outcome! Are you ready to tackle a complex marketing problem? Find out, with Marketer's Showdown.



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**We've created this book and support package to give you the best possible learning experience. We truly hope that you fully enjoy this book and the tools that accompany it.**

# why will **instructors** enjoy using this book?

• **Assessment.**  The **Interactive Student Tool Kit** (see page xxvi) contains up to three gradable assignments on each of the following concepts:

- SWOT Analysis (Chapter 2)
- Compensatory versus Non-compensatory Consumer Decision Making (Chapter 6)
- Vendor Evaluation Analysis (Chapter 7)
- Market Positioning Map (Chapter 8)
- Service Quality (Chapter 11)
- Break-even Analysis (Chapter 12)
- Developing an Advertisement (Chapter 16)

• **Instructor Supplements.** A broad spectrum of high-quality supplements compliment this text, and are available on the Online Learning Centre ([www.mcgrawhill.ca/olc/grewal](http://www.mcgrawhill.ca/olc/grewal)):

- **PowerPoint presentations** for each chapter contain photos, screen captures, key terms, exhibits, and commentaries, to provide visuals in your lectures.
- **Instructor's Manual.** This manual includes lecture notes as well as end-of-chapter solutions, but you will also find additional assignments, examples, and in-class activities that you can use to enhance your lectures.
- **Videos** of more than 15 segments in a variety of lengths will provide flexibility for your class. Firms featured in the videos include M&M Meat Shops, Holiday Inn Express, and Netflix, as well as a long segment on the bottled water industry.

• **Test Bank.** One of the most important aspects of the teaching package is the test bank. *Marketing*, First Canadian Edition, addresses this important resource with a test bank which was designed by a focus group of instructors. It provides more than 100 questions per chapter, each keyed to chapter Learning Objectives and noted for level of difficulty. A mix of true/false, multiple-choice, short answer, and essay questions are included, and labelled as Conceptual, Applied, or Application driven.



• **Integrator.** Keyed to the chapters and Learning Objectives, the Integrator ties together all the elements in your resource package, guiding you to where you'll find corresponding coverage in the supplemental material. Link to the Integrator from the Online Learning Centre, at [www.mcgrawhill.ca/olc/grewal](http://www.mcgrawhill.ca/olc/grewal).



• **iLearning Services** McGraw-Hill Ryerson offers a unique iServices package designed for Canadian faculty. Our mission is to equip higher education providers with superior tools and resources required for excellence in teaching. For additional information, visit [www.mcgrawhill.ca/highereducation/iservices](http://www.mcgrawhill.ca/highereducation/iservices).