

GREWAL / LEVY

# Marketing



# Marketing 5e



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Sincerely,

Dhruv Grewal and Michael Levy

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*This newsletter summarizes article abstracts for the following topics:*

- **Videos**
- **A Real-World Pricing Experiment by Amazon (Chapter 15)**
- **Location-Based Marketing and Pokémon Go (Chapter 1)**
- **How Organic Valley Is Trying to Make the Supply Chain Transparent (Chapter 16)**
- **Whirlpool Raises Appliance Prices in Foreign Markets (Chapters 5, 8)**
- **How a Dollar a Razor Became a \$1 Billion Transaction: The Innovation of the Dollar Shave Club (Chapter 14)**
- **Appealing to Diet Cola Drinkers with Something Like but Unlike Cola (Chapter 11)**
- **What Isn't Intel Inside? (Chapters 7, 18)**
- **Can an Airline Be Both Inexpensive and On Time? (Chapters 13, 15)**
- **Legislative Effects on the (Basketball) Court: How the NBA and its Sponsors Chose to Respond to a Controversial State Law (Chapter 5)**
- **The Large and Growing Market of NotMoms (Chapter 9)**
- **Filling Up Facebook Live by Purchasing Content from Internet Sensations (Chapters 3, 12)**
- **Article/Chapter Index**
- **Preview of the New Features of 5e**



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MARKETING

August 2016



## Videos

### “Supply Chain News: Ford Testing Collaborative Robots on Factory Floor”

- Co-bots (collaborative robots) are installing shock absorbers in Ford automobiles, on the assembly line right next to human workers. Will the collaboration increase acceptance of robots in the supply chain?
- 1:16 minutes
- <http://www.scdigest.com/ONTARGET/16-07-20-1.PHP?cid=10982&ctype=content>



### “The Ballad of the Dreadnought”

- In honor of the centennial of one of its most well-known models, the guitar maker C.F. Martin, in cooperation with an advertising agency, released a 40-minute documentary that is being shown at film festivals around the world. Is it marketing? Is it a documentary? Is it heritage? Is it all of the above?
- 40:00 minutes
- <https://vimeopro.com/user48581009/the-ballad-of-the-dreadnought>
- See also Jack Marshall, “Martin Guitar Tries Long-Form Branded Content with 40-Minute Documentary,” *The Wall Street Journal*, July 22, 2016, <http://www.wsj.com/articles/martin-guitar-tries-long-form-branded-content-with-40-minute-documentary-1469206775>

[Go to top of document](#)



## A Real-World Pricing Experiment by Amazon

David Streitfeld, “Amazon Is Quietly Eliminating List Prices,” *The New York Times*, July 3, 2016  
Use with Chapter 15, “Strategic Pricing Methods”



When a company has access to as much data as Amazon does, it can conduct some interesting experiments with little additional effort. In one of the most notable recent forms, Amazon has been playing around with its provision of list prices, that is, the “regular” price that appears next to a sale price to indicate how much consumers can save by purchasing the item.

Academic and market research have long established that showing customers how much they are saving and prompting perceptions that they are getting a deal causes them to buy. But the vast and widespread use of deal offerings in virtually every retail setting has conditioned consumers. In many cases, people do not buy unless they feel as if they are getting a deal.

The problem arises when sellers make people believe a deal is on offer, when in fact the price is not substantially less than what the seller planned to earn on the sale. For example, some retailers have been accused of falsifying or making up the “regular” prices, simply so that they can list them in comparison with sale prices. They only ever planned to sell the products at those sale prices, but they can prompt more purchases if they can convince consumers they are saving a bunch of money through the sale merchandise. In response, consumer and consumer protection groups increasingly are filing suit, alleging unfair practices and false advertising.

Noting these shifts, Amazon’s pricing experiments are varied, seemingly to consider different options. For some products, the list prices have been removed altogether; shoppers see only the price they must pay to purchase that product at the particular moment they are shopping. For some vendors that sell through the site, Amazon allows them to include list prices but also is being more proactive in checking that those prices are viable and realistic. For example, vendors may be forced to offer proof that the list price actually is being charged by some other seller, before they can claim they are providing any sort of discount. Yet another experimental approach provides the previous price on Amazon specifically, such that consumers can see that the household item they seek was \$2 more last week. Sometimes, these prices are insignificantly different, indicating price changes of just a few cents.

Although Amazon is not commenting on its experiments, observers have calculated that when it started the experiment, it removed list prices from about 29 percent of the products for sale. Within just a couple of months, that percentage had increased substantially, such that 70 percent of the listings on Amazon no longer feature the traditional list price information.

The retail giant may be the only one that could conduct such experiments. Considering its vast dominance and popularity, Amazon appears to be realizing that it no longer needs to offer constant deals to get customers to buy. Modern consumers might not be able to live without Amazon, so they might be willing to repurchase the products that regularly show up at their door, whether the products appear to be discounted or not. That is, if consumers rely totally on Amazon to ship them their daily necessities, then Amazon has no need to rely on discounts or provide list price information to get them to buy.

### Discussion Questions:

1. Do you think Amazon needs to provide list prices? Why or why not?
2. Are there any other retailers that similarly could eliminate list prices?
3. What advantages does Amazon gain from eliminating list prices?

[Go to top of document](#)

## There's Simply No Avoiding It: Location-Based Marketing and Pokémon Go

Christopher Mims, "'Pokémon Go' Surged by Building Community," *The Wall Street Journal*, July 25, 2016; Jerrod Grimm, "Is Pokémon Go the Killer App for Location-Based Marketing?" *Advertising Age*, July 14, 2016; "Lowdown: Pokémon Could Boost Victoria's Secret, Says Report," *Advertising Age*, July 20, 2016

### Use with Chapter 1, "Overview of Marketing"

Everyone is doing it.

We mean Pokémon Go, of course, the mobile app version of the nostalgic game that requires players to capture Pokémon in their various forms. Unlike virtually any previous location-based app, Pokémon Go is attracting literally millions of users. More than 40 million downloads took place within a month of its release, within a month to download the app voluntarily, giving marketers vast data about their locations, travel patterns, and consumption choices. So how can marketers leverage this information?

A key recommendation is to make sure that they do not interfere too much with the primary purpose of the app, in consumers' minds: It's a game. People play Pokémon Go because it is fun to do so, not because they have rationally decided whether to share their location with Nintendo, the maker of the app, or other companies that might access that data. If marketers disrupt the fun or make the game seem less playful, they risk ruining the success of the trend.

The content also is key. Rather than promising further nutrition information about a food choice or insights into a brand's history—the sort of information provided through many mobile apps—Pokémon Go offers both nostalgia and cutting-edge entertainment. Players are not interested in Nintendo, other than to recognize that the company and the Pokémon concept have been around for decades. Thus parents might encourage their children to play, connecting them to the game they themselves enjoyed in their youth.

With its advanced technology, Pokémon Go also makes the regular world a little less ordinary. The local park appears filled with mythical characters, and even a government building or library might be a PokéStop—an access point for collecting a rare monster. Layering the virtual reality over actual reality suggests an advance that previous efforts have been unable to get consumers to embrace.

Its popularity also might stem from its simplicity. Pokémon Go does not offer extraneous chat functions or complex social links. Rather than connecting through mobile media, it allows players to interact in person. As one player explained, "If someone's at a PokéStop and they have their phone out, you can just assume they're playing."

Savvy marketers can take advantage of the popularity of the game though. For example, mall traffic has increased according to some reports, with players making their way around the indoor facilities to find new characters. As a result, these players are increasingly likely to take a short break to visit the retailers in those malls. One report indicates that 75 percent of them were more likely to visit Hot Topic, and many consumers popped in to Taco Bell and Red Robin too. But stand-alone retailers such as Home Depot have thus far been unable to leverage the benefits of the locational application.

### Discussion Questions:

1. What consumer needs does Pokémon Go satisfy?
2. How can marketers create additional value associated with this app?



[Go to top of document](#)



## Opening the Cooperative to the Public: How Organic Valley Is Trying to Make the Supply Chain Transparent

Jane L. Levere, "Organic Valley Traces Milk Back from Table to Farm," *The New York Times*, July 17, 2016.

Use with Chapter 16, "Supply Chain and Channel Management"



The Organic Valley cooperative consists of nearly 2000 farmers who raise dairy, beef, and produce according to organic practices. Their output appears on grocery store shelves around the country, with organic seals and promises featured prominently. But consumers are often suspicious of such claims, leading Organic Valley to take matters into its own hands when it comes to providing information about what goes on in its supply chain.

To start, the mobile-friendly Organic Valley website features a function that enables consumers to find local stores carrying its products. Once they are in the stores, consumers also can visit the site to find out about exactly which farm is home to the cows that produced the

milk they are about to buy. The descriptions include detailed and personal information about the farms, their practices, and the farmers themselves, giving consumers the sense that they can get to know these producers personally.

If the website isn't enough, Organic Valley also organizes tours, open to the public, of selected farms in its cooperative each year. If a consumer wants to attend a "farm discovery tour," she can head out to Petaluma, Calif., and check out the pastures, nursery, and milking parlors maintained by Jana McClelland and her family. In addition to accepting visitors who ask to come, Organic Valley issues invitations to influential lifestyle experts and bloggers, drawing Naomi Robinson from Bakers Royale and Eve Amurri Martino from Happily Eva After to Kutztown, Penn., for another round of farm tours.

The initiatives seek to build both demand for organic products and sales of organic products produced by Organic Valley farmers. Already, organic options account for about 5 percent of all food purchases in the United States, and trends suggest that that share will continue to grow. Modern consumers appreciate a sense of authenticity. For Organic Valley, there is nothing more organic than showing just where the dairy, meat, and vegetables were raised, whether the shopper checks it out on a mobile device or in person.

### Discussion Question:

1. How is Organic Valley ensuring that information about its supply chain flows through its supply chain?

## The Spin Cycle of International Currency: Whirlpool Raises Appliance Prices in Foreign Markets

Bob Tita, “Whirlpool to Boost U.K., Russian Prices to Offset Weakening Currencies,” *The Wall Street Journal*, July 22, 2016

Use with Chapter 5, “Analyzing the Marketing Environment,” and Chapter 8, “Global Marketing”

The washers, dryers, dishwashers, and other appliances that Whirlpool sells around the world also are produced in worldwide factories. For example, the appliances it sells in the United Kingdom are manufactured in other European nations, largely to take advantage of the geographic proximity and the lack of trade tariffs associated with exporting to another member of the European Union. Except that following the “Brexit” vote, England is no longer part of the European Union, which means that the favorable trade agreements no longer hold. To make up the difference, Whirlpool plans to increase the prices it charges to its British customers.



But Brexit is not the sole reason for the price change. The company had planned to raise prices even before the referendum, because the U.K. pound, similar to the Russian ruble, already had been plummeting. These weak currencies make it harder for the manufacturer to earn the necessary profits; the changing value of the currencies is essentially equivalent to an increase in costs for manufacturers.

For example, in Russia, Whirlpool already manufactures appliances within the country, so it can avoid tariff concerns. But the weak ruble means that it earns less on each product it sells. In response, it claims it has no option but to raise prices to offset these losses.

At the same time of course, Whirlpool has sought to lower its operating costs and increase its sales in other markets, like the United States, where it does not face such currency challenges. But in a global market, it needs sales in every country to produce at least some profits, so it continues to make tough choices.

### Discussion Question:

1. What social trends are driving Whirlpool’s pricing strategy?

## How a Dollar a Razor Became a \$1 Billion Transaction: The Innovation of the Dollar Shave Club

Paul Ziobro, "How Michael Dubin Turned a Funny Video into \$1 Billion," *The Wall Street Journal*, July 20, 2016

Use with Chapter 14, "Pricing Concepts for Establishing Value"



The model used to price the cartridges for men's razors is so famous that when other companies use it, they're described as adopting the "razor-and-cartridge model." In this approach, companies sell the relatively expensive foundational item (e.g., razor, printer, espresso machine) at a discount, because they know they can earn back the revenues by selling many of the more expensive replacement items (e.g., cartridges, printer ink, coffee pods) at a higher price to the captive audience that already has invested in the brand and its dedicated products.

But the razor market also might be the source of the biggest challenge to this familiar and widespread model. Begun as a small operation out of the founder's apartment, the Dollar Shave Club has gained a remarkable foothold. Using a subscription format, it allows members to purchase replacement razor blades for at little as \$1 a month. Not only do subscribers get a great per-item price, but they also enjoy the convenience of receiving the product by mail, rather than having to make sure they stop at a grocery or drug store right before they run out of their daily grooming tool.

As a result of the appealing pricing and convenience model—as well as the witty marketing campaign that centered on YouTube videos featuring the founder telling slightly off-color jokes about shaving and other masculine pursuits, using some ribald language—membership in the Dollar Shave Club recently has grown to 3.2 million members. It offers three levels of membership for men's razors, from a basic, two-blade option for \$1 per month to the "Executive" package (a razor with multiple blades and a trimming tool) for \$9 monthly. The Club also has expanded its offerings to hygiene, shower, skin care, and hair products, while slowly beginning to address the grooming needs of women as well.

Noting its success, Unilever recently purchased the company for \$1 billion. The founder, who retains a 9 percent share, gets to take home about \$90 million. That might seem like a lot for razors, but ultimately, it represents a payment for a radically innovative idea.

### Discussion Question:

1. Would you sign up to receive monthly deliveries from Dollar Shave Club? Why or why not?

## Appealing to Diet Cola Drinkers with Something Like but Unlike Cola: Sparkling Ice

Mike Esterl, “Sparkling Ice Floats Higher as Other Diet Sodas Go Flat,” *The Wall Street Journal*, July 21, 2016.

### Use with Chapter 11, “Product, Branding, and Packaging Decisions”

As the sales of traditional diet colas, including Diet Coke and Diet Pepsi, fall, the sales of another diet cola are surging. But the comparison might be a little less obvious than that, because the product that is gaining ground doesn’t call itself a cola. Rather, it takes the designation “sparkling water” and highlights the presence of fruit extracts in its recipe. Even though all these beverages promise something similar—low or no calorie options, carbonated drinks, infused with artificial flavors and sweeteners—consumers regard them as different product categories. And that perception is making all the difference.

The Sparkling Ice brand of carbonated water is officially a diet soda. However, its packaging in clear bottles sets it apart from the conventional 12-ounce cans used to package traditional colas. The pictures on the bottles heavily emphasize the fruit flavors and include marketing promises such as “naturally flavored” (which is allowed because the beverages contain 3 percent fruit juice). The mixes of these juices in turn create a variety of unusual flavor profiles (at least in the cola market), such as pomegranate raspberry, black cherry, and orange mango. The company also has worked to ensure that in grocery stores, it appears on shelves next to bottled water options, not in the cola section. This placement effort will continue as it implements its plans to expand into convenience stores and school cafeterias as well.



Such marketing tactics appeal effectively to today’s consumers for several reasons. A key one is the desire for healthier options. People are generally aware that colas, including diet versions, are not particularly healthy options, whereas the marketing for Sparkling Ice suggests that the beverages are providing the benefits of fresh fruits. Furthermore, some observers suggest a sense of “cola fatigue,” such that consumers are tired of the same old flavors and brands and looking for something new and different. In this pursuit, they also are exhibiting a growing distrust of big corporate brands, whereas Sparkling Ice can present itself as a smaller, more authentic upstart.

At least, it can present itself that way for now. But its growth has been remarkable, including an 18 percent increase in U.S. sales last year. It thus earned \$636 million, even as the big name players in the cola market were suffering sales declines.

### Discussion Questions:

1. What tactics does Sparkling Ice leverage to set itself apart in the carbonated beverage market?



## What Isn't Intel Inside?

Rob Walker, "Intel Tells Stories that Go Beyond Chips," *The New York Times*, June 26, 2016

Use with Chapter 7, "Business-to-Business Marketing" and Chapter 18, "Integrated Marketing Communications"



As one of the best examples of a successful branding effort, Intel created awareness and familiarity with its "Intel Inside" slogan, alerting business customers and consumers alike that the company offered high quality computer chips to support various brands of computers. But as Intel sought to gain recognition for the other projects that it can support, it had become something of a victim of its own success. Everyone knew the "Intel Inside" phrase, leading to a common, and incorrect, assumption that chips were all that the company produced.

Therefore, its latest branding efforts target potential business partners in diverse industry sectors, far beyond the computer manufacturers with which it has long collaborated. For example, in partnership with Lady Gaga—a brand unto herself, who also heads the House of Gaga creative agency—Intel helped create a virtual skin that the entertainer "wore" during her tribute to David Bowie at the Grammys. The projection onto Gaga's face

made it appear as if her makeup were changing in real time. The effect would have been impossible without Intel's expertise, a capability that Intel is promoting widely among its other business customers as an example of what it can do.

The promotions generally are featured in short videos that are available through Intel's online publication, so that it can offer them up readily to potential partners. The videos highlight collaborations and advances in various fields, including fashion, science, and medicine. For example, one video describes how a scientist investigating declining bee populations relied on Intel's microcomputing technology to create tiny "backpacks" that could track the bees' movement. Another video shows the creation of a dress decorated by mechanical butterflies that flutter away and return as the wearer moves, prompted by Intel technology.

But the examples are not all about bugs. They also feature life-changing tools, such as a low cost Braille printer that relies on an Intel chip and a mom who created a glove that could provide advance warning when her epileptic son was about to suffer a seizure.

In conjunction with these targeted promotions, Intel has revised its overall branding strategy. Rather than just "Intel Inside," the tagline on all its advertising now encourages customers—whether business partners or consumers—to "experience what's inside." Rather than a high quality chip, Intel wants to be known for the cool stuff that its technology and expertise can produce.

### Discussion Question:

1. How does Intel integrate its communications to its various audiences?

## Can an Airline Be Both Inexpensive and On Time? Spirit Aims to Find Out

Annalynn Kurtz, "Spirit Airlines Wants to Stay Cheap but Not So Tawdry," *The New York Times*, June 27, 2016

Use with Chapter 13, "Services: The Intangible Product" and Chapter 15, "Strategic Pricing Methods"

If you fly Spirit Airlines, your fare will be pretty cheap. But your final cost is likely to be much higher, after you factor in fees to select a seat, purchase a cola during the flight, check a bag, or even carry your backpack on board. The overall price you pay even might surpass that associated with flying the major airlines, if you add in the inconvenience and frustration costs that can accrue due to Spirit's poor on-time arrival performance and sparse customer service provision.

Spirit's approach has been purposeful; its previous chief executive asserted that customers would get what they paid for, so cheap fares meant cheap service. In turn, the airline routinely earns the poorest scores in the industry when it comes to customer complaints and on-time arrival rates. But by skimping on service, the costs to the company to fly people to their destinations are about half of what conventional airlines wind up spending. Thus for a customer who is not in any hurry and is willing to go without the luxury of pleasant service, Spirit has been deeply appealing, as signaled by a recent 27 percent annual increase in the number of passengers booking with the low cost option.

Yet the complaints also suggest that the low cost approach might not be totally sustainable. Spirit still accounts for substantially less of the travel market than traditional airlines such as Delta and United. Furthermore, some savvy customers have figured out that on certain routes, the cost of a regular fare from a full-service airline is about the same as the total cost associated with buying a cheap fare but then having to pay for basic services such as carrying a bag onto the plane.

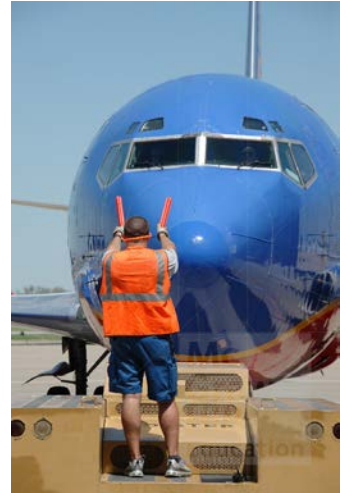
Therefore, under a new chief executive, Spirit is revising its service provision, at least somewhat. It will invest in improving operational capacities, in an effort to improve its on-time performance. In so doing, it might be able to save the costs that the airline frequently incurs, when it has to reimburse passengers for cancelled flights.

Furthermore, it will devote more effort to explaining its pricing and service model to customers, noting evidence that shows that most of the complaints it receives come from first-time customers who are surprised by the baggage fees when they arrive to check in for their flights. That is, these passengers did not know to expect to have to pay to carry on a bag, and the unpleasant surprise leads them to complain vigorously. By making the information more obvious on its own website, as well as sending messages explaining the policies to customers who book through third-party sites like Travelocity or Orbitz, Spirit hopes to eliminate such frustrating surprises.

Despite these moves though, Spirit remains committed to keeping its overall costs low so that it can continue to undercut the major airlines on fare prices.

### Discussion Questions:

1. Which gaps of the GAPS model is Spirit Airlines attempting to address?
2. Is Spirit Airlines changing its pricing model with these new initiatives?



[Go to top of document](#)

## Legislative Effects on the (Basketball) Court: How the NBA and its Sponsors Chose to Respond to a Controversial State Law

E.J. Schultz, “Key Sponsors Praise NBA Move to Pull All-Star Game from N.C.,” *Advertising Age*, July 21, 2016

### Use with Chapter 5, “Analyzing the Marketing Environment”

When North Carolina passed a law in 2016 that requires people to use public bathrooms that match the gender that appears on their birth certificates, the state already had won the privilege of hosting the All-Star weekend that the National Basketball Association (NBA) would be putting on in 2017. The law prompted several companies to cancel events or conferences they had planned in the state; when the NBA cancelled the All-Star weekend, it was one of the most prominent and notable to do so, with repercussions for fans, sponsors, and teams in the league.

In making the decision, the NBA cited the core values of the league overall, including “diversity, inclusion, fairness, and respect for others.” Furthermore, it acknowledged the concern that the festivities of the weekend, which offers the league one of its best marketing opportunities to highlight the skills and appeal of the sport, would be overshadowed by protests of the controversial law.



For corporate sponsors, the decision was widely regarded as beneficial. Because the NBA made the decision, well-known brands such as Pepsi or Anheuser Busch do not have to face the difficult decision of whether to remove their valuable sponsorship. Instead, they can largely avoid the controversy and challenges to their own brand value, because the decision was made for them.

The NBA comprises multiple businesses as well, in the form of the teams that play in it. For the Charlotte Hornets, and its famous owner Michael Jordan, the decision by the NBA came as a significant blow. The team would have had a great opportunity to showcase its arena and appeal to local and distant consumers. Yet the official

statement from the team also acknowledged the justification for the decision, suggesting that despite the negative impacts, it supports the league’s core values as well. At the same time, other owners and teams expressed their appreciation for the NBA’s ethical stand, even as they hoped that they might get a renewed chance to host the game.

Finally, for fans, perceptions of the NBA’s choice generally reflect their views of the law and the controversy surrounding it. Many fans—especially younger supporters of LGBT rights—lauded the decision. But the Governor of North Carolina and his supporters strongly criticized the move by the NBA and, by proxy, its sponsors, alleging that “the selective corporate elite are imposing their political will on communities in which they do business.” This side of the argument notes that the law, even if controversial, reflects the outcome of a democratic process, in that the state voted the governor into his office.

### Discussion Question:

1. Do companies such as the NBA have the right to move their operations out of a location, in response to a legislative change, or is this an example of a company subverting the democratic process? Defend your position.

[Go to top of document](#)

## The Large and Growing Market of NotMoms

Alina Tugend, “Childless Women to Marketers: We Buy Things Too,” *The New York Times*, July 9, 2016  
Use with Chapter 9, “Segmentation, Targeting, and Positioning”

In general, women tend to make most of the purchases and buying decisions in households. Accordingly, marketers have long targeted women with advertising and promotions designed to get them to buy. But that targeting often makes some assumptions about who women are—assumptions that can be troublesome, both for ethical reasons and because they fail to appeal to the actual features that modern women display.

In particular, growing numbers of women do not have children. But modern advertising does not reflect that reality at all. Whether for paper towels or cars, marketing communications nearly always identify the focal woman in the advertisement as a mom, cleaning up her kids’ spilled milk or getting all the children to soccer practice on time.

Demographic data instead indicate that more women than ever before do not have children, whether by choice or not. For example, more than 15 percent of U.S. women between the ages of 40 and 44 years are childless. These consumers tend to spend more on beauty products than women with children. They also spend more on grocery items overall, seemingly because they can buy fancier, higher priced products that they enjoy, rather than being limited to purchasing the relatively inexpensive frozen chicken tenders or macaroni and cheese that their children will agree to eat for dinner.



The exceptions to the widespread exclusion of childless women from marketing communications tend to come from companies selling services rather than consumer products. For example, Westin Hotels offered a “Womanhood Redefined” package that encouraged single women to visit their properties to enjoy a weekend getaway, including consultations on healthy living with experts from the hotel’s gym and kitchen staff.

Through an extensive study among female customers without children, TD Bank even identified a market gap where it could introduce a new investment product. That is, the bank learned that many women buy gifts for children, such as their nieces and nephews or their friends’ kids, but few of them started savings accounts for those beloved youngsters. Therefore, TD Bank developed a product that would enable them to contribute small amounts to an account that they could share with the children they love but are not legally responsible to support, such as an early college fund.

Such examples also reflect the great risk that marketers are taking when they ignore the reality of millions of women. Ignoring women without children, and implying that being a woman necessarily means being a mother, can be frustrating and even offensive for a huge market of potential customers. Even women with children might appreciate being marketed to as a person, not just a mother. As one marketing expert requested, “How about a car commercial where the woman is not the passenger of some hot dude, or picking up her kids, but just living her life?”

### Discussion Question:

1. **How attractive is the segment of women without children? Apply the five segmentation criteria (identifiable, substantial, reachable, responsive, and profitable) to determine your answer.**

[Go to top of document](#)



## Filling Up Facebook Live by Purchasing Content from Internet Sensations

Deepa Seetharaman and Steven Perlberg, "Facebook to Pay Internet Stars for Live Video," *The Wall Street Journal*, July 19, 2016.

Use with Chapter 3, "Social and Mobile Media," and Chapter 12, "Developing New Products"



The Facebook Live offering is just what its name promises: Rather than posting prefilmed, edited, or professionally produced videos on newsfeeds, users upload live videos of themselves, doing whatever it is that their Facebook followers like best. The roll-out of the new channel has not been quite as fast as Facebook might have hoped, leading the social media company to solicit content from providers who have already proven their abilities through other sites.

The Internet stars that Facebook has contracted with to provide content include some professional organizations, such as BuzzFeed. But they also include individual performers who have gained fame, or at least notoriety, from their offerings in other

social media channels, such as Vine, YouTube, Snapchat, or Instagram. For example, if Ray William Johnson posts enough Facebook Live videos in the course of a month, he can transform the popularity he has earned as the host of his "Equals Three Show" YouTube series into a payment of \$224,000 from Facebook.

In a sense, it appears that Facebook Live is trying to poach stars from other social media sites, though the company rejects this allegation. Rather than taking content from other sites, Facebook asserts that it simply wants to make another channel available for content creators to reach their fans.

The claim has some logical support, considering that Facebook remains the largest social media network. Especially compared with channels that are starting to dwindle in popularity, Facebook gives content creators access to vastly larger audiences. The functions in Facebook Live also mean that the content providers receive immediate feedback from their fans, including insights for comedians about what they find interesting or funny, suggestions for a baking channel about what to do if an experiment goes awry, and ideas for a beauty blogger who finds that she has run out of a particular cosmetic.

The plan for the expansion of Facebook Live includes a budget of \$2.2 million that will go specifically to these Internet sensations. Whether that investment is a smart one depends on several factors. Will an Internet star today still be a star tomorrow? Can someone known for his Vine videos leverage his appeal in longer Facebook Live contributions? Will Facebook's sponsorship change the content that these providers offer?

### Discussion Question

1. Is this type of investment to encourage new and added content to Facebook Live a smart one? Justify your answer.

[Go to top of document](#)

## Article / Chapter Index

<i>Articles</i>	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
A Real-World Pricing Experiment by Amazon															X					
Location-Based Marketing and Pokémon Go	X																			
How Organic Valley Is Trying to Make the Supply Chain Transparent																X				
Whirlpool Raises Appliance Prices in Foreign Markets					X			X												
How a Dollar a Razor Became a \$1 Billion Transaction: The Innovation of the Dollar Shave Club														X						
Appealing to Diet Cola Drinkers with Something Like but Unlike Cola											X									
What Isn't Intel Inside?							X											X		
Can an Airline Be Both Inexpensive and On Time?													X		X					
Legislative Effects on the (Basketball) Court: How the NBA and its Sponsors Chose to Respond to a Controversial State Law					X															
The Large and Growing Market of NotMoms									X											
Filling Up Facebook Live by Purchasing Content from Internet Sensations			X									X								
<b>Videos</b>																				
“Supply Chain News: Ford Testing Collaborative Robots on Factory Floor Dunkin' Brands CEO on Food Trends, and More”																				
“The Ballad of the Dreadnought ”																				

[Go to top of document](#)

## **What's new in 5e**

**Chapter 1: Overview of Marketing**, starts with a discussion of Starbucks' success and the role of marketing in it. There is a new Superior Service box on how the Sol Wave House is incorporating twitter to enhance customers' experience there. A new Social and Mobile Marketing box that discusses how companies are partnering with social media sites such as Twitter and Facebook appears in this chapter. There is a new Adding Value on new innovations in the "smart" market. Also, a new Ethical and Societal Dilemma box on how firms are using the location technology in smartphones has been added. Finally, we conclude with a new case study highlighting Starbucks' growth strategy, a nice tie-back to the opener and the cover concept.

**Chapter 2: Developing Marketing Strategies and a Marketing Plan**, begins with a comparison between Nike vs. adidas that weaves throughout the chapter. We introduce a new Adding Value box highlighting how online retail meets brick and mortar: Tesco's HomePlus virtual stores. There is a new Ethical and Societal Dilemma addressing the safety concerns for factory workers in the garment industry. Finally, a new case study highlighting the yogurt wars—Pinkberry versus Red Mango—closes this chapter.

**Chapter 3: Social and Mobile Marketing**, starts by highlighting the success Gatorade has experienced with its innovative Social Media Mission Control Center. We introduce a new 4E framework visual in Exhibit 3.1. There is a new Social and Mobile Marketing box on how Lexus and Jimmy Fallon launched an original campaign that engaged viewers via social media. Exhibit 3.2 uses new examples to illustrate different social media campaigns. We introduced a description of Instagram in the Media-Sharing Sites section. The Going Mobile and Social section was redesigned to describe the seven primary motivations for mobile app usage (Exhibit 3.4) and the different App pricing models. A new Exhibit 3.5 illustrates Apple App Store revenue by app category pricing models. We conclude this chapter with a new case study: Images, Sales, and Brands: How Red Bull Uses Various Social Media Techniques to Achieve All Its Objectives.

We start **Chapter 4: Marketing Ethics**, by highlighting ethical concerns with computer cookies used by marketers to track customers' web activity. Exhibit 4.5 highlights the CRS programs for 10 major companies. We end the chapter with a new case study examining the ethical concerns related to new technologies designed for young children.

**Chapter 5: Analyzing the Marketing Environment**, begins with a discussion of a how hotels are responding to new customer needs—for example, by offering increasingly extensive accommodations for pets. A new Social and Mobile Marketing box discusses the discrepancies between where marketers are devoting their media budget and what types of media Millennials actually interact with. A new Adding Value box pertaining to how marketers successfully and unsuccessfully use gender-based marketing strategies has been added. There is also a new Adding Value box discussing a recent trend in grocery stores to have in-house dietitians highlight healthy food options. A new Ethical and Social Dilemma box pertaining to the use of palm oil in General Mills' products has been added. A new Social & Mobile Marketing box on the 2014 Consumer Electronics Show (CES) is also presented.

**Chapter 6: Consumer Behavior**, begins with discussing Google Glasses and other wearable technologies. The following new boxes are added: Ethical and Societal Dilemma on how Google is punishing companies that use questionable techniques to improve their search engine optimization; Social and Mobile Marketing on the new health-related apps; Superior Service on the success of H-E-B supermarkets; and another new Social and Mobile Marketing box on how Sephora implements cross-channel marketing.

[Go to top of document](#)

**Chapter 7: Business-to-Business Marketing**, starts with an interesting discussion on how 3D printing could potentially change B2B marketing. A new Superior Service on applications of IBM's Watson computer was added. The chapter ends with a new case study on how Levi Strauss & Co. buys materials to manufacture jeans.

**Chapter 8: Global Marketing**, has a new opener highlighting Coca-Cola's efforts to expand its market share in India. The Choosing a Global Marketing Strategy section has been restructured around the three primary strategies companies employ. New boxes include an Ethical and Societal Dilemma about how Chinese regulations have changed car-buying trends; a Social and Mobile Marketing box that compares and contrasts Facebook's strategies for entering Brazil and China; an Adding Value box examining Starbucks' entrance into the Indian market; another Adding Value box contrasting Ford's and Chevy's strategies to bring their American muscle cars into the global market; and a Superior Service describing the success of Alibaba. Finally, there is a new case study at the conclusion of this chapter that highlights the globalization of McDonald's.

**Chapter 9: Segmentation, Marketing, and Positioning**, opens with how Netflix targeted different segments in regards to its new original shows. New boxes include a Social and Mobile Marketing box highlighting Facebook's struggle to remain relevant while gaining popularity among an older audience; a Superior Service on how airline companies are using the data they collect to improve customer experiences; an Ethical and Societal Dilemma box discussing the ethical issues regarding loyalty programs; an Adding Value examining the cancellation of the show Longmire; and another new Adding Value box discussing Self magazine's repositioning strategy.

**Chapter 10: Marketing Research**, begins with a discussion about the marketing research Disney undertakes to better serve its customers. The Internal Secondary Data section now includes information regarding big data. There are several new boxes including a Superior Service examining the pros and cons of McDonald's extending its breakfast hours; a Social and Mobile Marketing highlighting the difficulties Nielsen is facing because of new trends in television watching behavior; another Superior Service illustrating the accuracy of Google Analytics in regard to the success of movies; and a new Ethical and Societal Dilemma discussing the ethical concerns surrounding the use of mannequins equipped with recording tools.

**Chapter 11: Product, Branding, and Packaging Decisions**, begins with a new opener on Red Bull's branding strategy. A new Ethical and Societal Dilemma box about Coca-Cola's promise to stop advertising to children has been added. This chapter also includes a new Adding Value box regarding American Airlines' rebranding strategy.

**Chapter 12: Developing New Products**, begins with another discussion of the applications of 3D printing, this time in regard to the development of innovative new products across various industries. The chapter concludes with a new case study analyzing the launch of Google Glass.

**Chapter 13: Services: The Intangible Products**, includes an opening vignette that describes how companies like Samsung and Seamless food delivery service are using Twitter to provide excellent customer service. A new Social and Mobile Marketing box discusses how American Express connects its customers with deals via its Twitter account and TripAdvisor.

**Chapter 14: Pricing Concepts for Establishing Value**, describes pricing concepts using new examples from Procter & Gamble (opening vignette) and Disney and Universal theme parks (Superior Service box). The influence of the Internet and economic factors on pricing are now integrated throughout the chapter and book. The chapter ends with a new case study on Planet Fitness.



**Chapter 15: Strategic Pricing Methods**, opens with an examination of McDonald's unsuccessful launch of its Mighty Wing product line and the general effect that McDonald's has on market prices. New examples in this chapter include an Adding Value box describing how various companies are changing the meaning of value options to refer to the benefits they offer; another Adding Value box discussing Walmart's expansion into the organic food market; and a new Ethical and Societal Dilemma box highlighting instances of price fixing in the candy industry.

**Chapter 16: Supply Chain and Channel Management**, opens with a new vignette highlighting how exceptional channel and supply chain management has contributed to Amazon's success. The different bases of channel power are illustrated in a new exhibit. There is a new Superior Service box about the different strategies Amazon and Walmart are using to win the same-day grocery delivery market.

**Chapter 17: Retailing and Omnichannel Marketing**, begins with a discussion of how the implementation of omnichannel marketing has aided the success of H&M's flagship Times Square location. Other new examples include a Superior Service box about Trader Joe's; an Adding Value box highlighting the myWeeklyAd service offered to CVS ExtraCare members; and a Social and Mobile Marketing box detailing how Home Depot is improving customer experiences with modern technology.

**Chapter 18: Integrated Marketing Communications**, discusses the concepts that are important to consider regarding integrated marketing communications (IMC). A new Adding Value box appears highlighting the unique aspects of Jeep's celebrity endorsement strategy. There is a new Social and Mobile Marketing box examining how Google is using a combination of nostalgia and modern technology to promote various companies including Coca-Cola. Finally, there is a new case study accentuating Volvo's IMC strategy.

**Chapter 19: Advertising, Public Relations, and Sales Promotions**, starts with examinations of Chipotle's "Food with Integrity" and "Cultivating Thought" campaigns. There is a new Social and Mobile Marketing box on Twitter's advertising formats and future plans.

**Chapter 20: Personal Selling and Sales Management**, begins with a description of how the Boeing Companies' personal selling approach has engaged clients and made Boeing the top-ranking airline manufacturer. The chapter includes two new boxes, a Superior Service box on the cloud-based CRM system provided by Salesforce.com, and an Ethical & Societal Dilemma box analyzing the implications of realtors becoming reality TV stars.