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# Marketing, 4e

Shane Hunt  
John Mello  
George Deitz



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## Message from the Authors

# Hello and Welcome to our Digital Sneak Peek of Marketing 4e!

We can't wait to share some of the updates of our latest release with you!

If you are like us, you have probably had students (particularly non-marketing majors) ask you, "Why does this course matter to me?" The answer is simple: **because everyone is a marketer!** We designed our product to emphasize the universal importance of marketing—not only in business, or in the future, but to students today.

Marketing has changed dramatically in the past several years due to factors ranging from the pandemic to inflation and this new edition provides students the content and tools to succeed in this rapidly changing environment..

Here are just a few ways that our product is unique:

- **Career Focus**, to help students understand how marketing will support whatever career path they choose in the future and help them to develop and evolve their own personal brand now.
- **Integration of key topics** that are part of the daily fabric of marketing— **globalization, social media, ethics, and marketing analytics** are found throughout the product.
- **Dynamic Video Cases** featuring a wide variety of organizations from the National Park Service to Hershey and from a Minor League Baseball team to a Commercial Real Estate firm, all showcase the marketing strategy and decisions behind products, companies and services that are a part of students' daily lives.
- **Marketing Analytics Exercises** available in every chapter! These help students develop their skills and confidence in meeting modern day marketing challenges.
- Seamlessly integrated **results-driven technology** developed alongside the narrative for close linkage and alignment down to the specific learning objective.
- The **right amount of content** for a semester-long course. Our chapters are direct, approachable and written with an energetic, vibrant tone to engage today's students.
- **Flexible and Accessible.** Our product is available through Connect, SmartBook 2.0 and the new Read Anywhere eBook app. This flexibility and accessibility allow all students to access the content anytime, anywhere. The 4th edition features new Connect exercises for students in every Chapter to help them succeed in the modern marketing environment. Then continue with In Addition, we have added new episodes to **McGraw Hill's Marketing Insights podcast series** to correspond with many of our Executive Insights. Check it out on Apple Pcasts, Spotify, Google Podcasts and more.
- **Personal marketing plan integrated** throughout all 16 chapters that lets students utilize the tools they learn throughout the course to market themselves for a brighter professional future.

We hope you will take a closer look at how Marketing 4e engages your students. We thank you for your consideration and support. Please don't hesitate to reach out to us with any comments, suggestions or requests. We look forward to visiting soon!

**Shane Hunt | John Mello | George Deitz**

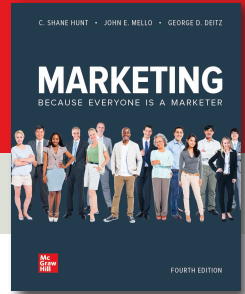
## Career & Personal Brand Development



### Focus on Career & Personal Brand Development

- **Career Tips** offer chapter-related ideas that can help students develop their own **personal brand**—a theme carried throughout.
- **Executive Perspective Interviews** illustrate the need for successful leaders in any organization to be effective marketers. These interviews represent a wide range of undergraduate majors, including finance, engineering, operations, and accounting.
- **Today's Professional Interviews** highlight young marketing professionals who describe how developing their personal brand has helped advance their careers.
- In the **Personal Marketing Plan Exercise** threaded throughout, students apply the elements of a marketing plan in the context of marketing themselves. This project brings a marketing plan to life in a way that personally engages students.
- New **Marketing Insights Podcast Series** featuring content from the authors, some executives featured in the product, and other marketers from education and industry.





## Integration of Key Topics and The Right Content

**LO 3-5 NONPROFIT MARKETING ENVIRONMENT**

Describe the emerging factors that influence the nonprofit marketing environment.

Environmental scanning for a nonprofit organization presents challenges that for-profit businesses do not face. Those who donate money to a nonprofit such as a hospital, university, or faith-based institution do not walk away with a tangible product or benefit directly from any service. Instead, nonprofit marketers must convince donors to support the mission of the organization without receiving any direct benefit. Nonprofits primarily rely on three sources of funding—grants, special events, and individual donations. Marketing generally plays an important role in securing each.

The competitive environment for nonprofit funding has increased dramatically in recent years. In 1995, there were only 600,000 nonprofits in the United States. Today, that number is over 1.8 million and growing rapidly.<sup>17</sup> A 300 percent increase in the number of nonprofit organizations isn't the only hurdle. In addition, the total donations to nonprofit organizations dipped from 2007 to 2009 as the recession worsened. Figure 3.9 illustrates total giving to nonprofit organizations since 1974, including the dip during the recession.

For nonprofit marketers to be successful in this type of competitive environment, they must understand the external environment in which they operate. They are affected by many of the same external factors discussed earlier in the chapter: economic, legal, political, and technological factors. However, due to their mission and chronic lack of funds, the impact can be quite different.

Because students won't find "Ethics Tuesdays," "Global Thursdays," or "Social Media Fridays" in their careers, *Marketing 4e* integrates key topics like ethics, globalization, social media, and marketing analytics throughout. This allows the program to deliver a fully rounded view and ensure students gain knowledge and skills across all essential aspects of marketing.

**VIDEO CASE**

Please go to Connect to access the video case featuring Erin Brewer that accompanies this chapter.

**CAREER TIPS**

**A Career in the Nonprofit Sector**

*a decade working for various nonprofit organizations. She offers some tips for securing a nonprofit position.*

**Gain experience.** Before you start interviewing for full-time positions, get some experience in charity work as a volunteer or an intern. The majority of nonprofits utilize both volunteers and interns, so plenty of opportunities are available. A combination of volunteerism and internships provides the biggest advantage to a job seeker. It shows the hiring nonprofit that you're passionate about

### The Right Content

We designed our chapters to include the most valuable content for a Principles of Marketing course. Chapters are direct, concise, and approachable in length. The chapters allow a bit of classroom "breathing time" for the discussions and activities that bring marketing alive for you and your students.

### "Because Everyone Is a Marketer . . ."

Our goal is to build the best possible principles of marketing product—one that captures the importance of marketing in a way that is relevant and adaptable to today's business students.



Add, remove, and organize content to fit your course goals with McGraw Hill's CREATE custom system. Log into your instructor account at [create.mheducation.com](http://create.mheducation.com) to begin building YOUR custom product.



C. SHANE HUNT • JOHN E. MELLO • GEORGE D. DEITZ

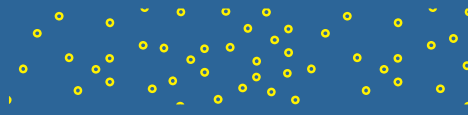
# MARKETING

BECAUSE EVERYONE IS A MARKETER



**Mc  
Graw  
Hill**

FOURTH EDITION



# Marketing

Fourth Edition

**C. Shane Hunt**

*Idaho State University*

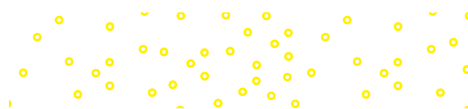
**John E. Mello**

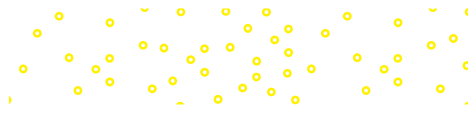
*Arkansas State University*

**George D. Deitz**

*University of Memphis*

**Mc  
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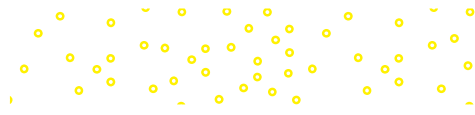
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# HELLO, MY NAME IS . . .



Shane Hunt

## C. Shane Hunt

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Dr. C. Shane Hunt received his PhD in marketing from Oklahoma State University. Shane has won numerous awards for his teaching, including the 2010 National Inspire Integrity Award from the National Society of Collegiate Scholars, the 2010 Lt. Col. Barney Smith Award as Professor of the Year at Arkansas State University, the 2011 Excellence in Undergraduate Teaching Award, the 2015 Honors Professor of the Year Award, and the 2019 National Teaching Innovation Award presented by the Association of Collegiate Marketing Educators.

Shane's research has appeared in the *Journal of Personal Selling and Sales Management*, the *Journal of Business Logistics*, and other leading marketing journals. He has presented to numerous organizations including the American Marketing Association and the National Conference in Sales Management.

After completing his MBA degree, Shane went to work for a Fortune 500 company in Tulsa, Oklahoma, and spent eight years working as a pricing analyst, product manager, and business development manager overseeing numerous strategic initiatives. In addition to his role as a professor, Shane also serves as a consultant, speaker, and board member for businesses and nonprofit organizations across the country.

Shane is now the Dean of the College of Business and Michael C. Ruetters Professor of Marketing at Idaho State University. He lives in Pocatello, ID, with his wife, Jenifer, and their two children, Andrew and Sarah.

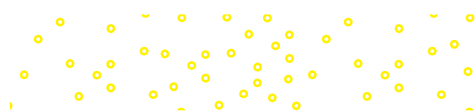


John E. Mello

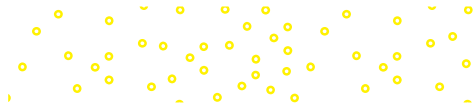
## John E. Mello

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John E. Mello (PhD Tennessee) is a Professor of Supply Chain Management and Director, Center for Supply Chain Management, Arkansas State University. Prior to entering academia, he spent 28 years in the consumer packaged goods industry in various supply chain management positions. He is the Neil Griffin College of Business Excellence in Graduate Teaching award winner for 2012 and 2018, and Excellence in Research for 2014. His research has been published in *Foresight: The International Journal of Applied Forecasting*, *Journal of Business Forecasting*, *Journal of Business Logistics*, *Journal of Supply Chain Management*, *International Journal of Physical Distribution and Logistics Management*, *International Journal of Logistics Management*, and *Transportation Journal, Transportation Research Part E*.







## George D. Deitz

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Dr. George D. Deitz completed his PhD in marketing at the University of Alabama. He is currently the George Johnson Professor in Marketing at the University of Memphis. George has enjoyed the opportunity to teach a wide variety of face-to-face and online courses at the undergraduate, MBA, and doctoral levels.

In 2013, George helped found the Consumer Neuroscience Research Laboratory (C-NRL) at Memphis, with the mission of advancing the use of physiological and neurological measurement systems to the study of marketing research questions. His research has been published in *Journal of Service Research*, *Journal of Business Venturing*, *Journal of Public Policy and Marketing*, the *Journal of Advertising Research*, *Journal of Business Logistics*, and other leading marketing journals. He has presented at a number of different conferences, including the American Marketing Association and the Academy of Marketing Science.

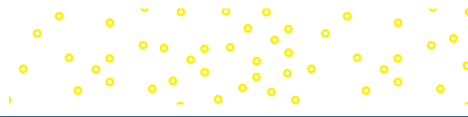
After obtaining his master's degree at West Virginia University, George began his professional career working in college athletic administration at the United States Military Academy at West Point, New York. Following that, he spent nearly a decade working in a variety of sales and sales management roles with several start-up ventures in the software industry.

George currently lives in Germantown, Tennessee, with his wife, Kristine. They have three children, Luke, Mark, and Koren.



George D. Deitz





# PREFACE

Hello and welcome to Hunt, Mello, and Deitz’s *Marketing* 4e. Students, particularly non-marketing majors, want to know, “*Why does this course matter to me?*” We designed our product to emphasize the universal importance of marketing . . . *because everyone is a marketer.*

We designed this product with an emphasis on student engagement and relevance, a focus embodied in these four key benefits:

- A **career focus**, to help students understand how marketing will support whatever career path they choose and how to develop their own *personal brand*.
- **Integration of key topics** that are part of the daily fabric of marketing—globalization, social media, ethics, and marketing analytics.
- Seamlessly integrated **results-driven technology**.
- The **right content** for a semester-long course.

## Career Focus

The goal of higher education for most students, whatever their major, is to develop knowledge that can be put to use in productive careers. We’ve included features that focus on careers:

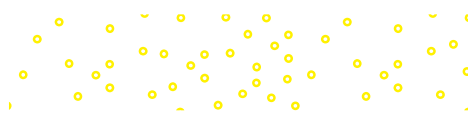
- *Executive Perspective interviews* illustrate the need for successful leaders in any organization to be effective marketers. These interviews represent a wide range of undergraduate majors, including finance, engineering, operations, and accounting.
- *Today’s Professional interviews* highlight young marketing professionals who describe how developing their personal brand has helped advance their careers.
- *Career Tips* offer chapter-related ideas that can help students develop their own *personal brand*—a theme carried throughout.
- In the *Marketing Plan Exercise* threaded throughout, students apply the elements of a marketing plan in the context of *marketing themselves*. This project brings a marketing plan to life in a way that personally engages students.
- *Marketing Insights* Podcast Series featuring content from the authors and executives profiles throughout the textbook.

## Integration of Key Topics

Students won’t find “Ethics Tuesdays,” “Global Thursdays,” or “Social Media Fridays” in their careers. Therefore, we chose to integrate the key topics of *ethics, globalization, social media, and marketing analytics* into chapter discussions where relevant. Integration of these four key topics efficiently delivers a fully rounded, three-dimensional view of each chapter topic, to help ensure that students are gaining sufficient knowledge and skills in these essential aspects of marketing.

## Results-Driven Technology

This product is “digital-first,” built from the ground up to integrate digital content seamlessly. We wrote the narrative and the digital content simultaneously, dovetailing print and digital delivery in McGraw Hill’s *results-driven technology* platform. The close linkage of chapter content and *Connect* assignments allows students to practice how to use classroom content to inform marketing decisions.



## The Right Content

We designed our chapters to include the most valuable content for a Principles of Marketing course. Chapters are direct, concise, and approachable in length. We don't overburden students (or instructors) with content that is more appropriate in advanced marketing courses. The chapters allow a bit of classroom "breathing time" for the discussions and activities that bring marketing alive for you and your students.

In addition, we've used market feedback to revise the existing chapters, as outlined in the section Chapter-by-Chapter Changes in the Fourth Edition. Content changes in the fourth edition add increased depth or breadth—more rigor where requested or fresh coverage of emerging areas of importance to marketing theory and practice.

## “Because Everyone Is a Marketer . . .”

Our goal is to build the best-possible principles of marketing product—one that captures the importance of marketing in a way that is relevant and adaptable to today's business students. Understanding and utilizing marketing to improve for-profit businesses, nonprofit organizations, and students' career prospects are critical educational activities. These activities are relevant to *any student*, regardless of his or her area of focus. We have worked to produce an integrated print and digital experience that will inspire students to explore and apply the marketing experiences they need in order to leave your course prepared for future coursework and for careers.

It is our sincere hope that *Marketing 4e* will engage your students and demonstrate the universal importance of marketing . . . *because everyone is a marketer!*

### C. Shane Hunt

*Idaho State University*

### John E. Mello

*Arkansas State University*

### George D. Deitz

*The University of Memphis*

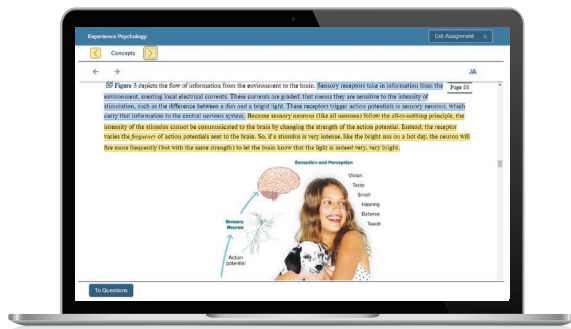
# Instructors

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*every step*

## Students

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*"I really liked this app—it made it easy to study when you don't have your textbook in front of you."*

- Jordan Cunningham,  
Eastern Washington University

iPhone: Getty Images



#### Everything you need in one place

Your Connect course has everything you need—whether reading your digital eBook or completing assignments for class—Connect makes it easy to get your work done.

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# Asset Alignment with Bloom's Taxonomy

## Principles of Marketing

### We Take Students Higher

As a learning science company, we create content that supports higher order thinking skills. Within McGraw Hill Connect®, we tag content accordingly so you can filter your search, assign it, and receive reporting on it. These content asset types can be associated with one or more levels of Bloom's.

The chart below shows a few of the key assignable marketing assets with Connect aligned with Bloom's Taxonomy. Take your students higher by assigning a variety of applications, moving them from simple memorization to concept application.

	SmartBook® 2.0	Click & Drags	iSeeit! Video Cases	Video Cases/Case Analyses	Marketing Analytics	Marketing Plan Prep Exercises	Application- Based Activities	Writing Assignment Plus
Higher Order Thinking Skills	CREATE							✓
	EVALUATE						✓	✓
	ANALYZE			✓	✓	✓	✓	✓
	APPLY	✓	✓	✓	✓	✓	✓	✓
	UNDERSTAND	✓	✓	✓	✓	✓	✓	✓
Lower Order Thinking Skills	REMEMBER	✓	✓	✓	✓	✓	✓	✓



## SmartBook 2.0

Smartbook 2.0 personalizes learning to individual student needs; continually adapting to pinpoint knowledge gaps and focus learning on concepts requiring additional study.

## Click & Drag

These activities help make the connection between theory and application through matching, ranking, or grouping activities.

## iSeeit! Video Cases

Short, contemporary videos provide engaging, animated introductions to key course concepts. Available at the topic level. Perfect for launching lectures and assigning as pre-or post-lecture.

## Video Cases & Case Analyses Toolkits

Video cases and case analyses, featuring real companies, are assignable with corresponding comprehension questions that help students analyze and apply key marketing concepts.

## Marketing Analytics

These auto-graded, marketing analytics activities challenge students to make decisions using metrics commonly seen across marketing professions. The goal of these activities is to give students practice analyzing and using marketing data to make decisions.

## Marketing Plan Prep Exercises

These exercises use guided activities and examples to help students understand and differentiate the various elements of a marketing plan.

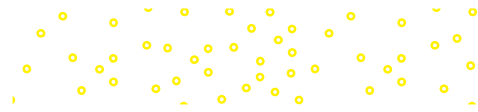
## Application-Based Activities

Highly interactive, application-based activities immerse students in real-world business environments. Placed in the role of a Marketing Manager or business professional, students are challenged to make data-informed decisions and apply multiple concepts while seeing the impact of their decisions immediately.

## Writing Assignment Plus

Writing Assignment Plus delivers a learning experience that helps students improve their written communication skills and conceptual understanding. Faculty can assign, monitor, grade, and provide feedback on writing projects efficiently. Built-in grammar and writing review helps students improve writing quality while an originality check helps students correct potential plagiarism before submission. End result? Improved workplace skills of writing and critical thinking.





## CHAPTER-BY-CHAPTER CHANGES IN THE FOURTH EDITION

The fourth edition's revisions are driven by feedback from instructors and students.

### **Overall**

- The content and examples in *Marketing 4e* were revised and added with a keen eye toward diversity, equity, and inclusion in an effort to ensure it is reflecting the diverse marketing environment around us.
- New executive perspectives and today's professional profiles throughout that will help students understand how everyone is a marketer.
- New examples of organizations across industries that utilized marketing strategy to successfully navigate the challenges of the COVID-19 pandemic.
- New examples highlighting the role of marketing in a rapidly changing world.
- Four NEW video cases featuring how marketing is impacting dynamic organizations in industries ranging from credit unions to minor league baseball to commercial real estate.

### **Chapter 1: Why Marketing Matters to You**

- New examples and discussion on the impact of social media on modern marketing.
- New figures and exhibits highlighting the rapidly changing marketing landscape
- Updated global business/trade statistics.
- New Executive Perspective profile.
- New Today's Professional profile.

### **Chapter 2: Strategic Planning**

- New Executive Perspective profile.
- New Social Media in Action Exercise featuring Little Caesars Pizza and TikTok.
- Updated data throughout the chapter including new presentation of auto manufacturers' market share.
- New Today's Professional profile.

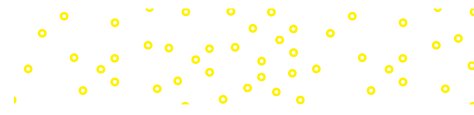
### **Chapter 3: The Global Environment**

- New discussion on the marketing impact of COVID-19.
- New Figure 3.2 on changes to income distribution and Figure 3.3 on the relationship between consumer confidence and consumption.
- New Executive Perspective and New Today's Professional profiles.
- New examples and discussion about inflation, trade agreements, and external environmental factors.

### **Chapter 4: Consumer Behavior**

- Deeper discussion of situational influences on decision making, with new subsections and corresponding examples relating how consumers' physical surroundings, social surroundings, time, and task definition impact decisions.
- Revised section on cultural influences, including new subsections on consumption subcultures, brand communities, and consumer tribes.





- New examples throughout the chapter, including model and lifestyle social media influencer Karlee Kloss and discussion of how consumer demand for electric vehicle batteries creates derived demand for the mineral cobalt.
- New Executive Perspective and Today's Professional profiles.

### **Chapter 5: Marketing Research and Analytics**

- Enriched discussion of Big Data and the use of predictive analytics models in marketing decision making.
- More types and examples of secondary data sources.
- Much broader coverage and deeper elaboration on qualitative research methods, including examples of their application in marketing contexts.
- New discussion of the emergence of customer journey mapping as an important marketing research application trend.

### **Chapter 6: Product Development**

- Discussion of the positive impact of new product development in fighting COVID-19.
- New examples and discussion of services, differentiating them from products, and why this is important to the subject of NPD.
- New Today's Professional profile.

### **Chapter 7: Segmentation, Targeting, and Positioning**

- New Executive Perspective profile.
- Discussion of how COVID-19 impacted market targeting including examples of consumers dramatically increasing spending on their pets.
- New examples and updated figures throughout.

### **Chapter 8: Promotional Strategies**

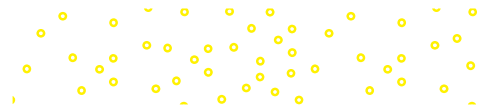
- Expanded coverage of changes in advertising and product placement.
- New discussion on using video games as a promotional tool.
- New Today's Professional profile.
- New examples throughout, including the expanding impact of social media on organizations' promotional strategies.

### **Chapter 9: Personal Selling**

- Revised section on sales technology, including enhanced discussion of CRM in sales, a new post-COVID-19 section on the rise of virtual selling, and updates on best practices in social selling.
- Introduced new content on the role of the psychological trait "grit" in preserving a salesperson's positive self concept.
- Revised overview on the various types of sales roles, including new sections on customer success managers and sales operations support roles.
- New Executive Perspective profile.

### **Chapter 10: Supply Chain and Logistics Management**

- Discussion of supply chain disruptions due to COVID-19.
- New examples and organization of supply chain management section around the topics of supply chain integration, resilience of supply chains, and logistics operations.



- Explanation of the importance of internal and external collaboration to supply chain management.
- New Executive Perspective.

### **Chapter 11: Pricing**

- New Executive Perspective.
- Expanded discussion on the marketing impact of recent tariffs.
- New examples, including a discussion of pricing strategy for streaming services.

### **Chapter 12: Retailing**

- Streamlined discussion of retailer types, with new examples and details on the impact of COVID-19 on selected retail categories.
- New and improved section on key trends in modern retail, with new content and examples on retail analytics, competing on customer experience, and retail technology applications, including artificial intelligence (AI), voice-activated search, geofencing, and VR/AR.
- Revised discussion of omnichannel retailing, including retailer response to the pandemic via introduction of buy-online-purchase-in-store (BOPIS) and curbside delivery services.
- New Today's Professional profile.

### **Chapter 13: Digital and Social Media Marketing**

- Digital and social media marketing practices are fast-paced and constantly changing. We've updated content and examples throughout the chapter.
- Expanded social media marketing section, including discussion of marketers increased use of niche "SoMe" social media platforms.
- Enriched discussion of digital and social media analytics, detailing common KPIs for measuring search, content, website, and social media marketing performance.
- New Marketing Plan exercise designed to help students incorporate experts' best practices into their personal LinkedIn profiles.

### **Chapter 14: Branding**

- Expanded discussion of the role of social media in branding.
- New Video Case featuring Idaho Central Credit Union.
- Updated Table 14.2, the top 10 most valuable global brands.

### **Chapter 15: Customer Relationship Management**

- Updated list of companies that enjoy the highest customer experience ratings.
- Addition of the concept of a "breakpoint" in customer service as an unethical CRM practice.
- New Today's Professional profile.

### **Chapter 16: Social Responsibility and Sustainability**

- Expanded "Ethical Dimensions" section that focuses on the goals of designing and producing new products ethically.
- New examples discussing sustainability issues with supply chain management.
- Addition of ethical and sustainability issues in new product development.



# ACKNOWLEDGMENTS

We are deeply indebted to the many marketing scholars and instructors, business leaders and professionals, and colleagues and friends who have contributed their time, ideas, and insights to the development of this product. We appreciate your help and your shared passion for maximizing the educational experience of our students and future leaders.

## Special Thanks to Our Reviewers

Reviewers who provided feedback that was essential to the development of the fourth edition and previous editions include:

Praveen Aggarwal,  
*University of Minnesota, Duluth*

Raj Agnihotri,  
*University of Texas at Arlington*

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*Xavier University*

Mary Albrecht,  
*Maryville University*

Keanon Alderson,  
*California Baptist University*

Elizabeth C. Alexander,  
*Marshall University*

Charlotte Allen,  
*Stephen F. Austin State University*

Daniel Allen,  
*Utah State University*

Elsa Anaya,  
*Alamo Colleges, Palo Alto College*

Cynthia Anderson,  
*Youngstown State University*

Christopher Anicich,  
*California State University, Fullerton*

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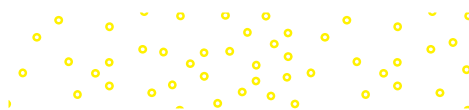
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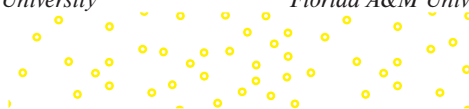
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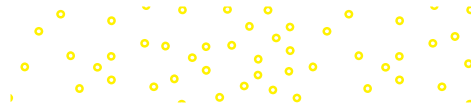
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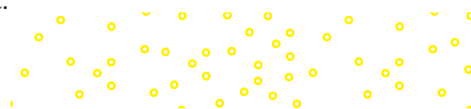
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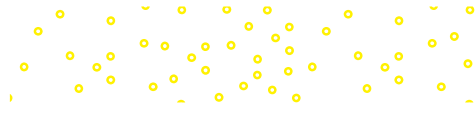
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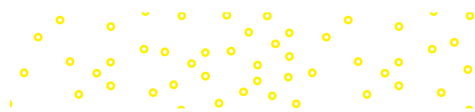
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*Shane Hunt, John Mello, and George Deitz*



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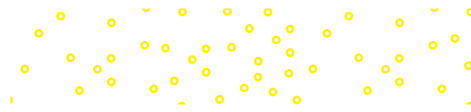
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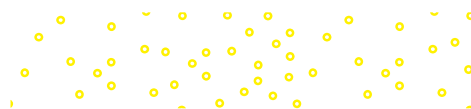
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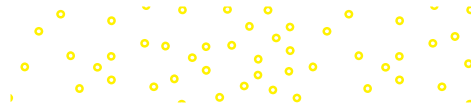
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Steve Schaack





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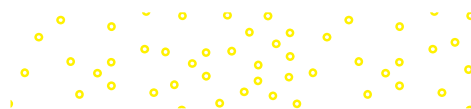
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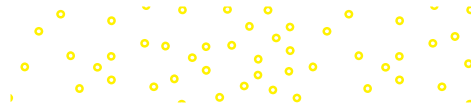
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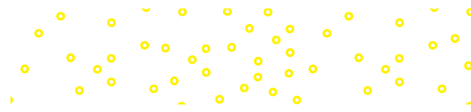
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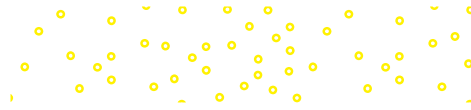
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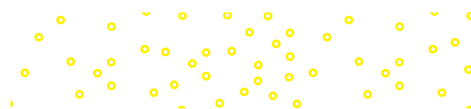
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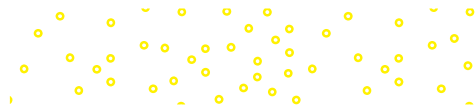
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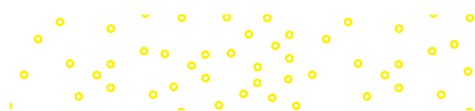


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## Chapter 3

# The Global Environment



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### Learning Objectives

*After reading this chapter, you should be able to*

- LO 3-1** Differentiate between direct and indirect competition.
- LO 3-2** Summarize the major external factors that influence the marketing environment.
- LO 3-3** Extend the analysis of the marketing environment beyond the borders of the United States.
- LO 3-4** Identify the major trade agreements, monetary unions, and organizations that affect the international marketing environment.
- LO 3-5** Describe the emerging factors that influence the nonprofit marketing environment.



## Executive Perspective . . . because everyone is a marketer

As a college student, Matt Slick majored in finance not knowing how marketing would become a significant part of his professional journey. Early in his career, Matt worked in business development then took his first leadership position in a marketing organization by managing the pricing administration team at WilTel Communications.

Over the past 15 years, Matt has led global sales operations and global deal structuring for some of the leading technology companies in the world. Today, Matt serves as Senior Principal for Global Pricing and Price to Win at DXC Technology where he works with sales teams on IT outsourcing contracts with values greater than \$100 million. His role on these teams is to build a client business case with a target price, and the actual price with a supporting P&L for internal governance approvals. He also work with sales teams to refine the client value proposition “Value Story” and ensure the pricing structure supports the story.

### **What has been the most important thing in making you successful at your job?**

I would say there are three main things. Initially, develop a first draft as soon as possible with placeholders for unknown elements and iterate as many times as possible to the finished product. Next, determine the questions people are likely to ask, and answer those questions in your work product. Finally, realize everyone has shortcomings and bad days, be patient and flexible and they will do the same with you.

### **What advice would you give soon-to-be graduates?**

You don't have to be an expert on everything. You can make an impact if you can quickly determine the levers in any situation or problem. Identify the levers and understand if the change will be good or bad, big or small when

### **Matt Slick** *Senior Principal, Global Pricing and Price to Win DXC Technology*



Photo by Shannon Kaye  
Portrait Design

you pull them. Also, you may not use everything you were taught in school, but you will utilize your experiences, thought processes, your problem-solving skills, people skills, and concepts learned every day. Your education has helped you understand why things happen, the how may differ from one situation to another.

### **How is marketing relevant to your role at DXC?**

Marketing helps the business build playbooks with value stories that help sales teams tell consistent sales stories that play to the client's value perception. For example, our company will do this for you using these people, processes, and tools, and it will provide cost savings of x% while increasing business performance by y% with an improved customer experience resulting from z.

### **What do you consider your personal brand to be?**

In baseball, there is a concept of a utility player who can play several different positions. My role is to determine pricing but also to help other roles as necessary with my experience. Sometimes I might help to make sure the costs from engineers look correct, the sales story is convincing, the contract doesn't feel too tight or too loose, or the revenue recognition and accounting treatment seems reasonable.

## LO 3-1

Differentiate between direct and indirect competition.

**marketing environment**

The outside factors and forces that affect a company's ability to meet its marketing goals.

Those forces include political, economic, demographic, sociocultural, technological, and legal factors.

**direct competition**

A situation in which products that perform the same function compete against one another. Also called *category competition* or *brand competition*.

**substitute products**

Goods and services that perform very similar functions and can be used in place of one another.

**indirect competition**

A process in which products provide alternative solutions to the same market.

## COMPETITIVE ENVIRONMENT

SiriusXM was launched a little less than two decades ago. It is the largest satellite radio provider in North America, offering hundreds of channels of commercial-free music, sports, and talk. Today, over 34 million subscribers pay a monthly fee for the service.<sup>1</sup> Companies like SiriusXM compete in a dynamic and changing environment. The **marketing environment** consists of the outside factors and forces that affect a company's ability to meet its marketing goals. Those forces include political, economic, demographic, sociocultural, technological, and legal factors.

To be successful, marketers must understand the marketing environment, including both the competition and the domestic and international factors that affect the company. The competitive environment includes both direct and indirect competitors seeking to acquire market share.

### Direct Competition

The most obvious form of competition is **direct competition** (also called *category competition* or *brand competition*), in which products that perform the same function compete against one another. For example, Wendy's competes directly with hamburger chains McDonald's and Burger King for customers and market share. In 2012, Wendy's passed Burger King in sales volume for the first time, to become the second-largest U.S. hamburger chain behind McDonald's. Wendy's revenue growth continued into 2018, led by its popular "4 for \$4 meal."<sup>2</sup> However, sales at Wendy's were dwarfed by its other major direct competitor—McDonald's. During the same period, its total sales volume rose to \$37.4 billion, more than four times Wendy's annual sales of \$9.2 billion.<sup>3</sup>

The direct competition for SiriusXM includes traditional radio stations as well as Internet radio services like Spotify that stream across broadband connections. Traditional and Internet radio are examples of substitute products. **Substitute products** are goods and services that perform very similar functions and can be used in place of one another. For SiriusXM to succeed, it must differentiate its product from substitutes in ways that add value to the customer's listening experience. SiriusXM does this by forgoing commercials and offering specific content that is not available on any substitute product.

### Indirect Competition

Companies also face indirect competition. **Indirect competition** occurs when products provide alternative solutions to the same market. For SiriusXM, indirect competition would include products such as Apple's iPhone, which allows consumers to download and listen to their favorite music, audiobooks, and podcasts in their home or car.

Indirect competition also affects the fast-food industry. Despite reaching the number-two position among U.S. hamburger chains, Wendy's overall growth was relatively small due to increased indirect competition. As U.S. consumers looked for healthier dining choices, Subway jumped past both Wendy's and Burger King to become the third-largest restaurant chain in the United States, with approximately \$10.2 billion in sales.<sup>4</sup> While Wendy's products were able to make gains relative to Burger King's Whopper, they lost ground to healthier sandwiches and Subway's cleverly marketed "\$5 Footlong" and "Eat Fresh Refresh" campaigns.



Marketing professionals at SiriusXM and every organization must recognize the challenges both direct and indirect competition present and develop strategies to protect and expand their organization in light of those challenges.

Cindy Ord/Getty Images Entertainment/Getty Images

The beverage category offers another example of indirect competition. Direct competitors Coca-Cola and Pepsi have battled over soft-drink market share for decades. However, as consumers seek healthier drinks, soft-drink sales have begun to decline. Coca-Cola and Pepsi have seen indirect competitors gain market share selling juices, teas, energy drinks, and different types of water. Faced with this marketing trend, Coca-Cola and Pepsi aggressively expanded their offerings by acquiring brands (e.g., Coca-Cola with Dasani and Pepsi with Gatorade and Tropicana) in these emerging drink categories.



The shift in consumers' desire to eat, drink, and live healthier is one of several external factors currently affecting the marketing environment. To be successful, a firm must understand and adjust to the external environment, both domestic and international. In the next section, we'll discuss the major external factors firms should consider.

Firms that closely monitor indirect competition can take steps to reduce its impact by expanding their offerings, as Coca-Cola did in response to competition from firms promoting healthy alternatives to soft drinks. *Nicolas Asfour/AFP/Getty Images*

## EXTERNAL MARKETING ENVIRONMENT

Marketing does not occur in a vacuum. Unforeseen developments external to the firm can directly affect the success of its marketing strategy. For this reason, marketers continually scan the external environment. **Environmental scanning** involves monitoring developments outside the firm's control. The goal is to detect and respond to threats and opportunities that might affect the firm.

Historically, environmental scanning at U.S. companies focused almost exclusively on the domestic environment. American auto giants Ford, General Motors, and Chrysler spent much of the twentieth century concerned mostly with competition from each other, for example. However, with increasing globalization, firms have expanded their scanning activities to include the environment beyond U.S. borders. Today international car manufacturers such as Toyota and Honda affect General Motors just as much as Ford.

In subsequent sections, we'll discuss the six major external factors that influence the firm's marketing environment—economic, demographic, sociocultural, political, legal, and technological—shown in Figure 3.1. All of these factors occur on both a domestic and global scale. In this chapter, we'll first focus on how they occur in the domestic environment before we expand the discussion to include the global environment as well.

### Economic Factors

*Economic factors* influence almost every marketing decision a firm makes. Economic conditions affect consumers' willingness and ability to buy products. As a result, firms must create, communicate, and deliver value in a way that's appropriate for the current economic climate.

Four economic elements influence marketers: gross domestic product (GDP), income distribution, inflation, and consumer confidence.

#### LO 3-2

Summarize the major external factors that influence the marketing environment.

#### environmental scanning

The act of monitoring developments outside the firm's control with the goal of detecting and responding to threats and opportunities.

**FIGURE 3.1** The External Factors Affecting the Marketing Environment



**gross domestic product (GDP)**

A measure of the market value of all officially recognized final goods and services produced within a country in a given period.

**recession**

A period of time during which overall gross domestic product (GDP) declines for two or more consecutive quarters.

**Gross Domestic Product** Gross domestic product paints a simple picture of the economic health of a nation. **Gross domestic product (GDP)** refers to the market value of all officially recognized final goods and services produced within a country in a given period. A country's GDP is a function of both the quantity of goods and services produced and their market values.

Overall GDP measures the overall size and health of an economy. The United States has the largest gross domestic product in the world for a single country, with almost \$21 trillion in 2020.<sup>5</sup> However, in recent years China, India, and other developing nations have seen the highest GDP growth rates. While the United States grew 2.16 percent in 2019 (the last full year before COVID-19), China's economy grew almost three times faster, at 5.95 percent.<sup>6</sup> Higher GDP growth often drives lower unemployment rates, higher consumer confidence, and increased wealth across most income levels. All of this leaves customers with more money to spend. However, lower GDP growth can also open up opportunities for marketers who anticipate the trend and modify their marketing-mix strategy accordingly.

The overall GDP number doesn't give a full picture of a country's economic health, though. Marketers also find it useful to know the average productivity or income per person. *GDP per capita* is often considered an indicator of a country's standard of living.<sup>7</sup> It is calculated by dividing a country's overall GDP by its population. For example, the GDP per capita in the United States was \$59,531 in 2017 compared with \$8,902 in Mexico and \$8,827 in China.<sup>8</sup>

Meanwhile, overall GDP is the most common gauge of the overall expansion or contraction of an economy. A **recession** occurs when overall GDP declines for two or more consecutive quarters. The most recent U.S. recession began in 2020 when the COVID-19 pandemic led to a 31.4 percent drop in GDP in the second quarter of the year.<sup>9</sup> Recessions can have a powerful negative effect on marketing. They typically involve layoffs, increased unemployment, and reduced consumer confidence. These factors influence consumers' ability and willingness to buy products and to contribute to nonprofit organizations.

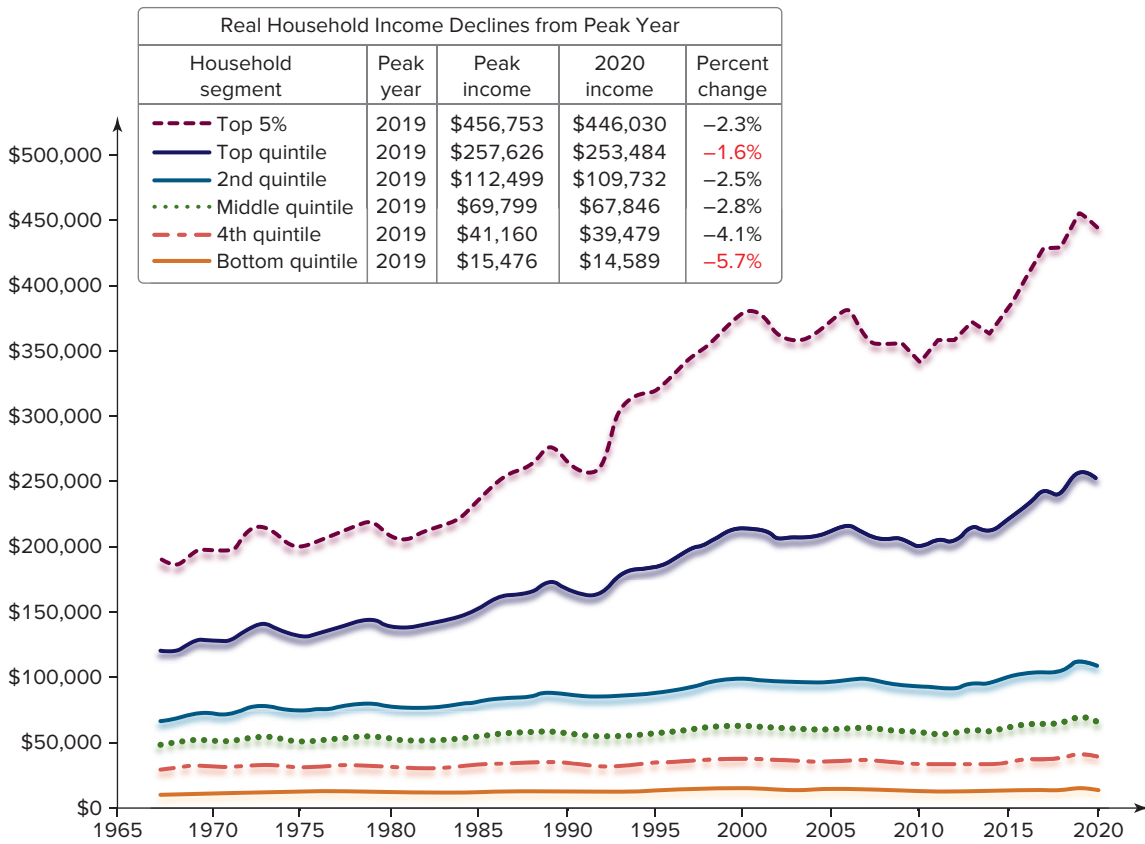
**Income Distribution** Distribution of income across the U.S. population has shifted over the past several decades. This shift has forced marketers to develop new strategies to satisfy consumers at different ends of the spectrum. For example in 2017, the top 5 percent of the U.S. population earned approximately 36 percent of the country's adjusted gross income. Meanwhile, the bottom 50 percent earned less than 12 percent of the country's income.<sup>10</sup> Figure 3.2 illustrates the change in mean household income in the United States for various household segments over the past few decades in current dollar values. As the figure shows, though income for all household segments increased, income for the highest wage earners grew at a much quicker pace than it did for households in the bottom quintile.

Shifting income distribution offers marketers new opportunities to satisfy consumer needs and wants at various income levels. Many companies, such as Dollar General, have thrived by targeting consumers with modest incomes. Dollar General's marketing strategy includes offering low-income families quality food, health, and beauty products at reduced prices. This approach turned the company into a retailing bright spot over the past decade. While other firms struggled during the recession that began in December 2007, Dollar General opened new stores. Beyond this, it gained customers who have stayed loyal even as the economy began to rebound.<sup>11</sup>

On the other end of the spectrum is luxury brand Louis Vuitton, which makes shoes, watches, accessories, and other premium items. Catering to high-income consumers, the company has consistently increased its brand value. During the most recent recession, Louis Vuitton's marketing strategy involved raising prices and heightening its focus on quality. The result was additional sales to its wealthiest clients, and thus higher profits.<sup>12</sup>



**FIGURE 3.2** Change in Average U.S. Household Income



Source: <https://www.advisorperspectives.com/dshort/updates/2018/10/16/u-s-household-incomes-a-51-year-perspective>.

**Inflation** You may have heard older friends and relatives talk about how, back in their day, a gallon of milk cost less than \$2. The fact that the same gallon of milk costs over \$4 today is the result of inflation. **Inflation** is an increase in the general level of prices of products in an economy over a period of time. When the general price level rises, each

**inflation**

An increase in the general level of prices of products in an economy over a period of time.



Brian Killian/Getty Images Entertainment/Getty Images



A. Astes/Alamy Stock Photo

Though they pursued markedly different strategies, both Louis Vuitton and Dollar General had success marketing to a U.S. population characterized by shifting income distribution.

unit of currency (e.g., each U.S. dollar) buys fewer goods and services. In 2021, prices rose by 7 percent compared to the previous year, which was the fastest rate in almost four decades causing challenges for marketers and consumers across the economy.<sup>13</sup>

Consequently, inflation also reflects erosion in the purchasing power of money.

#### purchasing power

A measure of the amount of goods and services that can be purchased for a specific amount of money.

**Purchasing power** is the amount of goods and services that can be purchased for a specific amount of money. For example, if the price of gasoline goes up 10 percent this year, the amount of gasoline you can purchase for \$20 decreases by that same 10 percent. Three decades ago, \$10 might have filled up your tank as average gas prices in the late 1980s were below \$1 per gallon.<sup>14</sup>

Inflation can affect marketing significantly if prices rise faster than consumer incomes. In the last decade, U.S. consumers have seen significant increases in the cost of gasoline and food. During the same period, they've experienced a comparable decrease in the amount left to spend on all other goods and services. Each of you may be experiencing the impact of inflation as you read these words. College tuition and fees have increased 440 percent since 1980. Meanwhile the average family's income has risen less than 150 percent.<sup>15</sup> Because the cost of college has outpaced average family income, more students have been forced to take out additional student loans and families must spend a greater percentage of their household budgets to send children to college. Consequently, university marketing professionals are increasingly tasked with providing evidence of the value of higher education to current and future students. Their strategy includes increasing career service staffs, offering more integrated course programs, and spending more time educating people about the financial benefits of a college degree.

#### consumer confidence

A measure of how optimistic consumers are about the overall state of the economy and their own personal finances.

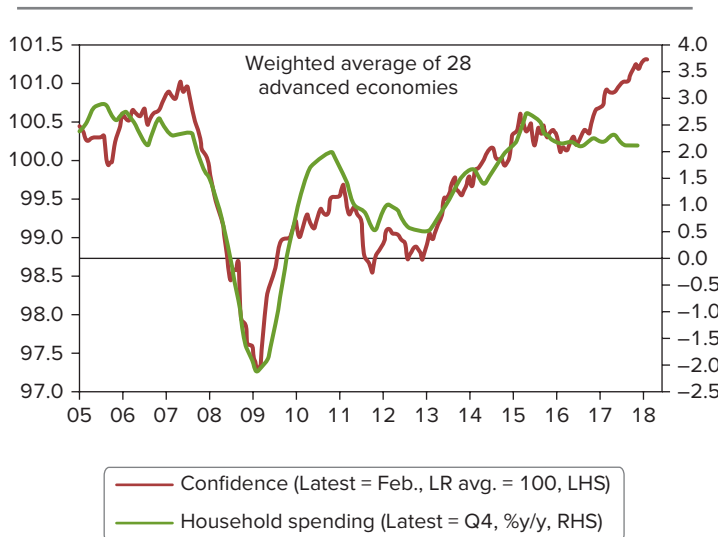
**Consumer Confidence** Consumer spending accounts for more than two-thirds of U.S. economic activity. The amount consumers are willing and able to spend is often based on their confidence in the stability of their future income. As a result,

consumer confidence can provide an effective measure of the health of the economy. **Consumer confidence** measures how optimistic consumers are about the overall state of the economy and their own personal finances.

Consumers purchase more when consumer confidence is high. If the economy contracts and people lose jobs, consumer confidence decreases, leading to more saving and less spending. The effects of decreasing consumer confidence were seen in the United States during the most recent recession. Figure 3.3 illustrates the changes in consumer confidence and the subsequent change in real consumer spending over the past couple of decades. The green line reflects consumer confidence; the red line illustrates the change in real consumer spending over the same time period. As you can see, these measures often trend together, though there isn't an exact correlation between the two.

Marketers who can find strategic ways to help consumers feel confident about their purchases can improve performance during challenging times. For example, in 2009 Hyundai recognized that U.S. consumers were not confident in buying a new car because they feared

**FIGURE 3.3** Relationship between Consumer Confidence and Real Consumer Spending



**Source:** Federal Reserve Bank of St. Louis, "FRED Graph," n.d., [http://research.stlouisfed.org/fred2/graph/?utm\\_source=research&utm\\_medium=website&utm\\_campaign=data-tools](http://research.stlouisfed.org/fred2/graph/?utm_source=research&utm_medium=website&utm_campaign=data-tools).



Hyundai's Buyer Assurance program, which focused on addressing low consumer confidence due to a weak economy, allowed the car company to increase domestic sales, profits, and market share during an economic recession. *Jonathan Weiss/Shutterstock*

losing their jobs. In response, Hyundai launched the Buyer Assurance program. The program allowed Hyundai buyers to return their car within 12 months, no questions asked, if they lost their job.<sup>16</sup> Hyundai identified and tapped into basic and powerful consumer fears to develop a strategy that sought to help consumers feel more confident in purchasing. This strategy helped Hyundai increase market share significantly; its sales increased by 22 percent while the rest of the auto industry saw declining sales in the year after the promotion launched.<sup>17</sup>

Marketers cannot dictate the state of the economic environment. Instead, they must develop marketing strategies to position their firm for success, regardless of economic factors. From 2008 to 2010, with consumer confidence low due to the recession, Subway was looking for a value offering to compete against other restaurant chains that were expanding their low-price menus. A local Subway franchise in Miami first offered footlong sandwiches for only \$5 on the weekends.<sup>18</sup> When the stores offering the promotion had lines out the doors, Subway knew it had a winning marketing strategy. Subway worked with its ad agency to develop the now famous "\$5 Footlong" jingle. More customers upgraded their orders from 6-inch subs to footlongs; others bought a footlong sandwich, ate half, and saved the rest for lunch the next day. The \$5 footlong helped Subway expand domestic sales by 17 percent at a time when virtually all other restaurant chains were watching sales decrease.<sup>19</sup> Just three years after the introduction of the \$5 footlong, Subway surpassed McDonald's; it now operates the most locations of any restaurant chain in the world.<sup>20</sup>



*Photo by Shannon  
Kaye Portrait Design*

### Executive Perspective . . . because everyone is a marketer

**Matt Slick**  
Senior Principal  
DXC Technology

**What is a way you see  
marketing impacting  
profitability each day?**

Marketing is immensely important because value is perceived, and marketing creates that perception. Any company can obtain a higher price and improved profit when the marketplace perceives value. If you must battle on price between two perceived equals, it's tougher to win and profit will certainly be less.



## Demographic Factors

### demographics

The characteristics of human populations that can be used to identify consumer markets.

Economic factors provide a macro framework for understanding consumer purchase patterns. At the same time, marketers are equally concerned with identifying consumers' demographic characteristics. **Demographics** are the characteristics of human populations that can be used to identify consumer markets. They include things such as age, gender, ethnicity, and education level, all of which influence the products consumers buy. Typical demographic information is readily available from the U.S. Census Bureau and research firms such as Nielsen. Access to demographic information is essential to identifying and characterizing a firm's target markets.

### Baby Boomers

The generation born between 1946 and 1964.

### disposable income

The amount of spending money available to households after paying taxes.

### Millennials

The generation born between 1978 and the late twentieth century. Also known as *Generation Y*.

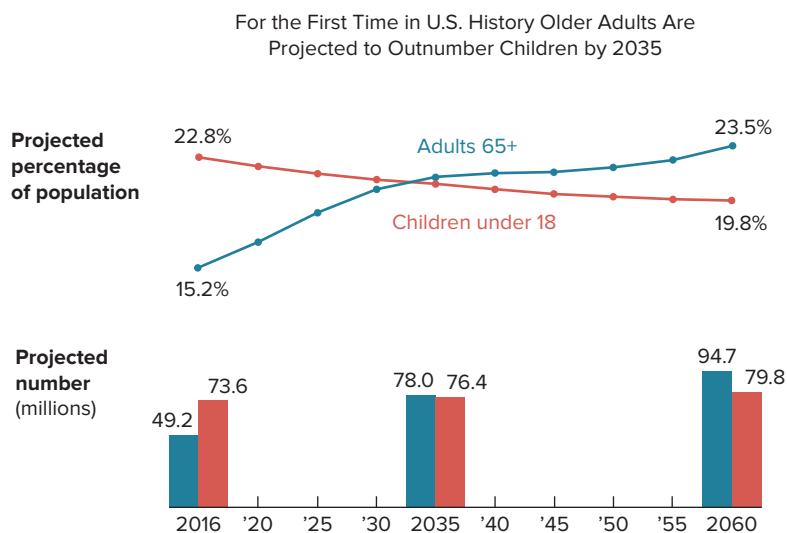
**Age** Do you consume information in the same way as your parents? Do you consume information the same way you did five years ago? The likely answer to both of these questions is no. Age plays an important role in how consumers process information. This in turn affects what marketing strategy firms should use to reach them.

Each year, the average age of the population of the United States rises. The median age of the U.S. population is expected to grow from age 38 today to age 43 by 2060.<sup>21</sup> Seniors are the fastest-growing demographic group. As illustrated in Figure 3.4, it is projected that by 2035 the older adults will outnumber children in the United States for the first time in history. There are 74 million **Baby Boomers**<sup>22</sup>—the generation of children born between 1946 and 1964. They are retiring from the workforce at a rate of 10,000 per day.<sup>23</sup> Members of this generation typically possess two things that marketing professionals seek: disposable income and free time. **Disposable income** is the amount of spending money available to households after paying taxes.

Baby Boomers represent the wealthiest generation in U.S. history; when they retire, they have free time to spend some of their wealth. Rapidly retiring Baby Boomers make up only a quarter of the U.S. population but account for 50 percent of all domestic consumer spending.<sup>24</sup> In an effort to reach this demographic, firms are making changes to encourage older Americans to shop at their stores. Paint retailer Sherwin-Williams has redesigned its 3,400 stores by adding more lighting and seating, to make them more comfortable for older shoppers. Pharmacy CVS Caremark has retrofitted its stores to appeal to older shoppers by lowering shelves and adding carpeting to reduce slipping.<sup>25</sup> However, the news is not all positive for marketers looking to target Boomers. Older adults are more likely to complain and often require more special attention and resources than their younger counterparts.

Some of you reading this belong to a generational cohort known as **Millennials**, the generation of children born between 1981 and the late twentieth century. Also known as *Generation Y*, Millennials comprise over 75 million members in the United States.<sup>26</sup> They are the second-largest generational group behind the Baby Boomers. Millennials generally have the greatest familiarity with and most use for digital communication, social media, and other forms of technology.

**FIGURE 3.4** Projected Number of Children and Older Adults



Source: U.S. Census Bureau <https://www.census.gov/newsroom/press-releases/2018/cb18-41-population-projections.html>, March 13, 2018.

Marketers trying to reach this large consumer group increasingly deliver their messages using channels, like the Internet, that are most likely to be used by this market. For example, Gap targeted Millennials by promoting its brand on the Internet and participating in design collaborations with fashion blogs that are popular with younger consumers.<sup>27</sup> In 2015, Millennials became the largest share of the U.S. workforce, and their importance to marketers will only grow in the decades ahead.<sup>28</sup>

Many of you reading this belong to a generational cohort known as *Generation Z*, the generation of children born between 1997 and 2012. Gen Zers are more diverse, more highly educated, and less likely to move than previous generations.<sup>29</sup> The typical Gen Z consumer uses 1 to 10 apps per day and a majority are willing to pay for music apps. Music app providers like Spotify focus on providing additional content and perks for younger consumers to stay on one platform, by tapping into Gen Z consumers' desire to connect by offering features that recommend local concerts to users based on their music preferences. Spotify's partnership with Songkick and Pandora's acquisition of Ticketfly provide additional evidence of how important nondigital experiences remain in today's digital age.<sup>30</sup>

McGraw Hill connect Exercise 3-1



### Social Media in Action

Financial advisers across the globe, including independent advisers running their own small businesses, are increasingly recognizing the importance of marketing themselves on social media. Financial advisers are using social media to win business at the highest rate in their history. An annual survey from Putnam Investments found that 97 percent of financial advisers use social media for business. The share of advisers acquiring clients through social media jumped from 49 percent in 2013 to 86 percent in 2018. Indeed, regardless of industry, social media are increasingly important to winning the business of fast-paced, tech-savvy consumers.

Financial advisers of all ages are adjusting to their changing marketing environment. LinkedIn is the network of choice of advisers for their business, with 73 percent reporting they use it, compared with 56 percent who use Facebook and 46 percent who report using Twitter for business. Use of other platforms for business is also growing: 42 percent of advisers indicate they use Yelp, 39 percent use YouTube, and 34 percent use Instagram for business. Advisers are using different social networks for different business reasons. For example, they may use LinkedIn to get more referrals and connect with other financial professionals. They may try to develop closer relationships with small business clients and prospects by, say, sharing a Facebook article about cycling with clients who are cycling enthusiasts.

*The Social Media in Action Connect exercise in Chapter 3 asks you to develop different social media marketing strategies for a small business. By understanding how social media can help small businesses in different industries, you will be able to apply these strategies in the service of a small business you might work for or own in the years ahead.*

**Source:** <https://www.businesswire.com/news/home/20180403006208/en/Financial-Advisors-Broadly-View-Social-Media-Disruptive>.

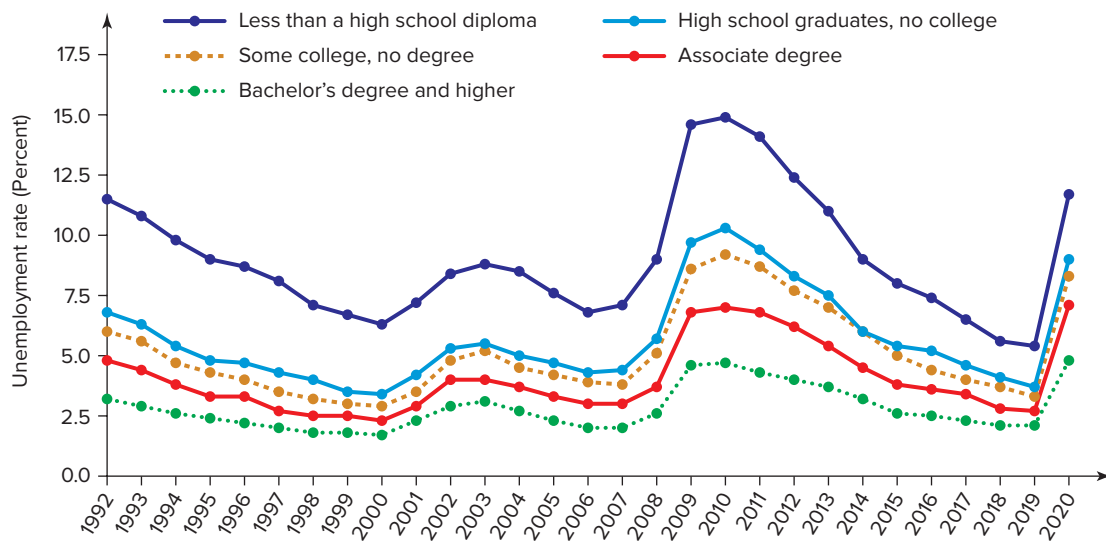
**Gender** One of the most important changes in the United States in recent decades has been the roles, attitudes, and buying habits of people in the marketplace. Historically, female consumers were targeted for a much less diverse set of goods and services than men. Today women take on the role of decision maker across a large and expanding variety of products. Female consumers now account for 85 percent of all consumer purchase decisions in the United States, including everything from cars to groceries to health care.<sup>31</sup> Women are responsible for more than half of the new-car purchases in the United States. Seventy-five percent of women identify themselves as the primary shopper in their household.<sup>32</sup>

Their control over the majority of consumer spending makes women a target market across products. Marketers at Toyota targeted their promotional activities for the Sienna minivan toward female buyers with a marketing campaign titled “Swagger Wagon.” The campaign appealed emotionally to female consumers who did not want parenthood to take away from their ability to drive a cool car. Delivered via television and over two dozen YouTube videos, the ads featured a woman and her family describing how the Sienna fit their lifestyle rather than a list of features. “Swagger Wagon” generated over 5 million YouTube hits and was named one of the top marketing campaigns of the year.<sup>33</sup>

**Education** Historically, highly educated consumers are more likely to be employed than are those with less education. As Figure 3.5 shows, even during the height of the recession that began in December 2007 or the COVID-19 recession in 2020, the unemployment rate for college-educated workers was approximately half that of the nation as a whole.<sup>34</sup> Though the trend in the unemployment rate for college-educated consumers mirrors the trend for the rest of the population, their overall unemployment numbers remain low in comparison.

The United States has been pushing over the past decade to lead the world in college graduation rates.<sup>35</sup> As a result, the number of professional workers with college degrees is expected to increase significantly in the coming years. Educated consumers

**FIGURE 3.5** U.S. Unemployment Rate by Educational Attainment



Source: <https://www.statista.com/statistics/232942/unemployment-rate-by-level-of-education-in-the-us/>

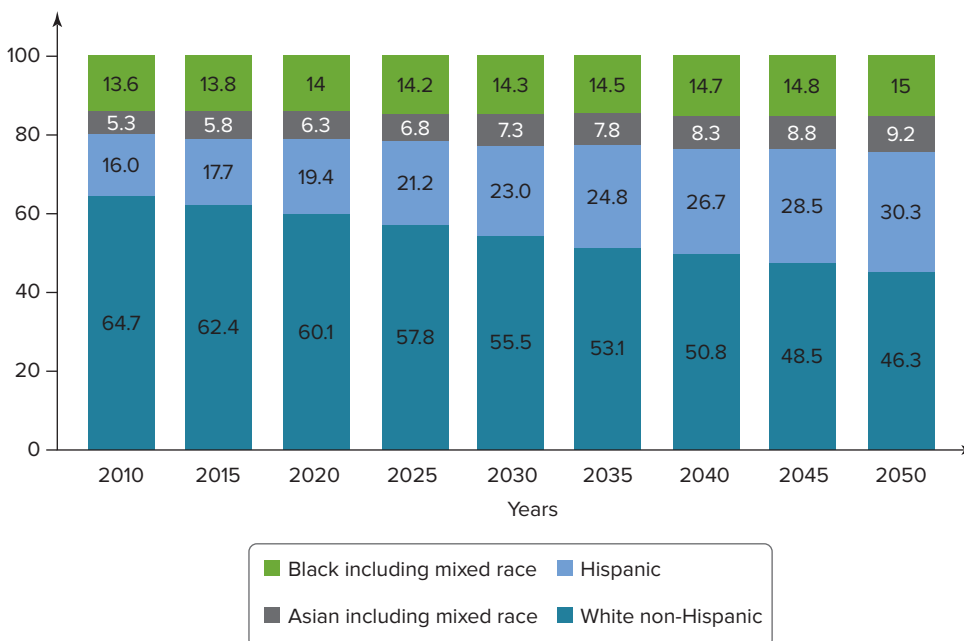
are likely to earn significantly more money throughout the course of their lifetimes and also may more readily comprehend an advertiser’s message. These factors make highly educated consumers prime targets for marketing strategies. The increase in the average education level of the country will continue to give marketers new opportunities.

**Ethnicity** The ethnic composition of the U.S. population is changing rapidly. Projections indicate that by 2050 the Hispanic population in the United States will almost double to more than 127 million, representing over 30 percent of the entire U.S. population.<sup>36</sup> The African American population in the United States grew at rate that outpaced the 12 percent population growth for the country as a whole.<sup>37</sup> Asian Americans now represent the highest-income, best-educated, and fastest-growing racial group in the United States, thereby increasing their purchasing power and importance to marketers.<sup>38</sup> Figure 3.6 illustrates changes in the ethnic breakdown of the United States over the past decade and changes projected for the decades ahead.

The United States is moving rapidly toward greater multiculturalism. Ethnic minorities’ purchasing power was \$3.8 trillion in 2018 and expected to grow significantly over the next decade.<sup>39</sup> Marketers already have taken basic steps to reach out to different ethnic groups. Advertising in multiple languages is one such step. Food company General Mills’s research showed that consumers of Hispanic ethnicity prefer to buy the brands of goods and services they see advertised on television. The company significantly increased the number of ads it ran on Spanish-language media. When it did so, it saw sales of popular General Mills products like Progresso

**FIGURE 3.6** Changing Ethnic Breakdown in the United States

**U.S. POPULATION PROJECTIONS TO 2050**  
Percentage by race and Hispanic origin



**Note:** Due to rounding, percentages will not add up to exactly 100 percent.  
**Source:** <http://news.bbc.co.uk/2/hi/7559996.stm>.

soup and Honey Nut Cheerios soar.<sup>40</sup> As the ethnic makeup of the United States continues to change, marketing professionals will need to keep studying different ethnic groups and their buying behavior.

## Sociocultural Factors

### sociocultural

The combination of social and cultural factors that affect individual development.

Our society and culture help shape our beliefs, values, and norms, which, in turn, define our tastes and purchasing habits. **Sociocultural** factors are the combination of social and cultural factors that affect individual development.

One of the biggest sociocultural changes in the United States over the past half century has been the shift from a nation of primarily one-income families, in which one spouse stayed home to raise children. Today, two-income families and single-parent households predominate. Less than 15 percent of U.S. households consist of a working parent and a stay-at-home parent.<sup>41</sup>

The new sociocultural reality of busy families has created opportunities for firms to offer new kinds of value. Banks, for example, have expanded their offerings to include later evening hours and more services through ATMs. They've also launched additional online banking options, like online check depositing, that give busy consumers more opportunities to use the bank's services.

Other sociocultural changes are taking place in the United States—an increasing number of single adults, rising concerns about protecting consumer privacy, and the growth in environmentally conscious consumers. Such changes provide firms with many reasons to market products in new and better ways. For example, in response to the increase in consumer demand for environmentally friendly goods and services, car manufacturers have increased their hybrid and electric-car offerings. Marketers of personal care products have introduced a wider selection of natural and organic items.

Cultural differences can also influence how consumers respond to advertisements and other marketing messages. For example, Asian American participants in one research study heavily favored preventive messages, such as the suggestion that a product can reduce the risk of cancer.<sup>42</sup> Anglo American participants preferred messages for that same product that are more promotional, that highlight the potential benefits, such as that it can produce higher energy levels. Such cultural differences provide marketers important insights into how to most effectively reach different consumers.



Oscar Mayer's Lunchables, which typically include crackers, cheese, and meat slices, appeal to busier families looking for a convenient way to prepare their children's lunch. *Michael Neelon(misc)/Alamy Stock Photo*

## Political Factors

Firms must understand how the changing political climate affects them. They then can develop marketing strategies that will lead to success under various conditions. The political climate in the United States can change the direction of government policy quickly. Such change also can affect how marketers position their products. For example, video game marketers were very concerned about legislation proposed in Pennsylvania in 2018 that would add a 10 percent tax on the purchase of all mature-rated video games in the state.<sup>43</sup> The proposed tax would raise the cost of purchasing these types of video games and could force marketers to reconsider their target market and positioning strategies. They might need to replace lost revenue from consumers who could no longer afford to buy as many products with sales to other market segments or develop more new products that will not carry the mature label. Pennsylvania and many other states continue to deal with political pressure to reduce youth violence.

Firms need not be completely passive when it comes to the political decisions that affect their businesses. It's becoming increasingly possible for firms to affect politics. For example, the number and influence of *political action committees (PACs)* have increased dramatically in the past two decades. PACs



raise money to help elect individuals who regard their organization positively or to promote a particular issue related to their industry. Some PACs lobby government officials on issues that affect marketing, such as restrictions on certain types of advertising or protection of consumers' rights. For example, in 2015 the American Medical Association (AMA) announced it would seek curbs on the ability of pharmaceutical companies to market prescription drugs like Eli Lilly's Cialis, Pfizer's Viagra, and AstraZeneca's Crestor on television. The pharmaceutical lobby, which is one of the top 10 spenders among all lobbyists, pledged to fight this curb; it wants to protect the ability for pharmaceutical companies to advertise directly to consumers. If the AMA is successful, the curb could decrease marketers' ability to generate revenue from consumers and change the legal environment within the pharmaceutical industry.<sup>44</sup>

## Legal Factors

The legal system is another factor of the external environment that affects how firms market their products. Marketing professionals need to know and work within the laws that affect marketing. Table 3.1 highlights some of the U.S. laws that are most important to understanding the marketing environment.

Federal, state, and local governments enact regulations for two main purposes:

1. *To ensure businesses compete fairly with each other.* For example, the Sherman Antitrust Act (1890) was passed to eliminate monopolies and guarantee competition. The Robinson–Patman Act (1936) refined prohibitions on selling the same product at different prices. The Wheeler–Lea Act (1938) made deceptive and misleading advertising illegal. These laws are among those enforced by the **Federal Trade Commission (FTC)**, which serves as the consumer protection agency for the

### Federal Trade Commission (FTC)

The consumer protection agency for the United States.

**TABLE 3.1** U.S. Laws That Affect Marketers

Legislation (Year Enacted)	Importance to Marketing
Sherman Antitrust Act (1890)	Combats anticompetitive practices, reduces market domination by individual corporations, and preserves unfettered competition as the rule of trade.
Robinson–Patman Act (1936)	Prohibits firms from selling the same product at different prices in interstate commerce unless based on a cost difference or if the goods are not of similar quality.
Wheeler–Lea Amendment (1938)	Authorizes the Federal Trade Commission to restrict unfair or deceptive acts; also called the <i>Advertising Act</i> . Broadened the Federal Trade Commission's powers to include protection of consumers from false advertising practices.
Fair Packaging and Labeling Act (1966)	Applies to labels on many consumer products. It requires the label to state the identity of the product; the name and place of business of the manufacturer, packer, or distributor; and the net quantity of contents.
Telephone Consumer Protection Act (1991)	Limits commercial solicitation calls to between 8 a.m. and 9 p.m. Requires telemarketers to maintain a do-not-call list and honor any request to not be called again.
Credit Card Accountability, Responsibility, and Disclosure Act (2009)	Protects consumer rights and abolishes deceptive lending practices.

United States. The FTC collects complaints about organizations that violate regulations; those complaints lead to investigations and possible prosecutions.

2. *To ensure businesses don't take advantage of consumers.* For example, the Fair Packaging and Labeling Act (1966) guarantees that product packages are labeled correctly. The Telephone Consumer Protection Act of 1991 has reduced the use of *telemarketing*, or selling products directly to consumers over the telephone. The act allows consumers to limit the number of telemarketing calls they receive and opt out of being called by some companies.<sup>45</sup>

In addition, banks and other financial institutions were required to change how they dealt with consumers following passage of the Credit Card Accountability, Responsibility, and Disclosure (CARD) Act of 2009. The law banned unfair credit card rate increases. It also required that disclosures regarding minimum payments and interest rates be made in plain English, to better protect consumers.<sup>46</sup>

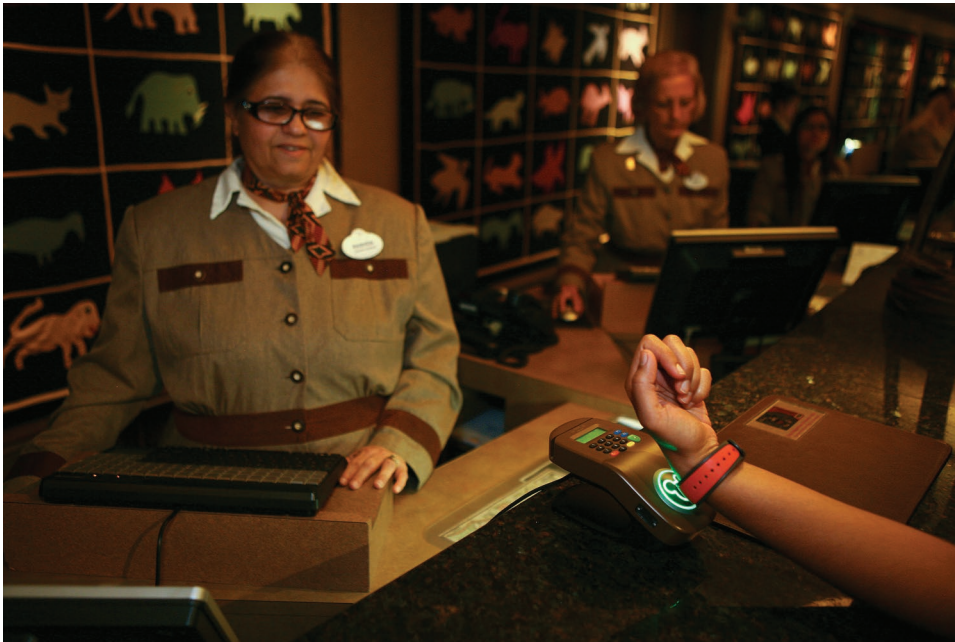
Companies often spend significantly through their PACs to protect their legal position and make sure that new laws are as favorable to them as possible. In 2018, Amazon spent more than \$3 million per quarter lobbying for laws impacting government procurement and cloud modernization. Facebook spent almost \$3.5 million during one three-month period lobbying for a variety of legal changes on issues ranging from trade to high-skilled immigration.<sup>47</sup>

## Technological Factors

Of all the external factors, rapidly evolving technology represents one of the most significant challenges, and one of the most significant opportunities, for marketing professionals. Technology influences how consumers satisfy their needs and wants, the basic concept underlying all marketing activities. For example, if you had been at college in the early 1990s and heard a song on the radio you wanted to buy, you had a couple of options: You could buy the song as a single on compact disc (CD) for \$3 to \$5. Or you could buy the artist's entire album on CD for \$15 to \$20, even though the album was filled with nine other songs you didn't care about. Technology changed the market: Apple's iPod and iTunes Store now allow consumers to purchase only the specific songs they like, for as little as \$0.99. This technological advancement has forever changed the way consumers purchase music.

Technology also changes how firms promote their products. In recent years, a growing number of consumers have abandoned the traditional landline telephone in favor of smartphones. This technology-driven change gives marketers new ways to reach consumers: Applications track consumer locations, making it possible for marketers to know where a customer is. Marketers can then send electronic coupons, such as those provided by Groupon, to the customer's smartphone, with an offer for that moment and location. Imagine walking through downtown Chicago around dinner time and receiving an electronic coupon for a deep-dish pizza restaurant less than a block from where you are. In fact, we don't have to imagine such a scenario. These tools are available today, and they illustrate how technology can change the way firms market to consumers. Walt Disney World Resort uses technology to provide a more hassle-free experience at its theme parks. In 2013, Disney introduced MagicBands, which are wristbands enabled with a radio-frequency identification device (RFID) chip. MagicBands function as a room key and park entry pass for guests at Disney's parks.<sup>48</sup> The MagicBand can also be linked to a Walt Disney World Resort hotel guest's hotel bill, making purchases within the parks easier and quicker. Beyond the added value of improving the guest experience, MagicBands also provide marketers with useful information. By tracking consumers' ride and purchasing patterns, Disney can design attractions to best meet customer needs and wants.





New technology, such as Disney's MagicBands, not only delivers convenience to consumers but also provides marketers with valuable information about a customer's purchasing patterns and habits. *Gregg Matthews/The New York Times/Redux Pictures*

### McGraw Hill connect Exercise 3-2

Please complete the *Connect* exercise in Chapter 3 that focuses on the external factors that affect marketers. The exercise asks you to identify how external factors affect large organizations. By doing this exercise, you will better understand how forces outside the marketing department's control can influence decisions the firm must make.

## INTERNATIONAL MARKETING ENVIRONMENT

Recent estimates put the world's population at almost 8 billion people. Experts predict that it will grow to almost 10 billion people by the year 2050.<sup>49</sup> For some firms, analyzing external factors as they occur in the United States is sufficient. Increasingly, though, even small businesses and firms that sell primarily to U.S. customers are affected by global trends, events, and competitors. The process of environmental scanning must take into account the international marketing environment as well.

In theory, the key external factors that affect a firm in the international space don't differ substantially from those in the domestic space. Consumers' age, education level, and gender still matter. The political and legal systems within a given country often dictate how easy it will be to sell and distribute products there. And a country's level of technological advancement has important implications for how the firm promotes its product to the local population. In practice, though, environmental scanning on a global scale often has added layers of complexity. In this section, we'll discuss some of the factors that marketers should be aware of when analyzing the international marketing environment.

### LO 3-3

Extend the analysis of the marketing environment beyond the borders of the United States.



**currency exchange rate**

The price of one country's currency in terms of another country's currency.

## Currency Fluctuation

*Currency fluctuation* refers to how the value of one country's currency changes in relation to the value of other currencies. Currency fluctuation can affect either positively or negatively how firms market products internationally. The outcome depends on one's perspective: Consider, for example, the currency exchange rate between the U.S. dollar (\$) and the European Union's currency, the euro (€). The **currency exchange rate** is the price of one country's currency in terms of another country's currency. In December 2020, €1 was worth \$1.22. One year later, in December 2021, the same €1 was worth \$1.14.<sup>50</sup> As the value of the euro depreciated relative to the dollar, it increased the spending power of American consumers seeking to buy European products. In contrast, as the dollar appreciated, American goods and services became more expensive to consumers in Europe.

The world's largest country in terms of population, China, has been criticized for undervaluing its currency, that is, pricing the yuan lower than it is actually worth. Many nations believe this tactic gives China an advantage in selling exports because it can price its products cheaper than other countries' products. Financial experts and government officials believe the yuan could appreciate in the years ahead.<sup>51</sup> U.S. marketers ranging from Coca-Cola to General Motors are stepping up advertising and distribution efforts in China, to entice consumers in China to buy more of their products. Due to the stronger yuan-to-dollar exchange rate, the U.S. products now cost Chinese consumers less.

Whether a currency is appreciating or depreciating, currency fluctuations can provide marketing opportunities. For example, let's say the value of the euro increases relative to the dollar. That change may encourage more families from Europe to travel to Walt Disney World in Orlando, Florida, because they could do so cheaply. Disney marketers could target these families with advertisements promoting the idea that there has never been a better time to go to a theme park in the United States. It's important for marketers working in the international environment to understand the effect of currency fluctuations on product value.

## Income Distribution

A country's income distribution often provides the most reliable picture of its purchasing power. Marketers are particularly attracted to countries with a growing middle class because a nation's purchasing capability tends to increase as the proportion of middle-income households increases. For example, income growth in developing nations in Asia and Latin America is likely to stimulate world trade as more of their residents move into the middle class.

Figure 3.7 illustrates how the percentage of middle-class consumption in key Asian countries is projected to change in comparison to the United States over the next few decades. As you can see, the percentage of middle-class consumption in India may outstrip that of the United States by the year 2050. Even countries that don't have a rapidly increasing middle class may have higher purchasing power than may be apparent from initial statistics, due to government subsidies for food, transportation, or health care.

Continuously scanning the global economic environment is an important aspect of doing business in international markets. In addition, marketers are increasingly using metrics to analyze international markets.

## Using Metrics to Analyze International Markets

Evaluating the international marketing environment is a complex process. It requires marketers to interpret a significant amount of information in order to make the best decisions. Marketers have a variety of tools that can help them analyze the international



marketing environment. For example, Google Analytics allows you to quickly see what countries visitors to your website are from, how many pages they visited, and how long they stayed on the site. Google Analytics can also help marketers evaluate what consumers from different countries are searching for on their sites. Such search data help provide insight into the external international environment and evolving consumer preferences.

Using analytics tools like these, combined with information about income distribution and currency fluctuation, provides marketers with a clearer picture of the international environment affecting their organization.

## Major Trade Agreements and Organizations

In addition to scanning the international economic environment, marketing professionals must possess a working knowledge of major trade

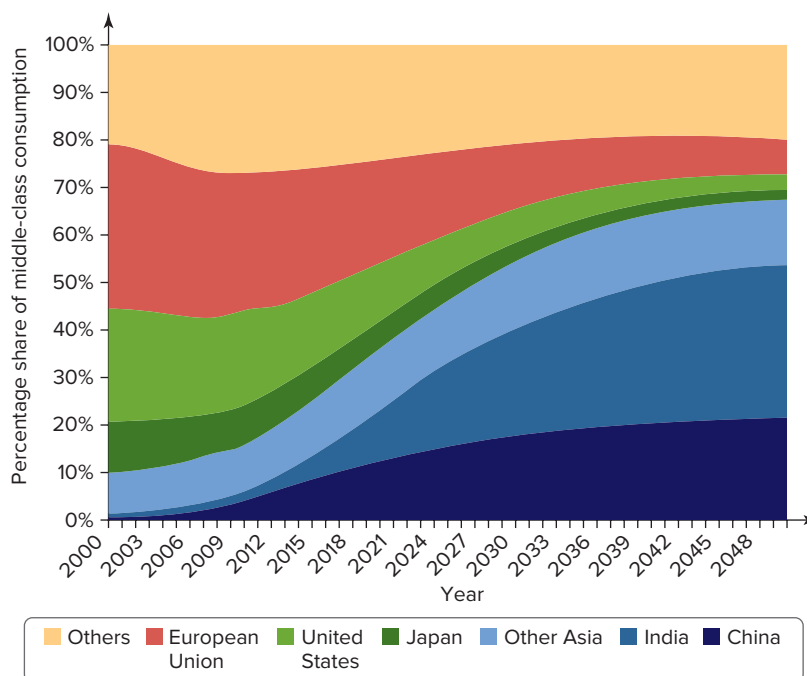
agreements and international organizations. These could govern their firm's interaction with international markets. Whether you work for a firm such as Bank of America that is planning to expand in China or a small rice farm hoping to sell more products to European countries, you will need a basic understanding of each of these agreements and organizations to successfully navigate the international marketplace.

International trade agreements, monetary unions, and organizations can have substantial impact on the environment in which a firm operates. They can affect how easy it is for firms to enter a foreign market, what the currency exchange rate is between countries, and even what competition firms will encounter in the domestic market. Trade agreements and monetary unions facilitate the exchange of money and products across borders. International organizations provide regulatory oversight to economic activity. In the sections that follow, we'll discuss the key entities you should be aware of.

**North American Free Trade Agreement** Perhaps the most familiar U.S. trade agreement is the North American Free Trade Agreement (NAFTA). The **North American Free Trade Agreement (NAFTA)** established a free-trade zone among the United States, Canada, and Mexico. Its goal was to eliminate barriers to trade and investment among the three countries. As Figure 3.8 shows, the United States exports more products to Canada and Mexico than to any other individual country. This is largely because NAFTA made exchange among the three countries so easy.

One of the key barriers to international trade is **tariffs**, which are taxes on imports and exports between countries. NAFTA's implementation on January 1, 1994, brought the immediate elimination of tariffs on more than one-half of U.S. imports from Mexico and

**FIGURE 3.7** Projected Changes in Global Middle-Class Consumption



**Source:** Kharas, H. (2010), "The Emerging Middle Class in Developing Countries," OECD Development Centre, Working Papers, No. 285, OECD Publishing, <http://dx.doi.org/10.1787/5kmmp8Incrns-en>.

### LO 3-4

Identify the major trade agreements, monetary unions, and organizations that affect the international marketing environment.



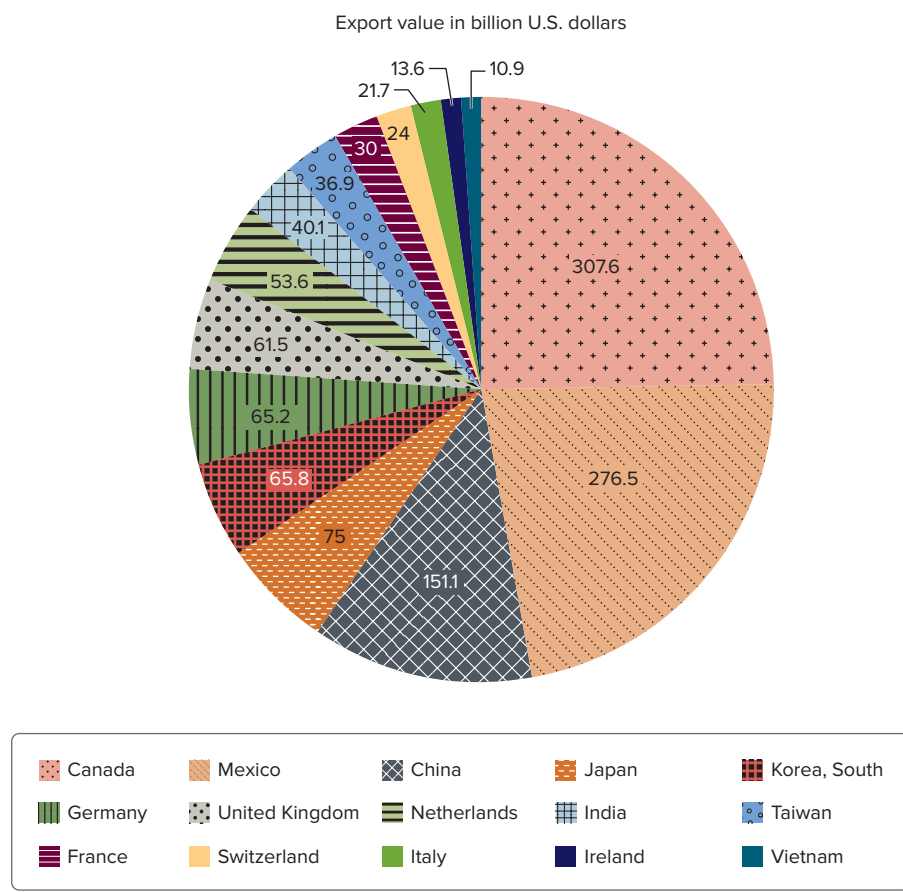
### North American Free Trade Agreement (NAFTA)

An international agreement that established a free-trade zone among the United States, Canada, and Mexico.

### tariffs

Taxes on imports and exports between countries.

**FIGURE 3.8** Top 15 Buyers of U.S. Exports



Source: U.S. Census Bureau <https://www.census.gov/foreign-trade/statistics/highlights/toppartners.html#exports>.

**United States–Mexico–Canada Agreement (USMCA)**

A trade agreement between the United States, Mexico, and Canada passed in 2018 that supports free trade among those countries.

more than one-third of U.S. exports to Mexico. Within 10 years of implementation, all U.S.–Mexico tariffs were eliminated, except for some on U.S. agricultural exports to Mexico that were to be phased out within 15 years. Most U.S.–Canada trade was already free of tariffs. NAFTA also sought to eliminate nontariff trade barriers such as embargoes or sanctions.

In 2018, the three countries reached a new deal to replace NAFTA, which will be known as the **United States–Mexico–Canada Agreement (USMCA)**. One goal of the new deal is to have more cars and truck parts made in North America. Starting in 2020, to qualify for zero tariffs, a car or truck has to have 75 percent of its components manufactured in Canada, Mexico, or the United States. The agreement also makes significant upgrades to environmental and labor regulations, opens up Canadian dairy markets for farmers in the United States, and provides more-stringent protections for patents and trademarks.<sup>52</sup>

**Dominican Republic–Central America Free Trade Agreement**

A decade after NAFTA was implemented, the United States entered discussions about a new agreement with the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. This agreement was called the *Central America Free Trade Agreement (CAFTA)*. In 2004, the Dominican Republic joined the

negotiations, and the agreement was renamed Dominican Republic–Central America Free Trade Agreement. Like NAFTA, the **Dominican Republic–Central America Free Trade Agreement (DR-CAFTA)** focuses on eliminating tariffs, reducing nontariff barriers, and facilitating investment among the member states.

With the addition of the Dominican Republic, the trade group’s largest economy, the region covered by DR-CAFTA is the second-largest Latin American export market for U.S. producers behind Mexico. It buys over \$31 billion worth of goods from the United States a year.<sup>53</sup> Trade between the United States and countries covered under this agreement amounts to about \$60 billion annually.

**European Union** Agreements like NAFTA and DR-CAFTA are designed to ease trade between nations. Entities like the European Union go further, integrating countries to a much larger degree. The **European Union (EU)** is an economic, political, and monetary union of 27 European nations as of 2022. It was formed to create a single European market by reducing barriers to the free trade of goods, services, and finances among member countries.

In 2021, the EU generated approximately 15 percent of the global gross domestic product, making it one of the largest economies in the world.<sup>54</sup> It is the largest exporter, the largest importer, and the biggest trading partner for several large countries, including China, India, and the United States. However, EU nations such as Greece, Spain, Portugal, and Italy have faced significant economic challenges in recent years. These challenges have had a negative impact on their domestic markets and also make it more difficult for U.S. marketers to sell their products to consumers in those countries.

In 2016, the United Kingdom voted to leave the European Union, which set the stage for years of negotiations between the UK and the other 27 EU nations. The decision was made that Great Britain would leave the EU in 2019, which will continue to impact marketers across the globe in the years ahead.

**World Trade Organization** The World Trade Organization was officially formed on January 1, 1995, under the Marrakech Agreement. The **World Trade Organization (WTO)** regulates trade among participating countries and helps importers and exporters conduct their business. It is the only international organization dealing with the rules of trade between nations.

In addition, the WTO provides a framework for negotiating and formalizing trade agreements and a dispute-resolution process aimed at enforcing participants’ adherence to WTO agreements. The WTO, headquartered in Geneva, Switzerland, has 162 members, representing more than 97 percent of the world’s population, and over 20 observer nations, most of which are seeking membership.

**International Monetary Fund** Soon after the end of World War II, 29 countries signed an agreement to form the International Monetary Fund. Headquartered in Washington, D.C., the **International Monetary Fund (IMF)** “works to foster international monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.”<sup>55</sup> It was formed to promote international economic cooperation, trade, employment, and currency exchange rate stability. The IMF is governed by the 188 countries that make up its near-global membership.

One of the IMF’s important activities is to make resources available to member countries to help them manage their debts. Each country contributes to a pool of financial resources. Countries with debt obligations they can’t meet can borrow from this pool, on a temporary basis. When it was first created in 1945, the IMF helped stabilize the world’s economic system after World War II. To this day, the IMF works to improve the economies of its member countries.

#### **Dominican Republic–Central America Free Trade Agreement (DR-CAFTA)**

An international agreement that eliminated tariffs, reduced nontariff barriers, and facilitated investment among the United States, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic.

#### **European Union (EU)**

An economic, political, and monetary union among 27 European nations that created a single European market by reducing barriers to the free trade of goods, services, and finances.

#### **World Trade Organization (WTO)**

An international organization that regulates trade among participating countries and helps importers and exporters conduct their business.

#### **International Monetary Fund (IMF)**

An international organization that works to foster international monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.




**Exercise 3-3**

Please complete the *Connect* exercise for Chapter 3 that focuses on international trade agreements. By identifying the major aspects of critical trade agreements, you will better understand the international marketing environment and be prepared to develop effective global marketing strategies.

## Technology

Once marketers understand the economic factors and trade agreements and organizations that affect their global activities, they must look more specifically at how best to reach their international audience. Today, technology enables even small businesses to reach consumers around the globe. Websites act as a front door to billions of potential consumers. Social media help companies develop relationships with customers anywhere, for very little cost. Tools such as Google Translate allow customers to view websites in their own language, making it easier to promote products in different countries.

In addition, global shipping firms like FedEx and UPS enable small manufacturers to ship their products to customers around the world. Technology enables both the buyer and the seller to track those shipments. Understanding how technology affects the international marketing environment benefits marketers as they attempt to meet the needs and wants of consumers in global markets.

## Cultural Fit

One of the biggest mistakes domestic firms make when they attempt to take their business global is to believe that what works “at home” will work abroad. It’s often a mistake to think that consumers abroad want exactly the same products that are sold in the United States and want them marketed in the same way. Burger King was widely criticized when it created an in-store ad for some European stores that showed a Hindu goddess atop a ham sandwich with the caption, “A snack that is sacred.”<sup>56</sup> Many of the nearly 1 billion Hindus throughout the world, most of whom are

vegetarian, were offended and protested the use of the ad. Burger King eventually pulled it. The negative attention and the potential long-term damage to Burger King’s goal of expanding its market illustrate the importance of understanding cultural fit.

A growing concern for firms with overseas operations is consumer ethnocentrism. **Consumer ethnocentrism** refers to a belief by residents of a country that it is inappropriate or immoral to purchase foreign-made goods and services.<sup>57</sup> This belief is on the rise in many developed nations, including the United States, France, Germany, and China. Consumer ethnocentrism is rarely grounded in fact, but the belief makes the marketer’s job even more difficult. For example, in 2003, following France’s refusal to join the U.S. military operation in Iraq, many U.S. consumers refused to eat french fries, even though there was nothing French about the product. Proactive marketers across the country looked for a clever way to resolve the issue and, for a brief time, renamed their product “freedom fries.”

### consumer ethnocentrism

A belief by residents of a country that it is inappropriate or immoral to purchase foreign-made goods and services.



Consumer ethnocentrism sometimes presents a challenge to marketers with international operations. Promoting a product in a different way can overcome such challenges. *Nicolas Khayat/Newscom*



## Obinna Okechukwu

Senior Product Consultant  
DocuSign

**Describe your job.** I am a Sr. Product Consultant at DocuSign Inc. I work with enterprises and nonprofit organizations assisting them in their digital transformation projects as they transition from legacy contract systems to a more integrated ecosystem that enables them to align with their strategic goals of operating more seamlessly, efficiently, and effectively in their contract agreement life-cycle processes.

**How did you get your job?** I was contacted by a recruiter on LinkedIn (a networking website) who reached out to me asking if I was available for a quick chat on an opening the company had. The recruiter told me that while looking up my profile on LinkedIn, she felt I was the right fit for the role. I made an appointment with the recruiter and discussed further about the role and felt it was an exciting opportunity. I had seven interviews with individuals and teams, discussing the role and the responsibilities and how it aligns with my personal goals. After the lengthy interview process, I was offered the position and I will say, I am really glad I accepted the role, it has been an exciting process so far!

**What has been the most important thing in making you successful at your job?** Willingness to learn and a positive attitude. The learning curve for me in my current role has been rather steep. There are a lot of things I learned in the process and a lot I am still learning. However, without a doubt, the most important tool in my toolbox that has been very effective in making me successful at my job has been a



Obinna Okechukwu

willingness to learn and approaching each day with a positive attitude. Reaching out to colleagues and asking for assistance where needed while helping others and learning from the experience. Seizing every opportunity as a learning opportunity has definitely made me grow in my career.

**What advice would you give soon-to-be graduates?** Be hungry. I have noticed over the course of my career experience, that most people who rise to the top and excel at what they do are those who always seek opportunities to learn and grow. Once an individual no longer realizes opportunities to learn, stagnancy sets in and that becomes a huge disadvantage. Always set higher goals and seek ways to learn as you move toward those goals. Learn to course-correct when you realize you may be heading in the wrong direction. Get feedback from others but always be focused on going one step further than your current step.

**What do you consider your personal brand to be?** I am very passionate about finding creative solutions to real world problems. I strongly believe almost all problems and challenges can be solved if approached with a creative, pragmatic, and determined solution—not discounting the power of working with smart, motivated individuals. Developing products and or solutions requires an open mind and creative lenses to problem solving and that is a core strength of mine.

Analyzing cultural fit and overcoming consumer ethnocentrism are essential aspects of environmental scanning on a global scale that help firms create value for international consumers.

**McGraw Hill connect Exercise 3-4**

Please complete the *Connect* exercise in Chapter 3 that focuses on how cultural fit affects the international marketing environment. By understanding which domestic firms and products are more likely to fit with the culture in specific foreign countries, you will be able to develop a more effective global marketing strategy.

**LO 3-5**

Describe the emerging factors that influence the nonprofit marketing environment.

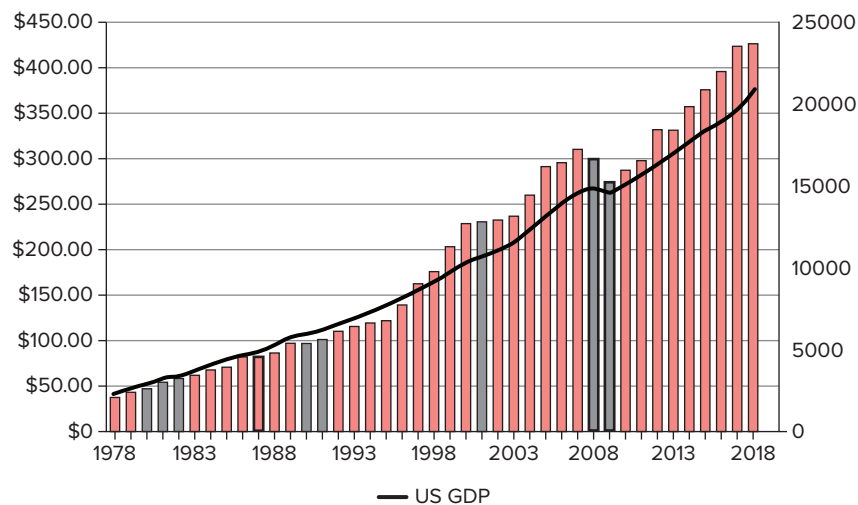


**NONPROFIT MARKETING ENVIRONMENT**

Environmental scanning for a nonprofit organization presents challenges that for-profit businesses do not face. Those who donate money to a nonprofit such as a hospital, university, or faith-based institution do not walk away with a tangible product or benefit directly from any service. Instead, nonprofit marketers must convince donors to support the mission of the organization without receiving any direct benefit. Nonprofits primarily rely on three sources of funding—grants, special events, and individual donations. Marketing generally plays an important role in securing each.

The competitive environment for nonprofit funding has increased dramatically in recent years. In 1995, there were only 600,000 nonprofits in the United States. Today, that number is over 1.8 million and growing rapidly.<sup>58</sup> A 300 percent increase in the number of nonprofit organizations isn't the only hurdle. In addition, the total donations to nonprofit organizations dipped from 2007 to 2009 as the recession worsened. Figure 3.9 illustrates total giving to nonprofit organizations since 1974, including the dip during the recession.

**FIGURE 3.9** Total Giving to Nonprofit Organizations in the United States



Recession years in gray: 1980–82, 2001, 2008–09; only declining years outlined in red; GDP in trillions

Source: Data from <http://www.charitynavigator.org/index.cfm?bay=content.view&cpid=42#>. VroSdk3ruUk.

For nonprofit marketers to be successful in this type of competitive environment, they must understand the external environment in which they operate. They are affected by many of the same external factors discussed earlier in the chapter: economic, legal, political, and technological factors. However, due to their mission and chronic lack of funds, the impact can be quite different.

## Economic Factors

During the recession that began in December 2007, Americans reduced their overall charitable giving by over 20 percent from levels prior to the recession.<sup>59</sup> The decline was far sharper than in previous economic recessions.

One strategy nonprofit marketers are using to combat that change is to develop new ways to recognize existing donors for their contributions. For example, a hospital might display a digital recognition system in its front lobby, listing donors of all sizes. These new methods foster pride and enthusiasm in donors about how their efforts improve the lives of others.

## Political Factors

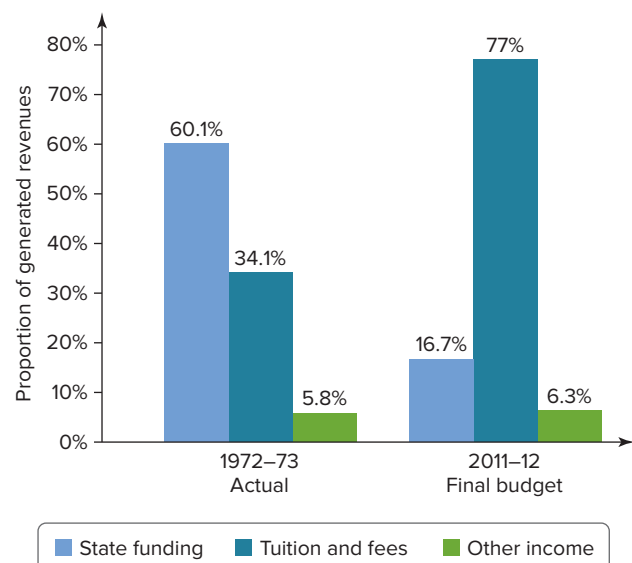
In addition to its economic impact, the recession led to political pressure to reduce federal, state, and municipal budgets. This, in turn, has forced many nonprofit organizations to fund basic programs in innovative ways. Public universities, which receive a substantial portion of their funding from their respective state legislatures, have been hit especially hard. Figure 3.10 highlights the decrease in state funding as a percentage of total projected revenues at Temple University in the last decade. This trend is consistent across many public universities throughout the United States.

In order to increase student financial aid and faculty retention, universities must raise more money from alumni and other supporters. The marketing department at the University of Colorado had success by increasing the campus profile of *planned gifts*. These are bequests, given to the nonprofit upon the death of the donor. Planned gifts became a major part of the University of Colorado's increased fundraising success. The university developed new packets of information for planned giving and promoted the program at all types of university events. This form of giving delivered value to donors: It did not require them to sacrifice financially during their lives but helped them leave a legacy at the university they loved. In the first year after the marketing program began, the University of Colorado saw a 700 percent increase in bequests that will help students and the university for generations to come.<sup>60</sup>

## Legal Factors

In addition to the economic and political factors that have challenged nonprofits, several new laws and regulations have had an impact as well. The benefit that nonprofit marketers offer to potential donors typically includes some combination of information about how the donation will be used, how the donor will be recognized, and the tax incentives (e.g., the tax deductibility of charitable gifts) that will accompany the donation.

**FIGURE 3.10** The Decline in State Funding for Temple University



**Source:** Temple University, "2012-13 Commonwealth Appropriation Budget Request," February 22, 2012, [http://temple.edu/sites/temple/files/uploads/documents/Attachment\\_9-2012-Table\\_5-Generated\\_Revenue.pdf](http://temple.edu/sites/temple/files/uploads/documents/Attachment_9-2012-Table_5-Generated_Revenue.pdf).

Legal changes to the tax-incentive element can alter the way marketing professionals communicate the organization's value to potential donors. For example, wealthy contributors—those making over \$10 million per year—are the largest donors to numerous charities throughout the state of New York. The state proposed a law that restricts the amount of charitable contributions that very wealthy people can deduct from their taxes.<sup>61</sup> Nonprofit marketing professionals worry that such changes in the tax law, whether in New York or other states, or on federal tax returns, will act as a disincentive, further challenging fundraising efforts in a difficult economy. They fear that, without tax incentives, charitable giving may decline. Such legal changes have made it increasingly necessary for nonprofit firms to develop programs that generate more first-time contributors, to make up for potential reductions from high-income donors.

## Technology Factors



Many nonprofit organizations utilize new technology to increase awareness and enhance relationships with donors. The rise of social media has changed the nonprofit landscape in important ways. Organizations such as Greenpeace, Amnesty International, and the Sierra Club have benefited from the appeal of social media.

Social media sites let them engage interested parties through more personal connections than through more mainstream platforms.

When it comes to organizing activists, conducting charity campaigns, or simply influencing communities and stakeholders, social media offer nonprofit organizations substantial advantages. For example, in 2013 Big Brothers Big Sisters of America used Facebook to reunite program participants with their big brother or big sister from childhood. This use of social media deepened engagement among new members and increased loyalty, interest, and volunteer retention. The project was successful in reengaging many individuals who had prior contact with the organization and retaining them as volunteers in the future.



Many nonprofit organizations, such as Big Brothers Big Sisters, use social media to deepen engagement with stakeholders as part of their marketing strategy. *Source: Big Brothers Big Sisters of America*

## SUMMARY



Cindy Ord/Getty Images  
Entertainment/Getty Images

**LO 3-1** Differentiate between direct and indirect competition.

The competitive environment includes the direct competitors a firm faces and the indirect competitors seeking to take market share and profits. The most commonly discussed form of competition is direct competition. Direct competition occurs when products performing the same function compete against each other. Indirect competition occurs when products provide an alternative solution to the same market.



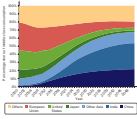
Brian Killian/Getty Images  
Entertainment/Getty Images

**LO 3-2** Summarize the major external factors that influence the marketing environment.

Six major external factors influence the marketing environment: economic,

demographic, sociocultural, political, legal, and technological. Economic factors like GDP, consumer confidence, and income distribution influence almost every marketing decision a firm makes. Demographics, including age, gender, education level, and ethnicity, indicate the characteristics of human populations and groups that are used to identify consumer markets. Sociocultural refers to the combination of social and cultural factors that affect individual development and help shape consumers' tastes and purchasing habits.

Political factors result from actions of federal, state, and local governments. These entities enact regulations to promote two key objectives: that businesses compete fairly with each other and that they don't take advantage of consumers. Legal changes, such as new laws that protect consumers against unfair practices related to credit cards, continue to refine the way marketers promote their goods and services. Technological change affects how consumers use products and the way firms promote their products.



**LO 3-3** Extend the analysis of the marketing environment beyond the borders of the United States.

The currency exchange rate, which is the price of one country's currency in terms of another country's currency, affects how firms market products internationally. A country's income distribution often gives the most reliable picture of a country's purchasing power. Marketers are particularly attracted to countries with a growing middle class; a nation's purchasing capability tends to increase as the proportion of middle-income households increases. Marketers also must understand how technology can facilitate communicating and delivering value to consumers around the world and how the firm's goods and services fit with different cultures.



Nicolas Khayat/  
Newscom

**LO 3-4** Identify the major trade agreements, monetary unions, and organizations that affect the international marketing environment.

The North American Free Trade Agreement (NAFTA) established a free-trade zone among the United States, Canada, and Mexico. NAFTA was replaced in 2018 by the United States–Mexico–Canada Agreement (USMCA). The Dominican Republic–Central America Free

Trade Agreement (DR-CAFTA) is a free-trade agreement among the United States, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic.

The European Union (EU) is a single European market, created to reduce barriers to the free trade of products, services, and finances among member countries. The World Trade Organization (WTO) supervises international trade. The International Monetary Fund (IMF) is an intergovernmental organization that promotes international economic cooperation and offers a pool of funds that can be borrowed on a short-term basis.



Source: Big Brothers Big Sisters of America

**LO 3-5** Describe the emerging factors that influence the nonprofit marketing environment.

The competitive environment for nonprofit funding has increased dramatically in recent years. The number of nonprofits in the United States has tripled since 1995 and now stands at more than 1.8 million. For nonprofit marketers to successfully compete for funding, they must understand the external environment in which their organization operates. Changes to external economic, political, legal, and technological factors can affect nonprofit marketers' strategies, restrictions, and resources.

## KEY TERMS

Baby Boomers (p. 78)

consumer confidence (p. 76)

consumer ethnocentrism (p. 90)

currency exchange rate (p. 86)

demographics (p. 78)

direct competition (p. 72)

disposable income (p. 78)

Dominican Republic–Central America

Free Trade Agreement  
(DR-CAFTA) (p. 89)

environmental scanning (p. 73)

European Union (EU) (p. 89)

Federal Trade Commission (FTC) (p. 83)

gross domestic product (GDP) (p. 74)

indirect competition (p. 72)

inflation (p. 75)

International Monetary Fund (IMF)  
(p. 89)

marketing environment (p. 72)

Millennials (p. 78)

North American Free Trade

Agreement (NAFTA) (p. 87)

purchasing power (p. 76)

recession (p. 74)

sociocultural (p. 82)

substitute products (p. 72)

tariffs (p. 87)

United States–Mexico–Canada

Agreement (USMCA) (p. 88)

World Trade Organization (WTO) (p. 89)

## MARKETING PLAN EXERCISE • Marketing Yourself

In this chapter we discussed the importance of analyzing the marketing environment. In the next section of the marketing plan exercise, you will analyze the environment you will be entering upon graduation. Your assignment is to prepare a market summary for the job or graduate school program you discussed as your objective in Chapter 1. If your

objective is a specific job or career, you need to answer questions like:

- What is the average salary?
- What are the companies that are best positioned to offer the kind of job you want?



- Are there jobs in this field located where you want to live?
- What is the total size and growth rate of the industry you are planning to enter?
- What is the current unemployment rate in that field, and what percentage of jobs are filled by new college graduates?
- If your objective is graduate school, you need to answer questions like:
  - What schools offer this program?
  - What are those schools' admission statistics (percentage accepted, tuition and fees, financial aid available, etc.)?
- What are the average Grade Point Average (GPA) and entrance exam (LSAT, GMAT, MCAT, etc.) scores?
- What is the average starting salary for graduates of these programs?

It is important to conduct an honest environmental assessment. Students sometimes have unrealistic expectations of what their first job out of school or a graduate program may be like. The better you understand the environment you are entering, the better you will be able to market yourself and your skills to succeed in it.

**Your Task:** Write at least a two-paragraph marketing summary describing the environment you will face after graduation.

## DISCUSSION QUESTIONS

1. With your current university or college in mind, develop a list of the direct and indirect competitors it will face in the next decade.
2. Assume you are going to open a new pizza restaurant in the town in which you live. What external factors will affect your business decisions? What types of technology would you use to market your pizza business, and how would you use them?
3. Assume you work in marketing for Dr Pepper, and you are looking to expand the brand internationally. You narrow the international target market to three choices: Mexico, Australia, and India. Using the global environmental factors discussed in this chapter—currency fluctuations, income distribution, cultural fit, and technology—rank the countries based on which would provide the best opportunity for Dr Pepper's expansion. Explain your ranking for each country.
4. Choose a firm that you are familiar with that is located in the same state as your university. Next, decide if the North American Free Trade Agreement (NAFTA) and the United States–Mexico–Canada Agreement (USMCA) have been good or bad for that business. Explain your answer. Has NAFTA and/or USMCA been good or bad for all of that firm's stakeholders (investors, employees, communities, etc.), or has it been good for some and bad for others? Explain your answers.
5. Choose a nonprofit organization that you think markets itself effectively. Why did you pick that organization? What external factors do you think the organization should be most concerned about?



## SOCIAL MEDIA APPLICATION

Choose a charity that you support. It could be anything from Make-A-Wish to the United Way to your local faith-based institution. Analyze the charity's efforts to market itself through social media, using the following questions and activities as a guide:

1. What is the charity doing to market itself through social media?
2. What grade would you give the organization on its social media efforts and why?
3. Provide at least two recommendations for how the charity could improve its social media marketing activities. In addition, provide an example of a charity that you think is doing a great job marketing itself using social media, and describe what it does.



## MARKETING ANALYTICS EXERCISE



Please complete the *Connect* exercise for Chapter 3 that focuses on analyzing website traffic from international shoppers.



## ETHICAL CHALLENGE

The economic environment has changed in the past decade due to stock market losses, rising health-care costs, and declining property values. As a result, many older adults were forced to look for new ways to generate income after their working careers ended. One of the primary beneficiaries of this shift was firms marketing reverse mortgages.

Reverse mortgages allow older homeowners to tap into the equity of their home and receive payments against its value. Typically, when the homeowners die, their heirs must repay the loan, including interest and fees. These repayments often come from the heirs' sale of the home.

For the past two decades, the vast majority of reverse mortgages have been offered under the federally insured Home Equity Conversion Mortgages program, which applies to people aged 62 and older.<sup>62</sup> Market factors, including the rising number of seniors in the United States, have led to an increase in advertisements promoting the benefits of these programs. As traditional real estate sales struggled since the collapse of the housing market in

2007, reverse-mortgage loans have become more attractive to lenders.

Like many other industries, the reverse-mortgage business contains two sides of an ethical dilemma. On one side are those marketers who are increasing profits by helping older people access the equity in their home. On the other are those who are potentially taking advantage of desperate seniors who may not fully understand what a reverse mortgage is.

Use the ethical decision-making framework to answer the following questions:

1. Which parties are affected by reverse-mortgage marketing strategies?
2. If you are a bank hoping to increase profits, would you try to expand your marketing of reverse mortgages to older adults?
3. If you are a marketing manager at a bank that has made the strategic decision to grow its reverse-mortgage business, how would you go about promoting the product?



## VIDEO CASE

Please go to *Connect* to access the video case featuring Task Rabbit that accompanies this chapter.



Photo provided by  
Erin Brewer

### CAREER TIPS

#### A Career in the Nonprofit Sector

You have read in this chapter about the marketing environment and how external factors influence that environment for both for-profit and nonprofit organizations. As

you think about your future, you may be considering a career in the nonprofit sector. Erin Brewer has spent over

a decade working for various nonprofit organizations. She offers some tips for securing a nonprofit position.

- **Gain experience.** Before you start interviewing for full-time positions, get some experience in charity work as a volunteer or an intern. The majority of nonprofits utilize both volunteers and interns, so plenty of opportunities are available. A combination of volunteerism and internships provides the biggest advantage to a job seeker. It shows the hiring nonprofit that you're passionate about

helping and that you know how similar organizations function. Some people begin their careers in the nonprofit world to gain significant hands-on experience before making the leap to the corporate world. Others go the reverse route, getting their feet wet on the corporate side, and then taking on positions of greater responsibility in the charitable realm. The same principles of marketing apply to both sides of the spectrum, and the smart professional can readily adapt.

- **Craft an effective resume.** Communicating who you are on a single piece of paper is a daunting task! Make sure that your resume conveys the right things about you. Be succinct, be compelling, be professional, and show a bit of personality. Highlight your unique accomplishments rather

than simply listing your responsibilities. Tailor your resume for each job you apply for. Always run spell check!

- **Put your intangibles to work.** Let your charm, gift for the spoken word, and passion for service shine. Once you have secured an interview, be prepared. Anticipate questions you may be asked and prepare a brief description of yourself and your goals. Be ready to ask some questions of your own. (To this day, I won't hire a candidate who doesn't ask a question.) Use your marketing coursework to your advantage by "spinning" your experience to suit the position you hope to attain. Be polite, be punctual, be honest, and most importantly, be yourself. And always send a thank-you note.

## CHAPTER NOTES

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