

marketing

connecting
with
customers

relationships

ethics

globalization

technology

diversity

Gilbert D. Harrell • Gary L. Frazier

F713.3
E385

F713.3
E385

Marketing: Connecting with Customers

Gilbert D. Harrell

Michigan State University

Gary L. Frazier

University of Southern California

Prentice Hall, Upper Saddle River, NJ 07458

About the Authors

GILBERT D. HARRELL, Ph.D.

Gilbert D. Harrell, Ph.D., is Professor of Marketing, Eli Broad College of Business and Graduate School of Management, Michigan State University. Professor Harrell received the 1997 John D. and Dortha J. Withrow Endowed Teacher/Scholar Award, the 1996 Phi Chi Theta Professor of the Year Award, and the 1995 Gold Key National Honor Society award for teaching excellence at Michigan State University. His teaching, research, and consulting activities focus on sustainable competitive advantage, building business value, consumer satisfaction, sales management, strategic planning, and relationship marketing. Dr. Harrell's publications have appeared in the *Journal of Marketing*, *Journal of Long Range Planning*, *Journal of Marketing Research*, *Journal of Consumer Research*, *Journal of Consumer Affairs*, *Journal of Industrial Marketing Management*, *Journal of Consumer Satisfaction*, *Journal of Retailing*, *Business Topics*, *Journal of Logistics Information Management*, *Journal of Health Care Marketing*, *Journal of International Marketing*, *Journal of the Academy of Marketing Science*, and others. Dr. Harrell's doctorate degree is from Pennsylvania State University, where he was elected to the Phi Kappa Phi Honorary and the American Marketing Association Consortium. Both his Bachelor's and Master's degrees are from Michigan State University.

Dr. Harrell is founder of Harrell & Associates, Inc., a professional consulting group, which specializes in services for strategic marketing management, visioning processes, communications strategies, sales management, and executive strategy development. His firm has helped implement the strategic marketing planning systems for several Fortune 500 companies.

GARY L. FRAZIER, DBA

Gary Frazier, DBA, is the Richard and Jarda Hurd Professor of Distribution Management, School of Business Administration, University of Southern California, Los Angeles. Prior to joining USC in 1984, he was on the marketing faculty at the University of Illinois, Champaign-Urbana. Professor Frazier's research has focused on the structuring and management of channels of distribution, especially how channel relationships are coordinated to create value for the channel's customers. He has conducted research on channels of distribution in Europe and India, as well as in the United States. He heads the Program in Distribution Management at USC, supported by distributors with over \$10 billion in annual sales. Gary served as chairman of the Department of Marketing at USC from 1990 to 1995. He is active in the American Marketing Association, and he has served on the editorial review board of the *Journal of Marketing* since 1984 and on the editorial review board of the *Journal of Marketing Research* since 1985. He received his MBA in 1977 and his DBA in 1979 from Indiana University, Bloomington. As a consultant, Dr. Frazier's advice has been sought by several major corporations.

Preface

Marketing is about connecting with customers. Based on the latest thinking by marketing experts and practitioners, as well as our own research, that fact will be the dominant theme in marketing in the twenty-first century. As in the past, exceptional marketing will continue to be of great benefit to customers, organizations, and society. Dramatic changes in the marketing environment are presenting immense new opportunities for organizations that really connect with customers. This book is about how companies connect with customers, particularly through relationships, through technology, with diversity, globally, and ethically.

Many fascinating stories about marketing successes and failures fill this text, but you need to know more than that to prepare for this exciting field. You need to grasp the tools, techniques, and principles of marketing, as well as how to apply them. To produce value, you have to connect with customers that you can identify and understand. Whether you are majoring in business, the sciences, the arts, or the humanities, marketing is relevant to you. Understanding marketing gives a deeper understanding of how value is formed and how you can create the greatest customer satisfaction possible in competitive environments.



CONNECTING THROUGH RELATIONSHIPS

Relationship marketing is a growing trend, and for good reason. By its very nature, a relationship requires a solid, lasting connection. Relationship marketing is introduced early in the book, emphasizing the tremendous importance of satisfied, loyal customers. Meaningful relationships with customers, happen when all employees within the organization develop the sensitivity, agility, and desire to satisfy customers' needs and wants. The ways of connecting through relationships is emphasized throughout the book.



CONNECTING THROUGH TECHNOLOGY

Technology's effect on marketing is a focus of discussion in each chapter, and it is featured seamlessly with examples of technologies that are driving progressive marketers. Internet technology is featured throughout. Chapter 1 introduces the Internet use in marketing, in such areas as scanning, communication, distribution, and research. Internet connections to more than 100 leading-edge companies are provided in opening stories and are highlighted in text examples, boxed examples, and cases.



CONNECTING WITH DIVERSITY

Diversity among organizations and customers is a source of tremendous economic strength and opportunity for marketers. An understanding of diversity is ultimately needed by all marketers, even those who do not specifically target diverse segments. Clearly, progressive companies are moving toward a better understanding of the similarities and differences among various populations. Each chapter has a diversity box, a diversity heading, or both. In addition, diversity is the subject of several chapter-opening vignettes.

CONNECTING GLOBALLY

We live in a world in which the international theme is increasingly recognized as important in all aspects of business. Marketing nearly always takes place in the international arena, so the global connection is woven into numerous principles and examples. You will find headings and references on this subject throughout. Our book is different from others because it covers this material within every chapter, rather than separately.

CONNECTING THROUGH ETHICS

Ethics are critical in all aspects of business, but particularly in marketing, because decisions in this area can affect many groups of people in very different ways. Marketers often face ethical issues. Every chapter of this book identifies ethical dilemmas marketers encounter. In each situation material is provided to help you think about the implications of marketing decisions and resolve inconsistencies. Real-life situations are discussed, and outcomes are identified.

A TOTAL TEACHING PACKAGE—IN AND OUT OF THE CLASSROOM

A successful marketing course has many challenges. Students demand a lively presentation with up-to-the-minute examples, technology provides an enormous amount of material that can be integrated into the course, and there is less time to prepare for all of it. Prentice Hall has been conducting research into the most effective ways to deliver ancillary materials for professors. Through surveys and focus groups, we have gathered a lot of information and suggestions on the most useful materials to provide to the teaching package for *Marketing: Connecting with Customers*. Your suggestions are most appreciated and will help improve these materials further.

Note: Many of the supplements listed below are available in different formats. Print versions are available through your local PH representative along with 3.5" disk versions. You can also download many of these materials from our Web site, PHLIP. See below for a more detailed description of the Web resources which have been developed to support the marketing course.

INSTRUCTOR'S RESOURCE MANUAL

This helpful teaching resource contains chapter overviews, annotated outlines, class exercises, relevant stories and examples to help in class preparation, discussion notes for in-text company cases, and answers to end-of-chapter questions and exercises. The manual also contains a complete listing of all the ancillary teaching resources available for this course along with an overview of the PHLIP Web site.

STUDENT LEARNING GUIDE

Prepared by Gil Harrell, this study guide provides students an overview of each chapter, summarizes the major topics and concepts, and strengthens understanding through situational exercises involving cases, chapter highlights, and quizzes. A section of lecture notes reproduces the transparencies with the chapter outline for easy in-class note taking. This guide is also available as an on-line version.

CW99 AND CME

These on-line features offer study materials as well as a course manager. The Course Management edition offers the following new features: roster, gradebook, and announcements.

TEST ITEM FILE

The Test Item File, prepared by Gil Harrell, contains more than 1,400 items, including multiple choice, true-false, and essay questions. These questions are graded for difficulty and page referenced to the text. The questions are available in a Test Item File booklet and through the PH Custom Test program (in Windows and Mac versions).

POWERPOINT TRANSPARENCIES

A set of PowerPoint slides are available to adopters. The Powerpoint 4.0 files include over 175 slides and present complete lectures, transitional notes from one slide to the next, and selected key text figures (with accompanying note slides).

ACETATE/OVERHEAD TRANSPARENCIES

This first set of acetates includes hard copy of the PowerPoint slides (for those who prefer to use an overhead projector in class) along with a selection of key graphics from the text.

ADVERTISEMENT TRANSPARENCIES

A complete set of acetates of recent ads, both domestic and international, are available. Over 75 ads have been collected, together with teaching notes for each one.

ON LOCATION VIDEOS

A full video library is available to adopters. Over forty segments, focusing on major concepts in marketing, showcase a variety of companies from Nike to Starbucks. These videos are accompanied by written video cases that can be downloaded from the PHLIP Web site. A custom selection of these print video cases can also be packaged with each student copy of the text at no additional charge (custom value pack). The video segments range in length from 8 to 15 minutes and include up-to-the-minute “inside” stories of companies around the world.

PHLIP

Both professors and students can visit the best Web site for *Marketing: Connecting with Customers!* Go to www.prenhall.com/phbusiness and click on PHLIP.

ACKNOWLEDGMENTS

We would like to thank many individuals who have made important contributions to this book. Without their help it would not have been produced. Literally every aspect of the project, from planning to production, has been aided by an exceptional team of people who have dedicated their time and talent to this project.

Roger Calantone and Michael Song reviewed and contributed to the chapters involving product decisions. Richard Spreng made important contributions in the area of customer satisfaction. Robert Nason reviewed an early draft and made several suggestions that have significantly improved the final version. The following reviewers have read the entire manuscript, making detailed suggestions that have improved content, helped ensure its accuracy, and made it more interesting for the student:

David Andrus	Kansas State University
Bob Balderstone	Western Melbourne Institute of TAFE (Australia)
Richard Brand	Florida State University
William Carner	University of Texas–Austin
George Chrysschoidis	University of Wales
Howard Combs	San Jose University
John Cronin	Western Connecticut State University
Bernard Delagneau	University of Wales
Peter Doukas	Westchester Community College
Jim Dupree	Grove City College
Joyce Grahm	University of Minnesota–Duluth
Robert F. Guinner	Arizona State
Pola Gupta	University of Northern Iowa
Lynn Harris	Shippensburg University
Benoit Heilbrunn	Le Groupe ESC Lyon/Lyon Graduate School of Business (France)
Frank Krohn	Suny–Fredonia
Ken Lawrence	New Jersey Institute of Technology
Chong S. K. Lee	California State University–Hayward
Elizabeth Mariotz	Philadelphia College of Textiles and Science
Mike Mayo	Kent State University
Gary McCain	Boise State University
G. Stephen Miller	St. Louis University
Herbert Miller	University of Texas–Austin
Mark Mitchell	University of South Carolina
David Mothersbaugh	University of Alabama
Robert O’Keefe	DePaul University
Cliff Olson	Southern State College of SDA
Stan Paliwoda	University of Calgary
Eric Pratt	New Mexico State University
Mohammed Rawwas	University of Northern Iowa
David Urban	Virginia Commonwealth University
Anthony Urbaniak	Northern State University
Simon Walls	Western Washington University
Ken Williamson	James Madison University
Mark Young	Winona State University
George Zinkham	University of Houston

Elizabeth Johnston skillfully edited the entire manuscript. She made tremendous contributions by making the words come to life, by focusing material, and by sculpting the sentences to communicate what is intended. Karen Griggs, Maureen Mulvaney, Mel Hudson Nowak, Erin O’Conner, and Carrie Shimkos tirelessly and enthusiastically did library research, checked sources, found ads, and developed insightful examples. In great spirit, Cindy Seagraves and Sarah Heyer typed the manuscript, which went through many drafts. Somehow they interpreted our scratchings to produce the most professional work. Thank you all so much!

Our gratitude extends to the team at Prentice Hall. Dave Borkowski, acquisitions editor, launched the project with foresight and commitment. Whitney Blake, acquisitions editor, picked up the project midstream, and we extend our thanks for the contributions she has made. Mark Palmer, development editor, did an admirable job to ensure that all bases were covered. His experience with and sensitivity to the subject of this book were most helpful. Michelle Rich, production editor, has done a superb job in producing an attractive text. She has assembled a great team. Elaine Luthy, copy editor, did a splendid job on the final editing to make sure the entire manuscript was in alignment. Melinda Alexander, photo researcher, coordinated the photo specs, finding photographs that perfectly communicate with the points we made in the text. Monica Stipanov, permissions coordinator, obtained permissions for the ads selected for each chapter. Nancy Brandwein contributed several box examples that highlight concepts in the text. John Larkin, supplements editor, has developed the most comprehensive teaching and learning package in the industry to support this book. Steve Deitmer, director of development provided expert assistance at key times. Linda Albelli, editorial manager, provided important assistance on numerous occasions. Editorial assistants Michele Foresta, Rachel Falk, and Theresa Festa kept documents flowing smoothly among the numerous parties. Shannon Moore, marketing manager, and Brian Kibby, marketing director, have shared their insights and developed marketing and sales plans that connect with our target segments. The marketing and sales team at Prentice Hall has provided important research on the desires of faculty and students, continually emphasizing the critical nature of relationships with those parties. Sandy Steiner, President, Jim Boyd, Editorial Director, and Natalie Anderson, Editor-in-Chief, have given personal leadership to this venture. Their vision and foresight are truly appreciated.

In addition, we have had tremendous support from a broad range of business people, such as Duane Larson and Mike McGorin at Children's World, Jerry Florence at Nissan, Rich Bell and Bob Gaylord at Cutler-Hammer, Jeanne Cole at Lucasfilms, Kenn Thieff at Flagship Group, Vinny Greco at Powerhouse Gym, and Anita Wiznuik at McDonald's® to name a few. Many of the ideas in the book have been used extensively in classes at Michigan State University and the University of Southern California, and a broad range of executive development programs. Surveys of over 2,000 students indicated that the *Connecting with Customers* theme does indeed capture their imagination. The feedback from these students and participants has been helpful, and we gratefully acknowledge their assistance.

Finally, our heartfelt thanks go to our families for their encouragement and loving support; on Gil's side, to my wife Susie and our children Rachael, Nick, and Kate; and on Gary's side, to my wife Kyoung and our daughter Jean.

Thank you all!

Acquisitions Editor: Whitney Blake
Assistant Editor: John Larkin
Editorial Assistant: Michele Foresta
Editor-in-Chief: Natalie Anderson
Marketing Manager: Shannon Moore
Production Editor: Michelle Rich
Production Coordinator: Tara Ruggiero
Managing Editor: Dee Josephson
Manufacturing Supervisor: Arnold Vila
Manufacturing Manager: Vincent Scelta
Interior Design: Jill Yutkowitz
Design Manager: Patricia Smythe
Photo Research Supervisor: Melinda Lee Reo
Image Permission Supervisor: Kay Delloso
Photo Researcher: Melinda Alexander
Cover Design: Jill Yutkowitz
Illustrator (Interior): ElectraGraphics, Inc.
Composition: York Graphic Services, Inc.

Acknowledgments appear on pages C1–C2.

Copyright © 1999 by Prentice-Hall Inc.
Upper Saddle River, New Jersey 07458

All rights reserved. No part of this book may be reproduced, in any form or by any means, without written permission from the Publisher.

Library of Congress Cataloging-in-Publication Data

Harrell, Gilbert D.

Marketing: connecting with customers / Gilbert D. Harrell, Gary L. Frazier
p. cm.

Includes bibliographical references and index.

ISBN 0-02-350251-7 (paper)

1. Marketing—Management. 2. Consumer satisfaction. I. Frazier,
Gary L. II. Title

HF5415.13.H356 1998

658.8'12—dc21

98-27613
CIP

Prentice-Hall International (UK) Limited, London
Prentice-Hall of Australia Pty. Limited, Sydney
Prentice-Hall Canada, Inc., Toronto
Prentice-Hall Hispanoamericana, S.A., Mexico
Prentice-Hall of India, Private Limited, New Delhi
Prentice-Hall of Japan, Inc., Tokyo
Pearson Education Asia Pte. Ltd., Singapore
Editora Prentice-Hall do Brasil, Ltda., Rio de Janeiro

Printed in the United States

10 9 8 7 6 5 4 3 2

Contents

ABOUT THE AUTHORS xiii

PREFACE xv

CHAPTER 1 MARKETING: CONNECTING WITH

CUSTOMERS 2

Objectives 3

Connected: Surfing the Net: levi.com 4

Career Tip: Levi Strauss Internship 4

THE CONCEPT OF MARKETING: CONNECTING WITH

CUSTOMERS 4

DEFINITION OF MARKETING 5

The Process of Planning and Executing 5

Product, Price, Promotion, and Place 6

Market for Ideas, Goods, and Services 6

Create Exchanges That Satisfy Individual and

Organizational Objectives 8

Connected: Surfing the Net: llbean.com 9

THE MARKETING CONCEPT: THE PURPOSE OF

MARKETING 9

Understand the Needs and Wants of Customers 10

Create Customer Value Through Satisfaction and
Quality 11

More Effectively and Efficiently Than Competitors 12

THE MARKETING STRATEGY PROCESS 12

Situation Analysis 12

Targeting 13

Connected: Surfing the Net: esprit.com 13

Positioning 13

Marketing Mix Decisions 14

THE EVOLUTION OF MARKETING 16

The Production Era 16

The Sales Era 17

The Customer Marketing Era 17

CONNECTING WITH CUSTOMERS IN THE 21ST

CENTURY 18

Connecting Through Relationships 19

Connected: Surfing the Net:

americanexpress.com 20

Connecting Through Technology 20

Connected: Surfing the Net:

virtualemporium.com 24

Connecting Globally 24

Connecting with Diversity 25

Connecting Ethically 26

Connecting with Diversity: Betty Crocker: An
American Mosaic 27

Connected: Surfing the Net: benjerry.com 29

Marketing: Your Involvement 29

Connecting Through Relationships: P&G Works with
Producers to Take the Trash out of Television 30

Connected: Surfing the Net: Procter & Gamble 31

Connected: Surfing the Net: General Mills 31

Chapter Summary 31

Review Your Understanding 32

Discussion of Concepts 32

Key Terms and Definitions 32

References 33

Case 1: Starbucks 34

CHAPTER 2 CUSTOMER SATISFACTION AND LOYALTY:

BUILDING VALUE WITH QUALITY 36

Objectives 37

Connected: Surfing the Net: mcdonalds.com 38

THE CONCEPTS OF CUSTOMER SATISFACTION, LOYALTY, AND QUALITY 38

CUSTOMER SATISFACTION AND CUSTOMER LOYALTY 39

Why Satisfaction and Loyalty Are Important 39

Customer Expectations 40

Customer Defections and Complaining Behavior 41

Connecting Through Technology: Red Lobster Finds
a Recipe for Customer Satisfaction with Response
Hardware 42

Satisfaction Ratings and Measurement 42

Connected: Surfing the Net: jdpower.com 43

CONNECTING THROUGH RELATIONSHIPS TO BUILD SATISFACTION AND LOYALTY 44

Connected: Surfing the Net: saturncars.com 44

Creating a Personal Relationship 44

Career Tip: Hallmark 46

Diversity and Satisfaction 47

Global Competition and Satisfaction 47

Connecting with Diversity: When You Care Enough
to Send the Very Best . . . in Spanish, Hindi, or
Chinese 48

Connected: Surfing the Net: xerox.com	48
Organizational Systems and Actions That Deliver Quality	49
Quality	49
Connected: Surfing the Net: fedex.com	50
Connected: Surfing the Net: quality.nist.gov	55
DELIVERING VALUE TO IMPROVE SATISFACTION	55
The Value Chain	55
ETHICAL BEHAVIOR IN FULFILLING COMMITMENTS	56
Employee and Customer Involvement	57
Connected: Surfing the Net: Red Lobster	58
Connected: Surfing the Net: Hallmark	58
Chapter Summary	58
Review Your Understanding	59
Discussion of Concepts	59
Key Terms and Definitions	59
References	60
Case 2: The Ritz-Carlton Hotel Company	61

CHAPTER 3 THE MARKETING ENVIRONMENT AND ITS GLOBAL DIMENSIONS 62

Objectives	63
Connected: Surfing the Net: lucasarts.com	64
THE CONCEPT OF THE MARKETING ENVIRONMENT	64
THE MICROENVIRONMENT	66
Relationships with Stakeholders	66
Connected: Surfing the Net: hersheys.com	66
Industry Competition	68
Connected: Surfing the Net: microsoft.com	69
THE GLOBAL MACROENVIRONMENT	70
Technological Environment	70
Economic Environment	71
Connected: Surfing the Net: mot.com	71
Career Tip: Recruiting	74
Demographic Environment	74
Connecting Through Relationships: Avon Products, Inc.: Around the World with 2.2 Million Avon Ladies	75
Cultural Environment	77
Connecting with Diversity: NFO Research, Inc.—First with a Hispanic Panel	78
Legal/Regulatory Environment	79
Connected: Surfing the Net: kodak.com	80
Ethical Environment	82
Connected: Surfing the Net: ama.org	84
Chapter Summary	85
Connected: Surfing the Net: avon.com	86
Connected: Surfing the Net: amazon.com	86
Review Your Understanding	87
Discussion of Concepts	87
Key Terms and Definitions	87
References	88
Case 3: The National Basketball Association	89

CHAPTER 4 THE STRATEGIC MARKETING PLANNING

PROCESS: DOMESTIC AND GLOBAL	92
Objectives	93
Connected: Surfing the Net: disney.com	94
THE CONCEPT OF THE STRATEGIC MARKETING PLANNING PROCESS	94
THE ORGANIZATION VISION	95
Core Values: The Ethical Foundation	96
Connected: Surfing the Net: lilly.com	96
Connected: Surfing the Net: jnj.com	97
Business Definition (Mission)	97
Career Tip: Lilly	98
Strategic Direction (Intent)	98
Strategic Infrastructure	99
Connecting Through Technology: Kodak Adjusts Its Focus	104
Connected: Surfing the Net: westinghouse.com	104
THE STRATEGIC MARKETING PLAN	106
The Planning Team	106
What Is Strategy?	107
Components of the Strategic Marketing Plan	109
MARKETING MIX PLANS AND THE MARKETING CONTROL PROCESS	111
Connecting with Diversity: Kraft Foods: <i>Su Cocina es Nuestra Cocina</i>	112
Product Plans	114
Connected: Surfing the Net: bandai.com; tigertoys.com	115
Place Plans	115
Promotion Plans	115
Connected: Surfing the Net: broadway.org	115
Pricing Plans	116
The Marketing Control Process	116
CONNECTING GLOBALLY: ENTERING WORLD MARKETS	116
Geographic Scope	117
Strategies for Foreign Market Entry	118
Connected: Surfing the Net: Kodak	120
Connected: Surfing the Net: Kraft Foods	120
Chapter Summary	121
Review Your Understanding	122
Discussion of Concepts	122
Key Terms and Definitions	122
References	123
Case 4: Polaroid	124

CHAPTER 5 MARKETING INFORMATION AND RESEARCH 126

Objectives	127
Connected: Surfing the Net: amazon.com	128
THE CONCEPT OF MARKETING INFORMATION SYSTEMS AND MARKETING RESEARCH	128
MARKETING INFORMATION SYSTEMS AND DATA	129
Turning Data into Information	130
Information and Decision Making	132
Connected: Surfing the Net: att.com	132
Connected: Surfing the Net: ual.com	133

Connected: Surfing the Net: nielsenmedia.com	134	Connected: Surfing the Net: bmwusa.com	176
THE MARKETING RESEARCH PROCESS	134	Ethical Dimensions of Targeting	176
Defining the Problem	134	Global Targeting	176
Research Design	134	Connected: Surfing the Net: dominos.com	177
Connecting Through Relationships: J.D. Power & Associates: A "Hate-Love" Relationship with Detroit	135	POSITIONING STRATEGIES	177
Exploratory Research	135	The Positioning Map	177
Connecting with Diversity: Elusive Youth: Researchers Find New Ways to Track Their Tastes	139	Positioning Business Products	177
Quantitative Research	140	Steps for Positioning	179
Connected: Surfing the Net: kimberly-clark.com	140	Bases for Positioning	179
Interpreting and Reporting Survey Findings	144	Repositioning	180
Connected: Surfing the Net: ford.com	145	Connected: Surfing the Net: Mastercard	181
Who Does Marketing Research?	145	Connected: Surfing the Net: MCI	181
Career Tip: Market Research	146	Chapter Summary	182
Technology's Effect on Marketing Research	146	Review Your Understanding	182
Global Marketing Research	147	Discussion of Concepts	182
Ethics in Marketing Research and Information Use	148	Key Terms and Definitions	183
Connected: Surfing the Net: J.D. Power & Associates	149	References	183
Connected: Surfing the Net: Bugle Boy Clothing Company	149	Case 6: Tommy Hilfinger	184
Chapter Summary	150		
Review Your Understanding	150		
Discussion of Concepts	151		
Key Terms and Definitions	151		
References	151		
Case 5: Reebok	152		
CHAPTER 6 MARKET SEGMENTATION, TARGETING, AND POSITIONING	154	CHAPTER 7 CONNECTING WITH CUSTOMERS: UNDERSTANDING CONSUMER BEHAVIOR	186
Objectives	155	Objectives	187
THE CONCEPT OF SEGMENTATION, TARGETING, AND POSITIONING	156	Connected: Surfing the Net: 4.nissan.co.jp	188
Connected: Surfing the Net: cocacola.com	157	THE CONCEPT OF CONSUMER BEHAVIOR	188
MARKET SEGMENTATION	157	CONSUMER INVOLVEMENT AND DECISION MAKING	188
Segmentation versus Mass Marketing	157	Consumer Involvement	188
Segmentation versus Product Differentiation	158	Consumer Decision Making	190
Segmentation Variables	159	Connecting Through Relationships: The Customer Loyalty Card Game	191
Connected: Surfing the Net: future.sri.com	166	PSYCHOLOGICAL FACTORS THAT INFLUENCE CONSUMER DECISIONS	191
Two Common Segmenting Methods	169	Motivation	192
TARGET MARKETING	169	Perception	195
Selecting Target Segments	170	Learning	196
Connecting Through Relationships: Credit Card Cobranding: New Shortcut to Hitting the Target Market	171	Connected: Surfing the Net: conagra.com	197
Connected: Surfing the Net: harley-davidson.com	172	Attitudes	198
Finding New Markets to Target	172	Connected: Surfing the Net: snapple.com	198
Target Marketing Strategies	172	Information Processing	199
Career Tip: MCI	174	Connected: Surfing the Net: nike.com	200
Connecting Through Technology: Mining Data for the MicroMarket	175	SOCIAL FACTORS THAT INFLUENCE CONSUMER DECISIONS	201
		Culture	201
		Subculture	201
		Career Tip: Ethnic Growth	202
		Connected: Surfing the Net: spiegel.com	203
		Social Class	204
		Reference Groups	205
		Connected: Surfing the Net: whymilk.com	207
		The Family	207
		Connecting with Diversity: How to Satisfy a Senior— Oops—I Mean a Boomer	210
		USING TECHNOLOGY TO TRACK CONSUMER BEHAVIOR	210
		Connected: Surfing the Net: Club Med	211
		Connected: Surfing the Net: Quartermaine Coffee Roasters	211

THE ETHICS OF INFLUENCING CONSUMER

BEHAVIOR 212

Chapter Summary 212

Review Your Understanding 212

Discussion of Concepts 213

Key Terms and Definitions 213

References 214

Case 7: The Viacom Networks 215

CHAPTER 8 BUSINESS-TO-BUSINESS MARKETING 216

Objectives 217

Connected: Surfing the Net: aramark.com 218

THE CONCEPT OF BUSINESS-TO-BUSINESS

MARKETING 218

BUSINESS-TO-BUSINESS MARKETS 219

Types of Markets 219

Connected: Surfing the Net: envirogroupp.com 221

Business Market Segmentation 223

Business Market Linkages: The Supply Chain 225

Business Market Demand 226

Globalization of Business Markets 226

Connected: Surfing the Net: ibm.com 226

ORGANIZATIONAL BUYING 227

Buying Decisions 227

Steps in the Organizational Buying Process 229

Relationships Between Buyers and Sellers 230

Connected: Surfing the Net: kmart.com 232

Connecting Through Relationships: Cutler-Hammer's

Absolute Focus Proves That Less Is More 233

Career Tip: Cutler-Hammer 234

Functions Involved in Business Purchases 235

Connected: Surfing the Net: ups.com 237

Influences on Organizational Buying Behavior 238

Connecting Through Technology: Industry.net—

Where Business Buyers and Sellers Meet 239

Connected: Surfing the Net: 3M.com 240

Connected: Surfing the Net:

Cutler-Hammer 241

Connected: Surfing the Net: Industry.net 241

Chapter Summary 242

Review Your Understanding 242

Discussion of Concepts 242

Key Terms and Definitions 243

References 243

Case 8: Andersen Consulting 244

CHAPTER 9 PRODUCT DECISIONS AND STRATEGIES 246

Objectives 247

Connected: Surfing the Net: gm.com 248

THE CONCEPT OF PRODUCTS 248

PRODUCT DIMENSIONS 248

Core Products 248

Branded Products 249

Augmented Products 249

Connected: Surfing the Net: yamaha.com 250

PRODUCT CLASSIFICATIONS 251

Consumer Product Classification 251

Connected: Surfing the Net: compaq.com 253

Business Product Classification 254

PRODUCT LINE DECISIONS 255

Product Depth and Breadth 256

Global Products 256

Connected: Surfing the Net: motorola.com 257

BRANDS 257

Trademarks 258

Trademark Piracy 259

Connected: Surfing the Net: mtv.com 259

Brand Strategies 260

Brand Equity: Connecting with a Successful

Brand 262

Dimensions of Brand Equity 262

Connecting Through Relationships: Starbucks

Extends Its Brand Name Through Joint

Ventures 263

Connecting Through Technology: Intel Brands the

Soul in the Machine 265

Career Tip: Procter & Gamble 266

Maintaining Brand Value 266

Developing a Successful Brand Name 266

Joint Marketing of Brands 267

Diversity in Brand Marketing 267

PACKAGING AND LABELING 268

ETHICAL ISSUES SURROUNDING PRODUCT SAFETY AND

LIABILITY 268

Product Warranties 269

Product Recalls 269

Connected: Surfing the Web: Intel 270

Connected: Surfing the Web: Starbucks 270

Chapter Summary 270

Review Your Understanding 271

Discussion of Concepts 271

Key Terms and Definitions 272

References 272

Case 9: Sara Lee 273

CHAPTER 10 PRODUCT PLANNING, DEVELOPMENT, AND

MANAGEMENT 276

Objectives 277

Connected: Surfing the Net: mytwinn.com 278

THE CONCEPTS OF PRODUCT DEVELOPMENT AND

PRODUCT MANAGEMENT 278

PRODUCT PLANNING AND TYPES OF INNOVATION 279

Product Planning 279

Connected: Surfing the Net: ge.com 281

Types of Product Innovation 281

Why Innovations Succeed 282

Connected: Surfing the Net: ti.com 283

THE NEW PRODUCT DEVELOPMENT PROCESS 284

New Product Strategy 284

Idea Generation 285

Connected: Surfing the Net: jci.com 285

Career Tip: 3M 286

Idea Screening 287

Business Analysis	287	Connected: Surfing the Net: mobil.com	324
Prototype Product Development	287	DEVELOPING THE SERVICE MIX	324
Market Testing	288	Core, Augmented, and Branded Services	324
Connecting Through Technology: Don't Just Look, Step Inside: Virtual Reality in Product Design	289	Connected: Surfing the Net: kinkos.com	326
Commercialization	290	Developing New Services	326
The Ethics of Product Imitation	290	AN EXPANDED CONCEPT OF SERVICES	327
Organizational Structures and Product Management	291	Person Marketing	328
Connected: Surfing the Net: fritolay.com	291	Entertainment and Event Marketing	328
MANAGING PRODUCTS OVER THE LIFE CYCLE	293	Place Marketing	330
Stages in the Product Life Cycle	294	Political Marketing	331
Connected: Surfing the Net: honda.com	295	Cause Marketing	331
Variations in Product Life Cycles	297	Internal Marketing	331
Extending the Product Life Cycle	298	THE MARKETING OF NONPROFIT SERVICES	332
Connecting with Diversity: Mattel's Barbie Lures Girls to Computer Games	299	Types of Nonprofit Service Providers	332
The Product Life Cycle in International Markets	300	The Need for Excess Revenues	332
CONSUMER ACCEPTANCE OF INNOVATION	301	Fund-Raising and Revenue Generation	333
Adoption	301	Connecting Through Relationships: The Point: Celebrating the Life and Culture of the South Bronx	334
Diffusion	301	Providing Positive Social Benefits	336
Connected: Surfing the Net: Caterpillar	302	Ethical Issues Surrounding Nonprofit Organizations	336
Connected: Surfing the Net: Mattel	302	Connected: Surfing the Net: The San Diego Zoo	337
Chapter Summary	303	Connected: Surfing the Net: Hilton Worldwide	337
Review Your Understanding	304	Chapter Summary	337
Discussion of Concepts	304	Review Your Understanding	338
Key Terms and Definitions	304	Discussion of Concepts	338
References	305	Key Terms and Definitions	339
Case 10: Minnesota Mining and Manufacturing	306	References	339
		Case 11: Ticketmaster	340
CHAPTER 11 SERVICES AND NONPROFIT MARKETING	308		
Objectives	309	CHAPTER 12 MARKETING CHANNELS, WHOLESALING, AND PHYSICAL DISTRIBUTION	342
Connected: Surfing the Net: world.std	310	Objectives	343
THE CONCEPT OF SERVICES	310	THE CONCEPT OF DISTRIBUTION CHANNELS	344
GLOBAL FORCES CREATING GROWTH IN SERVICES	312	Channel Structure	344
Technology	312	Connected: Surfing the Net: coach.com	345
Quality of Life	313	Channel Organization and Functions	347
Government Deregulation of Services	313	Connected: Surfing the Net: airtouch.com	347
Competition in Professional Services	314	Connected: Surfing the Net: wal-mart.com	348
Privatization	314	Connecting with Diversity: McDonald's®: Serving Diverse Communities in More Ways Than One	350
The Need for Specialization	315	MANAGING DISTRIBUTION CHANNELS	351
Career Tip: ARAMARK	315	Managing Channel Relationships: A Strategic Approach	351
Access to Knowledge	315	Connected: Surfing the Net: honeywell.com	353
Growth of Franchising	315	Legal and Ethical Issues in Channel Management	354
SERVICE CHARACTERISTICS THAT AFFECT MARKETING STRATEGY	316	WHOLESALING	355
Connected: Surfing the Net: subway.com	316	The Importance of Wholesalers	356
The Contrasts Between Goods and Services	316	Career Tip: Arrow Electronics	356
Connecting with Diversity: Beyond Accessibility: How Hotels Win Over the Disabled Traveler	318	Types of Wholesalers	357
The Service-Goods Continuum	319	Connected: Surfing the Net: sysco.com	358
Connected: Surfing the Net: barnesandnoble.com	320	Wholesaling Relationships	358
Consumer Evaluation of Services	320	Connecting Through Relationships: W. W. Grainger's Alliances with Specialty Wholesalers	359
Connected: Surfing the Net: carnival.com	320		
Service Quality	323		

INTEGRATED LOGISTICS AND PHYSICAL

DISTRIBUTION 359

Physical Distribution 360

Order Management 361

Connected: Surfing the Net: benetton.com 363

Global Physical Distribution 367

Connected: Surfing the Net: McDonald's® 368

Connected: Surfing the Net: W. W. Grainger 368

Chapter Summary 369

Review Your Understanding 370

Discussion of Concepts 370

Key Terms and Definitions 370

References 371

Case 12: Texas Instruments 372

CHAPTER 13 RETAILING AND DIRECT MARKETING 374

Objectives 375

Connected: Surfing the Net: mfa.org 376

Career Tip 376

THE CONCEPTS OF RETAILING AND DIRECT

MARKETING 376

RETAILING 376

Connected: Surfing the Net: compusa.com 377

The Importance of Retailers 377

Retail Strategy 378

Connected: Surfing the Net: sears.com 379

Connected: Surfing the Net: blockbuster.com 381

Connecting Through Technology: Peapod and

Computer Shopping 382

Types of Retailers 383

Connected: Surfing the Net: staples.com 384

Issues in Retailing 385

DIRECT MARKETING 386

Value to Customers and Marketing 387

Direct Marketing Databases 387

Direct Response Media 387

Connecting Through Relationships: The Good

Catalog Company: Posting Great Results from

Co-op Marketing 390

Connected: Surfing the Net: cdnow.com 392

The Direct Marketing Plan 392

Ethics in Direct Marketing 394

Connected: Surfing the Net: Peapod, Inc. 395

Connected: Surfing the Net: Cdnw 395

Chapter Summary 396

Review Your Understanding 396

Discussion of Concepts 396

Key Terms and Definitions 397

References 397

Case 13: Gateway 398

CHAPTER 14 INTEGRATED MARKETING

COMMUNICATIONS 400

Objectives 401

THE CONCEPT OF INTEGRATED MARKETING

COMMUNICATIONS 402

OBJECTIVES OF INTEGRATED MARKETING

COMMUNICATIONS 403

Provide Information 403

Connected: Surfing the Net: dtus.com 403

Connecting Through Relationships: From Integrated

Marketing Communications to "Intimate"

Marketing Communications 404

Create Demand for Products 404

Communicate Value 405

Communicate Product Uniqueness 405

Close the Sale 405

Build Relationships and Loyalty 406

THE COMMUNICATION PROCESS 406

The Message Sender 406

Connected: Surfing the Net: pepsi.com 407

Presentation Creation: Encoding 409

Message Characteristics 409

Connected: Surfing the Net: rubbermaid.com 409

Media 411

Interpretation by Receivers: Decoding 412

Consumer Feedback 412

THE COMMUNICATION MIX 412

Types of Communication Activities 412

Connected: Surfing the Net: nascarfans.com 414

Factors Affecting the Communication Mix 414

DEVELOPING THE IMC PLAN 416

Selecting and Understanding Target Audiences 417

Determining Objectives and Selecting the IMC

Mix 417

Connecting with Diversity: Multinationals Target

China's "Little Emperors" with Ads and

Promotions 418

Developing the Communication Budget 419

Implementation 420

Career Tip: Web search 420

Measuring IMC Results 421

ISSUES IN COMMUNICATION 421

Diversity 421

Ethics 422

Technology That Builds Relationships 422

Connected: Surfing the Net: Snapple 423

Connected: Surfing the Net: IBM 423

Chapter Summary 423

Review Your Understanding 424

Discussion of Concepts 424

Key Terms and Definitions 425

References 425

Case 14: Nike 426

CHAPTER 15 MASS COMMUNICATIONS: ADVERTISING, SALES PROMOTION, AND PUBLIC RELATIONS 428

Objectives 429

Connected: Surfing the Net: lost-world.com 430

THE CONCEPT OF MASS COMMUNICATIONS:

ADVERTISING, SALES PROMOTION, AND PUBLIC
RELATIONS 430

MASS COMMUNICATION IN THE 21ST CENTURY 430

Technological Perspective	431	Career Tip: Hewlett-Packard	467
Global Mass Communications	431	Relationship and Other Selling Approaches	468
Connected: Surfing the Net: fujifilm.com	431	Connecting with Diversity: A Few Do's and Taboos for the Round-the-World Rep	469
Ethical Issues in Advertising, Sales Promotion, and Public Relations	432	The Responsibilities of a Salesperson	472
ADVERTISING	433	Connecting Through Technology: United Parcel Service: Sales Reps and Laptops Create Missing Link	473
The Multiple Purposes and Roles of Advertising	433	The Steps in Personal Selling	475
Connected: Surfing the Net: mercedes.com	434	Connected: Surfing the Net: amway.com	478
Pros and Cons of Advertising	434	Characteristics of Strong Salespeople	480
Categories of Advertising	435	SALES FORCE MANAGEMENT	481
Advertising Agencies	436	Organizing the Sales Force	481
THE ADVERTISING PLAN	436	Developing the Sales Team	483
Setting Objectives	436	Connected: Surfing the Net: prudential.com	484
Developing the Advertising Budget	437	Connected: Surfing the Net: merck.com	485
Developing the Theme and Message	437	Sales Forecasting and Budgeting	486
Selecting and Scheduling Media	439	Connected: Surfing the Net: whirlpool.com	486
Connecting Through Technology: Yahoo! Corporation: From Techie Tool to Hot New Ad Medium	442	Implementing Sales Actions	487
Career Tip: Tony Lee	442	Overseeing Sales Force Activities	489
Connected: Surfing the Net: heinz.com	444	Sales Force Automation	491
Creating the Ads	444	Connected: Surfing the Net: UPS	492
Assessing Advertising Effectiveness	445	Connected: Surfing the Net: Amway	492
Connecting with Diversity: Breaking Taboos at Subaru	446	Chapter Summary	492
SALES PROMOTION	447	Review Your Understanding	493
Types of Sales Promotion	447	Discussion of Concepts	493
The Success of Sales Promotion	448	Key Terms and Definitions	494
Creating Customer Relationships and Loyalty Through Sales Promotion	449	References	495
Connected: Surfing the Net: 7up.com	450	Case 16: Duracell	496
Business-to-Business Promotions	450	CHAPTER 17 PRICING APPROACHES	498
Trade Promotions	451	Objectives	499
Retailer Promotions	452	Connected: Surfing the Net: nintendo.com	500
Consumer Promotions	452	THE CONCEPT OF PRICING	500
Connected: Surfing the Net: hp.com	454	PRICE AS PART OF THE MARKETING MIX	501
PUBLIC RELATIONS AND PUBLICITY	455	OBJECTIVES OF PRICE SETTING	501
Public Relations	455	Connecting with Diversity: Family Bargain Uses Low Prices to Court the Invisible Consumer	502
Publicity	456	Profit Objectives	503
Connected: Surfing the Net: Subaru	457	Volume (Sales) Objectives	503
Connected: Surfing the Net: Yahoo!	457	Competitive Objectives	503
Chapter Summary	457	Relationship (Customer) Objectives	504
Review Your Understanding	458	MAJOR FACTORS INFLUENCING PRICE	504
Discussion of Concepts	458	Economic Factors: Demand and Supply	505
Key Terms and Definitions	459	Career Tip: Amoco	507
References	459	Legal and Ethical Influences on Pricing	509
Case 15: Super Bowl Advertising	461	Connected: Surfing the Net: delta-air.com	510
CHAPTER 16 PERSONAL SELLING AND SALES FORCE MANAGEMENT	462	Connected: Surfing the Net: ames.com	510
Objectives	463	Competitive Factors That Influence Pricing	513
Connected: Surfing the Net: prenhall.com	464	Connected: Surfing the Net: ticketmaster.com	514
THE CONCEPTS OF PERSONAL SELLING AND SALES MANAGEMENT	464	Connecting Through Relationships: Paying a Premium for Pet Care Nets Pampering, Too	516
PERSONAL SELLING	465	Cost Factors That Influence Price	516
Types of Sales Personnel and Selling Situations	465	INTERNATIONAL PRICING	520
Connected: Surfing the Net: boeing.com	467	Global Market Factors	520
		Global Cost Factors	521
		Connected: Surfing the Net: PetsMart	522

Connected: Surfing the Net: Amoco	522	Connected: Surfing the Net: target.com	537
Global Financial Factors	523	Competitor-Oriented Pricing	538
Chapter Summary	523	Connected: Surfing the Net: kelloggs.com	540
Review Your Understanding	524	Diversity: Pricing to Attract Senior Citizens	540
Discussion of Concepts	524	Global Pricing	540
Key Terms and Definitions	524	Connecting Through Technology: America Online, Inc.: A Tale of Two Pricing Strategies	541
References	525	IMPLEMENTING THE PRICING STRATEGY	542
Case 17: Ty, Inc.	526	Setting Prices	542
CHAPTER 18 PRICING STRATEGY	528	Career Tip: DuPont	544
Objectives	529	Connected: Surfing the Net: dupont.com	544
Connected: Surfing the Net: pg.com	530	Communicating Price	546
THE CONCEPT OF PRICE STRATEGY	530	UNETHICAL PRICING PRACTICES	548
VALUE AS THE BASIS FOR PRICING	530	Connected: Surfing the Net: America Online	548
Sources of Value	532	Connected: Surfing the Net: Bank of America	548
Connected: Surfing the Net: volvo.com	532	Chapter Summary	549
Customer Value in Pricing	532	Review Your Understanding	549
Connected: Surfing the Net: usps.gov	533	Discussion of Concepts	549
Connected: Surfing the Net: casio.com	534	Key Terms and Definitions	550
CUSTOMER, COMPETITOR, AND GLOBAL PRICING	534	References	550
Customer-Oriented Pricing	534	Case 18: Harley-Davidson	551
Connecting Through Relationships: Banks Coddle Some Customers and Make Others Pay Their Way	535		
		Photo Credits	C-1
		Index	I-1