

# Marketing, 8e

Marketing in the 21st Century



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Joel R. Evans • Barry Berman

**Marketing, 8e**

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# **M A R K E T I N G I N T H E 2 1 s t C E N T U R Y**

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# Preface

In moving into the new millennium, *Marketing, 8e* has undergone a dramatic and exhilarating transformation into a state-of-the-art multimedia package. Our new subtitle, *Marketing in the 21st Century*, is not just a cute catchphrase. It is intended to signify that we are focused on the marketing concepts that will be essential for the future success of any organization or person, presented in a technologically advanced pedagogical format. We are proud to lead the principles of marketing textbook market into the realm of full reader interactivity—at a value price point.

Marketers in the 21st century, more than ever before, will need to understand and properly apply new communication technologies, especially on the World Wide Web. Although the media have widely reported on the difficulties associated with *E-commerce* (referring to online sales transactions), the potential uses of E-marketing (encompassing any marketing activities conducted through the Internet, from customer analysis to marketing-mix components) are enormous.

With this in mind, *Marketing, 8e* not only covers emerging topics in detail, it does so in an interactive, dynamic matter. Here's how: The book can be purchased in two ways: (1) in a four-color print format with access to a full-featured Web site or (2) as a subscription to the full-featured Web site. The print version has all of the elements that you expect: comprehensive topical coverage, a colorful design, a mix of 40 short and long cases, career material, etc. The Web site has the complete text, chapter by chapter, in a reader-enticing format. It contains 1,500 hotlinks to actual Web sites, distributed throughout the book; 120 short online video clips, 4 to 6 in every chapter; more than 100 animated in-chapter figures that visually display flowcharts, bar charts, and so on; a clickable glossary so the reader can immediately see the definitions of key terms; a list of "Web Sites You Can Use" in each chapter (which also appears in the printed version); hotlinks to a strategic marketing plan outline; an online Web exercise in each chapter; and a whole lot more!

These are fascinating times for all of us. During recent years, we have seen the true arrival of the PC age and the World Wide Web, the steady movement in the United States and many other nations around the globe to service- rather than production-driven economies, a growing understanding and interest in customer service and customer satisfaction, greater attention to consumer diversity in the marketplace, the emergence of free-market economies in Eastern Europe, business and government grappling with such ethical issues as the consumer's right to privacy, the impact of deregulation on society, and a host of other actions.

The years ahead promise to be even more intriguing, as the European Union adds more member countries; nations in the Americas make their markets more accessible to one another; other foreign opportunities grow; technological advances continue; and we try to cope with slow-growth economies in various parts of the globe. As we prepare for the coming decade and beyond, an appreciation of marketing (and its roles and activities) become critical.

We believe that a 21st century principles of marketing textbook must incorporate both traditional and contemporary aspects of marketing, carefully consider environmental factors, address the roles of marketing managers, and show the relevance of marketing for those who interact with or who are affected by marketing activities (such as consumers). We also believe such a textbook should describe marketing concepts to readers in a lively, comprehensive, and balanced way. As we indicate at the start of Chapter 1, marketing is "an exciting, fast-paced, and contemporary business discipline."



Although the basic components of marketing (such as consumer behavior, marketing research and information systems, and product, distribution, promotion, and price planning) form the foundation of any introductory-level marketing textbook, contemporary techniques and topics also need to be covered in depth. Among the contemporary topics that are examined in full-chapter length in *Marketing*, 8e are developing and enacting strategic marketing plans; societal, ethical, and consumer issues; global marketing; marketing and the Web; organizational consumers (including manufacturers, wholesalers, retailers, government, and nonprofit organizations); goods versus services marketing (including nonprofit marketing); integrated marketing communications; and coordinating and analyzing the marketing plan. Environmental effects are noted throughout the book.

*Marketing*, 8e explains all major principles, defines key terms, integrates topics, and demonstrates how marketers make everyday and long-run decisions. Examples based on such diverse organizations as Amazon.com, BMW, British Airways, Coca-Cola, ESPN, General Electric, Kenmore, Lands' End, Metropolitan Life, Napster, Nestlé, Swatch, Toyota, United Parcel Service (UPS), Visa, Yahoo!, and Wrigley appear in each chapter. The examples build on the text materials, reveal the stimulating and dynamic nature of marketing, cover a wide variety of firms, and involve students in real-life applications of marketing.

## **A NEW TRADITION BEGINS WITH *MARKETING*, 8E**

We are as dedicated today as in the first edition of *Marketing* to have **the** most contemporary principles of marketing text on the market. Thus, we have listened very carefully to the feedback from our colleagues, students, and our new Atomic Dog Publishing team. And we have acted on this feedback. The world is evolving and so are we. *Marketing*, 8e has some major changes, which can be divided into two categories: interactive learning and content.

### **Interactive Learning Brings *Marketing*, 8e to Life**

During the time that we have worked on *Marketing*, 8e, we have been dazzled by the skills of Atomic Dog Publishing. We hope you will be, too. As was already noted, *Marketing*, 8e has a full-featured, highly interactive Web site. We believe this Web site will motivate students to learn about marketing principles in a way that encourages their participation in the learning process. **Our goal is to move the reader from passive learning to active learning.**

These are just some of the ways in which our Web site brings *Marketing*, 8e to life:

- The complete text is available online. Material may be accessed via concise, simple-to-follow sections. There is a drop-down screen in every chapter that enables the reader to easily move between topics in the chapter.
- There are animated figures in each chapter to illustrate key concepts. For example, in Chapter 1, the reader can see how marketing evolves, era by era; in Chapter 10, alternative consumer demand patterns actually break apart or move together; in Chapter 12, the goods/services continuum is easier to understand through its visual depiction; and in Chapter 22, sales analysis is enlivened.

- The figures are not only animated; they are also highly interactive. Through the use of “mouseovers” and “clickovers,” the reader can access more information (such as definitions and examples) about the topics in the figures. This means that the online design of the figures is less cluttered and that instant self-testing is possible.
- All of the in-chapter key terms are linked to the glossary. With just a click, the definition of a term appears onscreen.
- Through a drop-down screen, the reader can do a key word search for any topic in the book from any chapter in the book.
- To further involve the reader, there are numerous short video clips, carefully selected and tied into the text.
- Each chapter has in-chapter study questions.
- At the end of each chapter, there is a full study guide for the chapter, complete with a series of self-review questions and their answers.
- A simple click connects the reader to one of the 1,500 hotlinks that are noted throughout the book. These links deal with a wide range of organizations and information. At the end of every chapter, online and in print, there is a section called “Web Sites You Can Use;” and there is a Web-based exercise.
- At the beginning of each part of the online book, there is a hotlink to the relevant section of a strategic marketing plan.
- There are 18 computer exercises (keyed to important marketing topics) that are available through an online download. In addition, there is a comprehensive computerized strategic planning exercise (keyed to Chapter 3).

## Content Changes for the 21st Century

Here is a synopsis of the content changes we have made for *Marketing, 8e*. We hope you are pleased with them:

1. The book is shorter, without any dilution of coverage. There are now 22 chapters (rather than 23).
2. These substantive chapter changes have been made:
  - a. Chapter 1 (Marketing Today)—The coverage of customer service and relationship marketing is enhanced.
  - b. Chapter 2 (The Environment in Which Marketing Operates)—The discussion of corporate culture is expanded. Examples are more focused.
  - c. Chapter 3 (Developing and Enacting Strategic Marketing Plans)—The section “Devising a Strategic Marketing Plan” has been greatly revised. There is a much more detailed strategic marketing plan online, with a new comprehensive computer exercise (which is explained in a Chapter 3 appendix).
  - d. Chapter 4 (Information for Marketing Decisions)—There are now several hotlinks to firms that market commercial data bases, as well as examples of online marketing research.

- e. Chapter 5 (Societal, Ethical, and Consumer Issues)—Throughout the chapter, there are hotlinks to organizations and government agencies involved with societal, ethical, and consumer issues.
  - f. Chapter 6 (Global Aspects of Marketing)—To provide more insights about the global marketplace, several online resources are noted and hotlinks to leading economic communities are provided.
  - g. Chapter 7 (Marketing and the Internet)—This **new chapter** demonstrates why the Internet is a valuable marketing tool, explores the multifaceted potential marketing roles for the Internet, shows how to develop an Internet marketing strategy, illustrates how the Internet is being utilized to enhance marketing strategies, considers the challenges of using the Internet in marketing, and forecasts the future of E-marketing.
  - h. Chapters 8–10 (Part 3: Consumer Analysis)—All examples and data are new or have been updated. The material on final consumer demographics, lifestyles, and decision making has been combined into one chapter (Chapter 8: Final Consumers) to create a smoother flow of information.
  - i. Chapters 11–13 (Part 4: Product Planning)—The material on branding and packaging has been integrated into Chapter 11 (Basic Concepts in Product Planning). The “Web Sites You Can Use” section in Chapter 12 (Goods Versus Services Planning) has hotlinks to dozens of diverse organizations that engage in service marketing. The discussion on the product life cycle has been moved to Chapter 13 (Conceiving, Developing, and Managing Products).
  - j. Chapters 14–16 (Part 5: Distribution Planning)—Chapter 14 (Value Chain Management and Logistics) now focuses more on the value chain, the value delivery chain, and logistics. In Chapters 15 (Wholesaling) and 16 (Retailing), the sections on recent trends have been completely revised.
  - k. Chapters 17–19 (Part 6: Promotion Planning)—Chapter 17 (Integrated Marketing Communications) has much greater coverage of integrated marketing communications, and introduces that topic early in the chapter. Chapters 18 (Advertising and Public Relations) and 19 (Personal Selling and Sales Promotion) have been thoroughly updated.
  - l. Chapters 20–21 (Part 7: Price Planning)—All data and examples are new or have been updated. Many hotlinks have been added.
  - m. Chapter 22 (Pulling It All Together: Integrating and Analyzing the Marketing Plan)—There is greater emphasis on the value of integrated marketing plans and enhanced coverage of benchmarking and customer satisfaction research.
3. All of the opening vignettes are new. The vignettes deal with major events that relate to the chapter at hand, such as valuing the customer’s time, do-it-yourself research, college students and the Web, low-budget integrated marketing communications, and the value of economies of scale in marketing.
  4. All in-chapter boxes are new. Two of the boxes have a similar theme as the prior edition of *Marketing*: “Ethical Issues in Marketing” and “Global Marketing in Action.”

The theme of the third box is new: "Marketing and the Web." The boxes' thought-provoking nature has been retained.

- a. The ethics boxes involve such subjects as "Big Business Does Not Have to Mean Bad Ethics," "Taking Advantage of Vulnerable Consumers for Diet Products," "Should There Be a 'Cocktail Hour' on Television?," and "Will Napster's New Business Model Succeed?"
  - b. The global boxes deal with such subjects as "When in Rome: Playing by Different Rules for Advertising to Children," "The Declining Reliance on English in Online Activities," "Innovation: Anywhere, Any Time," and "Paying the Price for Growing Too Fast in Global Markets."
  - c. The Web boxes cover such subjects as "Internet Sales May Be Taxing—Or Maybe Not!," "Measuring Web Site Effectiveness by Counting Eyeballs," "Doing a College Search without Leaving Home," and "Bargaining for a Vacation with an Internet Auction."
5. "Web Sites You Can Use" is a new, very reader-friendly, in-text feature. In every chapter, just before the summary, there is a listing of valuable Web sites for marketers. These chapter-related Web sites range from search engines to shopping venues to benchmarking practices.
  6. All cases are new and divided by part. Among the organizations included in the 32 short cases are AT&T, Deere, Dial, Ikea, Kinko's, and Xerox. The 8 comprehensive cases deal with "Customer Research, Not Marketing Research," "The True Price of Penalties," "Transactional Segmentation to Slow Customer Defections," "Market-Driven Product Development," "Communicating for Better Channel Relationships," "Communications and Sports Marketing," "Value Measures in the Executive Suite," and "Creating Long-Term Marketing Health."
  7. All data and examples are as current as possible.
  8. The careers appendix (Appendix A) has been expanded and has a number of hotlinks.
  9. The computer exercises, keyed to the text, have been revised and are included in Appendix C.

## BUILDING ON THE STRONG FOUNDATION OF MARKETING

These **general features** have been retained from prior editions of *Marketing*:

- A lively easy-to-read writing style.
- A balanced treatment of topics (by size of firm, goods- and service-based firms, profit-oriented and nonprofit firms, final and organizational consumers, etc.).
- Comprehensive coverage of all important marketing concepts, including eleven chapters on the marketing mix (product, distribution, promotion, and price planning).
- A full-color design throughout the book, including lots of photos and figures. These illustrations are all keyed to the text, as well as visually attractive.
- Part openers that provide integrated overviews of the chapters in every part.



- Many definitions from the American Marketing Association's *Dictionary of Marketing Terms*.
- Early coverage of societal, ethical, and consumer issues, and global marketing (Chapters 5 and 6 respectively).
- Service marketing coverage in the section on product planning (Chapter 12).
- A mix of short and long cases, 40 in all (four short cases and one comprehensive case per part).
- An appendix on careers in marketing.
- An appendix on marketing mathematics.
- An appendix on computerized exercises that accompany the text. A computer symbol in the relevant chapters keys the exercises to the concepts involved.
- A detailed glossary.
- Separate company, name, and subject indexes.

These features have also been retained and are contained **in each chapter:**

- Chapter objectives that outline the major areas to be investigated.
- An opening vignette that introduces the material through a real-world situation.
- An introductory overview that sets the tone for the chapter.
- Thought-provoking boxed extracts on key marketing topics.
- Descriptive marginal notes (in the print version) that highlight major concepts.
- Boldface key terms that identify important definitions.
- Many flowcharts and current figures and tables that explain how marketing concepts operate and provide up-to-date information.
- Numerous footnotes to enable the reader to do further research.
- Chapter summaries keyed to chapter objectives. These summaries are followed by a listing of key terms, with text page references.
- End-of-chapter questions divided into separate "review" and "discussion" categories.

## THE MARKETING, 8E PACKAGE

A complete package accompanies *Marketing, 8e*. For students, there are online computerized exercises, a study guide, numerous hotlinks to career information, current events, etc. For professors, there are lecture and resource materials, as well as testing materials. To aid the classroom learning experience, there are longer video clips and hundreds of PowerPoint slides.

## HOW MARKETING, 8E IS ORGANIZED

*Marketing, 8e* is divided into eight parts. Part 1 presents marketing in a contemporary society, describes the environment within which it operates, presents strategic planning from a marketing perspective, and discusses marketing information systems and the mar-

keting research process. Part 2 covers the broad scope of marketing: societal, ethical, and consumer issues; global marketing; and marketing and the Internet. Part 3 deals with marketing's central thrust: understanding final and organizational consumers in the diverse marketplace. It examines demographics, lifestyle factors, consumer decision making, target market strategies, and sales forecasting.

Part 4 encompasses product planning, branding and packaging, goods versus services marketing, the product life cycle, new products, and mature products. Part 5 deals with distribution planning, value chain management, logistics, wholesaling, and retailing. Part 6 examines integrated promotion planning, the channel of communication, advertising, public relations, personal selling, and sales promotion. Part 7 covers price planning, price strategies, and applications of pricing. Part 8 integrates marketing planning—including benchmarking and customer satisfaction measurement—and looks to the future.

Please note: we don't want you getting lost as you move between the Web and print formats, so we numbered the primary heads and subheads in each chapter the same. For example, the first primary head in Chapter 1 is labeled 1-1, the second primary head in this chapter is labeled 1-2, and so on. The subheads build from the designation of their corresponding primary head: 1-1a, 1-1b, etc.

The numbering system is designed to make moving between the online and print versions as seamless as possible. So if your instructor tells you to read the material in 2-3 and 2-4 for tomorrow's assignment, you'll know that the information appears in Chapter 2 of both the Web and print versions of the text, and you can then choose the best way for you to complete the assignment.

We are pleased that previous editions of *Marketing* were adopted at hundreds of colleges and universities nationwide and around the world. We hope *Marketing*, 8e is satisfying to continuing adopters and meets the needs of new ones. Thanks for your support and encouragement.

Please feel free to communicate with us. We welcome comments regarding any aspect of *Marketing*, 8e or its package: Joel R. Evans or Barry Berman, Department of Marketing and International Business, Hofstra University, Hempstead, N.Y., 11549. You can E-mail us at [mktjre@hofstra.edu](mailto:mktjre@hofstra.edu) or [mktbxb@hofstra.edu](mailto:mktbxb@hofstra.edu). We promise to reply to any correspondence we receive.

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Barry Berman  
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# A Brief Walk Through

## MARKETING, 8e: Marketing in the 21st Century

In this walking tour, you will find an overview of several distinctive features of *Marketing in the 21st Century*. Through these features, we present the most complete coverage possible of the field of marketing—and do so in an interesting, interactive, and contemporary way. *It's all covered—from absolute product failure to yield management pricing.*

*Marketing in the 21st Century* introduces and integrates key marketing concepts, many of which have grown in importance in recent years, such as commercial data bases, integrated marketing communications, marketing and the Internet, strategic marketing plans, and value chain management.

Commercial data bases can provide useful ongoing information.

### 4-2b Commercial Data Bases

Because client companies need current, comprehensive, and relatively inexpensive information about the environment in which they operate, many specialized research firms offer ongoing **commercial data bases** with information on population traits, the business environment, economic forecasts, industry and individual companies' performance, and other items. Data bases may include newspaper and magazine articles, business and house-

We look at how commercial data bases enhance marketing decision making.

### 17-3 AN INTEGRATED APPROACH TO PROMOTION PLANNING

When a well-coordinated promotion plan is developed and applied, a firm uses **integrated marketing communications (IMC)**. As defined by the American Association of Advertising Agencies (AAAAA), IMC "recognizes the value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines—advertising, public relations, personal selling, and sales promotion—and combines them to provide clarity, consistency, and maximum communication impact."<sup>15</sup> For example, Frito-Lay

The value of integrated marketing communications is an underlying theme in *Marketing*.

TABLE 7-1

Top 10 Countries' Internet Penetration of the Home Market, as of January 2001

	Active Home Users	Average Time Spent Per Month	Average Number of Sessions Per Month	Active Home Users as a Percentage of Total Population
United States	101.4 million	9 hours, 58 min.	18	36
Japan	15.4 million	7 hours, 57 min.	16	12

The marketing potential of the Internet around the globe is discussed.

### 3-6a A Sample Outline for a Written Strategic Marketing Plan

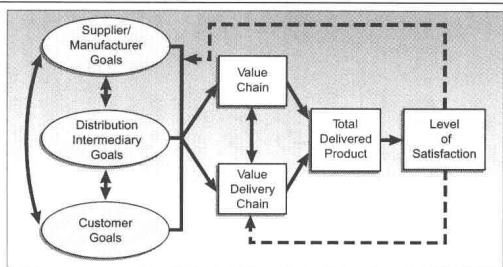
What are the ingredients of a good strategic marketing plan? Here is a brief list:

- It should be integrated into an organization's overall business plan.
- It should affect the consideration of strategic choices.
- It should force a long-range view.
- It should make the resource allocation system visible.

We fully describe how to build a strategic marketing plan.

FIGURE 14-1  
The Distribution Process

Source: Loosely adapted by the authors from Joel R. Evans and Barry Berman, "Conceptualizing and Operationalizing the Business-to-Business Value Chain," *Industrial Marketing Management*, Vol. 30 (February 2001), p. 138. Copyright Elsevier Science. Reprinted by permission.




The importance of the value chain and the value delivery chain are highlighted.

This highlights our extensive coverage of domestic and global marketing.



Sephora ([www.sephora.com](http://www.sephora.com)) is a retail concept intent on generating loyal customers: Founded in 1993, Sephora is the leading chain of perfume and cosmetics stores in France and the second biggest in Europe. It has stores in France, Luxembourg, Spain, Italy, Portugal, Poland, Germany, Great Britain, and Japan; and it is growing rapidly. Sephora



**FIGURE 1-8**  
**Sephora: Bringing Its Relationship Marketing Philosophy to Perfume and Cosmetics**  
 Offering custom colors is one of the many tactics used by Sephora to generate repeat business and very loyal shoppers.  
 Source: Reprinted by permission of PricewaterhouseCoopers.

Because we believe marketing's vital role should be shown in varied situations, we have worked especially hard to present a balance of examples on domestic and international marketing, large and small firms, goods and services, and final consumers and organizational consumers.

Small firms, as well as large ones, are involved with marketing and strategic planning.



### 3-6b Moonstruck Chocolatier: A Strategic Marketing Plan by a Small Specialty Firm<sup>28</sup>

In 1992, Bill Simmons and his wife Deb decided to open Moonstruck Chocolatier in Portland, Oregon. Moonstruck opened for business in 1993 as a maker of truffles for the wholesale market. It sold to other retailers, including Neiman Marcus, Marshall Field, and Starbucks. The firm introduced its first retail store in 1996 and sales rose rapidly. Today, Moonstruck is a successful firm, specializing in chocolate-based products, with annual

*Although a small company, Moonstruck Chocolatier has a detailed strategic marketing plan.*

Chapter 12 ("Goods Versus Services Planning") integrates services marketing into product planning.



### 12-3a A Goods/Services Continuum

A **goods/services continuum** categorizes products along a scale from pure goods to pure services. With pure goods, the seller offers the consumer only physical goods without any accompanying services. With pure services, the seller offers the consumer only nongoods services without any accompanying physical goods. Between the two extremes, the seller would offer good/service combinations to the consumer.

*With a goods/services continuum products are positioned from pure goods to pure services.*

Both final and organizational consumers are important to marketers.

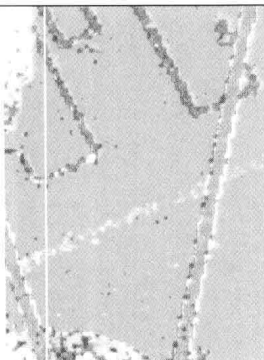


**8 Final Consumers**

This chapter is devoted to final consumer demographics, lifestyles, and decision making. We examine several specific demographics (objective and quantifiable characteristics that describe the population) for the United States and other countries around the globe. By studying final consumer lifestyles and decision making, we can learn about why and how consumers act as they do. Lifestyles encompass various social and psychological factors, many of which we note here. The decision process involves the steps as consumers move from stimulus to purchase or nonpurchase.

**9 Organizational Consumers**

Here, we focus on organizational consumers purchasing goods and services for further production, use in operations, or resale to other consumers. We look at how they differ from final consumers and at their individual characteristics, buying goals, buying structure, constraints on purchases, and decision process.



**F**or *Marketing, 8e: Marketing in the 21st Century*, we have three all-new thought-provoking boxes in every chapter:

- “Ethical Issues in Marketing.”
- “Global Marketing in Action.”
- “Marketing and the Web.”

Each box presents a real-life situation and asks the reader to be a decision maker and state a position or make suggestions.

## ETHICAL

Chapter	Title
1	Goodyear: Trying to Capitalize on Bridgestone/Firestone's Public Relations Disaster
2	Yes, Deere, the EPA Can Be a Friend to Business (Sometimes, Anyway)
3	Making Sense of Confusing Company Earnings Reports
4	On the Internet, Is There Any Privacy Regarding Personal Information?
5	Big Business Does Not Have to Mean Bad Ethics
6	The Hybrid Eco-Car: The Japanese Take the Lead
7	At Online Auction Sites, Who Is Responsible for Fraud in Selling Bogus Goods?
8	Taking Advantage of Vulnerable Consumers for Diet Products
9	The Virtues of Assisting Minority-Operated Suppliers
10	In a Product Recall, Should All Customers Be Treated the Same?
11	What Is an SUV—And Why Does It Matter?
12	Cause Marketing: Profiting by Giving
13	Why Scotchgard Was Withdrawn as a Protector of Fabrics and Upholstery
14	The “People’s Republic of Counterfeiting”
15	The Battle Between Property Owners and Their Hotel Operators
16	The Good Works of Starbucks
17	The Creativity of Big Tobacco
18	Should There Be a “Cocktail Hour” on Television?
19	The Controversy Behind Free Drug Samples
20	The Winners and Losers in Gray Markets
21	Hello, We Have a Cheaper Fare Online
22	Can a New Napster Business Model Succeed?

## GLOBAL

## Marketing in Action

Chapter	Title
1	Wired in the U.S.A., Wireless in Europe
2	When in Rome: Playing by Different Rules for Advertising to Children
3	Sweden’s Electrolux: The Quiet Giant
4	Nestlé’s E-Revolution: From Information to Action
5	Overturning a Ban on Tobacco Advertising
6	Alibaba.com: An Asia-Based Worldwide Internet Trading Portal
7	The Declining Reliance on English in Online Activities
8	Marketing High-Tech Status Products in China
9	Show Me That You Want Me: How Foreign Countries Attract Businesses
10	The Gender Gap in E-Tailing Outside the United States
11	Generic Brands Come to Brazil
12	Virgin Air: Stormy Weather Ahead
13	Innovation: Anywhere, Any Time
14	Optimizing Supply Chains
15	Thailand’s Siam Makro: A Wholesaling Powerhouse
16	Who Owns Dunkin’ Donuts Anyway?
17	Promotion in India: New Strategies Come into Focus
18	U.S. Public Relations Blunders Overseas
19	Loyalty Programs Welcomed in South America
20	The Euro: An Underachieving New Currency
21	Is It Possible for Prices to Be Too Low?
22	Paying the Price for Growing Too Fast in Global Markets



# MARKETING *and the Web*

<b>Chapter</b>	<b>Title</b>
1	At Sephora.com, Customer Relationships Come Naturally
2	Internet Sales May Be Taxing—Or Maybe Not!
3	Can iWon's Marketing Plan Succeed in the Long Term?
4	Online Surveys: Science or Art?
5	The Debate Over Consumer Privacy Online
6	The Educ.ar Initiative in Argentina
7	Measuring Web Site Effectiveness by Counting Eyeballs
8	SaveDaily.com: Shop Until You Drop, Then Save a Little
9	Using the Internet with B-to-B Trade Shows
10	Doing a College Search without Leaving Home
11	New Uses for Bar Codes
12	Online Ratings of Health Care Professionals
13	Photo-Sharing Web Sites Revolutionize Picture Taking
14	How the Internet Is Transforming Long-Haul Logistics
15	Retail Exchange.com: A Nearly 100-Year-Old Wholesaler Turns to the Internet
16	E-tailing and Customer Service
17	Using E-Mail as Part of an Integrated Marketing Communications Strategy
18	What's Ahead for Online Advertising
19	Reviving Green Stamps Through Greenpoints.com
20	Shopping Online Without a Credit Card
21	Bargaining for a Vacation with an Internet Auction
22	Testing for Web Site Usability

**M**arketing in the 21st Century has 32 short cases (four per part) and 8 comprehensive part cases. These cases cover a wide range of companies and scenarios. All are new to this edition and extremely current.

## PART 1 SHORT CASES

### Case 1

#### It's Not Easy Being a Consumer<sup>ed-1</sup>

Some market analysts believe that today is the best time to be a consumer. Their viewpoint is based on the increased amount of consumer choices due to the number of new products and to deregulation. In addition, the Web provides people with improved access to information, as well as an added form of competition.

The number of auto models has doubled since the 1970s. So have the number of cereals, book titles, and videotapes. In telecommunications there are now hundreds of long-distance carriers, up from one in the 1970s and three major carriers in the 1980s. And while there were only 300 mutual funds in the 1970s, there are now more than 7,000. A frequently cited statistic is that there are now more mutual funds than individually listed stocks. Likewise, online shopping lists such as Amazon ( ), BarnesandNoble ( ), and Value of Shopping ( ) enable consumers to compare prices and shoring from their homes and offices. The Web also represents another marketing channel for manufacturers, wholesalers, and retailers.

A big manifestation of increased choice is that the consumer now faces a much more complex shopping environment. Consumer decision making has also gotten more difficult due to the presence of whole categories of products that did not exist 10 to 20 years ago, such as personal computers, DVD players, CD burners, and high-definition TV. Thus, while increased choice is positive from a competitive perspective, it more generates confusion among consumers.

What can marketers do to reduce confusion and simplify consumer choice? One strategy is to form to facilitate the process by offering better alternatives. For example, it is easier for a consumer to evaluate and choose a vacuum cleaner at Sears when three models—"good," "better," and "best"—are offered than when consumers must choose among seven or eight alternatives. Thus limited choice strategy may also provide the retailer with higher inventory turnover, lower training expenses, and lower overall sales costs.

Another strategy is for companies to simplify pricing. Airfare pricing is ideally an area that needs attention. In addition to the confusion of numerous fare categories and conditions, the current large number of fares for the same flight requires considerable time for travel agents and reservation clerks to explain to customers. In the long-distance telephone market, Sprint is a good example of how a firm increased both revenues and profits when it switched to a single price per minute of long-distance service.

Firms can further simplify the choice process by focusing on those market segments where they have the greatest ability to add value. An example of a firm that uses this focused strategy is Charles Schwab. While Schwab's initial target customer was the "do-it-yourself" investor who was attracted by the low transaction costs, the company has since expanded its target market to include customers desiring a fuller range of financial services (such as a portfolio of mutual funds). This strategy made Schwab better able to offer different types of value propositions to different target groups of customers.

Lastly, companies need to examine the overall costs of the customer's total experience, not just the basic costs of the good or service. Included in the total cost approach should be the costs of searching for the appropriate good or service. Thus, firms that provide easy access, or high levels of information, to customers may have lower costs than the "lowest-bid-price" marketers that do not provide such services.

#### Questions

1. Describe how this case illustrates the "value-based philosophy" aspect of the marketing concept.
2. What are the manifestations of "do-it-yourself" firms shifting basic marketing functions from the firms to their consumers?
3. If the large number of airlines causes consumer confusion, why do you think most airlines have so many fares?
4. Explain how a Web-based transaction can reduce a consumer's total cost.

Each of the eight parts in Marketing ends with four short cases on real companies.

## PART 8 COMPREHENSIVE CASE

### Creating Long-Term Marketing Health<sup>ed-8</sup>

#### Introduction

When financial results are not up to standard, marketing generally is viewed as a prescription drug to be taken in larger doses to help cure lackluster performance. The advice is to increase advertising and sales promotion, cut prices, expand distribution, and add more products aimed at smaller target markets. Dispensed as strong doses, the medicine seldom works. Moreover, the marketers who have prescribed it have become more suspect. They've lost the view that marketing is a "quick fix" to a firm's poor results, rather than something that executive officers (CEOs) of marketing's long-term strategic role.

Marketing is viewed as a short-term fix because the metrics used are calibrated to measure short-term organizational outcomes or results. Like a thermometer measuring body temperature on a real-time basis, marketing is evaluated on daily, weekly, or monthly sales, market share, and profit margins. Economist John Maynard Keynes said, "We may plan for the long run but we act in the short run." CEOs and chief marketing officers (CMOs) have partly embraced marketing's central role in helping the organization act in the short run. We test on short-term gains of marketing expenditures today; however, if we don't do things that invest in marketing's long-term contribution to the firm today, we won't see tomorrow.

#### Marketing Health

A marketing organization is healthy when it can build and maintain exchange relationships with both customers and suppliers under conditions of competitive, technological, and economic turbulence. These intangible requirements create stress for the organization, making it difficult to survive and prosper. During such times, it won't work to take more drugs because the weakened or failing firm must have a reservoir of good health to survive and recover.

There are 10 indicators of marketing health that can be divided into three areas: potential, people, and performance. CMOs wanting to guide their organization's health must focus them on markets with long-term potential to attract and retain people with the necessary knowledge, skills, and experience and develop performance metrics that foster a long-term orientation.

#### Potential

Organizations with good long-term marketing health focus on future market potential. One such firm is Procter & Gamble Co. ( ), which continually focuses on both high-potential geographic and product markets. More than a quarter century ago,

it began to put a high priority on global expansion, and by 1993, international business represented more than half of total annual sales. Today, P&G employs more than 100,000 people in 140 nations. Although the firm had focused on North America and Western Europe, it now commits to obtaining more growth from emerging markets. Product innovation aimed at developing new brands and improving existing brands is a constant priority and essential to a strategy to double business over the next decade. This doesn't prevent P&G from pursuing acquisitions in attractive and high-potential markets, such as acquiring Tambrands and its market-leading tampon brand, Tampax.

Metric No. 1: Percent of sales from products introduced in the last three years, and percent of sales from markets (geographic or product) entered in the last three years. All products and markets have life cycles; they are born, and then they grow, mature, decline, and decay. Companies that don't recognize this continue to live off past product and market successes. Importantly, they're not staying fit by increasing and extending tomorrow's breakthroughs. Consequently, once sales and profits begin to stagnate or decline, it's too late to recover. Drugs and marketing quick fixes won't work.

It is suggested that the CMO and CEO establish in conjunction with the chief financial officer (CFO) an explicit goal for Metric No. 1. No matter whether the goal is 10 percent or 50 percent or for three or five years, it will communicate and send a clear signal throughout the organization that new product and market development are critical to future success. Because financial markets focus sales largely derived from new products, if a company succeeds in achieving its goals regarding this metric, it also will find that the financial markets will respond with increased firm value (see Metrics Nos. 7 and No. 8). This is because firm valuation is a function of expected future cash flows.

Metric No. 2: Percent growth potential over the next three years in any of target markets. Another indicator of potential is in the growth of the firm's target markets. The long attention paid to the size of age group comes from its projected growth and its specialized needs for many goods and services. As a former director of the U.S. Census Bureau said, "When firms fail to focus their marketing efforts toward the future, they may discover that their markets do not have much of a future." If a firm focuses substantial marketing resources on yesterday's growth markets, then it's misallocating its marketing resources.

Metric No. 3: Percent of sales over the last three years from new marketing channels. Perhaps one of the most significant opportunities exists in distribution channels. These channels respond to changes in how people would like to buy or source goods and services. Although with the growth of E-commerce, we tend to view this as a recent phenomenon, it's not new. Department stores, supermarkets, category killers, membership stores, supercenters,

End-of-part cases integrate the material discussed in the group of chapters in particular parts of the text.

<sup>ed-1</sup> Adapted by the author from Robert J. Lusch, "Creating Long-Term Marketing Health," *Marketing Management Systems* (2003), pp. 78-2. Reprinted by permission of the American Marketing Association.

Our goal is to reinforce the principles in *Marketing in the 21st Century* in a useful and lively way. So, we've got all the in-text pedagogy you could want: part openers, chapter objectives, chapter vignettes, highlighted key terms and marginal notes, photos and line art, bottom-of-page footnotes, useful Web links, summaries linked to chapter objectives, review and discussion questions, appendixes, and more!

Chapter-opening vignettes engage students in marketing in a very reader-friendly manner. These vignettes cover diverse organizations and situations.



The fragmentation of the mass market and the rising importance of segmented media such as cable TV and special-interest magazines have led to greater use of market segmentation strategies by mainstream marketers. One newer segmentation strategy, called diversity marketing, focuses on pursuing customers on the basis of race and language preference.

Although it comprises only four percent of the U.S. population, the Asian-American market segment has been viewed as diversity's darlings. Not only is this market segment the fastest-growing population group according to census data, but also it is affluent and well educated. Of particular importance to marketers is the large spending by Asian-Americans on PCs, insurance, and international telephone calls.

One firm that has successfully appealed to Asian-Americans is the *New York Times*. Its campaign consisted of print ads, commercials, direct mail, and community events targeted directly at Asian-Americans. The campaign was so successful that the *Times* is expanding it from New York City to San Francisco, Oakland, and Silicon Valley in California.

For several reasons, reaching and appealing to this market segment is far from easy. One, marketers must fully understand the various cultural issues in dealing with Asian-Americans. For example, the number "4" may imply death and therefore would be a poor choice in a business telephone number. Two, there are significant differences among the ethnicities that comprise the Asian-American market. AT&T utilizes seven different languages to reach Asian-Americans, which increases the complexity and overall expense in reaching this segment. Three, vital marketing research data on the Asian-American market is often not available. Nielsen does not break out television viewership by Asian-Americans.

In an attempt to increase the information about Asian-Americans, the 2000 federal census, for the first time, was printed in four Asian languages (Chinese, Korean, Tagalog, and Vietnamese), in addition to English and Spanish. Census employees speaking each of these languages also staffed census telephone assistance centers. Some marketers feel the additional data will result in more ads being aimed at Asian-Americans by pharmaceutical firms, packaged food marketers, and health care providers.<sup>1</sup>

In this chapter, we will examine each step involved in planning a target market strategy and the related topic of sales forecasting. Ethnicity or race is only one of many possible bases of segmentation.

## 10-1 OVERVIEW

After gathering data on consumer traits, desires, and decision making, company and industry attributes, and environmental factors, a firm is ready to select the target market(s) to which it will appeal and for which it will develop a suitable strategy. The total market for a particular good or service consists of all the people and/or organizations who

<sup>1</sup>Stuart Elliott, "Marketers Study Nuances to Reach a Valued Audience," *New York Times on the Web* (March 6, 2000).



A market is all possible consumers for a good or service. Through market segmentation, it can be subdivided.



## WEB SITES YOU CAN USE

There are numerous Web sites that provide access to current and past advertisements. Many offer real-time video commercials. Here is a cross-section of sites where you can view or read ads [Please note: TV ads are best viewed through a high-speed connection. The download time may be lengthy with a telephone modem]:

AdCritic.com ([www.adcritic.com](http://www.adcritic.com))—TV commercials  
Adeater ([www.adeater.com](http://www.adeater.com))—Click on "Cinema library" to access thousands of TV commercials from around the world  
Adflip ([www.adflip.com](http://www.adflip.com))—Print ads

AdReview ([www.adreview.com](http://www.adreview.com))—TV commercials  
Advertising Council ([www.adcouncil.org/tr\\_comp.html](http://www.adcouncil.org/tr_comp.html))—Multimedia public service announcements (PSAs)  
USA TV Ads ([www.usatvads.com](http://www.usatvads.com))—TV commercials

In each chapter, there is a NEW feature entitled "Web Sites You Can Use."





We have an extensive video supplement. There are 4 to 6 short video clips in each chapter of the online version of *Marketing in the 21st Century*. These clips are all tied to the text and reinforce major concepts. The print version shows video icons for these videos in each chapter.

In addition to the online in-chapter video clips, there are eight part videos that accompany *Marketing*. These videos are available to professors in a VCR format. They range from 6 to 9 minutes in length, based on marketing research that indicates a preference for videos of this length:

<u>Part</u>	<u>Video Title/Brief Summary</u>
1	<b>Marketing Research:</b> This video defines marketing research, applies marketing research to a study of the effectiveness of a Wendy's advertising campaign, and describes the research process.
2	<b>European Union:</b> This video explains the major economic implications of the European Union. Specific topics include the free movement of goods, common product standards, the opening of public procurement, and airline deregulation.
3	<b>Wholesale and Industrial Salesmanship:</b> This video focuses on the sales process. Major differences in selling consumer versus industrial products are noted. The role of competitive bidding in organizational marketing is also discussed.
4	<b>Product Planning:</b> This video distinguishes among convenience, shopping, specialty, and unsought products. The marketing implications of this classification system are reviewed.
5	<b>Franchising:</b> This video explores different types of franchising. Examples and trends are noted.
6	<b>Broadcast Media:</b> This video describes the planning and evaluation of TV advertising. Topics include the calculation of gross rating points, the characteristics of TV as an ad medium, and the appropriate use of cable and network TV.
7	<b>Markdown Planning:</b> This video explains the reasons for markdowns, the appropriate use of early markdowns and an automatic markdown policy, and the calculation of different types of markdowns.
8	<b>Relationship Marketing:</b> This video describes the use of relationship marketing principles by a small ladies' specialty clothing retailer, Harley Davidson, and Saturn autos.