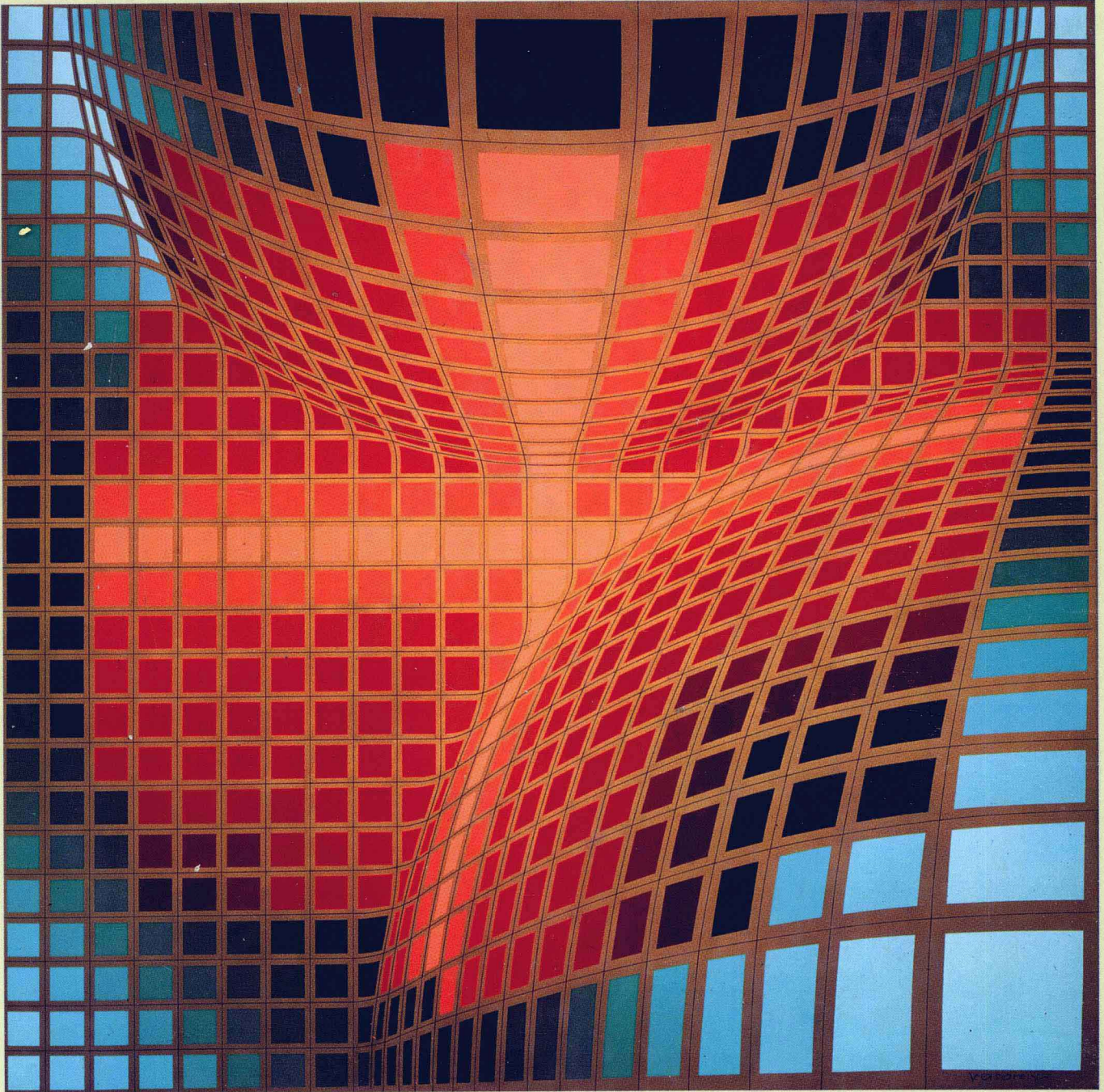


FUNDAMENTALS OF

MARKETING



WILLIAM J. STANTON MICHAEL J. ETZEL BRUCE J. WALKER

NINTH EDITION

FUNDAMENTALS OF MARKETING

NINTH EDITION

WILLIAM J. STANTON

University of Colorado

MICHAEL J. ETZEL

University of Notre Dame

BRUCE J. WALKER

University of Missouri-Columbia

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ABOUT THE AUTHORS

William J. Stanton is Professor Emeritus of Marketing at the University of Colorado—Boulder. He received his Ph.D. in marketing from Northwestern University, where he was elected to Beta Gamma Sigma. He has worked in business and has taught in several management development programs for marketing executives. He has served as a consultant for several business organizations and engaged in research projects for the federal government. He also has lectured at universities in Europe, Asia, Mexico, and New Zealand.

The coauthor of the leading text in sales management, Professor Stanton has also published several journal articles and monographs. *Fundamentals of Marketing* has been translated into Spanish, Portuguese, Italian, Indonesian, and Bangladesh, and separate editions have been adapted (with coauthors) for Canada, Italy, and Australia. In a survey of marketing educators, Professor Stanton was voted one of the leaders in marketing thought, and he is listed in *Who's Who in America* and *Who's Who in the World*.

Michael J. Etzel received his D.B.A. in marketing from the University of Colorado. Since 1980, he has been Professor of Marketing at the University of Notre Dame, where he served as chairman of the Department of Marketing from 1980 to 1987. He has also been on the faculties of the University of Kentucky and Utah State University, and he has had visiting appointments at the University of South Carolina, the University of Hawaii, and the University of Innsbruck.

In over twenty years of teaching, Professor Etzel has taught a wide variety of marketing courses, from fundamentals through the doctoral level. He was recently awarded a Fulbright teaching and research fellowship to lecture and conduct research in Austria.

His research in the areas of marketing management and buyer behavior has appeared in the *Journal of Marketing*, the *Journal of Marketing Research*, the *Journal of Consumer Research*, and other publications.

Under the auspices of the American Association of Advertising Agencies, Professor Etzel served as a faculty intern at Ted Bates Advertising in New York. He has directed the American Marketing Association's School of Marketing Research since 1981 and has also been active in the AMA's Education Division and Marketing Research Division.



Etzel

Stanton

Walker

Bruce J. Walker is Dean of the College of Business and Public Administration at the University of Missouri—Columbia. He re-

ceived his doctorate in marketing from the University of Colorado.

Professor Walker has been on the faculties of the University of Kentucky and Arizona State University, where he served as chairman of the Department of Marketing from 1982 to 1989. During his teaching career, Professor Walker has taught a variety of courses, including principles of marketing, to undergraduate and graduate students.

Professor Walker's research, focusing primarily on franchising, marketing channels, and survey-research methods, has been published in the *Journal of Marketing*, *Business Horizons*, *Journal of Marketing Research*, and other periodicals. He has also coauthored and co-edited a number of books, including a college textbook, *Retailing Today*.

Besides speaking to business groups in the United States, Professor Walker has also made presentations and conducted seminars for executives, faculty, and students in Europe. Active in the Western Marketing Educators Association and the American Marketing Association, he has served as president of WMEA and as vice president of the AMA's Education Division.

To

Kelly and Little Joe

Chris, Gretchen, and Kate

Pam, Therese, Steve, and Scott

PREFACE

Building a Foundation for the 1990s and Beyond

As we prepared this edition of *Fundamentals of Marketing*, we had the remainder of the 1990s and the 21st century in mind. Most of today's undergrads will be about 30 years old at the start of the new century. Ahead will be the prime years of potentially rewarding professional careers and personal lives. Just how rewarding that time will be depends in large part on two factors—the knowledge foundation that is built in the 1990s, and the ability to adapt to the environmental changes and challenges that occur in the 1990s and beyond.

And changes there certainly will be. Technological advances are occurring in so many fields at such a pace that it is difficult to envision the scene in the year 2000. Applications of fiber optics and laser surgery, for example, seem boundless. Concern for the physical environment, especially in North America and Europe, is likely to be a controlling factor in many economic and political decisions. Advances in information-processing capabilities will make instantaneous communication commonplace within ten years. Breakthroughs in fuel technology and manufacturing processes should dramatically affect the nature of the products we buy. We will probably see the start of space colonization, three-dimensional interactive home entertainment systems, waterless machines for washing clothes, and perhaps a cure for cancer.

One development that we can count on as this century ends and the next one begins is the growing internationalization—even globalization—of business relationships. Virtually every career field is becoming increasingly international in scope. In autos, cameras, and consumer electronic products, we all have seen the effects of competition from Japanese products. Four other Asian countries on the Pacific rim—Korea, Taiwan, Singapore, and Hong Kong—are increasing competitive pressures in international trade. The economic unification of the 12 nations of the European Community in 1992 also poses major marketing challenges for the United States and Japan.

In response to, or perhaps even in anticipation of, these developments, marketers will have to change their ways and learn to make decisions quickly. For instance, they will have access to sales data from the prior week, maybe even the prior day. With these data, they will have to determine inventory or production levels for the next time period. Also, they will have to select from a growing variety of media in planning how best to communicate with consumers. And, to cite one more example, marketers will have to choose between domestic and foreign markets and determine how to compete effectively against firms from the United States and many other countries. Marketing during the remainder of this decade and into the next century will be more dynamic, challenging, and exciting than ever before!

WHAT'S NEW IN THIS EDITION

This book has been substantially revised to reflect the changing social and economic forces that will seriously challenge marketing management in the near future. Some of the many new and updated features are:

- International marketing is given significantly greater attention. Not only have we updated the separate chapter devoted to the topic, but we also have added numerous international examples in the text plus an *International Perspective* box in every chapter.

- Coverage of services marketing has been considerably expanded. Our long-standing separate chapter on the marketing of services has been completely rewritten to reflect the growing importance of and current activity in the field. Moreover, we have increased the use of services examples throughout the book and have added cases involving services organizations.
- Marketing ethics receives added emphasis. This is accomplished with an *Ethical Dilemma* box in every chapter and with expanded coverage of marketing ethics in Chapter 24.
- The text has been reorganized to some degree as suggested by reviewers and adopters. The related topics of market segmentation and demographics have been combined in one chapter, thus reducing the number of chapters in the book. The chapter on managing channels of distribution has been shifted to the beginning of Part 5 in order to provide an overview of the distribution function before discussing specific middlemen. The marketing planning chapter has been moved to the final part of the book, where it is coupled with a chapter on marketing implementation and evaluation for a unified treatment of managing the marketing effort.
- Several chapters have been substantially rewritten. These include Chapter 1 (The Field of Marketing), Chapter 2 (The Marketing Environment), Chapter 4 (Market Segmentation and Demographics), Chapter 5 (Consumer Buying Behavior), Chapter 12 (Managing Channels of Distribution), Chapter 14 (Retailing: Markets and Institutions), Chapter 19 (Marketing of Services), Chapter 22 (Marketing Planning and Forecasting), and Chapter 24 (Marketing: Appraisal and Prospects).
- Seventeen of the 24 cases are new, and 11 of the new ones focus on well-known companies such as McDonald's, Nike, and American Express.
- All chapter-opening vignettes are new.
- Examples and footnote references have been updated throughout the book.
- The package of teaching and learning supplements has been expanded and improved for more effective use by instructors and students.

THIS BOOK'S BASIC STRUCTURE

Those who are familiar with earlier editions of this book will find that we have retained the features that have made it a widely used teaching and learning resource. At the same time, we have carefully revised, improved, and updated the book to carry students through the 1990s.

The writing style continues to make the material clear and interesting to read. Frequent, timely examples illustrate concepts and enliven the presentation. The organization allows topics to flow logically for easy reading, and the section headings simplify outlining.

Numerous end-of-chapter discussion questions are intended to be interesting and thought-provoking. Virtually all of the questions require the *application* of text material, rather than rote repetition. Each of the 24 short cases focuses on one or more topics covered in the text. The cases provide students with an opportunity for problem analysis and decision making.

The book's basic theme, approach, and organization have been retained from previous editions. The central theme is that marketing is a total system of business action rather than a fragmented assortment of functions and institutions. Although some attention is directed to the role of marketing in our socioeconomic system, the book is written largely from the viewpoint of a

marketing executive *in an individual organization*. This firm may be a producer or a middleman, a business or a nonprofit organization, and a provider of goods and/or services to domestic and/or foreign markets.

The marketing concept is a philosophy that stresses the need for a customer orientation compatible with society's long-run interests. This philosophy is evident in the framework of the marketing-management process. A company sets marketing objectives, taking into consideration environmental forces that influence its marketing effort. Management next selects target markets. The company then has four strategic elements—its product, price structure, distribution system, and promotional activities—with which to build a marketing program that will reach its markets and achieve its objectives. In all stages of the marketing process, management should use marketing research as a tool for problem solving and decision making.

This framework for the marketing process is reflected in the book's organization. The text is divided into eight parts as follows:

- Part 1 introduces the field of marketing and also includes chapters on the marketing environment and marketing research and information systems. An appendix on careers in marketing follows the introductory chapter.
- Part 2 is devoted to the analysis and selection of target markets in both consumer and business areas.
- Parts 3 through 6 deal with the development of a marketing program. Each of these parts covers one of the four components of the marketing mix. In Part 3, we discuss various topics related to the product component.
- An organization's price structure is the subject of Part 4. A related appendix on financial accounting is included in this part.
- Part 5 focuses on the distribution system, including channels, wholesaling and retailing institutions, and physical distribution.
- Part 6 is devoted to the total promotional program, including advertising, personal selling, and sales promotion.
- In Part 7, we apply marketing fundamentals to three special areas—services (rather than goods), nonprofit (rather than business) organizations, and international (rather than U.S.) markets.
- Building on the foundation formed by the first seven parts of the book, Part 8 deals with the management of the total marketing effort in an individual organization. Using the framework of the management process, we discuss marketing planning as well as marketing implementation and evaluation. This concluding part of the text also includes an appraisal of the role of marketing in our socioeconomic system and a brief look at the future in marketing.

TEACHING AND LEARNING SUPPLEMENTS

This textbook is the central element in a complete package of teaching and learning resources that have been completely revised and considerably expanded for this edition. The package includes the following supplements:

- A *study guide* for students provides chapter outlines, test questions, real-world cases for each chapter, and exercises that involve the students in practical marketing experiences.
- A *book of readings* contains a series of recent marketing articles from *Business Week* magazine keyed to the parts of the text.
- A *set of video cassettes* highlights well-known companies, including some

that are featured in the text cases, and provides insights into the firms' marketing strategies. These video segments, which range in length from 10 to 25 minutes, complement and extend the text discussion.

- A set of *Lotus spreadsheet exercises* consists of text-related problems adaptable for use on *IBM and IBM compatible* personal computers.
- A *simulation* is available for use on *IBM and IBM compatible* personal computers. This "computer game" is a straightforward one-product simulation calling for a series of marketing decisions.
- An *instructor's manual* provides lecture outlines for each chapter, including many real-world examples not found in the text. This manual also includes commentaries on the end-of-chapter questions, the 24 cases, the *Ethical Dilemmas*, and the exercises in the student study guide.
- A collection of more than 200 full-color *transparencies*, most of which are *not* in the text, is available to adopters.
- *Slides* of all transparencies are available to adopters who prefer this alternative to overhead transparencies.
- A *test bank* includes an extensive assortment of multiple-choice, true-false, and short-answer fill-in questions for each chapter. All questions are categorized by difficulty, and the page in the text where the rationale for the correct answer appears is presented for each question. This test bank also is available for Mac and IBM compatible computers.
- A *customized testing service* is available to instructors from McGraw-Hill by mail or toll-free telephone number.

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Many people—our students, present and past colleagues, business executives, and other professors—have contributed greatly to this book over the years. Several cases in this edition were prepared by other people; in each instance, authorship is identified. Professor Stephen W. Brown of Arizona State University provided considerable insights and materials for our revision of Chapter 19 (Marketing of Services).

The revised *Study Guide* was prepared by Professor Thomas J. Adams of Sacramento City College. The excellent *Test Bank* was prepared by Professors Betty and Thomas Pritchett of Georgia College. For his fine efforts in developing the computer exercises, we are indebted to Professor C. Anthony di Benedetto of Temple University. Likewise, we acknowledge with appreciation the contribution made by Professors Michael L. Ursic, Willbann D. Terpening, and James G. Helgeson of Gonzaga University, who developed the simulation that is part of this text package. We also thank Tim Christiansen and Maria Muto of Arizona State University for helping us prepare a comprehensive instructor's manual.

Many changes in this edition were inspired by reviews prepared by the following professors:

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*William J. Stanton
Michael J. Etzel
Bruce J. Walker*

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PREFACE

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