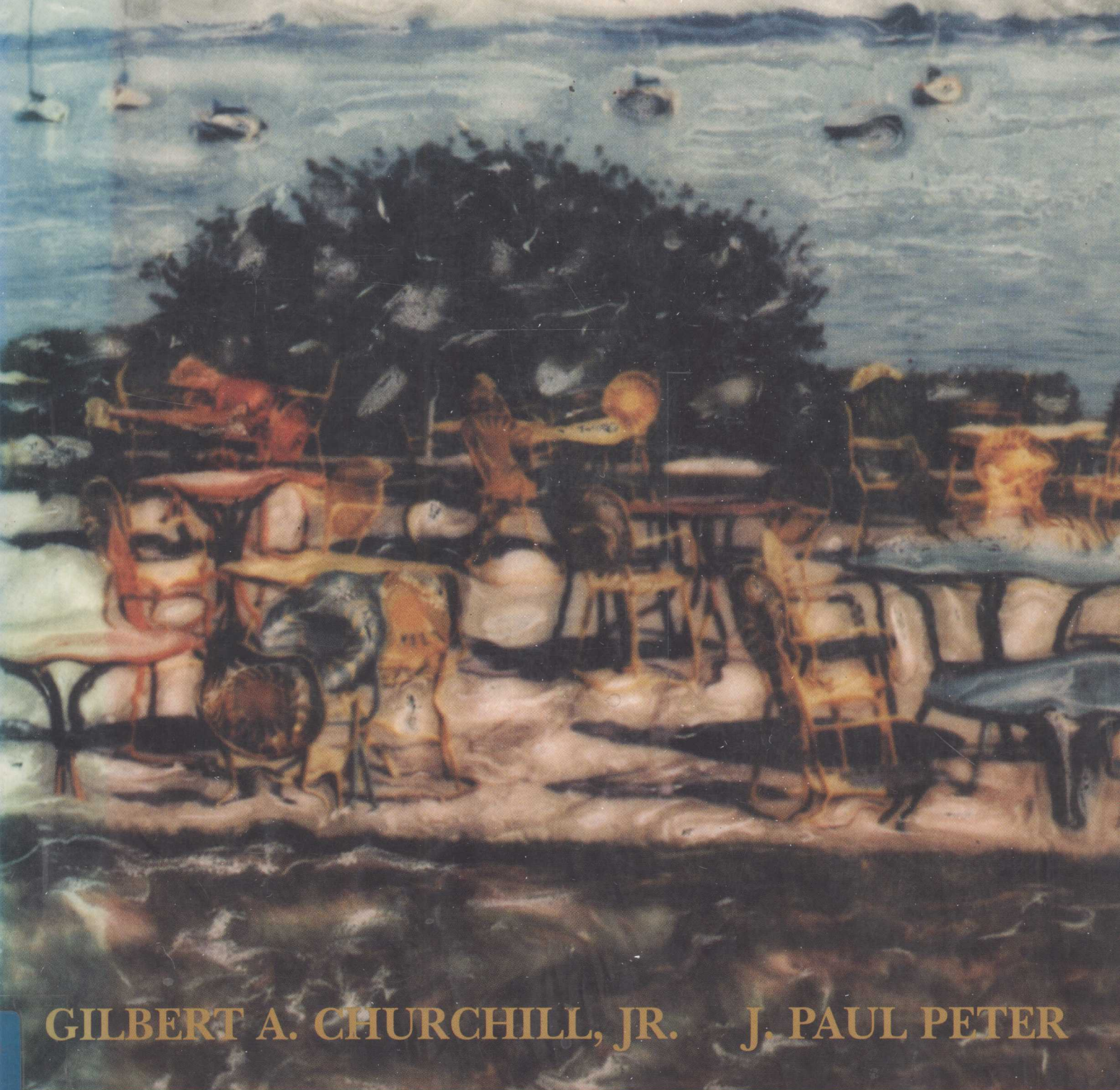


SECOND EDITION

Marketing

Creating Value for Customers



GILBERT A. CHURCHILL, JR. J. PAUL PETER

INTERNATIONAL EDITION

Marketing

SECOND EDITION

Creating Value for Customers



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*To our wives, Helen and Rose, and our children
for creating so much value in our lives.*

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Gilbert A. Churchill, Jr.,

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Professor Churchill is a past recipient of the William O'Dell Award for the outstanding article appearing in the *Journal of Marketing Research* during the year. He has also been a finalist for the award five other times. He was named Marketer of the Year by the South Central Wisconsin Chapter of the American Marketing Association in 1981. He is a member of the American Marketing Association and has served as vice president of publications, on its board of directors, and on the association's Advisory Committee to the Bureau of the Census. In addition, he has served as consultant to a number of companies, including Oscar Mayer, Western Publishing Company, and Parker Pen.

Professor Churchill's articles have appeared in such publications as the *Journal of Marketing Research*, the *Journal of Marketing*, the *Journal of Consumer Research*, the *Journal of Retailing*, the *Journal of Business Research*, *Decision Sciences*, *Technometrics*, and *Organizational Behavior and Human Performance*, among others. He is the sole author of two books, *Marketing Research: Methodological Foundations*, Sixth Edition (Forth Worth, TX: Dryden, 1995); and *Basic Marketing Research*, Third Edition (Fort Worth, TX: Dryden, 1996). He is also the co-author of *Sales Force Management: Planning, Implementation, and Control*, Fifth Edition (Burr Ridge, IL: Irwin, 1997), and *Sales Force Performance* (Lexington, MA: Lexington Books, 1984), in addition to *Marketing: Creating Value for Customers*, Second Edition (Burr Ridge, IL: Irwin/McGraw-Hill, 1998). He is a former editor of the *Journal of Marketing Research* and has served on the editorial boards of the *Journal of Marketing Research*, the *Journal of Marketing*, the *Journal of Business Research*, the *Journal of Health Care Marketing* and the *Asian Journal of Marketing*. Professor Churchill is a past recipient of the Lawrence J. Larson Excellence in Teaching Award.

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Professor Peter's research has appeared in publications such as the *Journal of Marketing*, the *Journal of Marketing Research*, the *Journal of Consumer Research*, the *Journal of Retailing*, and the *Academy of Management Journal*, among others. He has also authored or co-authored a number of books, including *A Preface to Marketing Management*, Seventh Edition (Burr Ridge, IL: Irwin), *Marketing Management: Knowledge and Skills*, Fifth Edition (Burr Ridge, IL: Irwin), *Consumer Behavior and Marketing Strategy*, Fourth Edition (Burr Ridge, IL: Irwin), *Strategic Management: Concepts and Applications*, Third Edition (Burr Ridge, IL: Austen Press/Irwin), and *Marketing: Creating Value for Customers*, Second Edition (Burr Ridge, IL: Irwin/McGraw-Hill, 1998), among others.

Professor Peter has served as Editor of the American Marketing Association Professional Publications and as Editor of *JMR*'s Measurement Section. He has served on the review boards of the *Journal of Marketing*, the *Journal of Marketing Research*, the *Journal of Consumer Research*, and the *Journal of Business Research*. He has been a consultant for several corporations as well as the Federal Trade Commission.

Preface

A Marketing Text for Future Marketers

Future marketing managers will need a sound grounding in marketing principles and an understanding of the fast-paced, business world in which they will be working. This edition of *Marketing: Creating Value for Customers* involved a major revision to better capture the dynamic changes occurring in marketing and in the world. The text maintains its emphases on delivering a clear, concise explanation of the basic principles of marketing and the impact of globalization, diversity, ethics, and small businesses on marketing. However, a major change involves the complete development and integration of the idea of creating value for customers as the prime goal of marketing.

Successful marketers create and deliver superior value to their customers. By value, we mean the difference between customer perceptions of the benefits and costs of exchanges. By superior value, we mean that customers perceive the relative benefits to costs for purchasing and using a product or service to be greater than that of competitive offerings. We develop what we call value-driven marketing in Chapter 1 and integrate the value theme throughout the book. This theme helps students to better understand marketing principles and how elements of the marketing mix are used to create superior value for customers and achieve organizational objectives.

Organization of the Book

Based on extensive marketing research and our own judgment, four major changes were made in the organization of the book. First, the chapter on social and ethical issues was removed and information contained in it was integrated throughout the text. This change was made to highlight ethical issues in marketing as they pertain to specific marketing topics rather than offer a more general discussion of them. It was also made because the separate chapter on ethics led some students to believe that ethical problems are unique to marketing rather than concerns for all functions in an organization.

Second, the chapter on implementing and controlling marketing activities was moved to the end of the text. This change was made to give students a more sound grounding in marketing principles before discussing how marketing strategies should be implemented and controlled. In addition, moving this chapter helps classes to more quickly get to critical marketing principles involving customers and the marketing mix.

Third, the chapter on managing existing products was moved to precede the chapter on new products. While in some ways it seems that new product issues should be discussed first, students seem to understand this material better if they first have a grounding in existing product management issues.

Fourth, a new chapter on retailing was added to the text. While retailing was covered in part of a chapter in the first edition, the increasing power of retailers in marketing channels and the dynamic changes taking place in the field clearly indicated that a separate chapter was needed on this important topic.

New for the Second Edition

Reviewers overwhelmingly favored the idea that creating value was an excellent theme for our book. However, their opinions of the first edition, with which we agree, were that we had not fully explained and integrated this idea in the text. While student feedback was overwhelmingly positive, they too wanted to learn more about value creation. A major goal of this revision was to carefully delineate our concept of value and integrate it fully throughout the book. We worked diligently to do so and hope the book now creates superior value for both instructors and students. These and other changes to specific chapters, include:

Chapter 1. Marketing: Creating Value for Customers

Other than the introductory definitions and concepts, this is an entirely new chapter! It delineates value-driven marketing and explains how marketers can create value for customers.

Chapter 2. Environmental Analysis

This chapter involved a major revision which integrated some materials from Chapter 3 in the previous edition. It contains a new section on the natural environment and expanded discussions of the technological environment and the impact of environmental factors on marketing practices.

Chapter 3. Global Marketing Challenges

Changes in this chapter include an updated discussion of global trade agreements, expanded discussion on ways to enter foreign markets, and increased emphasis on the advantages and disadvantages of marketing globally.

Chapter 4. Marketing Planning and Organization Strategy

This chapter was completely revised to better explain the relationships between organizational and marketing strategies. The process of developing a marketing plan is also discussed to help students understand marketing tasks in an organization. A sample marketing plan is included at the end of the text.

Chapter 5. Marketing Research: Information and Technology

Changes in this chapter include increased emphasis on new methods of marketing research, the impact of the information technology revolution, and the strengths and weaknesses of single source data. The chapter was also reorganized to allow decision support systems to be discussed earlier.

Chapter 6. Consumer Behavior

This chapter has been reorganized around the consumer buying process and the social, marketing, and situational influences that affect it. It contains an expanded discussion of routine, limited, and extensive decision-making processes.

Chapter 7. Organizational Buyer Behavior

Changes in this chapter include a new section on the differentiating characteristics of organizational markets and increased emphasis on the role of strategic alliances in organizational buying.

Chapter 8. Market Segmentation

Changes in this chapter include a more complete treatment of ways to segment consumer and organizational markets and increased emphasis on the relationship between segmentation and positioning.

Chapter 9. Managing Existing Products

This chapter was restructured to improve the flow of the material and provide a better overview of product management issues. It includes an expanded discussion of branding and brand equity and a new discussion of the management of product lines and product mixes.

Chapter 10. Managing New Products

This chapter was restructured and rewritten to focus more specifically on new product issues. It contains an expanded discussion of the importance of new products in marketing today and a new section on selecting new product characteristics.

Chapter 11. Marketing Services

This chapter has increased emphasis on how services create value for customers, the impact of new technologies on service delivery, and how the differences between products and services affect marketing strategy.

Chapter 12. Fundamentals of Pricing

This chapter has been restructured to more clearly illustrate basic price setting approaches including cost, competition, and customer value.

Chapter 13. Pricing Goods and Services

This chapter contains a clearer discussion of pricing objectives and their impact on pricing strategy. It also includes new material on the role of price in determining relative value positions in a market.

Chapter 14. Managing Distribution Channels

This chapter includes a revamped discussion of basic channel options, including vertical marketing systems, and increased emphasis on how channels create customer value. It also includes expanded discussions of factors to evaluate in channel selection and channel options for serving global markets.

Chapter 15. Wholesaling and Physical Distribution

This chapter contains a more complete discussion of wholesaling and physical distribution issues. It has an expanded discussion of types of wholesalers and a new section on how wholesaling and physical distribution create customer value.

Chapter 16. Retailing

This new chapter overviews the key issues in retailing. It includes discussion of the changing environment of retailing and direct marketing.

Chapter 17. Managing Marketing Communications

This chapter includes expanded discussion of the functions of marketing communication and greater emphasis on integrated marketing communication.

Chapter 18. Advertising, Sales Promotion, and Publicity

This chapter includes an expanded discussion of sales promotion and new organizing frameworks for developing and managing advertising decisions.

Chapter 19. Personal Selling and Sales Management

This chapter includes greater emphasis on relationship selling and increased emphasis on performance criteria used to evaluate salespeople.

Chapter 20. Implementing and Controlling Marketing Activities

This is a completely revised chapter that emphasizes effective ways to implement and control marketing activities. It includes expanded discussions of sales, profitability, and customer satisfaction analyses and how they are used to control marketing strategies.

Pedagogy in the Book

The first edition of our text included a variety of pedagogical elements to enhance student interest and the learning experience. These included learning objectives; chapter-opening vignettes; boxed items titled “Marketing Movers & Shakers,” “You Decide,” and “Put It into Practice”; figures and tables; chapter summaries; key terms and glossary; review and discussion questions; chapter projects; chapter cases; and appendices. All of these features have been maintained, but enhanced in the following ways.

Learning Objectives. Each chapter’s learning objectives are revised to reflect updates in chapter content.

Chapter-Opening Vignettes. All of the vignettes are new to this edition, providing enhanced currency and relevancy.

Boxed Items—All are new to this edition, and most include the “Explore More . . .” caption encouraging the students to learn more by accessing various sites on the World Wide Web.

“Marketing Movers & Shakers” tells the story of an actual marketer. These boxes cover a diverse group of people working in both large and small organizations.

“You Decide” discusses a current marketing issue and invites students to exercise their critical thinking skills by answering questions about the issue. Many of these issues have ethical implications.

“Put It into Practice” provides applications for the students to try out marketing principles discussed in the chapter.

Figures and Tables. Many of the figures and tables are revised or new to this edition.

Chapter Summaries. Each chapter’s summary is revised to reflect updates in chapter content.

Key Terms and Glossary. Definitions are revised and updated consistent with updates in chapter content, and a number of new terms have been added.

Review and Discussion Questions. Many of these are new and reflect updates in chapter content.

Chapter Projects. All of the projects are new for this edition.

Chapter Cases. All of the cases are new for this edition.

Appendices. Three appendices are included, on developing marketing plans, marketing arithmetic, and marketing careers. All are revised and updated.

Supplemental Resources

A number of supplements are available to enhance the value for you in using *Marketing: Creating Value for Customers*, Second Edition. We have been involved, as contributors and supervisors, in the production of all of the supplements that now accompany our text. Each of the supplements has been designed to offer benefits to both experienced and inexperienced instructors of marketing. A great amount of time and effort has gone into ensuring that the second edition supplement package is of the highest quality possible.

Instructor Resource Manual The Instructor Resource Manual enables new instructors to teach the course with confidence, and experienced instructors to have access to a variety of new resources to complement lectures. The IRM includes standard and supplemental lecture notes, experiential exercises, discussion questions/answers, implications of the chapter project plus suggestions for additional projects, summaries of the boxed items (“Put It into Practice,” “You Decide,” “Marketing Movers & Shakers”) and of the chapter case, plus an additional mini-case for each chapter. There is also a section recommending appropriate outside resources such as videos and guest-speakers—all tied in to giving your students a clearer understanding of marketing.

Testing System Our test bank has been completely re-developed and then reviewed to provide an accurate and exhaustive source of test items for a wide variety of examination styles. It contains more than 3500 questions, categorized by topic and level of learning (definitional, conceptual or application), and many of the answers also include rationales. Our goal is to focus on ensuring that your students understand the application of marketing concepts. We have nearly 200 questions in each chapter (true/false, multiple choice, short answer and essay). For complete flexibility, both TELETEST, our unique phone-in test generation service, and COMPUTEST, our computerized test generator, are available to you in several formats!

Transparency Acetates A set of 200 four-color overhead transparency acetates is available to adopters. There are nearly 100 advertisements, and 100 figures/tables to enhance your lecture visually. Each of the transparency acetates from outside of the text have accompanying lecture notes to enable you to integrate the materials.

Electronic Slides This software includes the PowerPoint* viewer and 200 new slides to accompany this edition—including all of the figures and tables that are on the acetates, plus 100 more items from both in and outside of the text. Those instructors who have PowerPoint* can customize and add to this valuable presentation tool.

Videos The new video package will give you the variety of current topics your students will want to see, and the tools needed to generate the thoughtful classroom discussions you value. A unique series of 20 videos, one for each chapter, covers a wide range of contemporary subjects—from the Internet and technology to clothing and sporting goods. Also accompanying each video are creative teaching suggestions promoting analytical thinking about the issues being addressed. *Alligator Records*, *Lands' End* and *Peapod* are just a few of the exciting video cases that are available with the Second Edition.

Presentation CD ROM You can create your visual presentation and customize your lecture notes with this easy to use all-in-one, multimedia tool. The CD ROM contains the Instructor's Manual, the Test Bank, the PowerPoint Slides, the advertisements, Video clips, and more. Great for enhancing class presentations, this CD ROM enables the instructor to instantly demonstrate concepts with video clips or the electronic slides or even the World Wide Web.

Electronic Study Guide The Electronic Study Guide allows your students to explore their knowledge of marketing terms and apply concepts in a fun and interactive format. You will find our Study Guide on our Homepage (see more below). We will also package a disk version of it with *Marketing: Creating Value for Customers, Second Edition*, upon request.

Homepage The Homepage is intended to continually add value to your class every semester with the most current information available. You will find current events organized by topic, chapter quizzes, a Career Profile for each unit, a Customer Discussion Forum, Teaching Tips, Internet Application Questions with links to other Homepages and more! We invite you to explore the Churchill & Peter Homepage at www.mhhe.com/marketing/value.

Multi-Media Resource Guide This inclusive media guide will show you how to best coordinate the media supplements (Video, PowerPoint, CD-ROM, Homepage) to enhance your own style of teaching! It includes suggestions for customizing your presentations both with what is available to you from the publisher, and with what is available to you from outside sources, such as the World Wide Web.

Virtual Marketing Careers CD ROM More than just a careers application, this exciting and unique CD ROM allows your students to simulate the world of marketing and gives them the opportunity to apply the concepts they are learning in class. As your students work through the different business situations, they will strengthen their critical thinking, decision making, and communication skills. They will learn how to use the Internet to solve real business problems and they will learn the importance of building relationships in the business world. Marketing Interactive is organized around four careers: Brand Manager, Marketing Research Manager, Advertising Manager, and Sales Manager, and each is referenced in the text to encourage students to explore the subject further.

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