ARKS ING Practices and Principles RATH MASON HUSTED LYNCH

ARKETING Practices and Principles

Ralph E. Mason

Instructor of Marketing
Maysville Community College
Maysville, Kentucky
Professor Emeritus
School of Business
Indiana State University,
Terre Haute, Indiana

Patricia Mink Rath

Marketing Education Consultant Professor of Merchandising Management The International Academy of Merchandising and Design, Ltd. Chicago, Illinois

Stewart W. Husted

Donaldson Brown Distinguished Professor of Marketing Lynchburg College Lynchburg, Virginia

Richard L. Lynch

Professor and Director School of Leadership and Lifelong Learning University of Georgia Athens, Georgia



Glencoe/McGraw-Hill

A Division of The McGraw-Hill Companies

Copyright © 1995 by Glencoe/McGraw-Hill. All rights reserved. Except as permitted under the United States Copyright Act, no part of this publication may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without prior written permission of the publisher.

Printed in the United States of America.

Send all inquiries to: Glencoe/McGraw-Hill 21600 Oxnard Street, Suite 500 Woodland Hills, California 91367

ISBN 0-02-635601-5 (Student Edition) ISBN 0-02-635602-3 (Teacher's Annotated Edition)

8 9 10 11 12 13 027 05 04 03 02 01

About the Authors

Ralph E. Mason, former chair of the Department of Administrative Services and Business Education, School of Business at Indiana State University until 1984, began his career in business and marketing education in 1940 in the public schools of Illinois. He worked in several school systems, first as a teacher coordinator of marketing education for ten years, then as a director of adult and vocational education. In 1956, he joined the staff of the University of Illinois as the state's first full-time teacher educator in marketing education.

Mason is the former president of the National Council for Distributive Teacher Education, the Illinois Business Education Association, the Illinois Vocational Education Association, and the Indiana Business Education Association. He was a member of the Task Force on Standards and Evaluation Criteria for Distributive Teacher Education.

He has contributed much to the growth of marketing education through his teaching and publications, which include several magazine articles and popular professional books. He was presented a Distinguished Teaching Award in 1983 by Indiana State University and a Distributive Education Professional Development Award in his name in 1985. He continues to consult and write and is currently an instructor of marketing at Maysville Community College in Kentucky.

Patricia Mink Rath is a marketing education consultant and professor of Merchandising Management at The International Academy of Merchandising and Design, Ltd., Chicago, Illinois. In addition to teaching marketing, fashion, and management courses, she is a member of the college's Institutional Planning Committee.

Rath has extensive marketing experience with several fashion merchandising businesses and has written educational materials used by businesses as well as schools. A former state supervisor of business and distributive education, she has taught both adult and high school business programs. She is a

member of the American Marketing Association and the Marketing Education Association, a life member of the American Vocational Association, and past president of the National Association of State Supervisors of Distributive Education. Her post-Master's study was done at Northwestern University; her Master's Degree was earned at the Prince School of Retailing, Simmons College; and her undergraduate degree is from Oberlin College.

Stewart W. Husted is the Donaldson Brown Distinguished Professor of Marketing at Lynchburg College in Virginia. Husted previously taught business and marketing courses at Indiana State University (1976–1989) where he was Professor of Business, the Program Coordinator, and teacher educator for Marketing Education. He has also taught at the high school and community college levels.

Husted has published extensively in business and marketing education and has served as consultant or trainer to a variety of profit and nonprofit organizations.

Husted has served as President of the Blue Ridge Marketing Association (American Marketing Association affiliate), as a national board member (Sales & Marketing Division) of the American Society of Training & Development, and as a member of the MarkED Board of Trustees. He has received Outstanding Service Awards from Indiana and Virginia DECA (1989 and 1993), the Indiana Vocational Association (1980), and Indiana State University (1989). Husted has earned degrees from Virginia Tech (B.S.), University of Georgia (M.Ed.), and Michigan State University (Ph.D.).

Richard L. Lynch is Professor and Director of the School of Leadership and Lifelong Learning at The University of Georgia. Lynch has many years of experience in marketing occupations and in

marketing education. He has been employed in retailing, marketing research, hotel operations, and in purchasing. He has been a high school marketing teacher coordinator and postsecondary marketing instructor in Milwaukee, Wisconsin, and professor of marketing education at Indiana University and Virginia Polytecnic Institute and State University. He is currently Professor and Director of the School of Leadership and Lifelong Learning at The University of Georgia.

Lynch is a frequent speaker at conferences and workshops for teachers of marketing and other educators. He has written materials and conducted training sessions for organizations such as DECA, Phillips Petroleum Company, IBM, Menswear Retailers of America, the United States Department of Education, the United States Department of Labor, and the National Center for Research in Vocational Education. He has authored and served as consulting editor on several marketing texts. He is a member of a number of marketing and professional education associations and has received several honors and awards for his research, teaching, and professional service activities. Lynch received his BA degree in Business Education from the University of Northern Iowa, an MA degree in Marketing Education from the University of Minnesota, and an EdD degree in Vocational Education from Indiana University. He completed postdoctoral study at Ohio State University.

Reviewers and Consultants

Carolyn Partain Lecocke

Marketing Coordinator/Instructor Clark High School Northside Independent School District San Antonio, Texas

Debbie Leinweber

Marketing Education Teacher/Coordinator Westwood High School Round Rock Independent School District Austin, Texas

Pam McKenney

Marketing Education Consultant Phillips Ranch, California

Don Meek, Jr.

Marketing Education Coordinator W. B. Ray High School Corpus Christi Independent School District Corpus Christi, Texas

Gay Morrison Sabom

Marketing Education Coordinator Northbrook High School Spring Branch Independent School District Houston, Texas

Clifton L. Smith

Associate Professor and Program Leader Marketing Education University of Georgia Athens, Georgia

Dana J. Witmer

Marketing Education Coordinator North Central High School J. E. Light Career Center Washington Township Schools Indianapolis, Indiana

Table of Contents

Chapter 3 Review

UNIT 1: The World of Marketing	6
Chapter 1 Marketing in Modern Society 4	
Case Study We All Scream for Ice Cream 5 What is Marketing? 5 The Marketplace 7 The Marketing Concept 8 The Marketing Mix 9 Principles into Practice Ben & Jerry's Homemade, Inc. 11 You Are a Part of Marketing 13	
Chapter 1 Review 14	
Chapter 2 Marketing and Our Economic System 16	
Case Study Nike and Reebok Run for the Money Marketing and Our Economic System The Climate of a Private Enterprise System Alternative Economic Systems 21 The Role of Our Government 22 Principles into Practice Restructuring the Soviet Economic System 23 The Role of the Consumer 24 Chapter 2 Review 26 Chapter 3 The Economic Environment of Marketing 28 Case Study Just a Phone Call Away The Role of Business in the Economy Forms of Business Ownership 31	
Principles into Practice The Fed Smooths the Way 33 The Business Environment 33	

Chapter The Functions of Marketing 40	
Case Study Sam Walton's Secret to Success 41 The Target Market 41 How Marketing Serves Customers 42 The Cost of Marketing 44 Principles into Practice How Wal-Mart Is Creating and Saving Jobs	4.0
The Value Added by Marketing 46 The Marketing Functions 47 The Marketing Strategy 48	1 6
Chapter 4 Review 50	

UNIT 1 CASE STUDY The Domino Effect 52

Chapter The Consumer Market 54 Chapter The Changing Consumer Market 56 Case Study Kellogg Meets the Tastes of the Adult Market 57 The Consumer Market 57 Population 58 Income 60 Principles into Practice People Make the Difference 62 Spending Patterns 63

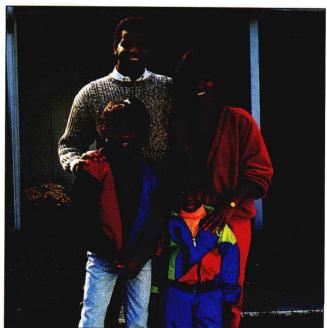
Chapter 5 Review



Market Segmentation 68

66

Case Study Targeting American Markets 69 **Market Segmentation** Demographic Variables 70 **Principles into Practice** Hyatt Targets Teens 72 Geographic Variables 75 Psychographic Variables 77 Behavioristic Variables 79 **Limits of Market Segmentation** 79 **Chapter 6 Review** 80





Industrial Goods

Industrial Services

Marketing Industrial Products

Marketing Agricultural Products

114

Marketing Services for Agricultural Products

116

116

118

Principles into Practice Japanese	
Go Nuts for Blue Diamond Almonds	120
Forms Coor anotines 101	

Farm Cooperatives 121

Chapter 9 Review 122



Institutional and Government Markets 124

Case Study A Healthy Challenge 125 Institutional and Government Marketing 125

Government Marketing 125 Health Care Marketing 128

Principles into Practice ACE Markets

Its Services to Young Entrepreneurs 130

Educational Marketing 130

Chapter 10 Review 132



Chapter 11

Marketing for Nonprofit Organizations

Case Study Cry of the Wild 135

Nature and Scope of Marketing for Nonprofit Organizations 135

Characteristics of Nonprofit Marketing 136

Types of Nonprofit Marketing 138

Principles into Practice Be All that You Can Be
The Marketing Mix in Nonprofit Organizations
141

Chapter 11 Review 144



The Global Market 146

Case Study Living in the Global Marketplace 147

The Advantages of International Marketing 147

Disadvantages and Barriers to International Marketers 149

Methods of Entering Global Markets 150

Special Concerns for International Marketers 151

Efforts to Promote International Trade 153

Principles into Practice North American Free Trade

Agreement (NAFTA) vs. The European Community (EC) 154

Chapter 12 Review 156



UNIT 4: Marketing Research 160 The Importance of Marketing Research Chapter 162 Case Study Why the Yellow Pages Began to Talk 163 Marketing Research 163 Kinds of Marketing Research 165 **Principles into Practice** The World of Marketing Research 166 The Problem-solving Process 168 Chapter 13 Review 170

Chapter 14

Conducting Marketing Research 172

Case Study McKids Clothing Store Just for Kids 173

Collecting the Data 173
Preparing the Data 179
Analyzing the Data 179

Principles into Practice TV Ratings 180

Preparing the Research Report 182

Acting on Research Results 182

Student Research 183

Chapter 14 Review 184



Marketing Information Systems

Case Study

Shopping at the Computer Mall 187

Fundamentals

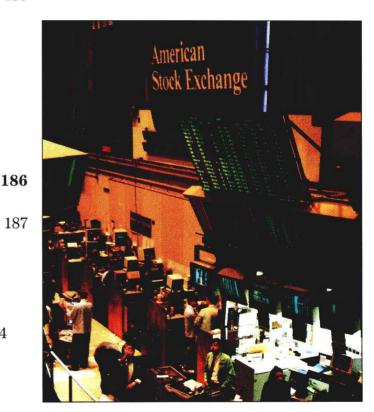
of Processing Information 187 Marketing Information Systems 187

Uses for Computers 190 Principles into Practice

The Electronic Shopping Aisle 194

Product Development 194 Computers and Society 195

Chapter 15 Review 196



UNIT 4 CASE STUDY

Advertising Researchers Focus on Life-Styles

UNIT 5: The Product......



Product Development and Management 202

Case Study

Greeting Cards Go High-Tech 203

Product Planning 203

Product Terms Defined 203

Influences on Product Planning 204

Developing New Products 205

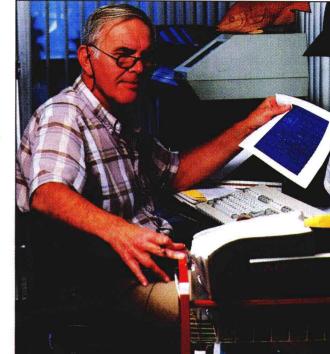
Product Life Cycle 209

Strategies to Manage Existing Products 211

Principles into Practice

Building a Better Mousetrap 212

Chapter 16 Review 214



Chapter 1

Branding Strategy 216

Case Study What's in a Name 217

Types of Brands 217 Why Brand? 218

Brand-Name Strategies 219

Principles into Practice Trademarks for Our Times 220

Characteristics of Brand Names 223

Protection of Brands 223 Chapter 17 Review 226

Chapter 18

Packaging and Labeling 228

Case Study It Pays to Package the Product 229

A Product's Public Face 229 Designing the Package 230

Who Develops the Packaging? 231

Functions of Packaging 231

Packaging Materials and Forms 232 Packaging and Ecological Concerns 234

Packaging and Labeling Laws 235

Principles into Practice Music Companies Introduce Green CD Packaging 236

Packaging and Labeling Trends 237

Chapter 18 Review 238

Credit as a Customer Service 240

Chapter	19
	_

Case Study

GM Drives into the Credit Card Market

Who Uses Credit? 241

Advantages and

Disadvantages of Credit 241

Consumer Credit **Principles into Practice**

Sears Offers SearsCharge Credit Card 245

Trade Credit 247

Collecting Accounts 248 The Future of Credit 249 250 **Chapter 19 Review**



The Marketina of Services 252

253 Case Study More Than Lip Service

What Are Services? 253

253 Services—A Growing Market

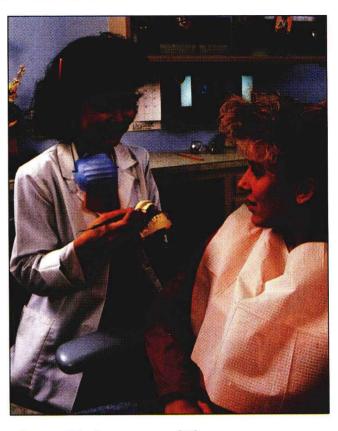
Types of Services 254

258 Characteristics of Services

Principles into Practice Rod Davis Scores as Sports Marketer 259

The Marketing of Services 260

262 **Chapter 20 Review**



UNIT 5 CASE STUDY Campbell Leads Product Revolution



The Elements of Pricing 268

Case Study The Pricing Game 269

What Is Price? 269

Importance of Price 270

272 Goals of Pricing

274 **Factors Affecting Pricing**

Promoting Products on Grocery Store Shelves 277 **Principles into Practice**

280 **Chapter 21 Review**



Pricing in Practice 282

Case Study Organic Produce Naturally Draws Higher Prices	283
Approaches to Pricing 283	
A Method for Setting Price 285	
Pricing Techniques 286	
Principles into Practice When Is a Sale a Sale? When It's a Markdo	own!
D. I. J. D. J. J. O.O.	

Pricing a New Product 290

Price Changes 291

Chapter 22 Review 292

UNIT 6 CASE STUDY

Levi Strauss & Co.'s Prices **Cover Many Women's Markets** 292

290

Chapter

Channels of Distribution

298

Case Study Show and Tell 299 The Importance of Distribution Channels 299 Types of Distribution Channels 299 **Principles into Practice** Federal-Mogul Corporation 301 Channels for Consumer Goods 302 Channels for Industrial Goods 304 Selecting a Distribution Channel 305 Length of the Distribution Channel 306 Width of the Distribution Channel 308 310 **Chapter 23 Review**



Wholesaling 312

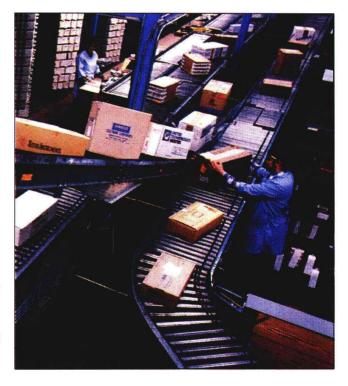
Case Study

Valerie Pavelle, Manufacturers' Agent

What Wholesalers Do 313 Types of Wholesalers 317

Principles into Practice Apparel Centers: Wholesaling Clothing Across the Country 320

322 **Chapter 24 Review**



324

Chapter 25

Retailing Businesses

Case Study Toys "A" Us

Plays a Smart Retailing Game 325

What Is Retailing? 325 Classifying Retailers 326

Principles into Practice Nordstrom, Inc.,

Known for Customer Service 327

General Merchandise Stores 327

Limited-Line Retailers 330 Nonstore Retailing 333

Forms of Retail Ownership 336

Chapter 25 Review 340



Retail

Practices 342

Case Study The Money Is in the Mail 343

Retail Marketing Practices 343

Principles into Practice "The Power Retailers" Are Here! 347

Retailing Challenges 348

Chapter 26 Review 350



Distribution 35

Case Study Distribution Brings GE to Life 353

Physical Distribution 353
Railroad Transportation 356
Water Transportation 356
Pipeline Transportation 357
Air Transportation 358
Special Services 358

Why Storage Is Needed 359
Types of Warehouses 360
Inside the Warehouse 362

Principles into Practice Perform: Just in Time for Pets 364

Chapter 27 Review 366



The Mayhaw Tree, Inc.: Home of that Wild and Wonderful Jelly!

Chapter 30 Review

UNIT 8: Promotion	. 370
Chapter 28 Promotion at Work 372	
Case Study Mark Twain Promotes Advertising 373 Promotion Takes Many Forms 373 Promotional Elements Defined 373 Promotion Begins with Goals 374 Coca-Cola Classic—One Summer's Promotion 376 Principles into Practice Kathleen Demitros: Marketing V. P. for Harley-Davidson Chapter 28 Review 380	378
Chapter 29 The World of Advertising 382	
Case Study BBDO Focuses on Breaking Out of the Media Jungle 383 Types of Advertising 383 Types of Advertisers 384 The Advertising Business 386 Selecting Advertising Media 387 Principles into Practice Chiat/Day: Advertising Agency of the Year 388	
Chapter 29 Review 390	
Chapter 30 Advertising Media 392	
Case Study One Year's Best Radio Commercial: Mid-Atlantic Milk Marketing Association Types of Media 393 Newspaper Advertising 393 Magazine Advertising 395 Radio Advertising 395 Television Advertising 396	n
Direct-Mail Advertising 397 Outdoor Advertising 398 Principles into Practice Event Marketing: Kmart Promotes Products with Events Specialty Advertising 400	400
Directories and Program Advertising 400	



Sales Promotion

404

Case Study

The Mileage Plus Promotion 405
The Range of Sales Promotion 405
Contests and Sweepstakes 406

Premiums 406 Products Samples

and Container Promotions 407

Exhibits 408

Price-Oriented Promotions 408

Visual Merchandising 408

Principles into Practice

Profile of a Sales Promotion Agency 410

Chapter 31 Review 412



Public Relations and Publicity 414

Case Study The San Diego Zoo 415

Building Goodwill 415 Public Relations 415

Publicity 418

Principles into Practice

Public Relations Go to Work at Logan High and Southland Foods 419

Publicity and Public Relations at Work 421

Chapter 32 Review 422



Personal Selling 424

Case Study Vivian and William Kim: Manufacturers' Agents 425

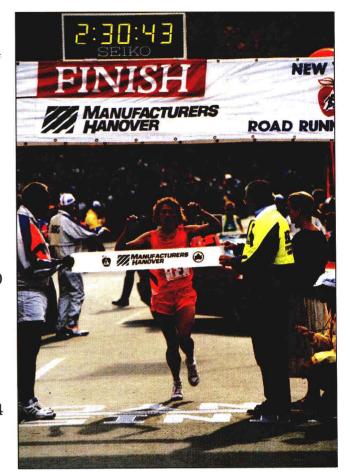
The Importance of Selling 425

The Selling Tasks 426 Types of Selling Jobs 427

Principles into Practice

Barbara Proctor's Creative Selling Results in Her Own Advertising Agency

What It Takes to Sell 430 Chapter 33 Review 432



Chapter

Principles of Effective Selling 434

Case Study An Artful Approach 435

The Selling Process 435

Prospecting

The Preapproach 436 The Approach 436

The Sales Presentation 438 **Handling Objections** 441

The Close 441

Principles into Practice Hanson Galleries Follows Through 442

The Departure and Follow-up

How the Telephone Is Used in Selling 443

Chapter 34 Review

444

UNIT 8 CASE STUDY

The Walt Disney Company: Marketing a Mouse 446

UNIT 9: Marketing Management......448

460

Chapter

Managing the Marketing Mix

Case Study Building a Marketing Plan 451

The Marketing Plan

The Functions

of Marketing Management 454

Principles into Practice

Managing for Excellence 456

Chapter 35 Review 458



Managing Human Resources

461

Case Study The 100 Best Companies

The People Component of the Marketing Mix

461

Building an Effective Work Environment 462

