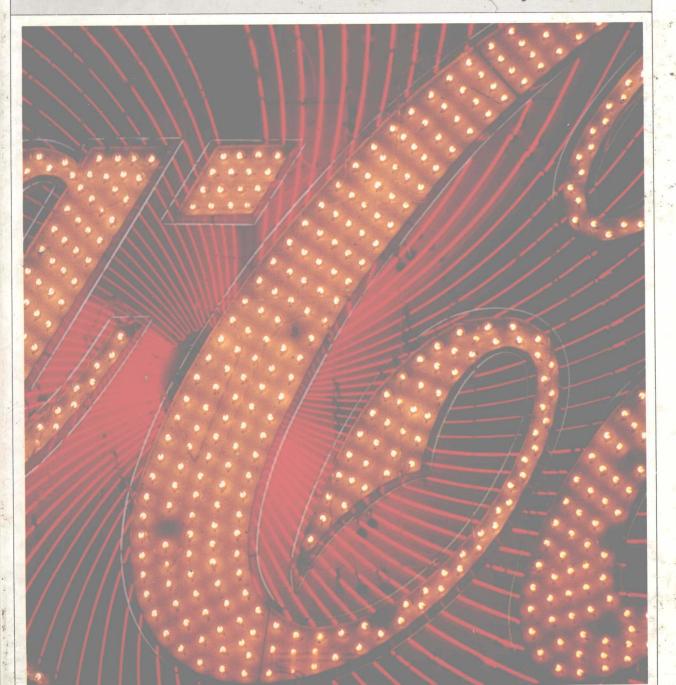
# MARKETING

Joel R. Evans

Barry Berman



## MARKETING

Joel R. Evans

Hofstra University

Barry Berman Hofstra University

Macmillan Publishing Co., Inc.
New York

Collier Macmillan Publishers
London

Copyright © 1982, Macmillan Publishing Co., Inc.

Printed in the United States of America.

All rights reserved. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or any information storage and retrieval system, without permission in writing from the Publisher.

Macmillan Publishing Co., Inc. 866 Third Avenue, New York, New York 10022

Collier Macmillan Canada, Ltd.

Library of Congress Cataloging in Publication Data

Evans, Joel R.

Marketing.

Includes index.

1. Marketing. I. Berman, Barry. II. Title.

HF5415.E86

658.8

81-8405

ISBN 0-02-334500-4

AACR2

Printing: 2 3 4 5 6 7 8

Year: 2 3 4 5 6 7 8 9

## To Linda and Jennifer Linda, Glenna, and Lisa

### **Preface**

We believe that a marketing principles book in the 1980s must incorporate both traditional and contemporary aspects of marketing as well as acknowledge the impact of the surrounding environment on marketing.

While the basic components of marketing (such as consumer behavior, marketing research, products, distribution, promotion, and pricing) form the foundation of any principles of marketing text, modern techniques and topics also need to be covered in depth. Among the newer concepts that are examined in full chapter length in *Marketing* are consumer lifestyles and decision making, organizational consumers (including manufacturers, wholesalers, retailers, government, and nonprofit institutions), service and nonprofit marketing, international marketing, marketing and society, and marketing in the future. Environmental effects are noted throughout the book.

Marketing explains all major concepts, defines key terms, integrates topics, and demonstrates how marketing personnel make everyday and long-run decisions. Illustrations of companies such as Seiko, Chrysler, Xerox, Pepsi Cola, Sears, Gillette, Borden, and H&R Block appear in each chapter. These illustrations build on the textual material, reveal the dynamic and exciting nature of marketing, and involve students in real-life applications of marketing.

Among the pedagogical tools contained in each chapter are

- Chapter objectives that outline the major three to five areas to be investigated,
- 2. **An opening vignette** that introduces the material through a real-life situation,
- 3. Descriptive margin notes that highlight key concepts,
- 4. Italicized key terms that identify important definitions,
- 5. Many flowcharts and current figures and tables that explain how marketing concepts operate and provide up-to-date information,
- 6. Numerous footnotes to enable the reader to do further research,

- 7. A summary that encapsulates the material covered,
- 8. **Discussion questions** (14 to 17) that vary in scope and depth from requiring definitions to requiring complex decisions, and
- 9. Two cases (except Chapter 1) that involve real companies or situations. There are forty-eight cases in all, involving companies such as General Foods, Coca-Cola, Bristol-Myers, Firestone, Kellogg, AT&T, Levi Strauss, Coors, UPS (United Parcel Service), and several small firms.

In addition, the text has three useful appendices for students: an analysis of careers in marketing, hints for analyzing cases, and a 475-item glossary. There are also separate company, name, and subject indices.

Marketing is divided into eight parts. Part One presents an overview of marketing, describes the environment within which it operates, and discusses the marketing research process. Part Two provides an understanding of final and organizational consumers. It examines demographic data, life-style factors, target market strategies, and sales forecasting. Part Three covers product planning, the product life cycle, new products, mature products, branding, and packaging. Part Four deals with distribution planning, channel relations, wholesaling, retailing, and physical distribution. Part Five examines promotion planning, the channel of communication, advertising, publicity, personal selling, and sales promotion. Part Six covers price planning, price strategies, and the mathematics of pricing. Part Seven shows how the scope of marketing is expanding to include international marketing, service and nonprofit marketing, and societal issues. Part Eight integrates marketing planning and looks to the future.

A comprehensive study guide is available to accompany *Marketing*. The study guide contains chapter objectives, chapter overviews, key terms and concepts, more than 1,700 short-answer questions, more than 150 discussion questions, and 75 exercises. All short-answer questions are answered in the study guide. A substantial teaching package is available for instructors.

### Acknowledgments

Throughout our professional lives and the two and one-half years that this book was researched and written, a number of people provided us with support, encouragement, and constructive criticism. We would like to publicly acknowledge and thank many of them.

During our years as graduate students, we benefited greatly from the knowledge transmitted from professors Conrad Berenson, Henry Eilbirt, and David Rachman, and colleagues Elaine Bernay, William Dillon, Stanley Garfunkel, Leslie Kanuk, Michael Laric, Kevin McCrohan, Leon Schiffman, and Elmer Waters. We learned a great deal at the American Marketing Association's annual consortium for doctoral students, the capstone of any marketing student's education.

At Hofstra University, colleagues Herman Berliner, Dorothy Cohen, Kenneth Cooperman, Bertram Gold, Betty Grayson, Louis Kaufman, Harold Lazarus, Russell Moore, Suresh Pradhan, Walter Rosenthal, Saul Sands, Elaine Sherman, and Jordan Yale stimulated us by providing the environment needed for a book of this type. At Rutgers University, colleagues Benny Barach, Seymour Fine, and Robert Pease offered a valued academic climate.

We would especially like to thank the following colleagues who reviewed all or part of *Marketing* during its various drafts. These reviewers made many helpful comments and significant contributions to revisions in the manuscript:

Benjamin Cutler (Bronx Community College)
Rebecca Elmore-Yalch (University of Washington)
Harrison Grathwohl (University of Washington)
Thomas Greer (University of Maryland)
Bernard Katz (Oakton Community College)
John Kerr (Florida State University)
John Krane (Community College of Denver)
James Littlefield (University of North Carolina)
William Locander (University of Houston)

Jim Merrill (Indiana University)
Edward Popper (University of Florida)
William Qualls (University of Michigan)
John Walton (University of Minnesota)
Gene Wunder (Northeast Missouri State University)
Richard Yalch (University of Washington)
William Ziegler (Seton Hall University)

To the many students at Hofstra and Rutgers who reacted to material in *Marketing*, we owe a special thanks, because they represent the true constituency of any textbook authors.

Our appreciation is extended to the fine people at Macmillan, with whom our relationship dates back to 1976. Among the people who worked diligently on this project were David Forgione, Kenneth MacLeod, Susan Maccia, Kate Moran, and Edward Neve.

As always, our "demon" typist was Phyllis Knauf, whose turnaround time was again faster than ours. Linda Berman diligently prepared the indeces.

To our wives and children, this book is dedicated—out of respect and love.

Joel R. Evans Barry Berman Hofstra University

## **Contents**

PART ONE	AN INTRODUCTION TO MARKETING	1
Chapter 1	An Overview of Marketing	3
	CHAPTER OBJECTIVES	3
	The Dynamics of Marketing Definitions of Marketing Evolution of Marketing Marketing Concept and Marketing Philosophy Selling Versus Marketing Philosophies Importance and Scope of Marketing Marketing Functions and Performers Marketing in Action Seiko: A Watchmaker's Success Chrysler: Marketing Problems to Government Bailout Seiko Versus Chrysler Format of the Text Summary QUESTIONS FOR DISCUSSION	3 6 8 9 12 14 16 19 20 22 23 24
Chapter 2	The Environment of Marketing  CHAPTER OBJECTIVES  Marketing and Its Environment  Controllable Factors  Factors Controlled by Top Management  Factors Controlled by Marketing  Uncontrollable Factors  Consumers	26 26 26 28 29 31 37

#### XII CONTENTS

	Competition Government Economy Technology Independent Media Attainment of Objectives, Feedback, and Adaption Summary QUESTIONS FOR DISCUSSION	38 41 44 45 45 46 47
Cases	<ol> <li>Helene Curtis Markets Suave</li> <li>The Federal Trade Commission</li> </ol>	49 49
Chapter 3	Information for Marketing Decisions	51
	CHAPTER OBJECTIVES	51
	Why Information Is Needed Marketing Research Defined Scope of Marketing Research Marketing Research Process Problem Definition Secondary Data Primary Data Primary Data Data Analysis Recommendations Implementation of Findings Marketing Information System Summary	52 53 54 55 55 58 63 75 76 77 77
Cases	QUESTIONS FOR DISCUSSION  1. Using Marketing Research to Analyze Maxwell House  2. Coors Beer: Determining Sources of Marketing Information	79 79 80
PART TWO	UNDERSTANDING CONSUMERS	83
Chapter 4	Consumer Demographics	85
	CHAPTER OBJECTIVES	85
	Consumer Analysis: Importance and Scope Demographics Defined and Enumerated Population Size, Gender, and Age Marketing Implications	86 86 88 90

#### CONTENTS XIII

	Location, Housing, and Mobility	91
	Marketing Implications	93
	Income and Expenditures	93
	Marketing Implications	98
	Occupations and Education	99
	Marketing Implications	101
	Marital Status	103
	Marketing Implications	106
	Uses of Demographic Data	106
	Limitations of Demographic Data	107
	Summary	107
	QUESTIONS FOR DISCUSSION	109
Cases	1. Coca-Cola: Demographics for the Wine Market	109
	2. Rusty Jones: Demographics for a Rust Proofer	110
Chapter 5	Consumer Life-Styles and Decision Making	112
	CHAPTER OBJECTIVES	112
	Overview	113
	Social Characteristics of Consumers	114
	Psychological Characteristics of Consumers	119
	Marketing Applications of Social and Psychological Profiles	123
	Consumers and Advertising	123
	Consumers and the Economy	124
	Consumers and New Products	125
	Limitations of Social and Psychological Analysis	126
	Consumer Decision Making	127
	Stimulus	127
	Problem Awareness	128
	Information Search	129
	Evaluation of Alternatives	130
	Purchase	131
	Postpurchase Behavior	131
	Factors Affecting Consumer Decision Making	132
	Types of Decision Processes	133
	Marketing Applications and Limitations	134
	Summary	135
	QUESTIONS FOR DISCUSSION	138
Cases	1. Bristol-Myers' Consumer Guide to Product Information	138
	2. The American Male	140

#### XIV CONTENTS

Chapter 6	Organizational Consumers	142
	CHAPTER OBJECTIVES	142
	Organizational Consumers Defined	142
	Differences with Final Consumers Due to the Nature of Purchases	143
	Differences with Final Consumers Due to the Nature of the Market	145
	Types of Organizational Consumers	147
	Manufacturers as Consumers	148
	Wholesalers as Consumers	150
	Retailers as Consumers	153
	Government as Consumer	155
	Nonprofit Institutions as Consumers	156
	Characteristics of Organizational Consumers	156
	Buying Objectives	156
	Buying Structure	159
	Use of Purchase	159
	Constraints on Purchases	159
	Organizational Consumer Decision Making	160
	Expectations	160
	Buying Process	162
	Conflict Resolution	163
	Situational Factors	163
	Purchase and Feedback	164 164
	Types of Purchases Marketing Implications	164
	Marketing Implications Summary	165
	•	
	QUESTIONS FOR DISCUSSION	166
Cases	1. Surgicot: Success with the Hospital Market	166
	2. June Horne: A Buyer for Saks Fifth Avenue	168
Ohamtan 7	Developing a Toront Modest	170
Chapter 7	Developing a Target Market	170
	CHAPTER OBJECTIVES	170
	Developing a Target Market Strategy	171
	Mass Marketing	171
	Market Segmentation	174
	Multiple Segmentation	177
	Applying Market and Multiple Segmentation	179
	Bases of Segmentation	179
	Planning a Segmentation Strategy	189
	Organizational Consumer Segments	193
	Requirements for Successful Segmentation	194

#### CONTENTS XV

	Limitations of Segmentation Sales Forecasting Data Sources Methods of Sales Forecasting Additional Considerations Summary	195 195 196 198 200 202
	QUESTIONS FOR DISCUSSION	204
Cases	<ol> <li>The Female Business Traveler</li> <li>Kellogg: The Cereal Company</li> </ol>	204 206
PART THREE	PRODUCT PLANNING	209
Chapter 8	An Overview of Product Planning	211
	CHAPTER OBJECTIVES	211
Cases	Product Planning Defined Types of Products  Consumer Products  Industrial Products  Elements of a Product Mix  Product Management Organizations  Product Positioning  Product Life Cycle  Stages in the Product Life Cycle  Evaluating the Product Life-Cycle Concept  Planned Obsolescence  Summary  QUESTIONS FOR DISCUSSION  1. American Telephone and Telegraph (AT&T): Product Planning at	211 214 214 219 222 224 226 227 229 233 233 235
	the World's Largest Company  2. The Soft Drink Industry: Maturity in the Product Life Cycle	237 238
Chapter 9	The Product Planning Process: Managing the Product Life Cycle	240
	CHAPTER OBJECTIVES	240
	Managing the Product Life Cycle Importance of New Products Why New Products Fail New-Product Planning Idea Generation Product Screening	241 241 244 246 247

#### XVI CONTENTS

	Concept Testing Business Analysis Product Development	252 252 252
	Test Marketing	254
	Commercialization	257
	Growing Products	257
	Mature Products	260
	Product Deletion	263
	Summary	265
	QUESTIONS FOR DISCUSSION	266
Cases	<ol> <li>The Electronic Language Translator: Friends Amis Develops an Innovation</li> </ol>	267
	2. Levi Strauss: The Leading Jeans Firm Diversifies	268
Chapter 10	The Product Planning Process: Branding and Packaging	270
	CHAPTER OBJECTIVES	270
	Branding Terms Defined	271
	Importance of Branding	272
	Branding Decisions	273
	Corporate Symbols	273
	Branding Philosophy	276
	Choosing a Brand Name	281
	Use of Trademarks Packaging Terms Defined	283 285
	Importance of Packaging	285
	Packaging Decisions	289
	Packaging Factors to Consider	290
	Constraints on Packaging	294
	Summary	294
	QUESTIONS FOR DISCUSSION	295
Cases	1. The Reaction of Manufacturer and Dealer Brands to Generics	296
	2. The Battle of Aluminum and Steel in the Beverage Can Market	297
PART FOUR	DISTRIBUTION PLANNING	299
Chapter 11	An Overview of Distribution Planning	301
	CHAPTER OBJECTIVES	30
	Distribution Planning Defined	30

	TS	X.	

	Importance of Distribution Planning Why Middlemen Are Needed Channel Functions Types of Channels Selecting a Channel of Distribution Determining the Intensity of Channel Coverage Channel Cooperation and Conflict Industrial Channel of Distribution Examples of Distribution Planning	302 304 306 307 310 314 316 321 322
	Summary  OVERTIONS FOR DISCUSSION	323 324
Cases	1. The <i>New York Times</i> Goes National 2. Understanding the Needs of Channel Members	325 326
Chapter 12	Wholesaling	328
	CHAPTER OBJECTIVES	328
	Wholesaling Defined Importance of Wholesaling Impact on the Economy Functions of Wholesalers Relationships with Suppliers and Customers Types of Wholesalers Manufacturer Wholesaling Merchant Wholesaling Agents and Brokers Manufacturer/Supplier-Wholesaler Contracts Trends in Wholesaling Summary	328 329 330 331 333 338 339 342 345 348 349
	QUESTIONS FOR DISCUSSION	350
Cases	<ol> <li>Malone &amp; Hyde: A Food Wholesaler Diversifies</li> <li>Airwick: Dropping Sales Offices for Professional Products</li> </ol>	350 351
Chapter 13	Retailing	353
	CHAPTER OBJECTIVES	353
	Retailing Defined Importance of Retailing Impact on the Economy Retail Functions in Distribution Relationship of Retailers and Suppliers	354 354 355 355 355

#### XVIII CONTENTS

	Types of Retailers	357
	By Ownership	357
	By Strategy Mix	361
	By Nonstore Operations	365
	By Location	368
	Considerations in Retail Planning	371
	Atmosphere	371
	Scrambled Merchandising	372
	Wheel of Retailing	373
	Recent Trends in Retailing	373
	Responses to Demographic and Life-Style Trends	373
	Responses to Inflation	374
	Responses to Increases in Costs	375
	Responses to Technological Advances	375 376
	Summary	370
	QUESTIONS FOR DISCUSSION	377
Cases	1. Sloan's: How a Local Supermarket Survives	377
	2. Wendy's, McDonald's, and Burger King: The Reaction of Fast	
	Food Franchises to a Growth Slowdown	378
Chapter 14	Physical Distribution	381
	CHAPTER OBJECTIVES	381
	Physical Distribution Defined	381
	Importance of Physical Distribution	382
	Costs	382
	Customer Service	383
	Physical Distribution and Other Functional Areas	384
	Physical Distribution Strategy	385
	Transportation	388
	Railroads	389
	Motor Trucks	391
	Waterways	392
	Pipelines	393
	Airways	393
	Transportation Services	394
	Coordination of Transportation	394
	Legal Status of Transportation Firms	395
	Inventory Management and Warehousing	395
	Stock Turnover	396
	When to Reorder Inventory	397
	How Much to Reorde;	398

	Warehousing Advances in Inventory Management Summary	400 402 403
	QUESTIONS FOR DISCUSSION	404
Cases	<ol> <li>Inventory Problems of the Big Three Auto Makers</li> <li>Federal Express and the Air Express Market</li> </ol>	404 406
PART FIVE	PROMOTION PLANNING	409
Chapter 15	An Overview of Promotion Planning	411
	CHAPTER OBJECTIVES	411
	Promotion Defined	411
	Importance of Promotion	413
	Types of Promotion	414
	Channel of Communication	415
	Source	415
	Encoding	418
	Message	418
	Medium	420
	Decoding	420
	Audience	42
	Feedback	421
	Noise	422
	Promotion Planning	422 424
	Objectives Promotion Budget	424
	Promotion Mix	428
	Legal Environment of Promotion	430
	Criticisms and Defenses of Promotion	432
	Summary	433
	QUESTIONS FOR DISCUSSION	434
Cases	1. Promotion at General Motors	434
	2. Marzetti: Promotion Strategy for a Small Salad Dressing Company	435
Chapter 16	Advertising and Publicity	437
	CHAPTER OBJECTIVES	437
	Overview	437
	Scope and Importance of Advertising	438
	beope and importance of Marchising	730