

M_{arketing}

second edition

Warren J. Keegan
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Warren J. Keegan dedicates this book to Polly.



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If there is a battle cry for business in the twenty-first century it is “Marketing is everything.” Today, everything a company or organization does affects its relationships—either directly or indirectly—with its customers, its suppliers, its competitors.

Contemporary marketing is about *building relationships*. A product, service, brand, or corporation is successful only to the degree that it means something important to the people with whose lives it is linked. Customers, employees, shareholders, distributors, dealers or franchisees, retailers, competitors, neighbors, government leaders, and even members of the press—people we call *stakeholders* because they have a stake in the success of companies and brands—are involved with or affected by marketing programs. Thus we discuss relationship marketing not only as a way to build product-customer relations but as a way to create sustained and satisfying relationships between an organization and all its stakeholders.

Marketers today have the responsibility to treat customers as guests, suppliers as partners, employees as team members, and the earth and its environment as a fragile vessel that can carry us to a bountiful future or to ecological calamity, depending on how we manage our opportunities, and our resources. In this edition we have more fully integrated our explorations of marketing ethics and social and environmental responsibility throughout the book, although some such discussions are highlighted in special sections. A guide to discussions of these kinds of issues follows the table of contents.

GLOBAL IS EVERYWHERE

Marketers and companies who fail to recognize that they are functioning in a global marketplace invite trouble and risk financial disaster. The marketing principles described in this book are as applicable in Tokyo as in London, in New York as in Dar Es Salaam. Markets are different, but the marketing discipline is universal.

More than forty years ago, a great little car called the Nash Rambler offered a small-car choice to U.S. auto buyers, but it was phased out as cars got bigger and bigger during the 1950s and 1960s. About the time it disappeared, a little German car made by Volkswagen began to open up the small-car market again, becoming a marketing legend in its own time. Starting in the 1970s Japanese auto makers began acquiring significant shares of the small and medium-size automobile market in the United States, edging out both domestic companies and Volkswagen, whose U.S. market share has now dropped from ten to less than one percent. Why did the market close for one small car and open for another? What did German auto makers know about the U.S. market that American manufacturers failed to see? How do such major shifts in market share come about?

The auto industry is only one of the many industries whose future is enmeshed in global trends. The marketing stories of our time—both successes and failures—are often interlaced with international issues,

and that is why this book continues to build on its position as the first marketing principles book to incorporate a global focus throughout. The examples used to explain the various marketing strategies and concepts have been drawn from around the world. In this edition, global concerns have been woven seamlessly into all the major discussions throughout the book. In these discussions we present both the complexities of international marketing—the necessary adjustments to differing cultures—as well as the universal principles and practices. A guide to discussions of global issues follows the table of contents.

STRATEGY MEANS PLANNING

As the readers of our first edition know, we believe the formulation of a marketing plan to be crucial to all marketing strategy. In this edition we have tried to make it easier for readers to follow the process of developing an effective marketing program, which starts with the marketing plan and continues with its implementation: In Chapters 2 and 3 we build the reader's understanding of the SWOT analysis with which the marketing planning process begins—the analysis of a company's internal strengths and weaknesses and external opportunities and threats. In Chapter 4 we outline the marketing planning process and, in an appendix, present an actual marketing plan that illustrates the chapter's discussions. In the remaining chapters of the book we show how the objectives and strategies determined in the planning process guide marketers from product development through marketing communication. Finally, Chapter 22's examination of the marketing audit shows how the evaluation of a marketing program is linked to the original plan.

THE CHALLENGE OF INTEGRATED MARKETING

In line with the concept that marketing is everything, the integrated approach to marketing holds that every decision in marketing is interrelated with other marketing and management decisions and sees all marketing mix strategies as interdependent. This emphasis on interrelationships may sometimes seem to threaten one function or aspect of the marketing mix, but in the long run it presents all marketers with a challenge. Advertising, for example, was long the dominant area of marketing communication for most packaged goods, but today marketers are beginning to rely more on sales promotion, direct marketing, and public relations. Shifts like this have a tremendous impact on all the marketing communication professions, but they also challenge marketers to make the most effective use of the forms of marketing communication available to them within the limitations of the marketing budget.

WHAT'S NEW IN THIS EDITION?

The first edition of our book was praised for its unique approach to the coverage of the theory and practice of marketing, as well as for a number of special features. Thus in this new edition we have retained and built on the features that professors and students told us they found especially useful, but we have also trimmed or cut other material that seemed less crucial.

A Shorter, More Contemporary Text: We hope we have accomplished our goal of giving the reader a more succinct presentation—the text is shorter by almost 15 percent—while at the same time adding important new topics and updating our examples and stories. In addition to mounting a new overall design, we offer a more effective and attractive graphics program and carefully revised tabular material.

A More Useful Case Program: In response to a number of users, in this edition we present only one case per chapter, each carefully chosen to reflect the chapter content. Three longer cases whose discussions illustrate topics throughout the book, follow Chapter 22, and questions on each of these cases are found at the end of each chapter. The instructor has the option of using one or another of these cases in a given semester.

Improved Organization of Chapters and Major Topics: Chapter 10, “Branding and Relationship Marketing,” now opens the product section, where it highlights the notion of building relationships between products and customers. In response to reviewers’ comments that segmenting and targeting strategic decisions provide the information on which forecasting is based, we have combined these three topics in a new Chapter 8, “Segmentation, Targeting, and Forecasting.” To our highly praised chapter on competitive advantage (Chapter 9) we have added positioning because both topics deal with the brand’s position relative to its competition in the marketplace and in the mind of the consumer. We precede the pricing chapters (Chapters 16 and 17) with those on distribution (Chapters 14 and 15) because, as a number of reviewers and users pointed out, distribution is an important element in the way a price is built. Finally, we have retained and updated our unique chapter on direct marketing (Chapter 20); as we predicted, this kind of one-on-one marketing has become the fastest growing of all marketing approaches.

LEARNING AIDS

Chapter Objectives and Key Points Summaries. To help the student tie chapter objectives to the text material, we have frequently referred back to specific objectives in relevant portions of the text. In a further effort to facilitate the student’s learning we have linked each objective with a corresponding entry in the summary section. We hope this approach will help students both locate heralded topics as they study the chapter and review these major subjects when they have finished reading it.

Opening and Closing Stories: Opening, “Think About It” stories attempt to engage students on a personal level, raising marketing issues that relate to the chapter topic but that also have current and direct impact on their own lives. For example, Chapter 1’s opening story raises a topic close to many students’ hearts: airline discount and frequent-flyer fare programs. “Bottom Line Realities” stories, which close each chapter, address marketing problems of more general relevance and encourage students to think seriously about such issues as the impact on the environment of so-called disposable products and to answer specific questions or undertake exercises related to these issues.

When Is a Box Not a Box? Our “embedded boxes” are actually sections of the chapter text. They are designed to be read in sequence with the rest of the text; they are not optional reading. Like most “boxes,” they are of several recurring types: “Risks and Gambles” sections offer accounts of risky marketing ventures, such as the current efforts to bring HDTV to market. “Behind the Scenes” sections present in-depth discussions of such subjects as the worldwide ISO 9000 certification program. “Open to Debate” sections explore controversial issues, such as the ethics of sophisticated modern methods of acquiring personal information about potential customers.

Chapter Discussion Questions. Each chapter is followed by a set of questions on topics covered in the chapter. Some questions help students review materials studied, others require students to extrapolate from what they have

studied to hypothetical marketing situations, and still others offer applied projects and exercises.

Chapter and Integrative Cases. At the end of each chapter is a case that relates to the chapter topic and that concludes with several discussion questions. Three-quarters of these cases have associated videos; these are included in the Video Library described under “Supplements.” Video cases, most of which come from the ABC/Prentice Hall collection, are signaled by the appearance of the ABC logo as well as a special video icon.

To reinforce the concept that all marketing functions are interrelated not only with all others but with all other aspects of a business, we present three longer, integrative cases—The Body Shop, Harley-Davidson, and the Millennium Power System—at the back of the book, immediately following Chapter 22. Each integrative case illustrates topics in every chapter, and to facilitate linking these cases with the chapters, we offer one or more questions on each case after the general chapter discussion questions.

Key Terms, Margin Definitions, and Glossary. All major terms are boldfaced at their definitions in the text and highlighted in adjacent margin definitions. A glossary at the back of the book includes all terms and definitions.

Illustrations. Every effort has been made in this revision to update and improve the effectiveness of our illustration program. Many graphics have been redesigned, and some have been rendered as “infographics,” in which artistic design elements heighten the impact of the information provided. New advertisements have replaced many of the original ones as exhibits, and new, captioned photographs appear not only in the chapters but in many cases.

“Careers in Marketing” and “Marketing-Data Analysis and Mathematics” Appendixes. The careers appendix has been completely rewritten to describe actual jobs in marketing as well as current prospects on the job scene in various marketing fields. Brief profiles provided by five “real-world” marketers describe actual marketing jobs and offer other information useful to those starting out in marketing. The appendix on marketing data analysis and mathematics has also been rewritten to clarify and sharpen its presentation.

SUPPLEMENTS

Annotated Instructor’s Edition: Created by Ron Coulter of Southwest Missouri State University, the AIE offers margin annotations in every chapter that expand on or add to text discussions. Annotations include teaching tips and suggestions, questions to stimulate critical thinking, examples of points made in the text, and additional information about selected text topics.

Instructor’s Resource Manual: Also authored by Ron Coulter, the Instructor’s Manual is a comprehensive teaching resource that contains, for each text chapter, a concise summary of the chapter’s content; a brief lecture outline; an extended teaching outline that summarizes text and case material for easy reference; answers to chapter discussion questions and integrative case discussion questions; teaching notes for the chapter case; supplementary discussion questions and answers; and additional references.

Study Guide: Prepared by Vicki B. Griffis of the University of South Florida, the study guide offers students practice test questions and applications projects. Answers are also provided for the questions, about half of which come from the Test Item File. Designed to increase the student’s ability to apply the text material, applications projects for each chapter are generally based on the

book's cases; there is at least one project for each of the book's three integrative cases. The applications projects are also referred to in the Instructor's Manual.

Atlas (Academic Testing And Learning System) Test Item File: Authored by Kathy Frazer Winsted of Bentley College, the Test Item File offers over 3000 items in essay-question, multiple-choice, and true-false format. The test bank, which covers both text and case material, taps all levels of difficulty with definitional, general comprehension, and applications questions and has been reviewed by a measurement expert to ensure its quality. The Test Item File is also available on disk (both IBM and MAC) through the Prentice Hall TestManager testing system or the Prentice Hall Computerized Testing Service.

Color Transparencies With Notes: Created by Lewis Hershey of Hershey Consulting, the full-color transparency package contains over 150 graphic illustrations and advertisements from the book, each of which is accompanied by a full page of lecture notes that include relevant key terms and discussion points from the chapter as well as additional materials from supplementary sources. A number of full-color Effie-award-winning advertisements that do not appear in the book are also included in this set of transparencies, accompanied by a full page of notes that offer marketing information about each ad and its assessed impact.

ABC News/Prentice Hall Video Library: Designed specifically to complement Keegan, Moriarty, and Duncan's *Marketing*, this library is an excellent tool for bringing students into contact with the world outside the classroom. Video clips, which come from such notable ABC television news shows as "Nightline," "Business World," and "World News Tonight," have been chosen either to relate directly to end-of-chapter cases or to enhance other chapter content.

The New York Times-Prentice Hall "Themes of the Times" Program: Available free to instructors who adopt *Marketing*, this specialized "mini-newspaper" contains a broad spectrum of carefully chosen articles that focus on events and issues in the world of marketing as well as on some of the news-making marketing professionals of the 1990s. To ensure complete timeliness, this supplement is updated twice a year.

Personal Computer Applications Software: BRANDS™ by Randall G. Chapman of Boston University, is a marketing simulation game designed for use in the marketing principles course. With the instructor's guidance, students are able to apply their marketing knowledge and skills in realistic exercises. Forming teams, they manage the daily operations of firms competing within a single industry, making marketing decisions and dealing with the response of a simulated marketplace.

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