

Evans
Berman

MARKETING 4e



MARKETING

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Hofstra University

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Hofstra University

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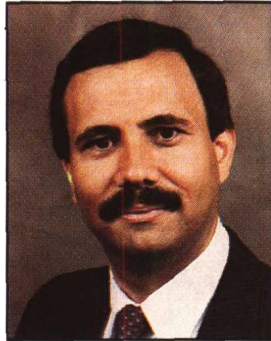
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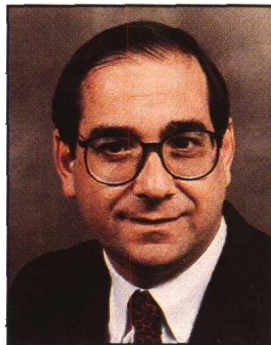
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About the Authors



Joel R. Evans (Ph.D. in Business with majors in Marketing and Public Policy) is the Retail Management Institute Distinguished Professor of Business and Professor of Marketing and International Business at Hofstra University. Previously, Dr. Evans was department chairperson for seven years. Before joining Hofstra in 1975, he worked for United Merchants and Manufacturers, owned a retail mail-order business, and taught at Bernard M. Baruch College and New York University. He has also served as a consultant for such diverse companies as PepsiCo and Nynex.

Dr. Evans is the author or editor of numerous books and articles and is active in various professional associations. At Hofstra, he has been honored as a faculty inductee in Beta Gamma Sigma honor society and received two Dean's Awards and the School of Business Faculty Distinguished Service Award. In 1988, Dr. Evans was selected as Teacher of the Year by the Hofstra M.B.A. Association.



Barry Berman (Ph.D. in Business with majors in Marketing and Behavioral Science) is the Walter H. "Bud" Miller Distinguished Professor of Business and Professor of Marketing and International Business at Hofstra University. Previously, Dr. Berman was the associate dean of the Hofstra School of Business for seven years. He has served as a consultant to such organizations as the Singer Company, Associated Dry Goods, the State Education Department of New York, and professional and trade groups.

Dr. Berman is the author or editor of numerous books and articles and is active in various professional associations. He served as the associate editor of the *Marketing Review* for many years. At Hofstra, he has been honored as a faculty inductee in Beta Gamma Sigma honor society and received a Dean's Award. In 1984, Dr. Berman was selected as Teacher of the Year by the Hofstra M.B.A. Association.

Joel R. Evans and Barry Berman have worked together since 1976 and are the co-authors of three best-selling Macmillan texts: *Marketing*, 4th Edition (1990), *Retail Management: A Strategic Approach*, 4th Edition (1989), and *Principles of Marketing*, 2nd Edition (1988). At present, Drs. Evans and Berman are also co-directors of the Hofstra University Retail Management Institute. Both regularly teach undergraduate and graduate marketing courses to a wide range of students.

Preface

We believe that a marketing textbook for the 1990s must incorporate both traditional and contemporary aspects of marketing, carefully consider environmental factors, present the roles of marketing and marketing managers, and show the relevance of marketing for those who interact with or who are affected by marketing activities (such as consumers). We also believe that a textbook should describe marketing concepts to readers in an interesting, comprehensive, and balanced manner. As we indicate at the beginning of Chapter 1, marketing is truly “an exciting, dynamic, and contemporary field.”

Although the basic components of marketing (such as consumer behavior, marketing research, and product, distribution, promotion, and price planning) form the foundation of any introductory-level marketing textbook, contemporary techniques and topics also need to be covered in depth. Among the contemporary topics that are examined in full chapter length in *Marketing* are strategic planning and marketing, consumer demographics, consumer life-styles and decision making, organizational consumers (including manufacturers, wholesalers, retailers, government, and non-profit institutions), international marketing, service and nonprofit marketing, and marketing and society. Environmental effects are noted throughout the book.

Marketing explains all major principles, defines key terms, integrates topics, and demonstrates how marketers make everyday and long-run decisions. Illustrations based on organizations such as American Express, DuPont, Holiday Corporation, Kentucky Fried Chicken, Mr. Goodwrench, Navistar, Nike, Perrier, Premier Industrial, 3M, Upjohn, Sony, the U.S. Postal Service, and Westinghouse appear in each chapter. The illustrations build on the textual material, reveal the exciting and dynamic nature of marketing, cover a wide variety of firms, and involve students in real-life applications of marketing.

We began preparing the fourth edition of *Marketing* after receiving input from professors throughout the country via both a detailed focus group session and a lengthy written questionnaire, talking with a number of students, and obtaining considerable feedback from the Macmillan sales force. Our objectives were to retain the material and features most desired from prior editions and to elicit suggestions for new material and features to be included in the fourth edition, while maintaining the appropriate length of the book.

The Tradition Continues

These general features are retained from prior editions of *Marketing*:

- ▶ A lively easy-to-read writing style.
- ▶ A balanced treatment of topics (by size of firm, goods- and service-based firms, profit-oriented and nonprofit firms, final and organizational consumers, etc.).
- ▶ Comprehensive coverage of important marketing concepts, including three chapters each on product, distribution, promotion, and price planning.
- ▶ A full-color design throughout the book, including about 150 photos and 140 figures. These illustrations are all keyed to major concepts in the text as well as being visually attractive.
- ▶ Part openers that provide integrated overviews of the chapters in every part.
- ▶ Detailed part-ending cases.
- ▶ An appendix on careers in marketing.
- ▶ An appendix on marketing mathematics.
- ▶ A 650-item glossary.
- ▶ Separate company, name, and subject indexes.

These features are also retained from the third edition and are contained in each chapter:

- ▶ Chapter objectives that outline the major areas to be investigated.
- ▶ An opening vignette that introduces the material through a real-world situation.
- ▶ Descriptive margin notes that highlight major concepts.
- ▶ Boldface key terms that identify important definitions.
- ▶ Many flowcharts and current figures and tables that explain how marketing concepts operate and provide up-to-date information.
- ▶ Numerous footnotes, most from the 1980s (including many from 1988 and 1989), to enable the reader to do further research.
- ▶ A summary of the material covered.
- ▶ Review and discussion questions that vary in scope and depth from requiring definitions to requiring complex decisions.
- ▶ Two cases (except Chapter 1, which has an appendix on hints for analyzing cases) that deal with real companies or situations. There are 46 end-of-chapter cases in all, involving all types of companies.

New to the Fourth Edition

These are some of the many new or added features contained in the fourth edition of *Marketing*:

- ▶ Part openers are linked to a comprehensive marketing figure, which ties the various parts of the book to one another.
- ▶ All chapter-opening vignettes are completely new. These vignettes deal with major events that relate to the chapter at hand, such as firms' renewed interest in listening to their customers, AT&T after its breakup, the value of single-source information, the latest revision in the SIC code system, the growth of regional marketing, the use of yield management pricing, Europe in 1992, and the role of ethics.
- ▶ Each chapter begins with an overview.

- ▶ Each chapter has new thought-provoking “marketing controversy” and “you’re the marketer” boxes. The controversies involve such subjects as the marketing orientation of colleges, mergers and LBOs, reversing a declining product life cycle, service versus inventory levels, advertorials and ambush marketing, and the American Heart Association’s seal of approval. You’re the marketer boxes involve such topics as the U.S. personal savings rate, new Coke, Acura, \$3,000 luggage sets, joint ventures, Whittle’s Channel One, and Pillsbury.
- ▶ Chapter summaries are now keyed to chapter objectives. These summaries are followed by a listing of key terms, with text page references.
- ▶ End-of-chapter questions are now divided into separate “review” and “discussion” categories.
- ▶ All chapter-ending cases are completely new. Among the organizations included are Audiovox, Boeing, Canon, Caterpillar, Gerber, Mars, Marriott, MasterCard, McCaw (cellular telephone service), Next, Rubbermaid, Suzuki, and Tandy.
- ▶ All eight part-ending cases are new. They deal with a startup firm — ACT (Appliance Control Technology), targeting business customers, pioneering versus later product-entry strategies, Wal-Mart’s retail strategy, Carnival Cruise Lines’ promotion strategy, pricing in the watch industry, Colgate-Palmolive’s international marketing approach, and Kodak’s plans for the 1990s.
- ▶ There are major revisions/changes in such chapters as “An Overview of Marketing” (1), “Strategic Planning and Marketing” (3), “Organizational Consumers” (7), “Developing a Target Market Strategy” (8), “An Overview of Product Planning” (9), “Marketing and Society” (23), and “Integrating and Analyzing the Marketing Plan” (24). There is one less chapter in the fourth edition, with the material on marketing in the future now better placed throughout the book.
- ▶ Many definitions are from the 1988 American Marketing Association’s *Dictionary of Marketing Terms*, which is the AMA’s first new dictionary since 1960.
- ▶ There is new or expanded coverage of PIMS, marketing information systems, the latest SIC code classification, planning a target market strategy, the VALS 2 typology, the distinction between goods and services, electronic data interchange in distribution, telemarketing, direct product profitability, ethics, and other topics. There are also more examples involving service and industrial marketing placed throughout the text.
- ▶ The most current data and examples possible are used.
- ▶ There is a new Appendix C, which describes the computerized exercises that accompany the text. A computer symbol on the relevant chapter pages keys the exercises to the concepts involved.

How Marketing Is Presented

Marketing is divided into eight parts. Part 1 presents an overview of marketing, describes the environment within which it operates, presents strategic planning and marketing, and discusses the marketing research process and marketing information systems. Part 2 provides an understanding of final and organizational consumers. It examines demographic data, life-style factors, consumer decision making, target market strategies, and sales forecasting. Part 3 covers product planning, the product life cycle, new products, mature products, branding, and packaging.

Part 4 deals with distribution planning, channel relations, physical distribution, wholesaling, and retailing. Part 5 examines promotion planning, the channel of com-

munication, advertising, publicity, personal selling, and sales promotion. Part 6 covers price planning, price strategies, and applications of pricing. Part 7 shows how marketing's expanded scope includes international marketing, service and nonprofit marketing, and societal issues. Part 8 integrates marketing planning and looks to the future.

Three student supplements are available to complement *Marketing*, 4th Edition. A comprehensive study guide contains chapter objectives, chapter overviews, key terms and concepts, short-answer questions, discussion questions, long and short application exercises, and part-ending review quizzes. *Computer-Based Marketing Exercises* consists of a microcomputer exercise diskette keyed to Appendix C in the text. These exercises enable students to better experience marketing decision making and better understand text concepts in such areas as market segmentation, product planning, advertising budgeting, and performance ratios. *Paintco III* is a "hands-on" computer simulation, whereby individual students or student teams portray firms in the paint industry.

A complete teaching package is available for instructors. It includes corporate videos, transparencies, separate resource and lecture manuals, a semiannual newsletter, and testing materials.

We are pleased that previous editions of *Marketing* were adopted at hundreds of colleges and universities nationwide. We hope the fourth edition will be satisfying to continuing adopters and meet the needs of new ones. Thanks for your support and encouragement.

Please feel free to send us comments regarding any aspect of *Marketing*, 4th Edition or its package: Joel R. Evans or Barry Berman, Department of Marketing and International Business, Hofstra University, Hempstead, N.Y., 11550. We promise to reply to any correspondence we receive.

J. R. E.

B. B.

About the Computer Supplements That Accompany *Marketing*, 4th Edition

As noted in the preface, *Marketing*, 4th Edition has two computer supplements available for students: *Computer-Based Marketing Exercises* and *Paintco III*. Both of these are microcomputer-based and available for IBM PCs and compatibles. They are extremely user-friendly, do not require prior computer experience, may be used on standard or color monitors, and are not dependent on knowledge of software such as Lotus 1-2-3. All directions are contained on computer screens and are self-prompting.

Computer-Based Marketing Exercises is designed to apply and reinforce specific individual concepts in *Marketing*, 4th Edition in an interactive manner. The exercises are explained in Appendix C at the end of this text; throughout *Marketing*, a computer symbol is used to signify which concepts are related to the exercises. An accompanying master computer diskette (which may be ordered by the instructor) can be used to reproduce student exercise disks. The 14 exercises are as realistic as possible; relate to important marketing concepts; allow students to manipulate marketing factors and see their impact on costs, sales, and profits; are relatively independent of one another; and encourage students to improve computer skills.

Each of the exercises may be handed in as a class assignment or used for student self-review/self-learning. Page references to the relevant concepts in *Marketing*, 4th Edition are provided for each exercise, both on the computer diskette and in Appendix C at the end of this text. Students get to experiment with cross-tabulation tables, bar charts, spreadsheets, graphic scales, matrices, profit-and-loss statements, and ratios. While graphics quality is high, no computer graphics board is needed. These are the exercises:

- | | |
|-----------------------------------|-----------------------------------|
| 1. Boston Consulting Group Matrix | 8. Advertising Budget |
| 2. Questionnaire Analysis | 9. Price Elasticity |
| 3. End-Use Analysis | 10. Key Cost Concepts |
| 4. Segmentation Analysis | 11. Standardizing Marketing Plans |
| 5. Product Screening | 12. Allocating Functional Costs |
| 6. Total-Cost Approach | 13. Performance Ratios |
| 7. Economic Order Quantity | 14. Optimal Marketing Mix |

Paintco III is a "real-world" simulation that enables students or student teams to practice a broad range of marketing decisions on a PC through a student diskette before handing in a decision sheet to the instructor. Each student or student team represents a paint manufacturer who makes marketing decisions with regard to market segments served, product quality, distribution intensity, advertising and personal selling as a percentage of sales, and prices charged. Seasonality must also be taken into account.

After trying out their decisions on the PC via the student diskette, each student or student team hands in a written (or computer-generated) decision sheet to the instructor who enters all the students' decisions on to a master computer diskette (both the student and the instructor master disks must be ordered by the instructor). Then, sales and profit data are generated and printed for every student company, based on industry averages and seasonality factors. The simulation would normally be conducted over six

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to eight weeks, with each week representing a sales quarter. *Paintco III* has extensive player's and instructor's manuals.

We believe these computer supplements greatly enhance text material, further demonstrate the dynamic and exciting nature of marketing, and are important tools in the emerging "age of the computer." We welcome your feedback on *Computer-Based Marketing Exercises* and *Paintco III*.

J. R. E.

B. B.

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Throughout our professional lives and during the period 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.

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At Hofstra University, colleagues Herman Berliner, Dorothy Cohen, Benny Barak, Andrew Forman, Pradeep Gopalkrishna, William James, Keun Lee, Brian McNeeley, Russell Moore, James Neelankavil, Venkat Mummalaneni, James Parker, Saul Sands, Elaine Sherman, and Ven Sriram, stimulated us by providing the environment needed for a book of this type.

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

Joel R. Evans
Barry Berman
Hofstra University