

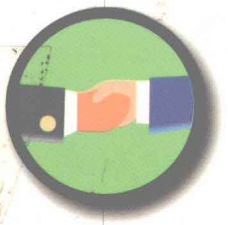
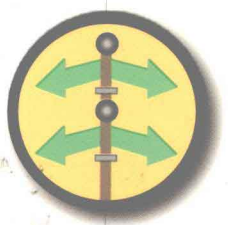
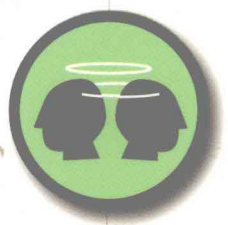
11TH EDITION

marketing

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marketing

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A coauthor of the leading text in sales management, Professor Stanton has also published several journal articles and monographs. *Marketing* has been translated into Spanish, and separate editions have been adapted (with coauthors) for Canada, Italy, Australia, and South Africa.

In a survey of marketing educators, Professor Stanton was voted one of the leaders in marketing thought. And he is listed in *Who's Who in America* and *Who's Who in the World*.

DEDICATION

Mike Etzel

To my parents, Al and Audrey

Bruce Walker

To Pam, Therese, Brent, Steve, Scott, and Jennie

Bill Stanton

To Kelly and Little Joe

P R E F A C E

To the Student

A recent ad placed by a corporate recruiter in the student newspaper on a college campus carried this headline:

What does marketing have to do with public accounting? (The answer may surprise you.)

Well, we think the answer is “a lot,” and it doesn’t surprise us. More important, it shouldn’t surprise you after reading this book.

Marketing is an integral part of all our lives. A large percentage of our waking hours is taken up by efforts to market something (a product or an idea, for example) or by the efforts of others marketing to us. Whether you are a student, professor, physician, small business owner, politician, or even a partner in a public accounting firm doesn’t make any difference; you are engaged in marketing. The challenge is to do it well, and that requires an understanding of what marketing is and how to perform it.

But there is more to modern marketing than learning what it involves. Much of the excitement of marketing is created by the context in which it occurs. Take the field of communications, for example. Consider how recent developments in fiber optics, electronic mail, cellular phones, the Internet, and facsimile machines are changing our lives. Then multiply that impact by the changes in other areas such as manufacturing, agriculture, transportation, and entertainment. Technology appears to be expanding at an increasing rate, and every development creates new marketing opportunities.

The globalization of business is another development certain to continue. However, exactly what form this globalization will eventually take is far from clear. The world is trying to sort out several recent and ongoing events—the dismantling of the Soviet Union, the growth of private business in China, the possibility of a common currency in Europe, and reduced trade barriers among many countries of the world. Any one of these would dramatically affect world trade. All of them at the same time create unprecedented challenges. Virtually

every business will be affected by increasing global competition, and many will see exciting international opportunities.

What does this mean for marketers? In some respects, we can say that their jobs won’t change. They will still decide what products to offer, set prices they think customers will pay, provide products where customers can conveniently find them, and design promotional messages to inform and persuade potential buyers. However, in today’s highly dynamic environment, these managers will be faced with more new situations than ever before. They will have access to more information than their predecessors, but will have to figure out how to avoid being buried under it and to use it effectively. They will have more strategic alternatives from which to select, but the cost of selecting the wrong one will be greater. They will be pursuing smaller markets, with products that have shorter lives, against a changing mix of competitors. In short, marketers will be operating in a faster-paced, higher-risk environment.

Fortunately, your career is commencing during this time of unprecedented environmental change and challenge—developments that can translate into successes for you. To make the most of this opportunity, you need an understanding of contemporary marketing and how it fits into our dynamic world. The objective of this new edition of *Marketing* is to help you gain that understanding.

Features of Marketing

This is the eleventh edition of *Marketing*. It has clearly passed the test of time. Our objective in this revision is to create a current, comprehensive, and involving book without detracting from its reputation as being highly readable.

We present marketing as a total system of business actions carried out by managers in individual organizations, in the context of the larger economy, and, indeed, in society as a whole. Regardless of whether managers are employed by a business or nonprofit organization, are providers of goods or services, or are doing business domestically or globally, they need to understand certain fundamentals of marketing.

We share those fundamentals with you through the framework of the marketing management process. An organization first sets objectives, taking into consideration the environmental forces that influence its efforts. The managers then select target markets and build a marketing program to achieve the objectives. The four elements integrated by managers in designing a marketing program—product, price, distribution, and promotion—are at the heart of marketing. Finally, an organization evaluates its performance and makes adjustments to its marketing strategy.

To help you understand and appreciate this process, we have provided explanations that are accompanied by many current, real-life examples of large and small firms, photo essays to illustrate concepts, and a variety of interesting boxed inserts to stimulate your thinking and challenge your mastery of the concepts. We have also included numerous international examples and illustrations to emphasize the global orientation that marketing is taking.

That's enough introduction. It's time to get started. Turn to Chapter 1 and begin your discovery of the world of marketing!

To the Instructor

Revising a successful book is a delicate process. On the one hand, it is essential that new developments and material be incorporated into a revised edition and the presentation be lively and engaging. On the other hand, the structure and format that has withstood the test of time should be retained. We have worked hard to maintain this balance by updating and revising the book, while preserving the organization, reader-friendly writing style, and extensive use of examples.

The book is divided into eight parts to reflect the marketing management process. They are:

- **Part One: Modern Marketing**

An overview of what marketing is, the context in which it occurs, the process of marketing planning, and the marketing research effort that is so essential to support decision making.

- **Part Two: Target Markets**

An examination of consumer and business markets, decision making by customers, the process of market segmentation, and demand forecasting.

- **Part Three: Product**

An essential activity of marketing is translating needs of prospects into products that can be sold. The design, development, and testing of products are a part of the process, along with more visible features like brands and packaging.

- **Part Four: Price**

The choice of a price and the adjustments made to that choice are governed by factors such as demand, costs, competition, and the broader strategy of the seller.

- **Part Five: Distribution**

To appreciate the modern miracle of having products available when and where they are desired, one must examine both the institutions that conduct the transactions and those that transport goods.

- **Part Six: Promotion**

Effective communications inform and persuade potential customers. Attractive promotions stimulate action. Formulating a message and transmitting it effectively are essential ingredients in a marketing effort.

- **Part Seven: Marketing in Special Fields**

Two areas—services marketing (in for-profit and not-for-profit organizations) and international marketing—are sufficiently distinctive to warrant special coverage.

- **Part Eight: Managing the Marketing Effort**

An effective marketing management process requires some guidance on implementing and evaluating the marketing effort and an examination of where marketing is headed.

What's New and Improved in This Edition

Because the reactions to the organization and presentation of the tenth edition were quite positive, the book has been fine-tuned rather than overhauled. The noteworthy changes are described below.

Coverage and Organization

- Discussions of the consumer market (Chapter 5) and the business market (Chapter 6) are now similarly structured. Each includes a description of the respective market as well as an overview of the buying process in each.
- Chapter 7 on market segmentation and target marketing now follows rather than precedes the

discussions of consumer and business markets. This arrangement gives the readers a basic familiarity with these markets before they begin thinking about how the markets can be subdivided.

- Demand forecasting has been moved from Chapter 3 to Chapter 7. Because adequate demand is a necessary condition for segmentation, linking it to segmentation and target marketing is logical.
- In order to reflect their shifting importance in the promotional mix, the amount of attention given to sales promotion in Chapter 18 has been expanded, whereas the discussion of advertising has been reduced.
- Emerging and evolving topics covered in this edition include:

Relationship marketing	Quality
Ethics	ISO 9000
Automatic replenishment	Generation X
On-line retailing	Decision support systems
Competitive intelligence	Brand equity
Product counterfeiting	Universal product design
Value pricing	Everyday low pricing
Slotting allowances	Retail supercenters
Global marketing	Market fragmentation
Reconsumption	Service encounters
Green marketing	Category-killer stores
Power centers	Market-response systems
Contract logistics	Efficient consumer response
Major-accounts organization	
Mass customization	

As this list would indicate, every chapter has been updated to reflect recent developments in marketing and the business environment.

- In recognition of the continuously growing importance of international marketing, this topic is integrated throughout the text and cases. In addition, a separate chapter on international marketing as well as a Global Perspective box in each chapter reflect the significance of this issue.
- Because of the positive response, this edition again combines wholesaling and physical distribution in one chapter, and integrates services marketing by for-profit and nonprofit organizations into a single chapter.
- This book includes two appendixes. The first, “Marketing Math,” provides additional detail on price elasticity of demand, the basics of operat-

ing statements, markups, and return on investment as a measure of performance. We’ve found these topics to be a useful review for many students and essential concepts for students who have not been exposed to them previously. The second appendix, “Careers in Marketing,” draws students’ attention to the opportunities that exist in marketing. It begins by outlining a procedure for choosing a career, then goes on to describe a variety of marketing jobs and organizations that are heavily dependent on marketing. The last portion guides students through the job search process.

Chapter-Related Cases

- Each chapter begins with a contemporary case that introduces some of the concepts, strategies, and techniques covered in the chapter. At the conclusion of the chapter, the case is revisited and additional information is presented. By addressing the questions we present at the end of each case, students discover how they can apply what they have learned in the chapter to a marketing situation. Virtually all of these cases deal with highly recognizable companies and brands. Sixteen are entirely new to this edition, and six have been substantially revised. They are:

Harlem Globetrotters	McDonald’s
Nordstrom	CBS pilot testing
Avon	Cessna
Black & Decker	General Motors electric car
General Motors’ overlapping divisions	Levi’s
Apple Computer	Boeing
Goodyear	J.C. Penney
Supervalu	Aleve
AGCO Corp.	Benetton
Enterprise Rent-A-Car	Toys “R” Us
Taco Bell	Bausch & Lomb

Part-Ending Cases

- Each of the eight parts of the text ends with two cases. All deal with familiar firms facing significant marketing challenges. Each case is designed to be realistic, yet the focus is on a relatively narrow aspect of marketing to prevent the beginning student from being overwhelmed by the complexity common to many marketing problems. An innovation in this edition is the

inclusion of several cases that focus on competitive rivalries. An example of these “versus” cases is “Coke vs. Pepsi.” This format allows students to examine intensely competitive situations in which marketing strategy often determines ultimate success. Twelve of the cases are new to this edition, and four are heavily revised from the last edition. The part-ending cases are:

Ben & Jerry’s	Coke vs. Pepsi
American Express	The Gap
Estee	Gatorade vs. the
Southwest Airlines	Upstarts
Kmart	Home Depot
PowerBar	Federal Express
AT&T vs. MCI	Frito-Lay
vs. Sprint	Disney
Sears	Nike vs. Reebok

Pedagogical Support

- The book includes eight Commitment to Customer Satisfaction boxes that describe how real firms work to implement critical components of success. These boxes reinforce the importance of the marketing concept. They include:

How annual colors for consumer and business products are selected.

Award-winning “green” products.

Real-time monitoring of products in transit.

A money-back job guarantee offered by a college.

- Nineteen You Make the Decision boxes are interspersed throughout. These boxes present synopses of actual situations faced by marketers and ask students how they would respond. The boxes move the student from a passive observer of marketing to an active participant who makes decisions about marketing actions. Among the decisions are:

How to appeal to Generation X.

The viability of a wristwatch that monitors the wearer’s media exposure.

The optimal number of new-product introductions.

Problems in marketing a new fragrance.

Buying a retail franchise.

The power of the media in creating perceptions about the European Union.

Opportunities for women in sales.

Whether or not on-line services violate consumers’ privacy.

- Every chapter contains an Ethical Dilemma box. These boxes raise the student’s awareness level of the nature and frequency of ethical challenges in marketing. Second, they help a student formulate an ethical perspective. A person’s ethical sense is not developed by listening to advice; it comes from dealing with issues, making decisions, and then appraising those decisions. Topics covered include:

How some administrators “fudge” statistics that appear in college guidebooks.

Ambush marketing tactics at the Olympics.

Airlines overbooking flights.

Extreme market-skimming pricing by pharmaceutical firms.

Participation in gray markets.

“Free” offers that contain hidden charges.

- Each chapter is followed by two types of assignments. The first is a set of eight to ten questions that focus on applying the text material rather than simply reviewing terms or memorizing definitions. We call the second type Hands-On Marketing. These assignments require that students get out of the classroom and interact with customers and/or marketers. In carrying out these assignments, students will gather information firsthand or observe real marketing situations. As a result, they will develop a practical sense of how marketing is actually performed.

Teaching and Learning Supplements

The text is the primary element in a complete package of teaching and learning resources. The supporting items include:

- An *Instructor’s Manual* that provides a complete outline of each chapter, lecture material in the form of additional examples and vignettes, and the material for one or two lectures for each chapter. The manual also includes commentaries on the chapter-related and part-ending cases; end-of-chapter questions; and Ethical Dilemma, Commitment to Customer Satisfaction, and You Make the Decision boxes.
- A *computer version of the instructor’s manual* is available in ASCII files to facilitate modifying the original version to match your teaching style.
- A *Test Bank* of over 2,500 objective questions is available on disk. The questions are coded to indicate the type (definition, concept, application) and text location.

- A comprehensive *color transparency program* to enhance lectures and class discussions.
- Classroom presentation software using *Microsoft Powerpoint “slides”* available to adopters.
- A *video program* based on timely news footage that features a wide variety of organizations and complements text discussions.
- An *Internet supplement* consisting of an introduction to the use of the Internet as part of marketing strategy, exercises keyed to the text, and suggested Internet sites as sources of additional material for the cases.
- A student *Study Guide* that provides chapter outlines, test questions and real-world cases for each chapter, and exercises that involve students in practical marketing experiences.
- A *CD-ROM supplement* based on the strategic marketing planning tool CRUSH!

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Acknowledgments

We have benefited from the contributions of our students, past and present colleagues, other professors, and business executives in preparing this and previous editions of *Marketing*. To all these people, though too numerous to mention, we owe a debt of gratitude.

Several individuals have contributed significantly to the supplementary materials accompanying the text. The chapter-related and part-ending cases were written by Professor Craig A. Kelley of Sacramento State College. Professor Thomas J. Adams of Sacramento City College continues to do an outstanding job preparing the *Study Guide*. Professor Adams also worked with us and Professor Kelley in putting together a comprehensive *Instructor's Manual*. An extensive set of objective test questions were developed by Professors Tom and Betty Pritchett of Kennesaw State College.

We also received help with research from Grant Montgomery, Andy Smith, and Shifali Dhingra at various times during this revision. Melinda Mayfield also assisted in compiling the Glossary.

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Michael J. Etzel
Bruce J. Walker
William J. Stanton

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