

MARKETING MANAGEMENT

Text and Cases

7

th Edition

*Douglas J. Dalrymple
Leonard J. Parsons*



MARKETING MANAGEMENT

Text and Cases

Seventh Edition

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PREFACE

This combination text and casebook is designed to help students learn marketing management concepts and apply them to solve business problems. Marketing is the driving force that helps firms succeed in the new era of information explosion, instant Internet communications, and global competition. Students must appreciate the key role that marketing plays in the creation and distribution of goods and services to business and consumer buyers. The importance of marketing to business prosperity means that marketing has become an important pathway for students to move to the top of the executive career ladder.

Marketing works closely with other functional areas. Business problem-solving and planning today is multidisciplinary. Students must understand the linkages among the functional areas.¹ Taking a flexible multidisciplinary approach in thinking and problem solving prepares the student for not only that first position in marketing but also for the ultimate move to general management.

Approach and Objectives

The 7th edition of *Marketing Management* focuses on the activities of managers who make the everyday decisions that guide the marketing of goods and services. To operate successfully in a business environment, students need to understand what marketing executives do and how marketing builds sales and profits. This book provides in-depth coverage of all elements of the marketing mix and shows how they are used in the business world. Our approach to marketing management is comprehensive, up-to-date, and practical. We use many real-world examples and present them in an easy-to-read style. Stories in boxes highlight recent applications of marketing management (Marketing in Action boxes) and unique marketing strategies (Marketing Strategy boxes). The 7th edition of *Marketing Management* is unique because it is one of only two marketing books that devote half their space to text material and half to cases. We place cases at the end of each chapter so students can take the principles they learn in each chapter and apply them directly to solve a relevant case problem. Students get a complete marketing management text and a marketing casebook all in

¹ Rhett H. Walker, Dallas Hanson, Lindsay Nelson, and Cathy Fisher, "A Case for a More Integrative Multidisciplinary Marketing Education," *European Journal of Marketing*, Vol. 32, No. 9/10, 1998, pp. 803–812.

one package. Thus students who take courses using this text have only one book to buy and carry around.

We believe that the new edition offers instructors flexibility to emphasize text or case material, as they prefer, and to employ different methods of instruction. Some instructors may want to supplement this book with specialized readings or to add some of their own cases. We encourage the instructor to have students subscribe to *The Wall Street Journal*, read general business publications such as *Business Week* and *Fortune*, and get exposure to specialized marketing publications such as *Admap* and *Promo* magazines.

We have suppressed some of the citations that appeared in earlier editions. Our objective is to simplify the appearance of the book, not to claim the ideas of our colleagues as our own. Readers looking for source material are encouraged to seek out earlier editions of our book. Much of the theoretical material embedded in the book first appeared in the academic publications such as the *Journal of Marketing* and the *Journal of Marketing Research*. At the end of each chapter we include Suggested Readings and References. Suggested Readings are usually articles that help flesh out and illustrate the material in the book. References are often books containing details about the material contained in a chapter, since each chapter topic could be given as a course by itself!

Changes in This Edition

The most important content change in the new edition is our expanded coverage of electronic commerce and the Internet. We now have extensive discussions of the impact of the Internet on marketing activities in the distribution, direct marketing, advertising, and promotion chapters. To highlight our increased focus on interfunctional coordination, we added “Applying to” and “Integrating with” icons in the margins to point out relevant text discussions. We have also updated eighty-five percent of the boxed inserts to provide students with newer and more interesting examples. To help make students more aware of the social environment, we have included a business ethics question at the end of each of the chapters. The case section of the book has been strengthened by the addition of 27 new cases out of a total of 39. In recognition of the growing importance of global marketing, we have included 28 international cases. Now that services account for over half of GDP, we selected 15 service marketing cases for the new edition. One question at the end of most chapters, as well as some of the cases, have databases that encourage the use of SPSS statistical software for student analysis.

We have chosen to reduce the length of the new edition to make it easier for students to use. Our goal was to shorten the book by eliminating secondary material without hurting coverage of important topics. For example, the forecasting material was integrated with the product development chapter so the book now has 16 chapters. We would note that although all the chapters have been shortened, they have been thoroughly revised with new material, updated tables, figures, and references.

Supplements

Successful marketing management courses require a well-written text and an effective set of supplementary teaching materials. We have assembled an outstanding package of these aids to support *Marketing Management*.

- Instructors Resource Guide. Includes suggested course syllabi, chapter outlines, lecture notes, case notes, and answers to chapter-end questions.

- SPSS Student Version for Windows 9.0. This software is available to package with the text to help students analyze the data in The High Museum of Art, Del Monte Foods, and other cases.
- PowerPoint Files and NBR videos. A topic outline and key figures from the text are now available in PowerPoint files that can be downloaded from the book's Web site for use in class. The Web site is www.wiley.com/college. At this point, users can access the site in two primary ways:

1. Search for Book Site by Author Name:

|A|B|C|D|E|F|G|H|I|J|K|L|M|N|O|P|Q|R|S|T|U|V|W|X|Y|Z|

Selecting "D" will provide you a listing of Web sites of lead authors with last names beginning with D.

2. By selecting:

Business
Marketing
Marketing Management

The Web site will be open access except for the Instructor's resources. Secured Instructor Resources (PowerPoint files, Instructor's Manual, and the like) can be accessed only by using a password. Instructors can register for the password online. They will simply need to follow the registration instructions.

NBR stands for Nightly Business Report (PBS). The Wiley Nightly Business Report video series contains segments from the highly respected Nightly Business Report, which have been selected for their applicability to marketing management principles and for their reinforcement of key concepts in the text. Each of the segments is approximately three-to-five-minutes long and can be used to introduce topics to the students, enhance lecture material, and provide real-world context for related concepts. The videotape is available to adopters of the text. Please see your Wiley representative for details.

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This book could not have been published without the spirited comments and suggestions from a host of colleagues and reviewers. Although we don't have room to mention everyone, we would like to express our appreciation to the following professors who provided valuable tips for the seventh edition: Craig Andrews, Marquette University; Connie Rae Bateman, University of North Dakota; Terry Bristol, University of Arkansas at Little Rock; Kevin Coulson, Northeastern Illinois University; Susan Dann, Queensland University of Technology, Australia; Craig Kelley, California State University, Sacramento; Eldon Little, Indiana University Southeast; Charles L. Martin, Wichita State University; Richard M. Reese, Clemson University; Dennis Rosen, University of Kansas; and Nader H. Shooshtari, University of Montana.

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prepared several hundred unsolicited multiple-choice questions for the 6th edition after its *Instructor's Manual* was published.

We express our appreciation to those who made case materials available for the new edition. We note that sometimes figures in the author's original cases have not been reproduced in our book because the appropriate case clearinghouse did not provide our publisher with camera-ready copy.

We are especially indebted to Linda Sharp for typing countless drafts and revisions. Last, but certainly not least, we thank our wives, Nancy and Julie, for their help and encouragement.

Douglas J. Dalrymple
Leonard J. Parsons

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Advisory Board of the American Marketing Association's Marketing Research Special Interest Group. He has served as marketing departmental editor of *Management Science* and associate editor of *Decision Sciences*, and has been on the editorial boards of the *Journal of Marketing Research*, the *Journal of Marketing*, and the *Journal of Business Research*. He has coedited special issues of the *International Journal of Forecasting* and the *International Journal of Research in Marketing*. He has coauthored or coedited five books, and *Market Response Models: Econometric and Time Series Analysis*, two programmed learning texts, seven chapters in books, and articles in journals such as the *Journal of Marketing Research*, *Management Science*, *Operations Research*, and *Applied Economics*. He has received several awards from the American Marketing Association, including the first place award in its National Research Design Competition, and a grant from the American Association of Advertising Agencies. He is a member of Beta Gamma Sigma and Phi Kappa Phi and is listed in *Who's Who in America*. He is an expert on market response models, and his main interest is in marketing productivity.

CONTENTS

Preface iii
About the Authors vii

1	THE ROLE OF MARKETING IN ORGANIZATIONS AND SOCIETY	1
	What Is Marketing? 1	
	Who Is the Marketing Manager? 3	
	What Does a Marketing Manager Do? 8	
	The Marketing Management Process 10	
	The Marketing Concept 15	
	Marketing and Society 18	
	Cases: 1-1 The Case Method 22	
	1-2 Skyward Aviation: Route Expansion 26	
	1-3 Loblaws 33	
2	MARKETING STRATEGY	46
	What Is Marketing Strategy? 46	
	What Is Our Mission? 53	
	Analyzing Strategic Business Units 55	
	Selecting Marketing Strategies 58	
	Cases: 2-1 PCS: The Next Generation of Wireless Communications 64	
	2-2 Drypers Corporation (A) 72	
3	CUSTOMER ANALYSIS	83
	Why Are Customers Important? 83	
	Who Are My Customers? 83	
	Where Are My Customers? 86	
	When Do My Customers Buy? 88	
	What Do My Customers Want? 89	
	How Do Customers Buy? 91	
	How Does My Firm Become Customer Oriented? 102	
	Cases: 3-1 Parfum Nineveh 107	
	3-2 High Museum of Art 113	

4	MARKET SEGMENTATION AND PRODUCT DIFFERENTIATION	122
	Mass Marketing 122	
	Market Segmentation 125	
	Product Differentiation 133	
	Mass Customization 136	
	Must Segmentation and Differentiation Always Go Together? 136	
	<i>Cases:</i> 4-1 Calambra Olive Oil (A) 140	
	4-2 Delta Oil Outlets (B) 149	
5	COMPETITIVE ANALYSIS AND PRODUCT POSITIONING	164
	Who Are Your Competitors? 165	
	What Are Your Relations With Your Competitors? 167	
	How Do You Learn About Your Competitors? 171	
	Where Do You Compete? 172	
	When Do You Compete? 172	
	How Do You Compete? 175	
	How Do You Position Your Product? 177	
	<i>Cases:</i> 5-1 Royal Automobile Club (A) 183	
	5-2 Arctic Power 190	
	5-3 Station KGEN 201	
6	PRODUCT DEVELOPMENT AND TESTING	219
	Why Develop New Products? 219	
	Search and Screening 222	
	Revenue and Cost Analysis 226	
	Development and Testing 228	
	Test Marketing 235	
	Commercialization 237	
	Managing NPD 240	
	<i>Cases:</i> 6-1 Capital (A) 244	
	6-2 GTE Telemessenger Service 262	
	6-3 Timotei (A) 275	
7	BRAND MANAGEMENT	285
	What Is A Brand? 285	
	Brand Equity 287	
	Brand Strategy 289	
	Brand Quality 295	
	Brand Warranties and Service 296	
	Exploiting the Brand Life Cycle 297	
	Brands In Decline 298	
	<i>Cases:</i> 7-1 McIlhenny Company: Japan 306	
	7-2 Ohmeda Monitoring Systems 319	
	7-3 Timotei (B) 332	
8	SERVICES MARKETING	338
	Nature of Services 338	
	Service Marketing Characteristics 342	
	Managing the Service Marketing System 347	
	<i>Cases:</i> 8-1 Singapore Airlines 357	
	8-2 Joe DiMaggio Children's Hospital 367	

9	PRICING	375
	Finding the Right Price 375	
	Choosing A Pricing Method 381	
	When Should Prices Be Changed 391	
	<i>Cases:</i> 9-1 Baxter (A) 397	
	9-2 Alias Research, Inc. 406	
	9-3 Cook, Inc. 413	
10	SELECTING DISTRIBUTION CHANNELS	417
	Distribution Alternatives 417	
	Channel Choice 426	
	Managing the Channel 428	
	Organizing Distribution 430	
	<i>Cases:</i> 10-1 The Coca-Cola Company: Venezuela 435	
	10-2 Jefferson Pilot Corporation 447	
11	PERSONAL SELLING AND SALES FORCE MANAGEMENT	459
	The Role of Personal Selling 459	
	How Many Salespeople? 462	
	Organizing the Sales Force 464	
	Recruiting and Selecting Salespeople 465	
	Motivating and Compensating Salespeople 468	
	Designing Efficient Sales Territories 470	
	Allocating Sales Effort 472	
	Evaluating Sales Performance 473	
	<i>Cases:</i> 11-1 Arapohoe Pharmaceutical Company 481	
	11-2 Practical Parties 486	
	11-3 York Electronics 492	
12	DIRECT MARKETING	496
	Targeting 496	
	Media Selection 498	
	Integrated Direct Marketing 506	
	<i>Cases:</i> 12-1 First Direct: Branchless Banking 510	
	12-2 Nashua Photo 527	
13	DESIGNING ADVERTISING PROGRAMS	536
	The Foundations for Advertising 536	
	Advertising Objectives and Goals 541	
	The Budget 543	
	Message Content 545	
	Media Selection 550	
	Measuring Advertising Effectiveness 551	
	Advertising versus Direct Marketing 556	
	<i>Cases:</i> 13-1 Air Miles™ (A) 560	
	13-2 Pepsi-Cola Spain 564	
	13-3 Daewoo Motor Company UK (B) 571	
14	SALES PROMOTION AND PUBLIC RELATIONS	575
	Sales Promotion Mix 575	
	Types of Promotions 579	

Conflicts Between the Promotional Mix and Marketing Mix	583
Public Relations	588
Measuring Campaign Effectiveness	590
Cases: 14-1 American Express: Membership Rewards Europe	596
14-2 Tesco Supermarkets	606
14-3 Del Monte Foods	616

15**INTERNATIONAL MARKETING****623**

Environment of International Marketing	624
Which Markets To Enter	630
Market Entry Strategies	630
Global versus Localized Marketing	635
Cases: 15-1 GPS One-Hour Service (C)	641
15-2 J. Miller, Inc.	655

16**MARKETING PLANNING****659**

Brand Manager as Planner	659
The Marketing Audit	661
Building the Marketing Plan	662
Testing the Marketing Plan	668
Implementation and Control	670
Appendix: <i>Sample Marketing Plan for Cook Inc. Endarterectomy Oscillator</i>	677
Cases: 16-1 Procter & Gamble: Facelle Division Facial Tissue	680
16-2 Timotei (C)	690

Case Index	699
Subject Index	701

THE ROLE OF MARKETING IN ORGANIZATIONS AND SOCIETY

Marketing today is not a function; it is a way of doing business.

REGIS MCKENNA

The field of marketing in the new millennium is full of challenges and risks. Domestic firms in every country find that they can no longer ignore foreign competition and foreign markets. Organizations that let their costs and prices get out of line with the rest of the world see their market shares plummet. Companies also learn that they cannot ignore emerging technologies and new forms of organizational structure.

Some firms seize market opportunities and grow while others fade away. Why? We believe that one reason is vision. Another reason some organizations grow is that they choose chief executive officers with marketing backgrounds. Research has shown that more top executives come out of marketing than any other field. A marketing emphasis can make the difference between organizational success and disaster. We believe it is essential that you acquire strong marketing skills so that you can operate in today's competitive environment. This book has been specifically designed to show you how to develop and implement marketing strategies and tactics for organizations of the new millennium.

WHAT IS MARKETING?

Marketing is one of the most powerful tools employed by organizations in their never-ending struggle for survival and growth. One definition of marketing is

the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individuals, organizations, and society.¹

This definition points out that the objective of marketing is to satisfy customers' needs. Thus, the first challenge is to find a set of customers and identify their needs so that appropriate goods and services can be developed. Once an organization has a product, marketing personnel design pricing, promotion, and distribution plans to make these items leap into the hands of the customer. Executives are responsible for meeting organizational goals while ensuring that the customer and the public are not harmed by marketing activities. When we speak of exchanges, we do not restrict ourselves to the onetime, arm's-length transaction between a buyer and a seller.

In a single-event transaction, all that counts is the sale.² Price is the most important factor. More often, instead of only one transaction, there are repeated transactions between parties. This is true for some industrial components and most consumables: frequently purchased consumer goods and business supplies. Advertising and sales promotions are used to gain and retain customers. Concepts such as brand loyalty now have meaning. Nonetheless, there may be little direct contact between the marketer and the customer in many consumer markets. When we examine business-to-business markets, we often see long-term agreements among parties. Frequently, a buyer has a list of qualified vendors. The buyer encourages competition among these vendors, perhaps by using a competitive bidding process, to get the best price. The buyer monitors product quality by inspection on delivery. Thus, although this is a long-term relationship, its basis is adversarial. However, the picture we have painted of the marketplace so far, which could be called *transactional marketing*, is changing.

Relationship marketing emphasizes the interdependence between buyer and seller. Even for frequently purchased consumer products, you need to move beyond a repeat transaction mentality to relationship marketing. This has been made possible by the technical ability to create large databases, which identify customers and their needs. You can reach specific customers through direct selling or direct marketing. This approach to relationship marketing is known as *database marketing*. It could also be considered a form of transactional marketing but one that allows you to get somewhat closer to your customer. When using advanced information technology based on individually addressable and interactive media, database marketing is known as *interactive marketing*.

Facing new pressures, once contending parties, especially in business-to-business markets, are realizing the value of cooperation. Quality, delivery, and technical support as well as price, enter into negotiations. Quality is built into the production process. Product design becomes a collaborative process. Individuals in the seller organization interact with their counterpart in the buyer organization in a process known as “customer partnering.” Thus, social exchange (i.e., personal interactions) to create value for both parties is paramount. This approach to relationship marketing is known as *interaction marketing*, and should not be confused with interactive marketing.

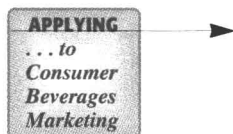
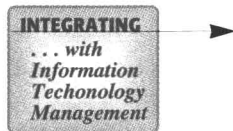
In today’s world, it’s important to develop long-term, mutually supportive relationships with your customers—whether they are channel members or end users. This approach can be extended to embrace suppliers and, at times, competitors as well. In some cases, the relationship takes the form of a partnership or a strategic alliance. For example, the Coca-Cola Company and Nestlé S.A. have a joint venture, Coca-Cola Nestlé Refreshments Company. Among other things, this joint venture sells a canned beverage, Nestea Iced Tea. The product is produced and distributed by Coca-Cola bottlers in various countries. This approach to relationship marketing, which is known as *network marketing*, takes into account the totality of the relationships in a market or industry, and it is a more holistic view of interaction marketing. Interaction marketing emphasizes the focal relationship of the firm in the network as indicated in Figure 1-1.

A perceptual map showing transactional marketing and the three types of relationship marketing is shown in Figure 1-2. Certain types of marketing practice are more common in some sectors than others (as indicated in Figure 1-2). While one type of marketing may be predominant in a firm, others are also practiced. A comparison of the characteristics of the four types is given in Table 1-1.

In sum, a contemporary view of the purpose of marketing is

to identify and establish, maintain, and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of the partners involved are met; and this is achieved by mutual exchange and fulfillment of promises.³

Nonetheless, for most organizations, transactional marketing remains relevant and is practiced concurrently with various types of relationship marketing. Some of the interplay that



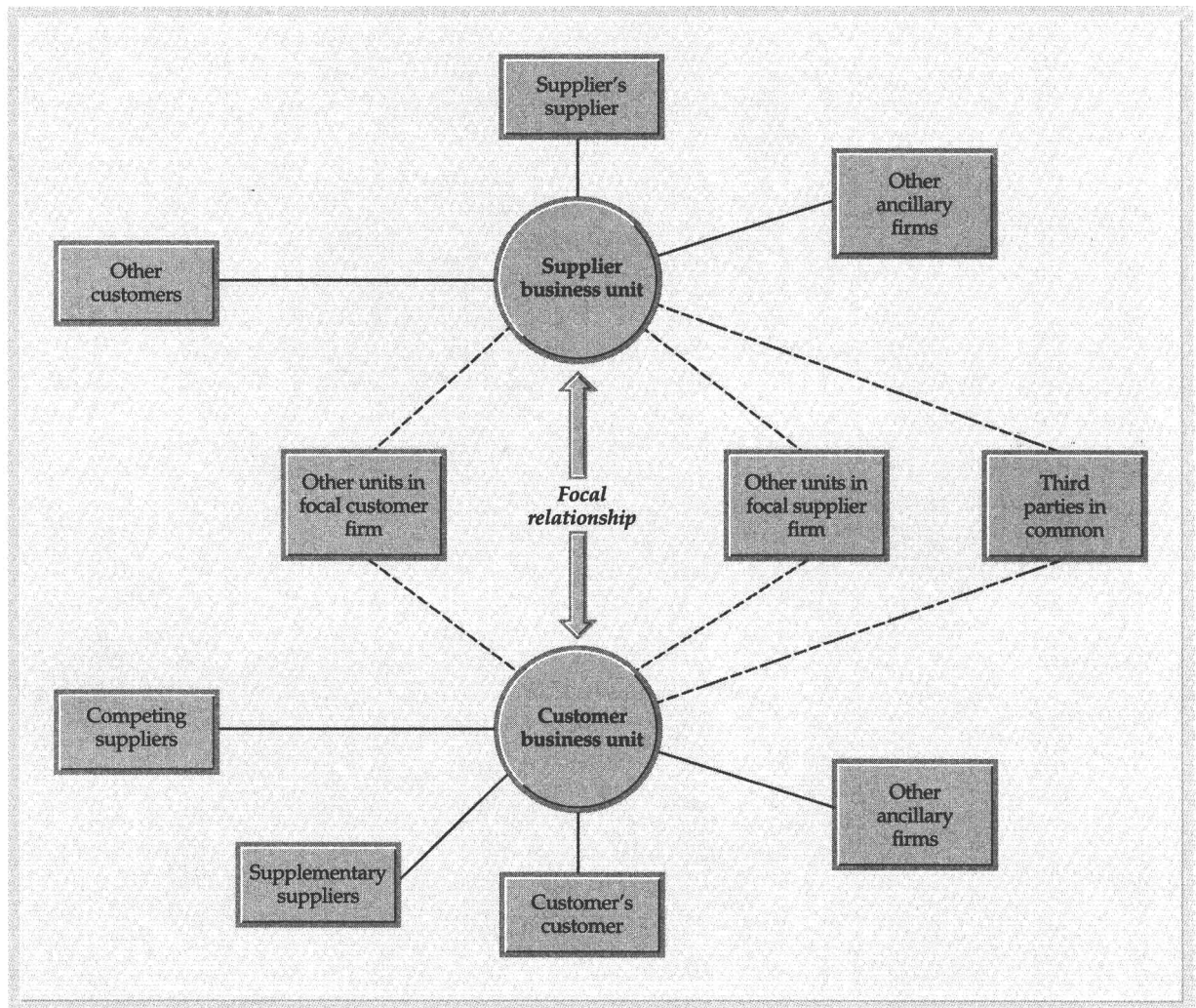


FIGURE 1-1 Focal Relationship Within a Network

(From James C. Anderson, Håkan Håkansson, and Jan Johanson, "Dyadic Business Relationships Within a Business Network Context," *Journal of Marketing*, Vol. 58, No. 4 [October 1994], p. 3)

takes place is hinted at in the Ocean Spray example given in the Marketing in Action box 1-1.

The role marketing plays in an organization varies by organizational level (Table 1-2). At the corporate level, *marketing as culture* is emphasized; at the strategic business unit level, *marketing as strategy*; and at the operating level, *marketing as tactics*. This chapter emphasizes marketing as culture: the basic set of values and beliefs about the central importance of the customer that guide the organization, as articulated by the marketing concept.

WHO IS THE MARKETING MANAGER?

A marketing manager is anyone responsible for making significant marketing decisions. Except in the case of very small firms, no single person is accountable for all the decisions described in this book. The responsibility for marketing is diffused throughout the organiza-

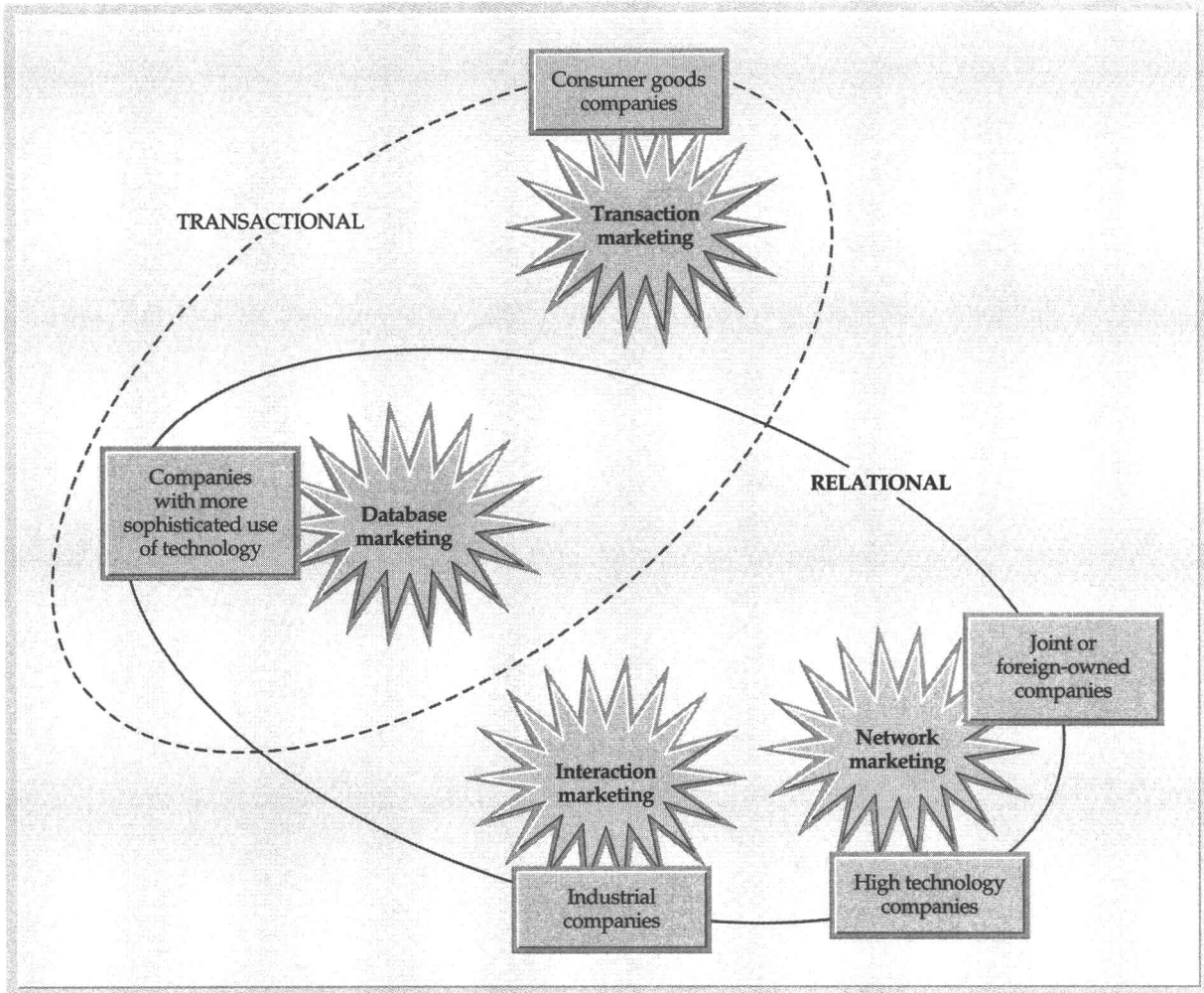


FIGURE 1-2 A Perceptual Map of the Four Types of Marketing (with exemplars).

(Constructed from information in Roderick J. Brodie, Nicole E. Coviello, Richard W. Brookes, and Victoria Little, "Toward a Paradigm Shift in Marketing? An Examination of Current Marketing Practices," *Journal of Marketing Management*, Vol. 13, No. 5 [July 1997], pp. 383–406.)

INTEGRATING
... with
Engineering
and *Finance*

tion. Senior managers are continually making pricing and strategic marketing decisions. But engineers are also involved in marketing because they have to design products that meet customers' needs, wants, and quality standards, as are corporate treasurers who oversee the credit terms and credit availability that directly affect buying decisions.

Several managers in an organization specialize in marketing decision making. These include *brand and product managers*, who make the day-to-day decisions for individual items and prepare the annual marketing plan. The brand manager is charged with managing and further developing the brand equity. *Category managers* coordinate the marketing strategies of related products and brands. The evolution of the brand manager system at Procter & Gamble is described in Marketing in Action box 1-2. There are also line sales managers who guide the implementation of the marketing plan by the field sales force. In addition to these line managers, there are a variety of staff managers. Advertising and promotion managers control the preparation of print ads, TV commercials, direct-mail