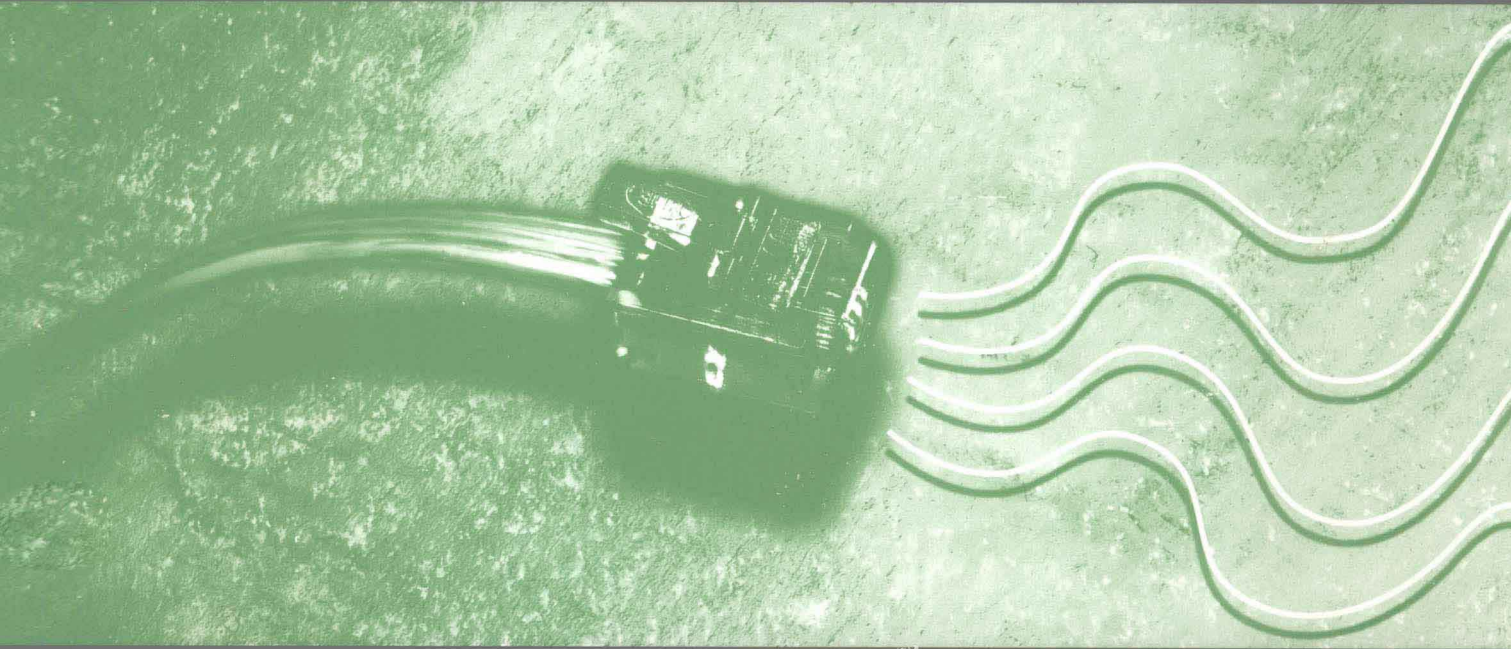


Study Guide

CONTEMPORARY MARKETING **wired**

Ninth Edition



Thomas S. O'Connor

Boone & Kurtz

Study Guide

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CONTEMPORARY MARKETING *wired*

Ninth Edition

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The Dryden Press

Harcourt Brace College Publishers

Fort Worth

Philadelphia
Toronto

San Diego
Montreal

New York
London

Orlando
Sydney

Austin
Tokyo

San Antonio

Introduction

There have been a number of changes made in the *Study Guide for Contemporary Marketing — Wired*, Ninth Edition. As always, I made them only when I felt they would improve the essential purpose of this work — to help the student gain greater understanding of the profession or marketing as it is practiced and studied today. The *Study Guide* is closely coordinated with the textbook and each of its parts is structured as a learning unit exploring a particular area of the discipline of marketing.

Coverage of each chapter of the *Study Guide* begins with an outline of the material in the in the chapter. The outline, when used in concert with the textbook, is designed to serve as a memory refresher to assist in recalling significant points in the text as you work through the exercises in the guide.

Other features include a **Self-Quiz** for each chapter's material; **Experiential Exercises** which let you examine marketing operations firsthand; **Applying Marketing Concepts**, a series of illustrations of how the techniques and principles described in the text are put to use; **Surfing the Net**, addresses and commentaries on some Internet Web sites of particular interest to the marketing student; and a **Crossword Puzzle** that relates terms in the text with their definitions.

In **Creating a Marketing Plan**, you are given information you can develop by following the adventures of three young entrepreneurs.

Each of the parts of this guide contains a brief synopsis of the part as well as several **Cases** that call for problem solving in a marketing context.

As always, I solicit and welcome your comments and those of your teachers. Though I have made every effort to make sure that the answers match the questions and it all makes sense, I'm sure there are errors scattered here and there through the *Study Guide*. For these I apologize and request that if you find them, please tell me about them. I'm **TSOMK @UNO.EDU**.

Otherwise, my best wishes to you in your studies and in the use of these materials.

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A Few Words of Thanks

As always, it has been a pleasure working with the people at Dryden Press. Tracy Morse has been unstintingly pleasant as we have worked our way through this revision. My thanks also go to all those folks whom I don't know who've read and commented on this work as it was in process. And my secretary, Marilyn Schiro, has ably assisted in keeping other things at bay while I pursued this project.

My family have, as usual, tolerated me well while this revision was in progress. By now they're used to it. To them I express my deepest appreciation for that tolerance. Thanks again Val, Brian, and Terrence.

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Part 1

The Contemporary Marketing Environment

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services, organizations, and events to create and maintain relationships that satisfy organizational and individual objectives. The marketing process creates time, place, and ownership utilities for consumers. Today's marketplace is global in scope. Firms can no longer limit their activities to areas defined by national boundaries.

Marketing arises out of the exchange process. The emphasis on marketing activities increases as firms progress through the four eras of: (1) production orientation, (2) sales orientation, (3) marketing orientation, and (4) relationship orientation. Long-run success cannot result unless firms adopt a company-wide consumer orientation. This realization has been called the marketing concept. In recent years, the marketing concept has been broadened to include the activities of not-for-profit organizations, though their marketing activities often differ significantly from those of for-profit firms. In the area of nontraditional marketing, we find people, places, causes, events, and organizations now being treated as though they were goods or services. In addition, computers and the Internet now offer an interactive marketplace accessible without leaving home.

Marketers plan and coordinate the four strategic areas of product, distribution, promotion, and pricing. A comprehensive marketing mix strategy cannot be set until the needs and wants of the chosen market segment have been determined. The desirability of the development of positive long-term relationships between vendors and customers must be recognized. For marketing to take place, it is usually necessary that a firm or some combination of firms perform the eight universal functions of: (1) buying, (2) selling, (3) transporting, (4) storing, (5) standardization and grading, (6) financing, (7) risk-taking, and (8) securing marketing information.

Quality describes the degree of excellence or superiority of an organization's goods and services, as well as the intangible component of consumer satisfaction. Employee involvement in creating customer satisfaction is achieved through internal marketing, managerial actions designed to help all members of an organization understand, accept, and fulfill their roles in its marketing strategy. Suppliers can also become targets of the internal marketing process.

Understanding customer needs begins with the recognition of the possibility of gaps between their expectations of quality and what they receive. Such gaps may be positive (the quality is better than expected) or negative. Customer feedback is one way of getting information about such gaps. An ongoing customer satisfaction measurement program may then be created to track the gap over time.

Total quality management is an approach that involves all employees in continually improving products and work processes to achieve customer satisfaction and world-class performance. Applying TQM to marketing involves (1) involving top management, (2) involving employees, (3) conducting a marketing audit, (4) focusing on customer satisfaction, and (5) working toward continuous improvement in the marketing function.

Benchmarking is the process in which an organization continuously compares and measures itself against business leaders to gain information that will improve performance. The key steps of benchmarking include identifying processes that need improvement, comparing internal processes against similar activities of industry leaders, and implementing changes for better quality. Improvement in the marketing function is achieved by reducing cycle time, reducing variation in work processes, products, and services, and eliminating waste.

The marketer must be aware of the five interacting environments which affect marketing activities: the competitive, the political-legal, the economic, the technological, and the social-cultural. These environments are complex and are affected by the actions of many persons and organizations.

The competitive environment includes all those organizations competing for the purchasing power of customers. A firm chooses its competitive environment when it chooses its markets and may face direct competition, competition from substitutes, and competition from all other organizations that seek to sell to consumers.

Marketing strategies must be adjusted in response to changes in the political-legal environment. Early antitrust legislation was aimed at maintaining a competitive environment. Later legislation arising out of conditions which existed during the 1930's was designed to protect small competitors from discriminatory practices. Since the 1950's, a number of laws have been designed to protect consumers from harmful marketing practices and unsafe products or services. Beginning in the 1970s, it became common to "deregulate" industries which were formerly under substantial government control, yet there still exist many regulatory agencies charged with implementing existing laws. In addition, public and private consumer interest groups have an effect on this environment.

The rate of inflation, stage of the business cycle, level of unemployment, national income, and availability of critical resources all influence the likelihood of individuals parting with discretionary income. If resources are in short supply it becomes difficult to satisfy consumer demand.

Technology is changing with incredible speed. There are competitors in this environment, too, and technological breakthroughs by others may take market share away from those who don't keep up the pace.

The social-cultural environment is a significant factor to marketers. This area includes all relationships marketers have with society. Rising educational levels and better communications have lead to greater public involvement in this area. Moreover, changing dietary habits and greater consciousness of cultural diversity have presented opportunities and challenges in the marketplace. Finally, the question of ethical conduct is a very serious issue in this context — many would say that marketing's role in society now hinges on the moral/ethical issue.

Entering the global market involves understanding the differences in the marketing environment as one moves from culture to culture. Failure to do this can mean disaster. The global market is a huge and diverse one, including over 6 billion people and growing at a rate of 1.5 percent a year. One of the more significant influences on a firm's activities in the global sphere is the trend toward multinational economic integration. Entry into the world market may be by exporting, contractual agreement, or international direct investment. American firms must also recognize that the United States is an attractive market for international entrepreneurs.

Chapter 1

Developing Relationships through Customer Focus, Quality, Technology, and Ethical Behavior

Chapter Outline

You may want to use the following as a guide in taking notes.

- I. Chapter Overview -- Today's Organizations Stand on the Threshold of New Marketing Frontiers as Communications and Computer Technology Globalize Today's Marketplace
- II. What is Marketing?
 - A. Production and marketing of goods, services, and causes -- the essence of economic life in any society
 - B. Organizations create utility -- the want-satisfying power of a good or service
 - C. A Definition of Marketing -- Conception, pricing, distribution, and promotion of ideas, goods, services, organizations, and events by for-profit and not-for-profit organizations
 - D. Today's Global Marketplace -- a customer base of 6 billion people
- III. The Origins of Marketing Lie in the Need for Exchange of One Valuable Item for Another
- IV. Four Eras in the History of Marketing
 - A. The production era -- a quality product will sell itself
 - B. The sales era -- output increases, manufacturers seek customers for their goods, and personal selling is viewed as a means to overcome sales resistance
 - C. The marketing era -- a new point of view appears as the seller's market becomes a buyer's market and organizations develop a consumer orientation
 - D. The relationship era -- firms attempt to develop long-term relationships with customers and suppliers
- V. Avoiding Marketing Myopia -- Recognizing the Scope of One's Business
- VI. Extending the Traditional Boundaries of Marketing
 - A. Marketing in not-for-profit organizations

B. Characteristics of not-for-profit marketing

C. Nontraditional marketing -- marketing people, places, causes, and organizations

VII. Elements of a Marketing Strategy

A. The target market

B. Marketing mix variables -- product strategy, pricing strategy, distribution strategy, promotional strategy

C. Marketing environment

D. Quality and customer satisfaction

E. Critical thinking and creativity

VIII. The Technology Revolution in Marketing

A. Interactive marketing

B. The Internet

C. How marketers use the Web

IX. From Transaction-Based Marketing to Relationship Marketing -- Developing Partnerships and Strategic Alliances

X. Costs and Functions of Marketing

A. It costs money to produce utility

B. The exchange functions -- buying and selling

C. The physical distribution functions -- transporting and storing

D. The facilitating functions -- standardizing and grading, financing, risk-taking, and securing marketing information

XI. Ethics and Social Responsibility: Doing Well by Doing Good

XII. The Study of Marketing

Name _____ Instructor _____

Section _____ Date _____

Key Concepts

The purpose of this section is to allow you to determine if you can match key concepts with the definitions of the concepts. It is essential that you know the definitions of the concepts prior to applying the concepts in later exercises in this chapter.

From the list of lettered terms, select the one that best fits each of the numbered statements below. Write the letter of that choice in the space provided.

Key Terms

- | | |
|---------------------------|----------------------------|
| a. utility | o. organization marketing |
| b. marketing | p. target market |
| c. exchange Process | q. marketing mix |
| d. production orientation | r. product strategy |
| e. sales orientation | s. pricing strategy |
| f. seller's market | t. distribution strategy |
| g. buyer's market | u. promotional strategy |
| h. consumer orientation | v. technology |
| i. marketing concept | w. interactive marketing |
| j. marketing myopia | x. Internet |
| k. person marketing | y. World Wide Web |
| l. place marketing | z. virtual storefront |
| m. cause marketing | aa. relationship marketing |
| n. event marketing | ab. strategic alliance |

- _____ 1. An example of this would be when states, cities, and countries publicize their tourist attractions to lure vacation travelers.
- _____ 2. A blending together of the elements of promotion by marketers to create effective communication with their target market.
- _____ 3. Occurs when management fails to recognize the scope of its business.
- _____ 4. Marketing of sporting, cultural, and charitable activities to selected target markets.
- _____ 5. Form of interactive media that allows customers to view and order merchandise.
- _____ 6. The blending of marketing strategy elements to fit the needs and preferences of chosen consumer segments.
- _____ 7. "The want-satisfying power of a good or service" describes this characteristic.

- _____ 8. A market characterized by a shortage of goods and services.
- _____ 9. Development and maintenance of long term, cost effective exchange relationships with individual customers, suppliers, employees, and other partners for mutual benefit.
- _____ 10. Choosing brand names and trademarks, deciding on package design, and creating the terms of warranties are part of this.
- _____ 11. Marketing by mutual-benefit organizations, service organizations, and governments that seeks to influence others to accept their goals, receive their services, or contribute to them in some way.
- _____ 12. An interlinked collection of graphically rich information sources within the larger Internet.
- _____ 13. You hear a radio commercial which outlines the plight of the world's children and asks for your help in relieving their difficulty by contributing to the child-oriented charity of your choice. How would you characterize this activity?
- _____ 14. Buyer-seller communication in which the customer controls the amount and type of information received from a marketer through such channels as the Internet.
- _____ 15. This afternoon's mail brings an envelope containing a pamphlet praising a candidate for a local political office. The pamphlet and the accompanying request for a financial contribution is typical of this activity.
- _____ 16. "The strong buyer's market which appeared in this country after World War II made it necessary for business to realize that it must first market, then sell goods." What new point of view does this phrase describe?
- _____ 17. A marketplace characterized by an abundance of goods and services.
- _____ 18. A partnership between organizations that creates competitive advantages.
- _____ 19. The philosophy that if you "build a better mousetrap the world will beat a path to your door".
- _____ 20. Assuring that products are shipped to the right destinations is part of this strategy.
- _____ 21. Application to business of knowledge based on scientific discoveries, inventions, and innovations
- _____ 22. The objective of this company-wide consumer orientation is the achievement of long-term success.
- _____ 23. Composed of some 48,000 different networks around the globe, this lets anyone with access to a personal computer send and receive images and data anywhere.

- _____ 24. The process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services, and organizations to create exchanges that will satisfy individual and organizational objectives.
- _____ 25. The process of two or more parties trading things of value to satisfy perceived needs.
- _____ 26. When a business assumes that consumers do not wish to buy nonessential products and services and relies on creative advertising and personal selling to "push" its offering, it is expressing this philosophy.
- _____ 27. A group of people toward whom a firm markets its goods, services, or ideas with a strategy designed to satisfy their specific needs and preferences.
- _____ 28. The area of marketing strategy which is closely regulated and subject to considerable public scrutiny.

Name _____ Instructor _____

Section _____ Date _____

Self-Quiz

You should use these objective questions to test your understanding of the chapter material. You can check your answers with those provided at the end of the chapter.

While these questions cover most of the chapter topics, they are not intended to be the same as the test questions your instructor may use in an examination. A good understanding of all aspects of course material is essential to good performance on any examination.

True/False

Write "T" for True or "F" for False for each of the following statements.

- _____ 1. Perry and Monica Lopez successfully employed cybermarketing to bring their small store, Hot Hot Hot, to the attention of a world-wide audience of spicy food fans.
- _____ 2. Marketing does not take place in underdeveloped countries because the traders who sell goods in central marketplaces cannot afford television and radio advertisements.
- _____ 3. It is now recognized that marketing concepts and techniques apply to not-for-profit organizations as well as to profit-oriented businesses.
- _____ 4. When the late Robert J. Keith said of Pillsbury during its early years, "We are professional flour millers . . . our basic function is to mill high-quality flour," he was putting a production-oriented philosophy into words.
- _____ 5. Companies with a sales orientation assume that customers are actively seeking their goods and services and need only to be told of their existence -- sales will automatically follow..
- _____ 6. Severe weather such as deep freezes or tornadoes can result in tremendous reductions in fruit crops such as oranges. If the amount of oranges available is less than the number consumers wish to eat, a buyer's market exists.
- _____ 7. An example of marketing myopia is when an airline defines its main scope of business activity as providing faster airline service than any other airline.
- _____ 8. The marketing concept emerged as the American economy changed from a buyer's market to a seller's market at the end of World War II.
- _____ 9. One of the characteristics of marketing by not-for profit organizations is their focus on multiple, rather than individual, publics — often including both their clients and their sponsors.

- _____ 10. If you were in charge of distribution strategy, you would be concerned with transportation, storage, and institutions such as retailers who sell to consumers.
- _____ 11. The marketing mix involves blending four types of marketing decisions to satisfy chosen consumer segments.
- _____ 12. One category of nontraditional marketing, cause marketing, focuses on issues such as literacy, physical fitness, family planning, and prison reform.
- _____ 13. Procter and Gamble's contracts with Wal-Mart and Safeway which call for P & G to automatically replenish the big retailers' stocks of Head and Shoulders, Crest, and other P & G products are examples of relationship marketing.
- _____ 14. Egg producers who separate their eggs into small, medium, large, and extra-large and package them separately are performing the function of securing marketing information.
- _____ 15. From the students' point of view, marketing activities should be understood but it should be remembered that they have little direct impact on job potential because the number of people needed to do them is so small.
- _____ 16. The Metropolitan Museum of Art's ads which invited the public to visit the museum and view its vast collection of 19th century paintings and sculptures exemplifies event marketing.
- _____ 17. If you should happen to come across a company whose chief marketing executive bore the title of "sales manager," you would have reason to suspect that the company was still in the production, rather than the sales or marketing era.
- _____ 18. Interactive marketing frees communications between marketers and their customers from the traditional one-way messages to passive audiences using broadcast or print ads.
- _____ 19. The private sector of the economy has an even more diverse array of not-for-profit organizations than does the public sector.
- _____ 20. Among Americans, regular users of the Internet -- those who go on-line for more than two hours a week -- now number over 40 million.
- _____ 21. A television commercial sponsored by a citizens' group stressing the necessity for your state to undertake prison reform would be an example of organization marketing.
- _____ 22. One characteristic more typical of nonprofit organizations than for-profit organizations is the possession of some degree of monopoly power in a given geographical area..
- _____ 23. If you buy a set of tires, you can be sure that if the new set bears the same size markings as the old, it will fit the car. This is because tire sizes are standardized.

- _____ 24. If the Alabama Power Company published a statement in which it defined its business as "providing electricity reliably and cheaply to the geographic area defined in its charter," it would probably be fair to say its management was suffering from marketing myopia.
- _____ 25. As was revealed in the investigations of Kathy Lee Gifford, Bausch and Lomb, and others, most businesspeople do not follow ethical practices in their marketing.

Multiple Choice

Circle the letter of the word or phrase that best completes the sentence or best answers the question.

Use the following information for Questions 26 - 28:

Assume that you and another student have started a newspaper. The purpose of the paper is to serve as an independent source of campus and community news. You have hired a secretary to type news copy with a personal computer you have bought the firm.

26. The process of changing the information you have collected into a finished product, a newspaper, would create
- time utility.
 - place utility.
 - form utility.
 - ownership utility.
 - marketing utility.
27. If you hire someone to deliver the finished newspapers, instead of requiring your customers to pick them up at your office, you are performing which marketing function and creating which type of utility?
- storage function, place utility
 - buying function, time utility
 - transportation function, time utility
 - transportation function, place utility
 - risk-taking function, place utility
28. You are in charge of contacting potential customers. You talk to students to determine who wants or needs an independent newspaper and how much they are willing to pay. In addition, after a sale is made you assign the title of the paper to the student. The function in which you are involved and the utility you create by helping transfer title are
- transporting function, place utility.
 - buying function, ownership utility.
 - financing function, time utility.
 - selling function, ownership utility.
 - grading function, form utility.
29. The correct name for the interlinked collection of graphically rich information sources accessible from a personal computer through point and click browser technology is
- the World Wide Web.
 - the DoD-MilNet.
 - the Internet.
 - Intermedia access.
 - hypermedia.