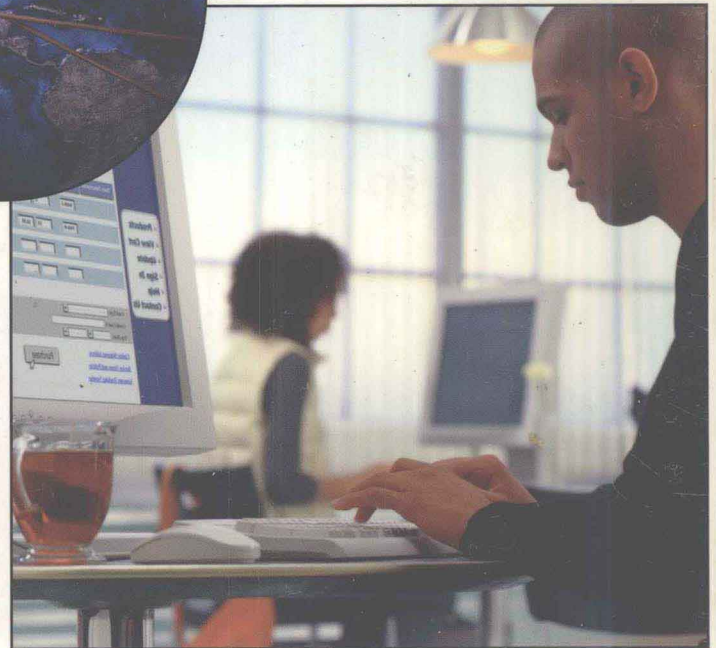
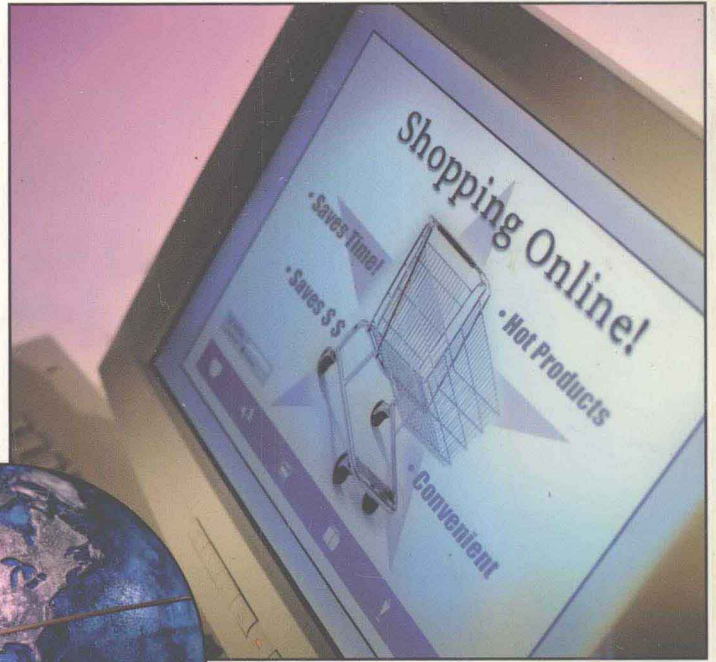


Marketing

12th edition



Michael J. Etzel



Bruce J. Walker



William J. Stanton

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12th Edition

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About the Authors



Michael J. Etzel received his Ph.D. in marketing from the University of Colorado. Since 1980, he has been a professor of marketing at the University of Notre Dame. He also has been on the faculties at Utah State University and the University of Kentucky. He has held visiting faculty positions at the University of South Carolina and the University of Hawaii. In 1990, he was a Fulbright Fellow at the University of Innsbruck, Austria. His other overseas assignments include directing and teaching in the University of Notre Dame's program in Fremantle, Australia, in 1994, and the University's London MBA program in 1998.

Professor Etzel has taught marketing courses from the introductory through the doctoral level. He is also a frequent presenter in executive training programs. His research, primarily in marketing management and buyer behavior, has appeared in the *Journal of Marketing*, *Journal of Marketing Research*, *Journal of Consumer Research*, and other publications. He is the coauthor of another college-level text, *Retailing Today*.

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Bruce J. Walker became professor of marketing and dean of the College of Business at the University of Missouri–Columbia in 1990. Professor Walker received his undergraduate degree in economics from Seattle University and his master's and Ph.D. degrees in business from the University of Colorado.

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William J. Stanton is professor emeritus of marketing at the University of Colorado–Boulder. He received his Ph.D. in marketing from Northwestern University, where he was elected to Beta Gamma Sigma. He has worked in business and has taught in several management development programs for marketing executives. He has served as a consultant for various business organizations and has engaged in research projects for the federal government. Professor Stanton also has lectured at universities in Europe, Asia, Mexico, and New Zealand.

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 the memory of my parents, Al and Audrey

Bruce Walker

To my wife, Pam, and my father, Frank

Bill Stanton

To Kelley and Little Joe

Preface

Whether you are a student, professor, manager, owner of a small business, fundraiser for a charity, physician, or even a politician, you are either engaged in marketing or should be. This is an exciting time to be involved in marketing. Unprecedented economic prosperity, increasing attention to international markets, continuing growth of services, and commercialization of the Internet are creating many new business opportunities. Coincidentally, the demands in marketing are increasing. Customers are seeking greater value in their purchases, society is raising the standards for ethical behavior, and organizations are expecting more accountability for marketing expenditures. Amid all of these developments, the fundamental purpose of marketing—satisfying customers while meeting organizational objectives—remains unchanged.

The most fundamental challenge—actually, the opportunity—associated with marketing is to do it well, and that requires an understanding of what marketing is and how to conduct it. Our intent in this twelfth edition of *Marketing* is to help students learn important and fundamental concepts, strategies, and techniques that are needed for effective marketing management.

The book is divided into seven parts to reflect the marketing management process:

- **Part 1: The Field of Marketing.** This introductory section contains an overview of what marketing is, the environment in which it occurs, and the global nature of marketing today.
- **Part 2: Identifying and Selecting Markets.** This section begins with an examination of consumer and business markets, and the decision making made by customers in both of these markets. The discussion then moves to the process of market segmentation, targeting, and positioning, followed by demand forecasting. The part concludes with a description of marketing research and market information used to identify and better understand markets.
- **Part 3: Product.** An essential activity of marketing is translating the 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. An important addition to this part is the chapter on services marketing.
- **Part 4: Price.** Factors such as demand, costs, competition, and the various approaches and strategies used by sellers determine the choice of a price and the adjustments made to that choice.
- **Part 5: Distribution.** To appreciate the modern miracle of having products available when and where they are desired, this section looks at both the institutions that conduct the transactions and those that arrange for the movement of goods from point of production to point of final sale.
- **Part 6: Promotion.** Formulating a message and transmitting it effectively are essential ingredients in a marketing effort to inform and persuade potential customers, and knowing the right blend of promotion methods is crucial to a marketing campaign. Under the umbrella of integrated marketing communications, this section gives special attention to advertising, sales promotion, public relations, personal selling, and sales force management.
- **Part 7: Managing the Marketing Effort.** The first two chapters in this section underscore that an effective marketing management process must be planned and then carefully guided through implementation and evaluation. However, in this dynamic environment, many organizations are rethinking their marketing plans in light of the growing impact of technology. Thus the relationship between marketing and technology is described and discussed in the final chapter of the text.

Coverage and Organizational Changes

In preparing this edition of *Marketing*, our goal was to present the fundamental building blocks of marketing while capturing its dynamism. We were guided by a commitment to preserve the straightforward organization, reader-friendly style, and extensive use of examples that characterized earlier editions. At the same time, we made changes that allow the reader to better understand and appreciate today's marketing. The major changes are:

- Global marketing is moved from Chapter 20 to Chapter 3 in recognition of its prominence in today's marketing world. Global examples also are still integrated throughout the text, and there are Global Perspective boxes in all the chapters except Chapter 3.
- Positioning, a logical extension of segmentation and targeting, is now presented in Chapter 6.
- Chapter 6 also contains demand forecasting, logically following the discussion of market identification.
- Chapter 7, "Marketing Research and Market Information," has been relocated so it follows the explanation of markets, consumer and business buying behavior, and segmentation.
- Services marketing is now included in Part 3 which focuses on the product part of the marketing mix.
- Part 6 contains a chapter (Chapter 17) on integrated marketing communications, which replaces a chapter that introduced promotion.
- Part 7 now includes "Strategic Marketing Planning" (Chapter 20) along with "Marketing Implementation and Evaluation" (Chapter 21).
- Chapter 22, "Marketing in the Information Economy" is a new chapter added to Part 7 in place of the previous concluding chapter, "Marketing: Appraisal and Prospects."
- The book now consists of seven parts instead of eight.

Noteworthy Features of the 12th Edition

The changes in coverage and organization have produced a number of features that enhance this edition as a learning tool. Among the most noteworthy are:

- Discussions of the consumer market (Chapter 4) and the business market (Chapter 5) have similar structures. Each includes a description of the respective market as well as an overview of the buying process in that particular market.
- Chapter 6, which covers market segmentation and target marketing, now includes a discussion of positioning, the managerial application of the process.
- Because adequate demand is a necessary condition for effective target marketing, demand forecasting is also addressed in Chapter 6.
- Two important developments in promotion are the growing number of methods available and the increasing level of accountability demanded by organizations for promotion expenditures. In response, organizations are focusing on creating integrated promotional programs. These developments are reflected in the restructured Part 6.
- 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 in a single chapter.
- Two appendices are included as complements to the 22 chapters. The first, "Marketing Math," provides additional detail on price elasticity of demand, the basics of operating 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 and Marketing,” draws students’ attention to the opportunities that exist in marketing. It begins by outlining a procedure for choosing a career, then describes a variety of marketing jobs and organizations that are heavily dependent on marketing. The last portion guides students through the job search process.

- The coverage is a mix of classic and emerging topics. The following list illustrates the concepts, strategies, and techniques as well as the issues students will explore in this text:
 - Generation Y
 - Value chain
 - Venture team
 - Disintermediation
 - North American Industrial Classification System
 - Return on marketing investment
 - Strategic alliances
 - Ethics in marketing
 - Competitive intelligence
 - Decision support systems
 - Online retailing (e-tailing)
 - Reverse auctions
 - Brand equity
 - Product counterfeiting
 - Value pricing
 - Slotting fees
 - Global marketing
 - Market fragmentation
 - Cause marketing
 - Service encounters
 - Power centers
 - Contract logistics
 - Major accounts organization
 - Mass customization
 - Electronic commerce (e-commerce)
 - Co-branding
 - First-mover advantage
 - Internet
 - Supply chain management
 - Integrated marketing communications
 - World Wide Web
 - Collaborative planning, forecasting, and replenishment
 - Everyday low prices
 - Banner ads
 - Fulfillment
 - Cannibalization
 - Cookies

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

Chapter-Related Cases

- Each chapter begins with a contemporary case that introduces some of the concepts, strategies, and techniques covered in the chapter. Virtually all of these cases deal with highly recognizable companies and brands. At the conclusion of the chapter, the case is revisited and additional information is presented. By addressing the questions at the end of each case, students discover how they can apply what they have learned in the chapter to a marketing situation.
- In this edition, many of the cases deal with firms that are technology based or have made electronic commerce a key component of their operations. A sampling of these cases includes:
 - eBay—Internet auctions
 - Iridium—satellite-linked cellular phones (an unsuccessful enterprise)
 - Wingspan.com—totally online retail banking
 - FreeMarkets—reverse auctions for business-to-business products
 - Intel—branding a computer microprocessor
 - PETsMART.com—online retailing of pet supplies and related products
- Other chapter-opening cases involve well-known companies that are dealing with significant marketing challenges and opportunities. These cases include:
 - Apple computers
 - General Motors’ EV1 electric car
 - adidas in America

- Volkswagen’s new Beetle
- Campbell Soup’s Intelligent Quisine frozen meals (a failed product)
- Mindstorms, a new toy, by Lego
- Three-quarters of the chapter-related cases are new to the 12th edition. The carryovers from the 11th edition have been completely updated and revised.

Part-Ending Cases

- Each of the seven parts of the text ends with two cases. Designed to be realistic, each case focuses on a relatively specific aspect of marketing to prevent the beginning student from being overwhelmed by the complexity common to many business issues. Some of the part-ending cases are:
 - Cracker Barrel Old Country Stores
 - Southwest Airlines
 - Buy.com
 - Ford, General Motors, and DaimlerChrysler on the Internet
- An innovation in the 11th edition that received a positive reaction and has therefore been carried over to the 12th edition is the inclusion of several cases that focus on competitive rivalries. This format allows students to examine intensely competitive situations in which marketing strategy often determines ultimate success. These “versus” cases are:
 - Amazon.com versus Barnes & Noble
 - Sega versus Nintendo versus Sony
 - Toys “R” Us versus eToys
- Almost two-thirds of the part-ending cases are brand new, prepared specifically for the 12th edition.

Pedagogical Support

- A number of the chapter-opening cases and the part-ending cases will be updated periodically by the authors on the website for the 12th edition. Students will be provided with the latest developments and sources of additional material that will keep the material fresh and challenging from semester to semester.
- Technology has become so important to marketing that *Marketing in the Information Economy* boxes have been added to almost all chapters. These boxes, which are tied to the subject matter of the chapter, illustrate the pervasive impact technology is having on marketing. Topics covered in these boxes include:
 - The introduction of electronic books
 - Challenges of branding on the Internet
 - The potential of networked homes
 - The Internet’s impact on China
 - “Shopping robots” that perform price comparisons on the Internet
- *Global Perspective* boxes are included in the chapters as well. These boxes, along with numerous international examples used throughout the book, emphasize the global nature of marketing in highly interesting ways. Examples of *Global Perspective* boxes include:
 - Pitfalls in foreign markets
 - Databases and privacy in the European Union
 - Online retailing in Japan
 - Discovering new product ideas abroad
 - Brand disputes across borders
 - Roadblocks to global e-commerce
- *You Make the Decision* boxes are interspersed throughout the text. These boxes present synopses of actual situations faced by marketers and ask students how they would respond to them. 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:

- Should fast-food firms redefine their businesses?
 - How can companies appeal to Generations X and Y?
 - Is self-scanning in supermarkets a sound concept?
 - What are the limits to using focus group data to make decisions?
 - Are there limits to product and brand proliferation?
- Every chapter also contains an *Ethical Dilemma* box. These boxes raise the student's awareness of the nature and frequency of ethical challenges in marketing. They are also intended to help a student formulate an ethical perspective. Topics covered in the *Ethical Dilemma* boxes include:
 - Genetically modified foods
 - Paying bribes in foreign markets
 - Overbooking by airlines and "no-shows" by passengers
 - Special promotions conducted in grammar schools
 - Use of "cookies" by Internet marketers
 - "Copycat" packaging
 - Each chapter is followed by two types of assignments. The first is a set of *Questions and Problems* that require applying the text material rather than simply reviewing terms or memorizing definitions. The second type of assignment is called *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 first-hand 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 contains the following resources: lecture material in the form of additional examples and vignettes; suggested answers to the end-of-chapter questions; and commentaries on the chapter-related and part-ending cases and the *Ethical Dilemma* and *You Make the Decision* boxes.
- An electronic version of the *Instructor's Manual* that can be downloaded from the website.
- A *Test Bank* of over 2,500 objective questions. The questions are coded to indicate the type (definition, concept, application) and text location.
- An electronic version of the Test Bank, *Computest*, that allows the instructor to tailor and edit the exam questions to meet specific class needs.
- A comprehensive *color transparency program* with over 100 acetates to enhance classroom lectures
- A *classroom presentation tool*, using Microsoft PowerPoint "slides," which is available to adopters.
- A *video program* that features a wide variety of organizations and complements text coverage.
- A *website* that includes chapter quizzes, Internet exercises, current events, *Business Week* articles with discussion questions, career profiles, "You Make the Call," that invites students to suggest solutions to REAL marketing challenges, a link to McGraw-Hill's PageOut that will help professors create a course-specific web page, and downloadable instructor supplements.
- McGraw-Hill's *PowerWeb* that offers students and faculty the following: Annual Editions Online—course-specific current articles tied to a course curriculum; a

real-time newswire; a database of 6,000 journals called Northern Light Research Engine; weekly Web updates specific to the discipline; assessment tools such as quizzing and review forms; and student study materials such as web research, and time management tools.

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, although too numerous to identify by name, we owe a debt of gratitude.

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Several individuals have contributed significantly to the supplementary materials accompanying the text. An extensive set of objective test questions was developed by Professors Tom and Betty Pritchett of Kennesaw State College. Professor Bonnie Guy of Appalachian State University prepared the Instructor's Manual with us and completed the PowerPoint presentation materials.

We'd like to recognize those who helped shape the previous edition, including: **Ronald J. Adams**, *University of North Florida*; **Thomas J. Adams**, *Sacramento City College*; **Carol Bienstock**, *Valdosta State University*; **Roy Cabaniss**, *Western Kentucky University*; **Steven Engel**, *University of Colorado–Boulder*; **Mort Ettinger**, *Salem State College*; **Stephen Goodwin**, *Illinois State University*; **Craig A. Hollingshead**, *Marshall University*; **Denise M. Johnson**, *University of Louisville*; **Craig A. Kelley**, *California State University–Sacramento*; **Kenneth Laird**, *Southern Connecticut State University*; **Mary Lou Lockerby**, *College of Du Page*; **Irving Mason**, *Herkimer County Community College*; **Darryl W. Miller**, *Washburn University*; **Mark Mitchell**, *University of South Carolina–Spartanburg*; **Keith B. Murray**, *Bryant College*; **John Phillips**, *University of San Francisco*; **Charles Prohaska**, *Central Connecticut State University*; **Robert G. Roe**, *University of Wyoming*; **Louise Smith**, *Towson State College*; **Michael J. Swenson**, *Brigham Young University*; **Jack L. Taylor**, *Portland State University*; **Robert E. Thompson**, *Indiana State University*; **Timothy L. Wilson**, *Clarion University*.

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

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