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# Marketing

F o u r t h E d i t i o n



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**Charles W. Lamb, Jr.**

M. J. Neeley Professor of Marketing

M. J. Neeley School of Business

Texas Christian University

**Joseph F. Hair, Jr.**

Alvin C. Copeland Endowed Chair of Franchising

and Director, Entrepreneurship Institute

Louisiana State University

**Carl McDaniel**

Chairman, Department of Marketing

College of Business Administration

University of Texas at Arlington



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To Julie Baker  
—*Charles W. Lamb, Jr.*

To my wife Dale  
and son Joey  
—*Joseph F. Hair, Jr.*

To my love,  
Corinne  
—*Carl McDaniel*



# *A Special Features Sampler for Students*

**M**arketing students who have come before you have taught us a lot about what you want your textbook to be. You want cutting-edge technology. You want to use the Internet to learn. You want current topics

that relate to the real world. You want interesting examples that are relevant to your life. You want an enjoyable writing style. You want videos. And you want study aids that will help you succeed on tests.

This text will meet and exceed your expectations in all of these important areas – and many others. Here is just a sample of the features you will find as you explore with us the exciting world of marketing.

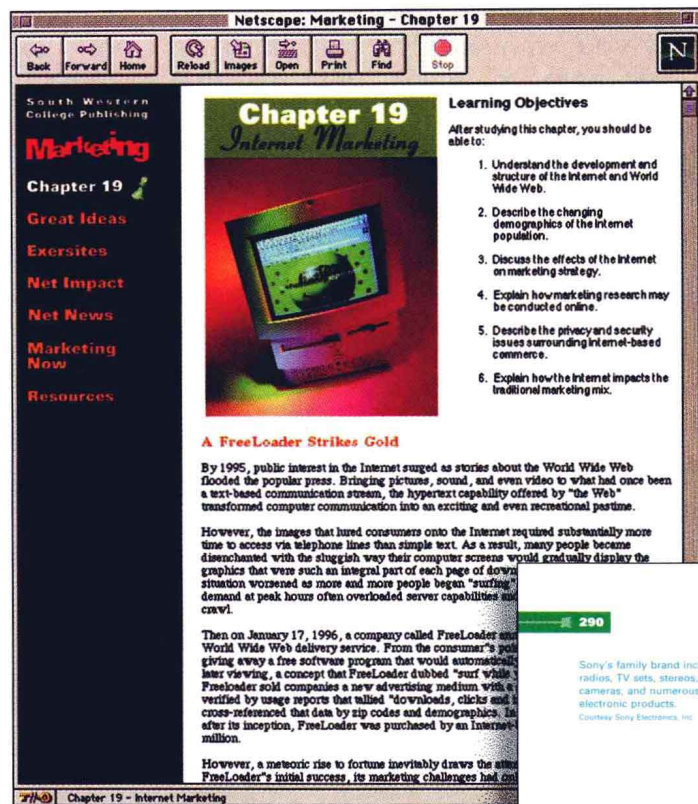




# Internet Marketing

## 1 Chapter 19, Internet Marketing

The Internet is the fastest growing marketing medium today. You'll experience the full impact of the Internet on marketing through this new chapter. You won't find this chapter in your text though. It's located on the Web at <http://www.swcollege.com/lamb.html>. Examples come to life as you link to company pages. This chapter will introduce you to the Internet as a marketing tool and will give you the tools you need to develop Internet marketing strategies.



## 2 Internet Examples, Activities and References

Internet examples and activities are integrated throughout each chapter. Examples within the chapters take you to Web pages and ask you to evaluate the marketing strategies you see. End-of-chapter activities challenge you to analyze current examples of Internet marketing and to develop your own strategies. You'll also discover valuable resources on the Web for marketers. Updates for all URLs are available to you at the **Marketing** Web site, <http://www.swcollege.com/lamb.html>.

### Part Three Product Decisions

Sony's family brand includes radios, TV sets, stereos, video cameras, and numerous other electronic products.

Courtesy Sony Electronics, Inc.



the same brand name for a pair of dress socks and a baseball bat. Procter & Gamble targets different segments of the laundry detergent market with Bold, Cheer, Dash, Dreft, Era, Gain, Ivory Snow, Oxydol, Solo, and Tide. Marriott International, Inc., also targets different market segments with Courtyard by Marriott, Residence Inn, and Fairfield Inn.

On the other hand, a company that markets several different products under the same brand name is using a **family brand**. For example, Sony's family brand includes radios, television sets, stereos, and other electronic products. A brand name can only be stretched so far, however. Do you know the differences among Holiday Inn, Holiday Inn Express, Holiday Inn Select, Holiday Inn Sunspree Resort, Holiday Inn Garden Court, and Holiday Inn Hotel & Suites? Neither do most travelers.<sup>24</sup>

### Cobranding

**Cobranding** entails placing two or more brand names on a product or its package. Cobranding is a useful strategy when a combination of brand names enhances the prestige or perceived value of a product or when it benefits brand owners and users. Cobranded Six Flags Theme Parks/Master Cards allow cardholders to earn points toward season passes, free admissions, and in-park spending vouchers at Six Flags theme parks throughout the United States.<sup>25</sup>

Cobranding may also be used to identify product ingredients or components. The brand name NutraSweet and its familiar brand mark appear on more than 3,000 food and beverage products. Intel, the microprocessor company, pays microcomputer manufacturers like IBM, Dell, and Compaq to include "Intel inside" in their advertising, on the computers, and on the boxes they are packed in.

**family brand**  
Marketing several different products under the same brand name.

Breyers  
McIlhenny Company  
Frito-Lay

How does Breyers market individual brands, family brands, and cobrands via its Web site? Compare the McIlhenny Company site and the Frito-Lay site. Which is the most effective in establishing brand identity?

<http://www.icecreamusa.com/>  
<http://www.tabasco.com/>  
<http://www.fritolay.com/>

**cobranding**  
Placing two or more brand names on a product or its package.



# Interactive Marketing, Multimedia and Video


## 3 Principles of Marketing CD-ROM

by Daniel L. Wardlow, San Francisco State University

This interactive masterpiece is fully integrated with **Marketing**. HotLinks in each chapter direct you to a dozen interactive simulations, games, and videos that demonstrate marketing concepts with full motion and sound. Text concepts literally come to life with this powerful multimedia tool.

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Part Three Product Decisions



Just how hard is it to win the Malcolm Baldrige award? Find out how award winner Milliken & Co. fulfilled the 11 core values and walked away with the award at Hot Link—Baldrige Award.

**3** Explain the techniques of quality improvement.

**quality function deployment (QFD)**  
A technique that helps companies translate customer design requirements into product specifications.

*Automobile companies continually redesign their products to better serve the market. Continuous improvement is also important in the service industries.*  
© Kenner-Heuser/Tony Stone Images

**Essential Quality Techniques**

Several techniques used in the TQM approach distinguish it from traditional ways of doing business. These techniques include quality function deployment, benchmarking, continuous improvement, reduced cycle time, and analysis of process problems.

**Quality Function Deployment**

**Quality function deployment (QFD)** is a technique that helps companies translate customer design requirements into product specifications. It is a way for companies to stay close to customers and build their expectations into products. This technique uses a quality chart that directly relates what customers want with how goods will be designed and produced to satisfy those wants. The QFD chart thus provides customer-based guidelines for developing the best design.

**Benchmarking** is the process of rating a company's products against the best products in the world, including those in other industries. "The best" includes both functional characteristics of products and customer satisfaction ratings. Benchmarking allows a firm to set performance targets and continuously reach toward those targets. For example, one type of benchmarking develops a competitive profile against an industry average. In the automobile industry, J. D. Powers, an independent research firm, gathers customer satisfaction data on numerous models of cars and sells this information to automobile firms. These firms can then compare their performance to an average derived from the aggregate industry data.


**Continuous Improvement**

**Continuous improvement** is a commitment to constantly seek ways of doing things better in order to maintain and improve quality. Companywide teams try to prevent problems and systematically improve key processes instead of troubleshooting problems as they occur. Continuous improvement also means looking for innovative production methods, shortening product-development time, and continually measuring performance using statistical methods.


 Continuous improvement can be used in service companies as well as in manufacturing companies. Paine & Associates, a California public relations firm, implemented a continuous improvement approach to stimulate creative thinking for media campaigns. A series of minor changes, ranging

## Chapter 4 Developing a Global Vision

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13.  What locations does ProNet serve? Obtain information about at least one arts-and-entertainment venture for three different regions. How does ProNet handle language and translation issues?

<http://www.pronett.com/>

14.  What services does the Netzmart cyber-mall offer American businesses interested in marketing to Germans?
- <http://www.netzmarkt.de/neu/hinweise.htm>

### Application for Small Business

John Arpin, a 20-something design engineer, sat down once too often in the cold snow to remove his boots from the heavy plastic bindings of his snowboard. As he loosened the plastic straps, it occurred to him that there had to be a better way to attach boots to a snowboard. The idea for a step-in snowboard binding was born. After two years of research and testing, the Arpin binding finally reached the marketplace. Snowboarding is

the fastest growing winter sport in America, averaging about 30 percent per year. By the year 2000, industry sales should reach \$2 billion. John's company achieved \$12 million in sales by the end of 1997. Now John wants to go global.

#### Questions

1. What are John's options for "going global"?
2. What problems in the global external environment might the firm face?

### Starbucks Coffee Goes to Japan

Recently, Starbucks Coffee opened its first store in Japan. Starbucks' management believes that Japan's coffee market is on the verge of a revolution similar to what has occurred in the United States. Unlike other American food chains such as McDonald's or Kentucky Fried Chicken, Starbucks hasn't altered anything for the international market. Kentucky Fried Chicken, for example, sells noodle dishes as well as chicken in its stores. A Starbucks executive says, "Hopefully if you walk into a Starbucks in Los Angeles, San Francisco, or Tokyo, you wouldn't notice any difference." The only concession to global marketing by Starbucks is a joint venture with a Japanese company rather than going it alone.

Starbucks may not be any different in Japan, but the market is very different from the United States. Rent on the Tokyo store is \$35,000 a month, which is three times more expensive than its most costly American location. Workers are paid about \$10 an hour. To this, Starbucks must



add shipping costs of bringing mugs and other merchandise over from the United States. To make money, the company says it needs 30 to 40 percent more transactions than in a typical American Starbucks store.

One of Starbucks' major competitors is Pronto. Its sales have skyrocketed from 500 million yen in 1989 to 8.4 billion yen in 1995. This growth was not dependent on coffee alone. The shops sell sandwiches and pasta during the day. At night, Pronto Coffee is turned into a restaurant and bar. Pronto says that, on average, customers spend \$4 during the day and \$18 at night. Pronto believes that, without the evening restaurant and alcohol sales, it would be impossible to cover its costs for rent and employees.

Starbucks feels that it can make it on coffee alone. It notes that, in 1995, Japan imported 380,000 tons of coffee beans. This is 40 percent more than only a decade ago, making Japan third in the world for coffee imports, behind only the United States and Germany. Starbucks plans to rely on its exotic lattes and cappuccinos to gain market share. Yet competitors respond that lattes and cappuccinos are more labor intensive than simply pouring a cup of coffee out of a machine. This will further drive up Starbucks' costs.

#### Questions

1. Do you think that Starbucks will be successful in Japan without altering its Americanized marketing mix?
2. If you were going to alter the marketing mix, what variable would you change first? Why?
3. Discuss how each of the uncontrollable variables in the external environment might affect Starbucks doing business in Japan.

## 4 Video Cases and Examples

Videos cases add an extra dimension to end-of-chapter case studies. Not only will you read about a company, but you will also see and hear about that company in the videos. Video examples for each chapter come from CNBC Business News and from the Blue Chip video series focusing on successful small businesses. These videos are current and professionally produced to bring the real world right into your classroom.



# A Marketing Plan from Marketing Pros

## Chapter 2

### Strategic Planning: Developing and Implementing a Marketing Plan

The corporate jet business reached a low point in 1992, but business has been growing each year since. Cessna Aircraft Corporation and Gulfstream Aircraft, Inc., introduced new business jets during 1996. The Cessna Citation X and the Gulfstream V offer different product benefits that do not make them directly competitive with each other.

The Citation X, at 600 miles per hour, is the fastest civilian airplane (except for the Concorde). Cessna boasts that its plane can fly executives from New York to California for breakfast and then back to the East Coast in time for dinner. Compared with slower planes, a Citation X can save 190 hours of executive time in a typical year. The speed capability means more ground time without violating pilot-fatigue guidelines. The plane, which holds 12 passengers and two pilots, is priced at about \$18 million.

The Gulfstream V is priced at about \$35 million. The plane boasts the advantage of range: it can go 7,500 miles without refueling, making it the longest range business jet. Instead of a speed advantage, it offers more space and can hold up to 18 passengers. In addition, company spokesmen argue that by refueling less

often, there is less ground time, which makes travel time faster without faster airspeeds. Further, the Gulfstream V can cruise at 51,000 feet, which puts it above commercial airliners and above headwinds. That means the plane can set its course as the shortest distance between two points rather than flying around air traffic and weather patterns.

Into this growth market come the competitors: Canada's Bombardier, Inc., which makes Learjets, has the Global Express, with a range and size similar to the Gulfstream V, but for \$5 million less. France and Israel also have \$15 million midsize jets, but not as fast as the Citation X.<sup>1</sup> The most unusual competitor is the Carter-Copter, a hybrid airplane helicopter that can fly nonstop from New York to Los

Angeles at 400 miles per hour (a 6½-hour flight). Traditional helicopters can't go faster than 250 miles per hour. The CarterCopter is powered by an inexpensive V-6 race-car engine and carries five people.<sup>2</sup>

How do manufacturers of new products plan to bring their offerings to the marketplace? How can the Citation X, Gulfstream V, and Carter-Copter be marketed successfully, given the competition?

## 5 Chapter 2, Strategic Planning: Developing and Implementing a Marketing Plan

The marketing plan is introduced in a new chapter on strategic planning. You'll develop tools and techniques for effective strategic planning, and learn how to structure, implement, evaluate, and control your plan. This chapter will provide you with the practical tools you need to succeed in today's competitive environment.

### Part One

### Marketing Planning Activities

#### THE WORLD OF MARKETING

In the world of marketing, there are many different types of products and services offered to many different markets. Throughout this text, you will construct a marketing plan for your chosen company. Writing a marketing plan will give you a full depth of understanding for your company, its customers, and its marketing mix elements. The company you choose should be one that interests you, such as the manufacturer of your favorite product, a local business where you would like to work, or even a business you would like to start yourself to satisfy an unmet need or want. Also refer to Exhibit 2.8 for additional marketing plan subjects.

1. Describe your chosen company. How long has it been in business, or when will it start business? Who are the key players? Is the company small or large? Does it offer a good or service? What are the strengths and weaknesses of this company? What is the orientation and organizational culture?

#### MarketingBuilder Exercise:

- Top 20 Questions template

2. Define the business mission statement for your chosen company (or evaluate and modify an existing mission statement).
3. Set marketing objectives for your chosen company. Make sure the objectives fit the criteria for good objectives.
4. Scan the marketing environment. Identify opportunities and threats to your chosen company in areas such as technology, the economy, the political and legal environment, and competition. Is your competition foreign, domestic, or both? Also identify opportunities and threats based on possible market targets, including social factors, demographic factors, and multicultural issues.

#### MarketingBuilder Exercises:

- Industry Analysis portion of the Market Analysis template
- Competitive Analysis Matrix spreadsheet
- Competition portion of the Market Analysis template
- Competitive Roundup portion of the Market Analysis template
- Strengths, Weaknesses, Opportunities, and Threats sections of the Market Analysis template

5. Does your chosen business have a differential or competitive ad-

vantage? If there is not one, there is no point in marketing the product. Can you create a sustainable advantage with skills, resources, or elements of the marketing mix?

6. Assume your company is or will be marketing globally. How should your company enter the global marketplace? How will international issues affect your firm?
7. Identify any ethical issues that could impact your chosen firm. What steps should be taken to handle these issues?
8. Is there a key factor or assumption that you are using when performing your SWOT analysis? What would happen if this key factor or assumption did not exist?

#### MarketingBuilder Exercises:

- Business Risk portion of the Market Analysis template
- Environmental Risk portion of the Market Analysis template
- Elements of Risk table in the Market Analysis template

## 6 End-of-Part Activities Feature MarketingBuilder Express

New end-of-part activities guide you through the development of a comprehensive marketing plan. You can complete these activities by using the model in the text or by using a new *Express* Version of top-selling **MarketingBuilder** software by JIAN. The original Academic Version of **MarketingBuilder** can also be used to complete these activities. You'll learn to develop a successful plan using the same tools chosen by today's marketing professionals.



# The Most Current Topics

## 7 Global Marketing

The world is getting smaller. Improved communications and distribution systems are creating opportunities in third-world countries. Marketers have new formidable competitors as well as market opportunities. This text will help you think globally by integrating global examples and issues throughout each chapter. Watch for the global icon shown here and for the "Global Perspectives" boxes in each chapter.

Chapter 3 The Marketing Environment

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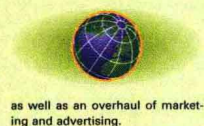
### Global Perspectives

#### Pepsi Retools for More Intensive Global Competition

Foreign markets are becoming ever more crucial to U.S. soft-drink makers, but Pepsi's message has been losing something in the translation. While overseas sales of both Coca-Cola and Pepsi are growing between 7% and 10% a year, Coca-Cola outsells Pepsi abroad nearly 3 to 1. And Coca-Cola already earns more than 80% of its profits abroad, compared with Pepsi's 30%.

Overseas, some Pepsi billboards are more than 20 years old—and its image is all over the map: A grocery store in Hamburg uses red stripes, a bodega in Guatemala uses '70s-era lettering and a Shanghai restaurant displays a mainly white Pepsi sign. A hodgepodge of commercials features a variety of spokespeople, ranging from cartoons and babies to doddling butlers. Worse yet, consumers say the cola tastes different in different countries.

So PepsiCo Inc. is unveiling a radical, if risky, comeback plan. Code-named "Project Blue," it's expected to cost \$500 million. It calls for revamping manufacturing and distribution to get a consistent



as well as an overhaul of marketing and advertising.

Pepsi is even scrapping its signature red-white-and-blue colors in favor of electric blue. Started in 1996 in more than 20 countries, the new blue is being plastered on all its trucks, coolers, cans and bottles. The switch is expected to reach the U.S. by the year 2000. Project Blue also includes new freshness standards and quality controls. The company is even training a team of tasters to sample drinks from around the world.

Yet Project Blue carries big risks—especially in light of Coca-Cola's ill-fated attempt a few years ago to reformulate classic Coke. Pepsi hasn't made such a drastic logo change in more than 40 years. And with the project's high costs come high expectations: Pepsi is counting on nothing less than a long-term sales turnaround. Pepsi's bottlers are also nervous.

Many of the independent companies that make and sell Pepsi overseas will have to scrap or redo all of their red-white-and-blue signs and vending machines, plus over 30,000 trucks and more than 10 billion cans and bottles. Though Pepsi will pick up some of the costs, its U.K. bottler, for instance, has had to boost marketing spending by 30% to 40% to support Project Blue.

Another concern is whether retooling will increase Pepsi's overseas identity crisis. Coca-Cola's red has become the world standard for soft drinks, and many marketing experts say Pepsi will have a tough time bucking that tradition with blue.

Pepsi is taking strong measures to become more competitive globally. What are some additional things Pepsi can do to help ensure the success of Project Blue? Do you think Pepsi should have started Project Blue in the United States before going global?

Source: From "Smiling Red Abroad, Pepsi Rolls Out a New Blue Can," *Wall Street Journal*, April 2, 1998. Reprinted by permission of Wall Street Journal. © 1998 Dow Jones & Company, Inc. All Rights Reserved Worldwide.

Part One The World of Marketing

### Ethics in Marketing

#### "Alcopops": An Ethical Dilemma for U.S. Brewers

Have British schoolchildren heard about Hooper's Hooch, a new lemony alcoholic beverage from British brewer Bass PLC? You bet they have.

Mention the drink, which packs more alcohol than some beers, and a group of 13- and 14-year-olds in London begins chanting, "Hooch! Hooch! Hooch!" and reciting its slogan, "One taste and you're Hooched."

Alcoholic lemonades, colas, and orange drinks, known as "alcopops," are creating a huge stir in the alcoholic-beverage industry. Over a dozen different brands have been launched in Britain.

And now they are beginning to cross the Atlantic. Bass recently began test-marketing Hooper's Hooch in Miami and San Diego, and major U.S. brewers are said to be watching with interest. Britain's Thorncliffe Ltd. says it's negotiating with an undisclosed American brewer for U.S. distribution of Mrs. Pucker's, a fruit-flavored alcoholic soda developed by a former Anheuser-Busch executive.

The trend alarms regulators and antialcohol groups, who say the sweet drinks, containing 4 percent to 5.5 percent alcohol, blatantly appeal to teenagers. Britain's Advertising Standards Authority has

banned a series of ads for Hooper's Hooch featuring a mischievous cartoon lemon, in a flap reminiscent of protests in the U.S. over the Joe Camel icon used in Camel cigarette advertising.

"These drinks are there to help people who don't have a taste for alcohol develop one," says Mark Bennett of the British advocacy group, Alcohol Concern. In Britain, where drinking laws are somewhat looser than in the U.S., youngsters under 18 can't purchase alcohol, but legally can drink it in certain restaurants and in their homes.

At a time when sales of most types of alcoholic beverages are stagnant, industry analysts say alcopops have the potential to become a major new category bridging the gap between beer and hard liquor. "There is a soft-drink generation that grew up drinking Pepsi and Coke and Orangina," says a London marketing consultant who monitors the beverage industry. "For them to move to drinking hard

spirits, it's a big leap. Alcoholic soft drinks fit right in the middle."

Brewers and spirits companies contend the drinks are no more appealing to young people than other adult alcoholic beverages, and they stress that they are clearly labeled as to their alcohol content. Many explicitly use "alcoholic" in their brand names. Mrs. Pucker's label even states that the drink may taste like orangeade, but "it is deceptively strong in alcohol."

Fermented fruit juice is the main ingredient of many of the brands, including Hooper's Hooch. Others get their kick from grain alcohol. To suggest that the new drinks induce underage drinking is "totally false logic," says Jane Sabini, a spokeswoman for Bass' brewing unit. "If brands like Hooper's Hooch had not become available," she adds, "most underage drinkers would be drinking other alcoholic drinks just as they did before."

Is it ethical for brewers to market so-called alcopops? Critics claim these products are aimed at teenagers. Brewers contend the drinks are no more appealing to young people than other adult alcoholic beverages. What do you think? Should these products be barred in the U.S.?



the toy industry, you should now understand that the all firms and their marketing mixes. The opening citation, technology, and ever-changing consumer tastes uncontrollable factors also have a profound effect on Kenner. Evolving demographics (fewer children in key product safety, and changing economic conditions all a business. Also, environmental factors can affect each the legal environment for toy manufacturers (e.g., disca's two largest toy manufacturers) can lead to more sty that ignores the external environment is doomed to



## 8 Ethics in Marketing

How should alcohol and tobacco be advertised? Is it ethical for brewers to market drinks with an appeal to teenagers? Ethical issues are seldom black-and-white. Where will you draw the line? Put yourself into the situations described in the text's "Ethics in Marketing" boxed features and cases. How would you answer the questions raised there?



From feudalism to crowded medieval marketplaces to the Home Shopping Club, learn how marketers have sold their products throughout the ages at Hot Link—A Brief History of Marketing

**customer value**  
The ratio of benefits to the sacrifice necessary to obtain those benefits.



#### Customer Value

Customer value is the ratio of benefits to the sacrifice necessary to obtain those benefits. The customer determines the value of both the benefits and the sacrifices. Creating customer value is a core business strategy of many successful firms. As American Airlines Chairman Robert L. Crandall has stated, "With

needs are addressed. As Ford Motor Company Chairman, Alex Trotman, stated, "The customer, not Ford, determines how many vehicles we sell."<sup>18</sup> Key issues in developing competitive advantage today include creating customer value, maintaining customer satisfaction, and building long-term relationships.



# The Most Current Topics

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Part Three Product Decisions

## WHAT IS CUSTOMER VALUE?


### 1 Define customer value.


Companies today are facing accelerating change in many areas, including better educated and more demanding consumers, new technology, and the globalization of markets. As a result, competition is the toughest it has ever been. More and more, the key to building and sustaining a long-range competitive advantage is the commitment to delivering superior customer value, as the examples in the opening story illustrate.

In Chapter 1, customer value was defined as the customer's perception of the ratio of benefits to the sacrifice necessary to obtain those benefits. Customers receive benefits in the form of functionality, performance, durability, design, ease of use, and serviceability. To receive those benefits, they give up money, time, and effort.

Customer value is not simply a matter of high quality. A high-quality product that is available only at a high price will not be perceived as a value. Nor will bare-bones service or low-quality goods selling for a low price. Instead, customers value goods and services of the quality they expect that are sold at prices they are willing to pay. Value marketing can be used to sell a \$44,000 Nissan Infiniti Q45 as well as a \$3 Tyson frozen chicken dinner.

Marketers interested in customer value

-  **Offer products that perform:** This is the bare minimum. Consumers have lost patience with shoddy merchandise.
- **Give consumers more than they expect:** Soon after Toyota launched Lexus, the company had to order a recall. The weekend before the recall, dealers phoned all the Lexus owners in the United States, personally making arrangements to pick up their cars and offering replacement vehicles.
- **Avoid unrealistic pricing:** Consumers couldn't understand why Kellogg's cereals commanded a premium over other brands, so Kellogg's market share fell 5 percent in the late 1980s.
- **Give the buyer facts:** Today's sophisticated consumer wants informative advertising and knowledgeable salespeople.

-  **Offer organizationwide commitment in service and after-sales support.** Take the example of

Southwest Airlines, the airline offers superior service not get assigned seats or meals when they use the airline, it's and costs less than most airlines. Pilots tend to the boarding and ticket agents help and agent flew from Dallas to Ft. Worth whose son was afraid she'd planes by herself on her way

The current emphasis on "total quality" programs that These programs mainly tried to improving production process. These usually got much less. Associates, a maker of scientific principles in a number of areas systems increased on-time delivery

This Wal-Mart ad emphasizes two key components of its customer value—friendly service and low prices.

Courtesy Wal-Mart



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Part One The World of Marketing

year) is China. A population of 1.2 billion is producing a gross domestic product of over \$1.2 trillion a year. This new industrial giant will be the world's largest manufacturing zone, the largest market for such key industries as telecommunications and aerospace, and one of the largest users of capital.

Industrializing societies such as China and India offer opportunities for entrepreneurs with skill and imagination. The following "Marketing and Small Business" box is but one example.

### The Fully Industrialized Society

The fully industrialized society, the fifth stage of economic development, is an exporter of manufactured products, many of which are based on advanced technology. Examples include automobiles, computers, airplanes, oil exploration equipment, and

**fully industrialized society**  
The fifth stage of economic development, a society that is an exporter of manufactured products, many of which are based on advanced technology.

## 10 Small Business Issues

Chances are good that you'll work for a small business (or start your own) sometime in your career. With this in mind, we've integrated examples from small enterprises throughout the book. In addition, "Marketing and Small Business" boxes examine specific issues from a small-business point of view. An "Application for Small Business" at the end of every chapter gives you a chance to apply what you've learned to a small-business setting.

## Marketing and Small Business

### The Video Van Distribution Channel Works in India

About 70 percent of India's 900 million people live in rural areas. More than half of all Indian villagers are illiterate, and only one-third live in a household with a television set. Conventional American marketing practices simply won't work. Enter J. K. Jain, a New Delhi doctor, who invented the video van. The video van is just that—a van with a large video screen in the rear door. Dr. Jain used his vans originally to spread political propaganda for an opposition party that was denied air time on state-run television.

Between elections, the vans were idle, so Dr. Jain approached consumer-goods companies in 1989. Since then his fleet has swelled from 28 to 125, advertising products as disparate as detergent, pharmaceuticals, and fans. Each van typically visits three villages a day. Consumer companies generally deploy vans year-round, except for three months during the monsoon season. Dr. Jain charges 88,000 rupees (\$2,520) a month for a van, which comes outfitted with video gear and a generator.

Colgate-Palmolive, the giant U.S. consumer products company, is a believer in video vans. Many consumers in rural India are not fa-



once is puzzled until it realizes the problem is Vijay's breath.

As the story unfolds through dialogue, song, and dance, the new-lweds consult a dentist and then reconcile. The subtext is clear: Colgate is good for your breath, teeth, and love life. Village harmony is served, too. After the dentist explains that traditional oral-hygiene methods, such as charcoal powder, are ineffective and even harmful, the video ends with Kamla, Vijay, and their neighbors happily brushing their teeth.

The audience applauds enthusiastically and then rushes to get free samples at a stall beside the van. A Colgate marketer demonstrates how to use the toothpaste and a toothbrush. To encourage parents to buy a tube, he offers free Colgate brushes to a few children, only to leave many little hands grabbing for more.

Do you think Dr. Jain's concept would work in the United States? Why or why not?

Source: From "In Rural India, Video Vans Sell Toothpaste and Shampoo" by Michael Jordan, *Wall Street Journal*, January 10, 1995. Reprinted by permission of Wall Street Journal. © 1996 Dow Jones & Company, Inc. All Rights Reserved.

miliar with toothpaste. But they find out once Dr. Jain's video van bumps into town. In Andarsul, a dusty village of 10,000 in Maharashtra state, a van decked out with oversize "dummy" Colgate toothpaste tubes arrives on market day. It's the first time the van has called on Andarsul, which draws farmers and field workers from nearby hamlets to its weekly market.

Over the blare of a popular movie melody, a marketer invites shoppers to the vehicle. He also throws open the rear door, revealing a video screen. Before long, about 100 men and children have jostled for a viewing spot. (Women generally don't go to market in the Indian countryside.)

In one scene of the 27-minute infomercial, villagers Kamla and Vijay are about to spend their wedding night together. As a passionate Vijay bends over to kiss his bride, she pulls away in disgust. He asks what's wrong. She's embarrassed to say. The attentive audi-



# Real Insights from the Real World

## 11 Signature Series Cases and Videos

When seeking advice regarding new challenges, we instinctively turn to people in the know for insight and guidance. **Marketing** makes that simple. Signature Series Cases present the inside story from a wide variety of marketing experts. You'll learn about marketing from the first-hand accounts of specialists at well known companies such as Ford Motor Company and Tandy. And you'll learn from Shaquille O'Neal what makes famous athletes such good product spokespeople.

### Fabulous Technology Offers Many New Features for Tomorrow's Automobiles—But Will the Consumer Buy It?

by Mary Klapp  
Futures Research Manager,  
Ford Motor Company

Technology has created dramatic changes in automobiles during the past few decades. Today's Ford is certainly not like your grandfather's. From fuel-efficient engines to numerous safety features, today's vehicles are a better value for the money because of technology. For example, many vehicles now offer a remote keyless entry system that enables you to open or lock your vehicle from outside with a push of a button.

Ford's engineers continue to be leaders in creating and designing new features for tomorrow's trucks, minivans, utility sports vehicles, and cars. A recent marketing research study conducted by Ford took a look at some of the new ideas generated by their engineers to determine (a) if target customers were interested in a particular feature, and (b) if the concept has appeal, will consumers pay the suggested retail price. The re-

### Signature Series Video Case



Mary P. Klapp

#### Cargo Retention Device

Floor Mounted Cargo Net (US \$50/UK £30)

Retractable Cargo Net (US \$150/UK £100)

Lifgate Cargo Net (US \$50/UK £30)

The *Cargo Retention Device* prevents objects in the cargo area of the vehicle from sliding forward in the event of a sudden stop. Three versions of the *Cargo Retention Device* are available: the Floor Mounted Cargo Net (secured with attachments at the ceiling and the load floor); the Retractable Cargo Net (similar to the Floor Mounted Cargo Net, but can be retracted into a roller shade on the back of the seat); and the Lifgate Cargo Net (automatically covers the cargo when lifgate is closed).

#### Cooled/Heated Seats (US \$450, UK £160)

The Cooled and Heated Seat system controls the temperature of the driver's seat by pumping liquid through tubes inside the seat. This system is turned on by a switch on the dash

board and can be adjusted to cool or heat. The System works on both cloth and leather seats.

#### Fingerprint Passive Entry (US \$700, reg. power locks—\$250/UK £360, central locks—£200)

Fingerprint Passive Entry allows the driver to gain access to vehicles equipped with power locks, without the use of a key. The driver's own finger print is used as a unique identification to lock and unlock the vehicle. The vehicle recognizes the driver's finger print through the use of a touch pad. To lock the driver's door or all the vehicle's doors, simply touch the pad for half a second. (UK VERSION) Fingerprint Passive Entry is also available for easy trunk or lifgate access. The vehicle can still be locked or unlocked with a key.

#### Fold Out Storage Container (US \$150/UK £70)

The Fold Out Storage Container provides access to items stored in the forward part of the cargo area which is not easily accessible by shorter individuals. Items such as loose toys, or a stroller can be easily and conveniently stored.

#### Front Impact Warning

Indicator Light and Tone (US \$300, UK £150)

Indicator Light and Voice (US \$300/UK £150)

Indicator Light and Brake Tap (US \$350/UK £180)

The Front Impact Warning System alerts drivers when approaching another vehicle or object. Sensors located in the bumper detect obstacles in front of the vehicle. The Front Impact Warning System combines an

### Part One

## Critical Thinking Case

### HOOTERS, INC.

Everyone seems to be taking sides when it comes to Hooters. The many fans of the fast-growing restaurant chain like its affordable food and drink, served up by friendly waitresses in a cheery atmosphere. Typical Hooters outlets feature rustic pine floors and tables, spicy chicken wings, and beer by the pitcher. TV monitors run nonstop sports videos, and the background music is golden oldies from the 1960s.

Critics claim the chain's appeal is blatantly sexist, from its name (slang for breasts) to the showcasing of its



waitresses, called "Hooter Girls," dressed in skimpy, revealing uniforms. Critics accuse the chain of fostering a climate in which sexual harassment can thrive. "The name should be changed because of the derogatory references to human

anatomy," says the leader of a Fairfax, Virginia, group founded to protest the opening of a Hooters outlet.

Big profits can still be made from sexism, even in the 1990s. From its birth in 1983 in Clearwater, Florida, Hooters expansion is running at full speed, with restaurants operating in 37 states and Puerto Rico and plans for the entire United States and international markets. Typical Hooters restaurants serve an average of 500 customers a day, with waiting lines at lunch and dinner.

Hooters uses every opportunity to flaunt its naughty name. The chain annually sells about \$5 million worth

### Join The Million Hooters March!

Make your voice heard! A nefarious government plot is under way to threaten one of our most prized freedoms—the pursuit of happiness! Where else is one happier than at Hooters? Nowhere! Yet the petty bureaucrats in Washington seek to change that by demanding that Hooters hire (gasp!) MALE SERVERS! Can we permit this, fellow Hooters and Hootersians? Nay! Cast your vote and voice your comments here! Let us rise as one mighty voice and push the government lackeys back into the dark recesses of Capital Hill! A special task force of highly trained Hooter Girls will deliver our message to the president (or next available government official) soon! Ensure your freedom and celebrate our great democracy by voting today!

The Eternal Question:  
Should Hooters Have Male Servers?  
☐ Yes ☐ No

Your Name:

Your Email:

Please enter your comments below:

POST

Immediately upon clicking "POST" this page will be updated and your comments will join billions of other concerned citizens' writings. If you do not see your comment, please press "RELOAD" on your browser. God Bless America and thank you for your participation.



## 12 Critical Thinking Cases

End-of-part Critical Thinking Cases give you the chance to apply what you've learned to a real company situation. You'll examine a variety of well-known companies, including Hooter's, Walgreens, and Long John Silver's. Do you agree with what these companies have done? What concepts from the text support your point of view? These cases will challenge you to evaluate marketing strategies and to develop your marketing skill.



# Learning Tools from the Real World

## Chapter 14

### Channels and Physical Distribution

Getting the attention of college students today is not easy. Just ask the large product manufacturers like Kellogg's and Calvin Klein who have attempted to introduce their products and services on campuses throughout the United States. These manufacturers have found that college students are not very receptive to marketing ploys. In fact, most college students maintain a general attitude of distrust toward marketing activities. In addition, most college students are very cautious about advertising and do not appreciate hard selling techniques.

In an effort to get the attention of college students and overcome their reluctance to marketing activities, manufacturers have contracted with marketing organizations who specialize in the college student market. Examples of such organizations include MarketSource, Collegiate Marketing Co., and American Collegiate Marketing who provide services such as distribution of college magazines and newspapers like *U* and *Link*, sponsorship of campus events like concerts and movies, local promotion of products by posters and flyers, and the distribution of sample products.

These specialty organizations have also experienced difficulty marketing to the college student market. Faulty distribution has plagued many of their efforts to distribute free samples

and to promote products and services through campus activities. Some distribution problems for free samples include putting samples in areas students do not frequent, such as low-traffic areas of bookstores; making students show identification and sign in to receive samples; and losing samples to visitors, such as high school students or other noncollege students. In addition, there is often a lack of control over how many samples are taken by each person when the samples are distributed. For other promotional activities, such as magazine and newspaper advertisements, the placement of the advertisements may be untimely, with ads running the day after the activity, and posters may never be displayed.

To overcome these problems, organizations such as MarketSource have identified ways to distribute products and services to the college market with the least waste.

First, they prefer not to use direct mail or bulk distribution. Oftentimes, the mail never leaves the large boxes in which it is delivered. If the bulk mail is removed from the box, it may never be placed into individual mail boxes. Instead, it is often placed

in stacks for passersby. Second, bookstores are being monitored to ensure timely and efficient distribution of samples and promotional materials. Samples or flyers which are coded so they can be tracked to determine which bookstores are following appropriate distribution procedures. For posters, companies are employing resident students to aid in distribution. Student employees are screened thoroughly and paid well to distribute posters and flyers on campuses. In order to monitor student employees, companies provide students with disposable cameras and ask that the students photograph their work. The students are then paid when the film is processed. All of these changes have managed to reduce, but not eliminate, waste in the channel from the product manu-

## 13 Opening Examples Preview the Chapter

Each chapter begins with a high-interest, real-life situation designed to introduce you to chapter concepts. Each situation concludes with a series of questions that anticipate key issues in the chapter. How is McDonald's targeting adults? How does Coca-Cola utilize its unique shape to stimulate customer awareness and purchasing? You'll discover the answers to these questions and more as you cover each chapter.

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#### Part Four Distribution Decisions

need to acquire and, depending on the type of product they are importing, the tariffs, quotas, and other regulations that apply in each country. Another important factor to consider is the transportation infrastructure in a country. For example, the Commonwealth of Independent States (the former Soviet Union) has little transportation infrastructure outside the major cities, such as roads that can withstand heavy freight trucks, and few reliable transportation companies of any type. Pilferage and hijackings of freight are also common. Distributors have had similar experiences in China, as the "Global Perspectives" box relates.

#### LOOKING BACK

As you complete this chapter, you should be able to see how marketing channels operate and how physical distribution is necessary to move goods from the manufacturer to the final consumer. The structure of marketing channels often varies given the consumer target market. For example, as the opening story discussed, many product manufacturers are facing difficulty reaching the college student market. Since college students are cautious about marketers, many companies have employed fellow students to distribute their products on college campuses. In the future, these companies expect to utilize the Internet as a distribution channel for information about and purchase orders for their products and services.

#### KEY TERMS

automatic identification 399  
automatic storage and retrieval systems (AS/RS) 399  
containerization 399  
contract logistics 406  
discrepancy of assortment 383  
discrepancy of quantity 382  
direct channel 386  
dual distribution (multiple distribution) 388  
electronic data interchange (EDI) 402  
electronic distribution 405  
exclusive distribution 392  
intensive distribution 391  
inventory control system 400  
just-in-time (JIT) inventory management 400  
logistics 394  
marketing channel (channel of distribution) 382

#### SUMMARY

**1 Explain what a marketing channel is and why intermediaries are needed.** Marketing channels are composed of members that perform negotiating functions. Some intermediaries buy and resell products; other intermediaries aid the exchange of ownership between buyers and sellers without taking title. Nonmember channel participants do not engage in negotiating activities and function as an auxiliary part of the marketing channel structure.

Intermediaries are often included in marketing channels for three important reasons. First, the specialized expertise of intermediaries may improve the overall efficiency of marketing channels. Second, intermediaries may help overcome discrepancies by making products available in quantities and assortments desired by consumers and business buyers and at locations convenient to them. Third, intermediaries reduce the number of transactions required to distribute goods from producers to consumers and end users.

**2 Describe the functions and activities of marketing channel members.** Marketing channel members perform three basic types of functions. Transactional functions include contacting and promoting, negotiating, and risk taking. Logistical functions performed by channel members include physical distribution and sorting functions. Finally, channel members may perform facilitating functions, such as researching and financing.

**3 Discuss the differences among marketing channels for consumer and industrial products.** Marketing channels for consumer and business products vary in degree of complexity. The simplest consumer product channel involves direct selling from producers to consumers. Businesses may sell directly to business or government buyers. Marketing channels grow more complex as intermediaries become involved. Consumer product channel intermediaries include agents, brokers, wholesalers, and retailers. Business product channel intermediaries include agents, brokers, and industrial distributors.

## 14 Looking Back at the Opening Examples

You have finished reading the chapter... so what have you learned? Can you now answer the questions posed in the opening example? Test yourself. Then read the "Looking Back" section at the end of the chapter where we answer the questions for you. If you got the right answers, then you are ready to go on to the chapter cases!



## Preface

Today's marketers face a marketplace that is becoming simultaneously more competitive, specialized, global, and Internet-reliant. To succeed in today's changing environment, successful marketing requires – now more than ever – a balance of creativity and knowledge. Knowledge is, indeed, bliss. With its steadily growing market share, *Marketing*, Fourth Edition has demonstrated that it is the premier source for new and essential marketing knowledge. Students can learn it all with this comprehensive, current text. Instructors can have it all with a complete, high-tech supplement package.



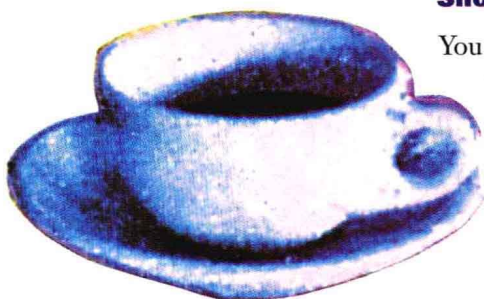


## CUSTOMER-DRIVEN INNOVATIONS FOR THE 4TH EDITION

The guiding principle of this and past editions of *Marketing* is that of building relationships. Relationship marketing is discussed in Chapter 1, and we believe in it completely. We seek to build long-term relationships with our customers (both professors and students) that result in trust and confidence in our product. Our success is proven as the number of “new relationships” dramatically increases with each edition.

We feel a strong sense of responsibility to provide you and your students with the most exciting and up-to-date text and useful supplement package possible. To accomplish this, we have listened to your desires and comments and incorporated your feedback into *Marketing*, Fourth Edition.

### Shorter and Sweeter



You have expressed to us with each edition that “the text is easy to read and full of timely student-oriented examples.” We have maintained this in the current edition with hundreds of new examples. We have done extensive research for the Fourth Edition to continue to offer a comprehensive introduction to the field of marketing. Simultaneously, we have reduced the length of the text by over a hundred pages! You now have a comprehensive and enjoyable book to read that can easily be covered in one term.

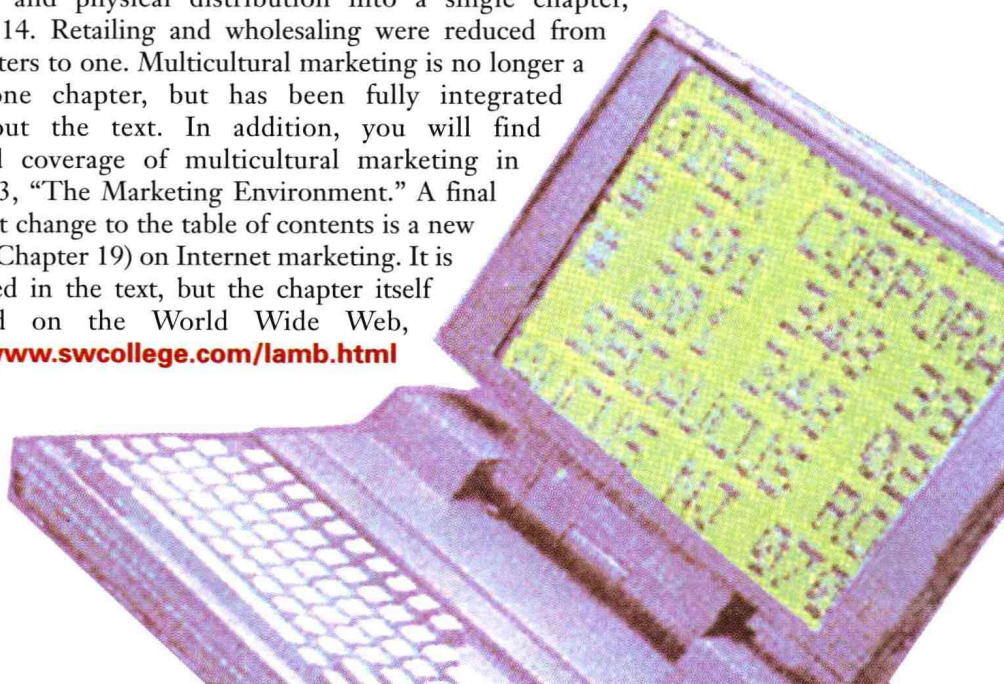
### A New Table of Contents Based on Instructor Feedback

Employers and instructors have told us that strategic planning has reemerged as a critical success factor in global business. The strategic plan forms the foundation for a marketing plan which generates revenue (or enables a nonprofit organization to reach its goal) and enables a firm to survive and prosper. With this in mind, we have created a new Chapter 2 that discusses strategic planning and building a marketing plan.

“Ethics and Social Responsibility” has been moved to Chapter 5 from Chapter 21, signifying its pervasive importance in all marketing decision making. Indeed, society demands that all businesspeople recognize their social responsibilities and set the highest possible ethical standards.

Chapter 13, “Customer Value, Quality, and Satisfaction,” has been moved to the end of Part 3, “Product Decisions,” where you told us it most logically fits. We also took your suggestions and combined coverage of marketing channels and physical distribution into a single chapter, Chapter 14. Retailing and wholesaling were reduced from two chapters to one. Multicultural marketing is no longer a stand-alone chapter, but has been fully integrated throughout the text. In addition, you will find expanded coverage of multicultural marketing in Chapter 3, “The Marketing Environment.” A final important change to the table of contents is a new chapter (Chapter 19) on Internet marketing. It is introduced in the text, but the chapter itself is found on the World Wide Web,

<http://www.swcollege.com/lamb.html>





### New Internet Coverage

The Fourth Edition features a hot, new Internet chapter that focuses on the Internet's impact on marketing strategy and the marketing mix. The pros and cons of conducting marketing research on the Net are also explained. The chapter concludes with a discussion of privacy and issues of doing business via the Internet. Additionally, Internet coverage is integrated throughout the text and identified for you by a special icon.



### New Internet Activities and Real-Time Examples

Each chapter contains several Internet activities tied to organizations mentioned in the text. For example, as students read about how McDonald's segments and targets markets, they're directed to real-time examples on McDonald's Web page. In addition, we conclude each chapter with additional Internet activities that relate to chapter content. Students find valuable on-line resources and learn to analyze current Internet marketing strategies.

### New End-of-Part Activities Help Students Build a Marketing Plan

Chapter 2 discusses the purpose and components of a marketing plan. As chapter topics such as market segmentation and consumer behavior are discussed, the corresponding end-of-part exercises direct students to create related portions of their marketing plan. By the end of the semester, your class will have developed a complete marketing plan.

### New MarketingBuilder Express

An "express" version of JIAN's popular *MarketingBuilder* software, this tool contains everything students need to develop a marketing plan. Students can complete the new end-of-part marketing plan activities using the shorter *MarketingBuilder Express* software templates or using the original Academic Version of *MarketingBuilder*.



### New Integration of Wardlow's Marketing CD-ROM

Twelve specially selected modules from the new *Principles of Marketing* CD-ROM by Daniel Wardlow, San Francisco State University, are integrated throughout the text. "Hot Links" in the margin direct students to exciting simulations, videos, and examples that relate to the text material being covered. Students interested in knowing more about retailing can go to "Hot Link" Retailing Today. Other sample "Hot Links" are entitled *A Brief History of Marketing*, *Influences on Marketing Strategy*, and *The Product Life Cycle*.



### A New Internet Site Connects You to Our Marketing Virtual Community: <http://www.swcollege.com/lamb.html>

A new Internet site supports the text, featuring updates to URLs in the text, additional real-time marketing cases, new Chapter 19 on "Internet Marketing," updates and articles, links to companies discussed in the text, plus a variety of materials to supplement your course.



## CLASSIC VALUE-BASED FEATURES HAVE BEEN UPDATED AND ENHANCED

### Signature Case Series by Successful Businesspeople

To help bring the text to life for students, we have asked some of America's most successful businesspeople to prepare short written cases – most with videos – about specific marketing concepts. We call this our “Signature Series” because we have asked these authors to sign their cases, signifying that they personally prepared the case for *Marketing*.

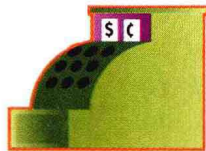
The Fourth Edition features several new signature cases. Mary Klupp, research manager of Customer Information, “Futures” and Strategy Group of Ford Motor Company, demonstrates how Ford takes new technology features, such as a night vision system, and assesses consumer demand for the items. Ronald LaBorde, president and CEO of Piccadilly Cafeterias, Inc., discusses the selection of promotional approaches based on market research and customer preferences. Short biographical sketches of each Signature Series author appear on p. xxxvii of the Preface.

### Video Cases and Examples for Each Chapter



You can bring marketing concepts to life with our video cases and examples. For each chapter, we have chosen one video case and three current CNBC or Blue Chip video clips. These videos highlight the issues discussed in each chapter and present the very latest developments in marketing. Some segments provide current profiles of companies discussed in the chapter. Others demonstrate text concepts with visual examples from the real world. Blue Chip video examples highlight successful small businesses. A detailed Video Instructor's Manual previews each clip and keys it to the chapter content for easy integration.

### Small Business and Entrepreneurship Are Emphasized in Every Chapter



Many students will either work for a small business or strike out on their own to form an organization. For this reason, each chapter contains a feature box entitled “Marketing and Small Business” and an “Application for Small Business” appears at the end of each chapter. The “Marketing and Small Business” boxes apply general marketing concepts to the world of small business. The “Applications” are minicases designed to illustrate how small businesses can create strategies and tactics using the material in the chapter. Anyone with an entrepreneurial flair will enjoy these features.

### Customer Value and Quality Are Emphasized in Every Chapter



Delivering superior customer value is now key to success in an increasingly competitive marketplace. Chapter 13 addresses issues of value and quality in detail and in the appropriate context of product decisions. Additionally, examples are integrated and identified by icons throughout the text.



## Careers in Marketing

The Appendix presents information on a variety of marketing careers, with job descriptions and career paths, to familiarize students with employment opportunities in marketing. This appendix also indicates what people in various marketing positions typically earn and how students should go about marketing themselves to prospective employers. A series of custom-produced video vignettes features recent graduates who explain how principles from the text apply to the real world of marketing.

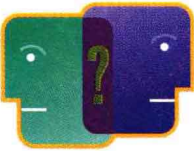
## GLOBAL MARKETING CONCEPTS THROUGHOUT THE TEXT



Today most businesses compete not only locally and nationally, but globally as well. Companies that have never given a thought to exporting now face competition from abroad. “Thinking globally” should be a part of every manager’s tactical and strategic planning. Accordingly, we address this topic in detail early in Chapter 4. We have also integrated numerous global examples within the body of the text and identified them with the icon shown in the margin.

Global marketing is fully integrated throughout the book, cases, and videos as well. Our “Global Perspectives” boxes, which appear in most chapters, provide expanded global examples and concepts. Each box concludes with thought-provoking questions carefully prepared to stimulate class discussion. For example, the box in Chapter 7 describes the emergence of a middle class in Poland and asks students to decide if a Polish middle class would be a promising target market for American companies.

## FOCUS ON ETHICS



In this edition we continue our emphasis on ethics. “Ethics and Social Responsibility” has been moved from Chapter 21 to Chapter 5 to demonstrate its importance in management decision making. The “Ethics in Marketing” boxes, complete with questions focusing on ethical decision making, have been revised and added to every chapter. Questions and cases designed to highlight ethical issues, such as the Hooter’s case appearing at the end of Part One, give students a sense of the complexity of ethics issues as the cases lead them to look at the issues from all sides.

## VALUE-DRIVEN PEDAGOGY PUTS YOU IN THE KNOW

Our pedagogy has been developed in response to what you told us delivers value to you and your students. You told us that current examples are important to you, so we have included all-new opening vignettes, new examples throughout the text, and new CNBC and Blue Chip video examples correlated to every chapter. You told us that cases that students find relevant are important to you, so we have added new Signature Series Cases and replaced most of the video cases with new, current videos. You said that many of your students planned a career in small business, so we have numerous new small business examples, “Marketing and Small Business” boxes, and all-new small business exercises at the end of each chapter.

Finally, you told us that the Integrated Learning System helped you organize your lectures and helped your students study more effectively, so we have retained that important feature.