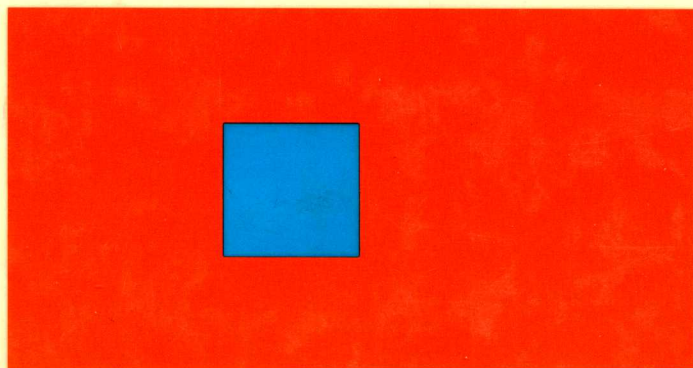
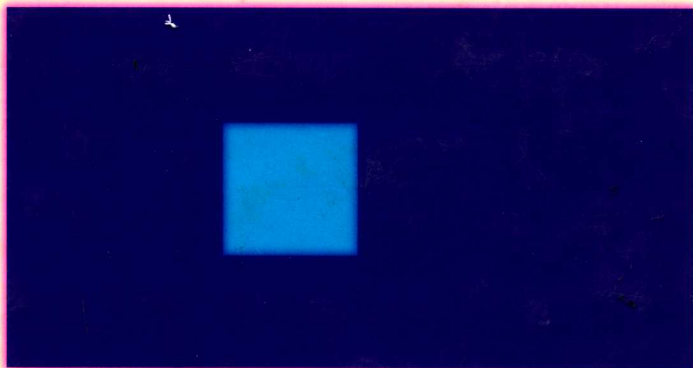
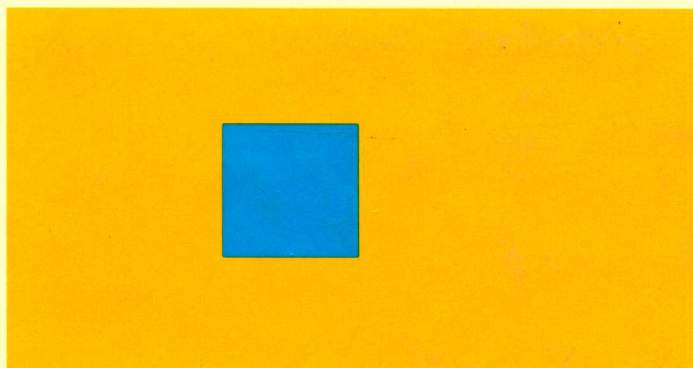


# PRIDE · FERRELL

## *MARKETING*

---

S i x t h E d i t i o n



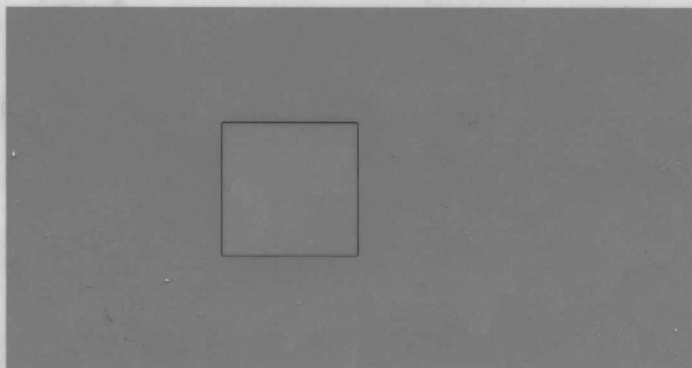
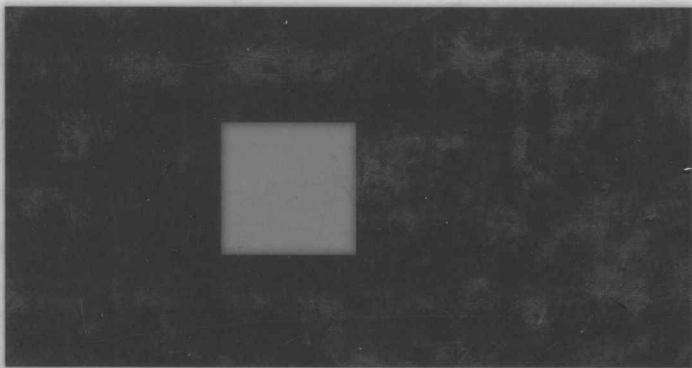
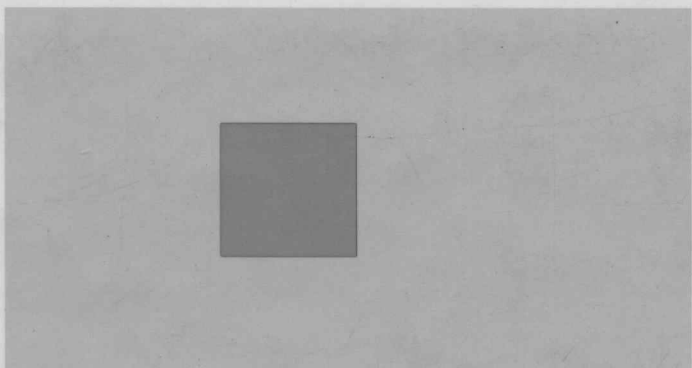
12 14 8  
S.L.C.C. MERAMEC

# PRIDE · FERRELL

## *MARKETING*

---

S i x t h E d i t i o n



### ABOUT THE COVER

Three blue squares, identical in color and size, are shown in different environments. Your perception of the square changes depending on the color that surrounds it. How a consumer perceives a product or organization depends on the environment in which it is presented—and this environment is created in part by marketing.

Part Opener photographs: I, Mason Morfit; II, Bill Varie/The Image Bank; III, Lou Jones/The Image Bank; IV, Larry Dale Gordon/The Image Bank; V, Lou Jones/The Image Bank; VI, Gary Gladstone/The Image Bank; VII, R. & M. Magruder/The Image Bank

Figure Illustrations: Boston Graphics, Inc.

Copyright © 1989 by Houghton Mifflin Company. All rights reserved.

No part of this work may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying and recording, or by any information storage or retrieval system without the prior written permission of Houghton Mifflin Company unless such copying is expressly permitted by federal copyright law. Address inquiries to College Permissions, Houghton Mifflin Company, One Beacon Street, Boston, MA 02108.

Printed in the U.S.A.

Library of Congress Catalog Card Number: 88-81358

ISBN: 0-395-36938-X

BCDEFGHIJ-VH-9543210-89

*To Nancy, Michael, and Allen Pride*

---

*To O. C. Ferrell, Sr., and Kathlene Ferrell*

---

---

# Preface

---

## The Sixth Edition: Strategic and Accessible

A marketing textbook must change often to keep pace with new developments in the teaching and practice of marketing. In this edition, we focus on the concepts most relevant to the development and implementation of marketing strategies. To make the sixth edition as informative, accessible, complete, and interesting as possible,

- ▶ We have focused more on strategic marketing, a change signaled by the new subtitle: *Concepts and Strategies*. The book opens with an overview of strategic marketing. A complete chapter on strategic market planning is included as well. Strategy and decision making are emphasized in cases and examples. A new, detailed strategic case at the end of each of the book's parts helps students integrate the concepts discussed in each part.
- ▶ We have included more examples demonstrating the marketing of real, current products and organizations, from Levi's 501 jeans to Federal Express. Each chapter has two cases, half of which are new, and two new, longer applications that illustrate or extend the discussions in the main text.
- ▶ We have created a more open, attractive visual presentation of the material to stimulate readers' interest in the subject.

In addition, we have made the writing more lively, readable, and concise, and updated the entire book, making major changes and additions including

- ▶ Expanded coverage of ethics and social responsibility (Chapter 2) and of ethical decisions in marketing research (Chapter 6)
- ▶ Extended discussion of lifestyle segmentation and regional marketing (Chapter 3)
- ▶ Revised and expanded treatment of social class and subliminal influence (Chapter 4)
- ▶ More complete coverage of criteria for channel selection and of legal issues in channel management (Chapter 9)
- ▶ A reorganized and more substantive look at topics in retailing and physical distribution (Chapters 11 and 12)

- ▶ More detailed discussion of telemarketing, sales-force compensation and motivation, and couponing (Chapter 15)
- ▶ A new section on centralization and decentralization and a more comprehensive treatment of marketing implementation (Chapter 19)
- ▶ More thorough investigation of international marketing research (Chapter 22)

Despite these changes, we believe that users of earlier editions of *Marketing* will find in this sixth edition the same strengths that have made previous editions so popular. Like its predecessors, this edition explores the depth and breadth of the field, combining detailed real examples with comprehensive coverage of marketing concepts and strategies used widely outside of the business world as well as in it. By focusing on the universal concerns of marketing decision makers, we demonstrate that marketing is a challenging, relevant field of study and a part of our world that influences almost everything we do.

## Features of the Sixth Edition

As always, our goal is to provide a comprehensive and practical introduction to marketing, easy both to teach and to read. The entire book is structured to excite students about marketing and to make learning comprehensive and efficient.

- ▶ *Learning objectives* open each chapter, providing students an overview of new concepts.
- ▶ A *vignette* introduces each chapter's marketing issues.
- ▶ *Examples* of familiar products and organizations make concrete and specific the generalizations of marketing theory.
- ▶ Two longer *applications* in each chapter, focusing on recognizable firms and products, extend the discussion of marketing topics and decisions.
- ▶ Numerous *figures, tables, and photographs* augment the text and increase comprehension.
- ▶ A complete chapter *summary* reviews the major topics discussed.
- ▶ A *list of important terms* (highlighted in the text) provides a study aid, helping students expand their marketing vocabulary.
- ▶ *Discussion and review questions* encourage further study and exploration of chapter material.
- ▶ Two concise, stimulating *cases* provoke discussion at the end of each chapter.
- ▶ A *diagram of the text's organization* at the beginning of each part shows students how material in the upcoming part relates to the rest of the book.
- ▶ A *strategic case* at the end of each part helps students integrate concepts from throughout that part.
- ▶ A *glossary* at the end of the text defines more than 625 important marketing terms.
- ▶ *Appendices* discuss career opportunities in marketing and provide additional insights into financial analysis in marketing.
- ▶ A *name index* and a *subject index* enable students to find topics of interest quickly.



## Text Organization

We have organized the seven parts of *Marketing: Concepts and Strategies* to give students a theoretical and practical understanding of marketing decision making. Part I presents an overview of marketing, discusses general marketing concepts, and considers the marketing environment, types of markets, target market analysis, buyer behavior, and marketing research. Part II focuses on the conceptualization, development, and management of products. Part III examines marketing channels, institutions, and physical distribution. Part IV covers promotion decisions and methods, including advertising, personal selling, sales promotion, and publicity. Part V is devoted to pricing decisions and Part VI to marketing management and discussions of strategic market planning, organization, implementation, and control. Part VII explores strategic decisions in industrial, service, nonbusiness, and international marketing.

In addition to numerous instructor support materials (discussed in the front of the instructor's manual), the package for this text includes aids to both teaching and learning:

- ▶ A study guide helps students review and integrate material.
- ▶ *Marketing Cases* supplements the cases in the text with 42 others that demonstrate how marketing decisions are made.
- ▶ *Marketing: A Simulation* gives student teams working on microcomputers valuable experience in making marketing decisions.
- ▶ *Microstudy Plus*, a self-instructional program for microcomputers, reinforces learning of key concepts.

Through the years, professors and students have sent us many helpful suggestions for improving the text. We invite your comments, questions, or criticisms. We want to do our best to provide materials that enhance the teaching and learning of marketing concepts and strategies. Your suggestions will be sincerely appreciated.

WILLIAM M. PRIDE

O. C. FERRELL

## Acknowledgments

Like most textbooks, this one reflects the ideas of a multitude of academicians and practitioners who have contributed to the development of the marketing discipline. We appreciate the opportunity to present their ideas in this book.

A number of individuals have made many helpful comments and recommendations in their reviews of this or earlier editions. We appreciate the generous help of these reviewers.

Timothy Hartman  
Ohio University  
Sheldon Somerstein  
City University of New York

Linda K. Anglin  
Mankato State University  
Winston Ring  
University of Wisconsin

William Lundstrom  
*Old Dominion University*  
Shanna Greenwalt  
*Southern Illinois University*  
Philip Kemp  
*DePaul University*  
Ernest F. Cooke  
*Memphis State University*  
Paul N. Bloom  
*University of North Carolina*  
George C. Hozier  
*University of New Mexico*  
Jay D. Lindquist  
*Western Michigan University*  
Robert F. Dwyer  
*University of Cincinnati*  
David R. Rink  
*Northern Illinois University*  
John Buckley  
*Orange County Community College*  
Thomas Ponzurick  
*West Virginia University*  
Barbara Unger  
*Western Washington University*  
Harrison L. Grathwol  
*University of Washington*  
Robert D. Hisrich  
*University of Tulsa*  
Charles L. Hilton  
*Eastern Kentucky University*  
Roy Klages  
*State University of New York at Albany*  
William G. Browne  
*Oregon State University*  
Poondi Varadarajan  
*Texas A & M University*  
Lee R. Duffus  
*University of Tennessee*  
Glen Riecken  
*East Tennessee State University*  
W. R. Berdine  
*California State Polytechnic Institute*  
Charles L. Lapp  
*University of Dallas*  
Thomas V. Greer  
*University of Maryland*  
Patricia Laidler  
*Massasoit Community College*

Stan Madden  
*Baylor University*  
Elizabeth C. Hirschman  
*Rutgers—The State University*  
Peter Bloch  
*Louisiana State University*  
Linda Calderone  
*State University of New York  
Agricultural and Technical College  
at Farmingdale*  
Barbara Coe  
*North Texas State University*  
Alan R. Wiman  
*Rider College*  
Donald L. James  
*Fort Lewis College*  
Terrence V. O'Brien  
*Northern Illinois University*  
Joseph Gultinan  
*Notre Dame*  
Kent B. Monroe  
*Virginia Polytechnic Institute*  
William Staples  
*University of Houston—Clear Lake*  
Richard J. Semenik  
*University of Utah*  
Pat J. Calabro  
*University of Texas at Arlington*  
James F. Wenthe  
*University of Georgia*  
Richard C. Becherer  
*Wayne State University*  
Thomas E. Barry  
*Southern Methodist University*  
Mark I. Alpert  
*University of Texas at Austin*  
Richard A. Lancioni  
*Temple University*  
Steven Shipley  
*Governor's State University*  
Paul J. Solomon  
*University of South Florida*  
Michael Peters  
*Boston College*  
Terence A. Shimp  
*University of South Carolina*  
Kenneth L. Rowe  
*Arizona State University*



Allan Palmer  
*University of North Carolina at Charlotte*  
Stewart W. Bither  
*Pennsylvania State University*  
John R. Brooks, Jr.  
*West Texas State University*  
Carlos W. Moore  
*Baylor University*  
Charles Gross  
*Illinois Institute of Technology*  
Hugh E. Law  
*East Tennessee University*  
Dillard Tinsley  
*Stephen F. Austin State University*  
John R. Huser  
*Illinois Central College*  
David J. Fritzsche  
*University of Portland*  
David M. Landrum  
*Central State University*  
Robert Copley  
*University of Louisville*  
Robert A. Robicheaux  
*University of Alabama*  
Sue Ellen Neeley  
*University of Houston—Clear Lake*  
Otto W. Taylor  
*State University of New York  
Agricultural and Technical College  
at Farmingdale*  
Michael L. Rothschild  
*University of Wisconsin—Madison*  
Thomas Falcone  
*Indiana University of Pennsylvania*  
William L. Cron  
*Southern Methodist University*  
Sumner M. White  
*Massachusetts Bay Community College*  
Del I. Hawkins  
*University of Oregon*  
Ralph DiPietro  
*Montclair State College*  
Norman E. Daniel  
*Arizona State University*  
Bruce Stern  
*Portland State University*  
Beheruz N. Sethna  
*Clarkson College*

Stephen J. Miller  
*Oklahoma State University*  
Dale Varble  
*Indiana State University*  
William M. Kincaid, Jr.  
*Oklahoma State University*  
John McFall  
*San Diego State University*  
James D. Reed  
*Louisiana State University—Shreveport*  
Ken Jensen  
*Bradley University*  
Arthur Prell  
*Lindenwood College*  
David H. Lindsay  
*University of Maryland*  
Claire F. Sullivan  
*Bentley College*  
Joseph Hair  
*Louisiana State University*  
Roger Blackwell  
*Ohio State University*  
James C. Carroll  
*University of Southwestern Louisiana*  
Guy Banville  
*Creighton University*  
Jack M. Starling  
*North Texas State University*  
Lloyd M. DeBoer  
*George Mason University*  
Dean C. Siewers  
*Rochester Institute of Technology*  
Benjamin J. Cutler  
*Bronx Community College*  
Gerald L. Manning  
*Des Moines Area Community College*  
Hale Tongren  
*George Mason University*  
Lee Meadow  
*Bentley College*  
Ronald Schill  
*Brigham Young University*  
Don Scotton  
*Cleveland State University*  
George Glisan  
*Illinois State University*  
Jim L. Grimm  
*Illinois State University*

John I. Coppett  
*Iowa State University*

Roy R. Grundy  
*College of DuPage*

Steven J. Shaw  
*University of South Carolina*

Melvin R. Crask  
*University of Georgia*

J. Paul Peter  
*University of Wisconsin—Madison*

Bert Rosenbloom  
*Drexel University*

Terry M. Chambers  
*Appalachian State University*

Rosann L. Spiro  
*Indiana University*

Joseph Cangelosi  
*East Tennessee State University*

Keith Murray  
*Northeastern University*

Robert Solomon  
*Stephen F. Austin State University*

Joseph Ballinger  
*Stephen F. Austin State University*

Douglas Korneman  
*Milwaukee Area Technical College*

John Lavin  
*Waukesha County Technical Institute*

Lyndon Simkin  
*University of Warwick*

Robert Grafton-Small  
*University of Strathclyde*

Bodo Schlegelmilch  
*University of Edinburgh*

Victor Quinones  
*University of Puerto Rico*

Ken Wright  
*West Australia College of Advanced Education—Churchland Campus*

Tinus Van Drunen  
*Universiteit Twente (Netherlands)*

Larry Chonko  
*Baylor University*

Jackie Brown  
*University of San Diego*

Bernard LaLonde  
*Ohio State University*

Yvonne Karsten  
*Mankato State University*

George Avellano  
*Central State University*

Salah S. Hassan  
*Skidmore College*

Brian Meyer  
*Mankato State University*

Blaine S. Greenfield  
*Bucks County Community College*

George Wynn  
*James Madison University*

Hal Teer  
*James Madison University*

For contributing cases we are indebted to David Loudon, C. W. McConkey, and Maynard M. Dolecheck, Northeast Louisiana University; James Kennedy, Angelina College; and Donald Sapit, Sigma Marketing Concepts. We especially thank Jim L. Grimm, Illinois State University, for drafting the appendix on financial analysis in marketing.

Our special thanks go to Mary Gilly, University of California at Irvine, for developing the casebook, *Marketing Cases*. For creating *Marketer: A Stimulation*, we wish to thank Jerald R. Smith, University of Louisville. A great deal of thanks also go to Edwin C. Hackleman for developing the computerized test preparation program and for creating *Microstudy Plus*. We are deeply grateful to Lyn Gattis and Gwyneth M. Vaughn for their extreme diligence in providing editorial suggestions and support. For many types of technical assistance we thank Lisa Collins, Neil C. Herndon, Jr., Scott Saunders, Eric Voss, Dale Hoelscher, and Wendy Reed.

O. C. Ferrell expresses appreciation to the University of Michigan, School of Business and Marketing faculty, for resources and support while he was a visiting professor during 1988.

---

# Brief Contents

---

<b>Part I</b>	
<b>An Analysis of Marketing Opportunities</b>	<b>2</b>
1. An Overview of Strategic Marketing	4
2. The Marketing Environment	38
3. Target Markets: Segmentation and Evaluation	82
4. Consumer Buying Behavior	118
5. Organizational Markets and Buying Behavior	148
6. Marketing Research and Information Systems	174
<b>Part II</b>	
<b>Product Decisions</b>	<b>220</b>
7. Product Concepts	222
8. Developing and Managing Products	256
<b>Part III</b>	
<b>Distribution Decisions</b>	<b>290</b>
9. Marketing Channels	292
10. Wholesaling	326
11. Retailing	354
12. Physical Distribution	394
<b>Part IV</b>	
<b>Promotion Decisions</b>	<b>432</b>
13. Promotion: An Overview	434
14. Advertising and Publicity	464
15. Personal Selling and Sales Promotion	508
<b>Part V</b>	
<b>Pricing Decisions</b>	<b>556</b>
16. Pricing Concepts	558
17. Setting Prices	588

<b>Part VI</b>	
<b>Marketing Management</b>	<b>626</b>
18. Strategic Market Planning	628
19. Organization, Implementation, and Control	668
<b>Part VII</b>	
<b>Selected Applications</b>	<b>710</b>
20. Industrial Marketing	712
21. Services and Nonbusiness Marketing	740
22. International Marketing	780
Appendix A	A1
Appendix B	A13
Glossary	G1
Name Index	I1
Subject Index	I13

---

# Contents

---



Preface	xxix
<b>Part I</b>	
<b>An Analysis of Marketing Opportunities</b>	<b>2</b>
<b>1. An Overview of Strategic Marketing</b>	<b>4</b>
Marketing Defined	7
Marketing Consists of Activities	8
Marketing Is Performed by Individuals and Organizations	9
Marketing Facilitates Satisfying Exchange Relationships	10
Marketing Occurs in a Dynamic Environment	12
Marketing Involves Product Development, Distribution, Promotion, and Pricing	12
Marketing Focuses on Goods, Services, and Ideas	12
Why Study Marketing?	12
Marketing Activities Are Used in Many Organizations	12
Marketing Activities Are Important to Business and the Economy	13
Marketing Knowledge Enhances Consumer Awareness	14
Marketing Costs Consume a Sizable Part of Buyers' Dollars	14
The Marketing Concept	14
Basic Elements of the Marketing Concept	15
Evolution of the Marketing Concept	16
Implementing the Marketing Concept	18
Strategic Marketing Management	19
Market Opportunity Analysis	19
Marketing Strategy: Target Market Selection	25
Marketing Strategy: Marketing Mix Development	26
Management of Marketing Activities	30

The Organization of This Book	31
Summary	31
Important Terms	33
Discussion and Review Questions	33
CASES	
1.1 Levi Strauss and the 501 Jeans	34
1.2 RJR Nabisco	36
APPLICATIONS	
Harley-Davidson Shifts into High Gear	23
M-M-Max Headroom	29
<b>2. The Marketing Environment</b>	<b>38</b>
Examining and Dealing with the Marketing Environment	41
Environmental Scanning and Analysis	42
Responding to Environmental Forces	42
Politics and the Marketing Environment	44
Laws and Their Interpretation	45
Procompetitive Legislation	45
Consumer Protection Legislation	49
Interpreting Laws	49
Regulatory Forces	50
Federal Regulatory Agencies	50
State and Local Regulatory Agencies	52
Nongovernmental Regulatory Forces	52
Societal Forces	54
Living Standards and Quality of Life	54
Consumer Movement Forces	54
Ethical Issues and Social Responsibility	55
Economic and Competitive Forces	59
Assessment of Competitive Forces	60
Consumer Demand and Spending Behavior	64
General Economic Conditions	69
Technological Forces	71
Technology Defined	71
The Impact of Technology	72
Adoption and Use of Technology	73
Summary	74
Important Terms	76
Discussion and Review Questions	76



CASES	
2.1 Alcohol and Tobacco Advertising	77
2.2 Nestlé and the Marketing of Infant Formulas	79
APPLICATIONS	
The Florida Advertising Tax	47
Apple Tries to Stay Ahead of IBM with New Generation PC	62
 3. Target Markets: Segmentation and Evaluation	 82
What Are Markets?	85
Requirements of a Market	85
Types of Markets	86
Selecting Target Markets	87
Total or Undifferentiated Market Approach	87
Market Segmentation Approach	88
Market Segmentation Strategies	89
Conditions for Effective Segmentation	91
Choosing Segmentation Variables	91
Variables for Segmenting Consumer Markets	92
Variables for Segmenting Organizational Markets	105
Single-Variable or Multivariable Segmentation	106
Evaluating Markets and Forecasting Sales	106
Market and Company Sales Potentials	108
Developing Company Sales Forecasts	109
Using Multiple Forecasting Methods	113
Summary	113
Important Terms	114
Discussion and Review Questions	114
CASES	
3.1 Kinder-Care Segments Child-Care Market	115
3.2 Sales Forecasting at Bay State Machine Company	117
APPLICATIONS	
Regional Marketing	99
Lifestyle Segmentation: A Slice of Life	103
 4. Consumer Buying Behavior	 118
Types of Consumer Decision Behavior	121
The Consumer Buying Decision Process	122
Problem Recognition	122

Information Search	123
Evaluation of Alternatives	124
Purchase	124
Postpurchase Evaluation	124
Buying Decision Process: Person-Specific Influences	125
Demographic Factors	125
Situational Factors	126
Buying Decision Process: Psychological Influences	126
Perception	126
Motives and Motivation Research	130
Learning	132
Attitudes	132
Personality	134
Buying Decision Process: Social Influences	134
Roles and Family Influences	134
Reference-Group Influence	136
Social Classes	138
Culture and Subcultures	139
Understanding Consumer Behavior	142
Summary	142
Important Terms	143
Discussion and Review Questions	144
CASES	
4.1 First Bank & Trust	144
4.2 Beef Industry Council Tries to Change Attitudes	145
APPLICATIONS	
Subliminal Influence	129
Children's Changing Roles Alter Their Buying Behavior	137
 5. Organizational Markets and Buying Behavior	 148
 Types of Organizational Buyers	 151
Producer Markets	151
Reseller Markets	152
Government Markets	154
Institutional Markets	155
Dimensions of Organizational Buying	155
Characteristics of Organizational or Industrial Transactions	155
Attributes of Organizational Buyers	156
Primary Concerns of Organizational Buyers	157
Methods of Organizational Buying	158
Types of Organizational Purchases	160
Demand for Industrial Products	160

Organizational Buying Decisions	163
The Buying Center	163
Stages of the Organizational Buying Decision Process	164
Influences on Organizational Buying	168
Summary	169
Important Terms	170
Discussion and Review Questions	170
CASES	
5.1 Eberhard Faber Markets Low-Tech Products to Organizational Markets	171
5.2 IBM Serves Organizational Customers	173
APPLICATIONS	
Merck Serves Changing Organizational Markets	161
Sole Sourcing	167
 6. Marketing Research and Information Systems	 174
Defining Marketing Research and Marketing Information Systems	177
Information Needs and Decision Making	181
The Marketing Research Process	184
Defining and Locating Problems	185
Developing Hypotheses	186
Collecting Data	186
Interpreting Research Findings	187
Reporting Research Findings	189
Designing the Research	190
Sampling	190
Experimentation	192
Gathering Research Data	195
Survey Methods	195
Observation Methods	203
Secondary Data Collection	203
Marketing Research Ethics	206
Summary	207
Important Terms	208
Discussion and Review Questions	209
CASES	
6.1 Lady Indian Basketball	210
6.2 Nielsen's People Meter	213
APPLICATIONS	
Using Research to Link Advertising to Sales	183
Systematic Observation—An Effective Way to Gather Research Data	204