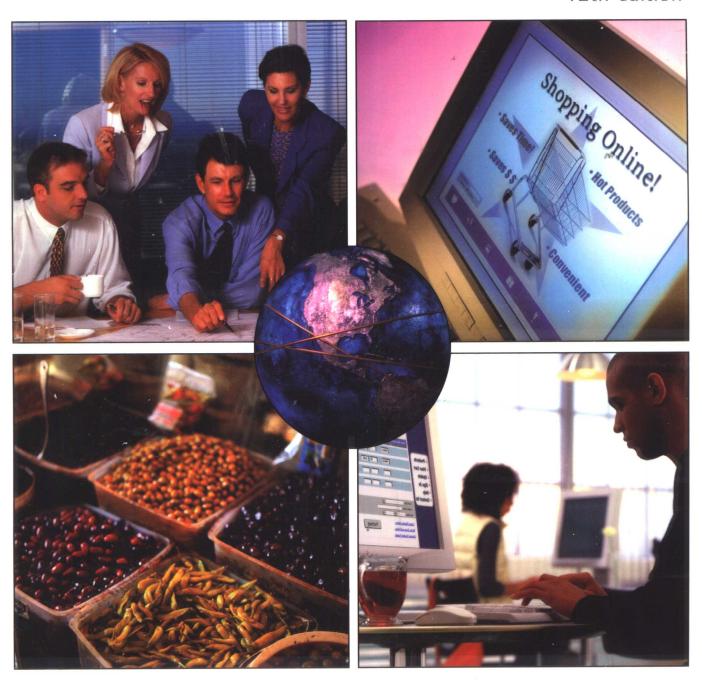
Marketing

12th edition



Michael J. Etzel

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Marketing



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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*.

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Preface

Whether you are a student, professor, manager, owner of a small business, fund-raiser 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.

XVII

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 forprofit 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.

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

Brief Contents

Preface xvii

Part One Chapter 1 Chapter 2	The Field of Marketing 1 An Overview of Marketing 2 The Dynamic Marketing Environment 30
Chapter 3	Global Markets and Marketing 52
Part Two Chapter 4 Chapter 5 Chapter 6 Chapter 7	Identifying and Selecting Markets 87 Consumer Markets and Buying Behavior 88 Business Markets and Buying Behavior 118 Market Segmentation, Targeting, and Positioning 148 Marketing Research and Market Information 178
Part Three Chapter 8 Chapter 9 Chapter 10 Chapter 11	Product 211 Product Planning and Development 212 Product-Mix Strategies 240 Brands, Packaging, and Other Product Features 262 Services Marketing 290
Part Four Chapter 12 Appendix A Chapter 13	Price 321 Price Determination 322 Marketing Math 349 Pricing Strategies 362
Part Five Chapter 14 Chapter 15 Chapter 16	Distribution 393 Channels of Distribution 394 Retailing 424 Wholesaling and Physical Distribution 452
Part Six Chapter 17 Chapter 18 Chapter 19	Promotion 487 Integrated Marketing Communications 488 Personal Selling and Sales Management 514 Advertising, Sales Promotion, and Public Relations 538
Part Seven Chapter 20 Chapter 21 Chapter 22 Appendix B	Managing the Marketing Effort 575 Strategic Marketing Planning 576 Marketing Implementation and Evaluation 600 Marketing and the Information Economy 628 Careers and Marketing 660 Notes & References N-1 Photo Credits P-1 Glossary G-1 Indexes 1-1

Contents

Preface xvii

Part One The Field of Marketing 1

Chapter 1

An Overview of Marketing 2

Can eBay Define a New Way? 3

Nature and Scope of Marketing 4

Evolution of Marketing 6

The Marketing Concept 9

You Make the Decision / Is It Time for Fast-Food Marketers to Redefine Their Businesses? 10

Marketing in the Information Economy / ls There Any Place You Won't Find Technology? 12

A Company's Marketing Program 16

Ethics and Marketing 17

An Ethical Dilemma? 19

Importance of Marketing 20

A Global Perspective / Where Do Firms Look for Markets? 22

More about eBay 27

Chapter 2

The Dynamic Marketing Environment 30

Can Intelligent Quisine Make the Campbell Soup Co. Healthy? 31

Environmental Monitoring 32

External Macroenvironment 33

You Make the Decision / What Are Effective Appeals to Generations X and Y? 36

A Global Perspective / Does Competition Exist All around the Globe? 39

An Ethical Dilemma? 45

External Microenvironment 45

Marketing in the Information Economy / ls It the Biggest Business Advance since the Industrial Revolution? 46

Organization's Internal Environment 47 More about Intelligent Quisine 50

Chapter 3

Global Markets and Marketing 52

How Well Does adidas Play around the World? 53

The Significance of International Trade 54

The Attraction of International Marketing 56

Strategic Planning for International Marketing 57

Marketing in the Information Economy / Will the Internet Open China to the World? 58

Organization Structures for International Markets 66

Designing the Marketing Mix 70

You Make the Decision / Products Aren't Always the Same in Foreign Markets, but Should They Be? 72

An Ethical Dilemma? 75

More about adidas 78

Cases for Part 1

Case 1: McDonald's 80

Case 2: Amazon versus Barnes & Noble 82

Part Two Identifying and Selecting Markets 87

Chapter 4

Consumer Markets and Buying Behavior 88

Do the Plans at Volkswagen Risk Exterminating the Bug? 89

The Consumer Market 90

Consumer Decision Making 96

You Make the Decision / Will Self-Scanning Benefit Consumers and Retailers? 99

A Global Perspective / How Much Standardization Is Enough? 102

An Ethical Dilemma? 108

Marketing in the Information Economy / How Far Off Is the "Networked Home"? 112

More about the Volkswagen Beetle 116

Chapter 5

Business Markets and Buying Behavior 118

Should FreeMarkets Be Equally Attractive to Buyers and Sellers? 119

Nature and Scope of the Business Market 120

Components of the Business Market 121

A Global Perspective / Can a Business
Marketer Afford to Have a Local Outlook? 126

Characteristics of Business Market Demand 127

Determinants of Business Market Demand 130

Business Buying Behavior 134

You Make the Decision / Should a Business Marketer Try to Overcome a Price Disadvantage? 138

An Ethical Dilemma? 140

Marketing in the Information Economy / Where Will Electronic Commerce Have the Greatest Impact? 143

More about FreeMarkets 145

Chapter 6

Market Segmentation, Targeting, and Positioning 148

Is the Market for NetJet Up in the Air? 149

An Overview of Market Segments and Target Markets 150

Market Segmentation 150

Ultimate Consumers and Business Users—the First Cut 153

Segmenting Consumer Markets 154

Marketing in the Information Economy / Is the Internet Changing the Shopper Profile? 159

Segmenting Business Markets 160

Target-Market Strategies 162

A Global Perspective / How Should a Target Market Be Defined? 165

Positioning 166

An Ethical Dilemma? 169

Forecasting Market Demand 169

More about NetJet 175

Chapter 7

Marketing Research and Market Information 178

Could Iridium's Flameout Have Been Prevented? 179

The Marketing Research Function 180

Marketing Information Systems 182

Decision Support Systems 184

Databases, Data Warehouses, and Data Mining 185

Marketing Research Projects 187

You Make the Decision / How Much Confidence Would You Have in This Research Method? 194

A Global Perspective / Are Databases an Invasion of Privacy? 196

Competitive Intelligence 198

Ethical Issues in Marketing Research 199

An Ethical Dilemma? 200

Status of Marketing Research 200

More about Iridium 202

Cases for Part 2

Case 1: Cracker Barrel Old Country

Stores 204

Case 2: Covisint—Ford, General Motors, and

DaimlerChrysler's E-marketplace 206

Part Three Product 211

Chapter 8

Product Planning and Development 212

Should General Motors Pull the Plug on Its EVI? 213

The Meaning of Product 214

Classifications of Products 215

Importance of Product Innovation 222

Development of New Products 224

Marketing in the Information Economy / Are You—or Any Consumers—Ready for Paperless Books? 225

A Global Perspective / Can New-Product Ideas Be Found on Other Continents? 227

An Ethical Dilemma? 229

New-Product Adoption and Diffusion 230

Organizing for Product Innovation 234

More about General Motors 236

Chapter 9

Product-Mix Strategies 240

Will a New Product Line Help Lego Build Its Sales and Image? 241

Product Mix and Product Line 242

Product-Mix Strategies 242

You Make the Decision / How Many Products Are Too Many? 245

The Product Life Cycle 248

A Global Perspective / Do All Fads Come from Japan? 253

Planned Obsolescence and Fashion 256

An Ethical Dilemma? 259

More about Lego 260

Chapter 10

Brands, Packaging, and Other Product Features 262

Is the Levi's Brand Worn Out? 263

Brands 264

A Global Perspective / Who's Got the Bud? 265

Marketing in the Information Economy / Branding on the Internet 269

Branding Strategies 271

Packaging and Labeling 278

An Ethical Dilemma? 279

Design, Color, and Quality 282

More about Levi's 286

Chapter 11

Services Marketing 290

Will Wingspan Soar or Be Grounded? 291

Nature and Importance of Services 292

The Development of Services Marketing 294

Developing a Services Marketing Program 295

You Make the Decision / How Important Is the Size of a Stadium Seat? 297

A Global Perspective / What Determines the Growth of Internet Retailing? 305

An Ethical Dilemma? 307

Managing Service Quality 308

The Future of Services Marketing 309

Marketing in the Information Economy / If Viewers Talk Back, What Can Advertisers Learn? 310

More about Wingspan 312

Cases for Part 3

Case 1: Sega versus Nintendo versus

Sonv 315

Case 2: Marriott International 317

Part Four Price 321

Chapter 12

Price Determination 322

With Priceline.com, Is the Price Always Right? 323

Meaning of Price 324

Importance of Price 325

A Global Perspective / Who's Determining Prices in China? 326

Pricing Objectives 328

An Ethical Dilemma? 330

Factors Influencing Price Determination 331

Cost-Plus Pricing 336

Break-Even Analysis 338

Prices Based on Marginal Analysis 340

Prices Set in Relation to Market Alone 342

Marketing in the Information Economy / Has the Internet Placed the Customer in Charge? 343

You Make the Decision / Can You Deal with a Kinked Demand Curve? 344

More about Priceline.com 346

Appendix A

Marketing Math 349

Price Elasticity of Demand 349

The Operating Statement 350

Markups 353

Analytical Ratios 356

Chapter 13

Pricing Strategies 362

Can a New Pricing Strategy Restore the Shine to Apple? 363

Price versus Nonprice Competition 364

A Global Perspective / How Is a New Currency Affecting Pricing in Europe? 366

Market-Entry Strategies 367

Discounts and Allowances 369

Geographic Pricing Strategies 374

Special Pricing Strategies and Situations 376

Marketing in the Information Economy / Are "Free" PCs Worth the Price? 379

You Make the Decision / When and How Can a Firm Raise Prices? 382

An Ethical Dilemma? 383

More about Apple 384

Cases for Part 4

Case 1: Southwest Airlines 387

Case 2: Buy.com 390

Part Five Distribution 393

Chapter 14

Channels of Distribution 394

Will Avon's Distribution Be More Attractive after a Makeover? 395

Middlemen and Distribution Channels 396

Designing Distribution Channels 399

Selecting the Type of Channel 400

A Global Perspective / Why Do Gray Markets Give Producers and Middlemen Gray Hair? 408

Determining Intensity of Distribution 410

Marketing in the Information Economy / Will the Rise of the Internet Be the Demise of Middlemen? 411

Conflict and Control in Channels 413

An Ethical Dilemma? 416

Legal Considerations in Managing Channels 418

More about Avon 421

Chapter 15

Retailing 424

Can PETsMART Sniff Retail Success on the Internet? 425

Nature and Importance of Retailing 426

Retailers Classified by Form of Ownership 432

You Make the Decision / Would You Buy a Retail Franchise? 435

Retailers Classified by Marketing Strategies 435

A Global Perspective / Is Wal-Mart Receiving a Warm Welcome in Europe? 438

An Ethical Dilemma? 442

Nonstore Retailing 443

Marketing in the Information Economy / Will "Bots" Change How Products Are Priced on the Internet? 446

Institutional Changes in Retailing 448

More about PETsMART 449

Chapter 16

Wholesaling and Physical Distribution 452

Is There a Supervalu Advantange in Grocery Distribution? 453

Nature and Importance of Wholesaling 454

Merchant Wholesalers 459

Agent Wholesaling Middlemen 461

An Ethical Dilemma? 463

Nature and Importance of Physical Distribution 463

Marketing in the Information Economy / Can the Locations of over 50,000 Truck Tractors and Trailers Be Pinpointed? 465

Tasks in Physical Distribution Management 469

A Global Perspective / Why Are Packages Flying around the World Overnight? 476

More about Supervalu 478

Cases for Part 5

Case 1: Toys "R" Us versus eToys 481 Case 2: United Parcel Service 483

Part Six Promotion 487

Chapter 17

Integrated Marketing Communications 488

Is Pacific Sunwear Riding the Crest of a Fashion Wave? 489

The Role of Promotion in Marketing 490

Marketing in the Information Economy / Are Internet and Bricks-and-Mortar Retailers Friends or Enemies? 491

Promotion Methods 493

Intregrated Marketing Communication 494

A Global Perspective / Is the World's Most Populous Country Receptive to Western-style Promotion? 496

The Communication Process and Promotion 498

An Ethical Dilemma? 499

Determining the Promotional Mix 500

The Promotion Budget 506

Regulation of Promotion 507

You Make the Decision / Should There Be Restrictions on Where Promotional Messages Can Be Placed? 509

More about Pacific Sunwear 511

Chapter 18

Personal Selling and Sales Management 514

What Does It Take to Keep Johnson Controls in the Driver's Seat? 515

Nature of Personal Selling 516

A Global Perspective / Do Sales Executives Need Coaching Prior to Foreign Assignments? 521

Changing Patterns in Personal Selling 521

Marketing in the Information Economy / Is It Possible to Have Too Much of a Good Thing? 525

The Personal Selling Process 526

Strategic Sales-Force Management 528

Staffing and Operating a Sales Force 529

An Ethical Dilemma? 530

You Make the Decision / Which Incentive Is the Best Motivator? 532

Evaluating a Sales Person's Performance 533

More about Johnson Controls 536

Chapter 19

Advertising, Sales Promotion, and Public Relations

How Can Intel Go from Being Inside to Staying Ahead? 539

Nature and Scope of Advertising 540

Developing an Advertising Campaign 543

A Global Perspective / Who Are the World's Major Advertisers? 545

An Ethical Dilemma? 547

Marketing in the Information Economy / How "Real" Is What You See? 553

Organizing for Advertising 554

Sales Promotion 555

You Make the Decision / How Should a

Promotion Be Evaluated? 557

Public Relations 561

More about Intel 564

Cases for Part 6

Case 1: Pizza Hut 567 Case 2: Nike, Inc. 570

Part Seven Managing the Marketing Effort 575

Chapter 20

Strategic Marketing Planning 576

Can Starbucks Continue to Brew Plans for Profitable Growth? 577

Planning as Part of Management 578

Strategic Company Planning 582

Strategic Marketing Planning 583

You Make the Decision / Which Meat Has the Edge? 585

Annual Marketing Planning 586

An Ethical Dilemma? 588

Selected Planning Models 588

A Global Perspective / Is International Expansion a Desirable Growth Strategy? 591

Marketing in the Information Economy / Does the Internet Foster Cannibalization? 592

More about Starbucks 597

Chapter 21

Marketing Implementation and **Evaluation** 600

Has Disney's Go.com Come to a Stop Sign? 601

Implementation in Marketing Management 602

Organizing for Implementation 603

An Ethical Dilemma? 604

Postsale Follow-Through 607

A Global Perspective / Can a Guarantee Be Legal in All Countries but One? 611

Marketing in the Information Economy / Does Impersonal Online Customer Service Send the Wrong Message? 613

Evaluating Marketing Performance 613