

*Second Edition*



# EFFECTIVE MARKETING

*Creating and Keeping Customers*

**William G. Zikmund**

**Michael d'Amico**

**CREATING AND  
KEEPING CUSTOMERS**

# Effective Marketing

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To Tobin and Noah Zikmund  
Kathy and Alyse d'Amico

# P r e f a c e

The first edition of *Effective Marketing: Creating and Keeping Customers*, was the direct result of listening to a segment of marketing professors who told us about their classroom needs for a shorter book. We are pleased that the book we wrote to satisfy these professors' needs was so well received.

*Effective Marketing*, Second Edition, which consists of 17 chapters, is shorter than our other book, *Marketing*, Fifth Edition, but it shares many of the same attributes. *Effective Marketing* presents a lively picture of marketing as a dynamic, competitive, and creative activity that is part of our everyday lives. This book discusses academic theory, yet it is contemporary and practical. It is also very readable. *Effective Marketing* has a straightforward and conversational prose style with balanced coverage of marketing concepts and practical examples that make marketing easy to understand.

In writing a shorter book, we have not simply pared our coverage to the essentials of marketing but have organized many topics in a unique way. The material is arranged to show that marketing activities are not independent but that they work together to achieve the organization's goals. For example, there is no separate chapter on services marketing because the marketing of services is discussed in virtually every chapter.

The subtitle of our book is "Creating and Keeping Customers" because relationship marketing is a recurring theme. The book stresses that the marketing

process does not end with the sale. *Effective Marketing* discusses how marketers establish and build relationships with customers. Many examples illustrate that both large and small businesses can apply these concepts. For instance, Chapter 1 portrays Fletcher Music Centers in Clearwater, Florida, as a retailer that understands that the key to winning and keeping customers is to figure out what they need, sometimes before they figure it out themselves. Furthermore, the discussions of relationship marketing recognize that the way business is being conducted has dramatically changed in recent years.

Companies, especially those engaged in multinational marketing, often rely on collaborating organizations. Chapter 4, "The Microenvironment in an Era of Global Competition," introduces the concept of collaborators and the value chain, and the remainder of the book provides insights about managing relationships with suppliers, intermediaries, and customers.

Another overall theme of this book is how effective marketers gain and maintain competitive advantages in a global environment. International issues and global competition are carefully integrated into every chapter in the text. Chapter 4 pays special attention to the increased level of global competition and how marketing strategies, even those of domestic marketers, are influenced by international business. Placement of this chapter at this point in the textbook facilitates additional discussion of international issues when marketing mix strategies are addressed in the remaining chapters.

Integrating international issues into every subsequent chapter allows us to deal with conceptual issues of international marketing when the marketing principles being discussed have global dimensions. For example, discussions about distinctive competitive environments and whether world brands should be customized for different countries or standardized around the globe are found in Chapter 10, on product strategy. We believe this approach will give students a heightened appreciation of the pervasiveness of global issues.

*Effective Marketing* employs current examples about both domestic and global markets from the real world to enhance understanding of marketing concepts and strategies. For example, Chapter 1 begins with an opening vignette about Turner Field, the new home of the Atlanta Braves. This vignette illustrates how the Braves create "added value" for its fans and additional revenue for the club by providing many entertaining activities and services beyond the actual game of baseball. Chapter 3's opening scenario reveals how pagers are more popular than conventional telephones in China. The reason is that resourceful Chinese use the pager not as an accessory to the phone, but as a sort of primitive substitute for it.

*Effective Marketing* also stresses the logic of marketing management, relating strategy and tactics to the environmental opportunities and constraints with which managers must deal on a daily basis. The concepts of effective marketing, customer value, competitive strategy, cross-functional teams, total quality management, relationship marketing, and adapting to change in our global economy are emphasized throughout the book, so that readers are able to see the difference between intuitive decision making and sound marketing management. For example, Chapter 1 discusses how Ford Motor Company's total quality management program fits into its overall competitive strategy.

Theories and strategies that marketing managers use to create competitive advantages have a central importance in *Effective Marketing*. Theoretical concepts, such as those found in the study of buyer behavior, are presented so that students can understand their practical value for marketing managers. Competitive market strategies, such as those used for segmenting, targeting, and positioning, appear early in the book. They provide a foundation to build upon when marketing mix strategies are discussed later.

Commenting on A. Bartlett Giamatti, former president of Yale University and former commissioner of major league baseball, Whitey Herzog said: "For being book smart, he had an awful lot of street smarts." We wrote *Effective Marketing* with the goal of helping students become both book smart and street smart about marketing.

*Effective Marketing* was also written to be teachable. A considerable effort was made to ensure that the pedagogy meets the needs of modern marketing professors. Learning objectives and chapter summaries are coordinated to help students organize their thoughts. Color graphics experts and graphic designers assisted the editor and authors in designing a book that highlights key concepts and ideas to the benefit of the reader and the instructor. As further aids to students, various exhibits, boxes, and in-text features illustrate practical marketing activities as they occur in advertising, brand management, pricing, and every other facet of marketing. New to this edition is a home page on the Internet (<http://zikmund.swcollege.com>) that offers added value for both students and professors.

## ORGANIZATION OF THE BOOK

Although it shares many features of our other book, *Effective Marketing* is not just a condensed version. The book's organizational structure has been designed to integrate topics that in many textbooks are often isolated in a chapter at the end of the book.

The book is organized into six parts. Part One discusses the nature of marketing, the fundamentals of marketing strategy, and the marketing environment. Chapter 1, "The Nature of Marketing," introduces the marketing concept and explains how a marketing orientation relates to total quality management. Chapter 2, "Marketing Management: Strategy and Ethical Behavior," establishes the nature of marketing strategy. It also includes extensive coverage of ethics and moral behavior to serve as a framework and a springboard for further discussions of ethical concerns in the remaining chapters. We chose this organization because students need some background in marketing principles before they can truly understand how an organization's ethical principles influence its marketing decision making. Chapter 2 also introduces the "Ethics in Practice: Take a Stand" feature as part of the end-of-chapter materials. This feature encourages students to think about ethical principles and how they affect decision making in specific situations.

Coverage of the environmental factors has undergone major revision. Chapter 3 now deals with the macroenvironment, and Chapter 4 discusses the microenvironment. Both chapters feature a world perspective. In Chapter 3 emphasis is given to the competitive environment, especially challenges from global competitors. The chapter highlights how certain aspects of the global environment influence consumers and marketing strategies.

Chapter 4, "The Microenvironment in an Era of Global Competition," is new. It introduces the 4 C's of business: Company, Customer, Collaborators, and Competitors. The discussion highlights the value chain and how organizations are gaining a competitive advantage by forming alliances, joint ventures, and other collaborations, and explains many strategic global issues within this framework. This chapter helps set the stage for a continuing discussion of the nature of competition and the need for collaborators in international marketing activity.

Part Two, "Analysis of Market and Consumer Behavior," discusses information management and consumer and market behavior. Coverage of global information

systems and the Internet is greatly expanded in Chapter 5. Chapter 6 provides a model and an overview of consumer behavior. It concentrates on both the psychological dimensions of the decision-making process and the sociological and cultural factors influencing the consumer. Chapter 7, "Business Markets and Organizational Buying," discusses business-to-business marketing with a focus on buying behavior. It has been substantially revised to discuss the North American Industry Classification System (NAICS) which replaces the United States' SIC system and Canada's and Mexico's separate classification systems with one uniform system for classifying industries.

Chapter 8, "Market Segmentation, Targeting, and Positioning Strategies," applies the behavioral theories discussed in other chapters to the concept of market segmentation. It explains how segmentation and targeting strategies are part of an effective marketing strategy and shows how both large multinational firms and small domestic marketers can use these strategies. This chapter offers complete coverage of positioning strategies, placing positioning in a strategic framework that is compatible with the material on target marketing.

Part Three, "Product Strategy," deals with both goods and services. It discusses the elements of products, the product life cycle, and product strategies for new and existing products. The material on product strategy completely integrates the marketing of services into Chapters 9 and 10. The process for implementing total quality management programs is discussed at length in Chapter 10, "New Products and Product Life Cycle Strategies."

Part Four, "Distribution Strategy," has been totally revised in this edition. It now consists of two chapters that focus on the nature of distribution within the value chain. The material on physical distribution and the theory of distribution systems is now combined into an integrated discussion in Chapter 11 about how value is added throughout the entire logistical system of the firm. In Chapter 12, retailing and wholesaling strategies are presented as they apply in today's highly technological environment.

Part Five, "Integrated Marketing Communications," contains chapters introducing promotional concepts, advertising and publicity/public relations, personal selling, and sales promotions. All chapters emphasize integrated marketing communications and creative promotional strategy. Greater emphasis is given to direct marketing's new role in the promotion mix. Chapter 15, "Personal Selling, Sales Management, and Sales Promotion," highlights the importance of personal selling and relationship management. The material on sales promotion has been expanded to reflect its increased importance in many marketing mixes.

Part Six, "Pricing Strategy," consists of two chapters: "Introduction to Pricing Concepts" and "Pricing Strategies and Tactics." This material shows how price plays a role in the allocation of goods within economies and how it plays a practical role in the marketing mix. Much of the material explains the need for and nature of pricing objectives and the way pricing strategy is developed to satisfy these objectives. Our treatment remains a very pragmatic approach to this key marketing mix element.

Three appendixes end the book. "Career and the Internet" provides information to help students learn what career options are available and what preparation is required for employment in these fields. "The Marketing Audit" provides a sample outline for conducting a marketing audit. "Marketing Arithmetic for Business Analysis" explains financial concepts and many analytical ratios that marketing managers use in decision making.

Additional appendixes and other useful information appear on the Zikmund and d'Amico Web site. For example, "Organizing the Marketing Function" allows the professor to introduce this material at any point in the academic term.



## SOME DISTINCTIVE FEATURES STUDENTS WILL LIKE

In every chapter, an opening vignette describes an actual situation relevant to the material in the chapter and focuses student attention on the pragmatic aspects of each chapter. For example, Chapter 2 begins by showing how Enterprise Rent-A-Car's understanding of consumer lifestyles and implementation of a strategy, completely different from that of Avis and Hertz, helped it become the biggest rent-a-car company. Chapter 5 opens with a discussion of what happened when Chee-tos product taste tests revealed its traditional cheese flavor did not appeal to Chinese consumers.

Each chapter begins with a clear statement of learning objectives to provide students with expectations about what is to come. The summary at the end of each chapter helps solidify these learning objectives.

Graphics and exhibits are designed to encourage student involvement and learning. Thought-provoking photographic exhibits include clear, understandable captions that reinforce a theory or principle explained in the text.

Interesting and relevant end-of-chapter materials such as video cases and questions for review and critical thinking reflect practical marketing problems. Many are designed to stimulate students to search for additional information about marketing.

Key terms are listed at the end of each chapter. These terms are defined in a margin glossary that runs through the text to help students learn the vocabulary of marketing. In addition, a glossary of key terms appears at the end of the book as a reference source.

Numerous real, easy-to-understand examples help students gain insight and perspective. Many examples reflect the increased competition from foreign competitors and the importance of service marketing in the world economy. Highlights of special chapter features appear below.

### Competitive Strategy: What Went Right or Wrong?

Unique "Competitive Strategy: What Went Right?" and "Competitive Strategy: What Went Wrong?" boxes illustrate successes and failures in specific marketing situations. They focus on decisions made by particular organizations and the outcomes of those decisions. For example, Merry Maids manages to instill a sense of dignity and importance in low-paid people doing menial jobs. A competitive strategy box explains what went right for this service marketer. A "What Went Wrong" box explains why electronic ticketing by airlines has frustrated many business travelers.

### Focus Sections

All chapters include special sections that focus on four important aspects of marketing: global competition, trends in the contemporary environment, quality strategies to offer superior customer value, and relationship marketing. Examples from actual business and nonprofit organizations show how the concepts explained in the text are implemented in practice. These company focus sections—entitled "Focus on Global Competition," "Focus on Trends," "Focus on Quality," and "Focus on Relationships"—are not isolated boxes. Each features a particular company's application of the theoretical concepts just discussed in the preceding section.

#### Focus on Global Competition

At home, contemporary marketers face competition from global organizations that compete in the United States. Abroad, marketers must adapt their strategies to the

countries where their products are marketed. These challenges are addressed in “Focus on Global Competition” boxes, which reflect increased competition from foreign competitors at home and abroad. For example, one feature explains how the CIRRUS ATM system’s inter-European switching center in Belgium helps Americans in Paris use banking services in the United States.

## Focus on Trends

Contemporary trends, such as advances in telecommunications technology and a heightened concern about ecology, have had major impacts on markets. Emerging trends, such as the development of the Internet, have changed the way marketing managers do their jobs. “Focus on Trends” explores how certain companies have spotted trends and capitalized on them to serve marketing efforts. For example, one feature reveals how a study of eating patterns in America found a number of changes in eating patterns over the last decade. Among them: The number of take-out dinners has more than doubled. One marketing implication is that many of today’s restaurants function as prepared-food supermarkets.

## Focus on Quality

Organizations that market high-quality goods and services have an edge. Recent concerns about the quality of Japanese automobiles versus that of American automobiles offer but one example of this phenomenon. In organizations that have adopted the marketing concept, every aspect of the business must have a quality focus. “Focus on Quality” shows how organizations have implemented total quality management programs to continually improve quality. For example, one feature explains why Digital Equipment Corporation’s customer satisfaction soared when it replaced its automated telephone answering system with real people. Another shows that comparative advertising promoting quality doesn’t have to be scientific and dull. To illustrate its brand quality, Scotch-Brite Never Rust soap pads from 3M associates its competitor Brillo with a dinosaur.

## Focus on Relationships

Several trends have focused more attention on relationship marketing. Strategic alliances are made with businesses in other countries. Distribution channels are becoming more interdependent. Organizations are downsizing and relying more on collaboration with other organizations. Many of our focus sections discuss how establishing long-term relationships benefits all parties. For example, one “Focus on Relationships” feature points out how H.O.G.—Harley owner’s group—helps motorcycle owners feel special and part of the Harley-Davidson tradition.

## Ethics in Practice

We discuss ethical issues in Chapter 2. An “Ethics in Practice” section at the end of each of the remaining chapters poses “Take a Stand” questions to give students the chance to think about ethical principles and how they apply in specific situations.

## Internet Insights

Because information technologies are changing the way business is conducted around the world, we have added an innovative new feature to the book: Internet Insights. Each Internet Insight has Exercises and an Address Book with URL information about interesting Web sites. Exercises are an innovative new addition to

the book that provides students with a hands-on means for learning how to use the Internet. Students will be guided through the World Wide Web and various search engines to gather data, to learn about careers, and to gain additional insights about marketing principles. The Address Books provide World Wide Web URLs worth knowing about.

A related feature, unique to this book, is the South-Western Publishing World Wide Web page (<http://zikmund.swcollege.com>) that allows both professors and students to access supplemental information about the text and its teaching materials.

## SPECIAL FEATURES THE PROFESSOR WILL LIKE

A professor's job is demanding. Because every professor's job demands a lot, we expect professors to demand a lot from both the publisher and the authors of this book. Both the textbook and the instructor's materials have been developed to help instructors excel when performing their vital teaching function.

The extensive learning support package with *Effective Marketing* includes an instructor's resource manual with lecture outlines, and materials on discussion questions, cases, and "Ethics in Practice" exercises. There is a verified test bank and a computerized test bank. More than 100 full-color transparency acetates, advanced instruction modules, and PowerPoint presentation software help the professor prepare lecture and discussion materials. Furthermore, there is a comprehensive multimedia program. Videotapes and CD-ROM ancillary materials provide the means to bring the contemporary world of marketing to the classroom visually. A student learning guide and a Marketing Plan Project Manual are also available. Highlights of some of the instructor's materials appear below.

### Test Bank

Special attention was given to the preparation of the test bank, because it is one of the most important ancillary materials. Joe Ballenger of Stephen F. Austin State University rewrote and supplemented the authors' multiple-choice and true/false questions. The test bank contains over 4,000 multiple-choice, true/false, and essay questions. The questions have been categorized according to Bloom's taxonomy for cognitive complexity. The questions are classified as recall, comprehension, calculation, and application. Furthermore, difficulty rankings allow the instructor to know in advance if students will find a question easy, medium, or hard.

Westest, the computerized version of the test bank, provides instructors with a convenient means of generating tests. The menu-driven testing package has many user-oriented features, including the ability to edit and add exam questions, to scramble questions within sections of the exam, and to merge questions. Westest is available for Windows. Call-in testing is also available.

### Multimedia Program

Video materials bring an excitement to physical distribution, advertising, personal selling, market segmentation, and other topics in a way that nothing else can. The comprehensive video accompanying *Effective Marketing* is described later.

### Principles of Marketing CD-ROM

South-Western's Principles of Marketing CD-ROM provides the student with a unique multimedia-based approach to learning introductory marketing concepts. Instead

of reading text on a CD-ROM, students can experience marketing through exciting full-motion video clips, photo montages, and animated slide shows. Students can also explore and learn topics via interactive exhibits, process models, and diagrams. This CD-ROM supplement contains 32 interactive modules covering a broad range of concepts.

## Video Cases

The video cases are much like regular end-of-chapter cases but with an accompanying video segment that portrays some elements of the case. For example, the Minnesota Twins baseball team allowed us to produce video case materials exclusively for this textbook. Other video cases, such as Weather or Not, Inc., focus on small business. Each of the video cases in the book is based on real businesses.

## The INC. Video Lecture Support Series

A number of video tapes dealing with some of the most important and timely issues in marketing are available in the *INC. Magazine* video library. Qualified adopters may select from videos dealing with personal selling, customer service, starting a new business, and other important topics.

## Supplemental Video Lecture Support Series

The supplemental video lecture series includes 14 separate video segments on international topics, total quality management, advertising, small businesses, and entrepreneurship. This exciting video tracks the people and their marketing strategies in this important industry. Marketing is not an isolated business activity. Each video segment shows marketing decisions and explores how these decisions must be integrated with other functional areas of the corporation, such as finance, human resources, operations, etc.

## Instructor's Resource Manual

The instructor's resource manual, prepared by Tobin Zikmund and the authors, provides an average of 50 pages of important information for each chapter. The instructor's manual is also available on disk for instructors who prefer to work on disk. Each chapter contains the following information.

- **Chapter Scan:** a brief overview of the chapter.
- **Suggested Learning Objectives:** expanded objectives related to those presented in the student's textbook.
- **Chapter Outline:** a detailed, three-level outline of chapter material.
- **The Chapter Summarized:** an extended outline with narratives under each major point to flesh out the discussion and show alternative examples and issues to bring forward.
- **Answer Guidelines for End-of-Chapter Materials:** detailed responses to the questions for discussion, "Ethics in Practice: Take a Stand" exercises and video case questions. Answers to the "Take a Stand" questions are extensive and provide detailed ethical implications. Video case answers include video location, time, subject matter, at-a-glance overview, and complete answers to the discussion questions.

## PowerPoint Presentation Software

PowerPoint is a state-of-the-art presentation graphics program for IBM-compatible computers. Prepared by Susan Peterson of Scottsdale Community College, this integrated program allows instructors to retrieve and edit any of the preloaded slides that accompany the book. Images can easily be edited, added, or deleted. Other features of the system include the following.

- The instructor can present the slides electronically in the classroom.
- Four-color prints of slides can be made from the program (a four-color printer is required).
- Student and instructor notes pages can be prepared from the slides.
- The instructor can edit and change any of the slides.
- The instructor can animate and prepare a slide show with transition effects.

## Internet Web Site

The Zikmund and d'Amico marketing Web site (<http://zikmund.swcollege.com>) is the latest supplement from South-Western that puts the most current information in your hands as soon as it is available. Qualified adopters can log onto the Bulletin Board from their home or office and immediately gain access to the most recent information to support their lectures, including recent examples, cases, and other newsworthy items. This data can then be transferred to a word-processing program for editing, printout, and classroom use while the information is still topical.

## AIM: Advanced Instructional Modules

The advanced instructional modules have been expanded in this edition to include two new modules—relationship marketing and database marketing. All eleven modules are self-contained units on current “hot” topics in marketing. The objective of each module is to provide instructors with comprehensive lectures beyond what is contained in the textbook. Along with complete lectures, each module contains student learning objectives, outlines of the lectures, transparency masters to support the lectures, and test questions covering the module's content. The modules are available as a separate printed instructor's supplement. The subjects and authors of the modules are listed below.

- “Services Marketing” by Professor Stephen J. Grove, Clemson University
- “Developing a Marketing Plan” by Professor William J. Quain, University of Central Florida
- “Marketing Ethics” by Professor Geoffrey P. Lantos, Stonehill College (Massachusetts)
- “Marketing Math” by Professor John R. Brooks, Jr., Houston Baptist University
- “Careers in Marketing” by Professor Matthew D. Shank, Northern Kentucky University
- “Total Quality Management” by Professor Barbara Dyer, Ohio University
- “International Marketing” by Professor David Andrus, Kansas State University
- “Multicultural Segmentation” by Professor Marye C. Tharp, University of Texas-Austin
- “Strategic Alliances” by Professor John R. Brooks, Jr., Houston Baptist University
- “Relationship Marketing” by Tobin Zikmund and Professor William G. Zikmund, Oklahoma State University
- “Database Marketing” by Tobin Zikmund and Professor William G. Zikmund, Oklahoma State University

## Transparency Acetates

Over 100 full-color transparency acetates are provided with the book. Many of the transparencies were selected from the text, and others were prepared to supplement the text by illustrating concepts that do not appear in the text itself.

## Student Learning Guide

This extended study guide was written by Ron E. LaFreniere of Shoreline Community College. For each chapter, this comprehensive guide includes a chapter summary, vocabulary-building matching exercises, vocabulary-building fill-in-the-blank exercises, true/false questions, multiple-choice questions, and experiential activities. Students will also benefit from the quizzes that reinforce each chapter objective.

## PowerNotes

This unique bound supplement includes copies of the PowerPoint slides provided to instructors, printed at fifty percent of their normal size, on full sheets with space for students to take notes during lectures. Detailed outlines are also provided for each chapter of the book. This supplement can be ordered shrinkwrapped with the text at a significant discount.

## INC. Reader

A readings book is available for those professors who wish to supplement text assignments with articles from *INC. Magazine*. This softcover book contains multiple selections that discuss contemporary issues and trends in marketing.

## JIAN MarketingBuilder *Express*

The project manual, JIAN MarketingBuilder *Express*, was written by Erika Matulich, Texas Christian University. For instructors who assign a marketing plan to students, the project manual provides hands-on assistance by covering topics such as selecting a client, presenting information, creating a marketing plan outline, preparing a situation analysis, writing strategies, and evaluating performance.

## Marketing Trivia Book

This unique instructor's supplement written by William Zikmund includes hundreds of interesting marketing facts and figures that can be used to add a lighter side to lectures and class discussions. Topics are organized according to the textbook's structure to make integration easy.

## OUR COLLABORATORS ARE APPRECIATED

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Preparing the instructional materials to enhance classroom efforts required an army of people. Joe Ballenger of Stephen F. Austin State University prepared the Test Bank. Ron E. LaFreniere of Shoreline Community College prepared the Student Learning Guide. The PowerPoint Presentation package as well as the transparency acetates were prepared by Susan Peterson of Scottsdale Community College. Kevin von Gillern, media technology editor at South-Western, with the valuable assistance of Robin K. Browning, media production editor, worked closely with a team of in-house and outside professionals to ensure that the development and production of the video and other media materials met our high standards.

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*William G. Zikmund*

*Michael F. d'Amico*



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