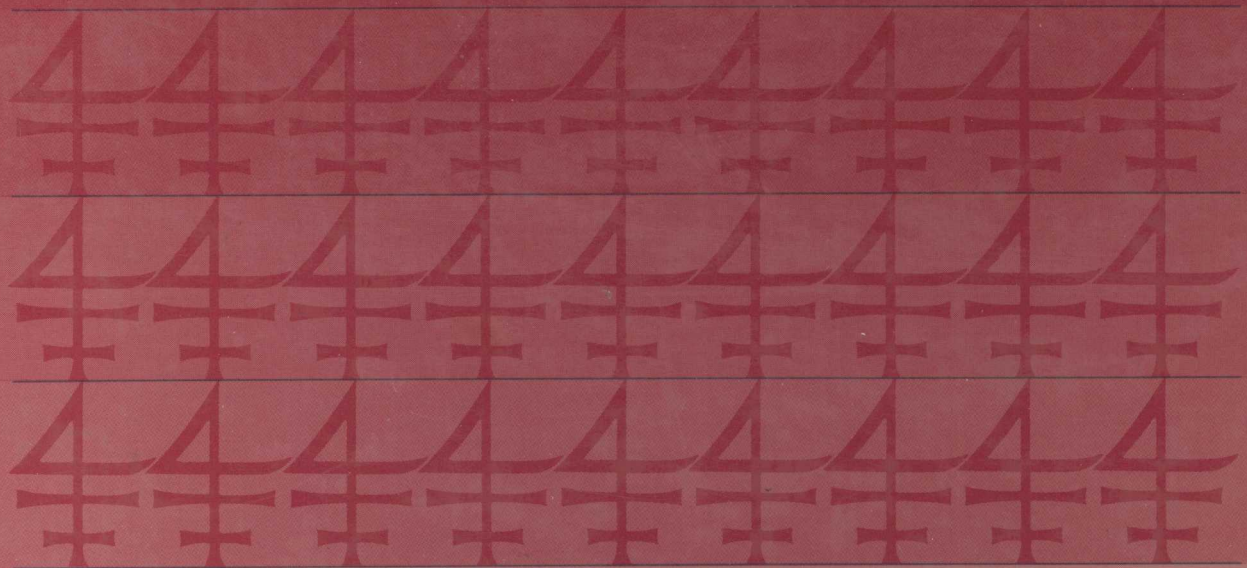


PRINCIPLES OF MARKETING MANAGEMENT



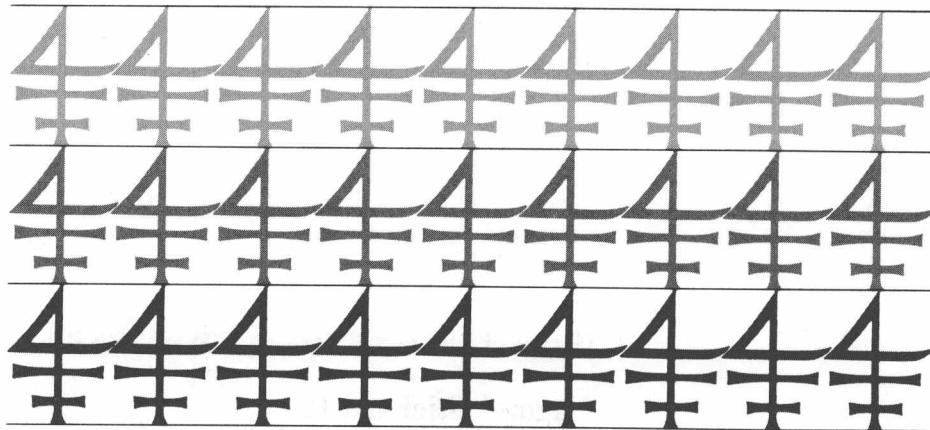
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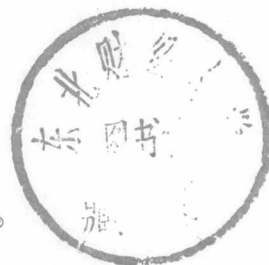
OF

MARKETING

MANAGEMENT



Richard P. Bagozzi
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S R A®

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PREFACE

In 1983, U.S. Secretary of Education Terrel Bell described higher education in America as a “tide of mediocrity.” Compared to the conclusions drawn by the National Institute of Education in the following year, this was a flattering characterization. The NIE found that the quality of university education has fallen dramatically in recent years and that student interest and performance have never been at a lower point.

Such assessments obviously do not apply to every university or college or to every subject area. But over the years, I have been especially bothered by the state of marketing education at the universities with which I have had direct experience.

How is the field of marketing viewed in your college or university? Among nonmarketing faculty, my experience has been that marketing is all too often regarded as less fundamental or noble than other fields of study. Some even see it as an immoral activity. When passing students in the hallway or at the bookstore, I frequently hear how “easy” marketing courses are or, alternatively, how the field comes across as a confusing amalgam of ideas with no underlying core. Faculty and students tolerate marketing as a necessary part of the curriculum but do not seem to respect it.

Contrast these reactions to the attitudes held by most marketing professors and professionals. Among colleagues and friends, I have always marveled at the level of pride and commitment to the field of marketing. Marketers clearly believe strongly in the importance of what they are doing.

What, then, accounts for the diverging viewpoints of nonmarketing faculty and students on the one hand and marketers on the other? I believe that the divergence lies, in part, in fundamental ambivalences toward buying and selling. From Aristotle, to preachings in the Bible, through the Middle Ages, and up until the present, the role

of the merchant has typically been disparaged and stigmatized. Although such prejudices are slowly breaking down, there seems to be an inherent wariness in all of us toward giving and receiving in general and marketing in particular. We regard buying as necessary and at times fun; but selling is construed in less favorable terms. Yet both must occur if human needs are to be fully satisfied. Our preconceptions and reactions to marketing are thus mixed in a way that the study of chemistry, literature, and the social sciences is not.

In the short run at least, there is little that we can do to overcome deep-seated attitudes toward marketing, for these are rooted in cultural, psychological, and social processes. But what we can do is strive to impart valid knowledge, enthusiasm, and respect for marketing.

It is my belief that what we do in the classroom has a direct bearing on how students conceive of marketing. Indeed, the materials we use and what we teach tend to have a self-fulfilling prophecy. If we approach our subject matter with high ideals, high expectations, and pride in the field, students will respond in a like manner. But if we feed into existing attitudes and expectations for mediocrity, we will have thwarted the education process and perpetuated a misleading image of marketing.

Principles of Marketing Management was written to provide a comprehensive, current introduction to the science, art, and management of marketing. It is designed to convey a deep *understanding* of the dynamics of marketing phenomena and to enhance one's *intuition* for approaching marketing problems. At the same time, it is intended to stimulate *excitement* in, and a sense of *respect* for, the field.

A Note to Instructors

Principles of Marketing Management is not intended as a me-too product for the mass market. Rather, it is designed to fill a gap in needs not now satisfied by current offerings.

We seem to have a choice in introductory textbooks between one of two extremes. On the one hand are a few so-called "high-level" textbooks aimed primarily at the MBA course. These books profess rigor and allegedly achieve it through injection of models, mathematics, and other quantitative material. At the other extreme are the many principles texts directed largely at the first marketing course for undergraduates. These books are marked by an encyclopedic approach with much color and fanfare. Neither alternative seems to meet the needs of some faculty and students for a truly valid window into marketing behavior and marketing management.

The typical MBA text has at least three shortcomings. First, its content misleads readers about its thoroughness. Quantitative content is presented more as a facade than a foundation for the field. Equations and models are typically noted so elliptically, without interpretation, that most students simply do not grasp their meaning and significance. Perhaps this reflects author ambivalence in that an argument can be made that the place for quantitative content is in advanced marketing management, models, or other specialty courses. The second problem with MBA texts is that, in an attempt to appear managerial, they have omitted much descriptive material. Yet most students in an introductory course need a certain amount of description to get a sense of what marketing is all about. Finally, MBA texts all too often make assertions and offer prescriptions that are presented as truth when in fact they should be qualified or noted as mere speculation.

Similarly, most principles texts suffer from three drawbacks. In the first place, they espouse simple answers to problems that are not simple. Much of marketing is too complex, too dynamic, for the sweeping generalizations and pat answers that one so frequently hears. Second, principles texts are generally not selective enough in their coverage and simply overload the student with trivial "facts" best left to the gameboard. At the same time, there is a general neglect of conceptual thinking that is needed to stretch the mind. Creative performance in the real world rests on what one expert in the area terms the "magic synthesis" of abstract "dreams" with concrete experiences.* Principles texts neglect the former and trivialize the latter. Finally, as with introductory MBA books, principles texts do not clearly enough distinguish knowledge from conjecture and in the process mislead the reader.

In *Principles of Marketing Management*, I have aimed at a niche in the market consisting of those people seeking a thoughtful, yet readable, first approach to the subject matter. My style of writing is somewhat more narrative than the overly structured and "listy" styles of most MBA texts. By the same token, I have introduced considerably more descriptive material than that found in the typical MBA book yet have avoided the simplistic treatment of principles texts. Indeed, rather than doing 25 or so surface chapters into every topic of the field, I have chosen to do 16 in-depth chapters into the most fundamental and timely areas. Nevertheless, there is ample material even for the lengthy semester courses found in some schools.

Although greater attention is paid to conceptual content than is found in principles texts, this is done in a more accessible, yet more comprehensive, way than currently exists in MBA books. I try to provide a sense of history and extended discussions of

concepts, principles, and examples. Considerable use of visual materials is made to complement analytical concepts, and this is integrated into the flow of the text, not merely appended to it. In addition, I have purposely avoided presentation of mathematical material in most instances with the thought that it can be reserved for subsequent courses, additional readings, or instructor presentation, if desired.

Overall, the effect is to help the reader think more deeply about marketing phenomena, to gain skills in problem analysis, and to extend these mental tools into the implementation aspects of marketing. The emphasis throughout is upon knowledge, theories, research findings, and the conduct of marketing.

Principles of Marketing Management is primarily targeted at two audiences. One is the principles of marketing course found in upper-level undergraduate programs. Most juniors and seniors enrolled in business schools will find it enlightening and well within their abilities. A second audience is the introductory MBA marketing management course found in some colleges and universities. Specifically, instructors who desire a less quantitative but more descriptive approach than currently available will find this book useful. In addition, the book is especially appropriate for marketing courses in night MBA programs because it is so thorough in the fundamentals and promotes self-learning when class sessions are few in number. As secondary audiences, the book may appeal to certain undergraduate marketing management courses, the capstone undergraduate marketing seminar, or executive teaching programs where a comprehensive, descriptive, and challenging text is needed to complement cases or course projects. It should be noted that because the text combines some of the descriptive content of principles texts with some of the marketing management content of MBA courses, it will not short-change the nonmarketing major who may never be exposed further to marketing courses.

*Silvano Arieti, *Creativity: The Magic Synthesis* (New York: Basic Books, 1976).

A number of special features in the text are worth noting. I have attempted to draw material from the behavioral sciences wherever appropriate. For too long, basic texts have ignored subject matters from related fields such as psychology, sociology, organizational behavior, and communication science. The reader will find that many marketing principles are more easily comprehended and take on new meaning when shown to reflect everyday aspects of individual and social behavior. At the same time, I should note that, as I did research to enrich the behavioral content of the text, I discovered that a number of new insights arose. Thus, some original material can be found throughout the text and especially in the chapters on individual consumer behavior (Chapter 2), social dimensions of consumer behavior (Chapter 3), product (Chapters 4 and 5), marketing communication (Chapter 8), advertising (Chapter 9), and personal selling (Chapters 10 and 11). In addition, most chapters contain original frameworks for viewing selected subareas of marketing. These can be seen in key diagrams and the surrounding discussions.

Another feature of the text is the threefold approach taken in each chapter or in pairs of related chapters. Specifically, I have chosen to begin discussion of most topics from the micro (i.e., individual consumer) viewpoint. This perspective is the one students can identify with, and I find that it prepares them better for the second and third perspectives. The second viewpoint is the macro (i.e., economic, social, and/or legal). Along with the first, it serves as the primary means to convey descriptive content. The third viewpoint, which is sometimes broken out as a separate chapter, is the managerial perspective. By looking at marketing from micro, macro, and managerial vantage points, we come to better see how marketing functions and what we can do to make it function better

yet. I believe that, to fully teach and understand marketing, one must see it as an individual participant, a social actor, and a manager, and this philosophy is carried throughout the text.

Still another innovation of sorts is the final chapter. Here I have attempted to prepare a lively, self-contained overview of marketing management in general and the book in particular. Because the chapter can stand on its own, some instructors may prefer to use it as the first assignment to provide a foreshadowing of things to come.

By way of pedagogical elements, I have included the following:

Chapter Outlines to sketch the topics to follow and provide perspective.

Lead-off Quotes to stimulate thinking and set a tone of scholarship. Note that many chapters include provocative quotes from noted authorities, yet take opposite stances. This should loosen prejudices, open one's mind, and arouse interest.

Chapter Vignettes by Leaders in Field to communicate where the particular subfield of marketing stands today and where it will be going tomorrow. This also serves to increase legitimacy of the chapter and provide role models.

Italic Type to identify key concepts and theories.

Note to Students, Prologue, and Epilogue to help the student approach the learning experience with a useful frame of mind.

Tables, Figures, and Exhibits to provide a visual complement to verbal ideas, expand understanding, and introduce new ideas and/or examples.

Chapter Summaries to capture the key ideas of the chapter by way of summation. Note that the summaries are usually long and comprehensive and not of the token type frequently found in some texts.

Notes to direct the reader to further research and supporting or opposing viewpoints. Note that the references are more extensive than what is commonly found in texts; yet they do not include superficial or redundant citations. Rather, only classic and fundamental contemporary references are included.

Glossaries to help the reader grasp and retain key concepts and ideas. These appear at the end of each chapter, are cross-referenced where appropriate, and go into more detail than definitions found in many other texts.

Chapter Questions and Points for Discussion to help the reader push his or her thinking in new directions as well as to reinforce the material learned.

The following supplemental materials are made available as well:

Instructor's Manual includes chapter overviews, instructional suggestions, recommended cases, and answers to end-of-chapter questions. In addition, a special point is made to provide ideas and examples for classroom presentation and discussion. Most of these do not appear directly in the text. Hence, the opportunity is provided for expansion and enrichment of the learning experience. Indeed, enough material is suggested so that the instructor preferring never to review points directly from the text can introduce new examples and new material into the lecture or discussion.

Experiential Notebook and Study Guide includes exercises to involve the student actively in testing and extending knowledge.

Test Bank with approximately 1000 questions suitable for either quizzes or exams.

A Note to the Student

There is no one correct way to study from any textbook. Everyone has his or her own style for studying. If you are comfortable with the way you approach your work, then it is probably best to stick with it. As a point of reference, however, I would like to make some suggestions that have worked for me and for some of my students over the years.

It might be helpful to begin study of any particular chapter with a quick reading to get a feeling for the gist and scope of coverage. Focus should be placed on a few key concepts, the central theme or themes, and the significance of examples. Because the chapter summaries are comprehensive, yet relatively short, some people will find these a useful place to start. Don't worry at this point about understanding every idea or comprehending the details of every argument. Rather, merely try to get a feeling for the subject matter in a general sense.

Your main reading of the chapter should be done slowly and with a deep understanding as the goal. Begin with a study of the chapter-opening quotes. These were selected with a specific purpose in mind and relate to the content of the chapter and its implications. Although sometimes subtle, the quotes point to long-standing, fundamental issues. They usually express deep-seated values and prejudices and should lead you to think of the subject matter as you read it in somewhat broader and more novel ways than is normal.

As you read a chapter, underline key concepts and ideas. Write notes or questions in the margin for later review or investigation. Do not accept things at face value, but at the same time do not get bogged down at this point with excessive skepticism or disagreement. Reserve these reactions for further consideration after you are certain that you have grasped the depth and breadth of the subject matter.

When you feel that you have mastered the message, turn to a deeper probing and questioning. Go beyond what was said to think about the origins and validity of ideas, about how things might otherwise have been, and about the consequences of what you have learned for marketing and society in general. The questions at the end of each chapter might help you get started along these lines.

Throughout the term and at least once a week, you should reread your underlinings and the chapter summaries of previously read chapters. This will provide you with sufficient preparation for any examinations and will give you a solid perspective on the field after the course has ended.

You should give special attention to the diagrams and figures in each chapter. They are included to complement the verbal content and to expand your comprehension. If you work to understand each exhibit and to visualize its message, you will find that your understanding of the subject matter will deepen and your intuitive faculties will enlarge beyond that possible with only verbal learning.

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Richard P. Bagozzi
Stanford University
April 1985

PROLOGUE: WHY STUDY MARKETING?

It is a general human weakness to allow things, uncertain and unknown, to set us up in hope, or plunge us into fear.

—**Gaius Julius Caesar**
(102?–44 B.C.)

Before we begin our excursion into the subject matter of marketing, we should ask ourselves why it is important to study marketing in the first place. At one level, you surely are aware that marketing constantly touches our lives and is an important economic, management, and social force in society. But if you are new to the study of marketing, you may not have thought very deeply about what marketing is and how it produces the effects it does. In general, we might think of four benefits that the study of marketing can have for us: (1) intellectual value, (2) practical utility, (3) social significance, and (4) career import.

Intellectual Value

The subject matter of marketing is inherently interesting. Unlike many subject matters that place primary emphasis on abstract ideas, numbers, or objects, marketing places the person and his or her feelings, impulses, and decision-making processes at the center of inquiry. We are fascinated by the reasons people behave as they do, and the study of people in their everyday activities of consumption is a central theme in marketing. The other side of marketing is the manager. Managers, too, are obviously people with behavioral characteristics that are just as complex and interesting as those of consumers. If you are a person who is curious about the subtleties and dynamics of how the marketplace works, and you are excited by the thought of learning new things about the world around you, then you should find the study of marketing an absorbing, pleasurable experience.

Practical Utility

Because each of us is a consumer, the study of marketing can have a direct impact on us. It can help us make better consumption decisions, deal more effectively

with sellers, and generally communicate more effectively with others in our everyday activities. If we are engaged in business, government, or nonprofit organizations, the study of marketing can help us execute our managerial responsibilities. Indeed, a large part of marketing is concerned with how people and organizations can and should go about satisfying their own and the organization's needs.

Social Significance

Through markets and the institutions that arise to provide goods and services to the public, marketing plays a profound role in society. On the one hand, it plays a facilitating role allowing people and organizations the opportunity to fulfill their needs. On the other hand, it is an instrument for change, influencing values, attitudes, and behaviors. As with any technology, marketing tools can have productive or destructive effects, depending on how they are used. To understand such phenomena as inflation, the distribution of wealth, economic efficiency, socialization, and the quality of life, we need to examine the functions of marketing in society. In fact, as we shall discover throughout the text, the consequences of marketing do not stop with business and economic institutions and their effects on us. Rather, marketing activities go on in all organizations and groups, such as the Red Cross, the Democratic Party, the Lutheran Church, and the Metropolitan Museum of Art. We do not normally think of marketing activities as occurring in these organizations, but they do in disguised forms and with different labels attached to them. An understanding of marketing can help all organizations and institutions perform better.

Career Import

It is obvious that if one wants to work in advertising, retailing, sales, purchasing, or product research, the study of marketing is essential. Yet not so obvious is the fact that the study of marketing has benefits for persons working in nonmarketing functions as well. People concerned with accounting, financial matters, production, personnel, and other staff functions both affect and are affected by marketing decisions. Thus, from the perspective of a firm's productivity, all employees need to know something about marketing in order to integrate better their activities with others. Moreover, because most organizations engage in exchange relations with suppliers and consumers, both at home and abroad, the study of marketing has value as a source of knowledge about how to relate to other institutions in more effective ways. As you investigate marketing in this text, we hope you will learn what marketing careers are available or how marketing can help you professionally in a nonmarketing career.

Overall, the study of marketing can be a rewarding experience giving educational as well as pragmatic value. Our goal in this text is to provide you with a deep look into marketing and to help you gain a better understanding of yourself as a consumer and your potential as a manager in today's complex, fast-paced world.

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