

Thomas Paczkowski

LEARNING GUIDE

SEVENTH EDITION

Principles of MARKETING



PHILIP KOTLER • GARY ARMSTRONG

THOMAS PACZKOWSKI

Cayuga Community College

LEARNING GUIDE

SEVENTH EDITION

Principles of
MARKETING

PHILIP KOTLER • GARY ARMSTRONG



PRENTICE HALL Englewood Cliffs, N.J. 07632

Production manager: Richard Bretan
Acquisitions editor: David Borkowsky
Associate editor: Melissa Steffens
Manufacturing buyer: Ken Clinton



© 1996 by Prentice-Hall, Inc.
A Simon & Schuster Company
Englewood Cliffs, New Jersey 07632

All rights reserved. No part of this book may be reproduced, in any form or by any means, without permission in writing from the publisher.

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

ISBN 0-13-233842-4

Prentice-Hall International (UK) Limited, *London*
Prentice-Hall of Australia Pty. Limited, *Sydney*
Prentice-Hall Canada Inc., *Toronto*
Prentice-Hall Hispanoamericana, S.A., *Mexico*
Prentice-Hall of India Private Limited, *New Delhi*
Prentice-Hall of Japan, Inc., *Tokyo*
Simon & Schuster Asia Pte. Ltd., *Singapore*
Editora Prentice-Hall do Brasil, Ltda., *Rio de Janeiro*

LEARNING GUIDE

SEVENTH EDITION

Principles of MARKETING

Preface

The purpose of this Learning Guide is to help students learn and apply the concepts and ideas presented in the seventh edition of Kotler's and Armstrong's Principles of Marketing.

The Learning Guide should be viewed as a supplement rather than as a substitute for the text. The objectives are to allow the student to (A) focus on the key terms and main topics of each chapter, (B) apply the concepts by analyzing brief cases in marketing, and (C) demonstrate an understanding of the material through self-testing with multiple-choice and true false questions.

The Learning Guide is divided into three (3) sections. The first section is divided into twenty-two (22) chapters with each chapter corresponding to a chapter in the text. Each chapter in the Learning Guide contains the following:

- A. Chapter Overview
- B. Chapter Objectives
- C. Lecture/Student Notes
- D. Key Terms
- E. Applying Terms and Concepts
- F. Testing Terms and Concepts
- G. Answers

The first part of each chapter, "Chapter Overview," is designed to familiarize the student with the important topics presented in the chapter.

"Chapter Objectives," comprises the second part of each chapter. This is designed to focus the students' attention on the major points covered in the text. This section identifies what should have been learned after the chapter has been thoroughly studied.

The third component of each chapter, "Lecture/Student Notes" is provided to facilitate the learning process. It is intended for the student to keep notes and record information as the text is read and/or as the professor discusses text material. Selected charts, diagrams and other visuals are provided to draw attention to the main topics identified in the chapter.

The fourth part of each chapter, "Key Terms" is provided to focus attention on important marketing terminology. After the student has read the text; it is suggested that they cover the term, then read the definition and see if they can identify the term. "Key Terms" are referenced to the textbook.

The fifth segment of each chapter, "Applying Terms and Concepts," is designed to illustrate and apply topics in marketing. Each case in the section is a synopsis of a recent article in marketing, or has been adapted from an article or broadcast in marketing, or has been drawn from the author's experiences. After reading the case, the student is encouraged to answer the questions which follow. Suggested answers are provided in the answers section of the chapter.

The "Testing Terms and Concepts" portion of each chapter is made up of multiple-choice and true-false questions designed to test the student's understanding of the material presented in the text. Many questions call for knowledge of the factual information, others, however, call for an application of the factual information. The level of difficulty has been designated for each question (E for easy, M for medium and D for difficult). Suggested answers are listed in the answer section of the chapter.

The second section of the Learning Guide provides outlines for research papers and/or class projects. These activities are designed to reinforce learning which has taken place throughout the course. They are intended to be a practical application of the marketing theory presented in the text. Specific guidelines concerning topics, length, due date, method of presentation, grading and so on, will be provided by the course instructor.

The third section of the Learning Guide contains information about selected careers in marketing. Its intent is to demonstrate the great variety of employment opportunities which exist within the discipline of marketing. Information is also provided about trade associations and professional publications which will allow the student to gain additional information about various careers in marketing. This section compliments Appendix III of the text which also provides information on developing job search strategies, preparing a resume and cover letter, interviewing techniques and otherwise preparing for a successful career in marketing.

Studying Marketing

To better appreciate marketing and its role within the organization and society, the student is encouraged to personalize marketing by considering it from the perspective of the consumer, the marketer and the member of society. The student is also encouraged to periodically review the various topics studied in marketing to develop a greater appreciation of their inter relatedness. The intent is to have the student realize that the topics are not separate and disjointed, but rather flow together in a synergistic fashion. It is then that the student will appreciate the importance of marketing and how it interacts and coordinates with the other business functions.

This conceptual view of marketing will reinforce the need for a societal marketing orientation providing a greater opportunity for a consumer satisfaction and the achievement of organizational and societal objectives.

Acknowledgments

With any effort, it is appropriate to acknowledge those who contributed to the production of the final product. In the development of this Learning Guide that would include first and foremost Professors Kotler and Armstrong who have written an exceptional text. The text provides excellent coverage of market strategy planning and marketing management concepts in a systematic, practical and engaging fashion. The Kotler and Armstrong package has set the standard by which others are judged. Recognition is also due Melissa Steffens, Assistant Editor of Marketing at Prentice Hall, whose thoughtful suggestions helped refine the Learning Guide to more precisely meet the needs of the students and instructors. I would also like to recognize Professor Richard D. Shaw of Rockhurst College for his suggestion of how to use the Key Terms as a learning activity and Professor William Prosser of Tompkins Cortland Community College for his contribution of the Business Plan Project both of which have been incorporated into this edition of the Learning Guide. Finally, recognition is also due Peg Kennedy whose proofreading and word processing skills have contributed immensely to the successful completion of this project.

Thomas J. Paczkowski, CFP
Business Division Chairman
Cayuga Community College
Auburn, New York

Contents

Section One

Preface	vii
1. Marketing in a Changing World: Creating Customer Value and Satisfaction	1
2. Strategic Planning and the Marketing Management Process . .	21
3. The Marketing Environment	43
4. Marketing Research and Information Systems	63
5. Consumer Markets and Consumer Buyer Behavior	85
6. Business Markets and Business Buyer Decision Process	106
7. Measuring and Forecasting Demand	127
8. Market Segmentation, Targeting, and Positioning for Competitive Advantage	145
9. Designing Products: Products, Brands, Packaging, and Services .	163
10. Designing Products: New-Product Development and Life-Cycle Strategies	183
11. Pricing Products: Pricing Considerations and Approaches . . .	204
12. Pricing Products: Pricing Strategies	223
13. Placing Products: Distribution and Channels and Logistics Management	241
14. Placing Products: Retailing and Wholesaling	265
15. Promoting Products: Marketing Communication Strategy . . .	288
16. Promoting Products: Advertising, Sales Promotion, and Public Relations	311
17. Promoting Products: Personal Selling and Sales Management . .	334
18. Building Customer Relationships through Satisfaction, Value and Quality	357
19. Creating Competitive Advantage: Competitor Analysis and Competitive Marketing Strategies	376
20. The Global Marketplace	397

21. Marketing Services, Organizations, Persons, Places, and Ideas . 415

22. Marketing and Society: Social Responsibility and Marketing
Ethics 433

Section Two

Marketing Research Paper/Project Outline 454

Section Three

Careers in Marketing 467

CHAPTER 1

MARKETING IN A CHANGING WORLD: CREATING CUSTOMER VALUE AND SATISFACTION

CHAPTER OVERVIEW

This chapter lays the foundation for the rest of the book. It defines marketing and several core marketing concepts, such as needs, demands, products, exchange, and markets. Marketing management involves the management of demand, and different views of what stimulates demand lead to different marketing philosophies. Because marketing affects everyone, and because people disagree on what goals the marketing system should try to accomplish, marketing has been adopted by businesses and nonprofit organizations in countries around the world. Marketing operates within a dynamic global environment. This poses challenges for marketers including a changing world economy, a call for more ethics, social responsibility, and a changing marketing landscape.

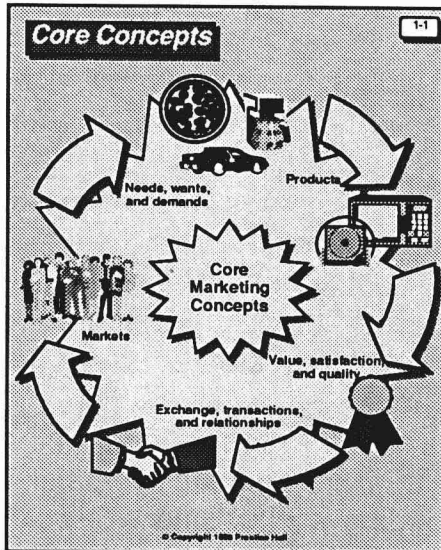
CHAPTER OBJECTIVES

When you finish this chapter, you should be able to accomplish the following:

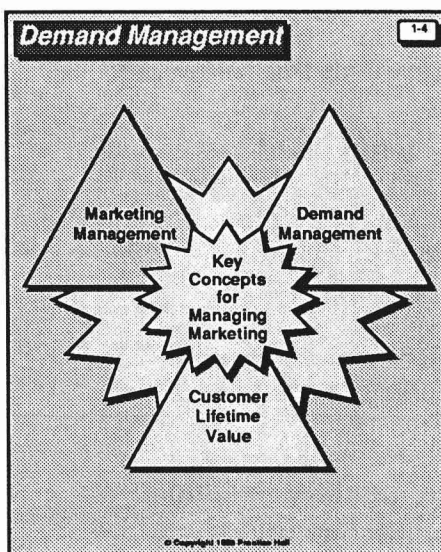
1. Define marketing and outline the concepts of needs, wants and demands.
2. Discuss marketing management and express the basic ideas of demand management and building profitable customer relationships.
3. List the marketing management philosophies and be able to distinguish among the production concept, product concept, selling concept, marketing concept, and societal marketing concept.
4. Analyze the key marketing challenges in the next century, including growth of nonprofit marketing, rapid globalization, the changing world economy, the call for more ethics and social responsibility, and the new marketing landscape.

LECTURE/STUDENT NOTES

I. What is Marketing?



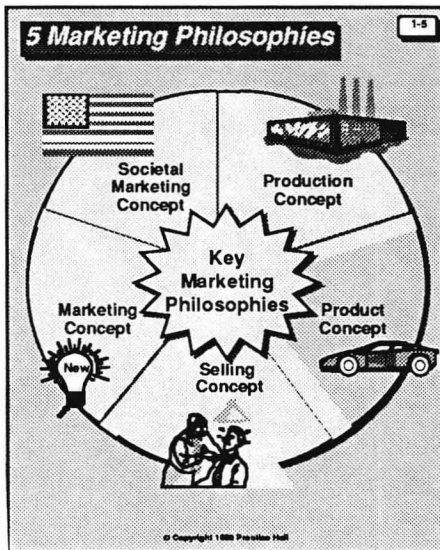
- A. Needs, Wants, and Demands
- B. Products
- C. Value, Satisfaction, and Quality
- D. Exchange, Transactions, and Relationships
- E. Markets



- F. Marketing
- ### II. Marketing Management
- A. Demand Management

B. Building Profitable Customer Relationships

III. Marketing Management Philosophies



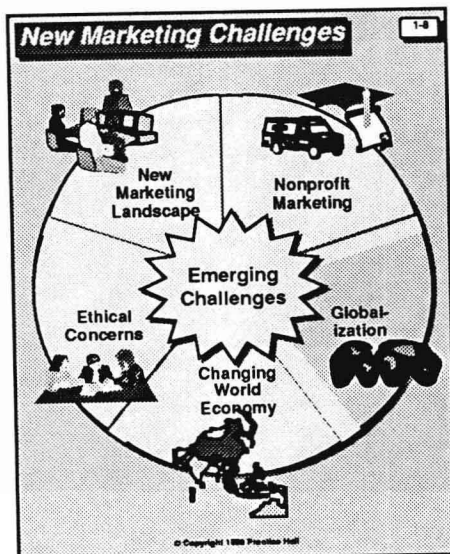
A. Production Concept

B. Product Concept

C. Selling Concept

D. Marketing Concept

E. Societal Marketing Concept



IV. Marketing Challenges into the Next Century

A. Growth of Nonprofit Marketing

- B. Rapid Globalization
- C. The Changing World Economy
- D. The Call for More Ethics and Social Responsibility
- E. The New Marketing Landscape

KEY TERMS

The consumer's assessment of the product's overall capacity to satisfy his or her needs.

Customer value (p. 9)

That which depends on a product's perceived performance in delivering value relative to a buyer's expectations.

Customer satisfaction (p. 9)

Human wants that are backed by buying power.

Demands (p. 7)

Marketing in which the task is to temporarily or permanently reduce demand.

Demarketing (p. 13)

The act of obtaining a desired object from someone by offering something in return.

Exchange (p. 10)

The set of actual and potential buyers of a product.

Market (p. 11)

A social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

Marketing (p. 11)

The marketing management philosophy that holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do.

Marketing concept (p. 16)

The analysis, planning, implementation, and control of programs designed to create, build, and maintain beneficial exchanges with target buyers for the purpose of achieving organizational objectives.

Marketing management (p. 13)

A state of felt deprivation.

Needs (p. 7)

Anything that can be offered to a market to satisfy a need or want; it includes physical objects, services persons, places, organizations, and ideas.

Product (p. 7)

The idea that consumers will favor products that offer the most quality, performance, and features and that the organization should therefore devote its energy to making continuous product improvements.

Product concept (p. 16)

The philosophy that consumers will favor products that are available and highly affordable and that management should therefore focus on improving production and distribution efficiency.

Production concept (p. 14)

Building mutually beneficial long-term relationships with valued customers, distributors, dealers, and suppliers by promising and consistently delivering high-quality products, good service, and fair prices.

Relationship marketing (p. 11)

The idea that consumers will not buy enough of the organization's products unless the organization undertakes a large-scale selling and promotion effort.

Selling concept (p. 16)

The idea that the organization should determine the needs, wants, and interests of target markets and deliver the desired satisfactions more effectively and efficiently than competitors in a way that maintains or improves the consumer's and society's well being.

Societal marketing concept (p. 20)

Programs designed to constantly improve the quality of products, services and marketing processes.

Total quality management (p. 10)

A trade between two parties that involves at least two things of value, agreed-upon conditions, a time of agreement, and a place of agreement.

Transaction (p. 11)

The form taken by human needs as they are shaped by culture and individual personality.

Want (p. 7)

APPLYING TERMS AND CONCEPTS

To determine how well you understand the materials in this chapter, read each of the following brief cases and then respond to the questions that follow. Answers are given at the end of this chapter.

Handyman Hardware and Lumber

Thomas Steenburgh began Handyman Stores in 1979 after determining that a huge do-it-yourself market existed for hardware and building supplies. His research showed that as plumbers, electricians, carpenters, and others began charging more in the mid-1970's, many homeowners decided to do their own repairs and remodeling. And if their work wasn't quite perfect, homeowners could at least take satisfaction in knowing they had done the work themselves and that they had saved money. Steenburgh's research was consistent with the findings of the Do-it-Yourself Research Institute, based in Indianapolis, which estimated that do-it-yourself sales would grow from \$6.4 billion in 1970 to \$63.5 billion by 1990, thereafter increasing by approximately 8 percent per year.

Steenburgh's concept of retailing was to stock a wide variety of name-brand hardware and building supplies in what is essentially a warehouse. He spends virtually no money on fixtures and allows customers to use hand carts to select their own merchandise, which they bring to a centralized check-out area. The stores are open from 7 a.m. to 10 p.m., Monday through Saturday. Handyman's main form of advertising consists of flyers as inserts in local newspapers. When a Handyman Store is opened in a city, its prices are reduced to a minimum. The usual practice is to post a local competitor's catalog or flyer at the store and offer customers the same or comparable goods for 20 percent less. Prices are kept low because Handyman buys direct from the manufacturer and sells for

cash or approved check only. It also saves money because its store serves as its own warehouse; each store is between 75,000 and 100,000 sq. ft. What merchandise does not fit on a shelf or rack is stacked on the floor, sometimes up to the ceiling.

One area where Steenburgh will not skimp is personnel. Since 85 percent of his sales are to do-it-yourselfers, he typically hires 30 to 40 salespeople for each store and trains them in do-it-yourself tasks. These salespeople liberally dispense free Handyman how-to pamphlets and practical advice on projects from start to finish.

Steenburgh's philosophy of selling quality products at a low price with good advice has served Handyman well. Sales per square foot have averaged between \$250 and \$275 this year at each of its 19 stores, with projected profits this year of \$22 million.

Questions

- _____ 1. Which of the following were involved in marketing activities?
- A. Handyman
 - B. store personnel
 - C. customers
 - D. only (A) and (B)
 - E. All of the above
- _____ 2. Steenburgh's analysis, planning, implementation and control of programs designed to create, build and maintain beneficial exchanges with target customers for the purpose of achieving organizational objectives is an example of _____ management.
- A. exchange
 - B. production
 - C. marketing
 - D. selling
 - E. sales
- _____ 3. Which of the following items should be considered Handyman's product?
- A. hardware and building supplies
 - B. How-to-pamphlets
 - C. free how-to advice
 - D. only (A) and (B)
 - E. all of the above