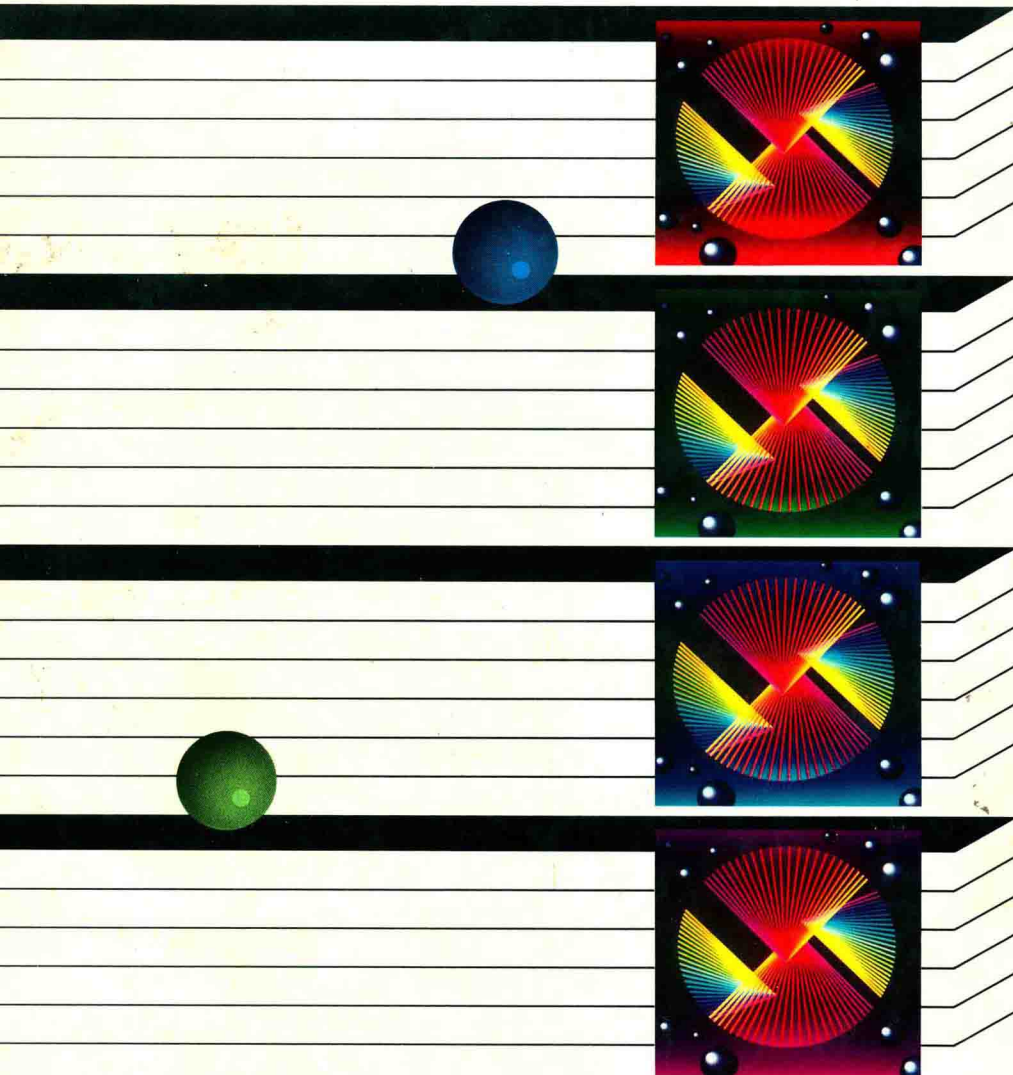


# Principles of Marketing

Lusch and Lusch

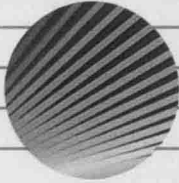


# Principles of Marketing



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Market Concepts

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To Heather . . . yesterday's child, today's woman,  
tomorrow's hope.

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# PREFACE

This book is designed and written for the student who wants a basic solid understanding of the critical concepts and phenomena in marketing. *Principles of Marketing* will help the student achieve this understanding by 1) using many examples from the exciting and dynamic world of marketing, 2) clearly and concisely defining new terms when they are first introduced, and 3) providing logical and illustrative explanations of marketing phenomena. All the pedagogical devices in this book were designed with these objectives in mind.

The reader of this book is assumed to have no prior knowledge of marketing. We realize that most students will take only one marketing course and that they therefore need to acquire in this one course an appreciation of the role of marketing in society and in the organization. The book is suitable for a wide variety of instructional formats because it is divided into eight parts that can be reordered or selectively deleted where necessary. This book is written primarily for the undergraduate introduction to marketing course, but it could also be conveniently used as an introductory text for MBA students who have had no formal coursework in marketing.

*Principles of Marketing* is written in a modular format. Part I, “An Introduction to Marketing,” contains important key concepts to be used throughout the remainder of the book and discusses why marketing is important to individuals and organizations. Chapter 1 reveals that marketing is an exchange process and highlights the rapid growth of marketing by nonprofit, service, and international organizations. Chapter 2 discusses the firm’s external environments—social, competitive, economic, technological, physical, legal/political, ethical—and the opportunities they present. Chapter 3 discusses how firms capitalize on environmental trends to formulate strategic marketing plans that help achieve their objectives.

The primary focus of Part II, “Understanding the Marketplace,” is on the dynamic setting in which marketing occurs. Chapter 4 discusses the need for marketing research and information to understand the marketplace. Chapter 5 focuses on the sociological, psychological, and economic factors that influence consumers’ purchasing decisions. Chapter 6 identifies different organizational markets and shows how organizational buyers make purchasing decisions. Chapter 7 explains several approaches used to segment markets and discusses how to select a target market.

Parts III through VI focus on the four primary decision variables in marketing—product, place, promotion, and price—which are often referred to as the marketing mix. Part III, “Product Planning and Decisions,” focuses on the product component. Chapter 8 introduces, defines, and explains numerous product concepts, such as product positioning, product mix,

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## STATEMENT OF PURPOSE

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## ORGANIZATION AND CONTENTS

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product life cycle, branding, packaging, and product warranties. In Chapter 9, methods for systematically developing new products are discussed.

“Distribution Planning and Decisions,” Part IV, details the “place” component of the marketing mix. Chapter 10 reveals what marketing channels are and why they develop, and their importance, characteristics, and legal considerations. Chapter 11 introduces the physical distribution system, its management, and its relation to the management of customer service activities. Chapter 12 discusses the most popular types of retailing, retailer classifications, store atmosphere, the evolution of retail competition, the structure of wholesaling, and ways to market products more effectively through wholesalers.

Part V, “Promotion Planning and Decisions,” concerns the third component of the marketing mix. Chapter 13 focuses on understanding the marketing communication process, which is critical to developing successful promotion strategies. The role of advertising in our economy, different types of advertising, the advertising decision-making process, and publicity are covered in Chapter 14. Chapter 15 describes career opportunities in personal selling and the different types of salespeople, explains the selling process and sales force management, and discusses sales promotion.

Price is the final element of the marketing mix and it is discussed in Part VI, “Price Planning and Decisions.” Chapter 16 discusses how price is influenced by the firm’s external environments, and how managers develop price objectives and policies. Chapter 17 discusses the price strategies a firm can establish and explores the economic approach to price setting, how prices are set, and different pricing tactics.

Part VII, “Special Growth Opportunities,” describes the rapid growth of international, services, and nonprofit marketing. Chapter 18 discusses the different orientations a firm can have toward international marketing, the importance of understanding foreign environments, and foreign market entry strategies. Chapter 19 discusses the rapid growth of the service sector in many countries and explains how services differ from goods, the competitive forces service marketers confront, and how to understand the service customer. Chapter 20 describes the differences between nonprofit and conventional marketing, how to develop a marketing plan for a nonprofit firm, and the ethics of nonprofit marketing.

Part VIII, “Execution, Evaluation, and the Future of Marketing,” concludes our discussion. Chapter 21 describes the two major steps in executing a marketing plan: implementation and control. Chapter 22 reflects on the performance of marketing on a societal level, the ethical behavior of marketers, and what marketing might be like in the mid 1990s.

## PEDAGOGICAL DEVICES

This book is intended to be “user friendly” and includes many learning aids to make the material more meaningful, comprehensible, and interesting. Each chapter begins with a set of Learning Objectives that tells the student what should be accomplished in the chapter. Next, a profile of a leading

marketer is provided. These Marketer Profiles give the student role models by discussing people who have succeeded in marketing. All Key Concepts are boldfaced and their definitions italicized at their first mention in the text. Other important terms are also italicized. Each chapter has two Marketing in Actions. These are boxed inserts that elaborate on and explain key concepts. Each Marketing in Action provides the reader with an inside view of how organizations and industries practice marketing.

Numerous four-color photographs, advertisements, and figures accompany the text and graphically depict the concepts under discussion. A number of tables enable the student to readily grasp the relationships among complex data and key concepts.

Each chapter ends with a narrative Summary; a list of Key Concepts that were boldfaced within the chapter, together with the page numbers on which the terms were defined; ten to twenty Review and Discussion Questions; and three to five Action Problems. The Review and Discussion Questions will help students think about the material in the chapter and test the comprehension of what they have just read. The Action Problems will get students involved in experiential learning exercises, which will help them to better understand the concepts presented in the chapter.

At the conclusion of each of the eight parts are cases. These cases allow students to apply important concepts and marketing principles that were learned in each of the eight parts. A total of 44 cases are included, and the following are based on real-life company marketing situations or problems:

- “The Marketing and Distribution of Trade Books”
- “Motor Carriers Face Drastically Altered Environments”
- “Mineral Water and Natural Soda”
- “Chrysler Corporation and Its Publics”
- “Publix”
- “Hewlett-Packard: Strategies for Leadership”
- “Quality Travel Agency”
- “Firestone Masterminds the Auto Repair Market”
- “Consumer Research, Shopper Needs, and Market Segmentation”
- “Trinity Memorial Hospital”
- “MCI Mail Expands Product Mix”
- “Competition Encourages Product Modification in Soft Drink Industry”
- “Marriott Hotel Corporation Plans for Growth”
- “New Coke”
- “Film Distribution”
- “Ensuring Product Availability at Whirlpool”
- “The Kroger Company”
- “Management of Software Inventory”
- “Negative Publicity for the Alcohol Industry”

- “Improving Sales Force Productivity at Avis”
- “Price Competition in the Rental Car Business”
- “Longchamp Stemware”
- “The Motorcycle Glut”
- “Political Uncertainty on Hong Kong Island”
- “Henry and Richard Block of H & R Block, Inc.”
- “Willoughby Realty Inc. and Willoughby/Gendell Commercial Real Estate Services”
- “R. J. Reynolds Tobacco Company: Advertising, Children, and Smoking”
- “Nestle’s Infant Formula”

All of these preceding, real-life company cases were prepared as a basis for class discussion rather than a way to illustrate appropriate or inappropriate handling of marketing situations by the company. The fictitious cases were prepared with the same intention.

Appendix A, “Marketing Math, Finance, and Accounting,” should be helpful to students who need a review of income statements, balance sheets, markup percentages, and other important accounting and finance terms—terms that marketing managers may need to understand. Appendix B, “Marketing Careers and Marketing Professionalism,” will help students learn about the many career opportunities in marketing. A discussion of the fundamental qualifications of a marketing professional are also presented. Over 300 important concepts are defined in the Glossary. A Subject Index and a Name and Company Index conclude the book.

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## SUPPLEMENTAL ITEMS

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### Study Guide

The Study Guide is comprehensive and should be a significant learning aid to the serious student. Each chapter has a review of the learning objectives, a chapter summary, definitions of key concepts, matching exercises, true/false questions, and multiple-choice questions. The Study Guide also has a detailed exercise in each chapter, where students must apply what has been learned, and a case study, where key concepts for the chapter are put into a realistic setting for more action-oriented learning.

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### Instructor’s Manual

The Instructor’s Manual offers numerous suggestions for preparing classroom presentations. Each chapter of this manual includes: 1) chapter overview, 2) learning objectives, 3) key concepts, 4) chapter outline, 5) suggestions on use of Marketer Profile and Marketing in Actions, 6) lecture outline, 7) answers to Review and Discussion Questions, and 8) answers or guidelines for Action Problems. The Instructor’s Manual also provides anal-

yses of the forty-four cases in the book. Each case is analyzed and brief teaching notes are provided. Also a list of three to four important concepts each case covers and suggested chapter(s) where it may be used are offered. Analyses for the forty-three cases in the Study Guide are also provided, as well as teaching notes for these cases. The final part of the Instructor's Manual provides over 100 transparency masters. Also thirty-five of the transparency masters offer definitions of the thirty-five most important concepts in *Principles of Marketing*. These allow the instructor to prepare an overhead of a Key Concept definition, which will enable students to take class notes easily.

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### **Overhead Acetates**

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A package of 100 overhead acetates of the most important figures, tables, and advertisements in the book is provided to adopters. Fifty of these are in full color and enable the instructor to illustrate key points.

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### **Test Bank**

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The Test Bank includes more than 2300 objective test items. Each chapter has approximately sixty multiple-choice questions and forty-five true/false questions. A computerized Test Bank is also available for personal computers in the IBM and Apple families.

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### **Marketing Showcase (Software Package)**

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The software package, *Marketing Showcase*, was developed by Cognitive Development Company. It is an interactive analysis program packaged with several data sets. This software is not just a "simulation," but allows analysis of real marketing data, such as magazine subscription rates, sales of many specific products, and demographic characteristics of sales areas. Using lively, color graphics, *Marketing Showcase* also allows instructors to present classroom demonstrations that illustrate particular points in this textbook. *Marketing Showcase* runs on the IBM PC or compatibles with one disk drive and color graphics capacity.

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### **Videotapes**

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There are five videotapes to accompany *Principles of Marketing*. The first is "Marketing Concepts," which provides an overview of marketing and



marketing functions. It describes the evolution of marketing, identifies the basic characteristics of consumer and industrial markets, explains target marketing, and provides insight into the four elements of the marketing mix.

“Marketing Product Strategy” covers the nature of a product and the importance of product development. Special emphasis is placed on the critical impact of the life cycle of a product.

“Marketing Promotional Strategy” emphasizes the importance of promotion in marketing strategy. Attention is focused on the blending of advertising, personal selling, sales promotion, and publicity.

“Marketing Distribution” considers the factors in and the channels available for distributing goods to the ultimate consumer. The components of an organization’s physical distribution system and the importance of its proper management are discussed.

“Marketing Pricing Strategy” describes the importance of pricing. It focuses on the potential pricing objectives of a business, the role of supply and demand, costs, and market analysis for determining prices, as well as potential price strategies to reach the consumer.

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## A STATEMENT OF GRATITUDE

This book and all the supplements became a manageable project with the outstanding assistance of Read Wickham and Marianne L’Abbate, both at Kent Publishing Company. Our developmental editor, Carlyle Carter, offered invaluable assistance at all stages of manuscript development. We also wish to thank Al Kagan for his assistance on the Instructor’s Manual, Martin Meyers at the University of Wisconsin at Stevens Point for providing cases in the textbook and for his assistance on the Study Guide, and Melvin Stith for his assistance on the Test Bank and computer simulation. The understanding support of our daughter, Heather, made this four-year undertaking possible. Finally, we wish to thank the companies and individuals that granted us permission to use their words, thoughts, exhibits, photos, advertisements, and data.

ROBERT F. LUSCH  
VIRGINIA N. LUSCH

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