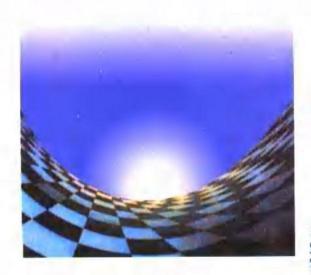
Seventh Edition

# PRINCIPLES OF MARKETING

Philip Kotler Gary Armstrong







清华大学出版社

Prentice-Hall International, Inc.

#### Seventh Edition

# Principles of Marketing

# 市场营销原理

(第七版)

Philip Kotler Gary Armstrong

清华大学出版社 Prentice-Hall International, Inc.

#### (京)新登字 158 号

Principles of Marketing, 7th ed./Philip Kotler, Gary Armstrong © 1996 by Prentice Hall, Inc.

Original edition published by Prentice Hall, Inc., a Simon & Schuster Company.

Prentice Hall 公司授权清华大学出版社在中国境内(不包括中国香港特别行政区、澳门地区和台湾地区)独家出版发行本书影印本。

本书任何部分之内容,未经出版者书面同意,不得用任何方式抄袭、节录或翻印。 本书封面贴有 Prentice Hall 激光防伪标签,无标签者不得销售。

北京市版权局著作权合同登记号: 01-97-1232

#### 图书在版编目(CIP)数据

市场营销原理: 英文/(美)柯特勒(Kotler, P.),(美)阿姆斯特朗(Armstrong, G.)著. -7(影印本).

北京: 清华大学出版社,1997.10

ISBN 7-302-0000102

I. 市··· I. ①柯··· ②阿··· II. 市场营销学-英文 N. F713.5

中国版本图书馆 CIP 数据核字(97)第 21291 号

出版者:清华大学出版社(北京清华大学校内,邮编100084)

因特网地址: www.tup.tsinghua.edu.cn

Prentice-Hall International, Inc.

印刷者:清华大学印刷厂

发行者: 新华书店总店北京科技发行所

开 本: 850×1168 1/16 印张: 49.25

版 次: 1997年10月第1版 1998年3月第2次印刷

书 号: ISBN 7-302-02692-0/F • 155

印 数:3001~7000

定 价: 64.00元

## 出版说明

为适应我国社会主义市场经济的建设和发展,为满足国内广大读者了解、学习、借鉴国外先进的管理经验和掌握经济理论的前沿动态,清华大学出版社与 PRENTICE HALL 国际出版公司合作影印出版一系列英文版经济管理方面的图书。我们所选图书均是国外再版多次的书籍。在选书过程中,中国人民大学吕一林教授、荆新教授、王建英博士、胡曙光博士以及清华大学经济管理学院宋学宝博士做了大量工作,在此表示感谢。

由于原作者所处国家的经济、政治及文化背景等与我国不同,希望读者在阅读过程中注意分析和鉴别。

我们希望这套影印书的出版对促进我国经济科学的发展会有所帮助,对我国经济管理专业的教学会有所促进。

清华大学出版社 1997年8月

# **About the Authors**

As a team, Philip Kotler and Gary Armstrong provide a blend of skills uniquely suited to writing an introductory marketing text. Professor Kotler is one of the world's leading authorities on marketing. Professor Armstrong is an award-winning teacher of undergraduate business students. Together they make the complex world of marketing practical, approachable, and enjoyable.

Philip Kotler is S. C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg Graduate School of Management, Northwestern University. He received his master's degree at the University of Chicago and his Ph.D. at M.I.T., both in economics. Dr. Kotler is author of Marketing Management: Analysis, Planning, Implementation, and Control (Prentice Hall), now in its eighth edition and the most widely used marketing textbook in graduate schools of business. He has authored several other successful books and he has written over 90 articles for leading journals. He is the only three-time winner of the coveted Alpha Kappa Psi award for the best annual article in the Journal of Marketing. Dr. Kotler's numerous major honors include the Paul D. Converse Award given by the American Marketing Association to honor "outstanding contributions to science in marketing" and the Stuart Henderson Britt Award as Marketer of the Year. In 1985, he was named the first recipient of two major awards: the Distinguished Marketing Educator of the Year Award given by the American Marketing Association and the Philip Kotler Award for Excellence in Health Care Marketing presented by the Academy for Health Care Services Marketing. In 1989, he received the Charles Coolidge Parlin Award, which each year honors an outstanding leader in the field of marketing. Dr. Kotler has served as chairman of the College on Marketing of the Institute of Management Sciences (TIMS) and a director of the American Marketing Association. He has consulted with many major U.S. and foreign companies on marketing strategy.

Gary Armstrong is Professor and Chair of Marketing in the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill. He holds undergraduate and master's degrees in business from Wayne State University in Detroit, and he received his Ph.D. in marketing from Northwestern University. Dr. Armstrong has contributed numerous articles to leading business journals. As a consultant and researcher, he has worked with many companies on marketing research, sales management, and marketing strategy. But Professor Armstrong's first love is teaching. He has been very active in the teaching and administration of North Carolina's undergraduate business program. His recent administrative posts include Associate Director of the Undergraduate Business Program, Director of the Business Honors Program, and others. He works closely with business student groups and has received several campuswide and Business School teaching awards. He is the only repeat recipient of the school's highly regarded Award for Excellence in Undergraduate Teaching, which he won for the third time in 1993.





# Preface

Marketing is the business function that identifies customer needs and wants, determines which target markets the organization can serve best, and designs appropriate products, services, and programs to serve these markets. However, marketing is much more than just an isolated business function—it is a philosophy that guides the entire organization. The goal of marketing is to create customer satisfaction profitably by building value-laden relationships with important customers. The marketing department cannot accomplish this goal by itself. It must team up closely with other departments in the company and partner with other organizations throughout its entire value-delivery system to provide superior value to customers. Thus, marketing calls upon everyone in the organization to "think customer" and to do all they can to help create and deliver superior customer value and satisfaction. As Professor Stephen Burnett of Northwestern puts it, "In a truly great marketing organization, you can't tell who's in the marketing department. Everyone in the organization has to make decisions based on the impact on the consumer."

Many people see marketing only as advertising or selling. But real marketing does not involve the art of selling what you make so much as knowing what to make! Organizations gain market leadership by understanding consumer needs and finding solutions that delight customers through superior value, quality, and service. If customer value and satisfaction are absent, no amount of advertising or selling can compensate.

Marketing is all around us, and we all need to know something about it. Marketing is used not only by manufacturing companies, wholesalers, and retailers, but by all kinds of individuals and organizations. Lawyers, accountants, and doctors use marketing to manage demand for their services. So do hospitals, museums, and performing arts groups. No politician can get the needed votes, and no resort the needed tourists, without developing and carrying out marketing plans. Principles of Marketing is designed to help students learn about and apply the basic concepts and practices of modern marketing as they are used in a wide variety of settings: in product and service firms, consumer and business markets, profit and nonprofit organizations, domestic and global companies, and small and large businesses.

People throughout these organizations need to know how to define and segment a market and how to position themselves strongly by developing need-satisfying products and services for chosen target segments. They must know how to price their offerings to make them attractive and affordable and how to choose and manage intermediaries to make their products available to customers. And they need to know how to advertise and promote products so customers will know about and want them. Clearly, marketers need a broad range of skills in order to sense, serve, and satisfy consumer needs.

Students also need to know marketing in their roles as consumers and citizens. Someone is always trying to sell us something, so we need to recognize the methods they use. And when students enter the job market, they must do "marketing research" to find the best opportunities and the best ways to "market themselves" to prospective employers. Many will start their careers with marketing jobs in sales forces, in retailing, in advertising, in research, or in one of a dozen other marketing areas.

#### APPROACH AND OBJECTIVES

Principles of Marketing takes a practical, managerial approach to marketing. It provides a rich depth of practical examples and applications, showing the major decisions that marketing managers face in their efforts to balance the organization's objectives and resources against needs and opportunities in the marketplace. Each chapter opens with a major example describing an actual company situation. Boxed Marketing Highlights, short examples, color illustrations, video cases, company cases, and color illustrations highlight high-interest ideas, stories, and marketing strategies.

Principles of Marketing tells the stories that reveal the drama of modern marketing; Home Depot's zeal for taking care of customers; Ritz-Carlton's penchant for taking care of those who take care of customers; Levi-Strauss & Co.'s startling success in finding new ways to grow, both in the United States and abroad; Church & Dwight's climb to become "king of the (mole)hill" with Arm & Hammer baking soda products; how Dow Plastics achieved leadership in its businessto-business markets by selling "customer success"; Motorola's quest for customerdriven, "six-sigma" quality; P&G's struggle to bring sanity back to food prices; Black & Decker's new-product success through listening to the customer; how Coca-Cola abandoned Madison Avenue and "went Hollywood" to create its breakthrough, always cool, Always Coca-Cola advertising campaign; how Revlon sells not just products, but hopes and dreams; how Disney gives consumers an America that still works the way it's supposed to; Gerber's difficult social responsibility decisions following a product tampering scare. These and dozens of other examples and illustrations throughout each chapter reinforce key concepts and bring marketing to life.

Thus, *Principles of Marketing* gives the marketing student a comprehensive and innovative, managerial and practical introduction to marketing. Its style and extensive use of examples and illustrations make the book straightforward, easy-to-read, and enjoyable.

#### CHANGES IN THE SEVENTH EDITION

The seventh edition of *Principles of Marketing* offers important improvements in organization, content, and style. The revisions emphasize a number of major new marketing themes, including:

- ◆ Delivering superior customer value, satisfaction, and quality—market-centered strategy and "taking care of the customer."
- Relationship marketing—keeping customers and capturing customer lifetime value by building value-laden customer relationships.
- ◆ Total marketing quality—the importance of customer-driven, total quality as a means of delivering total customer satisfaction.
- ◆ Value-delivery systems—cross-functional teamwork within companies and cross-company, supply-chain partnerships to create effective customer value-delivery systems.
- Global marketing—chapter-by-chapter integrated coverage, plus a full chapter focusing on international marketing considerations.
- ◆ Marketing ethics, environmentalism, and social responsibility—chapter-bychapter integrated coverage, plus a full chapter on marketing ethics and social responsibility.

A carefully revised Chapter 1 introduces and integrates the above topics to set the stage at the beginning of the course. An innovative Chapter 18 on building customer relationships through value, satisfaction, and quality returns the student to these important concepts as a means of tying marketing together at the end of the course. In between, each chapter reflects the current marketing emphasis on delivering customer value and satisfaction and on building customer relationships.

Other major additions to the seventh edition include:

- ◆ Marketing communications—major and important new material in Chapter 15 on the new marketing communications environment, direct marketing, and integrated marketing communications.
- ◆ Sales management—in Chapter 17, new sections on sales force strategy and structure, team selling, and relationship marketing.
- ◆ Marketing logistics—completely revised coverage of physical distribution to include important new issues in integrated marketing logistics and supply-chain management. Also, a new section on hybrid channels.
- ◆ Product and brand strategy—significant new material on brand quality and brand strategy, including co-branding, multibranding, and packaging and the environment.
- ◆ Marketing management and competitive strategies—Chapter 19 combines with Chapter 18 to provide the most complete coverage of competitive marketing strategy of any introductory marketing text. New material has been added, including a section on customer value disciplines. These chapters help students to integrate what they've learned about marketing strategy and tactics around the key concept of gaining competitive advantage through the delivery of customer value, satisfaction, and quality.

The seventh edition contains many other important changes. This edition has fewer chapters; the two chapters on consumer behavior have been combined to create a single, more streamlined Chapter 5. The text has an exciting new integrated design. Many new chapter-opening examples and Marketing Highlight exhibits illustrate important new concepts with actual business applications. Dozens of new examples have been added within the running text. All tables, figures, examples, and references throughout the text have been thoroughly updated. The seventh edition of *Principles of Marketing* contains dozens of new photos and advertisements that illustrate key points and make the text more effective and appealing. All the real-life company cases in the seventh edition are new or revised, and the text comes with an exciting new collection of company video cases. These company and video cases, and the quality videos that accompany them, help to bring the real world directly into the classroom.

#### **LEARNING AIDS**

Many aids are provided within this book to help students learn about marketing. The main ones are:

- Chapter-opening objectives. Each chapter begins with learning objectives that preview the flow of concepts in the chapter.
- ◆ Chapter-ending summaries of objectives. At the end of each chapter, summaries are provided for each chapter objective to reinforce main points and concepts.
- Chapter-opening examples. Each chapter starts with a dramatic marketing story that introduces the chapter material and arouses student interest.
- ◆ Full-color figures, photographs, advertisements, and illustrations. Throughout each chapter, key concepts and applications are illustrated with strong, full-color-visual materials.
- Marketing highlights. Additional examples and important information are highlighted in Marketing Highlight exhibits throughout the text.

- ◆ Review questions and exercises. Each chapter contains a set of discussion questions covering the main chapter points and "applying the concepts" exercises that build individual and group process and leadership skills.
- ♦ Key terms. Key terms are highlighted within the text, defined in page margins, and listed at the end of each chapter with page references.
- ◆ Company cases. Company cases for class or written discussion are provided at the end of each chapter, with integrative comprehensive cases following each major part of the text. These cases challenge students to apply marketing principles to real companies in real situations.
- ◆ Video cases. Nine written video cases are provided at key points in the text, supported by exciting new and original videos developed especially for the seventh edition of *Principles of Marketing*. The videos and cases help to bring key marketing concepts and issues to life in the classroom.
- ◆ Appendixes. Two appendixes, "Marketing Arithmetic" and "Careers in Marketing," provide additional, practical information for students.
- Glossary. At the end of the book, an extensive glossary provides quick reference to the key terms found in the book.
- Indexes. Subject, company, and author indexes reference all information and examples in the book.

#### **SUPPLEMENTS**

A successful marketing course requires more than a well-written book. Today's classroom requires a dedicated teacher and a fully-integrated teaching system. *Principles of Marketing* is supported by an extensively revised and expanded system of supplemental learning and teaching aids:

#### FOR THE INSTRUCTOR

- ◆ ON LOCATION! Custom Case Videos for Marketing. Broadcast journalism and marketing education meet to create a series of custom produced case videos that have all the fast-paced and engaging qualities of TV and focus on the successful marketing activities of nine dynamic companies. Take your students on a field trip to New York City where MTV Networks targets Generation X, or to Alaska, where Mountain Travel, Inc. capitalizes on the adventure travel market. Each video is approximately six to eight minutes in length and is tied directly to the issue-oriented end-of-part video case studies in *Principles of Marketing*.
- ◆ Instructor's Resource Manual (ISBN# 0-13-436817-7). This comprehensive guide includes a chapter summary for a quick overview, a list of key teaching objectives, and answers to all end-of-chapter discussion and case questions. A highly detailed lecture outline cuts preparation time by thoroughly integrating the video material, cases, and transparencies. In addition, the manual includes a comprehensive video guide that summarizes each video and provides answers to the video case discussion questions.
- ◆ Instructor's Electronic Resource Manual. This manual is available electronically on 3.5" disks (IBM version only).
- ◆ Test Item File. The test item file contains over 2,000 multiple-choice, true/false, and essay questions.
- ♦ 3.5" IBM Test Manager. This powerful computerized testing package, available for DOS-based computers, allows instructors to create their own personalized exams using questions from the Test Item File. It offers full mouse support, complete questions editing, random test generation, graphics, and printing capabilities. Toll-free technical support is offered to all users, and the Test Manager is free upon adoption.

- ◆ Color Transparencies. Two hundred full-color transparencies highlight key concepts for presentation. Each transparency is accompanied by a full page of teaching notes that include relevant key terms and discussion points from the chapters as well as additional material from supplementary sources.
- ◆ Electronic Transparencies. All acetates and lecture notes are available on Powerpoint 4.0. The disk is designed to allow you to present the transparency to your class electronically and also may be used as part of a Presentation Manager lecture.
- ◆ Presentation Manager for Marketing. An application of the popular Authorware software program, Presentation Manager allows you to easily prearrange your multimedia classroom lecture by accessing any of our available media materials on laserdisk, VHS tape, CD-ROM, and 3.5" disk. Choose the order of the materials you would like to present in class from a list that appears on-screen, and Presentation Manager for Marketing will do the rest.
- ◆ New York Times/Prentice Hall "Themes of the Times" Program for Marketing. Prentice Hall and The New York Times, one of the world's top news publications, join to expand your students' knowledge beyond the walls of the classroom. Upon adoption, professors and students receive a specialized "mini-newspaper" containing a broad spectrum of carefully chosen articles that focus on events and issues in the world of marketing as well as on some of the news-making marketing professionals of the 1990s. To ensure complete timeliness, this supplement is updated twice a year.

#### FOR THE STUDENT

- ◆ Learning Guide. The Learning Guide includes chapter overviews, objectives, key terms and definitions, and detailed outlines for note-taking and review. A special applications section, "Applying Terms and Concepts," is designed to illustrate and apply topics in marketing. Each case in the section either is a synopsis of a recent article in marketing or has been drawn from the author's experiences in the field. To reinforce students' understanding of the chapter material, the guide includes a section of multiple-choice and true/false questions. Additional sections include a marketing research paper, a project outline, and a special careers appendix.
- ◆ Career Paths in Marketing. Prentice Hall, in conjunction with Convergence Multimedia, is proud to be the exclusive educational distributor of "Career Paths in Marketing." Winner of the New Media Invision gold medal, this interactive CD-ROM includes over 250 short video clips that highlight marketing professionals, provide information on successful applicant profiles, and outline entry requirements. Special modules focus on interview skills, resumes, networking, and negotiation. Students can ask career questions to successful marketing managers featured in the Kotler text and videocases! This CD-ROM is available at a special discount rate when ordered with Principles of Marketing.

#### **ACKNOWLEDGMENTS**

No book is the work only of its authors. We owe much to the pioneers of marketing who first identified its major issues and developed its concepts and techniques. Our thanks also go to our colleagues at the J. L. Kellogg Graduate School of Management, Northwestern University, and at the Kenan-Flagler Business School, University of North Carolina at Chapel Hill, for ideas and suggestions. We owe special thanks to Lew Brown and Martha McEnally, both of the University of North Carolina, Greensboro, for their valuable work in preparing high-quality company cases and video cases, respectively. We thank Lewis Hershey for

his work in preparing the Instructor's Resource Manual, Test Item File, and Color Transparencies Package. We want to acknowledge Rick Starr, who prepared chapter objective summaries, discussion questions, and exercises. Thanks also go to Tom Paczkowski for the Student Learning Guide. Finally, we thank Mark Palmer for his help in so many phases of the text's development, and Betsey Christian for her able editing assistance.

Many reviewers at other colleges provided valuable comments and suggestions. We are indebted to the following colleagues:

Martin St. John Westmoreland County Community College Preyas Desai Purdue University Carl Obermiller Seattle University Richard Leventhal Metropolitan State College-Denver Allen L. Appell San Francisco State University John Stovall University of Illinois-Chicago leff Streiter SUNY Brockport H. Lee Meadow Northern Illinois University Alan T. Shao University of North Carolina-Charlotte David M. Nemi Niagara County Community College Sherilyn Zeigler University of Hawaii J. Ford Laumer, Jr. Auburn University Donna Tillman California State Polytechnic University

We also owe a great deal to the people at Prentice Hall who helped develop this book. Marketing editor David Borkowsky supplied many good ideas and substantial support and encouragement (sometimes even prodding). We also owe much thanks to Alana Zdinak and Heather Stratton who helped shepherd the project smoothly through production. Additional thanks go to Deborah Kopka and Joan Meyers-Murie.

Finally, we owe many thanks to our families—Kathy, KC, and Mandy Armstrong, and Nancy, Amy, Melissa, and Jessica Kotler—for their constant support and encouragement. To them, we dedicate this book.

Philip Kotler Gary Armstrong

# Contents

Preface xiii

## PART I: UNDERSTANDING MARKETING AND THE MARKETING PROCESS



Marketing in a Changing World: Creating Customer Value and Satisfaction 2

What Is Marketing? 5
Needs, Wants, and Demands 7 Products 8
Value, Satisfaction, and Quality 9 Exchange,
Transactions, and Relationships 10
Markets 11 Marketing 12

Marketing Management 13

Demand Management 13

Building Profitable
Customer Relationships 13

Marketing Management Philosophies 14

The Production Concept 14 The Product
Concept 16 The Selling Concept 16 The
Marketing Concept 16 The Societal Marketing
Concept 19

Marketing Challenges into the Next Century 20
Growth of Nonprofit Marketing 21 Rapid
Globalization 22 The Changing World
Economy 24 The Call for More Ethics and
Social Responsibility 24 The New Marketing
Landscape 25

Summary 26 Key Terms 26 Discussing the Issues 27 Applying the Concepts 27 References 28

COMPANY CASE 1: DOORGUARD: TRYING TO MAKE A DENT IN THE MARKET 29



Strategic Planning and the Marketing Process 32

Strategic Planning 35
Defining the Company Mission 36 Setting
Company Objectives and Goals 38

Designing the Business Portfolio 38

Analyzing the Current Business Portfolio 39

Developing Growth Strategies 42 Planning
Functional Strategies 43

The Marketing Process 44

Target Consumers 45 Marketing Strategies for Competitive Advantage 48 Developing the Marketing Mix 48

Managing the Marketing Effort 51

Marketing Analysis 51 Marketing Planning 52

Marketing Implementation 55 Marketing

Department Organization 57 Marketing

Control 60 The Marketing Environment 60

Summary 62 Key Terms 63 Discussing the Issues 64 Applying the Concepts 64 References 65

COMPANY CASE 2: TRAP EASE AMERICA: THE BIG CHEESE OF MOUSETRAPS 65

#### **(3)** 1

#### The Marketing Environment 68

The Company's Microenvironment 71

The Company 71 Suppliers 72 Marketing
Intermediaries 72 Customers 73

Competitors 73 Publics 73

The Company's Macroenvironment 74

Demographic Environment 74 Economic
Environment 79 Natural Environment 81

Technological Environment 83 Political
Environment 86 Cultural Environment 87

Responding to the Marketing Environment 93

Summary 95 Key Terms 96 Discussing the Issues 96 Applying the Concepts 96 References 97

COMPANY CASE 3: JCPENNEY: DOING IT RIGHT 98

VIDEO CASE 1: PATAGONIA: AIMING FOR NO GROWTH 100.

COMPREHENSIVE CASE I: MASTERCARD-CHARGING THE COMPETITION 102

### PART II: ANALYZING MARKETING OPPORTUNITIES



Marketing Research and Information Systems 106

The Marketing Information System 109
Assessing Information Needs 109 Developing
Information 111 Distributing Information 115

The Marketing Research Process 116

Defining the Problem and Research
Objectives 116 Developing the Research
Plan 118 Implementing the Research
Plan 129 Interpreting and Reporting the
Findings 129 Other Marketing Research
Considerations 130

Summary 134 Key Terms 134 Discussing the Issues 134 Applying the Concepts 135 References 135

COMPANY CASE 4: ACT I: FEELING OUT TEIL APPLIANCE CONTROLS MARKET LEGG.

THE HAVE THE STREET AND THE WAR

Gonsumer Markets and Consumer Buyer
Behavior 140

Model of Consumer Behavior 143

Characteristics Affecting Consumer
Behavior 144

Cultural Factors 144 Social Factors 147
Personal Factors 150 Psychological
Factors 454

Consumer Buying Roles 159

Types of Buying Decision Behavior 160

Complex Buying Behavior 160 DissonanceReducing Buying Behavior 160 Habitual
Buying Behavior 161 Variety-Seeking Buying
Behavior 162

The Buyer Decision Process 162
Need Recognition 162, Information
Search 163 Evaluation of Alternatives 164
Purchase Decision 165 Postpurchase
Behavior 165

The Buyer Decision Process for New Products 167

Stages in the Adoption Process 167 Individual Differences in Innovativeness 167 Influence of Product Characteristics on Rate of Adoption 169

Consumer Behavior Across International Borders 170

Summary 172 Key Terms 173 Discussing the Issues 173 Applying the Concepts 174 References 174

COMPANY CASE 5: SHINEIRO: BUTHINESISCE THE EUTERS CTS

Business Markets and Business Buyer
Behavior 178

Business Markets 180

Characteristics of Business Markets (181) and A Model of Business Buyer Behavior 184

Business Buyer Behavior 186

Major Types of Buying Situations 186

Participants in the Business Buying Process 187

Major Influences on Business Hayers 189. The
Business Buying Process 193

Institutional and Government Markets 196.
Institutional Markets 196. Government Markets 197

Markets 197

Paging 3 445 suites the Markets 198.

Summary 199 Key Terms 199 Discussing the Issues 200 Applying the Concepts 200 References 200

COMPANY CASE 6: ACT IN CONTROLLING AN INDUSTRIAL MARKET 201

VIDEO CASE 2: M/A/R/C GROUP: LACKING TO: CUSTOMERS 208

VIDEO CASE 3: DHI. WORLDWIDE CES THE VEN EXPRESS 206

COMPREHENSIVE CASE ID MOTOROLA GEFFERS, CREEPERS, WHERE TO YOU CAPTURES THOSE BEEPLESS 7 208

#### PART III: SELECTING TARGET MARKETS



Measuring and Forecasting Demand 212

Defining the Market 215 & has a single of

Measuring Current Market Demand 215

Estimating Total Market Demand 215

Estimating Area Market Demand 218 MarketBuildup Method 218 Market-Factor Index

Method 219 Estimating Actual Sales and

Market Shares 223

Forecasting Future Dernand 223

Survey of Buyers' Intentions 224 Composite
of Salesforce Opinions 224 Expert
Opinion 226 Test Marketing 226 TimeSeries Analysis 226 Leading Indicators 227
Statistical Demand Analysis 227

Summary 228 Key Terms 229 Discussing the Issues 229 Applying the Concepts 229 References 229

COMPANY CASE 7: MATTEL: FORECASTING CHILD'S PLAY 230



Market Segmentation, Targeting, and Positioning For Competitive Advantage 232

Markets 234

Market Segmentation 237

Bases for Segmenting Consumer Markets 237

Segmenting Business Markets 245 Segmenting
International Markets 246 Requirements for
Effective Segmentation 248

Market Targeting 249
Evaluating Market Segments 249 Selecting
Market Segments 250

Positioning for Competitive Advantage 254
What Is Market Positioning? 254 Positioning
Strategies 255 Choosing and Implementing a
Positioning Strategy 255

Summary 262 Key Terms 263 Discussing the Issues 263 Applying the Concepts 263 References 264

COMPANY CASE 8A: QUAKER OATS: DOUSING ON THE COMPETITION 264

COMPANY CASE 8B: RYKÄ: BE STRONG 267 COMPREHENSIVE CASE III: LOOK OUT! LIPTON, HERE COMES OOLONG! 269

## PART IV: DEVELOPING THE MARKETING MIX



Designing Products: Products, Brands, Packaging, and Services 272

What Is a Product? 274

Product Classifications 276
Consumer Products 276 Industrial
Products 277

Individual Product Decisions 278

Product Attributes 279 Branding 282

Packaging 293 Labeling 295 ProductSupport Services 296

Product Line Decisions 298
Product Line Length 298 Product Line
Modernization 301 Product Line Featuring 301

Product Mix Decisions 301

International Product Decisions 302

Summary 305 Key Terms 306 Discussing the Issues 306 Applying the Concepts 306 References 307

COMPANY CASE 9: COLGATE: SQUEEZING MORE FROM A BRAND NAME 308



Designing Products: New-Product Development and Product Life-Cycle Strategies 310

New-Product Development Strategy 312
New-Product Success and Failure 312 The
New-Product Dilemma 313

The New-Product Development Process 315
Idea Generation 315 Idea Screening 316
Concept Development and Testing 317
Marketing Strategy Development 319 Business
Analysis 320 Product Development 320 Test
Marketing 321 Commercialization 323
Speeding Up New-Product Development 325

Product Life-Cycle Strategies 326
Introduction Stage 327 Growth Stage 328
Maturity Stage 328 Decline Stage 331

Summary 332 Key Terms 333 Discussing the Issues 333 Applying the Concepts 334 References 334

COMPANY CASE 10: POLAROID: TAKING VISION TO THE MARKETPLACE 335



Pricing Products: Pricing Considerations and Approaches 338

Factors to Consider When Setting Prices 341
Internal Factors Affecting Pricing Decisions 341
External Factors Affecting Pricing
Decisions 347

General Pricing Approaches 351
Cost-Based Pricing 352 Value-Based
Pricing 355 Competition-Based Pricing 356

Summary 357 Key Terms 358 Discussing the Issues 358 Applying the Concepts 359 References 359

COMPANY CASE 11: U.S. AIR: SURVIVING THE FARE WARS 359



#### Pricing Products: Pricing Strategies 362

New-Product Pricing Strategies 365

Market-Skimming Pricing 365 MarketPenetration Pricing 366

Product-Mix Pricing Strategies 367
Product Line Pricing 367 Optional-Product
Pricing 368 Captive-Product Pricing 368
By-Product Pricing 369 Product-Bundle
Pricing 369

Price-Adjustment Strategies 369
Discount and Allowance Pricing 369
Segmented Pricing 370 Psychological
Pricing 371 Promotional Pricing 372 Value
Pricing 372 Geographical Pricing 373
International Pricing 375

Price Changes 377
Initiating Price Changes 377 Responding to
Price Changes 379

Summary 381 Key Terms 382 Discussing the Issues 382 Applying the Concepts 383 References 383

COMPANY CASE 12: CIRCUIT CITY: SELLING USED CARS LIKE STEREOS 384



# Placing Products: Distribution Channels and Logistics Management 386

The Nature of Distribution Channels 389
Why Are Marketing Intermediaries Used? 389
Distribution Channel Functions 390 Number
of Channel Levels 391 Channels in the Service
Sector 392

Channel Behavior and Organization 393
Channel Behavior 393 Vertical Marketing
Systems 395 Horizontal Marketing
Systems 398 Hybrid Marketing Systems 400

Channel Design Decisions 401

Analyzing Consumer Service Needs 401

Setting the Channel Objectives and

Constraints 402 Identifying Major

Alternatives 403 Evaluating the Major

Alternatives 405 Designing International

Distribution Channels 406

Channel Management Decisions 407
Selecting Channel Members 407 Motivating
Channel Members 407 Evaluating Channel
Members 409

Physical Distribution and Logistics Management 409

> Nature and Importance of Physical Distribution and Marketing Logistics 410 Goals of the Logistics System 411 Major Logistics Functions 412 Integrated Logistics Management 416

Summary 418 Key Terms 419 Discussing the Ideas 420 Applying the Concepts 420 References 420

COMPANY CASE 13: ICON ACOUSTICS: BYPASSING TRADITION



# Placing Products: Retailing and Wholesaling 424

Retailing 426

Store Retailing 427

Amount of Service 427 Product Line 427

Relative Prices 432 Control of Outlets 434

Type of Store Cluster 436

Nonstore Retailing 437

Direct Marketing 437

Direct Selling 437

Automatic Vending 440

Retailer Marketing Decisions 440

Target Market and Positioning Decision 441

Product Assortment and Services Decision 441

Price Decision 444 Promotion Decision 445

Place Decision 445

The Future of Retailing 445

Wholesaling 446

Types of Wholesalers 447

Merchant Wholesalers 447 Brokers and
Agents 449 Manufacturers' Sales Branches and
Offices 450

Wholesaler Marketing Decisions 450

Target Market and Positioning Decision 450

Marketing Mix Decisions 451

Trends in Wholesaling 451

Summary 453 Key Terms 453 Discussing the Issues 454 Applying the Concepts 454 References 454

COMPANY CASE 14: SAM'S CLUB: BULKING UP FOR COMPETITION 455



# Promoting Products: Marketing Communication Strategy 458

Steps in Developing Effective Communication 462

Identifying the Target Audience 463
Determining the Response Sought 463
Choosing a Message 464 Choosing Media 466
Selecting the Message Source 467. Collecting
Feedback 469

Setting the Total Promotion Budget and Mix 469

Setting the Total Promotion Budget 469 Setting the Promotion Mix 471

The Changing Face of Marketing Communications 475

The Changing Communications Environment 475 Growth of Direct Marketing 476 Integrated Marketing Communications 480

Socially Responsible Marketing Communication 481

Advertising 482 Personal Selling 484 Direct Marketing 484

Summary 486 Key Terms 487 Discussing the Issues 487 Applying the Concepts 488 References 488

COMPANY CASE 15: AVON: A PROMOTIONAL STRATEGY MAKEOVER 489



#### Promoting Products: Advertising, Sales Promotion, and Public Relations 492

Advertising 495

Major Decisions in Advertising 497
Setting Objectives 497 Setting the Advertising
Budget 499 Advertising Strategy 500
Advertising Evaluation 507 International
Advertising Decisions 508

Sales Promotion 510

Rapid Growth of Sales Promotion 510 Purpose of Sales Promotion 511 Setting Sales-Promotion Objectives 512 Selecting Sales-Promotion Tools 513 Developing the Sales-Promotion Program 517

Public Relations 518

Major Public Relations Tools 520 Major Public Relations Decisions 521 Summary 522 Key Terms 523 Discussing the Issues 523 Applying the Concepts 524 References 524

COMPANY CASE 16: BURGER KING: SEARCHING FOR THE RIGHT MESSAGE 525



# Promoting Products: Personal Selling and Sales Management 528

The Role of Personal Selling 531

The Nature of Personal Selling 531 The Role
of the Sales Force 532

Managing the Sales Force 533

Designing Sales Force Strategy and
Structure 533 Recruiting and Selecting
Salespeople 537 Training Salespeople 539

Compensating Salespeople 541 Supervising
Salespeople 542 Evaluating Salespeople 545

Principles of Personal Selling 547

The Personal Selling Process 547 Steps in the Selling Process 548 Relationship Marketing 550

Summary 552 Key Terms 552 Discussing the Issues 552 Applying the Concepts 553 References 553

COMPANY CASE 17: IBM: RESTRUCTURING THE SALES FORCE 554

VIDEO CASE 4: ROLLERBLADE: THE ASPHALT IS CALLING 556

VIDEO CASE 5: TERRA CHIPS: EAT YOUR VEGGIES! 557

VIDEO CASE 6: MOUNTAIN TRAVEL SOBEK: ALL OVER THE WORLD 558

VIDEO CASE 7: MALL OF AMERICA: THE ULTIMATE DESTINATION FOR FUN 560 COMPREHENSIVE CASE IV: SMITH'S HOME FOODS: BRINGING HOME THE BACON 562

# PART V: MANAGING THE MARKETING EFFORT



# Building Customer Relationships through Satisfaction, Value, and Quality 566

Defining Customer Value and Satisfaction 570 Customer Value 570 Customer Satisfaction 572

Delivering Customer Value and Satisfaction 574 Value Chain 574 Value Delivery System 576 Retaining Customers 577

The Cost of Lost Customers 577 The Need for Customer Retention 578 The Key: Customer Relationship Marketing 578 The Ultimate Test: Customer Profitability 582

Implementing Total Quality Marketing 583

Total Quality Management 585 Marketing's
Role in Total Quality 585

Summary 586 Key Terms 588 Discussing the Issues 588 Applying the Concepts 588 References 588

COMPANY CASE 18: OUTBACK STEAKHOUSE: BREAKING THE RULES 589



Creating Competitive Advantage: Competitor Analysis and Competitive Marketing Strategies 592

Competitor Analysis 595
Identifying the Company's Competitors 595
Determining Competitors' Objectives 596
Identifying Competitors' Strategies 597
Assessing Competitors' Strengths and
Weaknesses 598 Estimating Competitors'
Reactions 600 Selecting Competitors to Attack
and Avoid 600 Designing a Competitive

Competitive Strategies 602

Basic Competitive Strategies 602 Competitive
Positions 605 Market-Leader Strategies 605

Market-Challenger Strategies 610 MarketFollower Strategies 612 Market-Nicher
Strategies 612

Balancing Customer and Competitor Orientations 614

Intelligence System 602

Summary 615 Key Terms 616 Discussing the Issues 616 Applying the Concepts 616 References 617

COMPANY CASE 19: PROCTER & GAMBLE: GOING GLOBAL—A NEW WRINKLE IN COSMETICS 617

VIDEO CASE 8: RITZ-CARLTON: SIMPLY THE BEST 620

COMPREHENSIVE CASE V: NEW BALANCE: RUNNING IN THE BUSINESS MARATHON 622

#### PART VI: EXTENDING MARKETING



#### The Global Marketplace 626

Global Marketing into the Twenty-first Century 629

Looking at the Global Marketing Environment 631

The International Trade System 631 Economic Environment 635 Political-Legal Environment 637 Cultural Environment 638

Deciding Whether to Go International 639

Deciding Which Markets to Enter 640

Deciding How to Enter the Market 641

Exporting 641 Joint Venturing 642 Direct
Investment 643

Deciding on the Global Marketing Program 644 Product 644 Promotion 645 Price 646 Distribution Channels 648

Deciding on the Global Marketing Organization 649

Summary 650 Key Terms 650 Discussing the Issues 650 Applying the Concepts 651 References 651

COMPANY CASE 20: HARDEE'S: MARKETING IN SOUTH KOREA 652



Marketing Services, Organizations, Persons, Places, and Ideas 656

Services Marketing 659
Nature and Characteristics of a Service 660
Marketing Strategies for Service Firms 663
International Services Marketing 669

Organization Marketing 670
Image Assessment 670 Image Planning and
Control 670

Person Marketing 672

Place Marketing 673

Idea Marketing 675