



Fourteenth Edition

A Preface to

MARKETING MANAGEMENT

J. Paul Peter

James H. Donnelly, Jr.

A Preface to Marketing Management

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Fourteenth Edition

J. Paul Peter

University of Wisconsin–Madison

James H. Donnelly Jr.

*Gatton College of Business and
Economics University of Kentucky*





A PREFACE TO MARKETING MANAGEMENT, FOURTEENTH EDITION

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To Rose and Angie

J. Paul Peter

To Gayla

Jim Donnelly

About the Authors

J. Paul Peter

has been a faculty member at the University of Wisconsin since 1981. He was a member of the faculty at Indiana State, Ohio State, and Washington University before joining the Wisconsin faculty. While at Ohio State, he was named Outstanding Marketing Professor by the students and has won the John R. Larson Teaching Award at Wisconsin. He has taught a variety of courses including Marketing Management, Marketing Strategy, Consumer Behavior, Marketing Research, and Marketing Theory, among others.

Professor Peter's research has appeared in the *Journal of Marketing*, the *Journal of Marketing Research*, the *Journal of Consumer Research*, the *Journal of Retailing*, and the *Academy of Management Journal*, among others. His article on construct validity won the prestigious William O'Dell Award from the *Journal of Marketing Research*, and he was a finalist for this award on two other occasions. Recently, he was the recipient of the Churchill Award for Lifetime Achievement in Marketing Research, given by the American Marketing Association and the Gaumnitz Distinguished Faculty Award from the School of Business, University of Wisconsin–Madison. He is an author or editor of over 30 books, including *A Preface to Marketing Management*, Fourteenth edition; *Marketing Management: Knowledge and Skills*, ninth edition; *Consumer Behavior and Marketing Strategy*, ninth edition; *Strategic Management: Concepts and Applications*, third edition; and *Marketing: Creating Value for Customers*, second edition. He is one of the most cited authors in the marketing literature.

Professor Peter has served on the review boards of the *Journal of Marketing*, *Journal of Marketing Research*, *Journal of Consumer Research*, and *Journal of Business Research* and was measurement editor for *JMR* and professional publications editor for the American Marketing Association. He has taught in a variety of executive programs and consulted for several corporations as well as the Federal Trade Commission.

James H. Donnelly Jr.

has spent his academic career in the Gatton College of Business and Economics at the University of Kentucky. In 1990 he received the first Chancellor's Award for Outstanding Teaching given at the university. Previously, he had twice received the UK Alumni Association's Great Teacher Award, an award one can only be eligible to receive every 10 years. He has also received two Outstanding Teacher awards from Beta Gamma Sigma, national business honorary. In 1992 he received an Acorn Award recognizing "those who shape the future" from the Kentucky Advocates for Higher Education. In 2001 and 2002 he was selected as "Best University of Kentucky Professor." In 1995 he became one of six charter members elected to the American Bankers Association's Bank Marketing Hall of Fame. He has also received a "Distinguished Doctoral Graduate Award" from the University of Maryland.

During his career he has published in the *Journal of Marketing Research*, *Journal of Marketing*, *Journal of Retailing*, *Administrative Science Quarterly*, *Academy of Management Journal*, *Journal of Applied Psychology*, *Personnel Psychology*, *Journal of Business Research*, and *Operations Research* among others. He has served on the editorial review board of the *Journal of Marketing*. He is the author of more than a dozen books, which include widely adopted academic texts as well as professional books.

Professor Donnelly is very active in the banking industry where he has served on the board of directors of the Institute of Certified Bankers and the ABA's Marketing Network. He has also served as academic dean of the ABA's School of Bank Marketing and Management.

Preface

We are proud to introduce the fourteenth edition of *A Preface to Marketing Management*. Our plan has always been to deliver a *clear* and *concise* presentation of the basic principles of marketing in such a way that the core concepts and ideas are covered in sufficient depth to ensure in-depth understanding. By offering an engaging, clear, and conceptually sound text, our book has been able to maintain its position as a leading marketing management text.

Throughout the history of the book, feedback from both students and instructors has suggested that our plan is a good one. Our book has been used in a wide variety of settings and is the best-selling book of its kind. We introduce the fourteenth edition knowing that our book and its eight foreign translations have been used around the world whenever courses require an overview of the critical aspects of marketing management.

With this edition, we seek to more effectively *implement* our plan by building on a strong foundation, maintaining the attributes and elements of the book that make it a very teachable text, updating existing content, adding new content, and focusing the presentation. We seek to emphasize quality content and examples and avoid excess verbiage, pictures, and description.

As usual, each time we revise the book there is an emphasis on responding to feedback from students and instructors. These two constituencies plus our own intuitions drive each revision. Marketing is an exciting and dynamic field of study. We want to capture the sense of excitement and at the same time respect its history.

Our book has become known simply as the *Preface*. We want to believe a major reason it has endured is that because marketing is figuring out how to do a superior job of satisfying customers, we simply try to practice what we preach. Welcome to the *Preface*.

THE PRESENT EDITION

Every element of content in our book is designed with one thought in mind: to assist students in analyzing marketing problems and cases and developing and writing marketing plans. Section I of the book consists of 13 concise chapters that cover the essentials of marketing management. We think of it as the “must know” content of the field. It is divided into four parts that focus on strategic planning and marketing planning, understanding target markets, the marketing mix, and marketing in special fields. These 13 chapters should provide students a clear understanding of the terminology, techniques, tools, and strategies for effective marketing management and marketing strategy development.

In addition to revising and updating the text chapters, this edition contains new content as well. There are discussions of internal and external secondary data sources, the use of social media monitoring, alternative search in consumer behavior, key characteristics of organizational buyers, e-procurement, global virtual teams, brand equity, using distinctive competencies in new product development, consumer databases, business-to-business databases, mobile marketing, online retailing and multichannel marketing, franchising, the effects of the Internet on pricing, global account managers, and learning about different cultures.

In the twelfth edition, we altered two of the text elements. The changes have been well received by instructors and students. First, “Marketing Insights” are included to assist students as they solve marketing problems, analyze marketing cases, and develop marketing plans.

Second, we know that our book is often used with case problems, writing assignments, and constructing marketing plans. Accordingly, there is an “Additional Resources” section

at the end of each chapter. Our purpose is to highlight current resources that students can use in writing assignments and oral presentations. The resources have been selected with students in mind. They include resources accessible to students at various stages of marketing education given the wide spectrum of courses in which the book is utilized.

NEW FEATURES AND CONTENT CHANGES

Chapter 1: Strategic Planning and The Marketing Management Process

- Revised basic questions that must be asked when developing a mission statement.
- Marketing Insight 1-3 now contains five actual mission statements for firms of varying sizes and industries. It provides students with a better mix of alternatives when completing the exercise in Marketing Insight 1-4.
- Updated additional resources.

Chapter 2: Marketing Research: Process and Systems for Decision Making

- Revised section on secondary data to include both internal and external sources
- Added new figure “Common Types of Information Available in a Secondary Data Search”
- Added a new Marketing Insight, “Social Media Monitoring for Marketing Insights”
- Updated additional resources

Chapter 3: Consumer Behavior

- Updated discussion of consumer and marketer reactions to recession
- Revised and updated discussion of Alternative Search
- Updated additional resources

Chapter 4: Business, Government, and Institutional Buying

- Revised Marketing Insight on “Key Characteristics of Organizational Buying Behavior”
- New Marketing Insight, “Organizational Buying on the Internet: E-Procurement”
- Revised Discussion of “Organizational Needs”
- Updated additional resources

Chapter 5: Market Segmentation

- New Marketing Insight, “Segmenting the Mobile Phone Market”
- Revised and updated discussion of VALS

Chapter 6: Product and Brand Strategy

- Marketing Insight 6-3 now contains the latest information on the value of the top twenty brands in the world
- Contains a new section on branding and brand equity
- Revised and updated Marketing Insight 6-6
- Added a new section on global virtual teams
- New key terms and concepts
- Updated additional resources

Chapter 7: New Product Planning and Development

- New Marketing Insight 7-4 which focuses on utilizing corporate strengths in the new product development process. It includes eight firms with strengths in either technology or markets
- Updated additional resources

Chapter 8: Integrated Marketing Communications

- Revised Marketing Insight 8-1 which presents up-to-date information on the top ten websites in Brazil, Portugal and South Korea
- Revised section on direct marketing as part of the promotion mix
- Revised Marketing Insight 8-6
- New section on direct marketing
- New Marketing Insight 8-7 on the contents of a comprehensive database included are both consumer and business-to-business databases
- Added new Key Terms and Concepts
- Updated additional resources

Chapter 9: Personal Selling, Relationship Building, and Sales Management

- New Marketing Insight 9-1 which focuses on what a salesperson actually does
- A new discussion of an increasingly important customer organization structure, the global account manager
- Added new Key Terms and Concepts
- Updated additional resources

Chapter 10: Distribution Strategy

- Added New Marketing Insight, “Advantages and Disadvantages of Franchising”
- New section on “Online and Mobile Retailing”
- Updated additional resources
- New “Key Terms and Concepts”: online retailing, mobile retailing, multichannel marketing

Chapter 11: Pricing Strategy

- Added a new discussion of the Internet as an external influence on pricing decisions
- A new Marketing Insight, “Ten Tips for Managing Pricing Strategy”

Chapter 12: The Marketing of Services

- The chapter has been significantly revised and has been shortened for this edition
- A new section on the importance of all the elements of the marketing mix in the marketing of services has been added
- Updated additional resources

Chapter 13: Global Marketing

- Marketing Insight 13-1 has been updated with the latest data on selected U.S. companies and their international sales
- The section on cultural misunderstanding as a problem in foreign markets has been replaced with an entirely new section

- Marketing Insight 13-3 has been replaced with a new Marketing Insight which focuses on ways to learn about new cultures
- Updated additional resources

Section II: Analyzing Marketing Problems and Cases

- New Marketing Insight, “Objectives of Case Analysis”
- Revised and updated discussion of SWOT analysis
- Updated additional resources

Section III: Financial Analysis for Marketing Decisions

- Updated dates and additional resources

Section IV: Developing Marketing Plans

- Updated dates and additional resources

STUDENT SUPPORT

Knowing that our book is used for a variety of course levels, programs, and students, we have assembled several elements that we believe will support students for whatever purpose they use our book.

Key Terms and Concepts

New to the previous edition, we decided to add a section of key terms and concepts at the conclusion of each chapter. There was much debate as to where they should be placed in the book. We decided to place them at the end of the chapter in which they appear. In this way, they are more visible to students than as an appendix at the end of the book. More than a glossary, it also presents key concepts covered in the chapter.

Analyzing Marketing Problems and Cases

Section II presents a very practical and comprehensive framework for analyzing, preparing, and presenting case analyses. It includes discussions of what a case is, preparing for the class discussion and written analysis, pitfalls to avoid in case analysis, and preparing to do an oral presentation. It has been praised by both instructors and students.

For courses utilizing marketing problems and cases, we encourage students to read this guide before discussing a problem or case. Thus, it could have been placed at the beginning of the book, but because it is often referred to throughout the semester, we have placed it after the text chapters. And for those courses that do not utilize cases, the book may be used without reference to this section.

Financial Analysis for Marketing Decisions

It is absolutely critical for marketing students to understand and appreciate the fact that the ultimate objectives of marketing are usually expressed in financial terms. Section III enables students to assess a company’s financial position. It presents important financial calculations that are useful in evaluating the financial position of a firm and the financial impact of various decisions and strategies. Included are discussions of breakeven analysis, net present value, and ratio analysis.

Developing Marketing Plans

Given the purpose of this book and the needs of users, Section IV enables students to develop practical planning skills so they are able to construct a quality marketing plan for

any product or service. It provides a complete format for structuring and presenting one, including specific questions to ask in competitive analysis, the development of well-stated objectives, analyzing customers, and implementation and control. As with Section II, we know that this section has become a valuable take-away resource for many students long after their course has been completed.

A Value-Added Website

We encourage students to view the student section of the Online Learning Center (OLC) at website www.mhhe.com/peterdonnelly14e, which contains a number of useful aids for facilitating learning and supporting student achievement. We believe you will find it a useful resource.

INSTRUCTOR SUPPORT

The *Preface* has been used as a resource in college courses and professional development programs that require an overview of the critical “need-to-know” aspects of marketing management and marketing strategy development. It has been used:

- As the primary introductory text at the undergraduate level.
- At both the undergraduate and MBA level, where several AACSB core curriculum courses are team-taught as one multidisciplinary 9- to 12-hour course.
- At the advanced undergraduate and MBA level where it is used as the content foundation in courses that utilize marketing cases.
- In short courses and executive development programs.

The instructor section of www.mhhe.com/peterdonnelly14e includes an instructor’s manual and other support material. It includes two expanded supplements. They were developed in response to instructors’ requests. We offer a test bank of nearly 1,300 multiple-choice, true-false, and brief essay questions. It is available in both print and EZ Test Online. We also offer Power Point slides that highlight key text material. Your McGraw-Hill representative can also assist in the delivery of any additional instructor support material.

Acknowledgments

Our book is based on the works of many academic researchers and marketing practitioners. We want to thank those individuals who contributed their ideas to develop the field of marketing throughout the years. Indeed, our book would not be possible without their contributions. We would also like to thank our teachers, colleagues, and students for their many contributions to our education. We would also like to publicly acknowledge those individuals who served as reviewers of this and previous editions. We appreciate their advice and counsel and have done our best to reflect their insightful comments.

Roger D. Absmire

Sam Houston State University

Anna Andriasova

University of Maryland University College

Catherine Axinn

Syracuse University

Mike Ballif

University of Utah

Andrew Bergstein

Pennsylvania State University

Edward Bond

Bradley University

Donald Brady

Millersville University

Tim Carlson

Judson University

Glenn Chappell

Meridith College

Newell Chiesl

Indiana State University

Reid P. Claxton

East Carolina University

Larry Crowson

University of Central Florida

Mike Dailey

University of Texas, Arlington

Linda M. Delene

Western Michigan University

Gerard DiBartolo

Salisbury University

Casey Donoho

Northern Arizona University

James A. Eckert

Western Michigan University

Matthew Elbeck

Troy University Dothan

Karen A. Evans

Herkimer County Community College

R. E. Evans

University of Oklahoma

Lawrence Feick

University of Pittsburgh

Robert Finney

California State University, Hayward

Stephen Goldberg

Fordham University

David Good

Grand Valley State University

David Griffith

University of Oklahoma

Perry Haan

Tiffin University

Lawrence Hamer

DePaul University

Harry Harmon

Central Missouri

Jack Healey

Golden State University

Betty Jean Hebel

Madonna University

Catherine Holderness

University of North Carolina–Greensboro

JoAnne S. Hooper

Western Carolina University

David Horne

Wayne State University

Nasim Z. Hosein

Northwood University

Nicole Howatt

UCF

Fred Hughes

Faulkner University

Anupam Jaju

GMU

Chris Joiner

George Mason University

Benoy Joseph
Cleveland State University

Sol Klein
Northeastern University

Robert Brock Lawes
Chaminade University of Honolulu

Eunkyu Lee
Syracuse University

Tina Lowrey
University of Texas at San Antonio

Franklyn Manu
Morgan State University

Edward J. Mayo
Western Michigan University

Edward M. Mazze
University of Rhode Island

Donald J. Messmer
College of William & Mary

Albert Milhomme
Texas State University

Chip Miller
Drake University

David L. Moore
LeMoyne College

Johannah Jones Nolan
University of Alabama, Birmingham

R. Stephen Parker
Southwest Missouri State University

Joan Phillips
University of Notre Dame

Thomas Powers
University of Alabama at Birmingham

Debu Purohit
Duke University

John Rayburn
University of Tennessee

Martha Reeves
Duke

Gary K. Rhoads
Brigham Young University

Lee Richardson
University of Baltimore

Henry Rodkin
DePaul University

Ritesh Saini
George Mason University

Matthew H. Sauber
Eastern Michigan University

Alan Sawyer
University of Florida

Ronald L. Schill
Brigham Young University

Mark Spriggs
University of St. Thomas

Vernon R. Stauble
California State Polytechnic University

David X. Swenson
College of St. Scholastica

Ann Marie Thompson
Northern Illinois University

John R. Thompson
Memphis State University

Gordon Urquhart
Cornell College

Sean Valentine
University of Wyoming

Ana Valenzuela
Baruch College, CUNY

Stacy Vollmers
University of St. Thomas

Jacquelyn Warwick
Andrews University

Kevin Webb
Drexel University

Kathleen R. Whitney
Central Michigan University

J. B. Wilkinson
University of Akron

Dale Wilson
Michigan State University

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J. Paul Peter

James H. Donnelly, Jr.

Contents

SECTION I ESSENTIALS OF MARKETING MANAGEMENT 1

PART A INTRODUCTION 3

Chapter 1 Strategic Planning and the Marketing Management Process 4

- The Marketing Concept 4
- What Is Marketing? 5
- What Is Strategic Planning? 6
 - Strategic Planning and Marketing Management* 6
 - The Strategic Planning Process* 7
 - The Complete Strategic Plan* 16
- The Marketing Management Process 16
 - Situation Analysis* 16
 - Marketing Planning* 19
 - Implementation and Control of the Marketing Plan* 20
 - Marketing Information Systems and Marketing Research* 21
- The Strategic Plan, the Marketing Plan, and Other Functional Area Plans 21
 - Marketing's Role in Cross-Functional Strategic Planning* 21
- Summary 22

Appendix Portfolio Models 27

PART B MARKETING INFORMATION, RESEARCH, AND UNDERSTANDING THE TARGET MARKET 31

Chapter 2 Marketing Research: Process and Systems for Decision Making 32

- The Role of Marketing Research 32
- The Marketing Research Process 33
 - Purpose of the Research* 33
 - Plan of the Research* 34
 - Performance of the Research* 37
 - Processing of Research Data* 39

- Preparation of the Research Report* 40
- Limitations of the Research Process* 40
- Marketing Information Systems 42
- Summary 43

Chapter 3 Consumer Behavior 45

- Social Influences on Consumer Decision Making 46
 - Culture and Subculture* 46
 - Social Class* 47
 - Reference Groups and Families* 48
- Marketing Influences on Consumer Decision Making 48
 - Product Influences* 48
 - Price Influences* 48
 - Promotion Influences* 49
 - Place Influences* 49
- Situational Influences on Consumer Decision Making 51
- Psychological Influences on Consumer Decision Making 51
 - Product Knowledge* 51
 - Product Involvement* 52
- Consumer Decision Making 52
 - Need Recognition* 53
 - Alternative Search* 54
 - Alternative Evaluation* 55
 - Purchase Decision* 55
 - Postpurchase Evaluation* 56
- Summary 58

Chapter 4 Business, Government, and Institutional Buying 60

- Categories of Organizational Buyers 60
 - Producers* 60
 - Intermediaries* 61
 - Government Agencies* 61
 - Other Institutions* 61
- The Organizational Buying Process 61
- Purchase-Type Influences on Organizational Buying 62
 - Straight Rebuy* 62
 - Modified Rebuy* 62
 - New Task Purchase* 62

Structural Influences on Organizational Buying	63
<i>Purchasing Roles</i>	63
<i>Organization-Specific Factors</i>	64
<i>Purchasing Policies and Procedures</i>	65
Behavioral Influences on Organizational Buying	65
<i>Personal Motivations</i>	65
<i>Role Perceptions</i>	66
Stages in the Organizational Buying Process	68
<i>Organizational Need</i>	68
<i>Vendor Analysis</i>	68
<i>Purchase Activities</i>	69
<i>Postpurchase Evaluation</i>	70
Summary	70

Chapter 5

Market Segmentation 72

Delineate the Firm's Current Situation	72
Determine Consumer Needs and Wants	73
Divide Markets on Relevant Dimensions	73
<i>A Priori versus Post Hoc Segmentation</i>	74
<i>Relevance of Segmentation Dimensions</i>	75
<i>Bases for Segmentation</i>	75
Develop Product Positioning	81
Decide Segmentation Strategy	82
Design Marketing Mix Strategy	84
Summary	84

PART C

THE MARKETING MIX 85

Chapter 6

Product and Brand Strategy 86

Basic Issues in Product Management	86
<i>Product Definition</i>	86
<i>Product Classification</i>	87
<i>Product Quality and Value</i>	88
<i>Product Mix and Product Line</i>	89
<i>Branding and Brand Equity</i>	90
<i>Packaging</i>	96
Product Life Cycle	97
<i>Product Adoption and Diffusion</i>	99
The Product Audit	100
<i>Deletions</i>	100
<i>Product Improvement</i>	101
Organizing for Product Management	101
Summary	103

Chapter 7

New Product Planning and Development 105

New Product Strategy	106
New Product Planning and Development Process	108
<i>Idea Generation</i>	108
<i>Idea Screening</i>	110
<i>Project Planning</i>	111
<i>Product Development</i>	112
<i>Test Marketing</i>	112
<i>Commercialization</i>	113
<i>The Importance of Time</i>	113
Some Important New Product Decisions	114
<i>Quality Level</i>	114
<i>Product Features</i>	115
<i>Product Design</i>	116
<i>Product Safety</i>	116
Causes of New Product Failure	116
<i>Need for Research</i>	117
Summary	118

Chapter 8

Integrated Marketing Communications 120

Strategic Goals of Marketing Communication	120
<i>Create Awareness</i>	120
<i>Build Positive Images</i>	120
<i>Identify Prospects</i>	120
<i>Build Channel Relationships</i>	121
<i>Retain Customers</i>	121
The Promotion Mix	121
Integrated Marketing Communications	122
Advertising: Planning and Strategy	124
<i>Objectives of Advertising</i>	124
Advertising Decisions	126
<i>The Expenditure Question</i>	126
<i>The Allocation Question</i>	127
Sales Promotion	132
<i>Push versus Pull Marketing</i>	132
<i>Trade Sales Promotions</i>	133
<i>Consumer Promotions</i>	133
<i>What Sales Promotion Can and Can't Do</i>	134
Public Relations	135
Direct Marketing	136
Summary	137
Appendix	
Major Federal Agencies Involved in Control of Advertising	139

Chapter 9

Personal Selling, Relationship Building, and Sales Management 140

- Importance of Personal Selling 140
- The Sales Process 141
 - Objectives of the Sales Force* 141
 - The Sales Relationship-Building Process* 142
 - People Who Support the Sales Force* 146
- Managing the Sales and Relationship-Building Process 147
 - The Sales Management Task* 148
 - Controlling the Sales Force* 149
 - Motivating and Compensating Performance* 152
- Summary 154

Chapter 10

Distribution Strategy 156

- The Need for Marketing Intermediaries 156
- Classification of Marketing Intermediaries and Functions 156
- Channels of Distribution 158
- Selecting Channels of Distribution 159
 - Specific Considerations* 159
- Managing a Channel of Distribution 162
 - Relationship Marketing in Channels* 162
 - Vertical Marketing Systems* 162
- Wholesaling 164
- Store and Nonstore Retailing 165
 - Store Retailing* 166
 - Nonstore Retailing* 167
- Summary 170

Chapter 11

Pricing Strategy 172

- Demand Influences on Pricing Decisions 172
 - Demographic Factors* 172
 - Psychological Factors* 172
 - Price Elasticity* 174
- Supply Influences on Pricing Decisions 174
 - Pricing Objectives* 174
 - Cost Considerations in Pricing* 174
 - Product Considerations in Pricing* 176
- Environmental Influences on Pricing Decisions 177
 - The Internet* 177
 - Competition* 177
 - Government Regulations* 178

- A General Pricing Model 178
 - Set Pricing Objectives* 179
 - Evaluate Product-Price Relationships* 179
 - Estimate Costs and Other Price Limitations* 180
 - Analyze Profit Potential* 181
 - Set Initial Price Structure* 181
 - Change Price as Needed* 181
- Summary 181

PART D

MARKETING IN SPECIAL FIELDS 183

Chapter 12

The Marketing of Services 184

- Important Characteristics of Services 186
 - Intangibility* 186
 - Inseparability* 187
 - Perishability and Fluctuating Demand* 188
 - Client Relationship* 188
 - Customer Effort* 189
 - Uniformity* 190
- Providing Quality Services 190
 - Customer Satisfaction Measurement* 192
 - The Importance of Internal Marketing* 192
- Overcoming the Obstacles in Service Marketing 194
 - Limited View of Marketing* 194
 - Limited Competition* 194
 - Noncreative Management* 195
 - No Obsolescence* 195
- Implications for Service Marketers 196
- Summary 197

Chapter 13

Global Marketing 199

- The Competitive Advantage of Nations 200
- Organizing for Global Marketing 201
 - Problems with Entering Foreign Markets* 201
 - Organizing the Multinational Company* 204
- Programming for Global Marketing 206
 - Global Marketing Research* 206
 - Global Product Strategy* 209
 - Global Distribution Strategy* 209
 - Global Pricing Strategy* 210
 - Global Advertising and Sales Promotion Strategy* 210
- Entry and Growth Strategies for Global Marketing 211
- Summary 214

SECTION II

ANALYZING MARKETING PROBLEMS AND CASES 215

A Case Analysis Framework	216
1. Analyze and Record the Current Situation	217
2. Analyze and Record Problems and Their Core Elements	221
3. Formulate, Evaluate, and Record Alternative Courses of Action	222
4. Select and Record the Chosen Alternative and Implementation Details	223
Pitfalls to Avoid in Case Analysis	223
Communicating Case Analyses	226
The Written Report	226
The Oral Presentation	228
Summary	228

SECTION III

FINANCIAL ANALYSIS FOR MARKETING DECISIONS 229

Financial Analysis	230
Breakeven Analysis	230
Net Present Value Analysis	232
Ratio Analysis	234
Summary	238

SECTION IV

DEVELOPING MARKETING PLANS 239

A Marketing Plan Framework	240
Title Page	241
Executive Summary	241
Table of Contents	242
Introduction	242
Situational Analysis	242
Marketing Planning	242
Implementation and Control of the Marketing Plan	244
Summary	246
Appendix—Financial Analysis	246
References	249
Summary	249

Chapter Notes 251

Index 256

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Essentials of Marketing Management

Section

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Part A

Introduction

- 1 Strategic Planning and the Marketing Management Process

Chapter 1

Strategic Planning and the Marketing Management Process

The purpose of this introductory chapter is to present the marketing management process and outline what marketing managers must *manage* if they are to be effective. In doing so, it will also present a framework around which the remaining chapters are organized. Our first task is to review the organizational philosophy known as the marketing concept, since it underlies much of the thinking presented in this book. The remainder of this chapter will focus on the process of strategic planning and its relationship to the process of marketing planning.

THE MARKETING CONCEPT

Simply stated, the marketing concept means that *an organization should seek to make a profit by serving the needs of customer groups*. The concept is very straightforward and has a great deal of commonsense validity. Perhaps this is why it is often misunderstood, forgotten, or overlooked.

The purpose of the marketing concept is to rivet the attention of marketing managers on serving broad classes of customer needs (customer orientation), rather than on the firm's current products (production orientation) or on devising methods to attract customers to current products (selling orientation). Thus, effective marketing starts with the recognition of customer needs and then works backward to devise products and services to satisfy these needs. In this way, marketing managers can satisfy customers more efficiently in the present and anticipate changes in customer needs more accurately in the future. This means that organizations should focus on building long-term customer relationships in which the initial sale is viewed as a beginning step in the process, not as an end goal. As a result, the customer will be more satisfied and the firm will be more profitable.

The principal task of the marketing function operating under the marketing concept is not to manipulate customers to do what suits the interests of the firm, but rather to find effective and efficient means of making the business do what suits the interests of customers. This is not to say that all firms practice marketing in this way. Clearly, many firms still emphasize only production and sales. However, effective marketing, as defined in this text, requires that consumer needs come first in organizational decision making.

1. Create customer focus throughout the business.
2. Listen to the customer.
3. Define and nurture your distinctive competence, that is, what your organization does well, better than competitors.
4. Define marketing as market intelligence.
5. Target customers precisely.
6. Manage for profitability, not sales volume.
7. Make customer value the guiding star.
8. Let customers define quality.
9. Measure and manage customer expectations.
10. Build customer relationships and loyalty.
11. Define the business as a service business.
12. Commit to continuous improvement and innovation.
13. Manage the culture of your organization along with strategy and structure.
14. Grow with strategic partners and alliances.
15. Destroy marketing bureaucracy.

Source: For a very early discussion of the marketing concept, see Robert L. King, “The Marketing Concept: Fact or Intelligent Platitude,” *The Marketing Concept in Action*, Proceedings of the 47th National Conference (Chicago: American Marketing Association, 1964), p. 657. Also see Frederick E. Webster Jr., “Defining the New Marketing Concept,” *Marketing Management* 2, no. 4 (1994) pp. 22–31; William O. Bearden, Thomas N. Ingram, and Raymond W. LaForge, *Marketing: Principles and Perspectives*, 5th ed. (Burr Ridge, IL: McGraw-Hill/Irwin, 2007), p. 9; and William D. Perreault Jr., Joseph P. Cannon, and E. Jerome McCarthy, *Basic Marketing: A Managerial Approach*, 19th ed. (Burr Ridge, IL: McGraw-Hill Education, 2014), pp. 19–26.

One qualification to this statement deals with the question of a conflict between consumer wants and societal needs and wants. For example, if society deems clean air and water as necessary for survival, this need may well take precedence over a consumer’s want for goods and services that pollute the environment.

WHAT IS MARKETING?

Everyone reading this book has been a customer for most of his or her life. Last evening you stopped at a local supermarket to graze at the salad bar, pick up some bottled water and a bag of Fritos corn chips. While you were there, you snapped a \$1.00 coupon for a new flavor salad dressing out of a dispenser and tasted some new breakfast potatoes being cooked in the back of the store. As you sat down at home to eat your salad, you answered the phone and someone suggested that you need to have your carpets cleaned. Later on in the evening you saw TV commercials for tires, soft drinks, athletic shoes, and the dangers of smoking and drinking during pregnancy. Today when you enrolled in a marketing course, you found that the instructor has decided that you must purchase this book. A friend has already purchased the book on the Internet. All of these activities involve marketing. And each of us knows something about marketing because it has been a part of our life since we had our first dollar to spend.

Since we are all involved in marketing, it may seem strange that one of the persistent problems in the field has been its definition. The American Marketing Association defines marketing as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”¹ This definition takes into account all parties involved in the marketing effort: members of the producing organization, resellers of goods and services, and customers or clients. While the broadness of the definition allows the inclusion of nonbusiness

FIGURE 1.1
Major Types of
Marketing

Type	Description	Example
Product	Marketing designed to create exchange for tangible products.	Strategies to sell Gateway computers.
Service	Marketing designed to create exchanges for intangible products.	Strategies by Allstate to sell insurance.
Person	Marketing designed to create favorable actions toward persons.	Strategies to elect a political candidate.
Place	Marketing designed to attract people to places.	Strategies to get people to vacation in national or state parks.
Cause	Marketing designed to create support for ideas, causes, or issues or to get people to change undesirable behaviors.	Strategies to get pregnant women not to drink alcohol.
Organization	Marketing designed to attract donors, members, participants, or volunteers.	Strategies designed to attract blood donors.

exchange processes, the primary emphasis in this text is on marketing in the business environment. However, this emphasis is not meant to imply that marketing concepts, principles, and techniques cannot be fruitfully employed in other areas of exchange as is clearly illustrated in Figure 1.1.

WHAT IS STRATEGIC PLANNING?

Before a production manager, marketing manager, and personnel manager can develop plans for their individual departments, some larger plan or blueprint for the *entire* organization should exist. Otherwise, on what would the individual departmental plans be based?

In other words, there is a larger context for planning activities. Let us assume that we are dealing with a large business organization that has several business divisions and several product lines within each division (e.g., General Electric, Altria). Before individual divisions or departments can implement any marketing planning, a plan has to be developed for the entire organization.² This means that senior managers must look toward the future and evaluate their ability to shape their organization's destiny in the years and decades to come. The output of this process is objectives and strategies designed to give the organization a chance to compete effectively in the future. The objectives and strategies established at the top level provide the context for planning in each of the divisions and departments by divisional and departmental managers.

Strategic Planning and Marketing Management

Some of the most successful business organizations are here today because many years ago they offered the right product at the right time to a rapidly growing market. The same can also be said for nonprofit and governmental organizations. Many of the critical decisions of the past were made without the benefit of strategic thinking or planning. Whether these decisions were based on wisdom or were just luck is not important; they worked for these organizations. However, a worse fate befell countless other organizations. More than three-quarters of the 100 largest U.S. corporations of 70 years ago have fallen from the list. These corporations at one time dominated their markets, controlled vast resources, and had the best-trained workers. In the end, they all made the same critical mistake. Their managements failed to recognize that business strategies need to reflect

1. It costs a great deal more to acquire a new customer than to keep an old one.
2. Loyal customers buy more from your firm over time.
3. The longer you keep a customer, the more profitable they become over time.
4. It costs less to service loyal customers than new customers.
5. Loyal customers are often excellent referrals for new business.
6. Loyal customers are often willing to pay more for the quality and value they desire.

Source: One of the earliest works on the value of the loyal customer was Frederick F. Reichheld, *The Loyalty Effect*, BOSTON: HBS Press, 1996. Also see Roland T. Rust, Katherine N. Lemon, and Valerie A. Zeithaml, "Return on Marketing: Using Customer Equity to Focus Marketing Strategies," *Journal of Marketing*, January 2004, pp. 76–89; William O. Bearden, Thomas N. Ingram, and Raymond W. LaForge, *Marketing: Principles and Perspectives*, 5th ed. (Burr Ridge, IL: McGraw-Hill/Irwin, 2007), p. 8; and W. D. Perreault Jr., J. P. Cannon, and E. Jerome McCarthy, *Basic Marketing: A Marketing Strategy Planning Approach*, 19th ed. (Burr Ridge, IL: McGraw-Hill/Irwin, 2013), pp. 42–43.

changing environments and emphasis must be placed on developing business systems that allow for continuous improvement. Instead, they attempted to carry on business as usual.

Present-day managers are increasingly recognizing that wisdom and innovation alone are no longer sufficient to guide the destinies of organizations, both large and small. These same managers also realize that the true mission of the organization is to provide value for three key constituencies: customers, employees, and investors. Without this type of outlook, no one, including shareholders, will profit in the long run.

Strategic planning includes all the activities that lead to the development of a clear organizational mission, organizational objectives, and appropriate strategies to achieve the objectives for the entire organization. The form of the process itself has come under criticism in some quarters for being too structured; however, strategic planning, if performed successfully, plays a key role in achieving an equilibrium between the short and the long term by balancing acceptable financial performance with preparation for inevitable changes in markets, technology, and competition, as well as in economic and political arenas. Managing principally for current cash flows, market share gains, and earnings trends can mortgage the firm's future. An intense focus on the near term can produce an aversion to risk that dooms a business to stagnation. Conversely, an overemphasis on the long run is just as inappropriate. Companies that overextend themselves betting on the future may penalize short-term profitability and other operating results to such an extent that the company is vulnerable to takeover and other threatening actions.

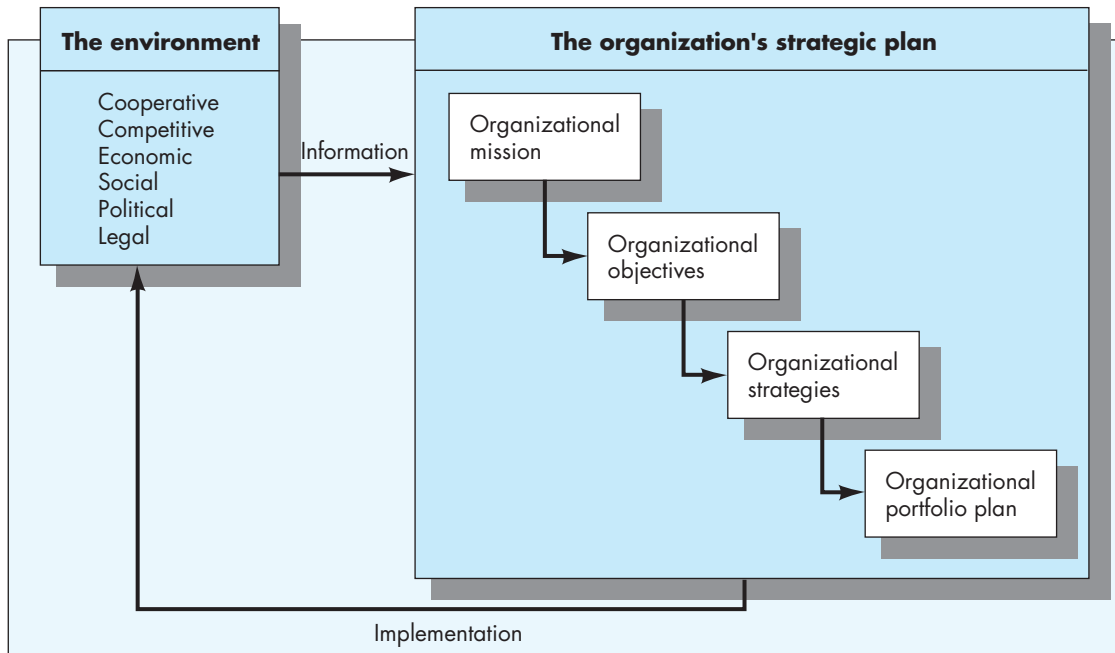
The strategic planning process is depicted in Figure 1.2. In the strategic planning process, the organization gathers information about the changing elements of its environment. Managers from all functional areas in the organization assist in this information-gathering process. This information is useful in aiding the organization to adapt better to these changes through the process of strategic planning. The strategic plan(s)³ and supporting plan are then implemented in the environment. The end results of this implementation are fed back as new information so that continuous adaptation and improvement can take place.

The Strategic Planning Process

The output of the strategic planning process is the development of a strategic plan. Figure 1.2 indicates four components of a strategic plan: mission, objectives, strategies, and portfolio plan. Let us carefully examine each one.

Organizational Mission

The organization's environment provides the resources that sustain the organization, whether it is a business, a college or university, or a government agency. In exchange

FIGURE 1.2 The Strategic Planning Process

for these resources, the organization must supply the environment with quality goods and services at an acceptable price. In other words, every organization exists to accomplish something in the larger environment and that purpose, vision, or mission usually is clear at the organization's inception. As time passes, however, the organization expands, and the environment and managerial personnel change. As a result, one or more things are likely to occur. First, the organization's original purpose may become irrelevant as the organization expands into new products, new markets, and even new industries. For example, Levi Strauss began as a manufacturer of work clothes. Second, the original mission may remain relevant, but managers begin to lose interest in it. Finally, changes in the environment may make the original mission inappropriate, as occurred with the March of Dimes when a cure was found for polio. The result of any or all three of these conditions is a "drifting" organization, without a clear mission, vision, or purpose to guide critical decisions. When this occurs, management must search for a purpose or emphatically restate and reinforce the original purpose.

The mission statement, or purpose, of an organization is the description of its reason for existence. It is the long-run vision of what the organization strives to be, the unique aim that differentiates the organization from similar ones and the means by which this differentiation will take place. In essence, the mission statement defines the direction in which the organization is heading and how it will succeed in reaching its desired goal. While some argue that vision and mission statements differ in their purpose, the perspective we will take is that both reflect the organization's attempt to guide behavior, create a culture, and inspire commitment. However, it is more important that the mission statement comes from the heart and is practical, easy to identify with, and easy to remember so that it will provide direction and significance to all members of the organization regardless of their organizational level.

The basic questions that must be answered when an organization decides to examine and restate its mission are, What is our business? Who are our customers? What do customers value? and What is our business? The answers are, in a sense, the assumptions on which the

Organization	Mission
Large pharmaceutical firm	We will become the world's most valued company to patients, customers, colleagues, investors, business partners, and the communities where we work and live.
Community bank	To help citizens successfully achieve and celebrate important life events with education, information, products, and services.
Skin care products	We will provide luxury skin-care products with therapeutic qualities that make them worth their premium price.
Hotel chain	Grow a worldwide lodging business using total-quality-management (TQM) principles to continuously improve preference and profitability. Our commitment is that <i>every guest leaves satisfied</i> .
Mid-size bank	We will become the best bank in the state for medium-size businesses by 2017.

organization is being run and from which future decisions will evolve. While such questions may seem simplistic, they are such difficult and critical ones that the major responsibility for answering them must lie with top management. In fact, the mission statement remains the most widely used management tool in business today. In developing a statement of mission, management must take into account three key elements: the organization's history, its distinctive competencies, and its environment.⁴

1. *The organization's history.* Every organization—large or small, profit or nonprofit—has a history of objectives, accomplishments, mistakes, and policies. In formulating a mission, the critical characteristics and events of the past must be considered.

2. *The organization's distinctive competencies.* While there are many things an organization may be able to do, it should seek to do what it can do best. Distinctive competencies are things that an organization does well—so well in fact that they give it an advantage over similar organizations. For Honeywell, it's their ability to design, manufacture, and distribute a superior line of thermostats. Similarly, Procter & Gamble's distinctive competency is its knowledge of the market for low-priced, repetitively purchased consumer products. No matter how appealing an opportunity may be, to gain advantage over competitors, the organization must formulate strategy based on distinctive competencies.

3. *The organization's environment.* The organization's environment dictates the opportunities, constraints, and threats that must be identified before a mission statement is developed. For example, managers in any industry that is affected by Internet technology breakthroughs should continually be asking, How will the changes in technology affect my customers' behavior and the means by which we need to conduct our business?

However, it is extremely difficult to write a useful and effective mission statement. It is not uncommon for an organization to spend one or two years developing a useful mission statement. When completed, an effective mission statement will be *focused on markets rather than products, achievable, motivating, and specific*.⁵

Focused on Markets Rather Than Products The customers or clients of an organization are critical in determining its mission. Traditionally, many organizations defined their business in terms of what they made ("our business is glass"), and in many cases they named the organization for the product or service (e.g., American Tobacco, Hormel Meats, National Cash Register, Harbor View Savings and Loan Association). Many of these organizations have found that, when products and technologies become obsolete, their mission is no longer relevant and the name of the organization may no longer describe what it does. Thus, a more enduring way of defining the mission is needed. In recent years,