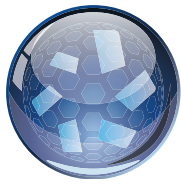


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# Marketing



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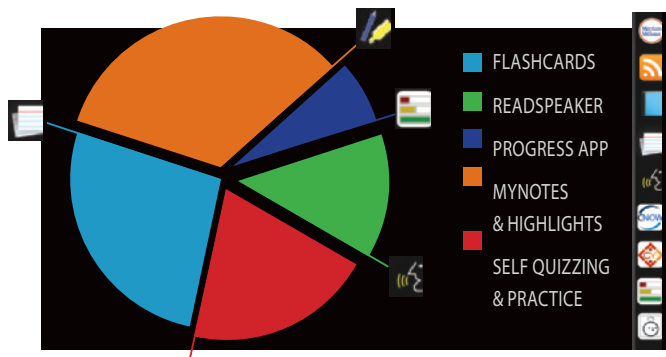
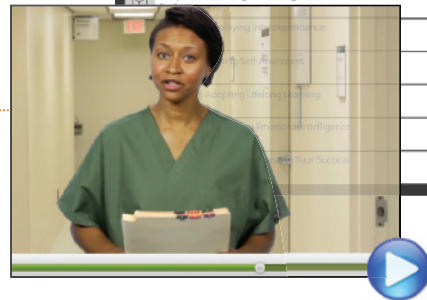
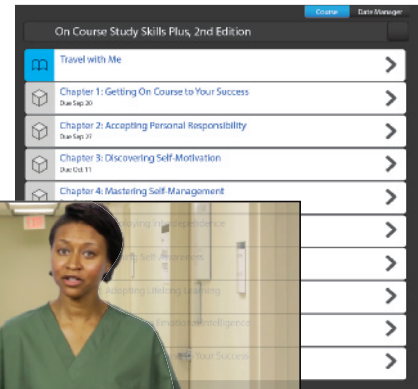
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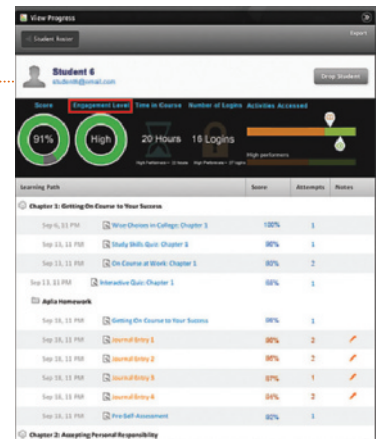


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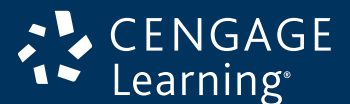
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# MARKETING

**WILLIAM M. PRIDE**

Texas A & M University

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To Nancy, Allen, Carmen, Mike, Ashley, Charlie, and J.R. Pride

To James Collins Ferrell



# brief contents



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## **Part 1: Marketing Strategy and Customer Relationships 1**

1. An Overview of Strategic Marketing 2
2. Planning, Implementing, and Evaluating Marketing Strategies 30

## **Part 2: Environmental Forces and Social and Ethical Responsibilities 59**

3. The Marketing Environment 60
4. Social Responsibility and Ethics in Marketing 92

## **Part 3: Marketing Research and Target Market Analysis 125**

5. Marketing Research and Information Systems 126
6. Target Markets: Segmentation and Evaluation 160

## **Part 4: Buying Behavior, Global Marketing, and Digital Marketing 189**

7. Consumer Buying Behavior 190
8. Business Markets and Buying Behavior 220
9. Reaching Global Markets 244
10. Digital Marketing and Social Networking 282

## **Part 5: Product Decisions 315**

11. Product Concepts, Branding, and Packaging 316
12. Developing and Managing Products 352
13. Services Marketing 378

## **Part 6: Distribution Decisions 407**

14. Marketing Channels and Supply-Chain Management 408
15. Retailing, Direct Marketing, and Wholesaling 446

## **Part 7: Promotion Decisions 483**

16. Integrated Marketing Communications 484
17. Advertising and Public Relations 514
18. Personal Selling and Sales Promotion 544

## **Part 8: Pricing Decisions 581**

19. Pricing Concepts 582
20. Setting Prices 612

### **AVAILABLE ONLY ONLINE:**

- Appendix A: Financial Analysis in Marketing A-1
- Appendix B: Sample Marketing Plan B-1
- Appendix C: Careers in Marketing C-1





# contents

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## Preface xvii

## Part 1: Marketing Strategy and Customer Relationships 1

### Chapter 1: An Overview of Strategic Marketing 2

**Marketing Insights:** Publix Provides the Full Service Experience 3

#### 1-1 Defining Marketing 4

1-1a Marketing Focuses on Customers 4

**Emerging Trends:** Starbucks: Transforming into a Health-Conscious Brand 6

#### 1-2 Marketing Deals with Products, Distribution, Promotion, and Price 6

1-2a The Product Variable 7

1-2b The Distribution Variable 7

1-2c The Promotion Variable 8

1-2d The Price Variable 9

#### 1-3 Marketing Creates Value 9

1-3a Marketing Builds Relationships with Customers and Other Stakeholders 11

#### 1-4 Marketing Occurs in a Dynamic Environment 12

#### 1-5 Understanding the Marketing Concept 13

1-5a Evolution of the Marketing Concept 14

1-5b Implementing the Marketing Concept 15

#### 1-6 Customer Relationship Management 16

1-6a Relationship Marketing 16

**Snapshot:** Top Marketing Challenges 17

1-6b Customer Lifetime Value 17

#### 1-7 The Importance of Marketing in Our Global Economy 18

1-7a Marketing Costs Consume a Sizable Portion of Buyers' Dollars 18

1-7b Marketing Is Used in Nonprofit Organizations 18

1-7c Marketing Is Important to Businesses and the Economy 19

1-7d Marketing Fuels Our Global Economy 19

1-7e Marketing Knowledge Enhances Consumer Awareness 19

1-7f Marketing Connects People through Technology 20

1-7g Socially Responsible Marketing: Promoting the Welfare of Customers and Stakeholders 21

**Going Green:** Marketing for the Car-Sharing Business Model: "Share It" Social Media! 21

1-7h Marketing Offers Many Exciting Career Prospects 22

*Summary 22*

*Developing Your Marketing Plan 23*

*Important Terms 24*

*Discussion and Review Questions 24*

**Video Case 1.1** *Cruising to Success: The Tale of New Belgium Brewing 24*

**Case 1.2** *Campbell's Wants to Show You the Value of Soup 25*

### Chapter 2: Planning, Implementing, and Evaluating Marketing Strategies 30

**Marketing Insights:** Shutterfly's High-Flying Marketing Strategy 31

#### 2-1 The Strategic Planning Process 32

2-1a Establishing Organizational Mission Statements and Goals 32

2-1b Developing Corporate and Business-Unit Strategies 33

2-1c Assessing Organizational Resources and Opportunities 36

**Emerging Trends:** You Don't Have to Be Old to Cruise 39

2-1d Developing Marketing Objectives and Marketing Strategies 40

**Going Green:** Unilever Aims to Clean the World's Water 40

#### 2-2 Managing Marketing Implementation 42

2-2a Organizing the Marketing Unit 43

2-2b Motivating Marketing Personnel 44

2-2c Communicating within the Marketing Unit 44

2-2d Coordinating Marketing Activities 44

2-2e Establishing a Timetable for Implementation 45

**Snapshot:** Percentage of Marketing Executives Who Will Change Their Marketing Strategies by Spending More on Social Media 45

<b>2-3 Evaluating Marketing Strategies 45</b>
2-3a Establishing Performance Standards 45
2-3b Analyzing Actual Performance 45
2-3c Comparing Actual Performance with Performance Standards and Making Changes, If Needed 48
<b>2-4 Creating the Marketing Plan 48</b>
Summary 50
Developing Your Marketing Plan 52

Important Terms 52
Discussion and Review Questions 52
<b>Video Case 2.1 BoltBus Offers Affordable Transportation for         Tech-Savvy Consumers 53</b>
<b>Case 2.2 Netflix Uses Technology to Change How We         Watch Videos 54</b>
<b>Strategic Case 1 Consumers Take a Shine to         Apple Inc. 55</b>

## Part 2: Environmental Forces and Social and Ethical Responsibilities 59

### Chapter 3: The Marketing Environment 60

<b>Marketing Insights:</b> The Marketing Success of Goya Foods 61
<b>3-1 Examining and Responding to the Marketing Environment 62</b>
3-1a Environmental Scanning and Analysis 62
3-1b Responding to Environmental Forces 63
<b>3-2 Competitive Forces 64</b>
3-2a Types of Competitors 64
<b>Emerging Trends:</b> Ticketmaster's New Strategy to Address Competition 65
3-2b Types of Competitive Structures 66
3-2c Monitoring Competition 67
<b>3-3 Economic Forces 67</b>
3-3a Economic Conditions 67
3-3b Buying Power 68
3-3c Willingness to Spend 70
<b>3-4 Political Forces 71</b>
<b>3-5 Legal and Regulatory Forces 71</b>
3-5a Procompetitive Legislation 73
3-5b Consumer Protection Legislation 74
3-5c Encouraging Compliance with Laws and Regulations 74
3-5d Regulatory Agencies 75
3-5e Self-Regulatory Forces 77
<b>3-6 Technological Forces 78</b>
3-6a Impact of Technology 78
<b>Going Green:</b> Google's New Venture: Going Green 79
3-6b Adoption and Use of Technology 80
<b>3-7 Sociocultural Forces 81</b>
3-7a Demographic and Diversity Characteristics 81
<b>Snapshot:</b> Reasons Young Adults Are Delaying Getting Their Licenses 82
3-7b Cultural Values 82
3-7c Consumerism 84
Summary 84
Developing Your Marketing Plan 85
Important Terms 86
Discussion and Review Questions 86

<b>Video Case 3.1 Preserve Products Challenge Traditional Brands with Green Alternatives 87</b>
<b>Case 3.2 Whole Foods Capitalizes on Consumer Desires for Organic Food 88</b>

### Chapter 4: Social Responsibility and Ethics in Marketing 92

<b>Marketing Insights:</b> Supporting Social Causes Can Gain Support for the Brand 93
<b>4-1 The Nature of Social Responsibility 94</b>
4-1a The Dimensions of Social Responsibility 95
4-1b Social Responsibility Issues 98
<b>Going Green:</b> SodaStream: Protecting the Environment by Making Soda at Home 101
<b>4-2 Marketing Ethics 102</b>
4-2a Ethical Issues in Marketing 102
4-2b Ethical Dimensions of Managing Supply-Chain Relationships 105
<b>Marketing Debate:</b> The Marketing of Free Toys in Fast Food 105
<b>4-3 The Nature of Marketing Ethics 106</b>
4-3a Individual Factors 106
4-3b Organizational Relationships 107
<b>Snapshot:</b> How Much Time Do Employees Waste at Work? 107
4-3c Opportunity 108
<b>4-4 Improving Marketing Ethics 109</b>
<b>4-5 Incorporating Social Responsibility and Ethics into Strategic Planning 112</b>
4-5a Social Responsibility and Ethics Improve Marketing Performance 114
Summary 115
Developing Your Marketing Plan 116
Important Terms 116
Discussion and Review Questions 117
<b>Video Case 4.1 TOMS Shoes Expands One-to-One Model         to Eyewear 117</b>
<b>Case 4.2 Ethics Drives Barrett-Jackson Auto Auction         Company to Success 118</b>
<b>Strategic Case 2 REI: An Ethical Consumer Cooperative 119</b>

## Part 3: Marketing Research and Target Market Analysis 125

### Chapter 5: Marketing Research and Information Systems 126

**Marketing Insights:** The Weather Company Targets Advertising 127

#### 5-1 The Importance of Marketing Research 128

**Snapshot:** Factors Considered Most Important in Next New Car Purchase 129

#### 5-2 Types of Research 130

5-2a Exploratory Research 130

5-2b Conclusive Research 132

#### 5-3 The Marketing Research Process 132

5-3a Locating and Defining Problems or Research Issues 133

5-3b Designing the Research Project 133

5-3c Collecting Data 134

**Emerging Trends:** Pinterest Provides New Methods for Marketing Research 141

5-3d Interpreting Research Findings 143

5-3e Reporting Research Findings 144

#### 5-4 Using Technology to Improve Marketing Information Gathering and Analysis 145

5-4a Marketing Information Systems 146

5-4b Databases 146

5-4c Big Data 147

5-4d Marketing Decision Support Systems 149

#### 5-5 Issues in Marketing Research 149

5-5a The Importance of Ethical Marketing Research 149

5-5b International Issues in Marketing Research 150

**Marketing Debate:** Privacy Issues in Tracking Product Returns 151

*Summary 152*

*Developing Your Marketing Plan 153*

*Important Terms 153*

*Discussion and Review Questions 154*

**Video Case 5.1** *Marketing Research Reveals Marketing Opportunities in the Baby Boomer Generation 154*

**Case 5.2** *At Threadless, Customers Design the Product 155*

### Chapter 6: Target Markets: Segmentation and Evaluation 160

**Marketing Insights:** ¡Celebrating Quinceañeras! 161

#### 6-1 What Are Markets? 162

#### 6-2 Target Market Selection Process 163

#### 6-3 Step 1: Identify the Appropriate Targeting Strategy 164

6-3a Undifferentiated Targeting Strategy 164

6-3b Concentrated Targeting Strategy through Market Segmentation 164

**Marketing Debate:** Flying Babies: Separate but Equal? 166

6-3c Differentiated Targeting Strategy through Market Segmentation 167

#### 6-4 Step 2: Determine Which Segmentation Variables to Use 168

6-4a Variables for Segmenting Consumer Markets 168

**Going Green:** Will Guaranteeing Green Guarantee Green for Rodale? 172

**Snapshot:** Who Uses Sunblock? 174

6-4b Variables for Segmenting Business Markets 174

#### 6-5 Step 3: Develop Market Segment Profiles 175

#### 6-6 Step 4: Evaluate Relevant Market Segments 176

6-6a Sales Estimates 176

6-6b Competitive Assessment 177

6-6c Cost Estimates 177

#### 6-7 Step 5: Select Specific Target Markets 177

#### 6-8 Developing Sales Forecasts 178

6-8a Executive Judgment 178

6-8b Surveys 178

6-8c Time Series Analysis 179

6-8d Regression Analysis 180

6-8e Market Tests 180

6-8f Using Multiple Forecasting Methods 180

*Summary 181*

*Developing Your Marketing Plan 182*

*Important Terms 183*

*Discussion and Review Questions 183*

**Video Case 6.1** *Family-Owned Ski Butternut Targets Family Skiers 183*

**Case 6.2** *Mattel Uses Market Segmentation to Stay on Top 184*

**Strategic Case 3** *Home Depot Builds on Research, Segmentation, and Targeting 186*

## Part 4: Buying Behavior, Global Marketing, and Digital Marketing 189

### Chapter 7: Consumer Buying Behavior 190

**Marketing Insights:** Glasses Are Cool Again, Thanks to Google 191

#### 7-1 Consumer Buying Decision Process 192

7-1a Problem Recognition 193

7-1b Information Search 193

7-1c Evaluation of Alternatives 194

7-1d Purchase 194

7-1e Postpurchase Evaluation	194
<b>7-2 Types of Consumer Decision Making and Level of Involvement</b>	<b>195</b>
<b>7-3 Situational Influences on the Buying Decision Process</b>	<b>197</b>
<b>7-4 Psychological Influences on the Buying Decision Process</b>	<b>198</b>
7-4a Perception	198
7-4b Motives	200
7-4c Learning	201
7-4d Attitudes	202
7-4e Personality and Self-Concept	203
7-4f Lifestyles	204
<b>Emerging Trends:</b> Who Let the Dogs In?!	204
<b>7-5 Social Influences on the Buying Decision Process</b>	<b>205</b>
7-5a Roles	205
7-5b Family Influences	205
<b>Snapshot:</b> Do You and Your Significant Other Have Problems When Making Purchase Decisions?	205
7-5c Reference Groups	207
7-5d Opinion Leaders	208
7-5e Social Classes	208
7-5f Culture and Subcultures	210
<b>Marketing Debate:</b> Customer Tracking Raises Privacy Concerns	212
<b>7-6 Consumer Misbehavior</b>	<b>213</b>
<i>Summary</i>	214
<i>Developing Your Marketing Plan</i>	215
<i>Important Terms</i>	215
<i>Discussion and Review Questions</i>	216
<b>Video Case 7.1</b> Starbucks Refines the Customer Experience	216
<b>Case 7.2</b> Disney Markets to the Young and the Young at Heart	217

## Chapter 8: Business Markets and Buying Behavior 220

<b>Marketing Insights:</b> iRobot's Avatar Tweaks Teleconferencing	221
<b>8-1 Business Markets</b>	<b>222</b>
8-1a Producer Markets	222
8-1b Reseller Markets	224
8-1c Government Markets	224
8-1d Institutional Markets	225
<b>8-2 Dimensions of Marketing to Business Customers</b>	<b>225</b>
8-2a Characteristics of Transactions with Business Customers	226
8-2b Attributes of Business Customers	227
8-2c Primary Concerns of Business Customers	227
<b>Emerging Trends:</b> Apps Help Businesses Make Buying Decisions	227
8-2d Methods of Business Buying	229
8-2e Types of Business Purchases	229

<b>8-3 Demand for Business Products</b>	<b>230</b>
8-3a Derived Demand	230
8-3b Inelastic Demand	231
8-3c Joint Demand	231
8-3d Fluctuating Demand	231
<b>8-4 Business Buying Decisions</b>	<b>232</b>
8-4a The Buying Center	232
<b>Entrepreneurship in Marketing:</b> Two Moms Go from Zero to \$70 Million in 7 Years!	232
8-4b Stages of the Business Buying Decision Process	233
8-4c Influences on the Business Buying Decision Process	235
<b>Snapshot:</b> Are Online Business Relationships as Valuable as Face-to-Face Relationships?	235
<b>8-5 Industrial Classification Systems</b>	<b>236</b>
<i>Summary</i>	237
<i>Developing Your Marketing Plan</i>	239
<i>Important Terms</i>	239
<i>Discussion and Review Questions</i>	239
<b>Video Case 8.1</b> Dale Carnegie Focuses on Business Customers	240
<b>Case 8.2</b> General Electric Goes Social to Reach Business Buyers	240
<b>Chapter 9: Reaching Global Markets</b>	<b>244</b>
<b>Marketing Insights:</b> Accountability and Cultural Challenges with Bangladesh Suppliers	245
<b>9-1 Define International Marketing</b>	<b>246</b>
9-1a The Nature of Global Marketing Strategy	246
<b>9-2 Environmental Forces in Global Markets</b>	<b>247</b>
9-2a Sociocultural Forces	247
<b>Snapshot:</b> Countries with the Most Millionaires	248
9-2b Economic Forces	248
9-2c Political, Legal, and Regulatory Forces	251
9-2d Ethical and Social Responsibility Forces	253
9-2e Competitive Forces	254
9-2f Technological Forces	256
<b>9-3 Regional Trade Alliances, Markets, and Agreements</b>	<b>256</b>
<b>Entrepreneurship in Marketing:</b> China's Steve Jobs?	257
9-3a The North American Free Trade Agreement (NAFTA)	257
9-3b The European Union (EU)	258
<b>Emerging Trends:</b> Dollar Stores and One Euro Pricing Expand Internationally	259
9-3c The Southern Common Market (MERCOSUR)	260
9-3d The Asia-Pacific Economic Cooperation (APEC)	260
9-3e Association of Southeast Asian Nations (ASEAN)	261
9-3f The World Trade Organization (WTO)	262
<b>9-4 Modes of Entry into International Markets</b>	<b>262</b>
9-4a Importing and Exporting	263
9-4b Trading Companies	264

9-4c Licensing and Franchising	264
9-4d Contract Manufacturing	265
9-4e Joint Ventures	266
9-4f Direct Ownership	267
<b>9-5 Global Organizational Structures</b>	<b>268</b>
9-5a Export Departments	269
9-5b International Divisions	269
9-5c Internationally Integrated Structures	270
<b>9-6 Customization versus Globalization of International Marketing Mixes</b>	<b>270</b>
Summary	273
Developing Your Marketing Plan	274
Important Terms	274
Discussion and Review Questions	274
<b>Video Case 9.1</b> <i>Evo: The Challenge of Going Global</i>	275
<b>Case 9.2</b> <i>Starbucks Faces Global Opportunities and Barriers</i>	276
<b>Chapter 10: Digital Marketing and Social Networking</b>	<b>282</b>
<b>Marketing Insights:</b> Procter & Gamble and Amazon Form a Distribution Network	283
<b>10-1 Defining Digital Marketing</b>	<b>284</b>
<b>10-2 Growth and Benefits of Digital Marketing</b>	<b>284</b>
<b>10-3 Types of Consumer-Generated Marketing and Digital Media</b>	<b>286</b>
10-3a Social Networks	287
<b>Snapshot:</b> Most Popular Social Networking Sites	287

<b>Marketing Debate:</b> The Odd Challenges of Marketing on Twitter	289
10-3b Blogs and Wikis	290
10-3c Media-Sharing Sites	291
<b>Emerging Trends:</b> Reaching Concentrated Markets through Podcasting	293
10-3d Virtual Gaming Sites	294
10-3e Mobile Devices	294
10-3f Applications and Widgets	295
<b>10-4 Changing Digital Media Behaviors of Consumers</b>	<b>296</b>
10-4a Online Consumer Behavior	297
<b>10-5 E-Marketing Strategy</b>	<b>299</b>
10-5a Product Considerations	299
10-5b Distribution Considerations	300
10-5c Promotion Considerations	300
10-5d Pricing Considerations	301
<b>10-6 Ethical and Legal Issues</b>	<b>302</b>
10-6a Privacy	302
10-6b Online Fraud	303
10-6c Intellectual Property	303
Summary	304
Developing Your Marketing Plan	306
Important Terms	306
Discussion and Review Questions	306
<b>Video Case 10.1</b> <i>Zappos Drives Sales through Relationship Building on Social Media</i>	307
<b>Case 10.2</b> <i>The Challenges of Intellectual Property in Digital Marketing</i>	308
<b>Strategic Case 4</b> <i>Eaton Corporation: Experts at Targeting Different Markets</i>	309

## Part 5: Product Decisions 315

### Chapter 11: Product Concepts, Branding, and Packaging 316

<b>Marketing Insights:</b> Nike Races Ahead Using Activity-Tracking Technology	317
<b>11-1 What Is a Product?</b>	<b>318</b>
<b>11-2 Classifying Products</b>	<b>319</b>
11-2a Consumer Products	319
11-2b Business Products	322
<b>11-3 Product Line and Product Mix</b>	<b>323</b>
<b>11-4 Product Life Cycles and Marketing Strategies</b>	<b>324</b>
11-4a Introduction	324
11-4b Growth	325
11-4c Maturity	326
11-4d Decline	327
<b>Emerging Trends:</b> These Aren't Your Daddy's Records	328
<b>11-5 Product Adoption Process</b>	<b>328</b>
<b>11-6 Branding</b>	<b>329</b>
11-6a Value of Branding	330
11-6b Brand Equity	331
11-6c Types of Brands	333
11-6d Selecting a Brand Name	334

11-6e Protecting a Brand	334
11-6f Branding Strategies	335
11-6g Brand Extensions	336
11-6h Co-Branding	336
11-6i Brand Licensing	337
<b>11-7 Packaging</b>	<b>337</b>
11-7a Packaging Functions	338
11-7b Major Packaging Considerations	338
11-7c Packaging and Marketing Strategy	340
<b>Going Green:</b> Goodbye Styrofoam Peanuts, Hello Mushroom Molds!	341
<b>11-8 Labeling</b>	<b>342</b>
<b>Snapshot:</b> Percentage Who Say That "Made in USA" Is Most Influential Attribute When Buying a New Product	344
Summary	344
Developing Your Marketing Plan	346
Important Terms	346
Discussion and Review Questions	346
<b>Video Case 11.1</b> <i>GaGa: Not Just a Lady</i>	347
<b>Case 11.2</b> <i>Wyndham Hotels Portfolio of Brands Satisfies Diverse Customer Needs</i>	348

## Chapter 12: Developing and Managing Products 352

**Marketing Insights:** Oreo: Constantly Changing to Make the World Happy 353

### 12-1 Managing Existing Products 354

12-1a Line Extensions 354

12-1b Product Modifications 355

### 12-2 Developing New Products 357

12-2a Idea Generation 358

12-2b Screening 359

12-2c Concept Testing 359

12-2d Business Analysis 359

12-2e Product Development 360

12-2f Test Marketing 361

**Emerging Trends:** The Power of “Limited Time Only” Products 361

12-2g Commercialization 362

**Snapshot:** Which Companies File the Most Patents? 364

### 12-3 Product Differentiation through Quality, Design, and Support Services 364

12-3a Product Quality 365

12-3b Product Design and Features 365

12-3c Product Support Services 366

**Marketing Debate:** Caffeine: Who Needs It?! 366

### 12-4 Product Positioning and Repositioning 367

12-4a Perceptual Mapping 367

12-4b Bases for Positioning 367

12-4c Repositioning 369

### 12-5 Product Deletion 369

### 12-6 Organizing to Develop and Manage Products 370

*Summary 371*

*Developing Your Marketing Plan 372*

*Important Terms 373*

*Discussion and Review Questions 373*

**Video Case 12.1** *Do AXE Products Make Men More Desirable?* 373

**Case 12.2** *Caterpillar Inc. Crawls Over the Competition with Product Development* 374

## Chapter 13: Services Marketing 378

**Marketing Insights:** Sports Stadiums Score with Super Customer Experiences 379

### 13-1 The Growth and Importance of Services 380

**Snapshot:** Which Airlines Have the Highest Proportions of Positive Mentions on Facebook and Twitter? 381

### 13-2 Characteristics of Services 381

13-2a Intangibility 381

13-2b Inseparability of Production and Consumption 382

13-2c Perishability 383

13-2d Heterogeneity 383

13-2e Client-Based Relationships 384

13-2f Customer Contact 385

**Entrepreneurship in Marketing:** A Bank So Simple That’s What They Call It! 385

### 13-3 Developing and Managing Marketing Mixes for Services 386

13-3a Development of Services 386

13-3b Distribution of Services 388

13-3c Promotion of Services 389

**Emerging Trends:** Bringing Back the Old-Fashioned Barber Shop 390

13-3d Pricing of Services 390

### 13-4 Service Quality 391

13-4a Customer Evaluation of Service Quality 392

13-4b Delivering Exceptional Service Quality 393

13-4c Analysis of Customer Expectations 394

### 13-5 Nonprofit Marketing 395

13-5a How Is Nonprofit Marketing Different? 396

13-5b Nonprofit Marketing Objectives 397

13-5c Developing Nonprofit Marketing Strategies 397

*Summary 399*

*Developing Your Marketing Plan 400*

*Important Terms 400*

*Discussion and Review Questions 400*

**Video Case 13.1** *UNICEF and the Good Shirts Project* 401

**Case 13.2** *American Express Delivers Service with Calls, Tweets, and Apps* 401

**Strategic Case 5** *100 Years of Product Innovation at Chevrolet* 403

## Part 6: Distribution Decisions 407

### Chapter 14: Marketing Channels and Supply-Chain Management 408

**Marketing Insights:** Making H.Bloom’s Business Bloom 409

#### 14-1 Foundations of the Supply Chain 410

#### 14-2 The Role of Marketing Channels in Supply Chains 412

14-2a The Significance of Marketing Channels 413

14-2b Types of Marketing Channels 415

**Entrepreneurship in Marketing:** Van Leeuwen Artisan Ice Cream 416

14-2c Selecting Marketing Channels 419

#### 14-3 Intensity of Market Coverage 421

14-3a Intensive Distribution 422

14-3b Selective Distribution 422

14-3c Exclusive Distribution 422

#### 14-4 Strategic Issues in Marketing Channels 423

14-4a Competitive Priorities in Marketing Channels 423

14-4b Channel Leadership, Cooperation, and Conflict 424

14-4c Channel Integration 426

## 14-5 Physical Distribution in Supply-Chain Management 427

- 14-5a Order Processing 429
- 14-5b Inventory Management 430
- 14-5c Materials Handling 430
- 14-5d Warehousing 431

**Snapshot:** How Will Warehousing Change in the Next Five Years? 432

- 14-5e Transportation 433

**Emerging Trends:** Click to Buy and Get Same-Day Delivery 434

## 14-6 Legal Issues in Channel Management 436

- 14-6a Dual Distribution 436
- 14-6b Restricted Sales Territories 437
- 14-6c Tying Agreements 437
- 14-6d Exclusive Dealing 437
- 14-6e Refusal to Deal 437

*Summary 438*

*Developing Your Marketing Plan 439*

*Important Terms 439*

*Discussion and Review Questions 440*

**Video Case 14.1** Taza Cultivates Channel Relationships with Chocolate 440

**Case 14.2** Procter & Gamble Tunes Up Channels and Transportation 441

## Chapter 15: Retailing, Direct Marketing, and Wholesaling 446

**Marketing Insights:** Uniqlo Enters the U.S. Clothing Market in Style 447

### 15-1 Retailing 448

### 15-2 Major Types of Retail Stores 449

- 15-2a General-Merchandise Retailers 449
- 15-2b Specialty Retailers 453

### 15-3 Strategic Issues in Retailing 455

- 15-3a Location of Retail Stores 455
- 15-3b Retail Positioning 457

**Going Green:** Ladybugs Add to Mall of America's Sustainability 458

- 15-3c Store Image 458

- 15-3d Category Management 459

**Entrepreneurship in Marketing:** Tales of the Lonesome Pine Bookstore 460

### 15-4 Direct Marketing, Direct Selling, and Vending 460

- 15-4a Direct Marketing 460

**Snapshot:** If There Is an Online Sales Tax, Will You Change Where You Shop? 462

- 15-4b Direct Selling 463

- 15-4c Automatic Vending 464

### 15-5 Franchising 465

### 15-6 Wholesaling 466

- 15-6a Services Provided by Wholesalers 467

- 15-6b Types of Wholesalers 467

*Summary 472*

*Developing Your Marketing Plan 474*

*Important Terms 474*

*Discussion and Review Questions 475*

**Video Case 15.1** L.L.Bean: Open 24/7, Click or Brick 475

**Case 15.2** Dick's Sporting Goods Scores with Stores within Stores 476

**Strategic Case 6** IKEA Makes the Most of Its Marketing Channels 477

## Part 7: Promotion Decisions 483

### Chapter 16: Integrated Marketing Communications 484

**Marketing Insights:** Microsoft Makes Fun of Itself and Generates a Better Image among Consumers 485

#### 16-1 The Nature of Integrated Marketing Communications 486

#### 16-2 Promotion and the Communication Process 487

**Emerging Trends:** Chevrolet Incites New Interest with an Old Idea 489

#### 16-3 The Role and Objectives of Promotion 490

- 16-3a Create Awareness 491
- 16-3b Stimulate Demand 491
- 16-3c Encourage Product Trial 492
- 16-3d Identify Prospects 492
- 16-3e Retain Loyal Customers 493
- 16-3f Facilitate Reseller Support 493
- 16-3g Combat Competitive Promotional Efforts 493
- 16-3h Reduce Sales Fluctuations 493

#### 16-4 The Promotion Mix 494

- 16-4a Advertising 494

- 16-4b Personal Selling 496

- 16-4c Public Relations 497

- 16-4d Sales Promotion 498

#### 16-5 Selecting Promotion Mix Factors 498

- 16-5a Promotional Resources, Objectives, and Policies 498

- 16-5b Characteristics of the Target Market 499

- 16-5c Characteristics of the Product 499

- 16-5d Costs and Availability of Promotional Methods 500

- 16-5e Push and Pull Channel Policies 501

#### 16-6 The Impact of Word-of-Mouth Communications on Promotion 502

#### 16-7 Product Placement as Promotion 504

**Entrepreneurship in Marketing:** B-Reel Enhances the Interaction of Products with Consumers 504

#### 16-8 Criticisms and Defenses of Promotion 505

- 16-8a Is Promotion Deceptive? 505

- 16-8b Does Promotion Increase Prices? 505

- Snapshot:** Consumer Trust in Promotion Types 506  
 16-8c Does Promotion Create Needs? 506  
 16-8d Does Promotion Encourage Materialism? 506  
 16-8e Does Promotion Help Customers without Costing Too Much? 506  
 16-8f Should Potentially Harmful Products Be Promoted? 507

*Summary 507*

*Developing Your Marketing Plan 508*

*Important Terms 509*

*Discussion and Review Questions 509*

**Video Case 16.1** *Frank Pepe's Pizzeria Napoletana Uses Positive Word of Mouth to Become a Premiere Pizzeria 509*

**Case 16.2** *L'Oréal's Integrated Marketing Communicates a Decades-Old Story 510*

## Chapter 17: Advertising and Public Relations 514

**Marketing Insights:** Long Live the Animated Animal Advertiser! 515

### 17-1 The Nature and Types of Advertising 516

### 17-2 Developing an Advertising Campaign 518

- 17-2a Identifying and Analyzing the Target Audience 519  
 17-2b Defining the Advertising Objectives 519

**Going Green:** The Truthfulness of the Word "Natural" in Advertising Claims 520

- 17-2c Creating the Advertising Platform 520  
 17-2d Determining the Advertising Appropriation 521  
 17-2e Developing the Media Plan 521

**Marketing Debate:** Pros and Cons of Mobile Advertising 523

- 17-2f Creating the Advertising Message 526  
 17-2g Copy 527

**Snapshot:** Ten Highest-Paid Broadcast Shows 527

- 17-2h Artwork 528  
 17-2i Executing the Campaign 528  
 17-2j Evaluating Advertising Effectiveness 529

### 17-3 Who Develops the Advertising Campaign? 530

### 17-4 Public Relations 531

### 17-5 Public Relations Tools 532

### 17-6 Evaluating Public Relations Effectiveness 534

- 17-6a Dealing with Unfavorable Public Relations 535

*Summary 536*

*Developing Your Marketing Plan 537*

*Important Terms 537*

*Discussion and Review Questions 537*

**Video Case 17.1** *Scripps Networks Interactive: An Expert at Connecting Advertisers with Programming 538*

**Case 17.2** *Greenwashing in Advertising Hurts Consumers and Companies 539*

## Chapter 18: Personal Selling and Sales Promotion 544

**Marketing Insights:** Airlines Adapt Frequent-Flyer Incentives 545

### 18-1 The Nature and Goals of Personal Selling 546

**Entrepreneurship in Marketing:** Tastefully Simple: From Gift Baskets to Multimillion-Dollar Gourmet Food Firm 547

### 18-2 Steps of the Personal Selling Process 548

- 18-2a Prospecting 548  
 18-2b Preapproach 550  
 18-2c Approach 550  
 18-2d Making the Presentation 550  
 18-2e Overcoming Objections 551  
 18-2f Closing the Sale 551  
 18-2g Following Up 551

### 18-3 Types of Salespeople 551

- 18-3a Order Getters 552  
 18-3b Order Takers 552  
 18-3c Support Personnel 553

### 18-4 Team Selling and Relationship Selling 553

- 18-4a Team Selling 554  
 18-4b Relationship Selling 554

**Emerging Trends:** Salesforce.com Helps Companies with Relationship Selling 555

### 18-5 Sales Force Management 556

- 18-5a Establishing Sales Force Objectives 556  
 18-5b Determining Sales Force Size 557  
 18-5c Recruiting and Selecting Salespeople 557

**Snapshot:** What's the Greatest Staffing Concern in the Next 12 Months? 558

- 18-5d Training Sales Personnel 558  
 18-5e Compensating Salespeople 559  
 18-5f Motivating Salespeople 561  
 18-5g Managing Sales Territories 562  
 18-5h Controlling and Evaluating Sales Force Performance 563

### 18-6 Sales Promotion 563

### 18-7 Consumer Sales Promotion Methods 564

- 18-7a Coupons 564  
 18-7b Cents-Off Offers 566  
 18-7c Money Refunds 566  
 18-7d Rebates 566  
 18-7e Frequent-User Incentives 567  
 18-7f Point-of-Purchase Materials and Demonstrations 567  
 18-7g Free Samples 568  
 18-7h Premiums 568  
 18-7i Consumer Contests 568  
 18-7j Consumer Games 569  
 18-7k Sweepstakes 569

### 18-8 Trade Sales Promotion Methods 570

- 18-8a Trade Allowances 570  
 18-8b Cooperative Advertising and Dealer Listings 570  
 18-8c Free Merchandise and Gifts 571  
 18-8d Premium Money 571  
 18-8e Sales Contest 571

*Summary 571*

*Developing Your Marketing Plan 573*

*Important Terms 573*



*Discussion and Review Questions 573*

**Video Case 18.1** *Niederlander Organization Rewards the Audience 574*

**Case 18.2** *Mistine Develops Successful Integrated Marketing Strategy 575*

**Strategic Case 7** *Indy Racing League (IRL) Focuses on Integrated Marketing Communications 576*

## Part 8: Pricing Decisions 581

### Chapter 19: Pricing Concepts 582

**Marketing Insights:** Electric Vehicle Price Wars Attempt to Spur Demand 583

#### 19-1 The Importance of Price in Marketing 584

#### 19-2 Price and Nonprice Competition 585

19-2a Price Competition 585

19-2b Nonprice Competition 586

**Snapshot:** Shopping Price versus Positive Experience 586

#### 19-3 Demand Curves and Price Elasticity 587

19-3a The Demand Curve 587

19-3b Demand Fluctuations 588

19-3c Assessing Price Elasticity of Demand 589

#### 19-4 Demand, Cost, and Profit Relationships 591

19-4a Marginal Analysis 591

19-4b Break-Even Analysis 594

#### 19-5 Factors That Affect Pricing Decisions 595

19-5a Organizational and Marketing Objectives 595

19-5b Types of Pricing Objectives 596

19-5c Costs 596

19-5d Other Marketing-Mix Variables 597

19-5e Channel Member Expectations 598

19-5f Customers' Interpretation and Response 598

**Emerging Trends:** Monitoring Driving Behaviors as a Means to Lower Insurance Prices 600

19-5g Competition 600

19-5h Legal and Regulatory Issues 601

**Marketing Debate:** MFN Clause: Scandal or Money Saver? 602

#### 19-6 Pricing for Business Markets 602

19-6a Price Discounting 603

19-6b Geographic Pricing 604

19-6c Transfer Pricing 605

*Summary 605*

*Developing Your Marketing Plan 607*

*Important Terms 607*

*Discussion and Review Questions 607*

**Video Case 19.1** *Pricing Renewable Energy Projects: Think Long-Term 608*

**Case 19.2** *Take You Out to the Ball Game? Let Me Check the Price First 608*

### Chapter 20: Setting Prices 612

**Marketing Insights:** Getting a Present Every Month through Subscription Pricing 613

#### 20-1 Development of Pricing Objectives 614

20-1a Survival 615

20-1b Profit 615

20-1c Return on Investment 615

20-1d Market Share 615

20-1e Cash Flow 616

20-1f Status Quo 616

**Emerging Trends:** Paying for the Fast Lane 616

20-1g Product Quality 617

#### 20-2 Assessment of the Target Market's Evaluation of Price 617

#### 20-3 Evaluation of Competitors' Prices 618

**Snapshot:** Percentage of Buyers Willing to Pay More for Eco-Friendly Products 618

#### 20-4 Selection of a Basis for Pricing 619

20-4a Cost-Based Pricing 620

20-4b Demand-Based Pricing 621

20-4c Competition-Based Pricing 622

#### 20-5 Selection of a Pricing Strategy 622

20-5a Differential Pricing 623

20-5b New-Product Pricing 624

20-5c Product-Line Pricing 625

20-5d Psychological Pricing 626

20-5e Professional Pricing 630

20-5f Promotional Pricing 630

**Entrepreneurship in Marketing:** Nick D'Aloisio, Teen Millionaire App-Genius 631

#### 20-6 Determination of a Specific Price 631

*Summary 632*

*Developing Your Marketing Plan 633*

*Important Terms 633*

*Discussion and Review Questions 634*

**Video Case 20.1** *Pricing at the Farmers' Market 634*

**Case 20.2** *Under Armour Uses Pricing in the Race for Market Share 635*

**Strategic Case 8** *Newspapers Test Pricing for Digital Editions 636*

**AVAILABLE ONLY ONLINE:****Appendix A: Financial Analysis in Marketing A-1****A-1 The Income Statement A-1**

- A-1a Performance Ratios A-5
- A-1b Operating Ratios A-5
- A-1c Inventory Turnover Rate A-5
- A-1d Return on Investment A-7

**A-2 Price Calculations A-7**

- A-2a Markups A-7
- A-2b Markdowns A-9

Discussion and Review Questions A-10

**Appendix B: Sample Marketing Plan B-1****I. Executive Summary B-1****II. Environmental Analysis B-1**

- A. The Marketing Environment B-1
- B. Target Market(s) B-2
- C. Current Marketing Objectives and Performance B-3

**III. Swot Analysis B-3**

- A. Strengths B-3
- B. Weaknesses B-3
- C. Opportunities B-4
- D. Threats B-4
- E. Matching Strengths to Opportunities/Converting Weaknesses and Threats B-4

**IV. Marketing Objectives B-5****V. Marketing Strategies B-5**

- A. Target Market(s) B-5
- B. Marketing Mix B-6

**VI. Marketing Implementation B-6**

- A. Marketing Organization B-6
- B. Activities, Responsibilities, and Timetables for Completion B-7

**VII. Performance Evaluation B-7**

- A. Performance Standards and Financial Controls B-7
- B. Measuring Actual Performance B-8

**Appendix C: Careers in Marketing C-1****C-1 Career Choices Are Major Life Choices C-1**

- C-1a Personal Factors Influencing Career Choices C-1

**C-2 Job Search Activities C-2****C-3 Planning and Preparation C-4****C-4 The Résumé C-4**

- C-4a The Job Interview C-6

**Snapshot:** Most Common Mistakes at Job Interviews C-6

- C-4b After the Interview C-7

- C-4c After the Hire C-7

**C-5 Types of Marketing Careers C-8**

- C-5a E-Marketing and Customer Relationship Management C-8
- C-5b Social Media Manager C-9
- C-5c Marketing Research C-9
- C-5d Sales C-10
- C-5e Industrial Buying C-11
- C-5f Public Relations C-12
- C-5g Distribution Management C-13
- C-5h Product Management C-13
- C-5i Advertising C-14
- C-5j Retail Management C-14
- C-5k Direct Marketing C-15

**Glossary 640**

**Name Index 652**

**Organization Index 654**

**Subject Index 662**



# preface



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## MARKETING IN A CHANGING ENVIRONMENT

The importance of marketing has continued to increase as dynamic changes in the environment evolve. As students prepare for careers in a globally competitive digital world, they will need to gain marketing knowledge that will prepare them to be successful. This new edition of *Pride and Ferrell Marketing* has been revised to engage students and provide the frameworks, concepts, and approaches to decision making that ensure comprehensive understanding of marketing. Our perspective goes beyond learning terminology and concepts to provide decision-making experiences for students through the use of cases, exercises, and debate issues. As students prepare for the new digital world, they also need practice in developing communication skills, especially effective teamwork.

*Pride and Ferrell Marketing* has been developed to make sure that students receive the most comprehensive overview of marketing available. This means that students using this book should develop respect for the importance of marketing and understand that learning marketing requires in-depth knowledge and the mastering of essential concepts. Therefore, key concepts like digital marketing and social networking, product concepts, integrated marketing communications, and social responsibility and ethics in marketing all are presented in stand-alone chapters. To make this edition more efficient, we have combined our coverage of branding and packaging with our discussion of fundamental product concepts in a single chapter titled “Product Concepts, Branding, and Packaging.”

We also provide numerous ancillary materials to aid in student comprehension of marketing concepts as well as for increasing instructor resources for teaching this important material. Online materials include quizzes, PowerPoint presentations, videos, and flashcards. Our marketing video case series enables students to learn how real-world companies address marketing challenges. Our Interactive Marketing Plan Worksheets and video program provide students with practical knowledge of the challenges and the planning process of launching a new product. Together these revisions and additional materials will assist students in gaining a full understanding of pertinent marketing practices.

Online social networking has become an increasingly powerful tool for marketers. Most discussions about marketing today bring up issues such as how digital media can lower costs, improve communications, provide better customer support, and achieve improved marketing research. All elements of the marketing mix should be considered when using digital media and social networking. We discuss how digital media and social networking tools can create effective digital marketing strategies that can enhance marketing efforts. In addition, the entire book integrates important digital marketing concepts and examples where appropriate.

We have paid careful attention to enhancing all key concepts in marketing and have built this revision to be current and to reflect important changes in marketing. Our book is a market leader because students find it readable and relevant. Our text reflects the real world of marketing and provides the most comprehensive coverage possible of important marketing topics.

Specific details of this extensive revision are available in the transition guide in the *Instructor’s Manual*. We have also made efforts to improve all teaching ancillaries and student

learning tools. PowerPoint presentations continue to be a very popular teaching device, and a special effort has been made to upgrade the PowerPoint program to enhance classroom teaching. The *Instructor's Manual* continues to be a valuable tool, updated with engaging in-class activities and projects. The authors and publisher have worked together to provide a comprehensive teaching package and ancillaries that are unsurpassed in the marketplace.

The authors have maintained a hands-on approach to teaching this material and revising the text and its ancillaries. This results in an integrated teaching package and approach that is accurate, sound, and successful in reaching students. The outcome of this involvement fosters trust and confidence in the teaching package and in student learning outcomes. Student feedback regarding this textbook is highly favorable.

## WHAT'S NEW TO THIS EDITION?

Our goal is to provide the most up-to-date content, including concepts, examples, cases, exercises, and data, possible. Therefore, in this revision there are significant changes that make learning more engaging and interesting to the students. The following highlight the types of changes that were made in this revision.

- **Foundational content.** Each chapter has been updated with the latest knowledge available related to frameworks, concepts, and academic research. These additions have been seamlessly integrated into the text. Many examples are new and a review of footnotes at the ends of chapters will reveal where new content has been added. Many of the new examples and content changes have been updated to 2014.
- **Opening vignettes: *Marketing Insights*.** All of the chapter-opening vignettes are new or updated. They are written to introduce the theme of each chapter by focusing on actual entrepreneurial companies and how they deal with real-world situations.
- **Boxed features.** Each chapter includes two new or updated boxed features that highlight green marketing, marketing entrepreneurs, emerging trends in marketing, or controversial issues in marketing. The majority of the boxed features are new to this edition; a few have been significantly updated and revised to fit the themes of this edition.

MARKETING INSIGHTS

Publix Provides the Full Service Experience

Publix Super Markets, established in Florida over 83 years ago, is a customer-centered supermarket with stores in five states. The chain has grown to be the seventh-largest private company and the most profitable grocery chain in the United States. How did it achieve such success? It focused on exceptional customer service, high-quality products, and competitive prices. When George Jenkins founded Publix, he wanted to ensure his employees felt valued, so he offered them a stake in the company. Today, Publix is the largest employee-owned company in the United States. It has made *Fortune's* "100 Best Companies to Work For" every year.

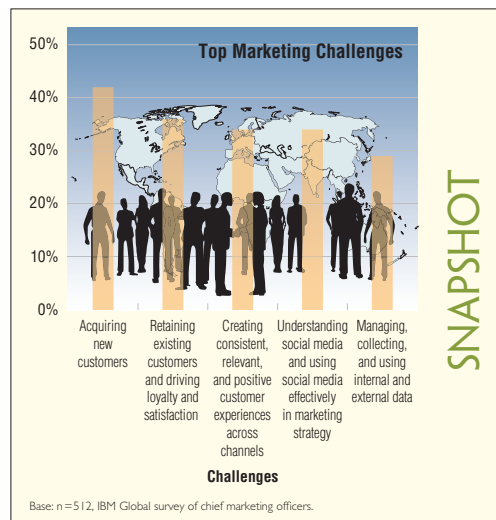
Valued employees translate into satisfied customers. Publix checks out two customers per line to decrease wait times. Managers can't be complacent and quickly direct customers to the items they need. This is part of what Publix calls its "full service experience for customers."

When Walmart opened stores in Florida, Publix responded with strong strategic marketing and expansion plans. Walmart operates on the value of low prices, while Publix emphasizes helpful, friendly, and motivated staff who keep the stores clean, organized, and stocked. Publix offers weekly Buy One Get One Free promotions, which some customers argue beat Walmart on value. Publix is always looking for ways to improve the customer experience. This has allowed it to keep the majority of its market share in Florida even as Walmart grows in the state. It achieves this by listening to customer feedback. For example, as a response to customer feedback, Publix has

and quickly direct customers to the items they need. This is part of what Publix calls its "full service experience for customers."

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- **New Snapshot features.** The Snapshot features are new and engage students by highlighting interesting, up-to-date statistics that link marketing theory to the real world.
- **New research.** Throughout the text we have updated content with the most recent research that supports the frameworks and best practices for marketing.



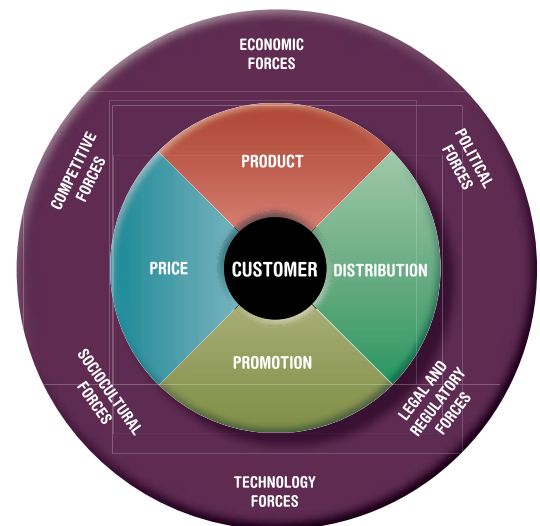
Source: Chris Wright and Derek Franks, *Global Summit 2013*, May 21–23, 2013, <http://public.dhe.ibm.com/common/ssi/ecm/en/zzi03043usen/ZZL03043USEN.PDF> (accessed October 24, 2013).

- **New illustrations and examples.** New advertisements from well-known firms are employed to illustrate chapter topics. Experiences of real-world companies are used to exemplify marketing concepts and strategies throughout the text. Most examples are new or updated to include digital marketing concepts as well as several new sustainable marketing illustrations.
- **End-of-chapter cases.** Each chapter contains two cases, including a video case, profiling firms to illustrate concrete application of marketing strategies and concepts. Many of our video cases are new to this edition and are supported by current and engaging videos.

## FEATURES OF THE BOOK

As with previous editions, this edition of the text provides a comprehensive and practical introduction to marketing that is both easy to teach and to learn. *Marketing* continues to be one of the most widely adopted introductory textbooks in the world. We appreciate the confidence that adopters have placed in our textbook and continue to work hard to make sure that, as in previous editions, this edition keeps pace with changes. The entire text is structured to excite students about the subject and to help them learn completely and efficiently.

- An *organizational model* at the beginning of each part provides a “road map” of the text and a visual tool for understanding the connections among various components.
- *Objectives* at the start of each chapter present concrete expectations about what students are to learn as they read the chapter.
- Every chapter begins with an *opening vignette*. This feature provides an example of the real world of marketing that relates to the topic covered in the chapter. After reading the vignette, the student should be motivated to want to learn more about concepts and strategies that relate to the varying topics. Students will learn about topics such as international supply chain issues, content marketing, frequent-flier promotions, and price wars. Students will also be introduced to such companies as Shutterfly, H.Bloom, Uniqlo, and Goya Foods.
- Boxed features—*Emerging Trends in Marketing* and *Going Green*—capture dynamic changes in marketing. These changes are influencing marketing strategies and customer behavior. Strong feedback from adopters indicated the need for coverage in these areas.



### EMERGING TRENDS

#### Pinterest Provides New Methods for Marketing Research

The pinboard photo-sharing site Pinterest offers a less costly alternative for gathering market research. The social network has appealed to many marketers since its debut, but as its user base grows, businesses are learning how to use Pinterest pages to understand customers. Retailers pin images of their products to their pages and monitor engagement with these images by tracking follower comments, likes, and the number of times their images have been “repined.” Pinterest’s new feature, called “Rich Pins,” encourages consumers themselves to market the product, allowing them to make more specific comments about products such as unique features or pricing. Marketers can also develop

different boards of images to target different customer segments.

Nordstrom uses information gleaned from Pinterest to manage its inventory. If a product is getting a lot of attention on Pinterest, Nordstrom makes sure it is in stock. Lowe’s also monitors its boards for buyer information. The use of Pinterest in marketing is different from other social networking sites because it is focused primarily around products. One in five Pinterest users buys products after pinning or liking them. Marketers should not overlook this opportunity to use the Pinterest platform as an inexpensive source of collecting primary data on consumer preferences.<sup>3</sup>

- The *Emerging Trends* boxes cover such marketing phenomena as limited-time fast-food products, the revival of barber shops, pet-friendly hotels, and business apps. Featured companies include Ticketmaster, Pinterest, Starbucks, and Salesforce.com.

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**GOING GREEN**

**Marketing for the Car-Sharing Business Model: "Share It" Social Media!**

Zipcar, the innovative and environmentally friendly solution to car ownership and rental cars, has continued to propel and expand its business model of car sharing. Zipcar is a U.S. membership-based company that allows members to reserve vehicles located across the United States, Spain, Canada, or the United Kingdom. To join, users register online and receive a Zipcard, or electronic key, in the mail. Members are then eligible to reserve a car for an allotted time, by the day or by the hour, and are provided the flexibility and convenience of using any car. Although the company has experienced growth and an increase in memberships over the years (more than 76% in 2013 since 2009), developing a consistently effective marketing concept for this type of business has proven a challenge. The car-sharing business model relies heavily on positive word-of-mouth promotion. In order to leverage this, Zipcar has taken to social media and encourages members to share photos and comments about their experiences with car sharing to effectively communicate the value of the business. This type of marketing also lends a sense of authenticity to the brand that the company could not have achieved without the help of its customers. In 2013, Zipcar was acquired by car rental giant Avis for \$500 million. Now a subsidiary of Avis, Zipcar remains a popular alternative for business travelers and college students.

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- The *Going Green* boxes introduce students to such topics as plant-based packaging, eco-friendly initiatives at Mall of America, and the use of the word “natural” in advertising. Featured companies include ZipCar, Unilever, Google, SodaStream, and Rodale.
- There are also two types of mini-features found in the text: *Marketing Debate* and *Entrepreneurship in Marketing*.

- The *Marketing Debate* marginal feature discusses controversial issues related to marketing, such as the marketing of free toys in fast food, privacy issues in tracking product returns, child-free seating areas on airliners, marketing on Twitter, marketing of caffeine-enriched foods, the pros and cons of mobile advertising, and the ethics of using MFN clauses.

**MARKETING DEBATE**

**Privacy Issues in Tracking Product Returns**

**ISSUE: Is it acceptable to collect data on customer product returns?**

Retailers have begun compiling return profiles on customers to reduce product return fraud, estimated to cost retailers approximately \$8.9 billion annually. Return fraud occurs when customers buy items with the purpose of returning them. It can also involve returning stolen items and switching a lower price tag for a higher one. When a customer brings in an item for a return, the retailer generally asks for the person's identification card. Most think their identity is being confirmed, but some stores use their marketing information system to create a database on the consumer. Although only 1 percent of return profiles are suspicious, honest consumers are also getting their return merchandise history tracked. This could be viewed as a privacy issue. Consumer privacy related to transactions is a major marketing ethics issue, especially when this data could be provided to outside organizations.

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**ENTREPRENEURSHIP IN MARKETING**

**Two Moms Go from Zero to \$70 Million in 7 Years!**

**Founders:** Kristin Groose Richmond and Kirsten Saenz Tobey  
**Business:** Revolution Foods  
**Founded:** 2006  
**Success:** Company grew from a start-up to \$70 million in annual sales in only seven years.

Two entrepreneurial moms started Revolution Foods with the idea of cooking up nutritious meals that students would gobble up. Kristin Groose Richmond and Kirsten Saenz Tobey met at the University of California-Berkeley's Haas School of Business, and their shared interest in healthy foods for children led them to team up at Revolution Foods. Given growing concerns about childhood obesity and the drive to instill healthy eating habits from an early age, they knew parents and school officials would welcome new options for school breakfasts and lunches if the price was right. Revolution Foods proved itself by researching what children like to eat, creating affordable menus featuring foods from local sources, testing the meals in local schools, and continually refining the menus and prices over time. After winning big customers like the San Francisco Unified School District, the firm now serves more than 1 million meals every week. Building on its success, Revolution Foods is branching out into the consumer market with prepackaged meals sold in supermarkets nationwide.

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- The *Entrepreneurship in Marketing* feature focuses on the role of entrepreneurship and the need for creativity in developing successful marketing strategies by featuring successful entrepreneurial companies like Revolution Foods, Xiaomi, Simple, Van Leeuwen Artisan Ice Cream, Lonesome Pine Used Book Store, and B-Reel.
- *Key term definitions* appear in the margins to help students build their marketing vocabulary.

- Figures, tables, photographs, advertisements, and Snapshot features increase comprehension and stimulate interest.
- A complete *chapter summary* reviews the major topics discussed, and the list of important terms provides another end-of-chapter study aid to expand students' marketing vocabulary.
- *Developing Your Marketing Plan* ties the chapter concepts into an overall marketing plan that can be created by completing the Interactive Marketing Plan activity found at [www.cengagebrain.com](http://www.cengagebrain.com). The *Developing Your Marketing Plan* feature allows students to explore each chapter topic in relation to developing and implementing a marketing campaign.
- *Discussion and review questions* at the end of each chapter encourage further study and exploration of chapter content.
- Two *cases* at the end of each chapter help students understand the application of chapter concepts. One of the end-of-chapter cases is related to a video segment. Some examples of companies highlighted in the cases are Axe, Taza, The Food Network, L'Oréal, and Wyndham.

- A *strategic case* at the end of each part helps students integrate the diverse concepts that have been discussed within the related chapters. Examples include Eaton, REI, Apple Inc., and Chevrolet.
- *Appendixes* discuss marketing career opportunities, explore financial analysis in marketing, and present a sample marketing plan.
- A comprehensive *glossary* defines more than 625 important marketing terms.

## TEXT ORGANIZATION

We have organized the eight parts of *Marketing* to give students a theoretical and practical understanding of marketing decision making.

### **Part 1 Marketing Strategy and Customer Relationships**

In **Chapter 1**, we define marketing and explore several key concepts: customers and target markets, the marketing mix, relationship marketing, the marketing concept, and value-driven marketing. In **Chapter 2**, we look at an overview of strategic marketing topics, such as the strategic planning process; corporate, business-unit, and marketing strategies; the implementation of marketing strategies; performance evaluation of marketing strategies; and the components of the marketing plan.

### **Part 2 Environmental Forces and Social and Ethical Responsibilities**

We examine competitive, economic, political, legal and regulatory, technological, and sociocultural forces that can have profound effects on marketing strategies in **Chapter 3**. In **Chapter 4**, we explore social responsibility and ethical issues in marketing decisions.

### **Part 3 Marketing Research and Target Market Analysis**

In **Chapter 5**, we provide a foundation for analyzing buyers with a look at marketing information systems and the basic steps in the marketing research process. We look at elements that affect buying decisions to better analyze customers' needs and evaluate how specific marketing strategies can satisfy those needs. In **Chapter 6**, we deal with how to select and analyze target markets—one of the major steps in marketing strategy development.

### **Part 4 Buying Behavior, Global Marketing, and Digital Marketing**

We examine consumer buying decision processes and factors that influence buying decisions in **Chapter 7**. In **Chapter 8**, we explore business markets, business customers, the buying center, and the business buying decision process. **Chapter 9** focuses on the actions, involvement, and strategies of marketers that serve international customers. In **Chapter 10**, we discuss digital marketing, social media, and social networking.

### **Part 5 Product Decisions**

In **Chapter 11**, we introduce basic concepts and relationships that must be understood to make effective product decisions. Also, we discuss a number of dimensions associated with branding and packaging. We analyze a variety of topics regarding product management in **Chapter 12**, including line extensions and product modification, new-product development, and product deletions. **Chapter 13** discusses services marketing.

### **Part 6 Distribution Decisions**

In **Chapter 14**, we look at supply-chain management, marketing channels, and the decisions and activities associated with the physical distribution of products, such as order processing, materials handling, warehousing, inventory management, and transportation. **Chapter 15** explores retailing and wholesaling, including types of retailers and wholesalers, direct marketing and selling, and strategic retailing issues.



**Part 7 Promotion Decisions**

We discuss integrated marketing communications in **Chapter 16**. The communication process and major promotional methods that can be included in promotion mixes are described. In **Chapter 17**, we analyze the major steps in developing an advertising campaign. We also define public relations and how it can be used. **Chapter 18** deals with personal selling and the role it can play in a firm's promotional efforts. We also explore the general characteristics of sales promotion and describe sales promotion techniques.

**Part 8 Pricing Decisions**

In **Chapter 19**, we discuss the importance of price and look at some characteristics of price and nonprice competition. We explore fundamental concepts like demand, elasticity, marginal analysis, and break-even analysis. We then examine the major factors that affect marketers' pricing decisions. In **Chapter 20**, we look at the six major stages of the process marketers use to establish prices.

## A COMPREHENSIVE INSTRUCTIONAL RESOURCE PACKAGE

For instructors, this edition of *Marketing* includes an exceptionally comprehensive package of teaching materials.

### Instructor's Manual

The *Instructor's Manual* has been revamped to meet the needs of an engaging classroom environment. It has been updated with diverse and dynamic discussion starters, classroom activities, and group exercises. It includes such tools as:

- Quick Reference Guide
- Purpose Statement
- Integrated Lecture Outline
- Discussion Starter recommendations that encourage active exploration of the in-text examples
- Class Exercises and Semester Project Activities
- Suggested Answers to end-of-chapter exercises, cases, and strategic cases
- Guide to teaching Role-Play Team Exercises

### Test Bank

The test bank provides more than 4,000 test items, including true/false, multiple-choice, and essay questions. Each objective test item is accompanied by the correct answer, appropriate Learning Objective, level of difficulty, Bloom's level of thinking, Program Interdisciplinary Learning Outcomes, and Marketing Disciplinary Learning Outcomes. Cengage Learning Testing powered by Cognero is a flexible, online system that allows you to:

- Author, edit, and manage test bank content from multiple Cengage Learning solutions
- Create multiple test versions in an instant
- Deliver tests from your LMS, your classroom, or wherever you want

### American Marketing Association Professional Certified Marketer®

The American Marketing Association has recently started offering marketing graduates the opportunity of adding the AMA PCM® credentials to their undergraduate or MBA degree,

which can serve as a symbol of professional excellence that affirms mastery of marketing knowledge and commitment to quality in the practice of marketing. Certification, which is voluntary, requires passing a rigorous and comprehensive exam and then maintaining your certification through continuing education. Earning your AMA PCM certification demonstrates to employers, peers, and clients that you:

- Have mastered essential marketing knowledge and practices
- Go the extra mile to stay current in the marketing field
- Follow the highest professional standards

The AMA recommends Pride and Ferrell *Marketing* as a suggested resource for AMA PCM students to utilize as they prepare for taking the AMA PCM Certification exam, and the text was used as a source to design the course and as a source for suitable examination questions. Now, more than ever, you need to stand out in the marketplace. AMA's Professional Certified Marketer (PCM®) program is the perfect way to showcase your expertise and set yourself apart.

To learn more about the American Marketing Association and the AMA PCM exam, visit [www.marketingpower.com/Careers/Pages/ProfessionalCertifiedMarketer.aspx](http://www.marketingpower.com/Careers/Pages/ProfessionalCertifiedMarketer.aspx)

## PowerPoint Slides

PowerPoint continues to be a very popular teaching device, and a special effort has been made to upgrade the PowerPoint program to enhance classroom teaching. Premium lecture slides, containing such content as advertisements, and unique graphs and data, have been created to provide instructors with up-to-date, unique content to increase student application and interest.



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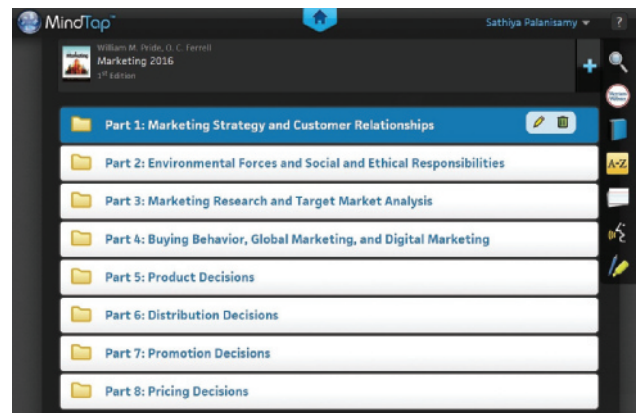
## Marketing Video Case Series

This series contains videos specifically tied to the video cases found at the end of the book. The videos include information about exciting companies, such as New Belgium Brewing, TOMS Shoes, Starbucks, Dale Carnegie, and The Food Network.

## MindTap for *Marketing*, 18e

MindTap is a personalized teaching experience with relevant assignments that guide students to analyze, apply, and improve thinking, allowing you to measure skills and outcomes with ease.

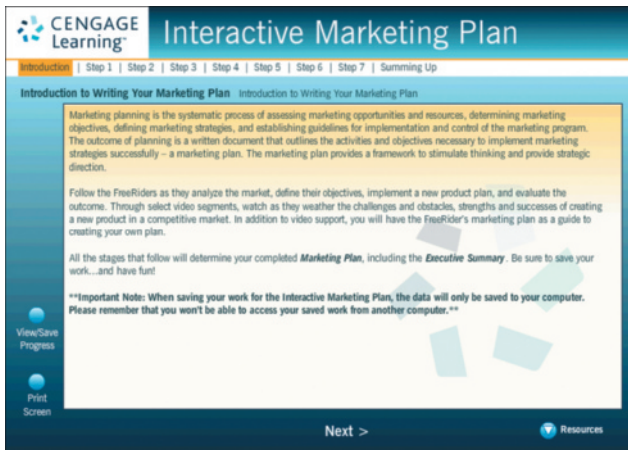
- **Personalized Teaching:** Becomes yours with a learning path that is built with key student objectives. Control what students see and when they see it. Use it as-is or match to your syllabus exactly—hide, rearrange, add, and create your own content.
- **Guide Students:** A unique learning path of relevant readings, multimedia, and activities that move students up the learning taxonomy from basic knowledge and comprehension to analysis and application.
- **Promote Better Outcomes:** Empower instructors and motivate students with analytics and reports that provide a snapshot of class progress, time in course, and engagement and completion rates.



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## Author's Website

The authors also maintain a website at <http://prideferrell.net> to provide video resources that can be used as supplements and class exercises. The videos have been developed as marketing labs with worksheets for students to use on observing the videos. Some of the videos are accessible through links, and there is also information on where some of the videos can be obtained.



## Interactive Marketing Plan

The Marketing Plan Worksheets have been revamped and reproduced within an interactive and multimedia environment. A video program has been developed around the worksheets, allowing students to follow a company through the trials and tribulations of launching a new product. This video helps place the conceptual marketing plan into an applicable light and is supported by a summary of the specific stages of the marketing plan as well as a sample plan based on the events of the video. These elements act as the 1-2-3 punch supporting the student while completing his or her own plan, the last step of the Interactive Marketing Plan. The plan is broken into three functional sections that can either be completed in one simple project or carried over throughout the semester.

## SUPPLEMENTS TO MEET STUDENT NEEDS

The complete package available with *Marketing* includes support materials that facilitate student learning. To access additional course materials, please visit [www.cengagebrain.com](http://www.cengagebrain.com). At the CengageBrain.com home page, search for the ISBN of your textbook (from the back cover of your book) using the search box at the top of the page. This will take you to the product page, where the following resources can be found:

- Interactive teaching and learning tools, including:
  - Full-color e-book—Allows you to highlight and search for key terms
  - Quizzes
  - Flashcards
  - Videos
  - An Interactive Marketing Plan
  - And more!



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## YOUR COMMENTS AND SUGGESTIONS ARE VALUED

As authors, our major focus has been on teaching and preparing learning materials for introductory marketing students. We have traveled extensively to work with students and to understand the needs of professors of introductory marketing courses. We both teach this marketing

course on a regular basis and test the materials included in the book, test bank, and other ancillary materials to make sure they are effective in the classroom.

Through the years, professors and students have sent us many helpful suggestions for improving the text and ancillary components. We invite your comments, questions, and criticisms. We want to do our best to provide materials that enhance the teaching and learning of marketing concepts and strategies. Your suggestions will be sincerely appreciated. Please write us, or e-mail us at [w-pride@tamu.edu](mailto:w-pride@tamu.edu) or [OFerrell@unm.edu](mailto:OFerrell@unm.edu), or call 979-845-5857 (Bill Pride) or 505-277-3468 (O. C. Ferrell).

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**William M. Pride** is Professor of Marketing, Mays Business School, at Texas A&M University. He received his PhD from Louisiana State University. In addition to this text, he is the co-author of Cengage Learning's *Business* text, a market leader. Dr. Pride teaches principles of marketing at both undergraduate and graduate levels and constantly solicits student feedback important to revising a principles of marketing text.

Dr. Pride's research interests are in advertising, promotion, and distribution channels. His research articles have appeared in major journals in the fields of marketing, such as the *Journal of Marketing*, the *Journal of Marketing Research*, the *Journal of the Academy of Marketing Science*, and the *Journal of Advertising*.

Dr. Pride is a member of the American Marketing Association, Academy of Marketing Science, Society for Marketing Advances, and the Marketing Management Association. He has received the Marketing Fellow Award from the Society for Marketing Advances and the Marketing Innovation Award from the Marketing Management Association. Both of these are lifetime achievement awards.

**O. C. Ferrell** is University Distinguished Professor of Marketing and Bill Daniels Professor of Business Ethics, Anderson School of Management, University of New Mexico. He has also been on the faculties of the University of Wyoming, Colorado State University, University of Memphis, Texas A&M University, Illinois State University, and Southern Illinois University. He received his PhD in marketing from Louisiana State University.

He is past president of the Academic Council of the American Marketing Association and chaired the American Marketing Association Ethics Committee. Under his leadership, the committee developed the AMA Code of Ethics and the AMA Code of Ethics for Marketing on the Internet. He is currently a member of the advisory committee for the AMA marketing certification program. In addition, he is a former member of the Academy of Marketing Science Board of Governors and is a Society of Marketing Advances and Southwestern Marketing Association Fellow and an Academy of Marketing Science Distinguished Fellow. He is the Academy of Marketing Science's vice president of publications. In 2010, he received a Lifetime Achievement Award from the Macromarketing Society and a special award for service to doctoral students from the Southeast Doctoral Consortium. In 2014, Dr. Ferrell received the Cutco Vector Distinguished Marketing Educator Award from the Academy of Marketing Science.

Dr. Ferrell is the co-author of 20 books and more than 100 published articles and papers. His articles have been published in the *Journal of Marketing Research*, the *Journal of Marketing*, the *Journal of Business Ethics*, the *Journal of Business Research*, the *Journal of the Academy of Marketing Science*, and the *Journal of Public Policy & Marketing*, as well as other journals.

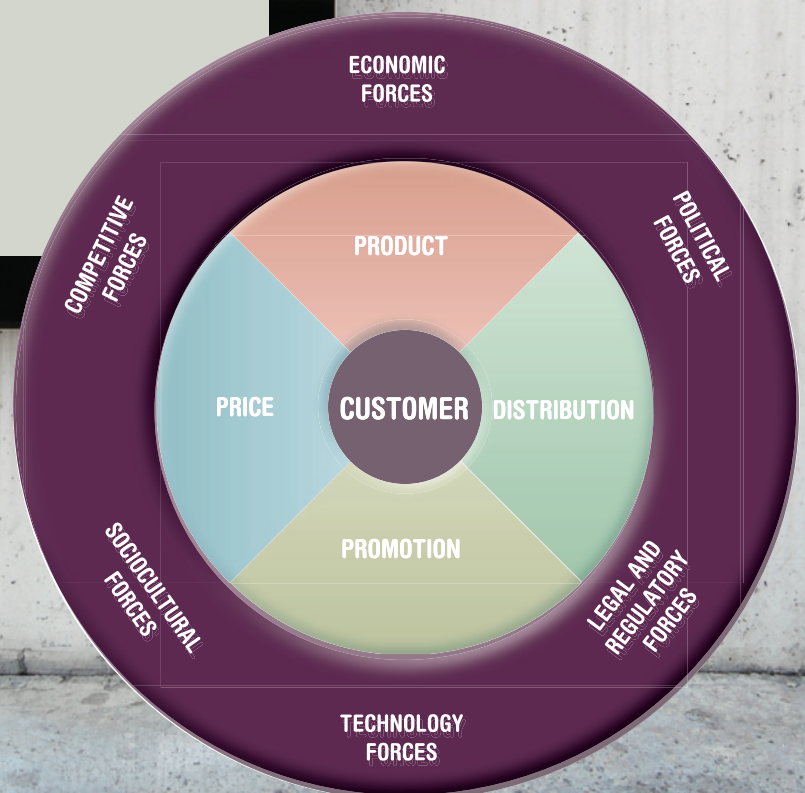


# Marketing Strategy and Customer Relationships

**PART 1** introduces the field of marketing and offers a broad perspective from which to explore and analyze various components of the marketing discipline. **CHAPTER 1** defines *marketing* and explores some key concepts, including customers and target markets, the marketing mix, relationship marketing, the marketing concept, and value. **CHAPTER 2** provides an overview of strategic marketing issues, such as the effect of organizational resources and opportunities on the planning process; the role of the mission statement; corporate, business-unit, and marketing strategies; and the creation of the marketing plan.

## part 1

- 1: An Overview of Strategic Marketing
- 2: Planning, Implementing, and Evaluating Marketing Strategies





# chapter 1

## An Overview of Strategic Marketing

### OBJECTIVES

- 1-1 Define *marketing*.
- 1-2 Explain the different variables of the marketing mix.
- 1-3 Describe how marketing creates value.
- 1-4 Briefly describe the marketing environment.
- 1-5 Summarize the marketing concept.
- 1-6 Identify the importance of building customer relationships.
- 1-7 Explain why marketing is important to our global economy.

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## MARKETING INSIGHTS

### Publix Provides the Full Service Experience

Publix Super Markets, established in Florida over 83 years ago, is a customer-centered supermarket with stores in five states. The chain has grown to be the seventh-largest private company and the most profitable grocery chain in the United States. How did it achieve such success? It focused on exceptional customer service, high-quality products, and competitive prices. When George Jenkins founded Publix, he wanted to ensure his employees felt valued, so he offered them a stake in the company. Today, Publix is the largest employee-owned company in the United States. It has made *Fortune's* "100 Best Companies to Work For" every year.

Valued employees translate into satisfied customers. Publix checks out two customers per line to decrease wait times, and baggers carry the customers' bags to their vehicles. Employees are highly trained to answer questions

and quickly direct customers to the items they need. This is part of what Publix calls its "full service experience for customers."

When Walmart opened stores in Florida, Publix responded with strong strategic marketing and expansion plans. Walmart operates on the value of low prices, while Publix emphasizes helpful, friendly, and motivated staff who keep the stores clean, organized, and stocked. Publix offers weekly Buy One Get One Free promotions, which some customers argue beat Walmart on value. Publix is always looking for ways to improve the customer experience. This has allowed it to keep the majority of its market share in Florida even as Walmart grows in the state. It achieves this by listening to customer feedback. For example, as a response to customer feedback, Publix began offering an online deli ordering service to shorten wait times at the counter.<sup>1</sup>

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Like all organizations, Publix attempts to provide products that customers want, communicate useful information about them to excite interest, price them appropriately, and make them available when and where customers want to buy them. Even if an organization does all these things well, however, competition from marketers of similar products, economic conditions, and other factors can impact the company's success. Such factors influence the decisions that all organizations must make in strategic marketing.

This chapter introduces the strategic marketing concepts and decisions covered throughout the text. First, we develop a definition of *marketing* and explore each element of the definition in detail. Next, we explore the importance of value-driven marketing. We also introduce the marketing concept and consider several issues associated with its implementation. Additionally, we take a look at the management of customer relationships and relationship marketing. Finally, we examine the importance of marketing in global society.

**marketing** The process of creating, distributing, promoting, and pricing goods, services, and ideas to facilitate satisfying exchange relationships with customers and to develop and maintain favorable relationships with stakeholders in a dynamic environment

**customers** The purchasers of organizations' products; the focal point of all marketing activities

## 1-1 DEFINING MARKETING

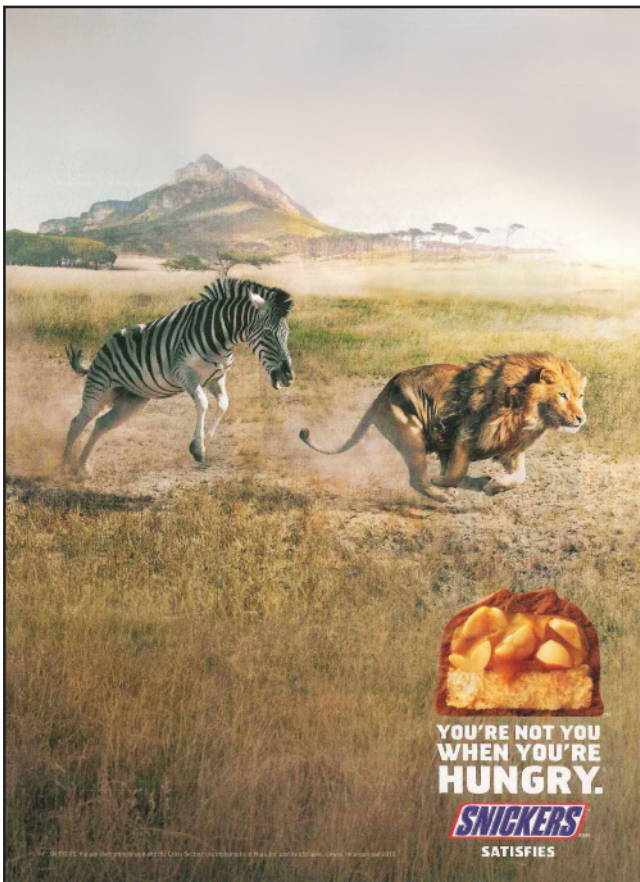
If you ask several people what *marketing* is, you are likely to hear a variety of descriptions. Although many people think marketing is advertising or selling, marketing is much more complex than most people realize. In this book we define **marketing** as the process of creating, distributing, promoting, and pricing goods, services, and ideas to facilitate satisfying

exchange relationships with customers and to develop and maintain favorable relationships with stakeholders in a dynamic environment. Our definition is consistent with that of the American Marketing Association (AMA), which 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.”<sup>2</sup>

### 1-1a Marketing Focuses on Customers

As the purchasers of the products that organizations develop, price, distribute, and promote, **customers** are the focal point of all marketing activities (see Figure 1.1). Organizations have to define their products not as what the companies make or produce but as what they do to satisfy customers. Snickers creates products that satisfy consumer needs. The advertisement shows a zebra chasing a lion to demonstrate that Snickers bars are desirable because of their taste and ability to eliminate hunger.

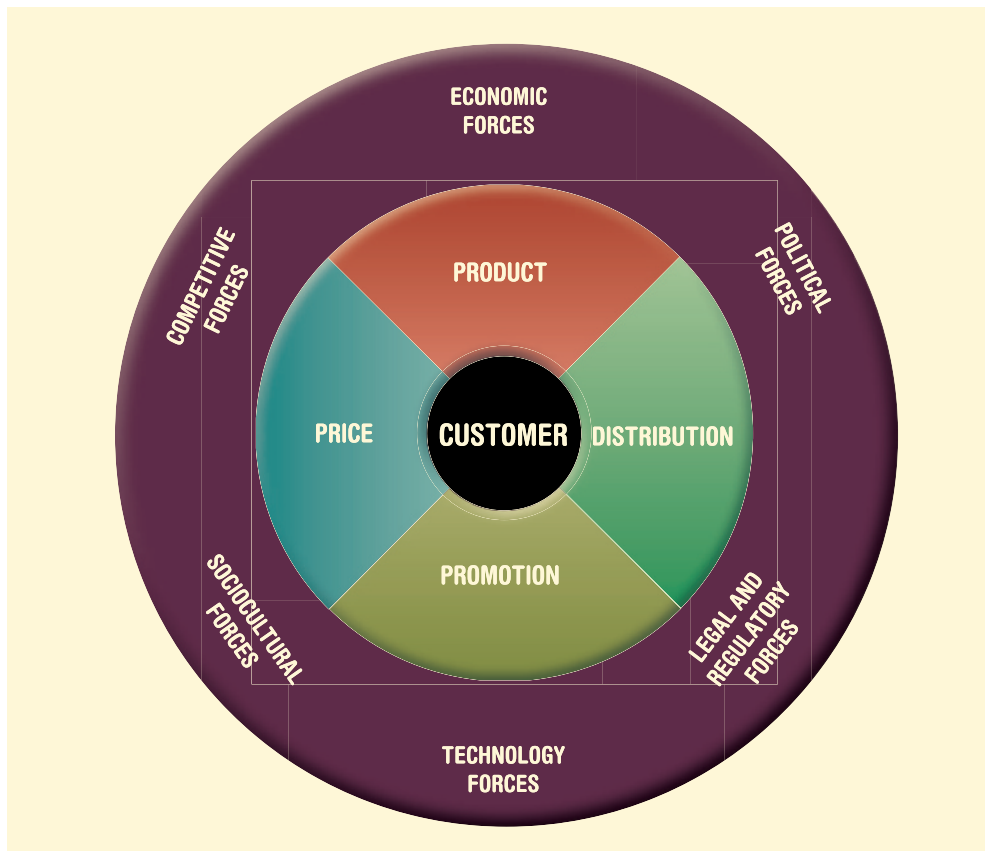
The essence of marketing is to develop satisfying exchanges from which both customers and marketers benefit. The customer expects to gain a reward or benefit greater than the costs incurred in a marketing transaction. The marketer expects to gain something of value in return, generally the price charged for the product. Through buyer–seller interaction, a customer develops expectations about the seller's future behavior. To fulfill these expectations, the marketer



#### Appealing to Target Markets

Snickers are highly desired and hunger-satisfying candy bars.

Figure 1.1 Components of Strategic Marketing



must deliver on promises made. Over time, this interaction results in relationships between the two parties. Fast-food restaurants such as Taco Bell and Subway depend on repeat purchases from satisfied customers—many often live or work a few miles from these restaurants—whereas customer expectations revolve around tasty food, value, and dependable service.

Organizations generally focus their marketing efforts on a specific group of customers, called a **target market**. Marketing managers may define a target market as a vast number of people or a relatively small group. For instance, marketers are increasingly interested in Hispanic consumers. Within the last decade, Hispanics made up more than half of the population gains in the United States. As a result, marketers are developing new ways to reach this demographic. For instance, magazines including *Hearst*, *Conde Nast*, and *Time* have begun increasing inserts and content for Hispanic populations. Although the magazines are still written in English, they contain specific references and themes that appeal to Hispanics.<sup>3</sup> Often companies target multiple markets with different products, promotions, prices, and distribution systems for each one. Vans shoes targets a fairly narrow market segment, especially compared to more diverse athletic shoe companies such as Nike and Reebok. Vans targets skateboarders and snowboarders between the ages of 10 and 24, whereas Nike and Reebok target most sports, age ranges, genders, and price points.<sup>4</sup>

**target market** A specific group of customers on whom an organization focuses its marketing efforts



## EMERGING TRENDS

### Starbucks: Transforming into a Health-Conscious Brand

With the acquisition of Evolution Fresh, a juice bar brand, Starbucks is initiating its long-term strategic plan to transform the Starbucks brand into a healthy snack and meal alternative. In offering these juices and smoothies and listing calorie counts on menus, Starbucks is striving to operate in a responsible manner and is encouraging consumers to be responsible when making purchases. Its most recent endeavor is a strategic alliance with Danone, a French yogurt producer, to create a Greek yogurt for its Evolution Fresh brand. The extension of the Evolution Fresh brand is not only a smart business move into the emerging yogurt market but also communicates that

Starbucks cares about the quality of food that consumers are eating.

In recent years, Starbucks has become more than just a quick stop for morning coffee. Consumers are spending more time in the afternoons and evenings buying and eating snacks served by the coffee maker. They have also been purchasing Starbucks products in grocery stores, and the Evolution Fresh Greek yogurt will be sold in both locations. CEO Howard Shultz recognizes that consumers find value in these healthy options and continues to find new ways to incorporate this value into the Starbucks brand.<sup>a</sup>

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## 1-2 MARKETING DEALS WITH PRODUCTS, DISTRIBUTION, PROMOTION, AND PRICE

Marketing is more than simply advertising or selling a product; it involves developing and managing a product that will satisfy customer needs. It focuses on making the product available in the right place and at a price acceptable to buyers. It also requires communicating information that helps customers determine whether the product will satisfy their needs. These activities are planned, organized, implemented, and controlled to meet the needs of customers within the target market. Marketers refer to these activities—product, pricing, distribution, and promotion—as the **marketing mix** because they decide what type of each element to use and in what amounts. Marketing creates value through the marketing mix. A primary goal of a marketing manager is to create and maintain the right mix of these elements to satisfy customers' needs for a general product type. Note in Figure 1.1 that the marketing mix is built around the customer.

Marketing managers strive to develop a marketing mix that matches the needs of customers in the target market. Zumiez targets teenage girls and boys with snowboarding and skateboarding clothes. Products are made available in shopping malls (distribution) at competitive prices, supported by promotional activities. Marketing managers must constantly monitor the competition and adapt their product, pricing, promotion, and distribution decisions to create long-term success.

Before marketers can develop a marketing mix, they must collect in-depth, up-to-date information about customer needs. Such information might include data about the age, income, ethnicity, gender, and educational level of people in the target market, their preferences for product features, their attitudes toward competitors' products, and the frequency with which they use the product. Zumiez has to closely monitor trends to adjust its marketing mix to provide constant fashion changes. Armed with market information, marketing managers are better able to develop a marketing mix that satisfies a specific target market.

Let's look more closely at the decisions and activities related to each marketing mix variable.

**marketing mix** Four marketing activities—product, pricing, distribution, and promotion—that a firm can control to meet the needs of customers within its target market

## 1-2a The Product Variable

Successful marketing efforts result in products that become part of everyday life. Consider the satisfaction customers have had over the years from Coca-Cola, Levi's jeans, Visa credit cards, Tylenol pain relievers, and 3M Post-it Notes. The product variable of the marketing mix deals with researching customers' needs and wants and designing a product that satisfies them. A **product** can be a good, a service, or an idea. A good is a physical entity you can touch. Oakley sunglasses, Seven for All Mankind jeans, and Axe body spray are all examples of products. A service is the application of human and mechanical efforts to people or objects to provide intangible benefits to customers. Air travel, education, haircutting, banking, medical care, and day care are examples of services. Ideas include concepts, philosophies, images, and issues. For instance, a marriage counselor, for a fee, gives spouses ideas to help improve their relationship. Other marketers of ideas include political parties, churches, and schools.

The product variable also involves creating or modifying brand names and packaging and may include decisions regarding warranty and repair services. For example, the lawn care company TruGreen was originally branded as "Chemlawn." The company adapted its branding and products to provide a healthier and "greener" product offering.

Product variable decisions and related activities are important because they are directly involved with creating products that address customers' needs and wants. To maintain an assortment of products that helps an organization achieve its goals, marketers must develop new products, modify existing ones, and eliminate those that no longer satisfy enough buyers or that yield unacceptable profits.

## 1-2b The Distribution Variable

To satisfy customers, products must be available at the right time and in convenient locations. Subway, for example, locates not only in strip malls but also inside Walmarts, Home Depots, laundromats, churches, and hospitals, as well as inside Goodwill stores, car dealerships, and appliance stores. There are more than 40,566 Subways in 103 different countries, surpassing McDonald's as the world's largest chain.<sup>5</sup>

In dealing with the distribution variable, a marketing manager makes products available in the quantities desired to as many target market customers as possible, keeping total inventory, transportation, and storage costs as low as possible. A marketing manager also may select and motivate intermediaries (wholesalers and retailers), establish and

**product** A good, a service, or an idea



Thomas Barwick/Stone/Getty Images



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### Types of Products

Sports events are intangible goods that provide fans with a fun experience. Bicycles represent a tangible good that consumers can use for recreation.

**Distribution**

Netflix uses digital distribution that allows consumers to stream movies right off its website.



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maintain inventory control procedures, and develop and manage transportation and storage systems. The advent of the Internet and electronic commerce also has dramatically influenced the distribution variable. Companies now can make their products available throughout the world without maintaining facilities in each country. Apple has benefited from the ability to download songs and apps over the Internet. The company has supported growth and global success beyond the presence of physical Apple stores by selling phones, computers, iPads, and accessories online. We examine distribution issues in Chapters 14 and 15.

### 1-2c The Promotion Variable

The promotion variable relates to activities used to inform individuals or groups about the organization and its products. Promotion can aim to increase public awareness of the organization and of new or existing products. Holiday Inn Express, for example, wants to increase its appeal for younger travelers among Generation X (born between the early 1960s and early 1980s) and Generation Y (born between the early 1980s and early 2000s). The company launched its “Stay Smart” campaign encouraging consumers to offer humorous advice for any topic using social media channels such as Instagram, Twitter, and YouTube. The company adopted comedian Jason Jones as its spokesman. Holiday Inn hopes this interactive experience through digital media will engage younger generations of influential consumers.<sup>6</sup>

Promotional activities also can educate customers about product features. Iams provides wholesome dog food. The company’s advertisement seeks to educate dog owners about the potential health benefits of its dog food versus other competitors. In addition, promotional activities can urge people to take a particular stance on a political or social issue, such as smoking or drug abuse. For example, the National Highway Safety Traffic Administration released an ad campaign to deter drunk driving during the holiday season. The campaign carried the message that cops “would see you before you see them.” In the advertisement, a transparent cop watches a drunk couple as they leave a party, only to have them arrested as they are driving home.<sup>7</sup>

Promotion can help to sustain interest in established products that have been available for decades, such as Arm & Hammer baking soda or Ivory soap. Many companies are using the

Internet to communicate information about themselves and their products. Campbell's Kitchen provides a diverse array of recipes, coupons, and discussion boards online to support the sales of their soups.<sup>8</sup>

## 1-2d The Price Variable

The price variable relates to decisions and actions associated with establishing pricing objectives and policies and determining product prices. Price is a critical component of the marketing mix because customers are concerned about the value obtained in an exchange. Price is often used as a competitive tool, and intense price competition sometimes leads to price wars. Higher prices can be used competitively to establish a product's premium image. Waterman and Mont Blanc pens, for example, have an image of high quality and high price that has given them significant status. Other companies are skilled at providing products at prices lower than competitors (consider Walmart's tagline "Save Money, Live Better"). Amazon uses its vast network of partnerships and cost efficiencies to provide products at low prices. Brick-and-mortar retailers have not been able to offer comparable products with prices that low, providing Amazon with a considerable competitive advantage.

The marketing-mix variables are often viewed as controllable because they can be modified. However, there are limits to how much marketing managers can alter them. Economic conditions, competitive structure, and government regulations may prevent a manager from adjusting prices frequently or significantly. Making changes in the size, shape, and design of most tangible goods is expensive; therefore, such product features cannot be altered very often. In addition, promotional campaigns and methods used to distribute products ordinarily cannot be rewritten or revamped overnight.

You may be cheating on him without knowing it.

Did you know that some leading brands add sugar, dyes or artificial preservatives?

New IAMS SO GOOD! has 100% wholesome ingredients and nothing else.

For a taste dogs really love. See what's really in your bowl at iams.com

IAMS  
Keep love strong

© Procter & Gamble

### Promotional Activities

Iams compares the wholesomeness of its dog food with the artificial preservatives found in many other leading dog food brands.

## 1-3 MARKETING CREATES VALUE

Value is an important element of managing long-term customer relationships and implementing the marketing concept. We view **value** as a customer's subjective assessment of benefits relative to costs in determining the worth of a product (customer value = customer benefits – customer costs). Consumers develop a concept of value through the integration of their perceptions of product quality and financial sacrifice.<sup>9</sup> From a company's perspective, there is a trade-off between increasing the value offered to a customer and maximizing the profits from a transaction.<sup>10</sup>

Customer benefits include anything a buyer receives in an exchange. Hotels and motels, for example, basically provide a room with a bed and bathroom, but each firm provides a different level of service, amenities, and atmosphere to satisfy its guests. Hampton Inn offers the minimum services necessary to maintain a quality, efficient, low-price overnight accommodation. In contrast, the Ritz-Carlton provides every imaginable service a guest might desire. The hotel even allows its staff members to spend up to \$2,000 to settle customer complaints.<sup>11</sup> Customers judge which type of accommodation offers the best value according to the benefits they desire and their willingness and ability to pay for the costs associated with the benefits.

Customer costs include anything a buyer must give up to obtain the benefits the product provides. The most obvious cost is the monetary price of the product, but nonmonetary costs

**value** A customer's subjective assessment of benefits relative to costs in determining the worth of a product