Essentials of Marketing

Charles W. Lamb, Jr.

M.J. Neeley Professor of Marketing M.J. Neeley School of Business Texas Christian University

Joseph F. Hair, Jr.

Alvin C. Copeland Endowed Chair of Franchising and Director, Entrepreneurship Institute Louisiana State University

Carl McDaniel

Chairman, Department of Marketing College of Business Administration University of Texas at Arlington

Technische Universität Darmstadt Fachbereich 1	
Betriebswirts	chaftliche Bibliothek
	52.310. A.78 /1852
••	
••	
••	~ ······





PART 1

The World of Marketing 1

1 AN OVERVIEW OF MARKETING 4

What Is Marketing? 6
The Concept of Exchange 6
Marketing Management Philosophies 6
Production Orientation 6 Sales Orientation 7
Market Orientation 7
Societal Orientation 8

Implementation of the Marketing Concept 9 The Marketing Process 14 Environmental Scanning 15 Organization Mission 16 Market Opportunity Analysis 16 Marketing Strategy 16

> Target Market Strategy 16 Marketing Objectives 16 Marketing Mix 17 Product Strategies 17 Distribution (Place) Strategies 17 Promotion Strategies 17 Pricing Strategies 17

Implementation 18 Evaluation 18 Why Study Marketing 18

Marketing Plays an Important Role in Society 18 Marketing Is Important to Businesses 19 Marketing Offers Outstanding Career Opportunities 19 Marketing Affects Your Life Every Day 19

Looking Back 20 Summary 20 Key Terms 20 Discussion and Writing Questions 20 Application for Small Business 21 Review Quiz 22 Video Case: Lord of the Boards 23 Answer Key 25

2 THE MARKETING ENVIRONMENT AND MARKETING ETHICS 26

The External Marketing Environment 28 Understanding the External Environment 28

Environmental Management 28

Social Factors 29

Marketing-Oriented Values of Today 29 The Growth of Component Lifestyles 30 The Changing Role of Families and Working Women 32

Demographic Factors 32

Generation Y: Born to Shop 33

Generation X: Savvy and Cynical 34

Baby Boomers: America's Mass Market 34 Older Consumers: Not Just Grandparents 36 Americans on the Move 37

Growing Ethnic Markets 37

Ethnic and Cultural Diversity 38

Economic Factors 39
Rising Incomes 39 Inflation 40
Recession 41

Technological and Resource Factors 41 Political and Legal Factors 43 Federal Legislation 44 State Laws 45 Regulatory Agencies 45

Competitive Factors 46

Competition for Market Share 46

Global Competition 48

Ethical Behavior in Business 49 Morality and Business Ethics 49

Ethical Decision Making 50 Ethical Guidelines 51

Corporate Social Responsibility 52 Looking Back 54 Summary 54 Key Terms 56 Discussion and Writing Questions 56 Application for Small Business 57 Review Quiz 58 Video Case: Ben & Jerry's: "We Do Good by Doing Good." 59 Answer Key 60

3 DEVELOPING A GLOBAL VISION 62

Rewards of Global Marketing 64
Importance of Global Marketing to
the United States 65

Multinational Firms 66

Multinational Advantage 67 Global

Marketing Standardization 68

External Environment Facing Global Marketers 69

Culture 69 Economic and Technological Development 71 Political Structure 74 Demographic Makeup 80 Natural Resources 81

Global Marketing by the Individual Firm 82

Export 83 Licensing 83 Contract Manufacturing 86 Joint Venture 86 Direct Investment 87

The Global Marketing Mix 88

Product and Promotion 88 Distribution 93

Looking Back 94 Summary 94



Discussion and Writing Questions 95 Key Terms 95 Application for Small Business 96 Review Quiz 96 Video Case: Autocite: The Ticket to Going Global 97 Answer Key 99

PART 2

Opportunities 105

CONSUMER DECISION MAKING 108

The Importance of Understanding Consumer Behavior 110 The Consumer Decision-Making Process 111

> Search 112 Evaluation of Alternatives and Purchase 114 Postpurchase Behavior 115

Types of Consumer Buying Decisions and Consumer Involvement 116 Factors Determining the Level of Consumer Involvement 117 Marketing Implications of Involvement 118

Factors Influencing Consumer Buying Decisions 120 Cultural Influences on Consumer Buying Decisions 121

> Culture and Values 121 Understanding Culture Differences 124 Subculture 124 Social Class 126

Social Influences on Consumer Buying Decisions 128

Reference Groups 129 Opinion Leaders 130 Family 132

Individual Influences on Consumer **Buying Decisions 133**

> Gender 134 Age and Family Life Cycle Stage 134 Personality, Self-Concept, and Lifestyle 135

Psychological Influences on Consumer Buying Decisions 136

Perception 137 Motivation 139 Learning 141 Beliefs and Attitudes 142

Looking Back 145 Summary 145 Discussion and Writing Questions 146 Key Terms 147 Application for Small Business 147 Review Quiz 147 Video Case: Vermont Teddy Bear Co.: Workin' Hard for the Honey 149 Answer Key 150

Analyzing Marketing

Need Recognition 111 Information

Types of Business Products 165 Major Equipment 165 Accessory

BUSINESS MARKETING 152

What Is Business Marketing? 154

Major Categories of Business Cus-

Relationship Marketing and Strategic

Producers 158 Resellers 158 Gov-

Demand 160 Purchase Volume 163

Number of Customers 164 Location of Buyers 164 Distribution Struc-

ture 164 Nature of Buying 164

Nature of Buying Influence 164

Type of Negotiations 164 Use of

Primary Promotional Method 165

Reciprocity 164 Use of Leasing 165

ernments 159 Institutions 159 The North American Industry Classifi-

Business Marketing on the

cation System (NAICS) 160

Business Versus Consumer

Internet 154

Alliances 155

tomers 158

Markets 160

Equipment 165 Raw Materials 166 Component Parts 166 Processed Materials 167 Supplies 167 Business Services 167

Business Buying Behavior 167 Buying Centers 167 Evaluative Criteria 168 Buying Situations 170 Purchasing Ethics 171 Customer Service 171

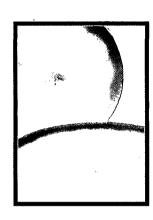
Looking Back 172 Summary 172 Discussion and Writing Questions 173 Key Terms 173 Application for Small Business 174 Review Quiz 174 Video Case: Burke, Inc.: Business-to-**Business Alliances** 175 Answer Key 177

SEGMENTING AND TARGETING MARKETS 178

Market Segmentation 180 The Importance of Market Segmentation 180 Criteria for Successful Segmentation 181 Bases for Segmenting Consumer Markets 182

> Geographic Segmentation 183 Demographic Segmentation 183 Psychographic Segmentation 188 Benefit Segmentation 191 Usage-Rate Segmentation 192

Bases for Segmenting Business Markets 193



Macrosegmentation 193 Microsegmentation 193

Steps in Segmenting a Market 194 Strategies for Selecting Target Markets 195

> Undifferentiated Targeting 195 Concentrated Targeting 197 Multisegment Targeting 198

Positioning 199

Perceptual Mapping 200 Positioning Bases 201 Repositioning 202

Global Issues in Market Segmentation and Targeting 203 Looking Back 203 Summary 203 Discussion and Writing Questions 204 Key Terms 205 Application for Small Business 205 Review Quiz 205 Video Case: Labelle Management: Something for Everyone 207 Answer Key 208

7 DECISION SUPPORT SYSTEMS AND MARKETING RESEARCH 210

Marketing Decision Support Systems 212

The Role of Marketing Research 213

Differences Between Marketing Research and DSS 213 Management
Uses of Marketing Research 213

Steps in a Marketing Research Project 216

The New Age of Secondary Information—The Internet and World Wide Web 218

Finding Secondary Data on the Internet 219

Discussion Groups and Special Interest Groups on the Internet as Sources of Secondary Data 221

Databases on CD-ROM 224
Planning the Research Design and
Gathering Primary Data 224
Specifying the Sampling Procedures
235 Collecting the Data 236
Analyzing the Data 238 Preparing
and Presenting the Report 239
Following Up 239

Scanner-Based Research 239
When Should Marketing Research Be
Conducted? 241
Looking Back 241
Summary 242
Discussion and Writing Questions 242
Key Terms 243
Application for Small Business 244
Review Quiz 245

Video Case: Burke Marketing Research: The Right Way to Make the Right Decision 246 Answer Key 248

PART 3

Product and Distribution Decisions 255

8 PRODUCT AND SERVICES CONCEPTS 258

What Is a Product? 260
Types of Consumer Products 260
Convenience Products 260 Shopping Products 261 Specialty Products 261 Unsought Products 262

The Importance of Services 262 How Services Differ from Goods 262 Intangibility 262 Inseparability 263 Heterogeneity 263 Perishability 264

Services Marketing in Manufacturing 264

Product Items, Lines, and Mixes 265
Adjustments to Product Items, Lines,
and Mixes 266 Product Modifications 266 Repositioning 267
Product Line Extensions 267
Product Line Contraction 267

Branding 268

Benefits of Branding 268 Branding Strategies 271 Generic Products Versus Branded Products 271 Manufacturers' Brands Versus Private Brands 272 Individual Brands Versus Family Brands 273 Cobranding 274 Trademarks 274

Packaging 276

Packaging Functions 276 Labeling 278 Universal Product Codes 278

Product Warranties 279
Looking Back 279
Summary 279
Discussion and Writing Questions 280
Key Terms 281
Application for Small Business 281
Review Quiz 281
Video Case: Ben & Jerry's: Taste and Innovation 283
Answer Key 284

9 DEVELOPING AND MANAGING PRODUCTS 286

The Importance of New Products 288

Categories of New Products 288



The New-Product Development Process 289

New-Product Strategy 290 Idea Generation 290 Idea Screening 292 Business Analysis 293 Development 293 Test Marketing 295 The High Costs of Test Marketing 295 Alternatives to Test Marketing 297 Commercialization 297

Product Life Cycles 298 Introductory Stage 298 Growth Stage 299 Maturity Stage 300 Decline Stage 300 Implications for Marketing Management 300

The Spread of New Products 301

Diffusion of Innovation 301 Product Characteristics and the Rate of
Adoption 302 Marketing Implications of the Adoption Process 303

Looking Back 304 Summary 305 Discussion and Writing Questions 305 Key Terms 306 Application for Small Business 306 Review Quiz 306 Video Case: AutoCite: Traffic Ticket and Parking Citation System 308 Answer Key 309

10 MARKETING CHANNELS AND LOGISTICS DECISIONS 310

Marketing Channels 312

Providing Specialization and Division of Labor 313 Overcoming Discrepancies 313 Providing Contact Efficiency 314

Channel Intermediaries and Their Functions 315

Types of Channel Intermediaries 315 Channel Functions Performed by Intermediaries 316

Channel Structures 318

Channels for Consumer Products 318 Channels for Business-to-Business and Industrial Products 319 Alternative Channel Arrangements 319

Channel Strategy Decisions 322
Factors Affecting Channel Choice 322
Levels of Distribution Intensity 324

Channel Relationships 326
Channel Power, Control, and Leadership 326 Channel Conflict 326
Channel Partnering 328

Logistics Decisions and Supply Chain Management 329

The Evolution of Integrated Logistics and Supply Chain Management 332

Benefits of Supply Chain Management 333

Balancing Logistics Service and Cost 334 Integrated Functions of the Supply Chain 336

Sourcing and Procurement 337 Production Scheduling 337 Order Processing 338 Inventory Control 339
Warehousing and Materials Handling 341 Transportation 342

Trends in Logistics 343

Automation 343 Outsourcing Logistics Functions 344 Electronic Distribution 345

Channels and Distribution Decisions for Services 345 Channels and Distribution Decisions for Global Markets 346 Developing Global Marketing Chan-

Developing Global Marketing Channels 346 Global Logistics and Supply Chain Management 347

Looking Back 349 Summary 349 Key Terms 352 Discussion and Writing Questions 352 Application for Small Business 353 Review Quiz 353 Video Case: Burton Snowboards: Going Global 354 Answer Key 356

11 RETAILING 358

The Role of Retailing 360 Classification of Retail Operations 361

> Ownership 362 Level of Service 363 Product Assortment 363 Price 363

Major Types of Retail Operations 363

Department Stores 363 Specialty

Stores 364 Supermarkets 365

Drugstores 366 Convenience Stores
366 Discount Stores 367 Restaurants 370

Nonstore Retailing 371

Automatic Vending 371 Direct Retailing 372 Direct Marketing 374

Electronic Retailing 375

Franchising 376
Retail Marketing Strategy 378
Defining a Target Market 379
Choosing the Retailing Mix 379
The Product Offering 379
Promotion Strategy 382 The Proper
Location 382 Retail Prices 385
Presentation of the Retail Store 385
Personnel and Customer Service 389

Global Retailing 389 Trends in Retailing 393

Entertainment 393 Convenience and Efficiency 393 Customer Management 394

Looking Back 395 Summary 395 Discussion and Writing Questions 397 Key Terms 397 Application for Small Business 398 Review Quiz 398 Video Case: Hudson's Shopping Euphoria at the Somerset Collection 399 Answer Key 401

PART 4

Integrated Marketing Communication and Pricing Concepts 409

12 MARKETING COMMUNICATION AND PERSONAL SELLING 412

The Role of Promotion in the Marketing Mix 415

The Promotional Mix 416

Personal Selling 416 Advertising
417 Sales Promotion 417 Public
Relations 418

Marketing Communication 419

The Communication Process 420

The Communication Process and the Promotional Mix 422 Integrated Marketing Communications 422

The Goals and Tasks of Promotion 424

Informing 424 Persuading 425

Reminding 425

Promotional Goals and the AIDA Concept 425

AIDA and the Promotional Mix 427

Factors Affecting the Promotional Mix 428

> Nature of the Product 428 Stage in the Product Life Cycle 428 Target Market Characteristics 429 Type of Buying Decision 430 Available Funds 430 Push and Pull Strategies 431

Personal Selling 432 Relationship Selling 433

Steps in the Selling Process 435

Generating Leads 437 Qualifying
Leads 438 Approaching the Customer and Probing Needs 439 Developing and Proposing Solutions 441
Handling Objections 441 Closing
the Sale 442 Following Up 442

Sales Management 444

Defining Sales Goals and the Sales Process 444 Determining the Sales Force Structure 445 Recruiting and Training the Sales Force 445 Compensating and Motivating the Sales Force 446 Evaluating the Sales Force 448

Looking Back 448 Summary 448 Key Terms 450 Discussion and Writing Questions 450 Application for Small Business 451 Review Quiz 451 Video Case: Boyne USA Resorts' *Lifestyles* Magazine: Promoting the Ultimate Playground 453 Answer Key 454

13 ADVERTISING, SALES PROMOTION, AND PUBLIC RELATIONS 456

Effects of Advertising 458

Advertising and Market Share 459

Advertising and the Consumer 460

Advertising and Brand Loyalty 460

Advertising and Product Attributes

460

Major Types of Advertising 461
Institutional Advertising 461 Product Advertising 461

Steps in Creating an Advertising Campaign 463

Determine Campaign Objectives 463 Make Creative Decisions 464

Make Media Decisions 467

Media Types 469 Media Selection

Considerations 473 Media Scheduling 475 Evaluate the Ad Campaign

476

Sales Promotion 476

The Objectives of Sales Promotion 477 Tools for Consumer Sales Promotion 477 Tools for Trade Sales Promotion 481

Public Relations 482

Major Public Relations Tools 483 Managing Unfavorable Publicity 486

Looking Back 487 Summary 487 Discussion and Writing Questions 488 Key Terms 489 Application for Small Business 490 Review Quiz 490 Video Case: Red Roof Inns: Ads to Charm, Disarm, and Deliver 491 Answer Key 493



14 INTERNET MARKETING 494

15 PRICING CONCEPTS 496

The Importance of Price 498

What Is Price? 498 The Importance
of Price to Marketing Managers 498

Pricing Objectives 499

Profit-Oriented Pricing Objectives 499

Sales-Oriented Pricing Objectives 500

Status Quo Pricing Objectives 502

The Demand Determinant of Price 502

The Nature of Demand 502 Elasticity of Demand 502

The Cost Determinant of Price 503 Markup Pricing 503 Break-Even Pricing 504

Other Determinants of Price 506

Stage in the Product Life Cycle 506

The Competition 506 Distribution

Strategy 507 Promotion Strategy

507 The Impact of the Internet and

Extranets 508 Demands of Large

Customers 508 The Relationship of

Price to Quality 509

How to Set a Price on a Product 509
Establish Pricing Goals 510 Estimate Demand, Costs, and Profits 511
Choose a Price Strategy 511

10

The Legality and Ethics of Price Strategy 514

Unfair Trade Practices 515 Price Fixing 515 Price Discrimination 515 Predatory Pricing 515

Tactics for Fine-Tuning the Base Price 516

Discounts, Allowances, and Rebates 516 Value-Based Pricing 517 Geographic Pricing 517 Special Pricing Tactics 518

Looking Back. 521 Summary 521 Discussion and Writing Questions 523 Key Terms 523 Application for Small Business 524 Review Quiz 524 Video Case: Toronto Blue Jays: Ballpark Pricing 526 Answer Key 527

APPENDIX: CAREERS IN MARKETING 537

GLOSSARY 539

ENDNOTES 552

COMPANY AND ORGANIZATION INDEX 565

SUBJECT INDEX 569

INTERNET INDEX 577