

# ▶ Contents

Preface 17

## **PART ONE** Make Marketing Value Decisions 26



**CHAPTER 1:** Welcome to the World of Marketing: Create and Deliver Value.....28

**Real People, Real Choices:** Here's my problem. . . 29

**WELCOME TO BRAND YOU 30**

**THE WHO AND WHERE OF MARKETING 31**

Marketing's Role in the Firm: Cross-Functional Relationships 32

Where Do You Fit In? Careers in Marketing 32

**MARKETING CREATES VALUE 32**

Marketing Meets Needs 32

Marketing Creates Utility 35

Marketing and Exchange 36

**WHEN DID MARKETING BEGIN? THE EVOLUTION OF A CONCEPT 37**

The Production Era 37

The Sales Era 37

The Relationship Era 39

The Triple Bottom Line Orientation 39

**WHAT CAN WE MARKET? 42**

Lasers to Lady Gaga 42

Consumer Goods and Services 43

Business-to-Business Goods and Services 43

Not-for-Profit Marketing 44

Idea, Place, and People Marketing 44

**RIPPED FROM THE HEADLINES:** Ethical/Sustainable Decisions in the Real World 44

**THE VALUE OF MARKETING AND THE MARKETING OF VALUE 45**

Value from the Customer's Perspective 46

Value from the Seller's Perspective 46

Provide Value Through Competitive Advantage 47

Add Value Through the Value Chain 48

How Do We Know What's Valuable? 49

Consumer-Generated Value: From Audience to Community 49

Value from Society's Perspective 51

Is Marketing Evil? 52

The Dark Side of Marketing 52

**MARKETING AS A PROCESS 54**

Marketing Planning 54

Marketing's Tools: The Marketing Mix 55

**Real People, Real Choices:** Here's my choice... 57

**Study Map 57**

**Objective Summary 57**

**Key Terms 57**

**Chapter Questions and Activities 59**

**Marketing in Action Case: Real Choices at Colgate-Palmolive 61**



**CHAPTER 2:** Strategic Market Planning:

Take the Big Picture .....62

**Real People, Real Choices:** Here's my problem. . . 63

**BUSINESS PLANNING: COMPOSE THE BIG PICTURE 64**

Ethics Is Up Front in Marketing Planning 65

**RIPPED FROM THE HEADLINES:** Ethical/Sustainable Decisions in the Real World 66

**STRATEGIC PLANNING: FRAME THE PICTURE 70**

Step 1: Define the Mission 70

Step 2: Evaluate the Internal and External Environment 71

Step 3: Set Organizational or SBU Objectives 72

Step 4: Establish the Business Portfolio 73

Step 5: Develop Growth Strategies 75

**MARKETING PLANNING: SELECT THE CAMERA SETTING 77**

Step 1: Perform a Situation Analysis 77

Step 2: Set Marketing Objectives 78

Step 3: Develop Marketing Strategies 78

Step 4: Implement and Control the Marketing Plan 79  
Action Plans 82

Make Your Life Easier! Use the Marketing Planning Template 84

Operational Planning: Day-to-Day Execution of Marketing Plans 84

**Real People, Real Choices:** Here's my choice. . . 85

**Study Map 86**

**Objective Summary 86**

**Key Terms 86**

**Chapter Questions and Activities 87**

**Marketing in Action Case: Real Choices for the Apple iPhone 88**



**CHAPTER 3:** Thrive in the Marketing Environment: The World Is Flat.....90

**Real People, Real Choices:** Here's my problem. . . 91

**DECISIONS, DECISIONS 92**

**TAKE A BOW: MARKETING ON THE GLOBAL STAGE 92**

- World Trade 93
- Should We Go Global? 94

**UNDERSTAND INTERNATIONAL, REGIONAL, AND COUNTRY REGULATIONS 95**

- Initiatives in International Cooperation and Regulation 96
- Economic Communities 96

**ANALYZE THE MARKETING ENVIRONMENT 97**

- The Economic Environment 98
- The Competitive Environment 101
- The Technological Environment 103
- The Political and Legal Environment 103
- The Sociocultural Environment 107

**IS THE WORLD FLAT OR NOT? HOW "GLOBAL" SHOULD A GLOBAL MARKETING STRATEGY BE? 111**

- Company-Level Decisions: The Market Entry Strategy 111

**RIPPED FROM THE HEADLINES: Ethical/Sustainable**

Decisions in the Real World 111

- Product-Level Decisions: The Marketing Mix Strategy 114

**Real People, Real Choices:** Here's my choice. . . 117

**Study Map 117**

**Objective Summary 117**

**Key Terms 117**

**Chapter Questions and Activities 120**

**Marketing in Action Case: Real Choices at Mattel 121**

**PART TWO Understand Consumers' Value Needs 122**



**CHAPTER 4: Marketing Research: Gather, Analyze, and Use Information.....124**

**Real People, Real Choices:** Here's my problem. . . 125

**KNOWLEDGE IS POWER 126**

- The Marketing Information System 126

**RIPPED FROM THE HEADLINES: Ethical/Sustainable**

Decisions in the Real World 127

- The Marketing Decision Support System 130

**SEARCHING FOR GOLD: DATA MINING 131**

**STEPS IN THE MARKETING RESEARCH PROCESS 132**

- Step 1: Define the Research Problem 132
- Step 2: Determine the Research Design 133
- Step 3: Choose the Method to Collect Primary Data 137
- Step 4: Design the Sample 143
- Step 5: Collect the Data 144
- Step 6: Analyze and Interpret the Data 145
- Step 7: Prepare the Research Report 146

**Real People, Real Choices:** Here's my choice. . . 147

**Study Map 148**

**Objective Summary 148**

**Key Terms 148**

**Chapter Questions and Activities 149**

**Marketing in Action Case: Real Choices at IMMI 151**



**CHAPTER 5: Consumer Behavior: How and Why We Buy .....152**

**Real People, Real Choices:** Here's my problem. . . 153

**DECISIONS, DECISIONS 154**

**THE CONSUMER DECISION-MAKING PROCESS 154**

- Not All Decisions Are the Same 155
- Step 1: Problem Recognition 157
- Step 2: Information Search 158
- Step 3: Evaluation of Alternatives 159
- Step 4: Product Choice 160

**RIPPED FROM THE HEADLINES: Ethical/Sustainable**

Decisions in the Real World 160

- Step 5: Postpurchase Evaluation 161

**INTERNAL INFLUENCES ON CONSUMERS' DECISIONS 162**

- Perception 162
- Motivation 164
- Learning 164
- Attitudes 166
- Personality and the Self: Are You What You Buy? 167
- Age 167
- Lifestyle 168

**SITUATIONAL AND SOCIAL INFLUENCES ON CONSUMERS' DECISIONS 169**

- Situational Influences 169
- Social Influences on Consumers' Decisions 170

**Real People, Real Choices:** Here's my choice. . . 174

**Study Map 175**

**Objective Summary 175**

**Key Terms 175**

**Chapter Questions and Activities 176**

**Marketing in Action Case: Real Choices at Lexus 179**



**CHAPTER 6: Business-to-Business Markets: How and Why Organizations Buy ....180**

**Real People, Real Choices:** Here's my problem. . . 181

**BUSINESS MARKETS: BUYING AND SELLING WHEN THE CUSTOMER IS ANOTHER FIRM 182**

- Factors That Make a Difference in Business Markets 183
- Size of Purchases 185
- B2B Demand 185
- Types of Business-to-Business Customers 187

- Intranets, Extranets, and Private Exchanges 189
- The Dark Side of B2B E-Commerce 190
- B2B and Social Media 190

**BUSINESS BUYING SITUATIONS AND THE BUSINESS  
BUYING DECISION PROCESS 192**

- The Buyclass Framework 192
- Professional Buyers and Buying Centers 194
- The Business Buying Decision Process 195

**RIPPED FROM THE HEADLINES: Ethical/Sustainable  
Decisions in the Real World 198**

**Real People, Real Choices:** Here's my choice. . . 201

**Study Map 202**

**Objective Summary 202**

**Key Terms 202**

**Chapter Questions and Activities 203**

**Marketing in Action Case: Real Choices  
at The Filter 204**



**CHAPTER 7: Sharpen the Focus: Target  
Marketing Strategies and Customer Relationship  
Management.....206**

**Real People, Real Choices:** Here's my  
problem. . . 207

**TARGET MARKETING STRATEGY: SELECT AND ENTER  
A MARKET 208**

**STEP 1: SEGMENTATION 209**

- Segment Consumer Markets 209
- Segment by Psychographics 218
- Segment by Behavior 220
- Segment Business-to-Business Markets 221

**STEP 2: TARGETING 222**

- Targeting in Three Steps 222

**STEP 3: POSITIONING 225**

**RIPPED FROM THE HEADLINES: Ethical/Sustainable  
Decisions in the Real World 225**

- Steps in Positioning 226
- Bring a Product to Life: The Brand Personality 227

**CUSTOMER RELATIONSHIP MANAGEMENT (CRM):  
TOWARD A SEGMENT OF ONE 228**

- CRM: A New Perspective on an Old Problem 229
- Characteristics of CRM 230

**Real People, Real Choices:** Here's my choice. . . 233

**Study Map 234**

**Objective Summary 234**

**Key Terms 234**

**Chapter Questions and Activities 235**

**Choices: What Do You Think? 236**

**Marketing in Action Case: Real Choices at Mercedes 237**



**CHAPTER 8: Create the Product .....240**

**Real People, Real Choices:** Here's my  
problem. . . 241

**BUILD A BETTER MOUSETRAP—AND ADD  
VALUE 242**

- Layers of the Product Concept 243

**HOW MARKETERS CLASSIFY PRODUCTS 245**

- How Long Do Products Last? 245
- How Do Consumers Buy Products? 246
- How Do Businesses Buy Products? 248

**“NEW AND IMPROVED!” THE PROCESS  
OF INNOVATION 249**

- Types of Innovations 249
- Continuous Innovations 250
- Dynamically Continuous Innovations 250
- Discontinuous Innovations 251
- How Do We Measure Innovation? 251

**NEW PRODUCT DEVELOPMENT 252**

- Phase 1: Idea Generation 252
- Phase 2: Product Concept Development  
and Screening 252
- Phase 3: Marketing Strategy Development 253
- Phase 4: Business Analysis 253
- Phase 5: Technical Development 254
- Phase 6: Test Marketing 255
- Phase 7: Commercialization 256

**ADOPTION AND DIFFUSION OF NEW PRODUCTS 257**

**RIPPED FROM THE HEADLINES: Ethical/Sustainable  
Decisions in the Real World 257**

- Stages in Consumers' Adoption of a New Product 258
- Innovator Categories 260
- Product Factors That Affect the Rate of Adoption 262

**Real People, Real Choices:** Here's my choice. . . 263

**Study Map 264**

**Objective Summary 264**

**Key Terms 264**

**Chapter Questions and Activities 266**

**Marketing in Action Case: Real Choices at Kodak 267**



**CHAPTER 9: Manage the Product .....268**

**Real People, Real Choices:** Here's my  
problem. . . 269

**PRODUCT PLANNING: USE PRODUCT  
OBJECTIVES TO DECIDE ON A PRODUCT STRATEGY 270**

- Objectives and Strategies for Individual Products 271
- Objectives and Strategies for Multiple Products 272
- Product Mix Strategies 273

Quality as a Product Objective: The Science of TQM 274  
Quality Guidelines 274

**MARKETING THROUGHOUT THE PRODUCT LIFE CYCLE 276**

The Introduction Stage 276  
The Growth Stage 278  
The Maturity Stage 278  
The Decline Stage 278

**CREATE PRODUCT IDENTITY: BRANDING DECISIONS 279**

What's in a Name (or a Symbol)? 279  
Why Brands Matter 281  
Branding Strategies 283  
Individual Brands versus Family Brands 284  
National and Store Brands 284  
Generic Brands 285  
Licensing 285  
Cobranding 285  
Brand Metrics 286

**CREATE PRODUCT IDENTITY: THE PACKAGE AND LABEL 286**

What Packages Do 287  
Design Effective Packaging 288  
Labeling Regulations 289

**RIPPED FROM THE HEADLINES: Ethical/Sustainable Decisions in the Real World 289**

**ORGANIZE FOR EFFECTIVE PRODUCT MANAGEMENT 290**

Manage Existing Products 290  
Brand Managers 290  
Product Category Managers 290  
Market Managers 291  
Organize for New-Product Development 291

**Real People, Real Choices: Here's my choice. . . 291**

**Study Map 292**

**Objective Summary 292**

**Key Terms 292**

**Chapter Questions and Activities 293**

**Marketing in Action Case: Real Choices at Sony 295**



**CHAPTER 10: Services and Other Intangibles: Marketing the Product That Isn't There .....296**

**Real People, Real Choices: Here's my problem. . . 297**

**MARKETING WHAT ISN'T THERE 298**

What Is a Service? 298  
Characteristics of Services 298  
The Service Encounter 301  
How We Classify Services? 302  
Core and Augmented Services 303

Physical Elements of the Service Encounter: Servicescapes and Other Tangibles 304

**RIPPED FROM THE HEADLINES: Ethical/Sustainable Decisions in the Real World 304**

**HOW WE PROVIDE QUALITY SERVICE 305**

Service Quality Attributes 306  
How We Measure Service Quality 307  
Strategic Issues When We Deliver Service Quality 309

**MARKETING PEOPLE, PLACES, AND IDEAS 310**

Marketing People 310  
Marketing Places 312  
Marketing Ideas 313  
The Future of Services 313

**Real People, Real Choices: Here's my choice. . . 315**

**Study Map 316**

**Objective Summary 316**

**Key Terms 316**

**Chapter Questions and Activities 317**

**Marketing in Action Case: Real Choices at Clear & SIMPLE™ 319**



**CHAPTER 11: Price the Product .....320**

**Real People, Real Choices: Here's my problem. . . 321**

**"YES, BUT WHAT DOES IT COST?" 322**

What Is Price? 322

Step 1: Develop Pricing Objectives 324

**COSTS, DEMAND, REVENUE, AND THE PRICING ENVIRONMENT 326**

Step 2: Estimate Demand 326

Step 3: Determine Costs 331

Step 4: Evaluate the Pricing Environment 336

**PRICING THE PRODUCT: ESTABLISHING STRATEGIES AND TACTICS 340**

Step 5: Choose a Pricing Strategy 340

Step 6: Develop Pricing Tactics 344

**PRICING AND ELECTRONIC COMMERCE 347**

Dynamic Pricing Strategies 347

Online Auctions 347

Freenomics: What If We Just Give It Away? 347

Pricing Advantages for Online Shoppers 348

**PSYCHOLOGICAL, LEGAL, AND ETHICAL ASPECTS OF PRICING 349**

Psychological Issues in Setting Prices 349

Psychological Pricing Strategies 350

Legal and Ethical Considerations in B2C Pricing 351

Legal Issues in B2B Pricing 352

**RIPPED FROM THE HEADLINES: Ethical/Sustainable Decisions in the Real World 353**

Real People, Real Choices: Here's my choice... 354

Study Map 355

Objective Summary 355

Key Terms 355

Chapter Questions and Activities 357

Marketing in Action Case: Real Choices at Amazon 359

Marketing Math .....360

INCOME STATEMENT AND BALANCE SHEET 360

IMPORTANT FINANCIAL PERFORMANCE RATIOS 363

Operating Ratios 364

INVENTORY TURNOVER RATE 364

RETURN ON INVESTMENT 365

PRICE ELASTICITY 366

COST-PLUS PRICING 367

Markup on Cost 367

Markup on Selling Price 367

**PART FOUR** Communicate the Value Proposition 370



**CHAPTER 12:** One-to-One to Many-to-Many: Traditional and New Media .....372

Real People, Real Choices: Here's my problem... 373

**THE TRADITIONAL COMMUNICATION MODEL: ONE-TO-MANY 374**

The Communication Model 376

The Traditional Promotion Mix 379

**THE UPDATED COMMUNICATION MODEL: MANY-TO-MANY 382**

Buzz Building 383

**RIPPED FROM THE HEADLINES:** Ethical/Sustainable Decisions in the Real World 384

New Social Media 386

**PROMOTIONAL PLANNING IN A WEB 2.0 WORLD 390**

Step 1. Identify the Target Audience(s) 390

Step 2. Establish the Communication Objectives 391

Step 3: Determine and Allocate the Marketing Communication Budget 392

Step 4: Design the Promotion Mix 395

Step 5: Evaluate the Effectiveness of the Communication Program 396

Multichannel Promotional Strategies 396

Real People, Real Choices: Here's my choice... 397

Study Map 398

Objective Summary 398

Key Terms 398

Chapter Questions and Activities 399

Marketing in Action Case: Real Choices American Express 401



**CHAPTER 13:** One-to-Many: Advertising, Public Relations, and Consumer Sales Promotion .....402

Real People, Real Choices: Here's my problem... 403

**ADVERTISING: THE IMAGE OF MARKETING 404**

Types of Advertising 405

Who Creates Advertising? 406

User-Generated Advertising Content: Do-it-Yourself Advertising, and Crowdsourcing 407

Ethical Issues in Advertising 408

**RIPPED FROM THE HEADLINES:** Ethical/Sustainable Decisions in the Real World 409

**DEVELOP THE ADVERTISING CAMPAIGN 410**

Step 1: Understand the Target Audience 410

Step 2: Establish Message and Budget Objectives 411

Step 3: Create the Ads 411

Step 4: Pretest What the Ads Will Say 415

Step 5: Choose the Media Type(s) and Media Schedule 416

Step 6: Evaluate the Advertising 425

**PUBLIC RELATIONS 426**

Plan a Public Relations Campaign 427

Public Relations Objectives 428

Public Relations Tactics 430

**SALES PROMOTION 432**

Sales Promotion Directed toward Consumers 432

Real People, Real Choices: Here's my choice... 436

Study Map 436

Objective Summary 436

Key Terms 436

Chapter Questions and Activities 438

Marketing in Action Case: Real Choices at JetBlue 441



**CHAPTER 14:** One-to-One: Trade Promotion, Direct Marketing, and Personal Selling.....442

Real People, Real Choices: Here's my problem... 443

**TRADE SALES PROMOTION: TARGETING THE B2B CUSTOMER 444**

Discount Promotions 445

Sales Promotion Designed to Increase Industry Visibility 446

**DIRECT MARKETING 447**

Mail Order 447

Direct Mail 448

Telemarketing 449

Direct-Response Advertising 449

M-Commerce 450

**RIPPED FROM THE HEADLINES: Ethical/Sustainable**

Decisions in the Real World 450

**PERSONAL SELLING: ADDING THE PERSONAL TOUCH TO THE PROMOTION MIX 451**

The Role of Personal Selling in the Marketing Mix 451

Technology and Personal Selling 453

**THE LANDSCAPE OF MODERN PERSONAL SELLING 455**

Types of Sales Jobs 455

Two Approaches to Personal Selling 456

**THE CREATIVE SELLING PROCESS 457**

Step 1: Prospect and Qualify 457

Step 2: Preapproach 458

Step 3: Approach 459

Step 4: Sales Presentation 459

Step 5: Handle Objections 459

Step 6: Close the Sale 459

Step 7: Follow-up 460

**SALES MANAGEMENT 460**

Set Sales Force Objectives 460

Create a Sales Force Strategy 461

Recruit, Train, and Reward the Sales Force 461

Evaluate the Sales Force 462

**Real People, Real Choices:** Here's my choice. . . 463

**Study Map 464**

**Objective Summary 464**

**Key Terms 464**

**Chapter Questions and Activities 465**

**Marketing in Action Case: Real Choices at Eli Lilly 446**

**PART FIVE Deliver the Value Proposition 468**



**CHAPTER 15: Deliver Value through Supply Chain Management, Channels of Distribution, and Logistics** .....470

**Real People, Real Choices:** Here's my problem. . . 471

**PLACE: THE FINAL FRONTIER 472**

Supply Chain Management 473

**DISTRIBUTION CHANNELS: GET IT THERE 474**

Functions of Distribution Channels 475

The Internet in the Distribution Channel 476

**WHOLESALE INTERMEDIARIES 477**

Independent Intermediaries 478

Merchandise Agents or Brokers 480

Manufacturer-Owned Intermediaries 480

**TYPES OF DISTRIBUTION CHANNELS 481**

Consumer Channels 481

B2B Channels 484

Dual and Hybrid Distribution Systems 484

Distribution Channels and the Marketing Mix 484

Ethics in the Distribution Channel 485

**PLAN A CHANNEL STRATEGY 485**

Step 1: Develop Distribution Objectives 486

Step 2: Evaluate Internal and External Environmental Influences 486

Step 3: Choose a Distribution Strategy 486

Intensive, Exclusive, or Selective Distribution? 488

Step 4: Develop Distribution Tactics 489

**RIPPED FROM THE HEADLINES: Ethical/Sustainable Decisions in the Real World 490**

**LOGISTICS: IMPLEMENT THE SUPPLY CHAIN 491**

The Lowdown on Logistics 492

Inventory Control: JIT, RFID, and Fast Fashion 495

Supply Chain Metrics 496

**Real People, Real Choices:** Here's my choice. . . 497

**Study Map 498**

**Objective Summary 498**

**Key Terms 498**

**Chapter Questions and Activities 499**

**Marketing in Action Case: Real Choices at Walmart 501**



**CHAPTER 16: Retailing: Bricks and Clicks**.....502

**Real People, Real Choices:** Here's my problem. . . 503

**RETAILING: SPECIAL DELIVERY 504**

Retailing: A Mixed (Shopping) Bag 504

The Evolution of Retailing 505

The Evolution Continues: What's "In Store" for the Future? 508

Ethical Problems in Retailing 510

**FROM MOM-AND-POP TO SUPER WALMART: HOW MARKETERS CLASSIFY RETAIL STORES 511**

Classify Retailers by What They Sell 511

**RIPPED FROM THE HEADLINES: Ethical/Sustainable Decisions in the Real World 511**

Classify Retailers by Level of Service 512

Classify Retailers by Merchandise Selection 512

Major Types of Retailers 513

**NONSTORE RETAILING 517**

Direct Selling 517

Automatic Vending 518

B2C E-Commerce 519

**DEVELOP A STORE POSITIONING STRATEGY: RETAILING AS THEATER 522**

Store Image 523

Build the Theater: Store Location 526

**Real People, Real Choices:** Here's my choice. . . 528

**Study Map 529**

**Objective Summary 529**

**Key Terms 529**

**Chapter Questions and Activities 530**

**Marketing in Action Case: Real Choices at IKEA 533**

---

**Appendix** Marketing Plan: The S&S Smoothie

Company .....534

**NOTES 547**

**GLOSSARY 564**

**INDEX 580**