

15

EDITION

Essentials of Marketing

A Marketing Strategy Planning Approach

William D. Perreault, Jr., Ph.D.

UNIVERSITY OF NORTH CAROLINA

Joseph P. Cannon, Ph.D.

COLORADO STATE UNIVERSITY

E. Jerome McCarthy, Ph.D.

MICHIGAN STATE UNIVERSITY



Brief Contents

- 1** Marketing's Value to Consumers, Firms, and Society 2
- 2** Marketing Strategy Planning 30
- 3** Evaluating Opportunities in the Changing Market Environment 56
- 4** Focusing Marketing Strategy with Segmentation and Positioning 86
- 5** Final Consumers and Their Buying Behavior 114
- 6** Business and Organizational Customers and Their Buying Behavior 142
- 7** Improving Decisions with Marketing Information 168
- 8** Elements of Product Planning for Goods and Services 196
- 9** Product Management and New-Product Development 226
- 10** Place and Development of Channel Systems 254
- 11** Distribution Customer Service and Logistics 282
- 12** Retailers, Wholesalers, and Their Strategy Planning 304
- 13** Promotion—Introduction to Integrated Marketing Communications 334
- 14** Personal Selling and Customer Service 362
- 15** Advertising and Sales Promotion 390
- 16** Publicity: Promotion Using Earned Media, Owned Media, and Social Media 420
- 17** Pricing Objectives and Policies 450
- 18** Price Setting in the Business World 480
- 19** Ethical Marketing in a Consumer-Oriented World: Appraisal and Challenges 506
- Appendix A** Economics Fundamentals 532
- Appendix B** Marketing Arithmetic 545
- Appendix C** Career Planning in Marketing 560
- Appendix D** Hillside Veterinary Clinic Marketing Plan 574
- BC1** Bonus Chapter 1: Implementing and Controlling Marketing Plans: Evolution and Revolution (content available online only) 603
- BC2** Bonus Chapter 2: Managing Marketing's Links with Other Functional Areas (content available online only) 604
- Video Cases 606
- Cases 623
- Glossary 666
- Notes 677
- Author Index 721
- Company Index 732
- Subject Index 736

Contents

1



CHAPTER ONE

Marketing's Value to Consumers, Firms, and Society 2

Marketing—What's It All About? 4

Marketing Is Important to You 5

How Should We Define Marketing? 6

Macro-Marketing 9

The Role of Marketing in Economic Systems 13

Marketing's Role Has Changed a Lot over the Years 16

What Does the Marketing Concept Mean? 17

The Marketing Concept and Customer Value 20

The Marketing Concept Applies in Nonprofit Organizations 22

The Marketing Concept, Social Responsibility, and Marketing Ethics 23

Conclusion 26

What's Now? 27

Key Terms 27

Questions and Problems 27

Suggested Cases 28

Marketing Analytics: Data to Knowledge 28

2



CHAPTER TWO

Marketing Strategy Planning 30

- The Management Job in Marketing 32
- What Is a Marketing Strategy? 32
- Selecting a Market-Oriented Strategy Is Target Marketing 34
- Developing Marketing Mixes for Target Markets 36
- The Marketing Plan Is a Guide to Implementation and Control 40
- Recognizing Customer Lifetime Value and Customer Equity 43
- What Are Attractive Opportunities? 45
- Marketing Strategy Planning Process Highlights Opportunities 46
- Types of Opportunities to Pursue 49
- International Opportunities Should Be Considered 51

- Conclusion* 53
- What's Now?* 53
- Key Terms* 54
- Questions and Problems* 54
- Marketing Planning for Hillside Veterinary Clinic* 55
- Suggested Cases* 55
- Marketing Analytics: Data to Knowledge* 55

3



CHAPTER THREE

Evaluating Opportunities in the Changing Market Environment 56

- The Market Environment 58
- Objectives Should Set Firm's Course 59
- Company Resources May Limit Search for Opportunities 61
- Analyzing Competitors and the Competitive Environment 63
- The Economic Environment 66
- The Technological Environment 66
- The Political Environment 69
- The Legal Environment 70
- The Cultural and Social Environment 73
- Using Screening Criteria to Narrow Down to Strategies 79
- Planning Grids Help Evaluate a Portfolio of Opportunities 81
- Evaluating Opportunities in International Markets 82

- Conclusion* 83
- What's Now?* 84
- Key Terms* 84
- Questions and Problems* 84
- Marketing Planning for Hillside Veterinary Clinic* 85
- Suggested Cases* 85
- Marketing Analytics: Data to Knowledge* 85

4



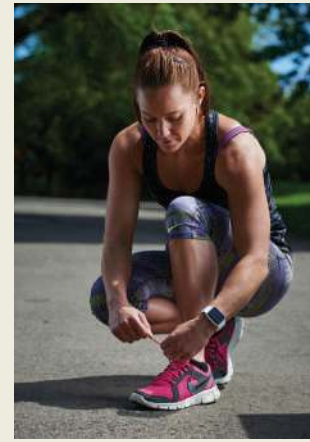
CHAPTER FOUR

Focusing Marketing Strategy with Segmentation and Positioning 86

- Search for Opportunities Can Begin by Understanding Markets 88
- Naming Product-Markets and Generic Markets 97
- Market Segmentation Defines Possible Target Markets 93
- What Dimensions Are Used to Segment Markets? 99
- More Sophisticated Techniques May Help in Segmenting 104
- Differentiation and Positioning Take the Customer Point of View 105

- Conclusion 110
- What's Now? 111
- Key Terms 111
- Questions and Problems 111
- Marketing Planning for Hillside Veterinary Clinic 112
- Suggested Cases 112
- Marketing Analytics: Data to Knowledge 112

5



CHAPTER FIVE

Final Consumers and Their Buying Behavior 114

- Consumer Behavior: Why Do They Buy What They Buy? 116
- Economic Needs Affect Most Buying Decisions 117
- Psychological Influences within an Individual 119
- Social Influences Affect Consumer Behavior 128
- Culture, Ethnicity, and Consumer Behavior 131
- Individuals Are Affected by the Purchase Situation 133
- The Consumer Decision Process 134

- Conclusion 138
- What's Now? 139
- Key Terms 139
- Questions and Problems 139
- Marketing Planning for Hillside Veterinary Clinic 140
- Suggested Cases 140
- Marketing Analytics: Data to Knowledge 140

6



CHAPTER SIX

Business and Organizational Customers and Their Buying Behavior 142

- Business and Organizational Customers—A Big Opportunity 144
- Organizational Customers Are Different 145
- A Model of Business and Organizational Buying 150
- Step 1: Define the Problem 151
- Step 2: The Decision-Making Process 152
- Step 3: Managing Buyer-Seller Relationships in Business Markets 156
- Manufacturers Are Important Customers 160
- Producers of Services—Smaller and More Spread Out 162
- Retailers and Wholesalers Buy for Their Customers 163
- The Government Market 164

- Conclusion 165
- What's Now? 166
- Key Terms 166
- Questions and Problems 166
- Creating Marketing Plans 167
- Marketing Planning for Hillside Veterinary Clinic 167
- Marketing Analytics: Data to Knowledge 167

7



CHAPTER SEVEN

Improving Decisions with Marketing Information 168

- Effective Marketing Requires Good Information 170
- Changes Are Under Way in Marketing Information Systems 171
- The Scientific Method and Marketing Research 176
- Five-Step Approach to Marketing Research 177
- Defining the Problem—Step 1 177
- Analyzing the Situation—Step 2 178
- Getting Problem-Specific Data—Step 3 181
- Interpreting the Data—Step 4 189
- Solving the Problem—Step 5 192
- International Marketing Research 192

- Conclusion 193
- What's Now? 194
- Key Terms 194
- Questions and Problems 194
- Marketing Planning for Hillside Veterinary Clinic 195
- Suggested Cases 195
- Marketing Analytics: Data to Knowledge 195

8



CHAPTER EIGHT

Elements of Product Planning for Goods and Services 196

- The Product Area Involves Many Strategy Decisions 198
- What Is a Product? 199
- Differences between Goods and Services 202
- Branding Is a Strategy Decision 204
- Achieving Brand Familiarity Is Not Easy 207
- Protecting Brand Names and Trademarks 209
- What Kind of Brand to Use? 210
- Who Should Do the Branding? 210
- Packaging Promotes, Protects, and Enhances 212
- Warranty Policies Are a Part of Strategy Planning 214
- Product Classes Help Plan Marketing Strategies 215
- Consumer Product Classes 216
- Business Products Are Different 218
- Business Product Classes—How They Are Defined 218

- Conclusion 222
- What's Now? 222
- Key Terms 222
- Questions and Problems 223
- Marketing Planning for Hillside Veterinary Clinic 224
- Suggested Cases 224
- Marketing Analytics: Data to Knowledge 224

9



CHAPTER NINE

Product Management and New-Product Development 226

- Innovation and Market Changes Create Opportunities 228
- Managing Products over Their Life Cycles 229
- Product Life Cycles Vary in Length 232
- Planning for Different Stages of the Product Life Cycle 234
- New-Product Planning 237
- An Organized New-Product Development Process Is Critical 239
- New-Product Development: A Total Company Effort 246
- Need for Product Managers 247
- Managing Product Quality 248

- Conclusion 251
- What's Now? 251
- Key Terms 251
- Questions and Problems 252
- Marketing Planning for Hillside Veterinary Clinic 252
- Suggested Cases 252
- Marketing Analytics: Data to Knowledge 252

10



CHAPTER TEN

Place and Development of Channel Systems 254

- Marketing Strategy Planning Decisions for Place 256
- Place Decisions Are Guided by “Ideal” Place Objectives 257
- Channel System May Be Direct or Indirect 259
- Channel Specialists May Reduce Discrepancies and Separations 264
- Channel Relationship Must Be Managed 266
- Vertical Marketing Systems Focus on Final Customers 269
- The Best Channel System Should Achieve Ideal Market Exposure 271
- Multichannel Distribution and Reverse Channels 273
- Entering International Markets 277
- Conclusion 278
- What’s Now? 279
- Key Terms 279
- Questions and Problems 279
- Marketing Planning for Hillside Veterinary Clinic 279
- Suggested Cases 279
- Marketing Analytics: Data to Knowledge 279

11



CHAPTER ELEVEN

Distribution Customer Service and Logistics 282

- Physical Distribution Gets It to Customers 284
- Physical Distribution Customer Service 285
- Physical Distribution Concept Focuses on the Whole Distribution System 288
- Coordinating Logistics Activities among Firms 288
- The Transporting Function Adds Value to a Marketing Strategy 293
- Which Transporting Alternative Is Best? 294
- The Storing Function and Marketing Strategy 298
- Specialized Storing Facilities May Be Required 298
- The Distribution Center—A Different Kind of Warehouse 300
- Conclusion 302
- What’s Now? 302
- Key Terms 302
- Questions and Problems 302
- Marketing Planning for Hillside Veterinary Clinic 303
- Suggested Cases 303
- Marketing Analytics: Data to Knowledge 303

12



CHAPTER TWELVE

Retailers, Wholesalers, and Their Strategy Planning 304

- Retailers and Wholesalers Plan Their Own Strategies 306
- The Nature of Retailing 308
- Planning a Retailer's Strategy 308
- Conventional Retailers—Try to Avoid Price Competition 311
- Expand Assortment and Service—To Compete at a High Price 312
- Evolution of Mass-Merchandising Retailers 313
- Some Retailers Focus on Added Convenience 315
- Retailing and the Internet 316
- Why Retailers Evolve and Change 319
- Differences in Retailing in Different Nations 322
- What Is a Wholesaler? 324
- Wholesaling Is Changing with the Times 324
- Wholesalers Add Value in Different Ways 324
- Merchant Wholesalers Are the Most Numerous 327
- Agents Are Strong on Selling 329
- Conclusion 330
- What's Now? 331
- Key Terms 331
- Questions and Problems 331
- Marketing Planning for Hillside Veterinary Clinic 332
- Suggested Cases 332
- Marketing Analytics: Data to Knowledge 332

13



CHAPTER THIRTEEN

Promotion—Introduction to Integrated Marketing Communications 334

- Promotion Communicates to Target Markets 336
- Several Promotion Methods Are Available 337
- Someone Must Plan, Integrate, and Manage the Promotion Blend 339
- Which Methods to Use Depends on Promotion Objectives 341
- Promotion Requires Effective Communication 344
- When Customers Initiate the Communication Process 347
- How Typical Promotion Plans Are Blended and Integrated 350
- Adoption Processes Can Guide Promotion Planning 353
- Promotion Blends Vary over the Product Life Cycle 355
- Setting the Promotion Budget 357
- Conclusion 358
- What's Now? 359
- Key Terms 359
- Questions and Problems 359
- Marketing Planning for Hillside Veterinary Clinic 360
- Suggested Cases 360
- Marketing Analytics: Data to Knowledge 360

14



CHAPTER FOURTEEN

Personal Selling and Customer Service 362

- The Importance and Role of Personal Selling 364
- What Kinds of Personal Selling Are Needed? 367
- Order Getters Develop New Business Relationships 367
- Order Takers Nurture Relationships to Keep the Business Coming 368
- Supporting Sales Force Informs and Promotes in the Channel 369
- Customer Service Promotes the Next Purchase 371
- The Right Structure Helps Assign Responsibility 372
- Information Technology Provides Tools to Do the Job 378
- Sound Selection and Training to Build a Sales Force 379
- Compensating and Motivating Salespeople 380
- Personal Selling Techniques—Prospecting and Presenting 385
- Conclusion 387
- What's Now? 388
- Key Terms 388
- Questions and Problems 388
- Marketing Planning for Hillside Veterinary Clinic 389
- Suggested Cases 389
- Marketing Analytics: Data to Knowledge 389

15



CHAPTER FIFTEEN

Advertising and Sales Promotion 390

- Advertising, Sales Promotion, and Marketing Strategy Planning 392
- Advertising Is Big Business 394
- Advertising Objectives Are a Strategy Decision 395
- Objectives Determine the Kinds of Advertising Needed 396
- Choosing the “Best” Medium—How to Deliver the Message 399
- Digital and Mobile Advertising 402
- Planning the “Best” Message—What to Communicate 407
- Advertising Agencies Often Do the Work 409
- Measuring Advertising Effectiveness Is Not Easy 410
- Avoid Unfair Advertising 411
- Sales Promotion—Do Something Different to Stimulate Change 412
- Challenges in Managing Sales Promotion 414
- Different Types of Sales Promotion for Different Targets 415
- Conclusion 417
- What's Now? 418
- Key Terms 418
- Questions and Problems 418
- Marketing Planning for Hillside Veterinary Clinic 419
- Suggested Cases 419
- Marketing Analytics: Data to Knowledge 419

16



CHAPTER SIXTEEN

Publicity: Promotion Using Earned Media, Owned Media, and Social Media 420

Publicity, the Promotion Blend, and Marketing Strategy Planning 422

Paid, Earned, and Owned Media 424

Customers Obtain Information from Search, Pass-Along, and Experience 428

Create Owned Media Content Your Customers Can Use 430

Earned Media from Public Relations and the Press 435

Earned Media from Customer Advocacy 437

Social Media Differs from Traditional Media 439

Major Social Media Platforms 440

Software Can Manage, Measure, and Automate Online Media 446

Conclusion 447

What's Now? 448

Key Terms 488

Questions and Problems 448

Marketing Planning for Hillside Veterinary Clinic 449

Suggested Cases 449

Marketing Analytics: Data to Knowledge 449

17



CHAPTER SEVENTEEN

Pricing Objectives and Policies 450

Price Has Many Strategy Dimensions 452

Objectives Should Guide Strategy Planning for Price 455

Profit-Oriented Objectives 455

Sales-Oriented Objectives 456

Status Quo Pricing Objectives 457

Most Firms Set Specific Pricing Policies—To Reach Objectives 458

Price Flexibility Policies 458

Price-Level Policies—Over the Product Life Cycle 460

Discount Policies—Reductions from List Prices 464

Allowance Policies—Off List Prices 467

Some Customers Get Something Extra 468

List Price May Depend on Geographic Pricing Policies 470

Pricing Policies Combine to Impact Customer Value 471

Legality of Pricing Policies 474

Conclusion 477

What's Now? 477

Key Terms 477

Questions and Problems 477

Marketing Planning for Hillside Veterinary Clinic 478

Suggested Cases 478

Marketing Analytics: Data to Knowledge 479

18



CHAPTER EIGHTEEN

Price Setting in the Business World 480

- Price Setting Is a Key Strategy Decision 482
- Some Firms Just Use Markups 483
- Average-Cost Pricing Is Common and Can Be Dangerous 486
- Marketing Managers Must Consider Various Kinds of Costs 488
- Break-Even Analysis Can Evaluate Possible Prices 491
- Marginal Analysis Considers Both Costs and Demand 492
- Additional Demand-Oriented Approaches for Setting Prices 494
- Pricing a Full Line 501
- Bid Pricing and Negotiated Pricing Depend Heavily on Costs 503
- Conclusion 504
- What's Now? 504
- Key Terms 504
- Questions and Problems 505
- Marketing Planning for Hillside Veterinary Clinic 505
- Suggested Cases 505
- Marketing Analytics: Data to Knowledge 505

19



CHAPTER NINETEEN

Ethical Marketing in a Consumer-Oriented World: Appraisal and Challenges 506

- How Should Marketing Be Evaluated? 508
- Can Consumer Satisfaction Be Measured? 509
- Micro-Marketing Often Does Cost Too Much 511
- Macro-Marketing Does Not Cost Too Much 513
- Marketing Strategy Planning Process Requires Logic and Creativity 515
- The Marketing Plan Brings All the Details Together 518
- Challenges Facing Marketers 521
- How Far Should the Marketing Concept Go? 528
- Conclusion 529
- What's Now? 530
- Questions and Problems 530
- Marketing Planning for Hillside Veterinary Clinic 531
- Suggested Cases 531

A

APPENDIX A

Economics Fundamentals 532

APPENDIX B

Marketing Arithmetic 545

APPENDIX C

Career Planning in Marketing 560

APPENDIX D

Hillside Veterinary Clinic
Marketing Plan 574

BONUS CHAPTER 1



Implementing and Controlling
Marketing Plans: Evolution and
Revolution (full chapter content
accessible online through Connect/
SmartBook) 603

BONUS CHAPTER 2



Managing Marketing's Link with
Other Functional Areas (full chapter
content accessible online through
Connect/SmartBook) 604

Video Cases

1. Chick-fil-A: "Eat Mor Chikin" (Except on Sunday) 606
2. Bass Pro Shops (Outdoor World) 607
3. Toyota Prius: The Power of Excellence in Product Innovation and Marketing 609
4. Potbelly Sandwich Works Grows through "Quirky" Marketing 610
5. Suburban Regional Shopping Malls: Can the Magic Be Restored? 611
6. Strategic Marketing Planning in Big Brothers Big Sisters of America 614
7. Invacare Says, "Yes, You Can!" to Customers Worldwide 617
8. Segway Finds Niche Markets for Its Human Transporter Technology 619

Cases

1. McDonald's "Seniors" Restaurant 623
2. Nature's Way Foods, Inc. 623
3. Real NOCO Soccer Academy 624
4. Computer Xperts 625
5. Polymer Dynamics 626
6. Steel Solutions 627
7. Waimate Springs Lodge 628
8. Salvaggio's Trattoria 629
9. Restful Night Motel 630
10. Sampson's Ice Center 631
11. Run Free 632
12. DrV.com—Custom Vitamins 633
13. AAA Office World (AAA) 634
14. Schrock & Oh Design 635
15. The Olentangy Group 637
16. Tall Timber Lumber Supply 637
17. Simply Pure H₂O₄U, Inc. 638
18. West Tarrytown Volunteer Fire Department (WTVFD) 640
19. UltimateWedding.com 641
20. Minnehaha Marine & Camp 643
21. Geonovo Chemical, Inc. (GCI) 644
22. Bright Light Innovations: The Starlight Stove 645
23. Schmidt Furniture 646
24. WireX 647
25. Whittier Plastics 648
26. Abundant Harvest 649
27. Advanced Molding, Inc. 650
28. AAT Tools (AAT) 651
29. Quality Iron Castings, Inc. 652
30. Walker-Winkle Mills, Ltd. 653
31. Bowman Home Health Services (BHHS) 654
32. Lever, Ltd. 656
33. Kennedy & Gaffney (K&G) 658
34. Chess Aluminum Worldwide (CAW) 659
35. Skipper's Pizza Pies 660
36. Silverglade Homes 663
37. Mallory's Lemonade Stand (A) 664
38. Mallory's Lemonade Stand (B) 664

Glossary 666

Notes 677

Author Index 721

Company Index 732

Subject Index 736

TOC images: p. xx: Matthew Stockman/Getty Images; p. xxi (left): Tristan Fewings/Getty Images; p. 11 (right): © Taylor Emrey Glascock; p. xxii (left): © Film Fanatique/Alamy; p. xxii (right): Future Publishing/Getty Images; p. xxiii (left): © Paulo Whitaker/Reuters Pictures; p. xxiii (right): Boston Globe/Getty Images; p. xxiv (left): National Basketball Association/Getty Images; p. xxiv (right): With the permission of iRobot Corporation; p. xxv (left): Imaginechina via AP Images; p. xxv (right): © Barry Lewis/In Pictures/Corbis; p. xxvi (left): © imageBROKER/Alamy; p. xxvi (right): © 1996–2015 GEICO; p. xxvii (left): © William D. Perreault, Jr., Ph.D.; p. xxvii (right): SUBWAY® is a registered trademark of Doctor's Associates Inc. © Doctor's Associates Inc. All rights reserved; p. xxviii (left): Photo by Boston Globe/Getty Images; p. xxviii (right): © Brent Jones; p. xxix (left): Photo by Tasos Katopodis/Getty Images for Samsung; p. xxix (right): AP Photo/Khalil Senosi