Marketing Management

Knowledge and Skills

Ninth Edition

I. Paul Peter University of Wisconsin-Madison

James H. Donnelly, Jr. University of Kentucky



Contents

Plan of the Research 32

SECTION I ESSENTIALS OF MARKETING MANAGEMENT 1	Performance of the Research 37 Processing of Research Data 37 Preparation of the Research Report 38 Limitations of the Research Process 38
PART A INTRODUCTION 3	Marketing Information Systems 40 Conclusion 41
Chapter 1 Strategic Planning and the Marketing Management Process 4	Chapter 3 Consumer Behavior 42
The Marketing Concept 4 What Is Marketing? 5 What Is Strategic Planning? 6 Strategic Planning and Marketing Management 6 The Strategic Planning Process 7 The Complete Strategic Plan 15 The Marketing Management Process 15 Situation Analysis 16 Marketing Planning 18 Implementation and Control of the Marketing Plan 20 Marketing Information Systems and Marketing Research 20 The Strategic Plan, the Marketing Plan, and Other Functional Area Plans 20 Marketing Role in Cross-Functional Strategic Planning 20 Conclusion 22 Appendix Portfolio Models 25	Social Influences on Consumer Decision Making 43 Culture and Subculture 43 Social Class 44 Reference Groups and Families 45 Marketing Influences on Consumer Decision Making 45 Product Influences 45 Price Influences 46 Place Influences 46 Situational Influences on Consumer Decision Making 47 Psychological Influences on Consumer Decision Making 47 Product Knowledge 47 Product Involvement 48 Consumer Decision Making 48 Need Recognition 49 Alternative Search 50 Alternative Evaluation 51 Purchase Decision 51 Postpurchase Evaluation 52 Conclusion 54
MARKETING INFORMATION, RESEARCH, AND UNDERSTANDING THE TARGET MARKET 29	Chapter 4
Chapter 2 Marketing Research: Process and Systems for Decision Making 30	Business, Government, and Institutional Buying 55 Categories of Organizational Buyers 55 Producers 55
The Role of Marketing Research 30 The Marketing Research Process 31 Purpose of the Research 31	Intermediaries 56 Government Agencies 56 Other Institutions 56

The Organizational Buying Process 56

Purchase-Type Influences on Organizational Buying 57	Organizing for Product Management 94 Conclusion 95
Straight Rebuy 57 Modified Rebuy 57 New Task Purchase 57	Chapter 7 New Product Planning and
Structural Influences on Organizational Buying 58 Purchasing Roles 58	Development 96
Organization-Specific Factors 59	New Product Strategy 97
Purchasing Policies and Procedures 59 Behavioral Influences on Organizational Buying 60	New Product Planning and Development Process 99 Idea Generation 99
Personal Motivations 60	Idea Screening 101
Role Perceptions 60	Project Planning 101
Stages in the Organizational Buying Process 62	Product Development 102
Organizational Need 63	Test Marketing 102
Vendor Analysis 63	Commercialization 103
Purchase Activities 63	The Importance of Time 103
Postpurchase Evaluation 63	Some Important New Product Decisions 104
Conclusion 65	Quality Level 104
	Product Features 106
Chapter 5	Product Design 106
Market Segmentation 66	Product Safety 106
Delineate the Firm's Current Situation 66	Causes of New Product Failure 107
Determine Consumer Needs and Wants 67	Need for Research 107
Divide Markets on Relevant Dimensions 67 A Priori versus Post Hoc Segmentation 68 Relevance of Segmentation Dimensions 68	Conclusion 108 Chapter 8 Integrated Marketing Communications:
Bases for Segmentation 69	Advertising, Sales Promotion, Public
Develop Product Positioning 75 Decide Segmentation Strategy 76	Relations, and Direct Marketing 109
Design Marketing Mix Strategy 77 Design Marketing Mix Strategy 77	
Conclusion 78	Strategic Goals of Marketing Communication 109 Create Awareness 109 Build Positive Images 110
PART C	Identify Prospects 110
	Build Channel Relationships 110
THE MARKETING MIX 79	Retain Customers 110
Chanter 6	The Promotion Mix 110
Chapter 6	Integrated Marketing Communications 111
Product and Brand Strategy 80	Advertising: Planning and Strategy 113
Basic Issues in Product Management 80	Objectives of Advertising 113
Product Definition 80	Advertising Decisions 114
Product Classification 81	The Expenditure Question 115
Product Quality and Value 82	The Allocation Question 117
Product Mix and Product Line 83	Sales Promotion 121
Branding and Brand Equity 84	Push versus Pull Marketing 121
Packaging 88	Trade Sales Promotions 123
Product Life Cycle 89	Consumer Promotions 123
Product Adoption and Diffusion 91	What Sales Promotion Can and Can't Do 123
The Product Audit 92	Public Relations 125
Deletions 92 Product Improvement 92	Direct Marketing 125 Conclusion 126
1 rounce improvement 32	Conclusion 120

Appendix Major Federal Agencies Involved in Control of Advertising 127 Chapter 9 Personal Selling, Relationship Building, and Sales Management 128	A General Pricing Model 165 Set Pricing Objectives 165 Evaluate Product-Price Relationships 165 Estimate Costs and Other Price Limitations 166 Analyze Profit Potential 167 Set Initial Price Structure 167 Change Price as Needed 168 Conclusion 168
Importance of Personal Selling 128 The Sales Process 129 Objectives of the Sales Force 129 The Sales Relationship-Building Process 130 People Who Support the Sales Force 135 Managing the Sales and Relationship-Building Process 136	PART D MARKETING IN SPECIAL FIELDS 169 Chapter 12
The Sales Management Task 137 Controlling the Sales Force 138 Motivating and Compensating Performance 141 Conclusion 142	The Marketing of Services 170 Important Characteristics of Services 172 Intangibility 172 Inseparability 173
Chapter 10 Distribution Strategy 143	Perishability and Fluctuating Demand 174 Client Relationship 174 Customer Effort 175
The Need for Marketing Intermediaries 143 Classification of Marketing Intermediaries and Functions 143 Channels of Distribution 145 Selecting Channels of Distribution 146 Specific Considerations 146 Managing a Channel of Distribution 149 Relationship Marketing in Channels 149 Vertical Marketing Systems 149 Wholesaling 152 Store and Nonstore Retailing 153 Store Retailing 153 Nonstore Retailing 154 Conclusion 157	Uniformity 176 Providing Quality Services 176 Customer Satisfaction Measurement 177 The Importance of Internal Marketing 177 Overcoming the Obstacles in Service Marketing 178 Limited View of Marketing 179 Limited Competition 179 Noncreative Management 179 No Obsolescence 180 The Service Challenge 180 Banking 181 Health Care 181 Insurance 182 Travel 182
Chapter 11 Pricing Strategy 159	Implications for Service Marketers 183 Conclusion 184
Demand Influences on Pricing Decisions 159 Demographic Factors 159 Psychological Factors 159	Chapter 13 Global Marketing 185
Price Elasticity 160 Supply Influences on Pricing Decisions 161 Pricing Objectives 161 Cost Considerations in Pricing 161 Product Considerations in Pricing 163 Environmental Influences on Pricing Decisions 164 Competition 164 Government Regulations 164	The Competitive Advantage of Nations 186 Organizing for Global Marketing 187 Problems with Entering Foreign Markets 187 Organizing the Multinational Company 189 Programming for Global Marketing 192 Global Marketing Research 192 Global Product Strategy 194 Global Distribution Strategy 195

Global Pricing Strategy 196
Global Advertising and Sales Promotion
Strategy 196
Entry and Growth Strategies for Global
Marketing 197
Conclusion 199

SECTION II

ANALYZING MARKETING PROBLEMS AND CASES 201

A Case Analysis Framework 202

- 1. Analyze and Record the Current Situation 203
- 2. Analyze and Record Problems and Their Core Elements 207
- 3. Formulate, Evaluate, and Record Alternative Courses of Action 208
- 4. Select and Record the Chosen Alternative and Implementation Details 208

Pitfalls to Avoid in Case Analysis 209
Communicating Case Analyses 210
The Written Report 211
The Oral Presentation 213

MARKETING DECISIONS 215

Conclusion 214

SECTION III FINANCIAL ANALYSIS FOR

Financial Analysis 216

Break-Even Analysis 216

Net Present Value Analysis 218

Ratio Analysis 220

Conclusion 224

SECTION IV

INTERNET EXERCISES AND SOURCES OF MARKETING INFORMATION 225

PART A

INTERNET EXERCISES 227
Charles Heath: University of Kentucky

Exercise 1
Corporate Web Sites 228

Exercise 2
Online versus Offline Retail
Experiences 228

Exercise 3
Consumer Decision-Making
Process 229

Exercise 4
Discovering Product Assortments
Online 230

Exercise 5
Brand Equity on the Internet 230

Exercise 6
The Impact of Communities on
Marketing 231

Exercise 7
Pricing Issues on the Internet 231

Exercise 8
Selecting the Internet as a Distribution
Channel 231

Exercise 9
Internet Advertising 232

Exercise 10
The Adaptation of Services to the Internet 233

Exercise 11
Marketing Communications
Techniques in the Internet Age 233

PART B

INTERNET SOURCES OF MARKETING INFORMATION 235
Charles Heath: University of Kentucky

SECTION V MARKETING MANAGEMENT CASES 241

CASE GROUP A MARKET OPPORTUNITY ANALYSIS 243

Case 1

McDonald's Corporation in the New Millenium 243

J. Paul Peter and Ashish Gokhale: University of Wisconsin-Madison

Case 2

South Delaware Coors, Inc. 250

James E. Nelson and Eric J. Karson: University of Colorado

Case 3

Ruth's Chris: The High Stakes of International Expansion 259

Allen H. Kupetz and Ilon Alon: University of Western Ontario

Case 4

Coach Inc.: Is Its Advantage in Luxury Handbags Sustainable? 266

John E. Gamble: University of South Alabama

Case 5

Panera Bread Company 281

Arthur A. Thompson: The University of Alabama

CASE GROUP B PRODUCT STRATEGY 297

Case 6

Starbucks—Early 2008 297

J. Paul Peter: University of Wisconsin-Madison

Case 7

easyCar.com 302

John J. Lawrence: University of Idaho

Luis Solis: University of Idaho Instituto de Empresa

Case 8

Pfizer, Inc., Animal Health Products—Industry Downturns and Marketing Strategy 311

Jakki J. Mohr and Sara Streeter: University of Montana

Case 9

The Launch of the Sony Playstation 3 321

David Wesley and Gloria Barczak: Northeastern University

Case 10

Snacks to Go 336

JoAnn K. Linrud: Central Michigan University

CASE GROUP C PROMOTION STRATEGY 353

Case 11

Wind Technology 353

Ken Manning: University of South Carolina Jakki J. Mohr: University of Montana

Case 12

Mountain Dew: Selecting New Creative 359

Douglas B. Holt: Oxford University

Case 13

Red Bull 376

Richard R. Johnson, Jordan Mitchell, Paul W. Farris and Ervin Shames: University of Virginia

Case 14

"Hips Feel Good"—Dove's Campaign for Real Beauty 390

David Wesley: Northeastern University

CASE GROUP D DISTRIBUTION STRATEGY 404

Case 15

IKEA's Global Strategy: Furnishing the World 404

Paul Kolesa

Case 16
Blockbuster Entertainment
Corporation 412

James A. Kidney: Southern Connecticut State University

Case 17

eBay: In a League by Itself 423

Louis Marino and Patrick Kreiser: The University of Alabama

Case 18

Wal-Mart Stores, Inc.; A New Set of Challenges 451

Arthur A. Thompson: The University of Alabama

CASE GROUP E
PRICING STRATEGY 480

Case 19 Schwinn Bicycles 480

J. Paul Peter: University of Wisconsin-Madison

Case 20 Toyota 483

Brian Brenner and Chester Dawson: Business Week

Case 21 Cowgirl Chocolates 490

John J. Lawrence, Linda J. Morris, and Joseph J. Geiger: University of Idaho

Case 22

Clearwater Technologies 503

Susan F. Sieloff and Raymond M. Kinnunen: Northeastern University

CASE GROUP F
SOCIAL AND ETHICAL ISSUES IN
MARKETING MANAGEMENT 508

Case 23 E. & J. Gallo Winery 508

A. J. Strickland III and Daniel C. Thurman: The University of Alabama

Case 24

Abercrombie & Fitch: An Upscale Sporting Goods Retailer Becomes a Leader In Trendy Apparel 516

Janet Rovenpor: Manhatten College

Case 25

Philip Morris Companies 539

Keith Robbins: George Mason University

SECTION VI STRATEGIC MARKETING CASES 553

Case 1

Yum! Brands, Pizza Hut, and KFC 555

Jeffrey A. Krug: Appalachian State University

Case 2

Caterpillar, Inc. 569

Sara L. Pitterle and J. Paul Peter: University of Wisconsin–Madison

Case 3

EMR Innovations 581

Kay M. Palan: Iowa State University

Case 4

Harley-Davidson, Inc.—Motorcycle Division 592

J. Paul Peter: University of Wisconsin-Madison

Case 5

PepsiCo in 2007: Strategies to Increase Shareholder Value 605

John E. Gamble: University of South Alabama

Case 6

Kikkoman Corporation in the Mid-1990s: Market Maturity, Diversification, and Globalization 622

Norihito Tanaka: Kanagawa University Marilyn L. Taylor: University of Missouri at Kansas City

Joyce A. Claterbos: University of Kansas

Case 7 The Black & Decker Corporation 644

John E. Gamble: University of South Alabama Arthur A. Thompson: University of Alabama

Case 8 Expresso Espresso 666

Calvin M. Bacon, Jr.: University of South Alabama

Case 9 Krispy Kreme Doughnuts in 2005: Are the Glory Days Over? 688

Arthur A. Thompson: University of Alabama Amit J. Shah: Frostburg State University

Case 10 Dell, Inc., in 2005: A Winning Strategy? 713

Arthur A. Thompson: University of Alabama John E. Gamble: University of South Alabama

SECTION VII DEVELOPING MARKETING PLANS 743

A Marketing Plan Framework 744

Title Page 745

Executive Summary 745

Table of Contents 746

Introduction 746

Situational Analysis 746

Marketing Planning 746

Implementation and Control of the Marketing Plan 748

Summary 750

Appendix—Financial Analysis 750

References 753

Conclusion 753

Chapter Notes 755 Index 762