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EDITION



Kotler  
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MARKETING  
MANAGEMENT

15e

# Marketing Management

**15**

Global Edition

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Northwestern University

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*Authorized adaptation from the United States edition, entitled Marketing Management, 15th edition, ISBN 978-0-13-385646-0, by Philip Kotler and Kevin Lane Keller, published by Pearson Education, Inc. © 2016.*

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ISBN 10: 1-292-09262-9  
ISBN 13: 978-1-292-09262-1 (Print)  
ISBN 13: 978-1-292-09271-3 (PDF)

British Library Cataloguing-in-Publication Data  
A catalogue record for this book is available from the British Library

10 9 8 7 6 5 4 3 2 1  
14 13 12 11

Typeset in Minion Pro 9.5/11.5 by Integra Software Services Pvt Ltd.

Printed and bound by Courier/Kendallville in the United States of America

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This book is dedicated to my wife and best friend, Nancy, with love.

**—PK**

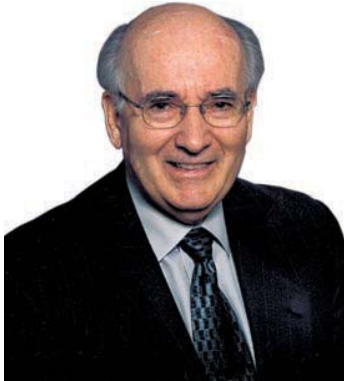
This book is dedicated to my wife, Punam, and my two daughters, Carolyn and Allison, with much love and thanks.

**—KLK**

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# About the Authors

Philip Kotler



**Philip Kotler** is one of the world's leading authorities on marketing. He is the S. C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University. He received his master's degree at the University of Chicago and his Ph.D. at MIT, both in economics. He did postdoctoral work in mathematics at Harvard University and in behavioral science at the University of Chicago.

Dr. Kotler is the coauthor of *Principles of Marketing and Marketing: An Introduction*. His *Strategic Marketing for Nonprofit Organizations*, now in its seventh edition, is the best seller in that specialized area.

Dr. Kotler's other books include *Marketing Models*; *The New Competition*; *Marketing Professional Services*; *Strategic Marketing for Educational Institutions*; *Marketing for Health Care Organizations*; *Marketing Congregations*; *High Visibility*; *Social Marketing*; *Marketing Places*; *The Marketing of Nations*; *Marketing for Hospitality and Tourism*; *Standing Room Only—Strategies for Marketing the Performing Arts*; *Museum Strategy and Marketing*; *Marketing Moves*; *Kotler on Marketing*; *Lateral Marketing*; *Winning at Innovation*; *Ten Deadly Marketing Sins*; *Chaotics*; *Marketing Your Way to Growth*; *Winning Global Markets*; and *Corporate Social Responsibility*.

In addition, he has published more than 150 articles in leading journals, including the *Harvard Business Review*, *Sloan Management Review*, *Business Horizons*, *California Management Review*, the *Journal of Marketing*, the *Journal of Marketing Research*, *Management Science*, the *Journal of Business Strategy*, and *Futurist*. He is the only three-time winner of the coveted *Alpha Kappa Psi* award for the best annual article published in the *Journal of Marketing*.

Professor Kotler was the first recipient of the American Marketing Association's (AMA) *Distinguished Marketing Educator Award* (1985). The *European Association of Marketing Consultants and Sales Trainers* awarded him their *Prize for Marketing Excellence*. He was chosen as the *Leader in Marketing Thought* by the Academic Members of the AMA in a 1975 survey. He also received the 1978 *Paul Converse Award* of the AMA, honoring his original contribution to marketing. In 1995, the *Sales and Marketing Executives International (SMEI)* named him *Marketer of the Year*. In 2002, Professor Kotler received the *Distinguished Educator Award* from the *Academy of Marketing Science*. In 2013, he received the *William L. Wilkie "Marketing for a Better World" Award* and subsequently received the *Sheth Foundation Medal for Exceptional Contribution to Marketing Scholarship and Practice*. In 2014, he was inducted in the *Marketing Hall of Fame*.

He has received honorary doctoral degrees from *Stockholm University*, the *University of Zurich*, *Athens University of Economics and Business*, *DePaul University*, the *Cracow School of Business and Economics*, *Groupe H.E.C. in Paris*, the *Budapest School of Economic Science and Public Administration*, the *University of Economics and Business Administration in Vienna*, and *Plekhanov Russian Academy of Economics*. Professor Kotler has been a consultant to many major U.S. and foreign companies, including *IBM*, *General Electric*, *AT&T*, *Honeywell*, *Bank of America*, *Merck*, *SAS Airlines*, *Michelin*, and others in the areas of marketing strategy and planning, marketing organization, and international marketing.

He has been *Chairman of the College of Marketing of the Institute of Management Sciences*, a *Director of the American Marketing Association*, a *Trustee of the Marketing Science Institute*, a *Director of the MAC Group*, a member of the *Yankelovich Advisory Board*, and a member of the *Copernicus Advisory Board*. He was a member of the *Board of Governors of the School of the Art Institute of Chicago* and a member of the *Advisory Board of the Drucker Foundation*. He has traveled extensively throughout Europe, Asia, and South America, advising and lecturing to many companies about global marketing opportunities.

Kevin Lane Keller



**Kevin Lane Keller** is the E. B. Osborn Professor of Marketing at the Tuck School of Business at Dartmouth College. Professor Keller has degrees from Cornell, Carnegie-Mellon, and Duke universities. At Dartmouth, he teaches MBA courses on marketing management and strategic brand management and lectures in executive programs on those topics.

Previously, Professor Keller was on the faculty at Stanford University, where he also served as the head of the marketing group. Additionally, he has been on the faculty at the University of California at Berkeley and the University of North Carolina at Chapel Hill, has been a visiting professor at Duke University and the Australian

Graduate School of Management, and has two years of industry experience as Marketing Consultant for Bank of America.

Professor Keller's general area of expertise lies in marketing strategy and planning and branding. His specific research interest is in how understanding theories and concepts related to consumer behavior can improve marketing strategies. His research has been published in three of the major marketing journals: the Journal of Marketing, the Journal of Marketing Research, and the Journal of Consumer Research. He also has served on the Editorial Review Boards of those journals. With more than 90 published papers, his research has been widely cited and has received numerous awards.

Actively involved with industry, he has worked on a host of different types of marketing projects. He has served as a long-term consultant and advisor to marketers for some of the world's most successful brands, including Accenture, American Express, Disney, Ford, Intel, Levi Strauss, Procter & Gamble, and Samsung. Additional brand consulting activities have been with other top companies such as Allstate, Beiersdorf (Nivea), BlueCross BlueShield, Campbell, Colgate, Eli Lilly, ExxonMobil, General Mills, GfK, Goodyear, Hasbro, Intuit, Johnson & Johnson, Kodak, L.L.Bean, Mayo Clinic, MTV, Nordstrom, Ocean Spray, Red Hat, SAB Miller, Shell Oil, Starbucks, Unilever, and Young & Rubicam. He has also served as an academic trustee for the Marketing Science Institute and served as their Executive Director from July 1, 2013, to July 1, 2015.

A popular and highly sought-after speaker, he has made speeches and conducted marketing seminars to top executives in a variety of forums. Some of his senior management and marketing training clients have included include such diverse business organizations as Cisco, Coca-Cola, Deutsche Telekom, ExxonMobil, GE, Google, IBM, Macy's, Microsoft, Nestle, Novartis, Pepsico, SC Johnson and Wyeth. He has lectured all over the world, from Seoul to Johannesburg, from Sydney to Stockholm, and from Sao Paulo to Mumbai. He has served as keynote speaker at conferences with hundreds to thousands of participants.

Professor Keller is currently conducting a variety of studies that address strategies to build, measure, and manage brand equity. His textbook on those subjects, Strategic Brand Management, in its fourth edition, has been adopted at top business schools and leading firms around the world and has been heralded as the "bible of branding."

An avid sports, music, and film enthusiast, in his so-called spare time, he has helped to manage and market, as well as serve as executive producer for, one of Australia's great rock-and-roll treasures, The Church, as well as American power-pop legends Tommy Keene and Dwight Twilley. He also serves on the Board of Directors for The Doug Flutie, Jr. Foundation for Autism, the Lebanon Opera House, and the Montshire Museum of Science. Professor Keller lives in Etna, NH, with his wife, Punam (also a Tuck marketing professor), and his two daughters, Carolyn and Allison.

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# Preface

## What's New in the 15th Edition

The 15th edition of *Marketing Management* is a landmark entry in the long successful history of the market leader. With the 15th edition, great care was taken to provide an introductory guide to marketing management that truly reflects the modern realities of marketing. In doing so, classic concepts, guidelines, and examples were retained while new ones were added as appropriate. Three broad forces—globalization, technology, and social responsibility—were identified as critical to the success of modern marketing programs. These three topics are evident all through the text.

As has been the case for a number of editions now, the overriding goal of the revision for the 15th edition of *Marketing Management* was to create as comprehensive, current, and engaging a MBA marketing textbook as possible. Where appropriate, new material was added, old material was updated, and no longer relevant or necessary material was deleted.

Even though marketing is changing in many significant ways these days, many core elements remain, and we feel strongly that a balanced approach of classic and contemporary approaches and perspectives is the way to go. *Marketing Management*, 15th edition, allows those instructors who have used the 14th edition to build on what they have learned and done while at the same time offering a text that is unsurpassed in breadth, depth, and relevance for students experiencing *Marketing Management* for the first time.

The successful across-chapter reorganization into eight parts that began with the 12th edition of *Marketing Management* has largely been preserved, although several adjustments have been made to improve student understanding, as described below. Many of the favorably received within-chapter features that have been introduced through the years, such as topical chapter openers, in-text boxes highlighting noteworthy companies or issues, and the Marketing Insight and Marketing Memo boxes that provide in-depth conceptual and practical commentary, have been retained.

Significant changes to the 15th edition include:

- Brand-new opening vignettes for each chapter set the stage for the chapter material to follow. By covering topical brands or companies, the vignettes are great classroom discussion starters.
- Almost half of the in-text boxes are new. These boxes provide vivid illustrations of chapter concepts using actual companies and situations. The boxes cover a variety of products, services, and markets, and many have accompanying illustrations in the form of ads or product shots.
- Each end-of-chapter section now includes two expanded Marketing Excellence mini-cases highlighting innovative, insightful marketing accomplishments by leading organizations. Each case includes questions that promote classroom discussion and student analysis.
- The global chapter (8, previously Chapter 21) has been moved into Part 3 on Connecting with Customers and the new products chapter (15, previously Chapter 20) has been moved into Part 5 on Creating Value. The positioning and brand chapters (10 and 11) have been switched to allow for the conventional STP sequencing. These moves permit richer coverage of the topics and better align with many instructors' teaching strategy.
- A new chapter (21) titled Managing Digital Communications: Online, Social Media, and Mobile has been added to better highlight that important topic. Significant attention is paid throughout the text to what a new section in Chapter 1 calls "the digital revolution."
- The concluding chapter (23) has been retitled "Managing a Holistic Marketing Organization for the Long Run" and addresses corporate social responsibility, business ethics, and sustainability, among other topics.
- Chapter 12 (previously Chapter 11) has been retitled "Addressing Competition and Driving Growth" to acknowledge the importance of growth to an organization.

## What Is *Marketing Management* All About?

*Marketing Management* is the leading marketing text because its content and organization consistently reflect changes in marketing theory and practice. The very first edition of *Marketing Management*, published in 1967, introduced the concept that companies must be customer and market driven. But there was little mention of

what have now become fundamental topics such as segmentation, targeting, and positioning. Concepts such as brand equity, customer value analysis, database marketing, e-commerce, value networks, hybrid channels, supply chain management, and integrated marketing communications were not even part of the marketing vocabulary then. *Marketing Management* continues to reflect the changes in the marketing discipline over the past almost 50 years.

Firms now sell goods and services through a variety of direct and indirect channels. Mass advertising is not nearly as effective as it was, so marketers are exploring new forms of communication, such as experiential, entertainment, and viral marketing. Customers are telling companies what types of product or services they want and when, where, and how they want to buy them. They are increasingly reporting to other consumers what they think of specific companies and products—using e-mail, blogs, podcasts, and other digital media to do so. Company messages are becoming a smaller fraction of the total “conversation” about products and services.

In response, companies have shifted gears from managing product portfolios to managing *customer* portfolios, compiling databases on individual customers so they can understand them better and construct individualized offerings and messages. They are doing less product and service standardization and more niching and customization. They are replacing monologues with customer dialogues. They are improving their methods of measuring customer profitability and customer lifetime value. They are intent on measuring the return on their marketing investment and its impact on shareholder value. They are also concerned with the ethical and social implications of their marketing decisions.

As companies change, so does their marketing organization. Marketing is no longer a company department charged with a limited number of tasks—it is a company-wide undertaking. It drives the company’s vision, mission, and strategic planning. Marketing includes decisions like whom the company wants as its customers, which of their needs to satisfy, what products and services to offer, what prices to set, what communications to send and receive, what channels of distribution to use, and what partnerships to develop. Marketing succeeds only when all departments work together to achieve goals: when engineering designs the right products; finance furnishes the required funds; purchasing buys high-quality materials; production makes high-quality products on time; and accounting measures the profitability of different customers, products, and areas.

To address all these different shifts, good marketers are practicing holistic marketing. *Holistic marketing* is the development, design, and implementation of marketing programs, processes, and activities that recognize the breadth and interdependencies of today’s marketing environment. Four key dimensions of holistic marketing are:

1. **Internal marketing**—ensuring everyone in the organization embraces appropriate marketing principles, especially senior management.
2. **Integrated marketing**—ensuring that multiple means of creating, delivering, and communicating value are employed and combined in the best way.
3. **Relationship marketing**—having rich, multifaceted relationships with customers, channel members, and other marketing partners.
4. **Performance marketing**—understanding returns to the business from marketing activities and programs, as well as addressing broader concerns and their legal, ethical, social, and environmental effects.

These four dimensions are woven throughout the book and at times spelled out explicitly. The text is organized to specifically address the following eight tasks that constitute modern marketing management in the 21st century:

1. Developing marketing strategies and plans
2. Capturing marketing insights
3. Connecting with customers
4. Building strong brands
5. Creating value
6. Delivering value
7. Communicating value
8. Conducting marketing responsibly for long-term success

## What Makes *Marketing Management* the Marketing Leader?

Marketing is of interest to everyone, whether they are marketing goods, services, properties, persons, places, events, information, ideas, or organizations. As it has maintained its respected position among students, educators, and businesspeople, *Marketing Management* has kept up to date and contemporary. Students (and instructors) feel that the book is talking directly to them in terms of both content and delivery.

*Marketing Management* owes its marketplace success to its ability to maximize three dimensions that characterize the best marketing texts—depth, breadth, and relevance—as measured by the following criteria:

- **Depth.** Does the book have solid academic grounding? Does it contain important theoretical concepts, models, and frameworks? Does it provide conceptual guidance to solve practical problems?
- **Breadth.** Does the book cover all the right topics? Does it provide the proper amount of emphasis on those topics?
- **Relevance.** Does the book engage the reader? Is it interesting to read? Does it have lots of compelling examples?

The 15th edition builds on the fundamental strengths of past editions that collectively distinguish it from all other marketing management texts:

- **Managerial orientation.** The book focuses on the major decisions that marketing managers and top management face in their efforts to harmonize the organization's objectives, capabilities, and resources with marketplace needs and opportunities.
- **Analytical approach.** *Marketing Management* presents conceptual tools and frameworks for analyzing recurring problems in marketing management. Cases and examples illustrate effective marketing principles, strategies, and practices.
- **Multidisciplinary perspective.** The book draws on the rich findings of various scientific disciplines—economics, behavioral science, management theory, and mathematics—for fundamental concepts and tools directly applicable to marketing challenges.
- **Universal applications.** The book applies strategic thinking to the complete spectrum of marketing: products, services, persons, places, information, ideas, and causes; consumer and business markets; profit and nonprofit organizations; domestic and foreign companies; small and large firms; manufacturing and intermediary businesses; and low- and high-tech industries.
- **Comprehensive and balanced coverage.** *Marketing Management* covers all the topics an informed marketing manager needs to understand to execute strategic, tactical, and administrative marketing.

## Instructor Resources

At the Instructor Resource Center, [www.pearsonglobaleditions.com/kotler](http://www.pearsonglobaleditions.com/kotler), instructors can easily register to gain access to a variety of instructor resources available with this text in downloadable format. If assistance is needed, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit <http://247.pearsoned.com> for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available with this text:

- **Instructor's Resource Manual**
- **Test Bank**
- **TestGen® Computerized Test Bank**
- **PowerPoint Presentation**
- **Image Library**

# Acknowledgments

**T**he 15th edition bears the imprint of many people. *From Phil Kotler:* My colleagues and associates at the Kellogg School of Management at Northwestern University continue to have an important impact on my thinking: Nidhi Agrawal, Eric T. Anderson, James C. Anderson, Robert C. Blattberg, Miguel C. Brendl, Bobby J. Calder, Gregory S. Carpenter, Alex Chernev, Anne T. Coughlan, David Gal, Kent Grayson, Karsten Hansen, Dipak C. Jain, Lakshman Krishnamurti, Angela Lee, Vincent Nijs, Yi Qian, Mohanbir S. Sawhney, Louis W. Stern, Brian Sternthal, Alice M. Tybout, and Andris A. Zoltners. I also want to thank the S. C. Johnson Family for the generous support of my chair at the Kellogg School. Completing the Northwestern team are my former Deans, Donald P. Jacobs and Dipak Jain and my current Dean, Sally Blount, for providing generous support for my research and writing.

Several former faculty members of the marketing department had a great influence on my thinking: Steuart Henderson Britt, Richard M. Clewett, Ralph Westfall, Harper W. Boyd, Sidney J. Levy, John Sherry, and John Hauser. I also want to acknowledge Gary Armstrong for our work on *Principles of Marketing*.

I am indebted to the following coauthors of international editions of *Marketing Management* and *Principles of Marketing* who have taught me a great deal as we worked together to adapt marketing management thinking to the problems of different nations:

- Swee-Hoon Ang and Siew-Meng Leong, National University of Singapore
- Chin-Tiong Tan, Singapore Management University
- Friedhelm W. Bliemel, Universitat Kaiserslautern (Germany)
- Linden Brown; Stewart Adam, Deakin University; Suzan Burton: Macquarie Graduate School of Management, and Sara Denize, University of Western Sydney (Australia)
- Bernard Dubois, Groupe HEC School of Management (France) and Delphine Manceau, ESCP-EAP European School of Management
- John Saunders, Loughborough University and Veronica Wong, Warwick University (United Kingdom)
- Jacob Hornick, Tel Aviv University (Israel)
- Walter Giorgio Scott, Università Cattolica del Sacro Cuore (Italy)
- Peggy Cunningham, Queen's University (Canada)

I also want to acknowledge how much I have learned from working with coauthors on more specialized marketing subjects: Alan Andreasen, Christer Asplund, Paul N. Bloom, John Bowen, Roberta C. Clarke, Karen Fox, David Gertner, Michael Hamlin, Thomas Hayes, Donald Haider, Hooi Den Hua, Dipak Jain, Somkid Jatusripitak, Hermawan Kartajaya, Milton Kotler, Neil Kotler, Nancy Lee, Sandra Liu, Suvit Maesincee, James Maken, Waldemar Pfoertsch, Gustave Rath, Irving Rein, Eduardo Roberto, Joanne Scheff, Norman Shawchuck, Joel Shalowitz, Ben Shields, Francois Simon, Robert Stevens, Martin Stoller, Fernando Trias de Bes, Bruce Wrenn, and David Young.

My overriding debt continues to be to my lovely wife, Nancy, who provided me with the time, support, and inspiration needed to prepare this edition. It is truly our book.

*From Kevin Lane Keller:* I continually benefit from the wisdom of my marketing colleagues at Tuck—Punam Keller, Scott Neslin, Kusum Ailawadi, Praveen Koppalle, Peter Golder, Ellie Kyung, Yaniv Dover, Eesha Sharma, Fred Webster, Gert Assmus, and John Farley—as well as the leadership of Dean Paul Danos. I also gratefully acknowledge the invaluable research and teaching contributions from my faculty colleagues and collaborators through the years. I owe a considerable debt of gratitude to Duke University's Jim Bettman and Rick Staelin for helping to get my academic career started and serving as positive role models to this day. I am also appreciative of all that I have learned from working with many industry executives who have generously shared their insights and experiences. With this 15th edition, I received some extremely helpful research assistance from a talented group of Dartmouth undergraduate RAs—Caroline Buck, James Carlson, Ryan Galloway, Jack Heise, Jeff Keller, Jill Lyon, Richard Newsome-White, Rahul Raina, and Cameron Woodworth,—who were as accurate, thorough, dependable, and cheerful as you could possibly imagine. Alison Pearson provided superb administrative support. Finally, I give special thanks to Punam, my wife, and Carolyn and Allison, my daughters, who make it all happen and make it all worthwhile.

We are indebted to the following colleagues at other universities who reviewed this new edition:

- Jennifer Barr, Richard Stockton College
- Lawrence Kenneth Duke, Drexel University LeBow College of Business
- Barbara S. Faries, Mission College, Santa Clara, CA
- William E. Fillner, Hiram College
- Frank J. Franzak, Virginia Commonwealth University
- Robert Galka, De Paul University
- Albert N. Greco, Fordham University
- John A. Hobbs, University of Oklahoma
- Brian Larson, Widener University
- Anthony Racka, Oakland Community College, Auburn Hills, MI
- Jamie Ressler, Palm Beach Atlantic University
- James E. Shapiro, University of New Haven
- George David Shows, Louisiana Tech University

We would also like to thank colleagues who have reviewed previous editions of *Marketing Management*:

Homero Aguirre, TAMIU

Alan Au, University of Hong Kong

Hiram Barksdale, University of Georgia

Boris Becker, Oregon State University

Sandy Becker, Rutgers University

Parimal Bhagat, Indiana University of Pennsylvania

Sunil Bhatla, Case Western Reserve University

Michael Bruce, Anderson University

Frederic Brunel, Boston University

John Burnett, University of Denver

Lisa Cain, University of California at Berkeley and Mills College

Surjit Chhabra, DePaul University

Yun Chu, Frostburg State University

Dennis Clayson, University of Northern Iowa

Bob Cline, University of Iowa

Brent Cunningham, Jacksonville State University

Hugh Daubek, Purdue University

John Deighton, University of Chicago

Kathleen Dominick, Rider University

Tad Duffy, Golden Gate University

Mohan Dutta, Purdue University

Barbara Dyer, University of North Carolina at Greensboro

Jackie Eastman, Valdosta State University

Steve Edison, University of Arkansas–Little Rock

Alton Erdem, University of Houston at Clear Lake

Elizabeth Evans, Concordia University

Barb Finer, Suffolk University

Chic Fojtik, Pepperdine University

Renee Foster, Delta State University

Ralph Gaedeke, California State University, Sacramento

Robert Galka, De Paul University

Betsy Gelb, University of Houston at Clear Lake

Dennis Gensch, University of Wisconsin, Milwaukee

David Georgoff, Florida Atlantic University

Rashi Glazer, University of California, Berkeley

Bill Gray, Keller Graduate School of Management

Barbara Gross, California State University at Northridge

Lewis Hershey, Fayetteville State University

Thomas Hewett, Kaplan University

Mary Higby, University of Detroit–Mercy

Arun Jain, State University of New York, Buffalo

Michelle Kunz, Morehead State University

Eric Langer, Johns Hopkins University

Even Lanseng, Norwegian School of Management

Ron Lennon, Barry University

Michael Lodato, California Lutheran University

Henry Loehr, Pfeiffer University–Charlotte

Bart Macchiette, Plymouth University

Susan Mann, Bluefield State College

Charles Martin, Wichita State University

H. Lee Matthews, Ohio State University

Paul McDevitt, University of Illinois at Springfield  
Mary Ann McGrath, Loyola University, Chicago  
John McKeever, University of Houston  
Kenneth P. Mead, Central Connecticut State University  
Henry Metzner, University of Missouri, Rolla  
Robert Mika, Monmouth University  
Mark Mitchell, Coastal Carolina University  
Francis Mulhern, Northwestern University  
Pat Murphy, University of Notre Dame  
Jim Murrow, Drury College  
Zhou Nan, University of Hong Kong  
Nicholas Nugent, Boston College  
Nnamdi Osakwe, Bryant & Stratton College  
Donald Outland, University of Texas, Austin  
Albert Page, University of Illinois, Chicago  
Young-Hoon Park, Cornell University  
Koen Pauwels, Dartmouth College  
Lisa Klein Pearo, Cornell University  
Keith Penney, Webster University  
Patricia Perry, University of Alabama  
Mike Powell, North Georgia College and State University  
Hank Pruden, Golden Gate University  
Christopher Puto, Arizona State University  
Abe Qstin, Lakeland University  
Lopo Rego, University of Iowa  
Richard Rexeisen, University of St. Thomas

William Rice, California State University–Fresno  
Scott D. Roberts, Northern Arizona University  
Bill Robinson, Purdue University  
Robert Roe, University of Wyoming  
Jan Napoleon Saykiewicz, Duquesne University  
Larry Schramm, Oakland University  
Alex Sharland, Hofstra University  
Dean Siewers, Rochester Institute of Technology  
Anusorn Singhapakdi, Old Dominion University  
Jim Skertich, Upper Iowa University  
Allen Smith, Florida Atlantic University  
Joe Spencer, Anderson University  
Mark Spriggs, University of St. Thomas  
Nancy Stephens, Arizona State University  
Michael Swenso, Brigham Young University, Marriott  
School  
Thomas Tellefsen, The College of Staten Island–CUNY  
Daniel Turner, University of Washington  
Sean Valentine, University of Wyoming  
Ann Veeck, West Michigan University  
R.Venkatesh, University of Pittsburgh  
Edward Volchok, Stevens Institute of Management  
D. J. Wasmer, St. Mary-of-the-Woods College  
Zac Williams, Mississippi State University  
Greg Wood, Canisius College  
Kevin Zeng Zhou, University of Hong Kong

A warm welcome and many thanks to the following people who contributed to the global case studies developed for the 14th edition:

Mairead Brady, Trinity College  
John R. Brooks, Jr., Houston Baptist University  
Sylvain Charlebois, University of Regina  
Geoffrey da Silva, Temasek Business School

Malcolm Goodman, Durham University  
Torben Hansen, Copenhagen Business School  
Abraham Koshy, Sanjeev Tripathi, and Abhishek, Indian  
Institute of Management Ahmedabad  
Peter Ling, Edith Cowan University  
Marianne Marando, Seneca College  
Lu Taihong, Sun Yat-Sen University

The talented staff at Pearson deserves praise for their role in shaping the 15th edition. We want to thank our editor, Mark Gaffney, for his contribution to this revision, as well as our program manager, Jennifer M. Collins. We also want to thank our project manager, Becca Groves, for making sure everything was moving along and falling into place in such a personable way, both with regard to the book and supplements. We benefited greatly from the superb editorial help of Elisa Adams, who lent her considerable talents as a development editor to this edition. We also thank our marketing managers, Anne Fahlgren and Lenny Ann Raper. Certainly, we are grateful for the editorial support provided by Daniel Petrino. Lastly, we'd like to thank the following MyLab contributors: Susan C. Schanne, School of Management, Eastern Michigan University, and Barbara S. Faries, MBA, Mission College, Santa Clara.

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Kellogg School of Management,  
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## Kevin Lane Keller

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Tuck School of Business,  
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Hanover, New Hampshire

Pearson would like to thank and acknowledge the following people for their work on the Global Edition:

### Contributors

Andrea Rumler, Berlin School of Economics and Law,  
Germany  
Abderrahman Hassi, Al Akhawayn University, Morocco  
Afifa Bouguerra, University of Toulouse, France  
Bouchra Hamelin, Al Akhawayn University, Morocco  
Abdelhamid Bennani Bouchiba, Al Akhawayn University,  
Morocco  
Muneeza Shoaib, Middlesex University Dubai, UAE

### Reviewers

Naila Aaijaz, International Professors Project  
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