
Basic Marketing

A Managerial Approach

Eighth Edition

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Michigan State University

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1984

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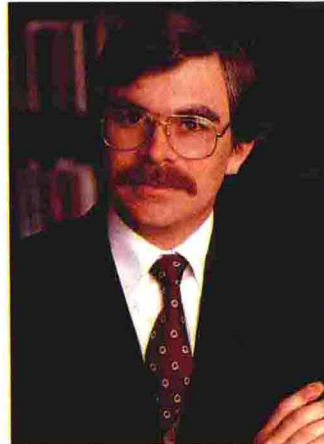


E. Jerome McCarthy received his Ph.D. from the University of Minnesota in 1958. Since then he has taught at the Universities of Oregon, Notre Dame, and Michigan State. He has been deeply involved in teaching and developing new teaching materials. Besides writing various articles and monographs, he is the author of textbooks on data processing and social issues in marketing.

Now 55 years old, Dr. McCarthy is active in making presentations to academic conferences and business meetings. He has worked with groups of teachers throughout the country and has addressed international conferences in South America, Africa, and India.

Dr. McCarthy was voted one of the "top five" leaders in Marketing Thought in 1975 by marketing educators. He was also a Ford Foundation Fellow in 1963–64 doing independent research on the role of marketing in economic development. In 1959–60 he was a Ford Foundation Fellow at the Harvard Business School—working on mathematical methods in marketing.

Besides his academic interests, Dr. McCarthy is involved in consulting for, and guiding the growth of, several businesses. He has worked with executives from Dow-Corning, Lear-Siegler, Rockwell International, Cordemex, Grupo Industrial Alfa, and many smaller companies. He is director of several for-profit and not-for-profit organizations. His primary interests, however, are in (1) "converting" students to marketing and marketing strategy planning and (2) preparing teaching materials to help others do the same. This is why he has continued to spend a large part of his time revising and improving *Basic Marketing*. This is a continuing process, and this Eighth Edition incorporates the latest thinking in the field.



William D. Perreault, Jr., received his Ph.D. from the University of North Carolina, Chapel Hill in 1973. Currently, he is a Professor at the School of Business at the University of North Carolina at Chapel Hill—where he is deeply involved in teaching in each of the School's degree programs. In 1978 he was the first recipient of the School's Rendleman Award for teaching excellence. He has been teaching the introductory course in marketing for more than a decade—as well as courses in sales management, marketing strategy, consumer behavior, industrial marketing, advertising, marketing channels, physical distribution and marketing research. He has worked in evaluating educational programs for the U.S. Department of HEW and the Venezuelan Ministry of Education and was selected by the American Assembly of Collegiate Schools of Business to help develop its new test of basic marketing knowledge.

In 1982, at age 34, Dr. Perreault started a three-year term as editor of the *Journal of Marketing Research*. He has also served as an associate editor of *Management Science* and is on the review board of the *Journal of Marketing* and other publications. He is a well-known author—and his ideas about marketing management and marketing research have been published in scores of journals.

Dr. Perreault was a founding Director of the Triangle Chapter of the American Marketing Association and is a member of the AMA Advisory Committee to the U.S. Bureau of the Census. He has served as a marketing consultant to many organizations, including Libby-Owens-Ford, Whirlpool, Owens Corning Fiberglass, General Electric, and the Federal Trade Commission, as well as a variety of wholesale and retail firms.

The Irwin Series in Marketing Consulting Editor
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■ Preface

Twenty-four years ago, the first edition of *Basic Marketing* pioneered an innovative structure—using the “4 Ps” with a managerial approach—for the introductory marketing course. Since then, the book has been continually improved and refined. The response of both teachers and students has been gratifying. *Basic Marketing*—and the supporting materials—have been more widely used than any other teaching materials for introductory marketing. The “4 Ps” has proved to be an organizing structure that has worked for millions of students and teachers.

Now, about 50 introductory marketing texts are available—and almost all of them have, in varying degrees, tried to copy the content, structure, and managerial emphasis of *Basic Marketing*. Imitation, they say, is the sincerest form of flattery. But we have responded to this form of “flattery” with an effort and commitment to excellence that should set a new target for the imitators.

We have tried to make the 8th edition of *Basic Marketing* the highest quality teaching resource ever available for the introductory course. We have worked together closely to enhance the best and proven elements of the earlier editions of *Basic Marketing*—while blending in new perspectives from our teaching, research, and business experiences.

The whole text has been critically revised, updated, and rewritten. Clear and interesting communication has been a priority—as in past editions. Careful explanations—coupled with a focus on the important “basics”—motivate learning. Hundreds of new examples—carefully integrated with the text discussion—bring the concepts alive to heighten your interest. Special attention was given to new teaching aids—graphs, figures, and photographs—that reinforce key points. The contemporary design of the text accents the “state-of-the-art” treatment of topics. Our publisher, too, shared in our commitment: a

five-color book offered exciting new possibilities for communicating important ideas.

The aim of all this revising, refining, editing, and illustrating was to try to make sure that each student really does get a good feel for a market-directed system and how he or she can help it—and some company—run better. We believe marketing is important and interesting—and we want every student who reads *Basic Marketing* to share our enthusiasm.

The emphasis of *Basic Marketing* is on marketing strategy planning. Twenty-four chapters introduce the important concepts in marketing management—and the student sees marketing through the eyes of the marketing manager. The organization of the chapters and topics was carefully planned. But we took special care in writing so that it is possible to rearrange and use the chapters in many ways—to fit various needs.

The first two chapters deal with the nature of marketing—focusing both on its macro role in society and its micro role in businesses—and other organizations. Next, a chapter on marketing opportunity analysis introduces a strategic planning view of how managers can identify opportunities and segment markets. This strategic view alerts the student to the importance of understanding the external environments affecting marketing—which are discussed in Chapter 4. Chapter 5 is a contemporary view of getting information—from marketing research and information systems—for marketing management planning. Chapter 6 introduces the demographic dimensions of the consumer market, and the next two chapters study the behavioral features of the consumer market and how intermediate customers—like manufacturers, channel members, and government purchasers—are similar to and different from final consumers. Chapter 9 discusses market segmentation in more detail—and helps the student see how to forecast the size of a market segment.

The next group of chapters—Chapters 10–20—is concerned with developing a marketing mix—out of the four Ps: Product, Place (involving channels of distribution and customer service levels), Promotion, and Price. These chapters are concerned with developing the “right” Product and making it available at the “right” Place with the “right” Promotion and the “right” Price—to satisfy target customers and still meet the objectives of the business. These chapters are presented in an integrated, analytical way, so there is a logical development of a student’s thinking about planning marketing strategies.

Chapter 21 ties the 4 Ps into planning and implementing whole marketing plans and programs. Chapter 22 discusses controlling marketing plans and programs, using examples to emphasize important points. Chapter 23 applies the principles of the text to international marketing. While there is a multinational emphasis throughout the text, this separate chapter is provided for those wishing special emphasis on international marketing.

The final chapter considers how efficient the marketing process is. Here we discuss many criticisms of marketing and evaluate the effectiveness of both micro and macro marketing—considering whether changes are needed. After this chapter, the student might want to look at Appendix C—about career opportunities in marketing.

Some textbooks treat “special” topics—like social marketing, consumerism, industrial marketing, services marketing, and marketing for nonprofit organizations—in separate chapters. We have not done this because we are convinced that treating such materials as separate topics leads to an unfortunate “compartmentalization” of ideas. We think they are too important to be isolated in that way. Instead, they are interwoven and illustrated throughout the text—to emphasize that marketing thinking is crucial in all aspects of our society and economy.

Really understanding marketing and how to plan marketing strategies can build self-confidence—and make a student more ready to take an active part in the business world. To move students in this direction, we deliberately include a variety of frameworks, models, classification systems, and “how-to-do-it” techniques which should speed the development of “marketing sense”—and enable the student to analyze marketing situations in a confident and meaningful way. Taken seriously, they are practical and they work. By making these materials more interesting and understandable, we hope to help students see marketing as the challenging and rewarding area it is.

Basic Marketing can be studied and used in many ways—because the *Basic Marketing* “text material” is only the central component of a *Professional Learning Units System* (our *PLUS*) for students and teachers. Many combinations of components are possible—depending on course objectives.

To help the student see what is coming in each *Basic Marketing* chapter, behavioral objectives are included on the first page of each chapter. And to speed student understanding, important new terms are shown in red and defined immediately. They are also listed in the separate *Learning Aid*—with page numbers for convenient reference. Further, a glossary of these terms is presented at the end of the book. These aids help the student understand important concepts—and speed review before exams.

Understanding of the “text material” can be deepened by discussion of the cases suggested at the end of each chapter. In addition, end-of-chapter questions can be used to encourage students to investigate the marketing process and develop their own ways of thinking about it.

There are more components, too. A separate unit, *Readings and Cases in Basic Marketing*, provides carefully selected complementary materials. The readings are thought-provoking—and illustrate concepts from the text. End-of-reading questions can start the discussion. The longer cases in this book can be used for detailed student analysis—or for instructor presentation. Finally, a separate *Learning Aid* contains several more components of the *PLUS* system—and offers further opportunities to obtain a deeper understanding of the material. This *Learning Aid* can be used by the student alone or with teacher direction. It includes a brief introduction to each chapter, a list of the important new terms (with page numbers), true-false questions (with answers and page numbers) which cover *all* the important terms and concepts, and multiple-choice questions (with answers) which illustrate the kinds of questions that may appear in the examinations. Finally, the *Learning Aid* has cases, exercises, and problems—with instructions and blanks to fill in. They can be

used as classwork or homework—to drill on certain topics—and to deepen understanding of others by forcing application and then discussion. In fact, reading *Basic Marketing* and working with the *Learning Aid* can be the basic activity of the course.

Finally, feedback—from both students and teachers—is encouraged. We want to prepare the best teaching materials available anywhere. Any suggestions for improving the learning process in the marketing area will be greatly appreciated.

E. Jerome McCarthy
William D. Perreault, Jr.

■ Acknowledgments

Preparing this revision of *Basic Marketing* has been a consuming, three-year effort. The resulting text represents a blending of our career-long experiences—and it has been influenced and improved by the inputs of more people than it is possible to list.

Faculty and students at our current and past academic institutions—Michigan State University, University of North Carolina, Notre Dame, University of Georgia, Northwestern University, University of Oregon, and University of Minnesota—have significantly shaped the book. Faculty at Notre Dame had a profound effect when the first editions of the book were developed. Professor Yusaku Furuhashi has continued to provide suggestions and counsel on the multinational emphasis. Similarly, Professor Andrew A. Brogowicz of Western Michigan University has contributed many fine ideas. We are especially grateful to our many students who have criticized and made comments about materials in *Basic Marketing*. Indeed, in many ways, our students have been our best teachers.

Many improvements in the current edition were stimulated by comprehensive reviews prepared by Barton Weitz at the University of Pennsylvania and Gilbert A. Churchill, Jr., at the University of Wisconsin. Bixby Cooper at Michigan State, Nicholas Didow and Gary Armstrong at the University of North Carolina, and Donna Hoffman at Columbia University provided many constructive suggestions incorporated in the current edition. Barbara McCuen of Drake University provided input on the visual aspects of the text.

The designers, artists, editors, and production people at Richard D. Irwin, Inc., who worked with us on this edition warrant special recognition. Each has shared our commitment to excellence and brought their own individual creativity to the project.

Helpful criticisms and comments on earlier editions were made by David Rink, Homer M. Dalbey, J. H. Faricy, David Lambert, Walter Gross, and Guy R. Banville. Barbara Bart, Robert C. Stephens III, Harry Summers, and Gerald Waddell participated in a focus group discussion at a Southern Marketing Association meeting on *Basic Marketing*. Many improvements have been incorporated in response to suggestions from these people.

Our families have been patient and consistent supporters through all phases in developing *Basic Marketing*. The support has been direct and substantive. Joanne McCarthy and Pam Perreault provided invaluable editorial assistance—and many fresh ideas—through each draft and revision. The quality of their inputs is matched only by their energy and enthusiasm about the book. Carol McCarthy helped research and reorient the “Career Planning in Marketing” appendix—reflecting her needs and experiences as a college student looking for a career in advertising.

We are indebted to all the firms which allowed us to reproduce their proprietary materials here. Similarly, we are grateful to associates from our business experiences who have shared their perspectives and feedback, and enhanced our sensitivity to the key challenges of marketing management.

A textbook must capsule existing knowledge—while bringing new perspectives and organization to enhance it. Our thinking has been shaped by the writings of literally thousands of marketing scholars and practitioners. In some cases it is impossible to give unique credit for a particular idea or concept—because so many people have played important roles in anticipating, suggesting, shaping, and developing an area. We gratefully acknowledge these contributors—from the early thought-leaders to contemporary authors—who have shared their creative ideas. We respect their impact on the development of marketing and more specifically this book.

To all of these persons—and to the many publishers who graciously granted permission to use their materials—we are deeply grateful. Responsibility for any errors or omissions is certainly ours, but the book would not have been possible without the assistance of many others. Our sincere appreciation goes to everyone who helped in their own special way.

E. Jerome McCarthy
William D. Perreault, Jr.

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