



16e

Basic Marketing

A MARKETING STRATEGY PLANNING APPROACH

William D. Perreault, Jr.
Joseph P. Cannon
E. Jerome McCarthy

SIXTEENTH EDITION

BASIC MARKETING

A Marketing Strategy Planning Approach

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BASIC MARKETING: A MARKETING STRATEGY PLANNING APPROACH

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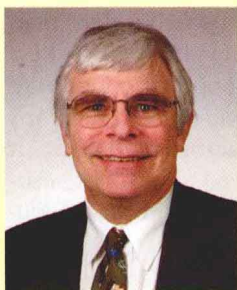
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About the Authors of *Basic Marketing*, 16/e

William D. Perreault, Jr.



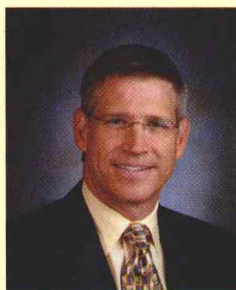
William D. Perreault, Jr. is Kenan Professor of Business at the University of North Carolina. Dr. Perreault is the recipient of the two most prestigious awards in his

field: the American Marketing Association Distinguished Educator Award and the Academy of Marketing Science Outstanding Educator Award. He also was selected for the Churchill Award, which honors career impact on marketing research. He was editor of the *Journal of Marketing Research* and has been on the review board of the *Journal of Marketing* and other journals.

The Decision Sciences Institute has recognized Dr. Perreault for innovations in marketing education, and at UNC he has received several awards for teaching excellence. His books include two other widely used texts: *Essentials of Marketing* and *The Marketing Game!*

Dr. Perreault is a past president of the American Marketing Association Academic Council and served as chair of an advisory committee to the U.S. Bureau of the Census and as a trustee of the Marketing Science Institute. He has also worked as a consultant to organizations that range from GE and IBM to the Federal Trade Commission and Venezuelan Ministry of Education.

Joseph P. Cannon

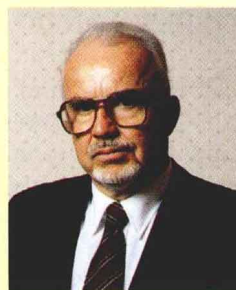


Joseph P. Cannon is associate professor of marketing at Colorado State University. He has also taught at the University of North Carolina at Chapel

Hill, Emory University, Instituto de Empresa, INSEAD, and Thammasat University. He has received several teaching awards and honors.

Dr. Cannon's research has been published in the *Journal of Marketing*, *Journal of Marketing Research*, *Journal of the Academy of Marketing Science*, *Journal of Personal Selling and Sales Management*, *Journal of Public Policy and Marketing*, and the *Academy of Management Review* among others. He received the 2006 Louis W. Stern Award for his 1999 article, "Buyer Seller Relationships in Business Markets." He has written many teaching cases. He has served on the editorial review boards of the *Journal of Marketing*, where he received a distinguished reviewer award and the *Journal of the Academy of Marketing Science*. For three years he served as chair of the American Marketing Association's Interorganizational Special Interest Group (IOSIG). Before entering academics, Dr. Cannon worked for six years in sales and marketing for Eastman Kodak Company.

E. Jerome McCarthy



E. Jerome McCarthy received his Ph.D. from the University of Minnesota and was a Ford Foundation Fellow at the Harvard Business School. He has taught at the

Universities of Oregon, Notre Dame, and Michigan State. He was honored with the American Marketing Association's Trailblazer Award in 1987, and he was voted one of the "top five" leaders in marketing thought by marketing educators.

Besides publishing various articles, he is the author of books on data processing and social issues in marketing. He has been a frequent presenter at marketing conferences in the United States and internationally.

In addition to his academic interests, Dr. McCarthy has been involved in guiding the growth of organizations in the United States and overseas—both as a consultant and as a director. He has also been active in executive education. However, throughout his career, his primary interests have been in (1) "converting" students to marketing and effective marketing strategy planning and (2) preparing teaching materials to help others do the same. This is why he has spent a large part of his career developing and improving marketing texts to reflect the most current thinking in the field.

Preface

Basic Marketing Is Designed to Satisfy Your Needs

This book is about marketing and marketing strategy planning. And, at its essence, marketing strategy planning is about figuring out how to do a superior job of satisfying customers. We take that point of view seriously and believe in practicing what we preach. So you can trust that this new edition of *Basic Marketing*—and all of the other teaching and learning materials that accompany it—will satisfy *your* needs. We're excited about this 16th edition of *Basic Marketing*, and we hope that you will be as well.

In developing this edition we've made hundreds of big and small additions, changes, and improvements in the text and all of the supporting materials that accompany it. We'll highlight some of those changes in this preface, but first it's useful to put this newest edition in a longer-term perspective.

Welcoming a New Coauthor

We are excited to have a new coauthor, Joe Cannon. Joe joined us with this edition and has been a great contributor. Before becoming an academic, Joe worked in sales and marketing for Eastman Kodak Company. He has taught at universities in the United States, Europe, and Asia. He has consulted for large companies including IBM, Kodak, Waterpik Technologies, and smaller companies and nonprofit organizations. Drawing on these experiences, Joe brings a new perspective to *Basic Marketing*, and his thinking and ideas are spread throughout this edition of the book and its related teaching and learning materials.

Building on Pioneering Strengths

Basic Marketing pioneered an innovative structure—using the “four Ps” with a managerial approach—for the introductory marketing course. It quickly became one of the most widely used business textbooks ever published because it organized the best ideas about marketing so that readers could both understand and apply them. The unifying focus of these ideas was on how to make the marketing decisions that a manager must make in deciding what customers to focus on and how best to meet their needs.

Over many editions of *Basic Marketing* there has been constant change in marketing management and the marketing environment. Some of the changes have been dramatic, and others have been subtle. As a result, we

have made ongoing changes to the text to reflect marketing's best practices and ideas. Throughout all of these changes, *Basic Marketing* and the supporting materials that accompany it have been more widely used than any other teaching materials for introductory marketing. It is gratifying that the four Ps has proved to be an organizing structure that has worked well for millions of students and teachers.

Continuous Innovation and Improvement

The success of *Basic Marketing* is not the result of a single strength—or one long-lasting innovation. Rather, the text's four Ps framework, managerial orientation, and strategy planning focus have proved to be foundation pillars that are remarkably robust for supporting new developments in the field and innovations in the text and package. Thus, with each new edition of *Basic Marketing* we have continued to innovate to better meet the needs of students and faculty. In fact, we have made ongoing changes in how we develop the logic of the four Ps and the marketing strategy planning process. As always, though, our objective is to provide a flexible, high-quality text and choices from comprehensive and reliable support materials—so that instructors and students can accomplish their learning objectives. For example, included with the other innovations and improvements for this new edition are

- The *Marketing Strategy Planning Process model*, which enhances the clarity of the organization of the content. The model shows how each chapter's material fits into the “big picture.” This and other integrative graphics enhance learning and speed student comprehension and reading.
- Expanded emphasis on customer equity and customer service. These concepts are introduced early in the book and are integrated throughout to emphasize their role in modern marketing.
- Interesting, integrated, and updated coverage of marketing practice. This edition includes hundreds of updated concepts, examples, and best practices—across a broad variety of business and nonprofit organizations. The examples are chosen to be interesting to students and to demonstrate best practices.
- High-involvement, in-chapter *Ethics Questions*. These provocative scenario-based exercises place students in real-world situations faced by today's

marketing managers. The questions encourage students to take a stand and think more deeply about the dilemmas facing marketing managers. The flexible format allows instructors to create written assignments, discuss the questions in class, or simply encourage student reflection.

- The new *Marketing Plan Coach* software (on the Student CD) and end-of-chapter *Creating Marketing Plans* questions, provide a new set of flexible teaching and learning materials that demonstrate how concepts from the book are applied by marketing managers. The author-developed *Coach* connects concepts from the book with a real marketing plan. The *Coach* helps students understand marketing strategy planning, builds their self-confidence, and prepares them for the business world.
- New and updated cases to allow students to apply concepts in real organizations. For example, some new topics include market selection and customer equity questions at a soccer academy, customer service problems at an online retailer, recruiting new firefighters to a volunteer fire department, and the challenges of marketing a lifesaving innovation in a developing country.
- A sharper focus throughout the text on how the strategy planning process should lead to decisions about a target market and marketing mix that represents the best opportunity and competitive advantage for the firm and superior value for customers.
- Changed, revised, and updated *Internet Exercises*.
- An updated and expanded archive of PowerPoint electronic lecture-support slides.
- The *Instructor CD to Accompany Basic Marketing* that offers all of the text's teaching support materials in easy-to-use and electronic form and that features a refined new user interface to make it even faster to access materials.
- Interesting new video cases and teaching videos that focus on current marketing issues.
- Online readings that feature stories from the popular business press—available at the book's website.

We Believe in Continuous Quality Improvement

As authors, we're committed to ongoing improvements—and we're proud that we were implementing continuous quality improvements in preparing *Basic Marketing* long before the idea became popular in the world of business. We work to be creative in our coverage and approaches—because creativity is at the heart of the marketing spirit. The most creative teaching innovations are ones that meet students' needs and instructors' objectives. That's also why our first priority has always been, and always will be, producing quality materials that really work well for students and teachers. Students take the first marketing course only once. It is

an investment and opportunity from which there should be a solid return. So we take it as a serious personal responsibility to support that investment with materials that are interesting and motivating—and that really build the skills and ideas that students need in their lives and careers.

Our belief that attention to continuous quality improvement in every aspect of the text and support materials *does make a difference* is consistently reaffirmed by the enthusiastic response of students and teachers alike to each new edition.

Leading Technology Innovations for Teaching and Learning

We take seriously our opportunity and responsibility to lead the marketing discipline in developing new, breakthrough approaches for teaching and learning in the first marketing course. Our thrust over the past two decades has been to use technology to provide better and easier options for teaching and richer and more interesting approaches for learning. Along with other innovations, we were the first to develop and offer spreadsheet-based computer-aided problems, custom-produced videos, a computerized test bank, a PC-based marketing simulation, a hypertext reference, CD-based interactive versions of the text, PowerPoint presentation slides with linking by objectives, CD multimedia archives and presentation software for instructors, multimedia case support, and the multimedia CD for students. With this edition we continue these traditions of innovation with a redesigned *Student CD to Accompany Basic Marketing*, an even easier-to-use and more comprehensive *Instructor CD to Accompany Basic Marketing*, and a host of new and improved teaching and learning materials available at the *Basic Marketing* website at www.mhhe.com/fourps.

Critically Revised, Updated, and Rewritten

This new edition of *Basic Marketing* is the highest-quality teaching and learning resource ever published for the introductory marketing course. The whole text and all of the supporting materials have been critically revised, updated, and rewritten. As in past editions, clear and interesting communication has been a priority. *Basic Marketing* is designed to make it easy, interesting, and fast for students to grasp the key concepts of marketing. Careful explanations provide a crisp focus on the important "basics" of marketing strategy planning. At the same time, we have thoroughly

- Researched and incorporated new concepts.
- Integrated hundreds of new examples that bring the concepts alive.
- Illustrated marketing ideas and "best practices" in a rich variety of contexts.

We have deliberately used marketing examples from a host of different contexts. Examples span large and

small firms, profit and nonprofit organizations, organizations that have moved to e-commerce and those that have found other ways to innovate, domestic and international settings, purchases by organizations as well as by final consumers, services and ideas or “causes” as well as physical goods, and established products as well as new technologies—because this variety reinforces the point that effective marketing is critical to all organizations.

Clear Focus on Changes in Today's Dynamic Markets

This edition focuses special attention on changes taking place in today's dynamic markets. Throughout every chapter of the text we have integrated discussion and examples of

- Lifetime customer value and customer equity.
- Best practices in marketing, and how to avoid the mistakes of death-wish marketing (including errors and omissions all too common among many failed dot-com operators).
- Effective e-commerce innovations and changes in marketing over the Internet.
- The costs and benefits of different approaches for customer acquisition and retention.
- Relationship building in marketing.
- Customer service and customer retention.
- Social impacts of marketing and macro-marketing.
- The importance of providing superior customer value as the means to achieve customer satisfaction and competitive advantage.
- International perspectives, including the challenges and opportunities in developing countries.
- Ethical issues and social impacts of marketing.

Similarly, we've also integrated new material on many important and fast-evolving topics. The following are but a sampling:

- The growing uses of technology in organizational buying—from spend management systems to different forms of online exchange.
- Low-cost methods for conducting marketing research and the use of specialized search engines.
- The increasing emphasis on design in product development.
- The circumstances when using direct channels of distribution make sense—and how to manage channel conflict that might come about when direct and indirect channels are used in combination.
- Successful strategies that have emerged as retailing over the Internet matures.
- Promotional campaigns that use viral communications to generate “buzz” among consumers.
- New and emerging applications of customer relationship management databases and tools.

- The use of blogs as a way for companies to interact with their customers.
- The growing importance of customer service in retaining customers and generating future sales.
- New and emerging forms of advertising on the Internet.

Driving Home Competitive Advantage

Throughout the 16th edition we've continued to put more emphasis on the *process* of marketing strategy planning. In today's dynamic markets it's not enough to simply figure out an attractive opportunity and an effective marketing mix. The real challenge is to quickly but logically zero in on the target market and marketing mix that is really best for the firm, while recognizing that strategies need to be refined and improved as market conditions change. This highlights the need for breakthrough opportunities, the problems with me-too imitation, and the crucial role of competitive advantage in providing customers with superior value. In other words, we sharpen the focus on how to figure out the best blend of the four Ps and crush the mistaken view fostered by some texts that the marketing job is just coming up with *some* marketing mix.

Coupled with this, you'll learn how breakthroughs in information technology are driving changes in all aspects of marketing—whether it's e-commerce ordering, getting marketing information, preparing salespeople to interact with customers, or analyzing the “fire-hydrant” flow of data on sales and costs. We'll also highlight the many ways that relationships among marketing partners are changing—ranging from coordination of logistics to alliances among firms focused on the same market opportunity. You'll see how intense competition, both in the United States and around the world, is affecting marketing strategy planning. You'll see what it takes to transform an effective new-product development process into a profitable business.

Some other marketing texts are attempting to describe such changes. But that's not adequate. What sets *Basic Marketing* apart is that the explanations and examples equip students to see *why* these changes are taking place and what changes to expect in the future. That is an important distinction—because marketing is dynamic. Our objective is to prepare students to analyze marketing situations and develop exceptional marketing strategies—not just recite endless sets of lists.

A Fresh Design—to Make Important Concepts Even Clearer

Along with the new content, we've given the text a fresh design. The changes range from the new cover to hundreds of new photographs, ads, Web pages, and illustrations. An exhibit introduces and clearly organizes the chapter's content, highlights specific strategy decision areas, and shows how the material fits into the

marketing strategy planning process. We've created many new exhibits—conceptual organizers, charts, and tables—and updated proven pieces from past editions, all with a fresh new design.

The aim of all this revising, refining, editing, and illustrating is to make important concepts and points even clearer to students. We want 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.

Twenty-Two Chapters—with an Emphasis on Marketing Strategy Planning

The emphasis of *Basic Marketing* is on marketing strategy planning. Twenty-two chapters introduce the important concepts in marketing management and help the student see marketing through the eyes of the marketing manager. The organization of the chapters and topics is carefully planned. But we took special care in writing so that

- It is possible to rearrange and use the chapters in many different sequences—to fit different needs.
- All of the topics and chapters fit together into a clear, overall framework for the marketing strategy planning process.

Broadly speaking, the chapters fall into two groupings. The first eight chapters introduce marketing and a broad view of the marketing strategy planning process. They cover topics such as segmentation, differentiation, the marketing environment, and buyer behavior, as well as how marketing information systems and research provide information about these forces to improve marketing decisions. The second half of the text goes into the details of planning the four Ps, with specific attention to the key strategy decisions in each area. Then we conclude with an integrative review and coverage of overarching topics such as implementation and control, marketing's link with other functional areas, and an assessment of marketing's challenges and opportunities.

The first chapter deals with the important role of marketing—focusing not only on how a marketing orientation guides a business or nonprofit organization in the process of providing superior value to customers but also on the role of macro-marketing and how a market-directed economy shapes choices and quality of life for consumers. Chapter 2 builds on these ideas with a focus on the marketing strategy planning process and why it involves narrowing down to selection of a specific target market and blending the four Ps into a marketing mix to meet the needs of those customers. With that foundation in place, the chapter introduces an integrative model of the marketing strategy planning process that serves as an organizing framework for the rest of the text.

Chapter 3 shows how analysis of the market and external market environment relate to segmentation and differentiation decisions as well as the criteria for narrowing down to a specific target market and marketing mix. This strategic view alerts students to the importance of evaluating opportunities in the external environments affecting marketing—and these are discussed in Chapter 4. This chapter also highlights the critical role of screening criteria for narrowing down from possible opportunities to those that the firm will pursue.

You have to understand customers to understand marketing and segment markets and satisfy target market needs. So the next three chapters take a closer look at customers. Chapter 5 introduces the demographic dimensions of the global consumer market and provides up-to-date coverage on important geodemographic trends. The next chapter studies the behavioral aspects of the final consumer market. Chapter 7 looks at how business and organizational customers—like manufacturers, channel members, and government purchasers—are using e-commerce and how they are similar to and different from final consumers.

Chapter 8 is a contemporary view of getting information—from marketing information systems and marketing research—for marketing management planning. This chapter includes discussion of how information technology—ranging from intranets to speedy collection of market research data—is transforming the marketing manager's job. This sets the stage for discussions in later chapters about how research and marketing information improve each area of marketing strategy planning.

The next group of chapters—Chapters 9 to 18—is concerned with developing a marketing mix out of the four Ps: Product, Place (involving channels of distribution, logistics, and distribution customer service), 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—as part of the overall framework for the marketing strategy planning process—so students' thinking about planning marketing strategies develops logically.

Chapters 9 and 10 focus on product planning for goods and services as well as new-product development and the different strategy decisions that are required at different stages of the product life cycle. We emphasize the value of an organized new-product development process for developing really new products that propel a firm to profitable growth.

Chapters 11 through 13 focus on Place. Chapter 11 introduces decisions a manager must make about using direct distribution (for example, selling from the firm's own website) or working with other firms in a channel of distribution. We put special emphasis on the need for

channel members to cooperate and coordinate to better meet the needs of customers. Chapter 12 focuses on the fast-changing arena of logistics and the strides that firms are making in using e-commerce to reduce the costs of storing, transporting, and handling products while improving the distribution service they provide customers. Chapter 13 provides a clear picture of retailers, wholesalers, and their strategy planning, including exchanges taking place via the Internet. This composite chapter helps students see why the big changes taking place in retailing are reshaping the channel systems for many consumer products.

Chapters 14 to 16 deal with Promotion. These chapters build on the concepts of integrated marketing communications, direct-response promotion, and customer-initiated digital communication, which are introduced in Chapter 14. Chapter 15 deals with the roles of personal selling, customer service, and sales technology in the promotion blend. Chapter 16 covers advertising and sales promotion, including the ways that managers are taking advantage of the Internet and other highly targeted media to communicate more effectively and efficiently.

Chapters 17 and 18 deal with Price. Chapter 17 focuses on pricing objectives and policies, including use of information technology to implement flexible pricing, pricing in the channel, and the use of discounts, allowances, and other variations from a list price. Chapter 18 covers cost-oriented and demand-oriented pricing approaches and how they fit in today's competitive environments. The careful coverage of marketing costs helps equip students to deal with the renewed cost-consciousness of the firms they will join.

Chapter 19 offers completely updated coverage of how information technology is reshaping marketing implementation and control. This chapter also details how quality management approaches can improve implementation, including implementation of better customer service.

Chapter 20 deals with the links between marketing and other functional areas. The marketing concept says that people in an organization should work together to satisfy customers at a profit. No other text has a chapter that explains how to accomplish the "working together" part of that idea. Yet it's increasingly important in the business world today; so that's what this important chapter is designed to do.

Chapter 21 reinforces the integrative nature of marketing management and reviews the marketing strategy planning process that leads to creative marketing plans and programs.

The final chapter considers how efficient the marketing process is. Here we evaluate the effectiveness of both micro- and macro-marketing—and we consider the competitive, technological, ethical, and social challenges facing marketing managers now and in the

future. After this chapter, many students want to look at Appendix C—which is about career opportunities in marketing.

Careful Integration of Special Topics

Some textbooks treat "special" topics—like e-commerce, relationship marketing, international marketing, services marketing, marketing over the Internet, marketing for nonprofit organizations, marketing ethics, social issues, and business-to-business marketing—in separate chapters. We deliberately avoid doing that because we are convinced that treating such topics separately leads to an unfortunate compartmentalization of ideas. We think they are too important to be isolated in that way. For example, to simply tack on a new chapter on e-commerce or marketing applications on the Internet completely ignores the reality that these are not just isolated topics but rather must be considered broadly across the whole fabric of marketing decisions. In fact, the huge losses piled up by the collapse of thousands of dot-com firms at the end of the last decade are evidence of what happens when managers fail to understand the need to integrate marketing strategy planning decisions and don't come to grips with issues such as competitor analysis, customer value, and the marketing concept. Conversely, there is virtually no area of marketing decision making where it's safe to ignore the impact of e-commerce, the Internet, or information technology. The same is true with other topics. So they are interwoven and illustrated throughout the text to emphasize that marketing thinking is crucial in all aspects of our society and economy. This text is again packaged with a grid that shows, in detail, how and where specific topics are integrated throughout the text. Talk is cheap, especially when it comes to the hype from some publishers about how important topics are treated in a new text. But the grid offers proof that in *Basic Marketing* we have delivered on the promise of integrated treatment.

Students Get "How-to-Do-It" Skill and Confidence

Really understanding marketing and how to plan marketing strategies can build self-confidence—and it can help prepare a student 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, cases, and "how-to-do-it" techniques that relate to our overall framework for marketing strategy planning. Similarly, the Marketing Plan Coach on the Student CD helps students see how to create marketing plans. Taken together, all of these items speed the development of "marketing sense" and enable the student to analyze marketing situations and develop marketing plans in a confident and meaningful way. They are practical and they work. In addition, because they are interesting and understandable, they

motivate students to see marketing as the challenging and rewarding area it is.

Basic Marketing Motivates High-Involvement Learning

After the opening case in each chapter, we provide a set of specific learning objectives and an exhibit that clearly organizes the chapter topics and helps the student see what is coming. And to speed student understanding, important new terms are shown in red and defined immediately. Further, a glossary of these terms is presented at the end of the book. Within chapters, major section headings and second-level headings (placed in the margin for clarity) immediately show how the material is organized and summarize key points in the text. Further, we have placed annotated photos and ads near the concepts they illustrate to provide a visual reminder of the ideas and to show vividly how they apply in the current business world. In each chapter we have integrated Internet exercises related to the concepts being developed. The focus of these exercises is on important marketing issues, not just on “surfing the Net.” Each chapter also includes an ethics question that encourages students to evaluate an ethical dilemma that real marketers face.

All of these aids help the student understand important concepts and speed review before exams. End-of-chapter questions and problems offer additional opportunities. They can encourage students to investigate the marketing process and develop their own ways of thinking about it. They can be used for independent study or as a basis for written assignments or class discussion.

Varied Types of Cases

Understanding of the text material can be deepened by analysis and discussion of specific cases. *Basic Marketing* features several different types of cases. Each chapter starts with an in-depth case study developed specifically to highlight that chapter's teaching objectives and the specific marketing decision areas covered in that chapter. Students are encouraged to reread the chapter-opening case after finishing the chapter—when they have a deeper understanding of the issues involved. In addition, each chapter features a special case report in a highlighted box. These thought-provoking cases illustrate how companies handle topics covered in that chapter. All of these cases provide an excellent basis for critical evaluation and discussion. And we've included relevant Internet addresses so that it is easy for students to quickly get updated information about the companies and topics covered in the cases. Of course, website addresses referenced in the cases may change. Some companies change their websites to get a fresh look, to take advantage of new Web capabilities, or just to update the information that's available. However, when that occurs, our *Basic Marketing* website at www.mhhe.com/fourps

provides up-to-date links relevant to the chapters in the text. Our CDs also include links to the website so you can bookmark the site in your Internet browser.

In addition, there are several suggested cases at the end of each chapter. These suggested cases have been selected from the set of 35 cases that appear at the end of the book. The focus of these cases is on problem solving. They encourage students to apply, and really get involved with, the concepts developed in the text.

Each of the first 19 chapters also features a computer-aided problem. These case-based exercises stimulate a problem-solving approach to marketing strategy planning and give students hands-on experience that shows how logical analysis of alternative strategies can lead to improved decision making. For the convenience of students and faculty alike, printed versions of the cases for the computer-aided problems are incorporated in the book itself. Further, the award-winning spreadsheet software we developed specifically for use with these problems is integrated with the other applications on the Student CD that comes with the text.

New Multimedia Video Cases Are Integrative

In recent editions we've included a custom-produced set of exciting video cases. The response to them has been great, and this time we've added new cases and updated some of the best from the previous set. Each of these combines a written case with an accompanying video. These 8 video cases are a bit longer than the 35 text-only cases and open up the opportunity for students to analyze an organization's whole marketing program in more depth and with even greater integration. The videos reinforce real content while bringing a high-involvement multimedia dimension to the learning experience. And to assure consistency with all of the other *Basic Marketing* materials, we've carefully edited and coordinated the whole effort. These cases were developed so that they focus on different areas of the text, and thus they deal with a variety of issues:

- The efforts of a popular fast-food company to balance financial goals with ethical values.
- The shopping behavior and marketing strategy issues involved with a regional shopping mall.
- The efforts of a well-known company to win profits and customer loyalty by developing a marketing mix that's carefully matched to the needs of its target market.
- The new-product development process for a major automotive innovation.
- The growth strategy for an entrepreneurial restaurant chain.
- The development of a new market awareness and strategy by a major nonprofit organization.
- The promotional program and branding for the introduction of a new model SUV.
- The marketing strategy for an innovative personal transporter.

We designed these cases so that students can analyze them before or after seeing the video, or even without seeing the video at all. They can be used in a variety of ways, either for class discussion or individual assignments.

Comprehensive, Current References for Independent Study

Some professors and students want to follow up on text readings. Each chapter is supplemented with detailed references—to both classic articles and current readings in business publications. These can guide more detailed study of the topics covered in a chapter.

Instructor Creates a System—with *Basic Marketing's P.L.U.S.*

Basic Marketing can be studied and used in many ways—the *Basic Marketing* text material is only the central component of our Professional Learning Units Systems (our *P.L.U.S.*) for students and teachers. Instructors (and students) can select from our units to develop their own personalized systems. Many combinations of units are possible, depending on course objectives. As a quick overview, in addition to the *Basic Marketing* text, the *P.L.U.S.* package includes a variety of new and updated supplements:

- A redesigned and updated *Student CD to Accompany Basic Marketing*, which includes a database of ads and annotations that illustrate key concepts for each chapter, our computer-aided problems (CAP) spreadsheet software, self-test quizzes (with two levels of questions), and narrated self-study electronic slide shows, to introduce students to what's ahead. The CD also includes our new *Marketing Plan Coach*, which shows how marketing concepts fit together and are applied to create marketing plans.
- An online learning center at our revised website (www.mhhe.com/fourps) for students and instructors, with features such as (constantly updated) links to just-published articles on topics in each chapter, chat rooms, software downloads, Internet website links, and other exciting features.
- A new and updated set of Interactive PowerPoint lecture slides, incorporating full-motion video clips, photos, ads, and interactive exercises to support the professor.
- An improved *Instructor's CD to Accompany Basic Marketing*, which includes all of the instructor resources available for *Basic Marketing* in electronic form and a redesigned interface that makes it even easier to access the specific items the instructor wants to use.

In addition, we've completely revised and updated

- The *Multimedia Lecture Support Package*.
- The *Learning Aid* workbook.

- *Instructor's Manual*.
- Author-prepared *Manual of Tests*, accompanied by the EZ-Test test-generator software.
- A complete set of new and updated *teaching videos* and eight great video cases (all supported with a specially prepared *Instructor's Manual to Accompany the Teaching Videos*).
- A Windows version of *The Marketing Game!* (and instructor's manual) that offers password-protected digital plan and report files and supports working over the Internet.

We've been busy. You may not want to use all of this. Some people don't want any of it. But whatever you elect to use—and in whatever medium you like to work—the teaching and learning materials work well together. We've designed them that way.

Learning Aid—Deepens Understanding

There are more components to *P.L.U.S.* A separate *Learning Aid* provides several more units and offers further opportunities to obtain a deeper understanding of the material. The *Learning Aid* can be used by the student alone or with teacher direction. Portions of the *Learning Aid* help students to review what they have studied. For example, there is a brief introduction to each chapter, a list of the important new terms (with page numbers for easy reference), true-false questions (with answers and page numbers) that cover all the important terms and concepts, and multiple-choice questions (with answers) that illustrate the kinds of questions that may appear in examinations. In addition, the *Learning Aid* has cases, exercises, and problems—with clear instructions and worksheets for the student to complete. The *Learning Aid* also features computer-aided problems that build on the computer-aided cases in the text. The *Learning Aid* exercises can be used as classwork or homework—to drill on certain topics and to deepen understanding of others by motivating application and then discussion. In fact, reading *Basic Marketing* and working with the *Learning Aid* can be the basic activity of the course.

Compete and Learn—with *The Marketing Game!*, 3rd Edition

Another valuable resource is *The Marketing Game!*, a PC-based competitive simulation. It was developed specifically to reinforce the target marketing and marketing strategy planning ideas discussed in *Basic Marketing*. Students make marketing management decisions—blending the four Ps to compete for the business of different possible target markets. The innovative design of *The Marketing Game!* allows the instructor to increase the number of decision areas involved as students learn more about marketing. In fact, many instructors use the advanced levels of the game as the basis for a second

course. *The Marketing Game!* is widely heralded as the best marketing strategy simulation available—and the new Windows edition widens its lead over the others available. Competitors don't even need to be on the same continent. It works great with password-protected decisions submitted by e-mail and reports returned the same way.

Multimedia Support for Preparation, Lectures, and Discussion

Basic Marketing and all of our accompanying materials have been developed to promote student learning and get students involved in the excitement and challenges of marketing management. Additional elements of *P.L.U.S.* have been specifically developed to help an instructor offer a truly professional course that meets the objectives he or she sets for students. Complete instructor's manuals accompany all of the *P.L.U.S.* components.

Electronic Presentation Slides with Many Uses

Basic Marketing is supported with a large variety of high-quality PowerPoint electronic slide presentations. This flexible package features a large number of PowerPoint graphics developed for every chapter in the text. Presentations can be based on composite slides, or the points on a slide can "build up" one point at a time.

Because we provide the native-format PowerPoint files, instructors can modify or delete any slide or add other slides by using their own copy of PowerPoint. And, of course, if electronic projection equipment isn't available, the instructor can print out the images to customized color acetates or black and white transparencies.

While these slides are intended mainly for instructor use in class discussions and lectures, they are easy to use and can be placed on the Internet, on the school's computer network, or in a computer lab as a supplement for independent review by students.

Complete Multimedia Lecture Support

With the PowerPoint electronic slide presentations we also provide detailed lecture notes, as well as lecture outlines. The PowerPoint slide show includes small versions of the slides for class handouts. All of these materials are packaged in our Multimedia Lecture Support Package. This supplement is also available in an electronic form on the *Instructor's CD*, and that makes it even more convenient to use. It gives instructors a great deal of flexibility and saves time that can be spent on other teaching activities.

In addition, the *Multimedia Lecture Support Package* is accompanied by a high-quality selection of ads, graphics, and photos—all organized in easy-to-use PowerPoint format for each chapter. The manual provides

detailed suggestions about ways to use them. All of these items are also available on the CD.

Exciting New Videos—Created by Marketing Experts

The newly revised *Basic Marketing Videos* are also available to all schools that adopt *Basic Marketing*. We've developed a number of new video segments for this edition—all carefully linked to key topics in the text. In addition, several of the most popular video modules from the previous edition—the ones instructors and students said they most wanted to keep—have been thoroughly revised and updated. These new videos are really great, but it doesn't stop there! As we noted earlier, there are also great new videos to accompany the video cases.

Testing that Works for Faculty and Students

In addition, thousands of objective test questions—written by the authors to really work with the text—give instructors a high-quality resource. The EZ-Test program allows the instructor to select from any of these questions, change them as desired, or add new questions—and quickly print out a finished test customized to the instructor's course.

The Responsibilities of Leadership

In closing, we return to a point raised at the beginning of this preface. *Basic Marketing* has been a leading textbook in marketing since its first edition. We take the responsibilities of that leadership seriously. We know that you want and deserve the very best teaching and learning materials possible. It is our commitment to bring you those materials—today with this edition and in the future with subsequent editions.

We recognize that fulfilling this commitment requires a process of continuous improvement. Improvements, changes, and development of new elements must be ongoing—because needs change. You are an important part of this evolution, of this leadership. We encourage your feedback. The most efficient way to get in touch with us is to send an e-mail message to Bill_Perreault@unc.edu or Joe.Cannon@Colostate.edu. There's also a comment form built into the book's website, and if you prefer the traditional approach, send a letter to 2104 N. Lakeshore Dr., Chapel Hill, NC, 27514. Thoughtful criticisms and suggestions from students and teachers alike have helped to make *Basic Marketing* what it is. We hope that you will help make it what it will be in the future.

William D. Perreault, Jr.
Joseph P. Cannon
E. Jerome McCarthy

Walkthrough

BASIC MARKETING HELPS YOU LEARN ABOUT MARKETING AND MARKETING STRATEGY PLANNING.

At its essence, marketing strategy planning is about figuring out how to do a superior job of satisfying customers. With that in mind, the 16th edition of *Basic Marketing* was developed to satisfy your desire for knowledge and add value to your course experience. Not only will this text teach you about marketing and marketing strategy planning, but its design, pedagogy, and supplementary learning aids were developed to work well with the text and a variety of study situations.

Each person has a different approach to studying. Some may focus on reading that is covered during class, others prefer to prepare outside of the classroom and rely heavily on in-class interaction, and still others prefer more independence from the classroom. Some are more visual or more “hands on” in the way they learn and others just want clear and interesting explanations. To address a variety of needs and course situations, many hours went into creating the materials highlighted in this section. When used in combination with the text, these tools will elevate your understanding of marketing.

Take a moment now to learn more about all of the resources available to help you best prepare for this course—and for your future career.

BASIC MARKETING: AN INNOVATIVE MARKETING EXPERIENCE.

With 22 chapters that introduce the important concepts in marketing management, you will see all aspects of marketing through the eyes of the marketing manager. The first eight chapters introduce marketing and give you a framework for understanding marketing strategy planning in any type of organization, and then the second half of the text takes you into planning the four Ps of marketing (Product, Place, Promotion, and Price) with specific attention to the key strategy decisions in each area.

Basic Marketing pioneered the “four Ps” approach to organize and describe managerial marketing for introductory marketing courses. This new edition covers the dynamic changes taking place in marketing management and the marketing environment. Some of these changes have been dramatic, and others have been subtle. But the 16th edition helps you understand the changes taking place and reflects today’s best marketing practices and ideas.

CHAPTER THREE

Focusing Marketing Strategy with Segmentation and Positioning

If you were a busy mom who takes hundreds of snapshots of your kids, how would you get prints? Yes, a lot might depend on whether you use a trusty Kodak camera that shoots Kodak Gold 35mm film or, alternatively, a digital model—perhaps a new Hewlett-Packard (HP) Photosmart R817 that can store hundreds of 5 megapixel pictures.

If you use the HP Photosmart, you might select your best shots and print them yourself on the HP GoGo Photo printer that came with your camera. Or if you needed a lot of prints, you might upload the jpeg picture files to Snapfish.com, HP’s online photo service. HP includes a coupon for 50 Snapfish prints with the camera, so trying the service is free. On the other hand, if you were the mom using that 35mm model, you’d probably be happy to leave your film at the local drugstore to be sent to Kodak for processing. That certainly would be the easiest approach if you are like many others who snap photos but don’t know anything about megapixels, what a jpeg file is, or how to upload to some website.

Of course, there are other ways to get prints—but many of them involve HP. For example, HP recently made a push into retail photofinishing. Its self-service kiosks make instant prints from consumers’ digital cameras, CDs, and other media. Many of these kiosks are next to full-service HP photo centers. In these centers, retailers create prints, posters, bound books, and other photo-specialty items. Customers can also upload pictures to Snapfish.com and have them print in the HP center at a local store.

HP and Kodak serve similar customer needs, but the marketing mixes with which they compete are very different. And in a number of markets HP is well ahead of Kodak even though Kodak has been a worldwide leader in the photography business since 1888. To understand the success of HP’s marketing program, let’s take a longer-term look at how its strategies have evolved and become more focused with market segmentation.

When PCs were introduced in the early 1980s, most businesses wanted printer output that was faster and looked better than what was produced by the early dot-matrix models from firms like Epson. HP responded to this need with its initial LaserJet printer. It could handle big jobs quickly and its graphics and typefaces looked really good. It even handled jobs that previously required typesetting by a printing service. However, the LaserJet was difficult to set up and use—so HP sold it through a



select group of computer dealers who could provide technical support. That basic LaserJet cost \$3,000, but the market expanded rapidly as customers realized its value for desktop publishing.

Other firms introduced laser printers, but HP stayed a few steps ahead of them. HP improved the speed and quality of its basic printer but also fine-tuned strategies for different customer groups. For example, it developed high-capacity models that could be shared on corporate networks. At the same time, it came out with low-cost models to attract home-office users and expanded distribution into outlets such as Office Depot to reach them.

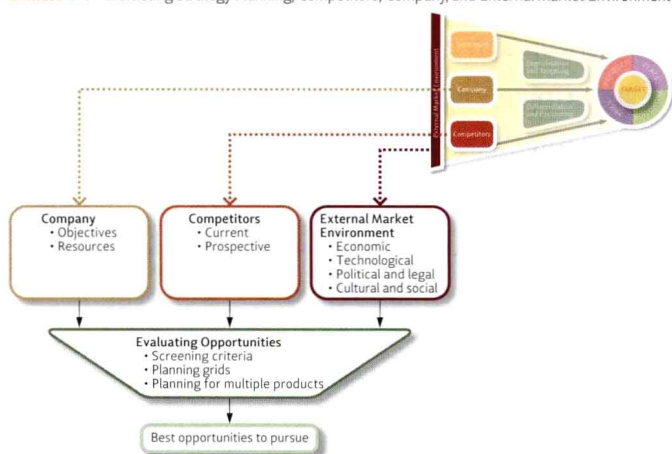
When Microsoft Windows became popular, HP saw the need for low-cost color printing and quickly introduced a limited line of inkjet printers. They were not as fast as lasers for text, but they offered color graphics at a reasonable cost. As it had previously done with the laser printers, HP quickly developed different marketing mixes for the inkjets’ different target markets. For example, wide-format DeskJet printers were available through office supply stores. They were pricey but were popular with managers for printing presenta-

tions or big spreadsheets on oversized paper. The price was much lower and features were simpler on basic models targeted at individual consumers. However, sales of replacement color print cartridges were very profitable—and demand grew as consumers used their printers for more purposes, ranging from photos and homemade greeting cards to holiday letters. So HP worked to expand distribution to make replacement cartridges easy to buy—placing them even in grocery stores and drugstores. HP also gave away software that made it even easier for consumers to use the printers in different ways.

The demand for low-cost color printing grew even faster as the Internet and digital photography became popular. However, competitors like Epson, Lexmark, and Canon offered models similar to those from HP, and that put downward pressure on prices—especially in the consumer market. To keep its lead, HP did more segmenting. Because most final consumers are price-sensitive, HP started by redesigning its printers to cut features that were costly but that consumers didn’t value. For example, older models were more sturdy than most consumers needed. New models

Each chapter begins with an in-depth case study developed specifically to motivate your interest and highlight real-life examples of the learning objectives and specific marketing decision areas covered in that chapter. Each case study is accompanied by a list of learning objectives that will help you understand and identify important terms and concepts covered in the chapter.

Exhibit 4-1 Marketing Strategy Planning, Competitors, Company, and External Market Environment



OBJECTIVES SHOULD SET FIRM'S COURSE

A company must decide where it's going, or it may fall into the trap expressed so well by the quotation: "Having lost sight of our objective, we redoubled our efforts." Company objectives should shape the direction and operation of the whole business. It is difficult to set objectives that really guide the present and future development of a company. The marketing manager should be heard when the company is setting objectives. But setting whole-company objectives—within resource limits—is ulti-

CHAPTER 4

91

Evaluating Opportunities in the Changing Marketing Environment

After introducing the Marketing Strategy Planning Process model in Chapter 2, each chapter includes an exhibit that clearly organizes the chapter's content. The exhibit also shows how these concepts fit into the marketing strategy planning process.

Each chapter features a special case report in a highlighted box that illustrates how companies handle a topic of special interest covered in that chapter.

Hybrid Cars Power Toward Market Growth

For 100 years, gasoline-powered vehicles have been the king of the road. And unlike in some cultures, people in the United States drive everywhere they go. Yet this has created problems. The high cost of gasoline, its environmental impact, and reliance on oil from the politically volatile Middle East long ago led to federal laws that required automakers to improve gas mileage. In response, automakers redesigned vehicles. Even so, progress has been slow. Many consumers prefer big gas-guzzler SUVs that are a better match for their suburban lifestyles.

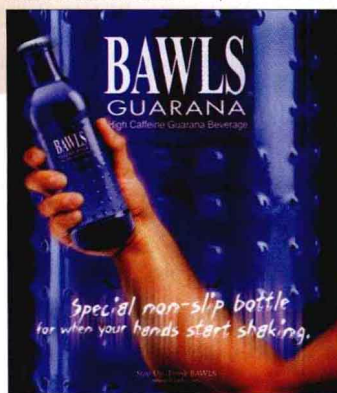
In the 1990s, to help curb smog in cities like Los Angeles, desperate California lawmakers told automakers that by 2003, 10 percent of the autos and trucks they sell must produce zero emissions. To nudge toward that target, a few manufacturers offered electric vehicles. Yet battery-powered cars, like GM's EV1, were very costly, had a drive-range less than 100 miles, and were generally underpowered. A few wealthy celebrities drove them for publicity or to make an environmental "statement." But for most consumers, electric cars were too expensive and the need to plug them into an electric outlet was a real obstacle.

Toyota and Honda were the first to respond to this problem with hybrid vehicles which combine power from gasoline and electric motors. Initial sales were good, especially given that many consumers are hesitant to adopt a new technology before it is proven to be reliable. Initial sales might have been even higher if

it were not for a problem that was revealed by Toyota's marketing research. Even after there were thousands of hybrids on the road, about half of all consumers thought that hybrid models needed to be plugged in (or just didn't know). In light of this, Toyota worked with its ad agency to develop promotions to repeatedly remind consumers that "you never have to plug it in."

Now the market for hybrids is growing rapidly. Toyota and Honda have even had trouble keeping up with the demand for their Prius and Civic hybrids. Shortages existed even when all of the U.S. automakers promoted "employee discounts for everyone" as a way to slash prices on their standard models. Now, however, competition is encouraging innovations in hybrid technology. Costs are lower, mileage is higher, and power is better. Yet, consumers still must pay a premium to own a hybrid. An analysis in *Consumer Reports*, for example, showed that the higher initial cost of hybrids isn't offset by what consumers save on gasoline while they own the car. So, many consumers are still not motivated to pay extra to buy a "green" vehicle. This may explain why Ford's promotion focuses on the increased power of its hybrid SUVs and trucks rather than on an environmental appeal. In the future, we may see other innovations, perhaps hydrogen-powered cars where water is the only thing that comes out of the exhaust. But unless the U.S. culture changes, drivers will expect those vehicles to be big and to offer a lot of power.²⁵

An ad for a single product, like Bawls Guarana high caffeine beverage, involves a cost that can be allocated directly to the product. In contrast, if an ad (like this one from Swingline) promotes several products or product lines at the same time, it may be more difficult to allocate the correct portion of the cost to individual products.



CHAPTER 19

535

Implementing and Controlling Marketing Plans: Evolution

expense as a percent of sales had doubled because it took longer to find and sell new accounts. It was costly to design special products for the many customers who purchased only small quantities. Profit margins were falling too because of increased price competition. In contrast, the analysis showed that online sales of ordinary cardboard shipping boxes for agricultural products were very profitable. So WPL stopped calling on small electronics firms and developed a new plan to improve its website and build the firm's share of the less glamorous, but more profitable, cardboard box business.

Marketing costs have a purpose

Detailed cost analysis is very useful, but less is done with marketing cost analysis.

A variety of interesting exhibits—"conceptual organizers," charts, and tables—illustrate each chapter and focus your attention on key frameworks and ideas.

Initially the Clorox brand name became well known as laundry bleach, but now the brand is used with other products related to the broader product-market for household cleaning needs.



Segmenting is an aggregating process

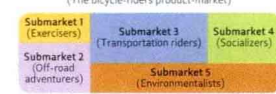
Marketing-oriented managers think of **segmenting** as an aggregating process—clustering people with similar needs into a "market segment." A market segment is a (relatively) homogeneous group of customers who will respond to a marketing mix in a similar way.

This part of the market segmentation process (see Exhibit 3-3) takes a different approach from the naming part. Here we look for similarities rather than basic differences in needs. Segmenters start with the idea that each person is one of a kind but that it may be possible to aggregate some similar people into a product-market.

Segmenters see each of these one-of-a-kind people as having a unique set of dimensions. Consider a product-market in which customers' needs differ on two important segmenting dimensions: need for status and need for dependability. In Exhibit 3-5A, each dot shows a person's position on the two dimensions. While each person's position is unique, many of these people are similar in terms of how much status and dependability they want. So a segmenter may aggregate them into three (an arbitrary number) relatively homogeneous submarkets—A, B, and C. Group A might be called "status-oriented" and Group C "dependability-oriented." Members of Group B want both and might be called the "demanders."

The segmenter wants to aggregate individual customers into some workable number of relatively homogeneous target markets and then treat each target market differently. Look again at Exhibit 3-5A. Remember we talked about three segments. But this was an arbitrary number. As Exhibit 3-5B shows, there may really be six segments.

Broad product-market (or generic market) name goes here
(The bicycle-riders product-market)



How far should the aggregating go?

Exhibit 3-4
A Market Grid Diagram with Submarkets

66

Clustering usually requires a computer

Clustering techniques try to find similar groups of customers who are similar on their segments. Clustering approaches use complex much intuition and judgment.

The data to be clustered might include statistics, the importance of different needs, and behavior. The computer searches all the data for homogeneous groups of people. When it finds them, marketers study the dimensions of the people in the groups to see why the computer clustered them together. The results sometimes suggest new, or at least better, marketing strategies.¹¹

A cluster analysis of the toothpaste market, for example, might show that some people buy toothpaste because it tastes good (the sensory segment), while others are concerned with the effect of clean teeth and fresh breath on their social image (the sociables). Still others worry about decay or tartar (the worriers), and some are just interested in the best value for their money (the value seekers). Each of these market segments calls for a different marketing mix—although some of the four Ps may be similar.

Customer database can focus the effort

A variation of the clustering approach is based on customer relationship management methods. With **customer relationship management (CRM)**, the seller fine-tunes the marketing effort with information from a detailed customer database. This usually includes data on a customer's past purchases as well as other segmenting information. For example, an auto-repair garage that keeps a database of customer oil changes can send a reminder postcard when it's time for the next oil change. Similarly, a florist that keeps a database of customers who

Internet EXERCISE

Visit the website for onContact Software (www.oncontact.com), and from the demo link at the top of the page select "screenshot tour" (note: the interactive tour requires that you register). Select the links to review the different examples of the firm's customer relationship management software. Give several examples of how this software could help a salesperson be more effective in working with customers.

Full-color photos and current ads are carefully placed in every chapter and annotated—to provide a visual emphasis on key concepts and ideas discussed in the text. These illustrations vividly show how companies apply marketing concepts in the modern business world.

Internet exercises are integrated with the discussion of important ideas as they are developed—to help you learn about marketing while you surf interesting websites.