

Perreault • Cannon • McCarthy

Essentials of Marketing

A Marketing Strategy Planning Approach

Eleventh Edition



**This
International
Student Edition
is for use
outside of
the U.S.**

McGraw-Hill INTERNATIONAL EDITION



ELEVENTH EDITION

ESSENTIALS OF MARKETING

A Marketing Strategy Planning Approach

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

UNIVERSITY OF NORTH CAROLINA



**McGraw-Hill
Irwin**

Boston Burr Ridge, IL Dubuque, IA New York San Francisco St. Louis
Bangkok Bogotá Caracas Kuala Lumpur Lisbon London Madrid Mexico City
Milan Montreal New Delhi Santiago Seoul Singapore Sydney Taipei Toronto



ESSENTIALS OF MARKETING: A MARKETING STRATEGY PLANNING APPROACH

Published by McGraw-Hill/Irwin, a business unit of The McGraw-Hill Companies, Inc., 1221 Avenue of the Americas, New York, NY, 10020. Copyright © 2008, 2006, 2003, 2000, 1997, 1994, 1991, 1988, 1985, 1982, 1979 by The McGraw-Hill Companies, Inc. All rights reserved. No part of this publication may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written consent of The McGraw-Hill Companies, Inc., including, but not limited to, in any network or other electronic storage or transmission, or broadcast for distance learning.

Some ancillaries, including electronic and print components, may not be available to customers outside the United States.

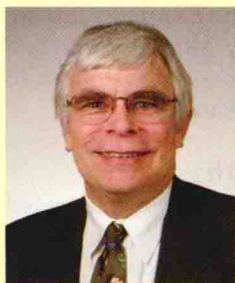
This book is printed on acid-free paper.

1 2 3 4 5 6 7 8 9 0 DOW/DOW 0 9 8 7

ISBN 978-0-07-128334-2
MHID 0-07-128334-X

About the Authors of *Essentials of Marketing*, 11/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: *Basic 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

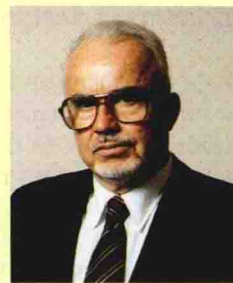


Joseph P. Cannon is associate professor of marketing at Colorado State University. He has also taught at the University of North Carolina at Chapel

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 serves 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

Essentials of 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 *Essentials of Marketing*—and all of the other teaching and learning materials that accompany it—will satisfy *your* needs. We're excited about this 11th edition of *Essentials of 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 *Essentials of Marketing*, and his thinking and ideas are spread throughout this edition of the book and its related teaching and learning materials.

A shorter text—for flexibility and a crisp pace

Essentials of Marketing is a shortened version of our *Basic Marketing*, the most widely used text in the field. Our basic objectives in preparing a shorter text have always been

- To make it easy, interesting, and fast for students to grasp the essential concepts of marketing.
- To provide a flexible text and choices from comprehensive support materials so that instructors can accomplish their objectives for their students even though the time available for the course may be limited.

Accessibility is a key goal. In the whole text—and in all of the supplements, ranging from the new multimedia

PowerPoints to the new edition of the *Learning Aid*—we spent much time and effort carefully defining terms and finding the right words, illustrations, and examples to speed understanding and motivate learning.

Building on pioneering strengths

Essentials of Marketing and *Basic Marketing* pioneered an innovative structure—using the “four Ps” with a managerial approach—for the introductory marketing course. They quickly became two of the most widely used business textbooks ever published because they 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 *Essentials of 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, *Essentials of 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 *Essentials of 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 *Essentials of 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 allow students to apply concepts in real organizations. For example, some 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 life-saving 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 Essentials of 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.
- A new collection of short video clips carefully selected from *BusinessWeek* and MSNBC news stories to provide lively, real-world examples and foster class discussion.
- *Online Applications in Essentials of Marketing*, which offers links to articles from the popular press as well as some great video clips and podcasts.

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 *Essentials of 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 Essentials of Marketing*, an even easier-to-use and more

comprehensive *Instructor CD to Accompany Essentials of Marketing*, and a host of new and improved teaching and learning materials available at the *Essentials of Marketing* website at www.mhhe.com/fourps.

Critically revised, updated, and rewritten

This new edition of *Essentials of 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. *Essentials of 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.
- 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.
- 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 11th 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 *Essentials of 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 each 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 *Essentials of Marketing* to share our enthusiasm.

Eighteen chapters—with an emphasis on marketing strategy planning

The emphasis of *Essentials of Marketing* is on marketing strategy planning. Eighteen 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 seven 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 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 two chapters take a closer look at *customers*. Chapter 5 studies the behavioral aspects of the final consumer market. Chapter 6 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 7 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 8 to 17—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 8 and 9 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. This chapter also details how quality management approaches can improve goods and services.

Chapters 10 through 12 focus on Place. Chapter 10 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 11 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 12 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 13 to 15 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 13. Chapter 14 deals with the roles of personal selling, customer service, and sales technology in the promotion blend. Chapter 15 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 16 and 17 deal with Price. Chapter 16 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 17 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.

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. Chapter 18 also reinforces the integrative nature of marketing management

and reviews the marketing strategy planning process that leads to creative marketing plans. 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 *Essentials of 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.

Essentials of 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. *Essentials of 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 *Essentials of 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 17 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. Each of the cases 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 *Essentials of 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:

- See the factors influencing the development of Chick-fil-A’s successful marketing strategy.
- Examine how new shopping malls are adapting to changes in consumer buying behavior.
- View the efforts and thinking behind Celestial Seasonings’ successful marketing strategy, which has won profits and customer loyalty with a marketing mix carefully matched to the needs of its customer market.
- Look into the new-product development process that led to the innovative and highly successful Toyota Prius hybrid vehicle.
- See how a marketing strategy used by entrepreneurial sandwich shop Potbelly Sandwich Works is helping the company differentiate and grow in a mature market.
- See how the marketing strategy planning process is being used by a major nonprofit organization, the Girl Scouts of America.

- Get insights into the thinking behind the promotional and branding campaign GM employed to bring the HUMMER SUV to market.
- Explore the evolution of the marketing strategy for Segway's unique 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 *Essentials of Marketing's P.L.U.S.*

Essentials of Marketing can be studied and used in many ways—the *Essentials of Marketing* text material is only the central component of our Professional Learning Units Systems (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 *Essentials of Marketing* text, the P.L.U.S. package includes a variety of new and updated supplements:

- A redesigned and updated *Student CD to Accompany Essentials of 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.
- Our Online Learning Center (www.mhhe.com/fourps) includes sections for instructors and students. The instructor section includes download files for the *Instructor's Manual*, PowerPoint slides, video clips, and other resources. The student section has video clips, *Online Applications in Essentials of Marketing*, multimedia content, and study materials for each chapter, including flash cards, practices quizzes, chapter summaries, and more.
- 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 Essentials of Marketing*, which includes all of the instructor

resources available for *Essentials of 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 *Essentials of 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 *Essentials of 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 this 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

Essentials of 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

Essentials of 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 *Essentials of Marketing Videos* are also available to all schools that adopt *Essentials of 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 eight great 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. *Essentials of 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 *Essentials of 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

ESSENTIALS OF 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 11th edition of *Essentials of 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.

ESSENTIALS OF MARKETING: AN INNOVATIVE MARKETING EXPERIENCE.

With 18 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 seven 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 and *Essentials of Marketing* pioneered the “four Ps” approach to organize and describe managerial marketing for introductory marketing courses. This new edition of *Essentials of Marketing* 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 11th edition helps you understand the changes taking place and reflects today’s best marketing practices and ideas.

CHAPTER NINE

Product Management and New-Product Development

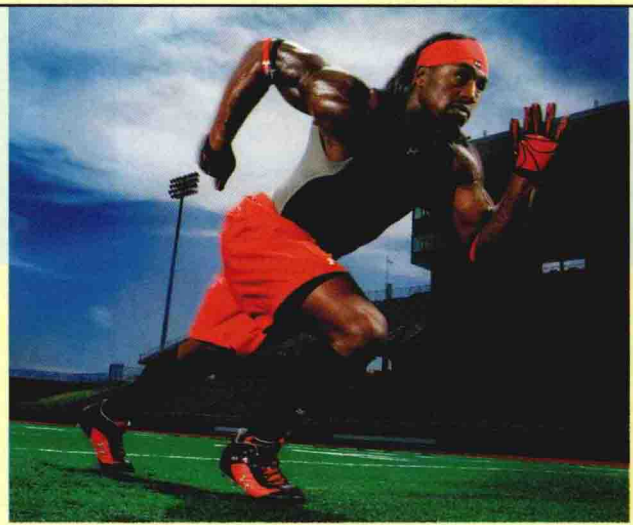
Kevin Plank was a business major and football player at the University of Maryland when he spotted an opportunity. He and his teammates wore cotton T-shirts under their football pads, but the T-shirts quickly became sweat-soaked, heavy, and uncomfortable during practices and games. When Plank began looking for a product that would perform better than a T-shirt, he learned about new types of fabrics and performance clothing for bicyclists and hikers. But he realized a shirt that would meet the needs of football players was a really new idea, not just a minor variation on existing clothing.

In New York City’s garment district, Plank learned about a polyester-Lycra blend fabric that didn’t trap moisture. He worked with a tailor to develop several prototype shirts and then asked friends who were players in the National Football League, like Vernon Davis of the San Francisco 49ers, to try them. The players really liked the skintight, compression shirts. They fit comfortably under football gear and wicked away sweat—keeping the players cooler, drier, and lighter. When Plank’s friends clamored for more shirts, he knew he had a good start. However, he couldn’t afford a big ad campaign to tout the benefits of his product, and he didn’t have relationships with retailers who could help build demand with final consumers. So Plank moved to commercialization with a focus on a target market he knew: college football teams.

Plank went back to New York and ordered 500 shirts, the first products with the Under Armour brand name and the start of what became the HeatGear warm weather product line. Then he loaded his shirts in his SUV and traveled to colleges across the Southeast. He tried to persuade coaches, players, and equipment managers about the benefits of his unique shirts. Many were not initially convinced of the value—especially since the price was 3 to 5 times the price of a T-shirt. But its advantage was clear after a player would try one for a football practice—and praise for the product spread quickly.

Success with college and professional athletes helped the company build credibility. It also led to relationships with specialty-sports retailers who could reach the larger and more profitable consumer market. Sports retailers provided attractive displays and promoted the brand because they liked having a profitable new offering that was not available at lower prices in local discount or department stores.

As the market for sports-performance clothes grew, Nike, Adidas, and other firms came out with competing products. To fight back, Under Armour



put more emphasis on creative promotion to build customer preference for the Under Armour brand. For example, Under Armour got a prominent product placement in the football movie *Any Given Sunday*. Similarly, Under Armour ran TV and print ads featuring professional athletes, like Dallas Cowboys football player (and former Plank teammate) Eric Ogbogu. When the muscular Ogbogu barked the firm’s tag line, “Protect This House,” it instantly became a part of popular sports culture. It was the rallying cry of players, fans, and banners in football stadiums across the country.

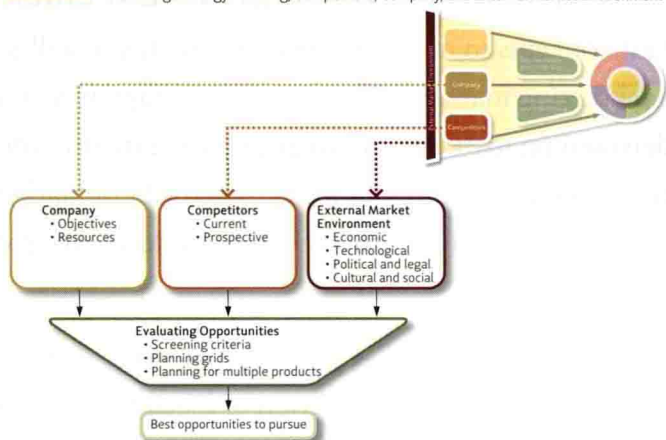
Of course, the firm continued to look for growth through new product ideas. One successful idea

came from a coach who wanted a cold weather version of the shirt that would keep players warm as well as dry. Under Armour responded with the first products in its ColdGear line. New products for a variety of other athletic markets have followed, including leggings that are popular with skiers and polo shirts that are a hit with golfers.

It’s tough to quickly steal away a large share of the customers in a mature product-market, but that is just what Under Armour accomplished with its new design for football cleats. The new-product development team researched playing surfaces, player movements, and body types to design cleats that were more durable, lighter, and more

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 of a company. It is difficult to set objectives that really guide the marketing manager. The marketing manager should be aware of the objectives. But setting whole-company objectives is a difficult task.

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.

Marketers Are Wading into the Blogosphere

Many marketers are adding a new dimension to their promotion blend by using blogs. A *blog*, short for *web log*, is a website that provides a running stream of messages, links, and comments. Blogs are usually created by an individual to express personal opinions about some topic. But many marketers like the first-person, conversational style that is typical of blogs. As with other types of personal communication, including personal selling, blogs can help make a connection with customers and enhance the relationship with them, but at a low cost.

Lego uses a blog (www.bricksonthebrain.com) to build a sense of community for its small but influential adult hobbyist segment. These Lego fanatics account for only 5 percent of sales, but their huge Lego displays often get media coverage and help to generate buzz. Lego's blog provides a way for these hobbyists to share ideas, photos, and suggestions. Similarly, yogurt maker Stonyfield Farm uses blogs to reinforce the healthy and wholesome positioning of its foods. Its "Baby Babble" blog targets new parents and "The Bovine Bugle" tells about daily activities at a farm that supplies Stonyfield with milk.

Most blogs rely on and reflect the passions of their creators. Ed Brill is a global sales executive for IBM's Lotus Notes software. Each day about 13,000 Lotus users check what he's thinking at his blog (www.edbrill.com).

One reason is that Brill provides important news fast. For example, when the general manager of Lotus was replaced, Brill posted the news within hours and explained what it would mean for customers. But Brill's site isn't strictly business. It includes photos of Brill and his friends and comments on personal matters, like the fancy watch he received as a Valentine's gift. IBM is a big company and Lotus is a huge brand, but Brill's personal blog helps to humanize them and build relationships with customers.

Marketers for GourmetStation, a Web-based retailer of high-end food, wanted to generate a little buzz. They thought a blog "written" by the website's fictional connoisseur of fine food and wine, T. Alexander, would be just the ticket. Soon Alexander was blogging away, recommending foods and wines. However, some bloggers are very protective of "their" media—and don't like the idea of any blog that appears too commercial. Some of these critics quickly blogged their criticism of GourmetStation's blog for not being authentic—and one gave it a "Beyond Lame Award." In this case, the criticisms didn't seem to matter to customers—and instead all the attention generated more hits for the website. However, marketers need to be aware that creative promotion on the Web can draw critics. Still, firms that keep their focus on the target market are likely to win in the long run.²²

www.mhhe.com/fourps

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.

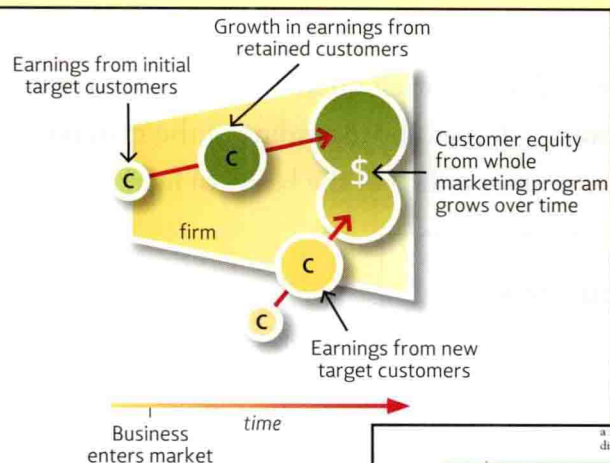
Campbell's has developed different soups (and related marketing mixes) that are targeted to the specific needs of different target markets. The marketing plan for each type of soup fits into Campbell's overall marketing program.



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.

Exhibit 2-9

Customer Equity
Increases as Firm
Attracts Customers,
Retains Them, and
Increases Earnings from
Business with Them



A variety of interesting exhibits—
“conceptual organizers,” charts, and
tables—illustrate each chapter and
focus your attention on key frame-
works and ideas.

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.

**Internet
EXERCISE**

Marketing Intelligence Service, Ltd., is a U.S.-based firm that tracks new consumer packaged goods—both successes and failures. Enter its website (www.productscan.com) and click on the What's New button, then review its selections for new product innovations of the year. Do you think that these products offer customers superior value, or are they just me-too imitations?

a failed effort may not be as high, but it can have a devastating long-term effect if dissatisfied consumers turn elsewhere for help.¹⁷

A new product may fail for many reasons. Most often, companies fail to offer a unique benefit or underestimate the competition. Sometimes the idea is good but the company has design problems—or the product costs much more to produce than was expected. Some companies rush to get a product on the market without developing a complete marketing plan.¹⁸

But moving too slowly can be a problem too. With the fast pace of change for many products, speedy entry into the market can be a key to competitive advantage. Marketing managers at Xerox learned this the hard way. Japanese competitors were taking market share with innovative new models of copiers. It turned out that the competitors were developing new models twice as fast as Xerox and at half the cost. For Xerox to compete, it had to slash its five-year product development cycle.¹⁹

The longer new-product development takes, the more likely it is that customer needs will be different when the product is actually introduced. Back in 2003, consumer interest in trucks and SUVs was high. General Motors expected that popularity to continue when planning new models. But by the time those vehicles were on the market in 2006, gasoline prices had skyrocketed—and consumer preferences were switching to smaller cars. In contrast, Honda's new-product planning had focused on more fuel efficiency, and its new 2006 models were in hot demand.

To move quickly and also avoid expensive new-product failures, companies should follow an organized new-product development process. The following pages describe such a process, which moves logically through five steps: (1) idea generation, (2) screening, (3) idea evaluation, (4) development (of product and marketing mix), and (5) commercialization.²⁰ See Exhibit 9-4.

The general process is similar for both consumer and business markets—and for both goods and services. There are some significant differences, but we will emphasize the similarities in the following discussion.

Process tries to kill new
ideas—economically

An important element in the new-product development process is continued evaluation of a new idea's likely profitability and return on investment. The hypothesis is tested is that the new idea will not be profitable. This puts the burden on the new

Generating innovative and
profitable new products
requires an understanding of
customer needs—and an
organized new-product
development process.



234

CREATING MARKETING PLANS

The Marketing Plan Coach software on the Student CD includes a sample marketing plan for Hillside Veterinary Clinic. Look through the “Marketing Strategy” section.

- Hillside offers many different products. Identify several of these products and indicate where you think each of them is in its product life cycle.
- Exhibit 9-3 summarizes some marketing mix characteristics based on where a product fits in the product life cycle. Is Hillside's marketing plan consistent with what this exhibit suggests? Why or why not?

The Student CD-ROM includes a
sample marketing plan for Hillside
Veterinary Clinic. Exercises at the end
of each chapter show how concepts
from the chapter are used in develop-
ing a marketing plan.

THE LEARNING AID.

The *Learning Aid* helps you review and test yourself on material from each chapter—while also providing opportunities for you to obtain a deeper understanding of the material. The *Learning Aid* offers a hands-on way to develop a better understanding of the basics of marketing.

Chapter 6

Business and organizational customers and their buying behavior

What This Chapter Is About

Chapter 6 discusses the buying behavior of the important business and organizational customers who buy for resale or for use in their own businesses. They buy more goods and services than final customers! There are many opportunities in marketing to producers, to intermediaries, to government, and to nonprofit organizations—and it is important to understand how these organizational customers buy.

Organizations tend to be much more economic in their buying behavior than final consumers. Further, some must follow pre-set bidding and bargaining processes. Yet, they too have emotional needs. And sometimes a number of different people may influence the final purchase decision. Keep in mind that business and organizational customers are problem solvers too. Many of the ideas in Chapter 5 carry over, but with some adaptation.

This chapter deserves careful study because your past experience as a consumer is not as helpful here as it was in the last few chapters. Organizational customers are much less numerous. In some cases it is possible to create a separate marketing mix for each individual customer. Understanding these customers is necessary to plan marketing strategies for them. Try to see how they are both similar and different from final customers.

Important Terms

business and organizational customers, p. 142	modified rebuy, p. 149
purchasing specifications, p. 144	just-in-time delivery, p. 152
ISO 9000, p. 145	negotiated contract buying, p. 153
purchasing managers, p. 145	outsourcing, p. 153
multiple buying influence, p. 145	competitive bids, p. 155
buying center, p. 146	North American Industry Classification System (NAICS) codes, p. 159
vendor analysis, p. 147	open to buy, p. 163
requisition, p. 148	resident buyers, p. 163
new-task buying, p. 149	Foreign Corrupt Practices Act, p. 165
straight rebuy, p. 149	

Name: _____

Course & Section: _____

Exercise 6-3

Vendor analysis

This exercise is based on computer-aided problem number 6—Vendor Analysis. A complete description of the problem appears on page 167 of *Essentials of Marketing*, 11th edition.

- Supplier 2 is thinking about adding U.S. wholesalers to its channel of distribution. The supplier would ship in large, economical quantities to the wholesaler and the wholesaler would keep a stock of chips on hand. The wholesaler would charge CompuTech a higher price—\$1.90 a chip. But with the chips available from a reliable wholesaler CompuTech's inventory cost as a percent of its total order would only be 2 percent. In addition, the cost of transportation would only be \$.01 per chip. Assuming CompuTech planned to buy 84,500 chips, what would its total costs be with and without the wholesaler? Should CompuTech encourage the supplier to add a wholesaler to the channel?

Total Costs for Vendor Supplier 2, buying direct _____

Total Costs for Vendor Supplier 2, using wholesaler _____

- Supplier 2 has explored the idea of adding wholesalers to the channel, but has found that it will take at least another year to find suitable wholesalers and develop relationships. As a result, if CompuTech deals with Supplier 2 its inventory cost as a percent of the total order would remain at 5.4 percent, and transportation cost would remain at \$.03 per chip. But the supplier is still interested in improving its marketing mix now—so it can develop a strong relationship with CompuTech. Based on an analysis of CompuTech's needs, Supplier 2 has developed a new design for the electronic memory chips.

The redesigned chips would have a built-in connector, so CompuTech would not have to buy separate connectors. In addition, the new design would make it faster and easier to replace a defective chip. The supplier estimates that with the new design it would cost CompuTech only \$1.00 to replace a bad chip.

The supplier has not yet priced the new chip, but it would cost the supplier an additional \$.06 to produce each chip. If the supplier set the price of the chip at \$1.93 each (the old price of \$1.87 plus the additional \$.06), how much would the new design cost CompuTech on an order of 84,500 chips. (Hint: compute CompuTech's total cost for the current design based on an order quantity of 84,500 chips, and then compute the total cost assuming the new price, the reduced cost of replacing a defective chip, and no cost for a connector.)

The *Learning Aid* provides 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.

- 36. In international markets, it is legal to make small grease money payments—if they are customary in that country.

Answers to True-False Questions

- | | | |
|---------------|---------------|------------------|
| 1. F, p. 142 | 13. F, p. 150 | 25. T, p. 159 |
| 2. T, p. 144 | 14. F, p. 152 | 26. T, p. 161 |
| 3. T, p. 144 | 15. F, p. 153 | 27. F, p. 162 |
| 4. T, p. 145 | 16. T, p. 153 | 28. T, p. 162 |
| 5. T, p. 145 | 17. F, p. 154 | 29. T, p. 162-63 |
| 6. T, p. 146 | 18. T, p. 155 | 30. F, p. 163 |
| 7. F, p. 146 | 19. F, p. 155 | 31. F, p. 163 |
| 8. T, p. 147 | 20. T, p. 155 | 32. T, p. 163-64 |
| 9. T, p. 147 | 21. T, p. 156 | 33. F, p. 164 |
| 10. T, p. 148 | 22. T, p. 157 | 34. F, p. 164 |
| 11. T, p. 149 | 23. T, p. 158 | 35. F, p. 164 |
| 12. F, p. 149 | 24. T, p. 158 | 36. T, p. 165 |

Multiple-Choice Questions (Circle the correct response)

- Which of the following is a business or organizational customer?
 - producers of goods and services.
 - a retailer.
 - a wholesaler.
 - a government agency.
 - All of the above are business and organizational customers.
- In comparison to the buying of final consumers, the purchasing of organizational buyers:
 - is strictly economic and not at all emotional.
 - is always based on competitive bids from multiple suppliers.
 - leans basically toward economy, quality, and dependability.
 - is even less predictable.
 - Both a and c are true statements.
- Today, many agricultural commodities and manufactured items are subject to rigid control or grading. As a result, organizational buyers often buy on the basis of:
 - purchasing specifications.
 - negotiated contracts.
 - competitive bids.
- In a buying center, multiple buying influences can include:
 - users.
 - buyers.
 - gatekeepers.
 - deciders.
 - all of the above.

The *Learning Aid* also incorporates cases, problems, and exercises, including ones that build on the end-of-chapter computer-aided problems—with clear instructions and worksheets for you to complete for additional practice.