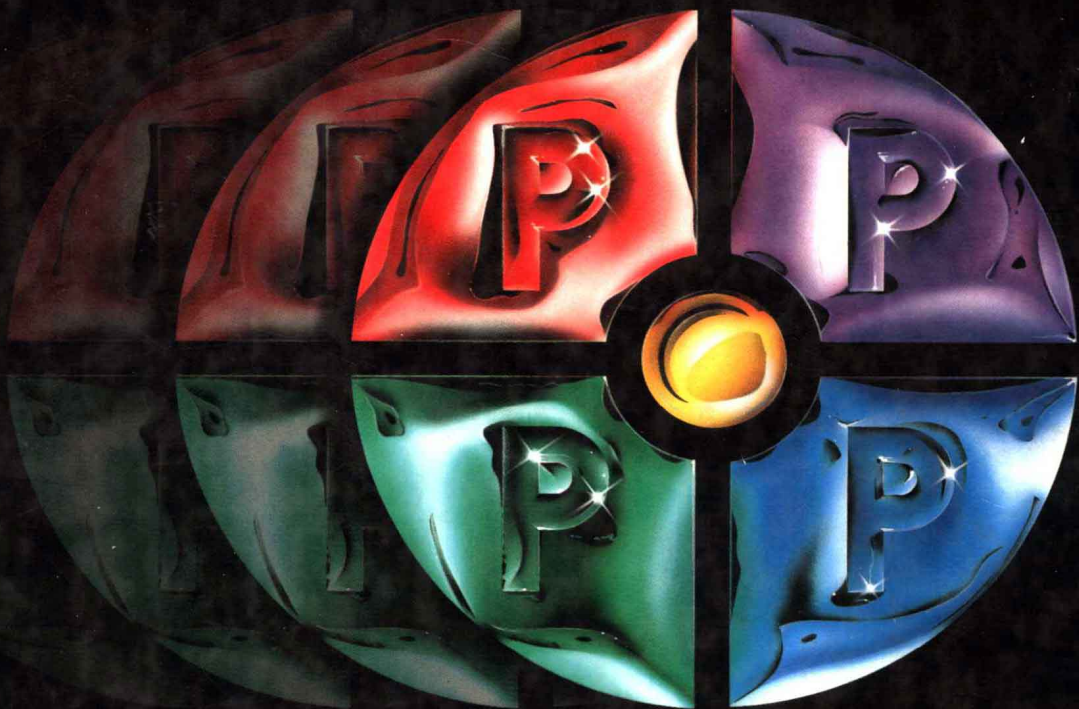


Essentials of Marketing

FIFTH EDITION

E. JEROME McCARTHY
WILLIAM D. PERREAULT, JR.



Essentials of Marketing

E. Jerome McCarthy, Ph.D.

Michigan State University

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

University of North Carolina

Fifth Edition

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Coordinating editor: Linda G. Davis
Project editor: Ethel Shiell
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Preface

This book presents the “essentials” of marketing. A basic objective was to make it easy for students to grasp these very important essentials—“accessibility” was a key goal.

Essentials of Marketing is a shortened version of *Basic Marketing*—a book that is very widely used in the first marketing course. While cutting the material down to the *Essentials* we spent much time and effort carefully defining terms and finding the “right” words to speed understanding. Similarly, we used many exhibits and pictures to help today’s more visual student “see” the material better.

Basic Marketing and *Essentials of Marketing* pioneered an innovative structure—using the “four Ps” with a managerial approach—for the introductory marketing course. In the years since publication of the first edition, marketing management has changed constantly. Some of the changes have been dramatic, others more subtle. Throughout all these changes, *Basic Marketing* and *Essentials of Marketing*—and the supporting materials to accompany them—have been more widely used than any other teaching materials for introductory marketing. The “four Ps” concept has proved to be an organizing structure that has worked well for millions of students and teachers.

Of course, this position of leadership is not the result of a single strength—or one long-lasting innovation. On the contrary, with each new edition of *Essentials of Marketing* we have seized the opportunity to introduce innovations—and to set new standards of excellence. And our belief that attention to quality 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.

We believe that the fifth edition of *Essentials of Marketing* is the highest quality teaching and learning resource ever available for the introductory course. The whole text and all the supporting materials have been critically revised, updated, and rewritten. As in past editions, clear and interesting communication has been a priority. Careful explanations provide a crisp focus on the important “essentials.” At the same time, we have researched and carefully integrated hundreds of new examples that bring the concepts alive to heighten your interest and motivate learning.

The fifth edition focuses special attention on changes taking place in today’s dynamic markets. For example, throughout the fifth edition you’ll see how computers and other advances in information technology are shaping new marketing opportunities and strategies. You’ll learn about the changing relationships between producers and middlemen—including the increasing importance of big retail chains. You’ll see how increasingly intense competition—both in the United States and around the world—is affecting marketing strategy planning. You’ll even see why Russia and other centrally planned economies are making efforts to become more market oriented. Some other marketing texts have attempted to describe such changes. But what sets *Essentials of Marketing* apart is that the explanations and examples not only highlight the changes that are taking place today, but also 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.

The text has been redesigned too. A more open format has allowed us to be even more effective in incorporating illustrations—full-color graphs, figures, photographs—to reinforce key points and facilitate learning. We have done extensive research to refine and improve these learning elements as part of an overall redesign that makes important concepts and points even clearer to students.

The aim of all this revising, refining, editing, and illustrating was 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.

Essentials of Marketing emphasizes marketing strategy planning. Nineteen 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 was carefully planned. But we took special care in writing so that it is possible to rearrange and use the chapters in many ways to fit various needs.

The first two chapters deal with the nature of marketing—focusing both on its macro role in society and its micro role in businesses and other organizations. The first chapter stresses that the effectiveness of our macro-marketing system depends on the decisions of many producers and consumers. That sets the stage for the second chapter—and the rest of the book—which focuses on how businesspeople and, in particular, marketing managers develop marketing strategies to satisfy specific target markets.

Chapter 3 introduces a strategy planning view of how managers can find new market opportunities. The emphasis is on identifying target markets with market segmentation and positioning approaches. This strategic view alerts students to the importance of evaluating opportunities in the external environments affecting marketing—and these are discussed in Chapter 4. Chapter 5 is a contemporary view of getting information—from marketing information systems and marketing research—for marketing management planning.

The next two chapters take a closer look at customers so students will better understand how to segment markets and satisfy target market needs. Chapter 6 studies the behavioral features of the consumer market, and Chapter 7 discusses how intermediate customers—like manufacturers, channel members, and government purchasers—are similar to and different from final consumers.

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 and physical distribution customer service levels), Promotion, and Price. These chapters cover 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. The chapters are presented in an integrated, analytical way so students’ thinking about planning marketing strategies develops logically.

Chapter 18 applies the principles of the text to international marketing. While there is an international emphasis throughout the text, we provided this separate chapter for those wishing special emphasis on international marketing.

The final chapter considers how efficient the marketing process is. Here we evaluate the effectiveness of both micro- and macro-marketing—and consider the challenges facing marketing managers now and in the future. After this chapter, the student might want to look at Appendix C—which covers career opportunities in marketing.

Some textbooks treat “special” topics—like services marketing, marketing for nonprofit organizations, industrial marketing, and marketing ethics—in separate chapters. We have not done so 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. Instead, they are carefully interwoven and illustrated throughout the text to emphasize that marketing thinking is crucial in all aspects of our society and economy.

Really understanding marketing and how to plan marketing strategies can build self-confidence—and 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, and “how-to-do-it” techniques which should speed the development of “marketing sense”—and enable the student to analyze marketing situations in a confident and meaningful way. Taken seriously, they are practical and they work. In addition, because they are interesting and understandable, they equip students to see marketing as the challenging and rewarding area it is.

Essentials of Marketing can be studied and used in many ways—the *Essentials of Marketing* text material is only the central component of a Professional Learning Units Systems (our *P.L.U.S.*) for students and teachers. Instructors can select from our units to develop their own personalized systems. Many combinations of units are possible—depending on course objectives.

So students will see what is coming in each *Essentials of Marketing* chapter, we include behavioral objectives on the first page of each chapter. 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 place photos in the margin right beside the paragraph they illustrate to provide a visual reminder of the ideas. All of these aids help the student understand important concepts—and speed review before exams.

Understanding of the text material can be deepened by analysis and discussion of specific cases. *Essentials of Marketing* features two different types of cases. New with this edition, a special case report appears as an offset in each chapter. Each case illustrates how a particular company has developed its marketing strategy—with emphasis on a topic covered in that chapter. These cases have been specially developed to provide an excellent basis for critical evaluation and discussion of a specific concept. In addition, there are several suggested cases at the end of each chapter. These cases focus on problem solving. They encourage students to apply—and really get involved with—the concepts developed in the text.

End-of-chapter questions and problems offer additional opportunities. They can be used to encourage students to investigate the marketing process and develop their own ways of thinking about it. These can be used for independent study or as a basis for written assignments or class discussion.

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.

In addition, with this edition of *Essentials of Marketing*, we introduce a totally new teaching/learning unit: *Applications in Basic Marketing*. This collection of marketing “clippings”—from publications such as *The Wall Street Journal*, *Fortune*, and *Business Week*—provides convenient access to short, interesting, and current dis-

cussions of marketing issues. There are a variety of short clippings related to each chapter in *Essentials of Marketing*. In addition, we will revise this collection *each year* so it includes timely material available in no other text. It is a sign of our publisher's commitment to the introductory marketing course that this innovative new supplement will be provided free of charge; the most recent edition of *Applications in Basic Marketing* will come shrink-wrapped with each new copy of the fifth edition of *Essentials of Marketing*!

At the end of each chapter there is also a suggested computer-aided problem. These 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. The problems and related software are explained in the new edition of *Computer-Aided Problems to Accompany Essentials of Marketing*. The computer program that accompanies the booklet was specifically developed for use by students who study *Essentials of Marketing*. The new version of the software includes a graphics capability. The revised computer-aided problem booklet and software are provided free to instructors on request.

There are more components to *P.L.U.S.* A separate *Student Aid* provides several more units and offers further opportunities to obtain a deeper understanding of the material. The *Student Aid* can be used by the student alone or with teacher direction. Portions of the *Student Aid* help students 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) illustrating the kinds of questions that may appear in examinations. In addition, the *Student Aid* has cases, exercises, and problems—with clear instructions and worksheets for the student to complete. As with the text, computer-aided problems have been developed to accompany the *Student Aid*. The *Student 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 *Student Aid* can be the basic activity of the course.

Another element to accompany *Essentials of Marketing* is *The Marketing Game!* *The Marketing Game!* is a microcomputer-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, some instructors may want to use the advanced level of the game—perhaps as the basis for a second course.

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. A separate *Lecture Guide to Accompany Essentials of Marketing*—newly revised and updated for this edition—offers a rich selection of lecture material and ideas. Key materials from the Lecture Guide are available on a computer diskette, so the instructor can easily modify or

adapt the materials with his or her favorite word processing software. The Lecture Guide is also supplemented with a comprehensive set of overhead masters and with a separate high-quality selection of color transparencies. In addition, the newly revised *Essentials of Marketing Videotapes* are also available. Furthermore, thousands of objective test questions—written by the authors to really work with the text—give instructors a high-quality resource. The newly revised COMPUTEST III program for microcomputers 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.

In closing, we return to a point raised at the beginning of this preface: *Essentials of Marketing* and *Basic Marketing* are the leading textbooks in marketing. 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. *Essentials of Marketing* is not just a passing fad. We believe that the substance it offers today—and will offer tomorrow—must reach beyond some short-term view. 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. 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.

E. Jerome McCarthy
William D. Perreault, Jr.

Acknowledgments

Planning and preparing this revision of *Essentials of Marketing* has been a three-year effort. The resulting text—and all of the teaching and learning materials that accompany it—represents a blending of our career-long experiences, influenced and improved by the inputs of more people than it is possible to list.

Faculty and students at our current and past academic institutions—Michigan State University, University of North Carolina, Notre Dame, University of Georgia, Northwestern University, University of Oregon, University of Minnesota, and Stanford University—have significantly shaped the book. Faculty at Notre Dame had a profound effect when the first editions of *Basic Marketing* were developed. Professor Yusaku Furuhashi had a continuing impact on the multinational emphasis. Similarly, Professor Andrew A. Brogowicz of Western Michigan University and John F. Grashof of Kennesaw College have contributed many fine ideas. Thought-provoking reviews provided by William R. George, Gilbert A. Churchill, and Barbara A. McCuen were especially significant in shaping the previous edition. Charlotte Mason and Nicholas Didow have provided a constant flow of helpful suggestions.

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Many improvements in the current edition were stimulated by feedback from a number of colleagues around the country. Feedback took many forms. We received valuable insights—and hundreds of detailed suggestions—from professors who kept class-by-class diaries while teaching from *Essentials of Marketing*. Participants in focus group interviews shared their in-depth ideas about ways to improve teaching and materials used in the first marketing course. Professors who provided comprehensive comparative reviews helped us see ways to build on our strengths and identify where improvements would be most helpful to students and faculty. And responses to detailed surveys gave us ideas and insights for ways to update and improve not only the text but also the whole set of teaching and learning materials that accompany it. For all of these suggestions and criticisms we are most appreciative. In particular, we would like to recognize the helpful contributions of:

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

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E. Jerome McCarthy
William D. Perreault, Jr.

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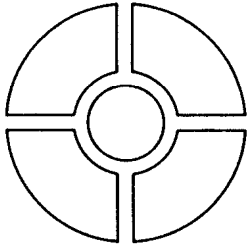
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13. Sales Promotion
14. Sales Compensation
15. Advertising Media
16. Cash Discounts
17. Price Setting
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Essentials of Marketing



Chapter **1**

Marketing's Role in Society

When You Finish This Chapter, You Should

1. Know what marketing is and why you should learn about it.
2. Understand the difference between micro-marketing and macro-marketing.
3. Know why and how macro-marketing systems develop.
4. Know why marketing specialists—including middlemen and facilitators—develop.
5. Know the marketing functions and who performs them.
6. Understand the important new terms (shown in red).