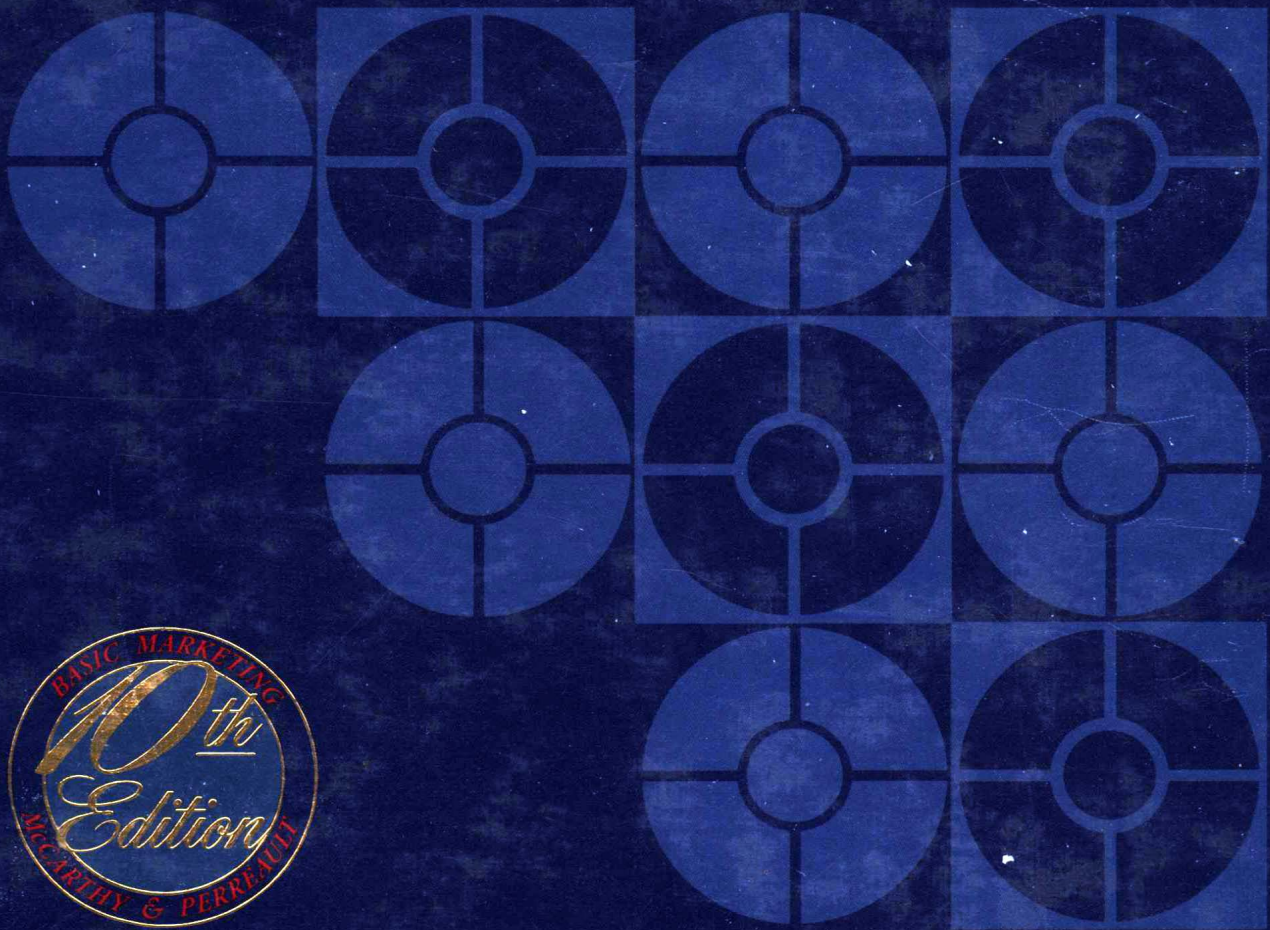

Basic Marketing



E. Jerome McCarthy / William D. Perreault, Jr.

Basic Marketing

A Managerial Approach

E. Jerome McCarthy, Ph.D.

Michigan State University

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

University of North Carolina

Tenth Edition

IRWIN

Homewood, IL 60430

Boston, MA 02116

Preface

The first edition of *Basic Marketing* pioneered an innovative structure—using the “four Ps” with a managerial approach—for the introductory marketing course. In the 30 years since publication of that first edition, there have been constant changes in marketing management. Some of the changes have been dramatic, and others have been subtle. Throughout all of these changes, *Basic Marketing*—and the supporting materials to 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.

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 *Basic 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 tenth edition of *Basic Marketing* is the highest quality teaching and learning resource ever available for the introductory 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. Careful explanations provide a crisp focus on the important “basics.” 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 tenth edition focuses special attention on changes taking place in today’s dynamic markets. For example, throughout the tenth 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 *Basic 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 *Basic Marketing* to share our enthusiasm.

The emphasis of *Basic Marketing* is on marketing strategy planning. Twenty-three 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 strategic 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 three chapters take a closer look at customers so students will better understand how to segment markets and satisfy target market needs. Chapter 6 introduces the demographic dimensions of the consumer market, and Chapters 7 and 8 study the behavioral features of the consumer market and how intermediate customers—like manufacturers, channel members, and government purchasers—are similar to and different from final consumers.

The next group of chapters—Chapters 9 to 19—is concerned with developing a marketing mix out of the four Ps: Product, Place (involving channels of distribution and customer service levels), Promotion, and Price. These chapters are concerned with developing the “right” Product and making it available at the “right” Place with the “right” Promotion and the “right” Price—to satisfy target customers and still meet the objectives of the business. These chapters are presented in an integrated, analytical way, so students’ thinking about planning marketing strategies develops logically.

Chapter 20 ties the four Ps into planning and implementing whole marketing plans and programs. Chapter 21 discusses controlling marketing plans and programs, using examples to emphasize important points. Chapter 22 applies the principles of the text to international marketing. While there is an international emphasis throughout the text, this separate chapter is provided for those wishing special emphasis on international marketing.

The final chapter considers how efficient the marketing process is. Here we evaluate the effectiveness of both micro- and macro-marketing—and we consider the challenges facing marketing managers now and in the future. After this chapter, the student might want to look at Appendix C—which is about 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 this because we are convinced that treating such top-

ics separately leads to an unfortunate compartmentalization of ideas. We think they are too important to be isolated in that way. Instead, they are interwoven and illustrated throughout the text to emphasize that marketing thinking is crucial in all aspects of our society and economy.

Really understanding marketing and how to plan marketing strategies can build self-confidence—and 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.

Basic Marketing can be studied and used in many ways—the *Basic 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 *Basic Marketing* chapter, behavioral objectives are included on the first page of each chapter. And to speed student understanding, important new terms are shown in red and defined immediately. 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 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. *Basic 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. 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.

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 *Basic 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 discussions of marketing issues. There are a variety of short clippings related to each chapter in *Basic Marketing*. In addition, we will revise this collection each year so

that it can include timely material that is available in no other text. It is a sign of the commitment of our publisher 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 tenth edition of *Basic 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 Basic Marketing*. The computer program that accompanies the booklet was specifically developed for use by students who study *Basic Marketing*. The new version of the software includes a graphics capability. The revised computer-aided problem booklets and software are provided free to instructors on request.

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. As with the text, computer-aided problems have been developed to accompany the *Learning Aid*. The *Learning Aid* exercises can be used as classwork or homework—to drill on certain topics and to deepen understanding of others by motivating application and then discussion. In fact, reading *Basic Marketing* and working with the *Learning Aid* can be the basic activity of the course.

Another element to accompany *Basic 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 *Basic Marketing*. Students make marketing management decisions—blending the four Ps to compete for the business of different possible target markets. The innovative design of *The Marketing Game!* allows the instructor to increase the number of decision areas involved as students learn more about marketing. In fact, some instructors may want to use the advanced level of the game—perhaps as the basis for a second course.

Basic Marketing—and all of our accompanying materials—have been developed to promote student learning and get students involved in the excitement and challenges of marketing management. Additional elements of *P.L.U.S.* have been specifically developed to help an instructor offer a truly professional course that meets the objectives he or she sets for students. Complete Instructor's Manuals accompany all of the *P.L.U.S.* components. A separate *Lecture Guide to Accompany Basic Marketing*—newly revised and updated for this edition—offers a rich selection of lecture material and ideas. A high-quality selection of Color Transparencies—and the newly revised *Basic Marketing Videotapes*—are also available. In addition, 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: *Basic Marketing* has been the leading textbook in marketing for three decades. 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. *Basic 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 *Basic 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 *Basic 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 the book were developed. Professor Yusaku Furuhashi had a continuing impact on the multinational emphasis. Similarly, Professor Andrew A. Brogowicz of Western Michigan University has 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.

We are especially grateful to our many students who have criticized and made comments about materials in *Basic Marketing*. Indeed, in many ways, our students have been our best teachers.

Many improvements in the current edition were stimulated by 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 *Basic 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:

Linda Anglin	Kathy Daruty	Ron Hoverstad
Barry Ashman	Roger Davis	Dan Howard
Kenneth Baker	Vincent Deni	Harry Howren
James Baylor	Theresa DiNovo	Bernard Johnson
Kip Becker	John Dunseth	Gary Karns
James Bedtke	Pat Farmer	M. L. King
Jim Boespflug	John Flood	Ronald King
Joseph Bonnice	Bill Franklin	Eugene Klippel
Gail Bracken	George Glisan	Bob Kosmedek
Stephan Calcich	James Gould	John Krane
Wayne Cioffari	Roy Grundy	Kathleen Krentler
Gerald Crawford	Debra Haley	Donald Lindgren
Ken Crocker	Ronald Halsac	Ernest Manshel
Lawrence Dandurand	Hendrick Helmers	Susan Marine

Joesph McAloon	Robert Pettengill	Joseph Sirgy
Howard McCoy	Joseph Plummer	Rosann Spiro
Barbara McCuen	Raymond Polchow	Vernon Stauble
Robert McInnis	Arthur Prell	Jerry Stiles
Mark Miller	Donald Rahtz	David Stringer
Malcolm Morris	Richard Reid	Glori Sundberg
Linda Morris	Mike Reilly	Ruth Taylor
David Morris	Elizabeth Rogol	Stephan Thomas
William Moser	Stan Scott	David Tonks
Japhet Nkonge	Vern Seguin	Ron Tremmel
Wayne Norvell	Irwin Shapiro	Gerald Waddle
Glenn Olsen	Edwin Simpson	Karen Zwissler
Daniel Outland	Susan Sipkoff	

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

We owe a special debt of gratitude to Linda G. Davis. She provided valuable help in researching photos and case histories, and she typed thousands of manuscript pages through countless revisions of the text and all the accompanying materials. Her hard work and dedication to quality throughout the whole process was exemplary. We could not have asked for better support.

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

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

A textbook must 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.

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

E. Jerome McCarthy
William D. Perreault, Jr.

Contents

Chapter 1

Marketing's Role in Society, 2

- Marketing—What's It All About? 3
- How Marketing Relates to Production, 5
- Marketing Is Important to You, 6
- How Should We Define Marketing, 8
- Micro-Marketing Defined, 8
- The Focus of This Text—Management-Oriented Micro-Marketing, 9
- Macro-Marketing Defined, 10
- Every Society Needs an Economic System, 10
- How Economic Decisions Are Made, 11
- All Economies Need Macro-Marketing Systems, 13
- The Role of Marketing in Economic Development, 15
- Can Mass Production Satisfy a Society's Consumption Needs? 17
- Who Performs Marketing Functions? 19
- How Well Does Our Macro-Marketing System Work? 21

Chapter 2

Marketing's Role within the Firm, 24

- Marketing's Role Has Changed a Lot over the Years, 26
- What Does the Marketing Concept Mean? 27
- Adoption of the Marketing Concept Has Not Been Easy or Universal, 30
- The Management Job in Marketing, 33
- What Is Marketing Strategy Planning? 35
- Selecting a Market-Oriented Strategy Is Target Marketing, 35
- Developing Marketing Mixes for Target Markets, 36
- The Marketing Plan Is a Guide to Implementation and Control, 42
- The Importance of Marketing Strategy Planning, 44
- Strategy Planning Doesn't Take Place in a Vacuum, 47
- Market-Oriented Strategy Planning Helps Nonmarketing People, Too, 47

Appendix A

Economics Fundamentals, 50

- Products and Markets as Seen by Customers and Potential Customers, 50
- Markets as Seen by Suppliers, 56
- Demand and Supply Interact to Determine the Size of the Market and Price Level, 58
- Demand and Supply Help Us Understand the Nature of Competition, 59

Chapter 3

Finding Target Market Opportunities with Market Segmentation, 62

- What Are Attractive Opportunities? 64
- Types of Opportunities to Pursue, 65
- Search for Opportunities Can Begin by Understanding Markets, 67
- Naming Product-Markets and Generic Markets, 70
- Market Segmentation Defines Possible Target Markets, 71
- What Dimensions Are Used to Segment Markets? 79
- A Seven-Step Approach to Segmenting Consumer Product-Markets, 82
- Seven-Step Approach Applies in Industrial Markets, Too, 86
- More Sophisticated Techniques May Help in Segmenting, 86

Chapter 4

Evaluating Opportunities in Uncontrollable Environments, 92

- The Uncontrollable Environments, 94
- Objectives Should Set Firm's Course, 95
- Company Resources May Limit Search for Opportunities, 98
- The Competitive Environment, 99
- Economic Environment, 104
- Technological Environment, 106
- Political Environment, 107
- Legal Environment, 109
- Cultural and Social Environment, 113

- How to Evaluate Opportunities, 114
- Planning Grids Help Evaluate a Portfolio of Opportunities, 116
- Multiproduct Firms Have a Difficult Strategy Planning Job, 118

Chapter 5

Getting Information for Marketing Decisions, 122

- Marketing Managers Need Information, 124
- Marketing Information Systems Can Help, 124
- What Is Marketing Research? 127
- The Scientific Method and Marketing Research, 128
- Five-Step Approach to Marketing Research, 129
- Defining the Problem—Step 1, 129
- Analyzing the Situation—Step 2, 131
- Getting Problem-Specific Data—Step 3, 134
- Interpreting the Data—Step 4, 140
- Solving the Problem—Step 5, 142
- How Much Information Do You Need? 143

Chapter 6

Demographic Dimensions of the U.S. Consumer Market, 146

- Population—People with Money Make Markets, 148
- Income—People with Money Make Markets, 156
- Consumer Spending Patterns Are Related to Population and Income, 159
- Expenditure Patterns Vary with Other Measurable Factors, 162

Chapter 7

Behavioral Dimensions of the Consumer Market, 168

- Consumer Behavior—Why Do They Buy What They Buy? 170
- The Behavioral Sciences Help Understand Buying Process, 170
- Psychological Influences within an Individual, 171
- Social Influences Affect Consumer Behavior, 179
- Individuals Are Affected by the Purchase Situation, 183
- Consumers Use Problem-Solving Processes, 183
- Several Processes Are Related and Relevant to Strategy Planning, 188

Chapter 8

Industrial and Intermediate Customers and Their Buying Behavior, 192

- Intermediate Customers—A Big Opportunity, 193
- Intermediate Customers Are Different, 195
- Manufacturers Are Important Customers, 195
- Buyers Are Problem Solvers, 197
- Basic Methods and Practices in Industrial Buying, 203
- Producers of Services—Smaller and More Spread Out, 208
- Retailers and Wholesalers Buy for Their Customers, 209
- The Government Market, 212

Chapter 9

Elements of Product Planning, 216

- What Is a Product? 218
- Differences in Goods and Services, 220
- Whole Product Lines Must Be Developed, Too, 222
- Product Classes Help Plan Marketing Strategies, 222
- Consumer Product Classes, 223
- Convenience Products—Purchased Quickly with Little Effort, 223
- Shopping Products—Are Compared, 225
- Specialty Products—No Substitutes Please! 225
- Unsought Products—Need Promotion, 226
- One Product May Be Seen as Several Consumer Products, 226
- Industrial Products Are Different, 227
- Industrial Product Classes—How They Are Defined, 227
- Installations—Major Capital Items, 228
- Accessories—Important but Short-Lived Capital Items, 229
- Raw Materials—Farm and Natural Products Are Expense Items, 230
- Components—Important Expense Items, 231
- Supplies—Support Maintenance, Repair, and Operations, 233
- Professional Services—Pay to Get It Done, 234
- Product Classes and Marketing Mixes Are Related, 234
- Branding Needs a Strategy Decision, Too, 234
- Branding—Why It Developed, 235
- Conditions Favorable to Branding, 236
- Achieving Brand Familiarity Is Not Easy, 236
- Protecting Brand Names and Trademarks, 238

- What Kind of Brand to Use? 238
- Who Should Do the Branding? 240
- The Strategic Importance of Packaging, 241
- What Is Socially Responsible Packaging? 243
- Warranties Are Important, Too, 244

Chapter 10

Product Management and New-Product Development, 248

- Management of Products over Their Life Cycles, 250
- Product Life Cycles Vary in Length, 252
- Product Life Cycles Should Be Related to Specific Markets, 255
- Planning for Different Stages of the Product Life Cycle, 256
- New-Product Planning, 259
- An Organized New-Product Development Process Is Critical, 261
- New-Product Development: A Total Company Effort, 268
- Need for Product Managers, 270

Chapter 11

Place and Development of Channel Systems, 272

- "Ideal" Place Objectives Suggested by Product Classes, 275
- Discrepancies Require Channel Specialists, 275
- Direct Channel Systems May Be Best, Sometimes, 279
- Indirect Channels May Be Best, Sometimes, 280
- The Best Channel System Should Achieve Ideal Market Exposure, 282
- Channel Systems Can Be Complex, 286
- How to Recruit Middlemen, 288
- Channels Must Be Managed, 288

Chapter 12

Retailing, 294

- Planning a Retailer's Strategy, 296
- Types of Retailers and the Nature of Their Offerings, 299
- Conventional Retailers—Try to Avoid Price Competition, 299
- Expand Assortment and Service—To Compete at a High Price, 300

- Evolution of Mass-Merchandising Retailers, 301
- Some Retailers Focus on Added Convenience, 305
- Retailing Types Are Explained by Consumer Needs Filled, 307
- Why Retailers Evolve and Change, 308
- Retailer Size and Profits, 311
- Location of Retail Facilities, 315
- What Does the Future Look Like? 317

Chapter 13

Wholesaling, 322

- What Is a Wholesaler? 324
- Possible Wholesaling Functions, 324
- Kinds and Costs of Available Wholesalers, 326
- Merchant Wholesalers Are the Most Numerous, 328
- Agent Middlemen Are Strong on Selling, 332
- Manufacturers' Sales Branches Provide Wholesaling Functions, Too, 335
- Other Specialized Middlemen—Facilitators—Fill Unique Roles, 336
- Wholesalers Tend to Concentrate Together, 337
- Comeback and Future of Wholesalers, 338

Chapter 14

Physical Distribution, 342

- Physical Distribution Gets It to Customers, 344
- Deciding Who Will Haul and Store Is Strategic, 346
- The Transporting Function—Adds Value, 346
- Five Modes of Transportation Carry the Load, 348
- Which Transporting Alternative Is Best? 349
- Economies of Scale in Transporting, 353
- The Storing Function, 354
- Specialized Storing Facilities Can Be Very Helpful, 356
- The Distribution Center—A Different Kind of Warehouse, 357
- Physical Distribution Concept Focuses on the Whole Distribution System, 358
- Future Physical Distribution Problems and Opportunities, 360

Chapter 15

Promotion—Introduction, 364

- Several Promotion Methods Are Available, 366
- Which Methods to Use Depends on Promotion Objectives, 368
- Promotion Requires Effective Communication, 370

Adoption Processes Can Guide Promotion Planning,	372
Good Communication Varies Promotion Blends along Adoption Curve,	373
May Need a Different Blend for Each Product-Market Segment,	376
Factors Affecting the Selection of a Promotion Blend,	377
How Typical Promotion Budgets Are Blended,	383
Someone Must Plan and Manage the Promotion Blend,	384
Sales Promotion: Do Something Different to Stimulate Change,	386

Chapter 16

Personal Selling, 392

The Importance and Role of Personal Selling,	394
What Kinds of Personal Selling Are Needed?	397
Order Getters Develop New Business,	397
Order Takers—Keep the Business Coming,	400
Supporting Sales Force—Informs and Promotes in the Channel,	402
The Right Structure Helps Assign Responsibility,	404
Sound Selection and Training to Build a Sales Force,	406
Compensating and Motivating Salespeople,	408
Personal Selling Techniques—Prospecting and Presenting,	411

Chapter 17

Mass Selling, 418

The Importance of Advertising,	420
Advertising Objectives Are Set by Marketing Strategy,	421
Objectives Determine the Kinds of Advertising Needed,	423
Coordinating Advertising Efforts,	427
Choosing the “Best” Medium—How to Deliver the Message,	428
Planning the “Best” Message—What Is to Be Communicated,	433
Advertising Agencies Often Do the Work,	435
Measuring Advertising Effectiveness Is Not Easy,	438
How to Avoid Unfair Advertising,	440

Chapter 18

Pricing Objectives and Policies, 444

Price Has Many Dimensions,	446
Pricing Objectives Should Guide Pricing,	447
Profit-Oriented Objectives,	447
Sales-Oriented Objectives,	449
Status Quo Pricing Objectives,	450
Most Firms Set Specific Pricing Policies—To Reach Objectives,	451
Price Flexibility Policies,	451
Price Level Policies—Over the Product Life Cycle,	452
Most Price Structures Are Built around List Prices,	456
Discount Policies—Reductions from List Prices,	457
Allowance Policies—Off List Prices,	460
Some Customers Get Extra Somethings,	461
List Price May Depend on Geographic Pricing Policies,	463
Legality of Pricing Policies,	464

Appendix B

Marketing Arithmetic, 469

The Operating Statement,	469
Detailed Analysis of Sections of the Operating Statement,	472
Computing the Stockturn Rate,	474
Operating Ratios Help Analyze the Business,	475
Markups,	476
Markdown Ratios Help Control Retail Operations,	447
Return on Investment (ROI) Reflects Asset Use,	478

Chapter 19

Price Setting in the Real World, 482

Pricing by Wholesalers and Retailers,	484
Pricing by Producers,	487
Average-Cost Pricing Is Common and Dangerous,	487
Marketing Manager Must Consider Various Kinds of Costs,	489
Some Firms Add a Target Return to Cost,	492
Break-Even Analysis Can Evaluate Possible Prices,	493
Traditional Demand and Supply Analysis Shows How to Maximize Profits,	495
Marginal Analysis Applies in Oligopoly, Too,	502
Some Price Setters Do Estimate Demand,	503
Pricing a Full Line,	508

Bid Pricing and Negotiated Pricing Depend Heavily on Costs, 509

Chapter 20

Planning and Implementing Marketing Programs, 514

Marketing Planning Is More than Assembling the Four Ps, 516
 Forecasting Target Market Potential and Sales, 516
 Three Levels of Forecast Are Useful, 519
 Forecasting Company and Product Sales by Extending Past Behavior, 519
 Predicting Future Behavior Calls for More Judgment and Some Opinions, 523
 Accuracy of Forecasts, 524
 Blending the Four Ps Takes Understanding of a Target Market, 524
 Response Functions May Help Plan Better Strategies, 526
 Analysis of Costs and Sales Can Guide Planning, 529
 Factors that Affect Marketing Mix Planning, 532
 Planning Must Use the Product Life Cycle, 537
 Companies Plan and Implement Marketing Programs, 537
 Allocating Budget for a Marketing Program, 539
 Program Implementation Must Be Planned, 540

Chapter 21

Controlling Marketing Plans and Programs, 544

Sales Analysis Shows What's Happening, 546
 Performance Analysis Looks for Differences, 548
 Performance Indexes Simplify Human Analysis, 549
 A Series of Performance Analyses May Find the Real Problem, 550
 Marketing Cost Analysis—Controlling Costs, Too, 554
 Should All Costs Be Allocated? 559
 Planning and Control Combined, 563
 Speed Up the Information for Better Control, 564
 The Marketing Audit, 566

Chapter 22

Marketing Strategy Planning for International Markets, 570

The Importance of International Markets, 572
 Why Bother with International Markets? 573

Degrees of Involvement in International Marketing, 574

Multinational Corporations Evolve to Meet International Challenge, 577

Identifying Different Kinds of International Opportunities, 579

International Marketing Requires Even More Segmenting, 582

Regional Groupings May Mean More than National Boundaries, 582

Stages of Economic Development Help Define Markets, 584

How These Stages Can Be Useful in Finding Market Opportunities, 587

Other Market Dimensions May Suggest Opportunities, Too, 588

Organizing for International Marketing, 591

Chapter 23

Marketing in a Consumer-Oriented Society: Appraisal and Challenges, 594

How Should Marketing Be Evaluated? 596
 Can Consumer Satisfaction Be Measured? 597
 Micro-Marketing Often Does Cost Too Much, 599
 Macro-Marketing Does Not Cost Too Much, 603
 Challenges Facing Marketers, 608

Appendix C

Career Planning in Marketing, 618

There's a Place in Marketing for You, 618
 Marketing Jobs Can Pay Well, 619
 Develop Your Own Personal Marketing Strategy, 619
 Conduct Your Own Personal Analysis, 620
 Environment Analysis, 623
 Develop Objectives, 628
 Developing Your Marketing Plan, 629
 Implementing Your Marketing Plan, 630

Cases

1. McDonald's "Fast-Food" Restaurant, 632
2. Alta Foods, Inc., 632
3. Gerber Products Company, 633
4. Bill's Cleaning, Inc., 634
5. Dow Chemical Company, 635
6. Inland Steel Company, 636
7. Pillsbury's Häagen-Dazs, 637
8. Mario's, 638
9. Holiday Inn versus Days Inn, 639
10. Polar Ice Rink, 640
11. Nike and Walking Shoes, 641

12. Union Carbide, 643
13. Office Systems, Inc., 643
14. Kodak's Ektar, 645
15. McMiller's Ski Shop, 646
16. Visual Tools, Inc., 646
17. National Sales Company, 647
18. Tandy versus IBM, 648
19. Nelson Company, 649
20. Hudson's, Inc., 650
21. DeWitt State Bank, 651
22. Outdoor Sports, Inc., 652
23. Du Pont, 653
24. Republic Wire, Inc., 655
25. Conn Furniture Company, 655
26. Wireco, Inc., 657
27. A-1 Photos, Inc., 657
28. Western Mfg., Inc., 659
29. Fruitco, Inc., 660
30. Chemco, Inc., 661
31. American Tools, Inc., 663
32. Castco, Inc., 664
33. Multifoods, Ltd., 665
34. Kenny Chrysler, Inc., 666
35. Visiting Nurses Services (VNS), 667
36. Lever, Ltd., 669
37. Young & Whitney, CPAs, 671
38. Alco Manufacturing Co., 673
39. Speedy Pizza, Inc., 674

Notes, 678

Illustration Credits, 703

Author Index, 707

Subject Index, 713

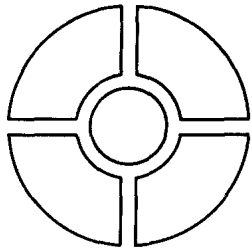
Glossary, 723

Computer-Aided Problems
(See separate booklet)

1. Revenue, Cost, and Profit Relationships
2. Target Marketing
3. Segmenting Customers
4. Company Resources
5. Marketing Research
6. Demographic Analysis
7. Selective Processes
8. Vendor Analysis
9. Branding Decision
10. Growth Stage Competition
11. Intensive versus Selective Distribution
12. Mass-Merchandising
13. Merchant versus Agent Wholesaler
14. Total Distribution Cost
15. Sales Promotion
16. Sales Compensation
17. Advertising Media
18. Cash Discounts
19. Break-Even/Profit Analysis
20. Comparing Marketing Mixes
21. Marketing Cost Analysis
22. Export Opportunities

Basic Marketing

A Managerial Approach



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).