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# FUNDAMENTALS OF MARKETING

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# **Fundamentals of Marketing**

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*Grolier Incorporated*



To Kelly and Little Joe

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FUNDAMENTALS OF MARKETING

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# Preface

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**A**s we move through the early 1980s, the socioeconomic setting is different from what it was 10 or 20 years ago. Today both our economic growth rate and our birthrate have slowed down. We are faced with the soaring cost of energy, the constant threat of high inflation, and increased government regulation. Some industries face intensive foreign competition, and other industries have to contend periodically with shortages. People's values are changing. There is a growing demand for a better quality of life. We are concerned about our social and physical environment.

These social and economic changes pose major challenges to business in general and marketing in particular. Marketing executives must develop a societal orientation and an awareness of their social responsibilities. At the same time, they must satisfy consumers' wants and generate profits for their firm. A textbook in marketing should change over the years to reflect these social and economic challenges and to *offer some strategic guides to marketing executives*. Consequently, several changes have been made in this edition to keep it up to date, to introduce recent developments and new concepts, and to reflect the emerging societal orientation in marketing.

Changes also have been made to improve this edition as a teaching and learning tool—which, after all, is what a basic textbook is. A new chapter on marketing in nonbusiness organizations has been added, thus reflecting the awakening interest in marketing in nonprofit groups. A short appendix covering career opportunities in marketing has also been added. Even with these additions, however, the new edition is approximately the same length as the preceding one. This has been accomplished by rewriting and condensing several chapters. Material has been updated, and 11 of the 23 cases are new.

Perhaps the most significant change in this edition is the editorial “fine tuning” of the entire text. Considerable time and effort have been devoted to editing the book to make it clearer and more readable. The artwork—figures, drawings, and photographs—was carefully developed to add to the understanding of the text material.

Teachers still can rearrange the order of some chapters, if their course calls for it. Some instructors, for example, prefer to cover Chapter 3 (Marketing Information Systems and Marketing Research) near the end of the course.

*Fundamentals of Marketing* is intended for use as the basic text in an introductory course in marketing. It is designed for students who plan to specialize in marketing and for those who will be taking only one course in the field. Both these groups are provided with a realistic treatment of marketing as it operates in American business today.

Those who are familiar with the earlier editions of this book will find that the basic theme, approach, and organization have been retained. The central theme is that marketing is a total system of business action rather than a fragmented assortment of functions and institutions, as it has often been treated in marketing literature and in practice. While some attention is directed to the role of marketing in our socioeconomic system, the book is written largely from the viewpoint of marketing executives in an individual firm—either a manufacturer or a middleman.

The “systems” idea of marketing has become more meaningful in recent years with the acceptance of the marketing concept. This concept is a philosophy that stresses the need for a marketing orientation which is compatible with society’s long-run interests. A company’s managerial planning and operations should be directed toward satisfying the customers’ long-run wants, considering societal interests, and obtaining profitable sales volume. In short, marketing is recognized as an all-pervasive ingredient of the system of business management. And all managerial activity in a firm should be directed toward making the marketing process more effective.

This philosophy may be seen in the framework of the marketing process. A firm first should identify and analyze its markets. Management then has four elements—its product, price structure, distribution system, and promotional activities—which can be used to build a program to reach its markets. The firm is seeking to achieve the most effective marketing mix—that is, the best possible combination of these four elements. Throughout these four areas, especially in channel structure and promotion, management makes extensive use of another element—the human factor. In all stages of the marketing process, management should use marketing research as a tool for problem solving and decision making.

This framework of the marketing process is reflected generally in the organization of the book’s content. The text is divided into eight parts. Part 1 serves as an introduction and includes chapters on the marketing environment and marketing information systems. Part 2 is devoted to an analysis of the consumer and the industrial markets.

Parts 3 through 6 deal with the development of a marketing program, and each of these parts covers one of the above-mentioned components of the marketing mix. In Part 3 various topics related to the product are discussed. The company's price structure is the subject of Part 4, and Part 5 covers the distribution system, including the management of physical distribution. Part 6 is devoted to the total promotional program, including advertising and personal selling.

The major portion of the book pertains to the domestic marketing of manufactured goods. In the interest of completeness, however, Part 7 is devoted to marketing fundamentals as they are applied to three special fields—the marketing of services, marketing in nonbusiness organizations, and international marketing. Part 8 deals with the planning and evaluation of the marketing effort in a firm, and appraises the role of marketing in our economy, including the subjects of consumerism and social responsibility.

Special attention has been devoted to the preparation of the discussion questions found at the end of each chapter. These questions generally cannot be answered “right out of the book.” Instead, they are intended to be thought-provoking and to serve as an aid in applying the material in the chapter. Some of the questions require outside field-work, and thus have the merit of introducing students to practical business applications of the textbook fundamentals.

Another feature of *Fundamentals of Marketing* is the inclusion of short cases after each of the eight parts in the text. Each case focuses on a specific issue related to a topic covered in the text. In line with the managerial approach in this book, the cases provide an opportunity for problem analysis and decision making by the student.

Many people—business executives, publishers, students, present and past colleagues, and other teachers—have contributed greatly to this book. Several of the cases were written by other professors, and in each instance the authorship is identified. For their reviews of all or part of the manuscript, I especially want to thank Professors Sidney C. Bennett (St. Louis University), W. R. Donaldson (County College of Morris, N.J.), Dan T. Dunn, Jr. (Northeastern University), Ray M. Stark (Prairie State College), and William G. Zikmund (Oklahoma State University).

I also want to thank Edward M. Millman, the developmental editor who did so much to improve the readability of this edition.

**William J. Stanton**

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an introduction to marketing,  
the marketing environment,  
marketing research,  
and the role of marketing  
in business today

# **PART 1**

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# **Modern Marketing**

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## CHAPTER GOALS

This chapter is an answer to the question, “What is marketing?”—and the answer may surprise you. After studying the chapter, you should understand:

1. The meaning of marketing—a societal definition and a business system definition
2. The difference between selling and marketing
3. The present-day importance of marketing, both in the total economy and in the individual firm
4. The marketing concept
5. The four-stage evolution of marketing management
6. The broadened view of the marketing concept

# 1

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# The Field of Marketing

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