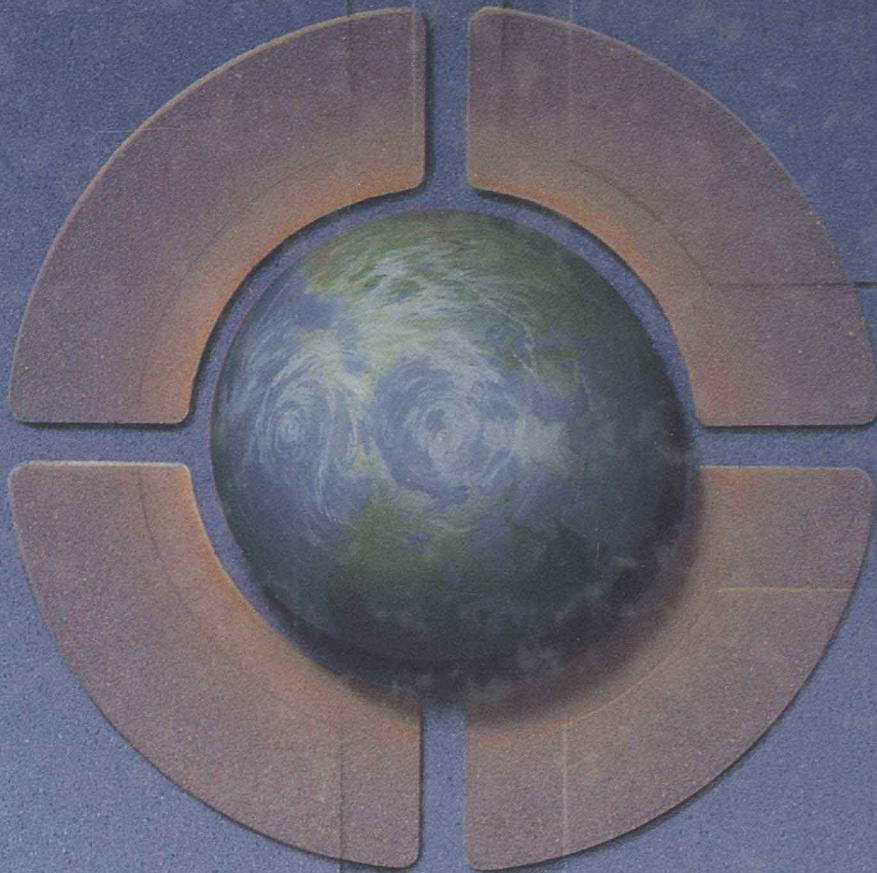


McCarthy / Perreault

Basic Marketing



Eleventh Edition

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Basic Marketing

A Global-Managerial Approach

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IRWIN

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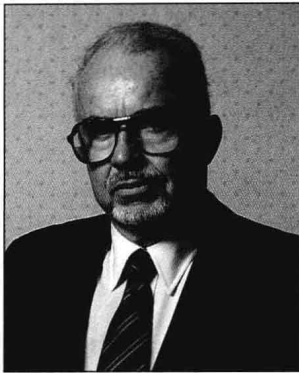
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Basic Marketing

A Global-Managerial Approach

About the Authors

of *Basic Marketing*, Eleventh Edition



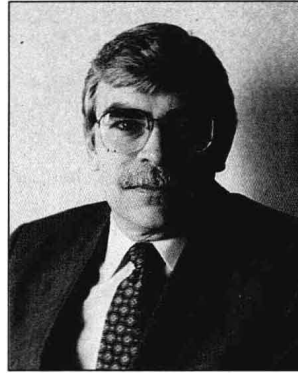
E. Jerome McCarthy received his Ph.D. from the University of Minnesota in 1958. Since then he has taught at the Universities of Oregon, Notre Dame, and Michigan State. He has been deeply involved in teaching and developing new teaching materials. Besides writing various articles and monographs, he is the author of textbooks on data processing and social

issues in marketing.

Dr. McCarthy is active in making presentations to academic conferences and business meetings. He has worked with groups of teachers throughout the country and has addressed international conferences in South America, Africa, and India.

Dr. McCarthy received 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. He was also a Ford Foundation Fellow in 1963–64, studying the role of marketing in global economic development. In 1959–60 he was a Ford Foundation Fellow at the Harvard Business School working on mathematical methods in marketing.

Besides his academic interests, Dr. McCarthy is involved in consulting for, and guiding the growth of, several businesses. He has worked with top managers from Steelcase, Dow Chemical, Dow-Corning, 3M, Bemis, Grupo Industrial Alfa, and many smaller companies, and he is director of several organizations. However, he is primarily interested in (1) “converting” students to marketing and marketing strategy planning and (2) preparing teaching materials to help others do the same, so he continues to spend a large part of his time revising and improving marketing texts. This is a continuing process, and this edition incorporates the latest thinking in the field.



William D. Perreault, Jr., received his Ph.D. from the University of North Carolina at Chapel Hill in 1973. He has taught at the University of Georgia and Stanford University. He is currently Kenan Professor at the University of North Carolina Kenan-Flagler Business School. At UNC, he has twice received awards for teaching excellence. In 1987, the Deci-

sion Sciences Institute recognized him for innovations in marketing education, and *Ad Week* magazine recently profiled him as one of the 10 best young marketing professors in America.

Dr. Perreault is a well-known author, and his ideas about marketing management, marketing research, and marketing education have been published in many journals. He is a past editor of the *Journal of Marketing Research* and has served on the review board of the *Journal of Marketing* and other publications. In 1985, the American Marketing Association recognized his long-run contributions to marketing research with the prestigious William O'Dell Award.

Dr. Perreault has served as vice president and on the board of directors of the AMA, and as chairman of an advisory Committee to the U.S. Bureau of the Census. He is now a trustee of the Marketing Science Institute. He has worked as a marketing consultant to many organizations including IBM, Libby-Owens-Ford, Whirlpool, Owens/Corning Fiberglas, the Federal Trade Commission, and a variety of wholesale and retail firms. He has served as an advisor evaluating educational programs for the U.S. Department of Education, Venezuelan Ministry of Education, Andenberg Foundation, and American Assembly of Collegiate Schools of Business.

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Preface

We're excited about the 11th edition of *Basic Marketing*, and we hope you will be as well. This edition introduces a number of important innovations, while simultaneously building on the traditional strengths of the text and all of the supporting materials that accompany it. We planned this revision based on the most extensive and detailed user feedback we've ever had. That feedback gave us hundreds of ideas for big and small additions, changes, and improvements. 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.

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 33 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 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. With each new edition of *Basic Marketing*, we have seized the opportunity to introduce innovations—and to better meet the needs of students and faculty. We believe that attention to quality in every aspect of the text and support materials does make a difference, a belief consistently reaffirmed by the enthusiastic response of students and teachers alike.

We believe that the 11th edition of *Basic 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 basics of marketing strategy planning. At the same time, we have researched and introduced new concepts and integrated hundreds of new examples that bring the concepts alive.

The 11th edition focuses special attention on changes taking place in today's dynamic markets. For example, we have integrated international perspectives throughout *every* chapter of the text. Similarly, each chapter features carefully integrated discussion of the ethical issues that all marketers face. We've also integrated new material on topics such as total quality management (with special emphasis on customer service quality), just-in-time relationships, competitor analysis, value pricing, environmental concerns, information technologies, brand extensions, and direct marketing.

Throughout the 11th edition, we've continued our thrust from the 10th edition of focusing more attention on the importance of competitive advantage in strategy planning. You'll learn about the changing relationships in channels of distribution—ranging from coordination of logistics efforts among firms to the increasing conflict between producers and large retail chains. You'll see how intense competition—both in the United States and around the world—is affecting marketing strategy planning. You'll see why rapid response in new-product development is so critical.

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 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. Our objective is to equip students to analyze marketing situations and develop workable marketing strategies—not just recite some list of terms or ideas.

Along with the new content, we've given the text a fresh design. The changes range from a new typeface and open page layout to new artwork and illustrations. By using the latest advances in computer-aided design, we were able to research and evaluate hundreds of combinations of design elements—to arrive at 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-two chapters introduce the important concepts in marketing management and help the student see marketing through the eyes of the marketing manager. The organization of the chapters and topics was 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.

The first two chapters deal with the nature of marketing—focusing both on its macro role in a global 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 marketing managers, in particular, 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 global consumer market, and the next two chapters study the behavioral features of the consumer market and how business and organizational customers—like manufacturers, channel members, and government purchasers—are similar to and different from final consumers.

The next group of chapters—Chapters 9 through 19—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, so students’ thinking about planning marketing strategies develops logically.

Chapter 20 ties the four Ps into planning for whole marketing programs and discusses how total quality management approaches can guide implementation of the marketing plan. Chapter 21 discusses marketing control—a topic becoming even more important now that more control-related information is available faster. The final chapter considers how efficient the marketing process is. Here we evaluate the effectiveness of both micro- and macro-marketing—and consider the competitive, ethical, and social 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 international marketing, marketing ethics, environmental concerns, services marketing, marketing for nonprofit organizations, and business-to-business marketing—in separate chapters. We have not done 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 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 that 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 annotated photos and ads near the concepts 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. End-of-chapter questions and problems offer additional opportunities. They 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.

Understanding of the text material can be deepened by analysis and discussion of specific cases. *Basic Marketing* features several different types of cases. Each chapter starts with an in-depth case study developed specifically to highlight that chapter's teaching objectives. In addition, each chapter features a special case report in a highlighted box. Each case illustrates how a particular company has developed its marketing strategy—with emphasis on a topic covered in that chapter. All of these cases provide an excellent basis for critical evaluation and discussion.

In addition, there are several suggested cases listed 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. Each chapter 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. The award-winning software we developed specifically for use with these problems is provided free to instructors on request.

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 an innovative new teaching/learning unit: the *Basic Marketing Hypertext Reference Disk*. This easy-to-use software puts almost all of the key concepts from *Basic Marketing* at your fingertips. It features hyperlinks, which means that when you are reading about a concept on screen you can instantly jump to more detail on any topic. You simply highlight the concept or topic and click with a mouse or press the enter key. Books assemble information in some specific order—but hypertext allows you to integrate thinking on any topic or combination of topics, regardless of where it is treated in the text. The software can also be used to review topics in “book order”—starting with learning objectives and then “paging” through each set of ideas. We are convinced that this newest addition to the P.L.U.S. package is a step toward reshaping how people learn about and use marketing concepts. It brings new technology to making the concepts in *Basic Marketing* even more accessible.

It is a sign of the commitment of our publisher to the introductory marketing course that it will publish a new edition of *Applications in Basic Marketing* every year, and provide it free of charge shrinkwrapped with each new copy of the 11th edition of *Basic Marketing*! This annually updated 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. The 1992–1993 edition features more than 100 new articles. There are a variety of short clippings related to each chapter in *Basic Marketing*. In addition, because we revise this collection *each year*, it can include timely material that is available in no other text.

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 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 *Learning Aid* has cases, exercises, and problems—with clear instructions and worksheets for the student to complete. The *Learning Aid* also features computer-aided problems that build on the computer-aided cases in the text. The *Learning Aid* exercises can be used as classwork or homework—to drill on certain topics and to deepen understanding of others by motivating application and then discussion. In fact, reading *Basic Marketing* and working with the *Learning Aid* can be the basic activity of the course.

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

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. Lecture outlines and other key material from the *Lecture Guide* are also available on computer disk—to make it easier for instructors to incorporate their own materials.

In addition, the *Lecture Guide* is accompanied by a high-quality selection of overhead masters and color transparencies—over 400 in all. The *Lecture Guide* provides detailed suggestions about ways to use them.

The newly revised and expanded *Basic Marketing Videotapes* are also available to all schools that adopt *Basic Marketing*. Ten video modules are completely new—based on scripts written by expert scholars and carefully linked to key topics in the text. In addition, 10 of the most popular video modules from the previous edition—the ones instructors said they most wanted to keep—have been thoroughly revised and updated.

Thousands of objective test questions—written by the authors to really work with the text—give instructors a high-quality resource. The 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 more than 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. 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. 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 consuming, three-year effort. The resulting text—and all of the teaching and learning materials that accompany it—represent a blending of our career-long experiences, influenced and improved by the inputs of more people than it is possible to list.

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:

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Paul Rizzo's insights on the challenges of international marketing and on business ethics had a profound effect on the integration of these topics throughout the 11th edition. Similarly, Kent Pinney's detailed, chapter-by-chapter suggestions on international issues were a valuable aid. Thought-provoking reviews of a previous edition provided by William R. George and Barbara A. McCuen have had an ongoing influence in shaping this edition.

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 over many editions. Similarly, Professor Andrew A. Brogowicz of Western Michigan University contributed many fine ideas. Charlotte Mason and Nicholas Didow have provided a constant flow of helpful suggestions. David Robinson embraced our vision of an innovative hypertext reference disk to accompany this edition and helped to turn it into a reality.

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 share our commitment to excellence and brought their own individual creativity to the project. Charlie Hess's can-do leadership and creative problem-solving skills bring a new standard to rapid-response production and manufacturing—which is what it takes to be certain that teachers and students get the most current information possible. We appreciate (and envy) Merrily Mazza's copyediting skill; she's so good that she makes it look easy. Ethel Shiell's good nature and command of all the details involved in assembling the whole project make a zero-defects goal achievable. Bob Lange and Jane Lightell added value at every step of the production and editing process. Keith McPherson, Kim Meriwether, and Maureen McCutcheon contributed creative new art and design. Similarly, Mike Hruby tracked down photos and ads we wanted to illustrate important ideas. Jeff Sund, Bill Setten, and John Black consistently found time in their busy executive schedules to share their publishing insights and experience—and also gave us crucial top-management support for our objective of continuous improvement. Rob Zwettler and Jerry Saykes provided good-natured prods and great advice (along with occasional therapy!). Nancy Barbour's contributions as developmental editor have been exemplary—and her warm support and friendship have made all the work fun. Steve Patterson's energy, vision, and dedication redefine the role of senior sponsoring editor. He's a tough taskmaster and at the same time a role model in caring about the quality of every decision that might affect how well the book and supporting materials work for students and teachers alike.

We owe a special debt of gratitude to Linda G. Davis. As with previous editions, she made contributions in every aspect of the text and package. She provided valuable help in researching photos and case histories, and she critiqued 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 are without match. We could not have asked for better support.

Our families have been patient and consistent supporters through all phases in 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.

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 shared their perspectives and feedback, and enhanced our sensitivity to the key challenges of marketing management.

A textbook must capsule 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 played important roles in anticipating, suggesting, shaping, and developing it. We gratefully acknowledge these contributors—from the early thought-leaders to contemporary authors—who 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
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