



UNIVERSITY OF PHOENIX

SPECIAL EDITION SERIES

# Basic Marketing

## *A Global-Managerial Approach*

William D. Perreault, Jr.

E. Jerome McCarthy



# A Global-Managerial Approach 13/E

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**Mc  
Graw  
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# Irwin/McGraw-Hill

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## BASIC MARKETING: A GLOBAL-MANAGERIAL APPROACH

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This book is printed on acid-free paper.

international 5 6 7 8 9 0 VNH/VNH 9 3 2  
domestic 5 6 7 8 9 0 VNH/VNH 9 3 2

ISBN 0-256-20982-0

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Compositor: *GTS Graphics, Inc.*

Typeface: *10.5/12 Goudy*

Printer: *Von Hoffmann Press, Inc.*

### Library of Congress Cataloging-in-Publication Data

Perreault, William D.

Basic marketing : a global-managerial approach / William D.

Perreault, Jr., E. Jerome McCarthy. — 13th ed.

p. cm. — (The Irwin/McGraw-Hill series in marketing)

Includes index.

ISBN (invalid) 0-256-20982-9

1. Marketing—Management. I. McCarthy, E. Jerome (Edmund Jerome)

II. Title. III. Series.

HF5415.13.M369 1999

658.8—dc21

98-6853

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This book cannot be re-exported from the country to which it is consigned by McGraw-Hill.

The International Edition is not available in North America.

When ordering the title, use ISBN 0-07-115833-2

<http://www.mhhe.com>

# About the Authors of



is currently Kenan Professor at the University of North Carolina at Chapel Hill Kenan-Flagler Business School. During 1997 he was the Arthur Andersen Distinguished Visitor at Cambridge University. He has also taught at Stanford University, the University of Georgia,

and North Carolina State University—and been an invited speaker at over 80 universities.

Dr. Perreault is the recipient of the two most prestigious awards in his field: the American Marketing Association Distinguished Educator Award (in 1985) and the Academy of Marketing Science Outstanding Educator Award (1995). He also was recently selected for the Churchill Award, which honors career impact on marketing research. In 1987, the Decision Sciences Institute recognized him for innovations in marketing education, and *Ad Week* magazine has profiled him as one of the “10 best young marketing professors in America.” At UNC, he has twice received awards for teaching excellence.

Dr. Perreault's books include two other widely used texts: *Essentials of Marketing* and *The Marketing Game!* His ideas about marketing management, marketing research, and marketing education have also been published in many journals. At 32, he was the youngest-ever editor of the *Journal of Marketing Research*. He has been on the review board of the *Journal of Marketing* and other major journals.

Dr. Perreault is a past president of the American Marketing Association Academic Council and was on the AMA Board. He was chair of an advisory committee to the U.S. Bureau of the Census, a trustee of the Marketing Science Institute, and on the Council of the Decision Sciences Institute. He is a Fellow of the Southern Marketing Association. He has also worked as a marketing consultant to organizations that range from GE and IBM to the Federal Trade Commission and Venezuelan Ministry of Education. He is currently on the advisory board for Copernicus: The Marketing Investment Strategy Group.



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 was honored with the American Marketing Association's Trailblazer Award in 1987, and he was voted one of the “top

five” leaders in Marketing Thought by marketing educators.

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 business meetings and academic conferences. He has worked with groups of teachers throughout the country and has addressed international conferences in South America, Africa, and India.

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, a number of businesses—both in the U.S. and overseas. He has worked with top managers from Steelcase, Dow Chemical, 3M, Bemis, Grupo Industrial Alfa, and many other large and small companies. He is also active in executive education and is a director of several organizations. His primary interests, however, are in (1) “converting” students to marketing and marketing strategy planning and (2) preparing teaching materials to help others do the same. This is why he has spent a large part of his career developing, revising, and improving marketing texts. This is a continuing process, and this edition incorporates the latest thinking in the field.

# Preface



## Basic Marketing Is Designed to Satisfy Your Needs

This book is about marketing and marketing strategy planning. And, at its essence, marketing strategy planning is about figuring out how to do a superior job of satisfying customers. We think that is very important. We also think it is important to practice what we preach. So, you can bank on the fact that this new edition of *Basic Marketing* and all of the other teaching and learning materials that accompany it will satisfy *your* needs. We're excited about this edition, and we hope that you will be as well.

In creating this edition we've made hundreds of 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.



## Building on Pioneering Strengths

*Basic Marketing* pioneered an innovative structure—using the “four Ps” with a managerial approach—for the introductory marketing course. It quickly became one of the most widely used business textbooks ever published because it organized the best ideas about marketing so that readers could both understand and apply them. The unifying theme of these ideas was how to make the marketing decisions that a manager must make in deciding what customers to focus on and how best to meet their needs.

It has been four decades since publication of the first edition of *Basic Marketing*. During that time there have been constant changes in marketing management and the marketing environment. Some of the changes have been dramatic, and others have been subtle. As a result, there have also been many changes in marketing's best practices and ideas. So, there has also been ongoing change in the text. Throughout all of these changes, *Basic Marketing* and the supporting materials that accompany it have been more widely used than any other teaching materials for introductory marketing. It is gratifying that the “four Ps” has proved to be an organizing structure that has worked well for *millions* of students and teachers.



## Continuous Innovation and Improvement

Of course, this position of leadership is not the result of a single strength—or one long-lasting innovation. Rather, the text's four Ps framework, managerial orien-

tation, and strategy planning focus have proved to be foundation pillars that are remarkably robust and powerful in supporting and encompassing new developments in the field.

Thus, with each new edition of *Basic Marketing*, we have continued to introduce innovations—and to better meet the needs of students and faculty. In fact, we have even made basic changes in how we develop the logic of the four Ps and the marketing strategy planning process. As always, though, our objective is to provide a flexible, high-quality text and choices from comprehensive and reliable support materials—so that instructors and students can accomplish their learning objectives. For example, included with the other innovations for this new edition are:

- Development of a broad framework for the marketing strategy planning process that is introduced early in the text and that helps to organize and integrate all of the material in the text.
- Coverage, integrated throughout the text, of the significant impacts that the Internet and related technologies are having on marketing.
- A brand new *Basic Marketing Student CD-ROM* that comes with the text and includes a rich variety of multimedia learning resources.
- A completely new *Basic Marketing Instructor Preparation and Presentation CD-ROM* that provides improved new Windows software and *all* of the text's teaching support materials in easy-to-use electronic form.
- A new chapter sequence that reinforces how understanding analysis of the market environment, including buyer behavior, leads to more effective planning of the four Ps.
- A sharper focus, throughout the text, on how the strategy planning process should lead to decisions about a target market and marketing mix that represents the best opportunity and competitive advantage for the firm and superior value for consumers.
- Interesting new video cases of current marketing mixes.
- A much expanded set of PowerPoint electronic slides, some for instructors and others for students, that include audio explanations to give them a big picture of the material they'll be studying.
- Powerful new Windows version of our Basic Marketing Hypertext system.
- High-involvement Internet Exercises integrated throughout each chapter of the text.



## We Believe in Continuous Quality Improvement

McCarthy pioneered the *Basic Marketing* text and for seven editions worked without a coauthor. Six editions ago, Perreault joined the team. It has been a great collaboration and over time much of the “hands on” responsibility for new contributions has moved to Perreault. We formed our partnership with a shared commitment to ongoing improvements, and we’re both proud that we were implementing continuous quality improvements in preparing *Basic Marketing* long before the idea became popular in the world of business. Useful teaching innovations are ones that meet students’ and instructors’ needs—and you can be confident that’s what this innovative edition will accomplish. We work to be creative in our coverage and approaches—because that creativity is at the heart of the marketing spirit. That’s also why our first priority has always been—and always will be—producing quality materials that work well for students and teachers.

As with many other product categories, too many books come out that don’t do that. It’s said that the cost of poor quality is lost customers—and that’s why poor quality texts routinely disappear from print. Yet, the real cost of poor quality texts is more insidious. Students take the first marketing course once. If their only exposure is to a poor quality text, the cost is their lost learning—or worse. We see that as a totally unacceptable cost, and it’s why we see it as a personal responsibility to build quality into every aspect of the text and accompanying package.

Our belief that attention to continuous quality improvement in every aspect of the text and support materials *does make a difference* is consistently reaffirmed by the enthusiastic response of students and teachers alike to each new edition.

## Leading Technology Innovations for Teaching and Learning

It has always been our belief that it was our responsibility to lead the marketing discipline in developing new, breakthrough approaches for teaching and learning in the first marketing course. Our constant thrust over the years has been to use technology to provide better and easier options for teaching and richer and more interesting approaches for learning. Along with other innovations, we were the first to develop and offer spreadsheet-based computer-aided problems, custom-produced videos, a computerized test bank, a microcomputer-based marketing simulation, a Hyper-text reference, bar-coded laser disks, CD-ROM-based versions of the text, PowerPoint presentation slides with linking by objectives, CD-ROM multimedia

archives and presentation software for instructors, and multimedia case support. Now, we continue these traditions of innovation with the *Basic Marketing CD-ROM for Students*, the new and improved CD-ROM for *Instructors*, and a host of Internet-based materials, including the *Basic Marketing* web site on the Internet at the address [www.mhhe.com/fourps](http://www.mhhe.com/fourps).

## Critically Revised, Updated, and Rewritten

We believe that the new edition of *Basic Marketing* is the highest quality teaching and learning resource ever published for the introductory marketing course. The whole text and all of the supporting materials have been critically revised, updated, and rewritten. As in past editions, clear and interesting communication has been a priority. *Basic Marketing* is designed to make it easy, interesting, and fast for students to grasp the key concepts of marketing. Careful explanations provide a crisp focus on the important “basics” of marketing strategy planning. At the same time, we have thoroughly:

- Researched and incorporated new concepts.
- Integrated hundreds of new examples that bring the concepts alive.
- Illustrated marketing ideas in a wide variety of contexts.

We have deliberately used marketing examples from a host of different contexts. Examples span profit and nonprofit organizations, large and small firms, domestic and international settings, purchases by organizations as well as by final consumers, and services and ideas or “causes” as well as physical goods, established products and new technologies, firms that operate in cyberspace and those that don’t—because this variety reinforces the point that effective marketing is critical to all organizations.

## Clear Focus on Changes in Today’s Dynamic Markets

This edition focuses special attention on changes taking place in today’s dynamic markets. *Throughout every chapter of the text* we have integrated discussion and examples of:

- Marketing over the Internet.
- Relationship building in marketing.
- The importance of providing superior customer value as the means to achieve customer satisfaction and retention.
- International perspectives.
- Ethical issues.

Similarly, we've also integrated new material on such important and fast-evolving topics as:

- Interactive marketing communications, including customer-initiated and direct-response communication over the Internet.
- “Best practices” in marketing, and how to avoid the mistakes of death-wish marketing.
- The World Trade Organization, ISO 9000, the Euro, exchange rates, and other topics central to international markets.
- The expanding role of information technologies in all areas of marketing.
- Return on quality and quality management (with special emphasis on service quality).
- The increasing channel power of large retail chains.
- Competitor analysis and competitive advantages.
- The new NAICS system that replaces the old SIC system.
- On-line flexible pricing by auctions.
- Marketing control, including marketing cost analysis.

to name but a sampling.



### Driving Home Competitive Advantage

Throughout the 13th edition we've continued our thrust begun in the 12th edition of focusing more attention on the *process* of marketing strategy planning. This is important because in today's hypercompetitive and dynamic markets it's not enough to simply figure out the areas in which marketing managers make decisions. The real challenge is to identify the best opportunities, and then zero in on the target market and marketing mix that is best for the firm. This highlights the need for breakthrough opportunities, the problems with me-too imitation, and the crucial role of competitive advantage in providing customers with superior value. In other words, we sharpen the focus on how to figure out the best blend of the four Ps, and crush the misperception left by too many other books that the marketing job is just coming up with *some* marketing mix.

Coupled with this thrust, you'll learn how radical breakthroughs in information technology are driving changes in all aspects of marketing—whether it's getting marketing information, preparing salespeople to interact with customers, or analyzing the “fire hydrant” flow of data on sales and costs. We'll also point out how relationships among marketing partners are changing—ranging from coordination of logistics and promotion efforts among firms to the new relationships between

firms and their ad agencies and marketing research suppliers. 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 are attempting to describe such changes. But that's not adequate. 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. Our objective is to equip students to analyze marketing situations and develop exceptional marketing strategies—not just recite an endless set of lists.



### A Fresh Design—to Make Important Concepts Even Clearer

Along with the new content, we've given the text a fresh design. The changes range from the new cover to hundreds of new photographs, web pages, ads, and illustrations. We've added new artwork and revised or updated proven pieces from past editions.

The aim of all this revising, refining, editing, and illustrating is to arrive at an overall redesign that makes important concepts and points even clearer to students. We want to make sure that each student really does get a good feel for a market-directed system and how he or she can help it—and some company—run better. We believe marketing is important and interesting—and we want every student who reads *Basic Marketing* to share our enthusiasm.



### 22 Chapters—with an Emphasis on Marketing Strategy Planning

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 is carefully planned. But we took special care in writing so that:

- It is possible to rearrange and use the chapters in many different sequences—to fit different needs.
- All of the topics and chapters fit together into a clear, overall framework for the marketing strategy planning process.

Broadly speaking, the chapters fall into two groupings. The first eight chapters introduce marketing and provide a broad view of the marketing strategy planning process. They cover topics such as segmentation,

differentiation, the marketing environment, and buyer behavior, as well as how marketing information systems and research provide information about these forces to improve marketing decisions. The second half of the text goes into the details of planning the four Ps, with specific attention to the key strategy decisions in each area. Then, we conclude with an integrative review and coverage of overarching topics such as implementation and control, quality management, and an assessment of marketing's challenges and opportunities.

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, in particular, marketing managers develop marketing strategies to satisfy specific target markets. This chapter introduces the marketing concept and the four Ps.

A significantly revised Chapter 3 builds on a new framework for the marketing strategy planning process. It sets the stage by overviewing how analysis of the market and external market environment relate to decisions concerning segmentation and differentiation as well as the criteria for narrowing down to a specific target market and marketing mix. Broadly speaking, it introduces a strategic planning view of how managers can find new market opportunities and competitive advantage.

This strategic view alerts students to the importance of evaluating opportunities in the external environments affecting marketing—and these are discussed in Chapter 4. This chapter highlights the critical role of screening criteria in narrowing down from possible opportunities to those that the firm will pursue.

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 5 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. You have to understand customers to understand marketing.

Chapter 8 is a contemporary view of getting information—from marketing information systems and marketing research—for marketing management planning. This chapter includes discussions of how new intranets and instantaneous worldwide access to information are transforming the marketing manager's job. This chapter sets the stage for discussions in later chapters about how research and information systems can improve each area of marketing strategy planning.

The next group of chapters—Chapters 9 to 18—is concerned with developing a marketing mix out of the four Ps: Product, Place (involving channels of distribution, logistics, and distribution customer service), Promotion, and Price. These chapters are concerned with developing the “right” Product and making it available at the “right” Place with the “right” Promotion and the “right” Price—to satisfy target customers and still meet the objectives of the business. These chapters are presented in an integrated, analytical way—as part of the overall framework for the marketing strategy planning process—so students' thinking about planning marketing strategies develops logically.

Chapters 9 and 10 focus on product planning for goods and services as well as new-product development and the different strategy decisions that are required at different stages of the product life cycle. We emphasize the value of developing really new products that propel a firm to competitive advantage and long-run profitable growth.

Chapters 11 through 13 focus on Place. Chapter 11 introduces channels of distribution, with special emphasis on the need for channel members to cooperate and coordinate to better meet the needs of customers. Chapter 12 focuses on the fast-changing arena of logistics and the strides that firms are making to reduce the costs of storing and transporting products while improving the distribution service they provide customers. Chapter 13 provides a clear picture of retailers, wholesalers, and their strategy planning—including exchanges taking place via the Internet. This new composite chapter helps students see why the big changes taking place in retailing are reshaping the channel systems for many consumer products.

Chapters 14 to 16 deal with promotion. These chapters have been significantly reworked to consider new approaches to interactive communication as well as to build on the concepts of integrated marketing communications and direct-response promotion, which are introduced in Chapter 14. Then, Chapter 15 deals with the role of personal selling in the promotion blend and Chapter 16 covers advertising and sales promotion.

Chapters 17 and 18 deal with Price. Chapter 17 focuses on pricing objectives and policies, including pricing in the channel and the use of discounts, allowances, and other variations from a list price. Chapter 18 covers cost-oriented and demand-oriented pricing approaches and how they fit in today's competitive environments. The careful coverage of marketing costs helps equip students to deal with the cost-conscious firms they will join.

Chapter 19 offers completely updated coverage of marketing implementation and control and provides perspective on how new approaches are reshaping these areas now that more control-related information is available faster. The chapter details how total quality



management approaches can improve implementation, including implementation of better customer service.

Chapter 20 deals with the links between marketing and other functional areas. The marketing concept says that people in an organization should work together to satisfy customers at a profit. No other text has a chapter that explains how to accomplish the “working together” part of that idea. Yet, it’s increasingly important in the business world today; so, that’s what this important chapter is designed to do. Chapter 21 ties everything together. It reinforces the integrative nature of marketing management and reviews the marketing strategy planning process that leads to creative marketing plans and programs.

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 is about career opportunities in marketing.

## Careful Integration of Special Topics

Some textbooks treat “special” topics—like marketing over the Internet, relationship marketing, international marketing, services marketing, marketing for nonprofit organizations, marketing ethics, and business-to-business marketing—in separate chapters. We deliberately avoid doing that because we are convinced that treating such topics separately leads to an unfortunate compartmentalization of ideas. We think they are *too important to be isolated in that way*. For example, to simply tack on a new chapter on the Internet would completely miss the fact that it is changing some of the fundamental concepts and practices of marketing. The same is true with other topics. So, they are interwoven and illustrated throughout the text to emphasize that marketing thinking is crucial in all aspects of our society and economy. Instructor examination copies of the new edition are packaged with a grid that shows, in detail, how and where specific topics are integrated throughout the text. Talk is cheap, especially when it comes to the hype from some publishers about how “hot topics” are treated in a new text. But the grid offers proof that in *Basic Marketing* we have delivered on the promise of integrated treatment.

## Students Get “How-to-Do-It” Skill and Confidence

Really understanding marketing and how to plan marketing strategies can build self-confidence—and it can help prepare a student to take an active part in the

business world. To move students in this direction, we deliberately include a variety of frameworks, models, classification systems, and “how-to-do-it” techniques that relate to our overall framework for marketing strategy planning. Taken together, they should speed the development of “marketing sense”—and enable the student to analyze marketing situations and develop marketing plans in a confident and meaningful way. They are practical and they work. In addition, because they are interesting and understandable, they equip students to see marketing as the challenging and rewarding area it is.

## Basic Marketing Motivates High Involvement Learning

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—and to show vividly how they apply in the business world. In each chapter we have integrated new Internet exercises related to the concepts being developed. The focus of these exercises is on important marketing issues, not just on “surfing the net.”

All of these aids help the student understand important concepts—and speed review before exams. End-of-chapter questions and problems offer additional opportunities. They can be used to encourage students to investigate the marketing process and develop their own ways of thinking about it. Or they can be used for independent study or as a basis for written assignments or class discussion.

## Varied Types of Cases

Understanding of the text material can be deepened by analysis and discussion of specific cases. *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 topics covered in that chapter. All of these cases provide an excellent basis for critical evaluation and discussion. And, we’ve included rele-

vant Internet web addresses so that it is easy for students to quickly get updated information about the companies and topics covered in the cases.

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. 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. For the convenience of students and faculty alike, printed versions of the cases for the computer-aided problems are now incorporated in the book itself. Further, the award-winning spreadsheet software we developed specifically for use with these problems is provided free on the CD-ROM in a new Windows version.

### **New Multimedia Video Cases Are Integrative**

In the last edition we added a custom-produced set of exciting video cases. The response to them was great, and this time we've expanded the set and updated some of the best from the original set. Each of these combines a written case with an accompanying video. These cases are a bit longer than the text-only cases and open up the opportunity for students to analyze an organization's whole marketing program in more depth and with even greater integration. Marketing professors wrote the scripts for both the videos and text portions of the cases—so the videos reinforce real content while bringing a high-involvement multimedia dimension to the learning experience. And to ensure consistency with all of the other *Basic Marketing* materials, we've carefully edited and coordinated the whole effort. These cases were developed so that they focus on different areas of the text, and thus they deal with a variety of issues:

- The expanding role of marketing in developing export opportunities for a raw material that was previously just viewed as a commodity.
- How a well-known company lost touch with its market, and then won profits and customer loyalty by developing a marketing mix that's carefully matched to the needs of its target market.
- New-product development for a major component part that is sold to producers who serve consumer markets.
- The growth strategy of a chain of franchised and company-owned restaurants in a highly competitive market.

- Services marketing and integrated marketing communications in a hospital setting.
- A case on the promotional program for the introduction of an exciting new automobile.
- An integrated case on the marketing strategy for an innovative household appliance.

We designed these cases so that students can analyze them before or after seeing the video, or even without seeing the video at all. They can be used in a variety of ways, either for class discussion or individual assignments. To get the ball rolling, students get their own copy of segments of the case videos on the student CD-ROM. We're proud of these video cases, and we're sure that they provide a valuable new way to learn about marketing.

### **Comprehensive, Current References for Independent Study**

Some professors and students want to follow up on text readings. Each chapter is supplemented with detailed references—to both classic articles and current readings in business publications. These can guide more detailed study of the topics covered in a chapter.

### **Instructor Creates a System—with Our P.L.U.S.**

*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 (and students) can select from our units to develop their own personalized systems. Many combinations of units are possible—depending on course objectives. As a quick overview, in addition to the *Basic Marketing* text, the *P.L.U.S.* package includes several *totally new supplements*:

- A new Internet web site ([www.mhhe.com/fourps](http://www.mhhe.com/fourps)) for students and instructors, with features such as constantly updated links to just-published articles from *Business Week Online* and other publications on topics in each chapter, chat rooms, software downloads, Internet web site links, and other exciting features.
- The McGraw-Hill Learning Architecture, a powerful system that streamlines the job of building your own *Basic Marketing* web site customized to your students and your objectives.
- A totally new *Basic Marketing* CD-ROM for Students.
- Self-study PowerPoint electronic slide presentations (*with narration!*), to introduce students to what's ahead in a chapter.

One of the great benefits of putting information on an Internet web site is that it can be quickly and easily updated. Some companies change their web sites to get a fresh new look, to take advantage of new and fast-evolving web capabilities, or just to change the information that's available. Further, as this book goes to press a whole new system for naming web site addresses is being implemented. So even more change is expected.

This is not a big problem but it does mean that a web site referenced in the text may need to be updated. So, we addressed this issue in several ways. First, we are fighting fire with fire—by establishing our own web site with up-to-date links relevant to the chapters in the text. That way, if (should we say when!) a web address changes, all you need to do is go the *Basic Marketing* web site at the Internet address [www.mhhe.com/fourps](http://www.mhhe.com/fourps) and with a click of the mouse get to links to current web addresses on a chapter-by-chapter basis. Just click on the link and you'll go to the web address it references. We'll constantly revise and update the links throughout the life of this edition.

In fact, our CD-ROMs will include links to our web site; or, you may simply "bookmark" the web site in

your Internet browser (like Netscape Navigator or Microsoft's Internet Explorer).

As a related point, we have included a number of web addresses that relate to reference materials. However, we have not gratuitously sprinkled web addresses throughout the text—every time we mention a company or product we don't just throw in the web site. One reason, as noted above, is that they change. The other reason is like the distinction between giving a hungry person a fish and teaching that person to fish. In Chapter 8 we give the web addresses for some of the best search engines available on the Internet. So, it is a simple matter to use one of these to get more information on just about everything in the text! We read thousands of publications in researching this book, but it doesn't make sense to have a half page of footnotes for each page of text. Therefore, we focus the book part of the learning experience on concepts rather than web addresses. Our web site gives more links. Further, just as the chapter notes at the end of the book direct you to more discussion of the concepts, an Internet search engine will take you to more Internet resources on just about any company, product, concept, or example in the text.

- A new Windows version of the *Basic Marketing Hypertext Reference*, with a great new interface for use in developing marketing plans.
- Interactive self-study student quizzes.
- Chapter-by-chapter sets of advertisements in an electronic database that illustrate key concepts to students.
- A new and improved *Basic Marketing Resources CD-ROM for Instructors*, which quite literally includes *all* of the resources available for *Basic Marketing* in electronic form, as well as new, improved presentation software with thumbnail views of graphics, "drop and drag" capabilities, and integrated videos.

In addition, we've completely revised and updated:

- A new *Multimedia Lecture Support Package*, including software.
- The *Learning Aid* workbook.
- *Applications in Basic Marketing*, an annually updated book of marketing clippings from the popular press, free and shrinkwrapped with the text.
- Over 200 color acetates-transparencies (also available in electronic form).

- Over 200 overhead masters (also available as PowerPoint slides).
- *Instructor's Manual*.
- Author-prepared *Manual of Tests*.
- *Diploma* test-generator software and a toll-free dial-up service.
- 18 new and updated *teaching videos* and 7 great video cases (and *Instructor's Manual*).
- A new Windows version of *The Marketing Game!* (and *Instructor's Manual*) in development.

We've been busy. You may not want to use all of this—some people don't want any of it. But whatever you elect to use, and in whatever medium you like to work, the teaching and learning materials work well together. We've designed them that way.



### Hypertext—A Marketing Knowledge Navigator

We introduced the innovative *Basic Marketing Hypertext Reference Disk* with the 11th edition of *Basic Marketing* and expanded its capabilities in the 12th edition. Now it's in a Windows version. 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 new version of the software provides an even clearer and easier way to search for ideas while developing a marketing plan. You can also use the software to review topics in “book order”—starting with learning objectives and then “paging” through each set of ideas.

In previous editions, the *Hypertext Reference* used hyperlinks to navigate marketing knowledge. Now that this approach is common on the Internet, more people will understand what it does. It utilizes a powerful technology to make the concepts in *Basic Marketing* even more accessible, and no other text offers anything like it.

### **Free Applications Book—Updated Each Year**

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 13th edition of *Basic Marketing*! This annually updated collection of marketing “clippings”—from publications such as *Business Week*, *The Wall Street Journal*, *Advertising Age*, and *Fortune*—provides convenient access to short, interesting, and current discussions of marketing issues. Each edition features about 100 articles. There is a variety of short clippings related to each chapter in *Basic Marketing*. In addition, because we revise this collection *each year*, it includes timely material that is available in no other text.

### **Learning Aid—Deepens Understanding**

There are more components to *P.L.U.S.* A separate *Learning Aid* provides several more units and offers further opportunities to obtain a deeper understanding of the material. The *Learning Aid* can be used by the student alone or with teacher direction. Portions of the *Learning Aid* help students to review what they have studied. For example, there is a brief introduction to each chapter, a list of the important new terms (with page numbers for easy reference), true-false questions (with answers and page numbers) that cover *all* the important terms and concepts, and multiple-choice questions (with answers) that illustrate the kinds of

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

### **Compete and Learn—with The Marketing Game!**

Another valuable resource 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, many instructors use the advanced levels of the game as the basis for a second course. *The Marketing Game!* is widely heralded as the best marketing strategy simulation available—and a new Windows edition will widen its lead over the others available. Competitors don’t even need to be on the same continent. It works great with decisions submitted over the Internet and reports returned the same way.

### **Multimedia Support for Preparation, Lectures, and Discussion**

*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.

### **Electronic Presentation Slides with Many Uses**

With this edition we are providing instructors with a comprehensive, much-expanded set of PowerPoint electronic slide presentations. This flexible package features a large number of PowerPoint graphics



developed for every chapter in the text. An instructor can use the provided software to display the electronic slides with a computer-controlled video projector, in the order that they're provided or branching in whatever sequence is desired. Presentations can be based on composite slides, or the points on a slide can "build up" one point at a time.

Because we provide the input files, instructors can modify or delete any slide or add other slides by using their own copy of PowerPoint. And, of course, if electronic projection equipment isn't available instructors can print out the images to their own customized color acetates or black and white transparencies. All of the overhead masters are also available, in color, as PowerPoint slides.

While this set of electronic slides is intended mainly for instructor use in class discussions and lectures, they are easy to use and can be placed on the Internet, on the school's computer network, or in a computer lab as a supplement for independent review by students.



### Complete Multimedia Lecture Support

With the PowerPoint electronic slide presentations we also provide detailed lecture notes, as well as lecture outlines with miniature versions of some of the presentation slides that an instructor can use as handouts in class. All of these materials are packaged in our *Multimedia Lecture Support Package*. This supplement is available in an electronic form on the *Instructor CD-ROM*, and that makes it even more convenient to use. It gives instructors a great deal of flexibility and saves time that can be spent on other teaching activities. Instructors who prefer to use materials like those that in the past were included with our *Lecture Guide* won't be disappointed either. The new package will provide that material as well—in both printed form and in the form of word processing files (which makes it easier for instructors to electronically cut and paste and incorporate their own materials or to save time and effort in creating a web site for the course).

In addition, the *Multimedia Lecture Support Package* is accompanied by a high-quality selection of overhead masters and color transparencies—over 400 in all. The manual provides detailed suggestions about ways to use them. All of these items are also available on the CD-ROM.



### Exciting New Videos—Created by Marketing Experts

The newly revised and expanded *Basic Marketing Videos* are also available to all schools that adopt *Basic Marketing*. Half of the video modules are completely

new—based on scripts written by expert marketing scholars and carefully linked to key topics in the text. In addition, several of the most popular video modules from the previous edition—the ones instructors and students said they most wanted to keep—have been thoroughly revised and updated. These new videos are really great, but it doesn't stop there! As we noted earlier, there are also seven great new videos to accompany the video cases.



### CD-ROM—Supports Multimedia Teaching and Learning

For the 12th edition, we developed an innovative *Instructor CD-ROM* that proved to be so powerful and so popular that McGraw-Hill decided to invest in the idea and develop a similar software application that could be used with a lot of other books. Imitation is the sincerest form of flattery. Of course, the upside of that is that with this edition we get to improve on what they did! And at the heart of any such system is the *content* that is available to you. In the case of *Basic Marketing*, we produce it, and our objective is for it to be the best available anywhere. So with this edition, we are also introducing an updated version of the *Basic Marketing CD-ROM*, which provides exciting new opportunities for marketing faculty to take advantage of the latest advances in multimedia teaching and learning. Our CD-ROM provides easy and instantaneous access—in one convenient place—not only to the various software packages that accompany the text but also to electronic versions of all of the instructor's manuals and much of the material in this book.



### Testing that Works for Faculty and Students

In addition, thousands of objective test questions—*written by the authors* to really work with the text—give instructors a high-quality resource. The *Diploma* 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. As an added convenience, the instructor can select test questions from the printed *Manual of Tests* and call a toll-free telephone number. A McGraw-Hill service representative will produce the test and send it to the instructor by snailmail, fax, or e-mail.



### Putting Your Course On-line with Learning Architecture

*Basic Marketing* gives you all of the content that you need to create your own web site on the World Wide



Web or on your school's own internal network (intranet). And it also gives you the tools to do it easily. There are two approaches. The first is a software application named PageOut that is available on the *Instructor CD-ROM* and also available to download from the web site. The other approach is McGraw-Hill Learning Architecture (MHLE). MHLE has so many capabilities that it isn't possible to review them all here, but a brief introduction will give you an idea of what it does.

MHLE is a computer system that comes on a CD-ROM and is then loaded onto the school's network. The system provides content materials from the *Basic Marketing* package and also course management capabilities. An instructor may elect to use or not use certain features and content that are available. For example, the system offers embedded e-mail so that students can collaborate among themselves. However, if a school already has an e-mail system, the instructor can stick to that. Similarly, the instructor can customize the content. Preplanned materials from the authors can be deleted if the instructor doesn't want them. And, of course, original lecture notes and other instructor-prepared material can be added. It's powerful and it's flexible.

MHLE also offers interactive quizzing/testing. Students can take tests themselves on-line and receive immediate feedback on objective questions. Tests can be set up to be taken once if they will be graded, or multiple times if they are practice quizzes.

The MHLE system is a full-course administrative system. The instructor can track the course on-line.

Homework can be assigned or even customized to the individual student. Grades can be assigned and recorded. Students can also receive class assignments.



## The Responsibilities of Leadership

In closing, we return to a point raised at the beginning of this preface. *Basic Marketing* has been a leading textbook in marketing since its first edition. We take the responsibilities of that leadership seriously. We know that you want and deserve the very best teaching and learning materials possible. It is our commitment to bring you those materials—today with this edition and in the future with subsequent editions.

We recognize that fulfilling this commitment requires a process of continuous improvement. Improvements, changes, and development of new elements must be ongoing—because needs change. You are an important part of this evolution, of this leadership. We encourage your feedback. The most efficient way to get in touch with us is to send an e-mail message to [Bill\\_Perreault@unc.edu](mailto:Bill_Perreault@unc.edu). There's also a comment form built into the book's web site, or if you prefer the traditional approach, send a letter to William D. Perreault, Jr., 2104 N. Lakeshore Dr., Chapel Hill, NC 27514. 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.

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

# Acknowledgments

*Basic Marketing* has been influenced and improved by the inputs of more people than it is possible to list. We do, however, want to express our appreciation to those who have played the most significant roles, especially in this edition.

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.

We owe a special debt of gratitude to Linda G. Davis. The book probably wouldn't exist if it weren't for her—because without her help it would have been just too overwhelming and we'd have quit! Lin has been part of this team for about 15 years. During that time she has made contributions in every aspect of the text and package. For this edition she spent countless hours researching photos and case histories, and she critiqued thousands of manuscript pages through countless revisions of the text and all the accompanying materials. She has reviewed, edited, and critiqued every word we've written. Her hard work, positive attitude, and dedication to quality throughout the whole process is without match. We could not have asked for a better friend and colleague.

We've always believed that the best way to build consistency and quality into the text and the other P.L.U.S. units is to do as much as possible ourselves. With the growth of multimedia technologies it's darn hard to be an expert on them all. But we've had spectacular help in that regard.

From the very outset, Nick Childers has been the technical guru behind the scenes on the video package. Childers' company, Arthur Scott Productions, handles all of our video production work and editing, and he has worked with us in designing the interface and programming for our CD-ROMs (and in an earlier time, our bar-coded laser disks). He works with Tom Hayes, who has brought a fantastic set of programming skills to implement our original concept for the Instructor CD-ROM, and with this edition he has been instrumental in integrating the materials we've created into the *Basic Marketing Student CD-ROM*.

Judy Wilkinson (Youngstown State University) and Holt Wilson (Central Michigan University) have played a big role as coproducers of the video series for this edition. In that capacity they worked closely with us to come up with ideas, and they coordinated with all of the marketing professors who contributed scripts and cases for the new videos. In past editions, this job was handled by Phil Niffenegger, and some of his influence in shaping the video series lives on in this edition.

Wilkinson and Wilson worked with the group of marketing professors who created or revised videos for this edition. Too much of the video footage used at all levels of education is full of glitz but devoid of content—because the people who produce it too often don't know the content. We've been able to conquer that challenge, but only because of the participation of outstanding colleagues who have converted their marketing insights to the video medium for this edition. More specifically, we express respect for and deep appreciation to:

**James Burley**, Central Michigan University

**Dave Burns**, Youngstown State University

**Debra Edrington**, Arthur Scott Productions

**Douglas Hausknecht**, University of Akron

**Scott Johnson**, University of Louisville

**Don McBane**, Central Michigan University

**Robert Miller**, Central Michigan University

**Phillip Niffenegger**, Murray State University

**George Prough**, University of Akron

**Robert Welsh**, Central Michigan University

**Judy Wilkinson**, Youngstown State University

**Holt Wilson**, Central Michigan University

Of course, like other aspects of *Basic Marketing*, the video series has evolved and improved over time, and its current strength is partly due to the contributions of colleagues who developed videos in earlier editions. They are:

**Gary R. Brockway**, Murray State University

**Martha O. Cooper**, Ohio State University

**Carolyn Costley**, University of Miami

**Elizabeth A. Klompmaker**, Sara Lee

**Gene R. Lazniak**, Marquette University

**Charles S. Madden**, Baylor University

**W. Glynn Mangold**, Murray State University

**Michael R. Mullen**, Florida Atlantic University

**Thomas G. Ponzurick**, West Virginia University

**Roger C. Shoenfeldt**, Murray State University

**Jeanne M. Simmons**, Marquette University

**Rollie O. Tillman**, University of North Carolina at Chapel Hill

**Poh-Lin Yeou**, University of South Carolina

We're also indebted to Lewis Hershey for his work on the lecture-support PowerPoint presentation slides for this edition. It's rare to find a world-class multimedia expert who is also an experienced marketing professor, but he's one. David Urban is another professor turned multimedia guru to whom we are grateful. He wrote scripts and provided narration to transform some of the PowerPoint slides we use for our classes into the "talking slide presentations" for the new Student CD-ROM.

Many improvements in the current edition were stimulated by feedback from a number of colleagues around the country. Their feedback took many forms. In particular, we would like to recognize the helpful contributions of:

<b>David Andrus</b> , Kansas State University at Manhattan	<b>Daniel Rajaratnam</b> , Baylor University
<b>Scott Davis</b> , University of California at Davis	<b>Catherine Rich-Duval</b> , Merrimack College
<b>Sean Dwyer</b> , Louisiana Technical University	<b>Carlos Rodriguez</b> , Governors State University
<b>J. Lee Goen</b> , Oklahoma Baptist University	<b>Joel Saegert</b> , University of Texas at San Antonio
<b>David Good</b> , Central Missouri State University	<b>Charles Schwepker</b> , Central Missouri State University
<b>Susan Gupta</b> , University of Wisconsin at Milwaukee	<b>A. J. Taylor</b> , Austin Peay University
<b>John Hadjimarcou</b> , University of Texas at El Paso	<b>Kimberly Taylor</b> , Florida International University
<b>Deborah Baker Hulse</b> , University of Texas at Tyler	<b>David Urban</b> , Virginia Commonwealth University
<b>James Kellaris</b> , University of Cincinnati	<b>Jane Wayland</b> , Eastern Illinois University
<b>James McAloon</b> , Fitchburg State University	<b>Robert Witherspoon</b> , Triton College
<b>Philip S. Nitse</b> , Idaho State University at Pocatello	<b>Joyce H. Wood</b> , N. Virginia Community College
<b>J. R. Ogden</b> , Kutztown University	<b>Newell Wright</b> , James Madison University
<b>Sam Okoroafo</b> , University of Toledo	

Further, many of the ideas stimulated by thorough reviewers and survey respondents for earlier editions were more fully implemented in this edition. For all of these suggestions and criticisms we are most appreciative.

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 this book. Professor Andrew A. Brogowicz of Western Michigan University contributed many fine ideas. Val Zeithaml and Rollie Tillman have shared great ideas. More generally, Charlotte Mason, Michele Hunt, John Workman, and Nicholas Didow have provided a constant flow of helpful suggestions.

We are also grateful to the colleagues with whom we collaborate to produce international adaptations of the text. In particular, Stan Shapiro, Pascale G. Quester, Stephen Parkinson, Kate Stewart, and in previous editions John W. Wilkinson and K.Y. Lee, have all had an impact on the way we look at marketing.

The designers, artists, editors, and production people at Irwin/McGraw-Hill who worked with us on this

edition warrant special recognition. Work on this project was underway as the two companies merged. That always creates a lot of uncertainty for everyone involved. But the people working on this project exhibited unbelievable professionalism in staying focused on our joint objective. All of them have shared our commitment to excellence and brought their own individual creativity to the project.

Foremost in this regard we salute Steve Patterson. He has shown a can-do commitment to us throughout, even when we missed schedule deadlines (and revised deadlines) and, in many other ways, created a quagmire of complications in life. He has also played friend, chief therapist, and encourager when, in those rare instances, some aspect of the publishing bureaucracy reared its head and caused minor distractions. As this is written, Patterson has announced his intent to leave his current job and pursue other career opportunities. We sincerely regret that. He has had an enormous impact on this project over a long time, and we will miss him. We wish him the very best for a happy and prosperous future.

Nancy Barbour has served as developmental editor for *Basic Marketing* for a number of years. We appreciate her hard work, friendship, and attention. We also thank her for (more than) putting up with our quirks and idiosyncracies. We send everything we do to ZIP code 60521, and it's always Nancy's name on the address label. She is there in Burr Ridge serving as a very hands-on representative of everything it takes to keep this project cooking. And, trust us, that's an enormous amount of work.

Keith McPherson is another long-term contributor. He again took the creative lead in designing an attractive cover and inside for the book; he also put his personal touch on every piece of art in the text. What a talent, and what patience! We also appreciate Mike Hruby, who again tracked down permissions for photos and ads we wanted to use to illustrate important ideas.

As marketing manager for our project, Colleen Suljic has been a constant source of valuable advice, enthusiastic encouragement, and relentless energy. When you write about marketing, it's fantastic to have the opportunity to work with *the* exemplary role model for what a marketing manager is supposed to do and be! Every author has at times wondered if the publisher is still there; it's a natural part of what happens when you've been sitting at a computer for too many hours in a row. However, with Suljic working on your projects there's no way to wander into those kinds of thoughts!

Without Kari Geltemeyer's adaptive problem-solving skills, this book would probably have come out in about the year 2002. She has done a great job as project manager and without her we could not have succeeded with a (very) rapid-response production schedule—which is

exactly what it takes to be certain that teachers and students get the most current information possible. Cathy Tepper is our supplements editor. That may well be the most demanding job at McGraw-Hill. We appreciate her dedication to all of the details involved in bringing such a complex project to market.

Jeff Sund, John Black, Mike Junior, and David Littlehale have all 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.

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 have provided invaluable editorial assistance—and more encouragement than you could imagine—through many editions of the text. And Will and Suzanne Perreault continue to be patient and supportive while their Dad spends time that was rightfully theirs meeting a never-ending set of deadlines.

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. In that regard, we especially ac-

knowledge Kevin Clancy and his colleagues at Copernicus: The Marketing Investment Strategy Group. The combination of pragmatic experience and creative insight they bring to the table is very encouraging. If you want to see great marketing, watch them create it.

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 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 people—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 all those who helped in their own special way.

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