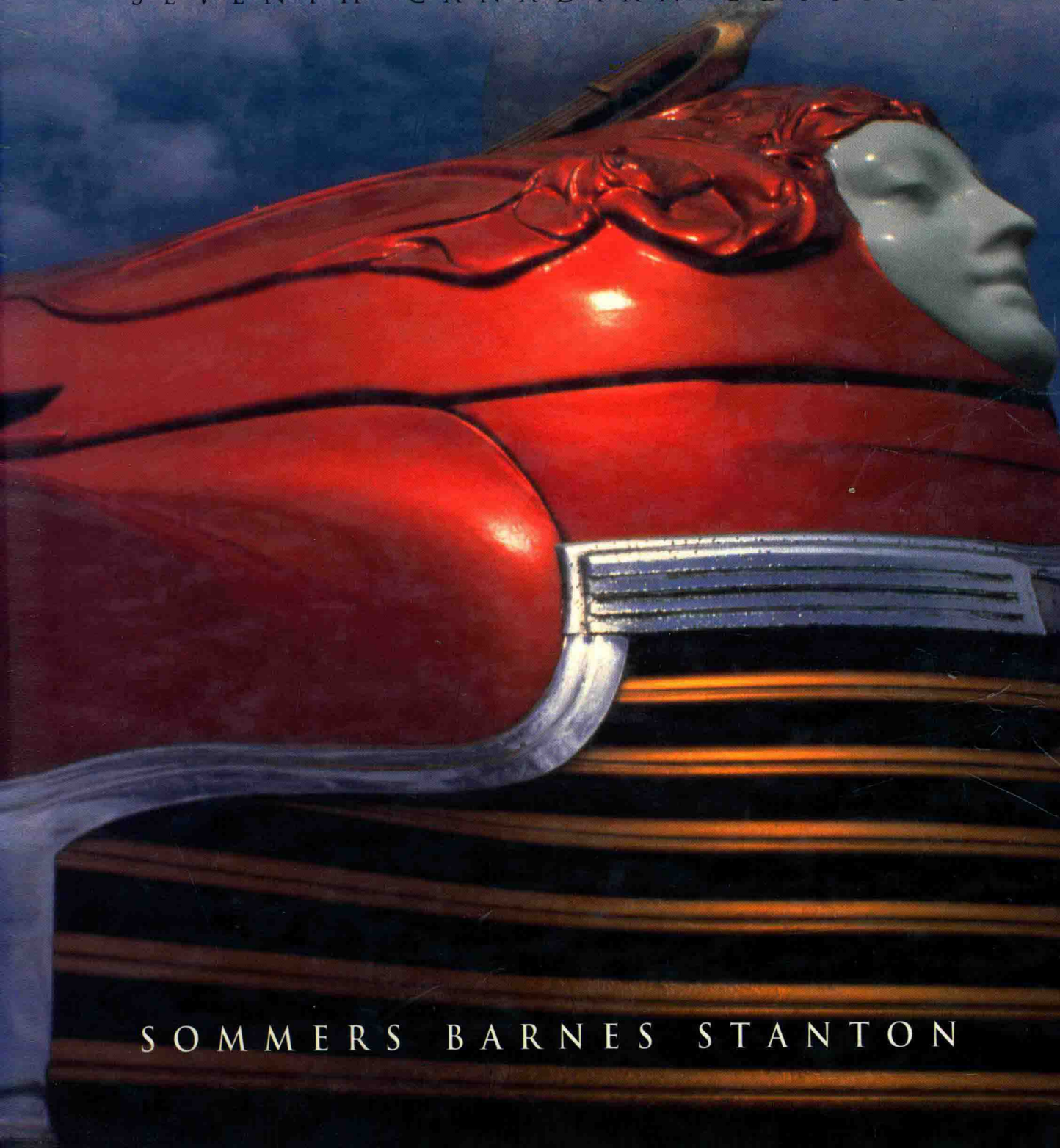


FUNDAMENTALS OF MARKETING

SEVENTH CANADIAN EDITION



SOMMERS BARNES STANTON

SEVENTH CANADIAN EDITION

FUNDAMENTALS OF MARKETING

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Seventh Canadian Edition

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NOTE TO STUDENTS

STUDY GUIDE

to accompany

FUNDAMENTALS OF MARKETING

by Roy Morley

Make studying a breeze! Use this Study Guide as a supplement to the text to ensure that you have a full understanding of marketing theory and its application. This new edition of *Study Guide to accompany Fundamentals of Marketing*, Seventh Canadian Edition, is tailored to meet your study needs. Fully integrated with the text, each Study Guide chapter features eleven sections:

- **Chapter Goals:** target your learning goals
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- **Chapter Summary:** review the essential elements of the text chapter
- **Completion Questions:** test your knowledge of the textual material
- **True-False Questions:** self-test your understanding of key issues
- **Multiple-Choice Questions:** self-test your understanding of each chapter
- **Matching Questions:** test your knowledge of the definitions of marketing terms and concepts
- **Problems and Applications:** put your marketing knowledge into practice
- **Exercise:** bridge the gap between knowledge and experience
- **A Real World Case:** short readings illustrate marketing at work
- **Answers to Questions:** grade yourself on your understanding of the chapter material

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Shoes Marketing Simulation, Student Set, IBM, 3 1/2" 837498-7

Planning Your Career in Business Today

Guide to Communication Skills

Critical Thinking Guide

DEDICATED TO

Jessie, Annie, and Michael
Jennifer, Stephanie, and Karen

ABOUT THE AUTHORS

Montrose Sommers is a Professor of Consumer Studies at the University of Guelph. He received his B. Comm. from the University of British Columbia, his M.B.A. from Northwestern University, and his D.B.A. from the University of Colorado. Dr. Sommers has been a consultant to private- and public-sector organizations involved in petroleum marketing, financial services, telecommunications, various retailing specializations, marketing research, and advertising. His teaching background is extensive; he has worked with Bachelor, Master, and Ph.D. students at the Universities of British Columbia, Texas, Hawaii, Toronto, York, Nairobi in Kenya, Witwatersrand in South Africa, Huazhong and Tianjin in China, and the LSE in Great Britain. Dr. Sommers has also served on the editorial boards of the *Journal of Marketing*, the *Journal of International Management and Organizations*, and the *Journal of the Service Industries*.

Jim Barnes is Professor of Marketing at Memorial University of Newfoundland. Dr. Barnes received his B. Comm. and B.A. degrees from Memorial, his M.B.A. from Harvard Business School, and his Ph.D. in Marketing from the University of Toronto. He has been a member of the faculty at Memorial since 1968 and served as Dean from 1978 to 1988. He has held visiting positions at Queen's University and the University of Bath in England. Dr. Barnes has served as a consultant in Marketing and Service Quality to numerous companies in North America and Europe. He is co-founder and Chairman of the Board of Omnifacts Research Limited, the largest full-service marketing and survey research company in Atlantic Canada. He has served on the boards of directors of a number of national organizations, including the Institute of Canadian Bankers. He is currently a director of several Canadian firms, including NewTel Enterprises, the Bristol Group of Companies, and McGraw-Hill Ryerson.

William J. Stanton is Professor Emeritus of Marketing at the University of Colorado — Boulder. He received his Ph.D. in Marketing from Northwestern University, where he was elected to Beta Gamma Sigma. He has worked in business and has taught in several management development programs for marketing executives. Professor Stanton has served as a consultant for various business organizations and engaged in research projects for the federal government. He also has lectured at universities in Europe, Asia, Mexico, and New Zealand.

The co-author of the leading text in sales management, Professor Stanton has also published several journal articles and monographs. *Fundamentals of Marketing* has been translated into Spanish, and separate editions have been adapted (with co-authors) for Canada, Italy, Australia, and South Africa. In a survey of marketing educators, Professor Stanton was voted one of the leaders in marketing thought, and he is listed in *Who's Who in America* and *Who's Who in the World*.



Barnes (left), Stanton
(centre), Sommers
(right).

Michael J. Etzel received his Ph.D. in Marketing from the University of Colorado in 1970. Since 1980, he has been Professor of Marketing at the University of Notre Dame, where he served as department chairman from 1980 to 1987. He has also been on the faculties at Utah State University and the University of Kentucky. He has held visiting faculty positions at the University of South Carolina and the University of Hawaii. In 1990, he was a Fulbright Fellow at the University of Innsbruck, Austria.

Professor Etzel has taught a wide variety of marketing courses, from fundamentals through the doctoral level. He is also a frequent lecturer in executive training programs.

His research, in the areas of marketing management and buyer behaviour, has appeared in the *Journal of Marketing*, *Journal of Marketing Research*, the *Journal of Consumer Research*, and other publications. He is the co-author of another college level text, *Retailing Today*, and co-editor of *Cases in Retailing Strategy*.

He has been active in the American Marketing Association, most recently serving as vice president of the Education Division. Since 1981 he has directed the Association's School of Marketing Research.

Bruce J. Walker is Professor of Marketing and Dean of the College of Business and Public Administration at the University of Missouri — Columbia. He received his undergraduate degree in Economics from Seattle University and his Master's and Ph.D. in Business, both emphasizing marketing, from the University of Colorado.

In his first faculty position, Professor Walker served on the marketing faculty at the University of Kentucky. He then joined the faculty at Arizona State University and served as chair of the Department of Marketing from 1982 to 1989. He moved to the University of Missouri in 1990.

Throughout his teaching career, Professor Walker has taught a variety of courses, including principles of marketing, to undergraduate and graduate students. Besides speaking to business groups in the U.S., he has made presentations and conducted seminars for students and executives in European countries.

Professor Walker's research, focusing primarily on franchising, marketing channels, and survey-research methods, has been published in the *Journal of Marketing*, *Business Horizons*, *Journal of Marketing Research*, and other periodicals. He has also co-authored or co-edited a number of books and conference proceedings, including *Retailing Today*.

Professor Walker has been actively involved with both the American Marketing Association and the Western Marketing Educators Association. He served as vice president of the AMA's Education Division and as president of WMEA.

OUR GOAL IS CUSTOMER SATISFACTION, TOO

As we began work on the seventh edition of our textbook, we had a number of objectives that we considered very important. In the first place, we wanted to ensure that the book was as pertinent and valuable to Canadian students as it has been since we published our first edition in 1971. This meant that we had to continue to produce a textbook that was easy and even fun to read and one that was very much related to marketing as it is practised in Canada today. We believe that we have accomplished that objective and that you will find the seventh edition to be simply the best marketing textbook available in Canada.

Secondly, we wanted to ensure that this edition was as practical and current as possible, that it presents Canadian marketing as it really is and not merely from a theoretical perspective. Consequently, you will find that this edition provides you in every chapter with numerous examples of how Canadian companies and organizations are managing marketing. You will find many examples that are extremely current, relating to topics such as the use of technology in data base marketing and the changing face of Canadian retailing. Above all, we wanted to produce a practical book. We believe that students and instructors who use this book will find it interesting because it really does reflect what is going on every day in the offices of Canadian marketing managers.

To achieve these goals, many changes have been made to reflect the dynamic nature of marketing. New concepts have been introduced, established concepts have been expanded and updated, and current developments have been emphasized. We have added new material and chapters to reflect the way in which marketing is developing.

To achieve our goal of presenting Canadian marketing as it is being practised as we prepare for the twenty-first century, we have restructured and revised major sections of the book. This will be most obvious in the addition of two new chapters and in our emphasis on what is really a new way of looking at marketing. This edition will provide comprehensive coverage of the essential topics of marketing that have been covered in depth in our previous editions, as well as a thorough discussion of emerging concepts in marketing. It is designed to be a superior learning tool, a pleasure to read and to learn from.

The changes reflected in this seventh edition have been based to a very great extent on feedback that we have received from students and instructors who have been using our earlier editions in universities and colleges across Canada. We have regularly sought that feedback by talking with instructors across the country and by holding focus group interviews with students. We value this feedback and the contribution it has made to our revision. We are, after all, marketers, and listening to our customers is as important to us as it is to any of the companies you will find discussed in this text.

WHAT MAKES THIS EDITION SO MUCH BETTER?

Design

The seventh edition continues the trend established in recent editions of *Fundamentals of Marketing* in providing students and instructors with the most visually appealing textbook available. We have incorporated numerous colour photographs and copies of four-colour advertisements so that students can see real-life examples of marketing in action in Canadian companies and organizations. We believe that you will find it easy to read and even fun.

Organization

While we have continued to integrate current marketing topics throughout the text, we have responded to feedback from instructors and to a changing emphasis in Canadian marketing and have included separate chapters in this edition dedicated to the important topics of Business-to-Business Marketing and Marketing in Not-for-Profit Organizations. We have continued to integrate into all of our chapters concepts and illustrations on these topics and on other special topics such as services marketing and international marketing. This is done for the most part through our use of Marketing at Work Files, several of which are presented in each chapter.

New and Expanded Topics

We have made a particular effort to reflect in this edition the new way in which many companies are regarding marketing in their organizations. This involves an emphasis on *keeping* existing customers as well as on *attracting* new ones. Consequently, we emphasize customer satisfaction as the ultimate objective of marketing in any organization and stress the role of service in building relationships with customers, the ultimate goal being to retain them as customers for the long term.

We have added much new material in this edition, reflecting the expanded application of marketing and its increased importance in many organizations. As mentioned above, there are new chapters on Business-to-Business Marketing and Marketing in Not-for-Profit Organizations. The first reflects the fact that many students will find employment after graduation in companies that market to other businesses, and the second acknowledges the fact that marketing is just as important in charitable and cultural organizations, in hospitals and universities, as it is in so-called private-sector businesses. In addition, we have continued to emphasize in this edition the importance of a strategic orientation to marketing. This is reflected in the expansion of our coverage of important strategic concepts such as market segmentation, differentiation, and positioning.

Canadian Applications

We continue in this edition our emphasis on ensuring that the text is completely Canadian in its orientation and content. We have included in this edition new chapter openers and approximately 100 Marketing at Work Files, liberally sprinkled throughout the chapters. These vignettes deal with what is happening at this moment in Canadian marketing. Each represents an example of an issue or an interesting situation that is facing a Canadian business or not-for-profit organization. These specific examples, coupled with the hundreds of Canadian companies, products, and brands referenced in the text, make this a book that Canadian students will find especially interesting and relevant to their own situations.

New Cases

The seventh edition contains 20 cases, 13 of which are new for this edition. Most deal with actual businesses with which students will be quite familiar. Many of these cases have been written in a two-part format, providing for interesting discussion of a market-

ing problem and of the action the company took to address it. We have retained from our sixth edition the two-part cases on W. K. Buckley Limited and The Tea Council of Canada, both of which students have found to be very interesting and useful, particularly for the discussion of marketing strategies. We have also retained the case that describes Peter Taylor's purchase of a new pair of running shoes as we have found it generates excellent class discussion, for it reflects a situation with which most students can readily identify. Our new cases have been carefully chosen and many have been written especially for this edition. They deal with not-for-profit organizations (The Salvation Army), service quality (Acorn Park Hotel), social issues such as Green Marketing and ethics, business-to-business situations (Murray Industrial), new forms of marketing (Catalogue Retailing), and new product introductions (Kodak Photo CD and EJE Trans-Lite). In all, we believe this represents an excellent collection of marketing cases that will challenge the student with examples from a broad cross-section of marketing situations.

THE BOOK: ITS BASIC APPROACH

Those familiar with the earlier editions of *Fundamentals of Marketing* will notice that, although some major changes have certainly been made, we have retained the essential features that have made this book an outstanding teaching and learning resource. The writing style continues to make the material interesting and easy to read. The basic organization is appropriate in that it reflects new developments as well as the needs of students and instructors. Material flows logically with a section-heading structure that makes for easier reading and outlining.

Pedagogical Features

We provide many excellent end-of-chapter discussion questions. Most of these are thought-provoking and involve the application of text material rather than simply its recollection. We have added a new feature with this seventh edition. We call it Hands-on Marketing; these are practical assignments that will require the student to go out and talk with practising marketers to get their input on subjects discussed in each chapter. There are two of these "hands-on" assignments at the end of each chapter.

Each of the 20 cases focuses on a topic covered in the text and provides students with an opportunity to apply concepts, practise analysis, and learn decision making.

We have also retained and updated such teaching and learning features as chapter objectives, chapter summaries, appendices dealing with secondary and syndicated data and with marketing arithmetic, and an expanded glossary. The key terms and concepts are summarized in a list at the end of each chapter with a page reference for the first mention.

"A Total System"

The central theme approach has also been retained from previous editions — that marketing is a total system of business action, rather than a fragmented assortment of functions and institutions. To us, this means that the essential marketing ideas are what matter, not lists of terms and functions or specialized formula approaches. While attention is paid to the role of marketing in the Canadian economic and political system, the book is written largely from the perspective of marketing personnel in an individual organization. This organization may be a manufacturer, a service provider, a not-for-profit organization, or an intermediary in a business or non-business field.

The marketing concept is a philosophy that stresses the need for a marketing orientation compatible with society's long-run interests. This philosophy is evident in the framework of the strategic marketing planning process. A company sets its marketing

objectives, taking into consideration the environmental forces that influence its marketing effort. Management next selects target markets. The company then has four strategic elements — its activities — with which to build a marketing program to reach its markets and achieve its objectives. In all stages of the marketing process, management should use marketing research as a tool for problem solving and design making.

Topic Sequence

This framework for the strategic marketing planning process is reflected generally in the organization of the book's content. The text is divided into seven parts. Part 1 serves as an introduction and includes chapters on the marketing environment and strategic marketing planning. Part 2 is devoted to the analysis and selection of target markets — both consumer and business-to-business markets. It also includes a detailed treatment of the very important strategic concepts of market segmentation and positioning, and the collection and use of marketing information.

Parts 3 through 6 deal with the development of a marketing program, and each of these parts covers one of the above-mentioned components of the strategic marketing mix. In Part 3 various topics related to the product are discussed, including a separate chapter on services marketing. The company's approach to pricing its products and services is the subject of Part 4, and Part 5 covers the distribution system. Part 6 is devoted to the total promotional program, including advertising, personal selling, and sales promotion. Part 7 deals with the implementation and evaluation of the total marketing effort in an individual firm and contains a new chapter on not-for-profit marketing. It also includes a chapter on the increasingly important subject of international marketing. The final chapter presents an appraisal of the role of marketing in our society, including the subjects of consumer criticisms and the social responsibility of an organization.

Teaching and Learning Supplements

This textbook is the central element in a complete package of teaching and learning resources that have been totally revised and considerably expanded for this edition. The package includes the following supplements:

For the Student

Study Guide by Tom Adams (Sacramento State U) and Roy Morley (Ryerson). This useful study aid provides guidelines for analyzing marketing cases, chapter goals, chapter summaries, key terms and concepts, self-test questions (true/false, multiple choice, matching and completion), problems and applications questions, interesting real-world cases and articles related to chapter concepts, and a new focus on applied, hands-on marketing exercises.

Shoes: Marketing Simulation (IBM 5.25", IBM 3.5") by Michael Ursic et al. A straightforward, easy-to-use, one-product simulation about running shoes. Working in teams, students make a series of marketing decisions in a realistic setting regarding market research, price, advertising, consumer promotions, personal selling, dealer promotions, new product development, and more.

Guide to Communication Skills A 48-page self-study guide of practical, step-by-step procedures for writing memos, letters, and follow-up notes; writing long and short reports; writing résumés and application letters; interviewing and being interviewed; and preparing and delivering presentations.

Planning Your Career in Business Today A 64-page self-study guide on the current job market, assessing occupational preferences, setting career goals, completing the job application process, interviewing, and evaluating job offers.

Critical Thinking Guide A 32-page self-study booklet designed to help students interested in assuming responsibility for their own learning. Class-tested for three years, the guide provides practical, results-oriented techniques for applying principles of critical thinking to written and oral assignments within a business curriculum and includes assignments and exercises for enhancing critical thinking.

For the Instructor

Instructor's Manual by Raghu Tadepalli and John Chzyk. This heavily revised instructor's manual features course organization and development suggestions, thoughts on teaching, chapter overviews, chapter goals, learning objectives, key terms and concepts, suggested overhead transparencies, suggested videos, recommended readings to use with each chapter, lecture outlines for each chapter (including many real-world examples not found in the text), and mini-lectures for each chapter, commentaries on the end-of-chapter questions and on the 20 cases, video-case commentaries, and instructor's materials related to the *Study Guide*, and a guide to the video-cases. The popular five-part Upper Canada Brewery Case has been included to accommodate instructors who may wish to continue using it, along with the three video-cases that do not appear in the textbook (Civilian HUMMER, Southwest Airlines, and Michigan Opera Theater). A "bounce-back" card has been inserted for instructors who wish to receive the Annual Newsletter and Case Update.

Test Bank by Pritchett, Pritchett, and Gonthier. Containing over 2,000 questions (20 true/false and 60 to 80 multiple choice per chapter), this test bank features questions that are coded for difficulty level, text page reference, and type of question (definitional, applied, comprehensive, factual, or mathematical).

Computerized Test Bank A new test generating system upgrades this ancillary to provide professional-looking tests, expedite creation and editing of test question banks, and accommodates scrambled versions of tests with corresponding printed answer sheets.

Video-Cases This package of eclectic, highly polished film footage contains eight video cases, five of which are part-ending cases in the textbook. The three non-part-ending video-cases are reproduced in the *Instructor's Manual*. The running time of each video varies from 10 to 30 minutes. The five part-ending video-cases feature such products, services or subjects as Green Marketing, Kodak Photo CD, Catalogue Retailing, Advertising, and Sneakers. The Buckley's and Salvation Army cases will also have a video component. The Video Guide has been reproduced in the *Instructor's Manual*.

Venture Video This 1992 McGraw-Hill Ryerson/CBC "Venture" collaboration provides a professional marketing video that ties segments from the "Venture" series to a variety of marketing concepts and applications from the text. It comes with suggestions for classroom use.

Overhead Transparencies Approximately 200 full-colour transparencies including the major illustrations from the text, additional tables and figures not found in the text, and four to eight advertisements (also from outside the text) per chapter to illustrate concepts. A Teaching Note on each left-hand page supplies a script for each acetate including

concept, strategy, or technique that is the subject of the acetate, points of emphasis for the acetate, and discussion questions.

Annual Newsletter and Case Update *Sommers and Barnes on Marketing* is published annually to provide instructors with current examples and applications, along with additional cases, and updates on cases already in the text. Suggestions are welcome! A “bounce-back” card will be included in the *Instructor's Manual* for instructors who wish to be kept on our data base to receive these items automatically.

ACKNOWLEDGEMENTS

Through seven editions, many people have made an important contribution to the quality of this book. These include our students, colleagues, clients, marketing managers in Canadian firms, and instructors at many universities and colleges. They have offered their comments and suggestions, which we have incorporated into each new edition.

We wish to acknowledge in particular those research assistants who contributed to the compilation of information and the preparation of cases for the seventh edition. In particular, we wish to thank Jennifer Barnes, Michael Sommers, Kerry Lynn Chaytor, Jennifer Hutchings, Lynn Healey, Darrin Howlett, and Kerri-Lynn Parsons. We are also indebted to the many executives in businesses and other organizations who co-operated in allowing us to write cases on their companies. They are acknowledged specifically in the notes attached to each case. Their contribution is most important in that they have enabled us to ensure that this book continues to demonstrate its commitment to providing students with exposure to real-life examples of marketing problems. We owe particular thanks to Dr. Herbert MacKenzie of Memorial University of Newfoundland who contributed several cases to this edition.

We also thank most sincerely those instructors and students across Canada who have provided helpful suggestions for improvements over almost 25 years since our first edition was published. We would, of course, welcome feedback on this edition as well.

Hundreds of Canadian companies supplied us with photos, videos, advertisements, and other materials that we have incorporated into this book. They are far too numerous to list here, but their input is essential to ensuring that this text is as current, practical, and realistic as possible.

Finally, we would like to acknowledge with much appreciation the support and co-operation we receive from the staff of McGraw-Hill Ryerson. As always we owe particular thanks to Kelly Smyth, our sponsoring editor, who oversaw the process of preparing the book for publication and kept us focused on the task. Special thanks also to our superb copy editor Wendy Thomas, and to the excellent support team at McGraw-Hill Ryerson who worked with us on this project — Margaret Henderson, Lenore Gray, Gary Bennett, Susanne Penny, and Betty Tustin — all of whom provided much-appreciated support and helped us ensure that this edition is the best that we have ever produced.

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