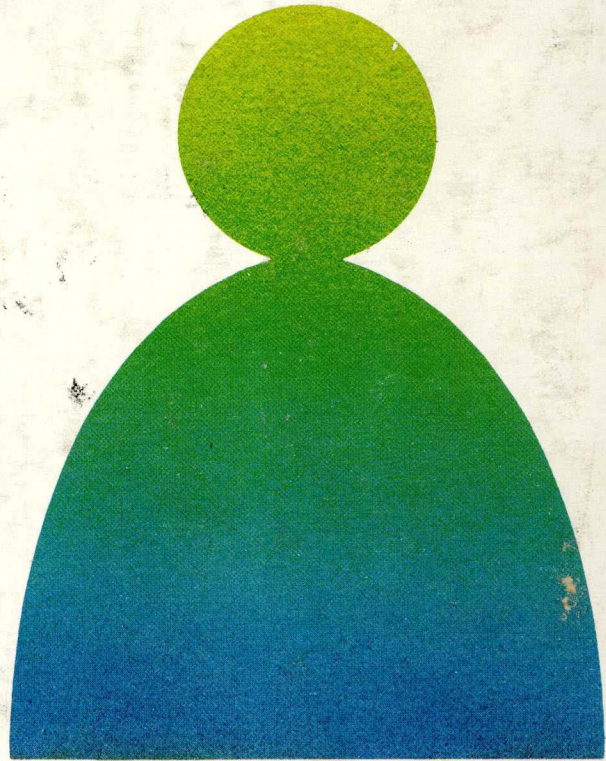
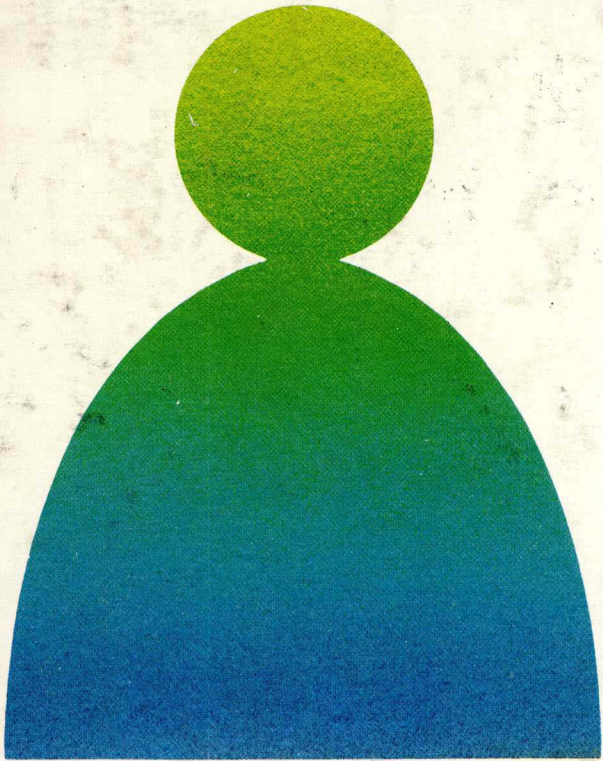


# FUNDAMENTALS OF MARKETING

William J. Stanton



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# **FUNDAMENTALS OF MARKETING**

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# PREFACE

When the first edition of this book was published (1964), the American economy was booming. The economic growth rate was high, and we were amassing mountains of goods. We also were highly successful in our international marketing efforts. Now this new edition appears in a socioeconomic setting that is a whole new ball game. Our economic growth rate and our birthrate both have slowed down. We are faced with the soaring cost of energy, the constant threat of high inflation, and increased government regulation. Some industries face intensive foreign competition, and other industries have to contend periodically with shortages. People's values are changing. There is a growing demand for a better quality of life. We are concerned about our social and physical environment.

As we head into the 1980s, these social and economic changes pose major challenges to business in general and marketing in particular. Marketing executives must develop a societal orientation and an awareness of their social responsibilities. At the same time, they must satisfy consumers' wants and generate profits for their firm. A textbook in marketing likewise should change over the years to reflect these social and economic challenges, and to offer some strategic guides to marketing executives. Consequently, several changes have been made in this edition to keep it up to date, to introduce recent developments and new concepts, and to reflect the emerging societal orientation in marketing.

Changes also have been made to make this edition a better teaching and learning tool—which, after all, is the purpose of a basic textbook. This edition is about 20 percent shorter than the previous one, primarily a reduction of the

depth of detail in many sections. This edition also has been made easier to read by using a revised design format. We have reduced the number of chapters from 30 to 25 by combining and condensing formerly separate chapters on consumer behavior, pricing, retailing, channel conflict and management, and planning and evaluating the marketing effort.

The chapters on consumer behavior also have been restructured. The chapter on marketing information systems has been returned to its former position as Chapter 3, after appearing for one edition as Chapter 27. (Fortunately, this topic is sufficiently free-standing and flexible so that it can be taught in either location, as an instructor prefers.) The book has been completely updated, and several chapters have been substantially rewritten. Eleven of the twenty-three cases are new.

Even with these changes, however, those who are familiar with the earlier editions will find that the basic theme, approach, and organization have been retained. The central theme is that marketing is a total system of business action rather than a fragmented assortment of functions and institutions, as it has often been treated in marketing literature and in practice. For those not acquainted with the earlier editions, this is a basic textbook in the dynamic, complex field of marketing. While some attention is directed to the role of marketing in our socioeconomic system, the book is written largely from the viewpoint of marketing executives *in an individual firm*—either a manufacturer or a middleman. For the most part, the coverage is analytical and evaluative. At the same time, some descriptive material is certainly necessary in an introductory textbook.

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

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

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

This framework of the marketing process is reflected generally in the organization of the book’s content. The text is divided into eight parts. Part 1 serves as an introduction and includes chapters on the marketing environment

and marketing information systems. Part 2 is devoted to an analysis of the consumer and the industrial markets.

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

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

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

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

To complement this book as a teaching and learning tool, a *Study Guide* has been prepared by Professor Thomas J. Adams (Sacramento City College). To give students a more realistic taste of a marketing executive's job, a marketing game built around the ski manufacturing industry has been developed by Professors Charles L. Hinkle and Russell C. Koza (University of Colorado).

Many people—business executives, publishers, students, present and past colleagues, and other professors—have contributed greatly to this book. I am indebted to Professor Milton M. Pressley (University of North Carolina at Greensboro) for revising the chapter on the marketing of services. Several of the cases were written by other professors and in each instance the authorship is identified. For their reviews of all or part of the manuscript, I especially want to thank Professors Gary M. Armstrong (University of North Carolina at Chapel Hill); Stewart Bolno (Rider College); Philip R. Cateora (University of Colorado); Charles F. Falk (William Rainey Harper College); Gary T. Ford (University of Maryland); James H. Goss (West Valley Community College); Ernest B. Jaski (Southwest College of Chicago); William A. Knoke (California State University, Los Angeles); Eric I. Kulp (Middlesex County College); Bernard J. LaLonde (Ohio State University); Charles D. Schewe (University of Massachusetts); Paul C. Thistlethwaite (Western Illinois University); and Angelo H. Trippy (Erie Community College).

William J. Stanton

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# MODERN MARKETING





# CHAPTER 1



## THE FIELD OF MARKETING

### **Chapter goals—to develop your understanding of**

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