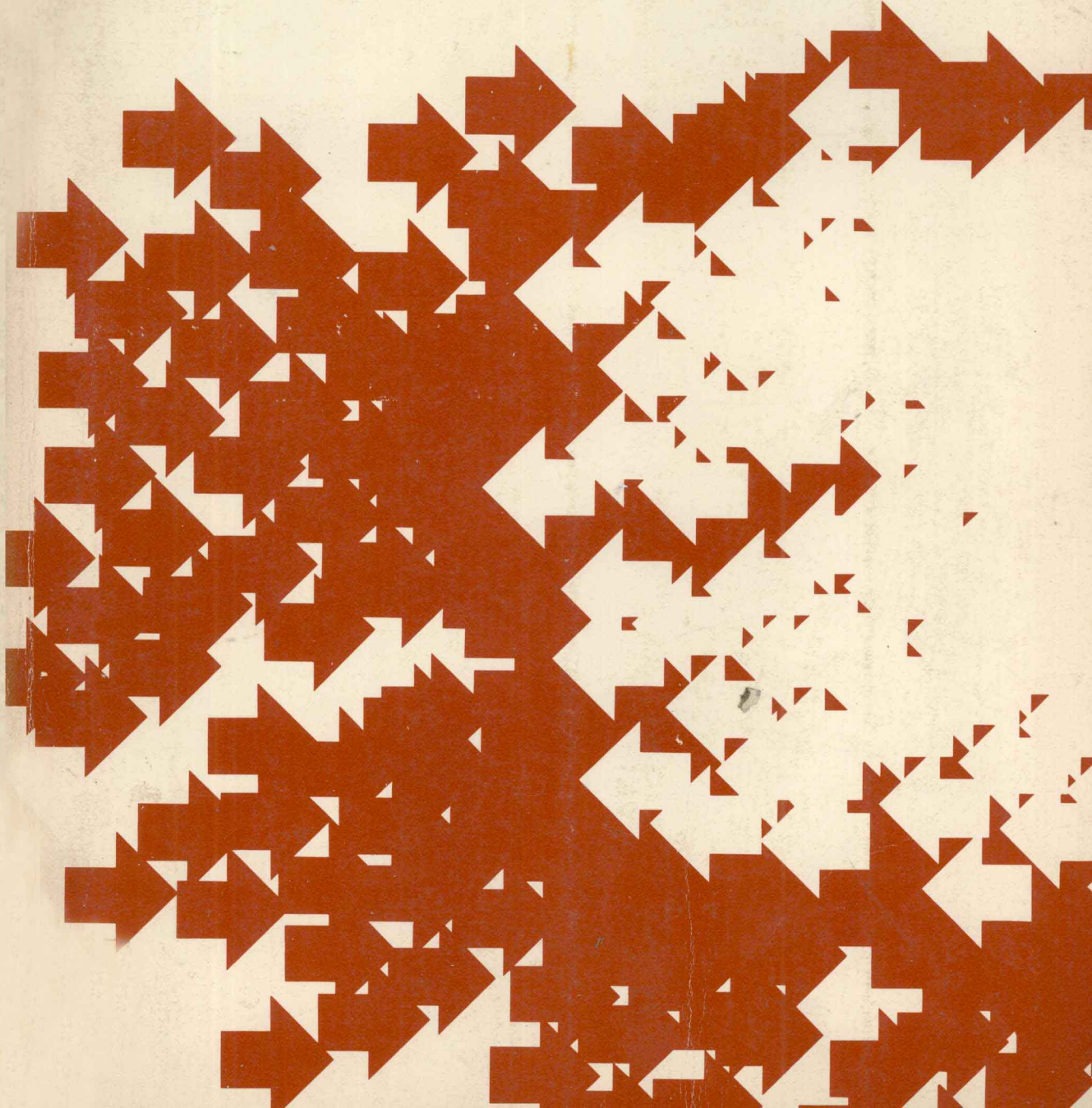


UNDERSTANDING MARKETING

PRIDE/FERRELL



UNDERSTANDING MARKETING

STUDY GUIDE FOR MARKETING: BASIC CONCEPTS AND DECISIONS

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TO
JACK, GRACE, AND JIM

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TO
THE
STUDENT

Understanding MARKETING has been designed to be used with *Marketing: Basic Concepts and Decisions* by William M. Pride and O. C. Ferrell. We have developed this study guide (1) to assist you in learning the definitions, concepts, and relationships presented in our textbook and (2) to help you evaluate your knowledge and understanding of these materials.

For each chapter in *Marketing: Basic Concepts and Decisions* this guide contains five parts:

1. Chapter summary
2. True or false statements
3. Multiple-choice questions
4. Programmed completion exercises
5. Answers to objective questions

Each chapter summary provides an overall perspective of the content in the text chapter. We suggest that you read this chapter summary before reading the chapter in *Marketing* because the summary can act as a preview and make you aware of the major topics and relationships presented in the chapter. This awareness will help you to grasp the chapter material more easily. Before attempting to complete the questions and exercises for a specific chapter, we suggest that you reread the study guide summary to refresh your memory about the contents of the text chapter.

The true or false statements and the multiple-choice questions are presented to aid you in testing your understanding of marketing terminology, concepts, and

relationships. Some of these exercises deal with definitions and details, while others focus upon the broader aspects of marketing decisions and activities.

The programmed completion exercises offer a method for both learning and testing your knowledge. Like the other exercises, the programmed completion exercises pertain to your understanding of both specific details and more general relationships. When working with the programmed completion exercises, you should use the perforated cardboard mask, which can be torn out from inside the front cover of this book. This mask is used to cover the correct response word(s) which complete each question. Cover the page and then move the mask downward until it is just below the first question but covering the answer(s) in the left-hand margin. After answering the question, move the sheet of paper down so that the answer is exposed. Thus, you can evaluate your answers immediately. When working through the programmed completion exercises, do not be overly concerned if your answers are not exactly the same as those suggested. The purpose of these exercises is to improve and evaluate your understanding of marketing topics and relationships rather than to encourage you to memorize.

The last part of each chapter supplies the answers to the true or false statements and to the multiple-choice questions. These answers are provided to help you evaluate your understanding of the material in the textbook chapter. To achieve this purpose, you should refer to these answers only after you have completed the questions.

Understanding MARKETING is a “self-help” tool. It can help you to learn and evaluate your knowledge only to the extent that you use it correctly and regularly.

The authors both acknowledge and appreciate the participation of Regina Mikus, John Butte, Phyllis Shead, and Ron Brandon in the development of materials for this study guide.

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CHAPTER ONE MARKETING: AN OVERVIEW

CHAPTER SUMMARY

The study of marketing is relevant for many reasons. Marketing costs consume about one-half of a buyer's dollar. Therefore, buyers should know how their money is used. Second, marketing activities are used in many organizations, and many people earn a living by engaging in these activities, which include personal selling, advertising, transportation, storage, product development, wholesaling, and retailing. Third, marketing activities are important to business organizations and to the economy. Such activities help businesses to create and sell products and help to produce profits through exchange. Finally, by studying marketing, an individual should be in a better position to weigh the costs and benefits of marketing activities.

Marketing is broadly defined as a set of individual and organizational activities aimed at facilitating and expediting exchanges within a set of dynamic environmental forces. Marketing activities are performed by individuals and organizations. An individual who owns a store or who wants to sell a car must perform many marketing activities. Many organizations other than business organizations carry out marketing activities in an attempt to facilitate exchanges. Two conditions must exist for an exchange situation to arise. First, two individuals, groups, or organizations must have something of value they are willing to give up to receive something of value held by the other individual, group, or organization. Second, the parties in the exchange must be able to communicate with each other and to make available the "somethings of value." The "somethings of value" that are held by the two exchange parties are usually products and/or financial resources such as cash or credit. Products can be goods, services, or ideas.

The marketing concept is a philosophy that a business organization should try to satisfy customers' needs through a set of activities that allows the organization to achieve its goals. Providing customer satisfaction is the major thrust of the market-

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ing concept. However, an organization must alter, adopt, and change current product offerings to keep pace with changes in consumers' desires and preferences as well as to provide satisfying new products. The philosophy of the marketing concept calls for the coordination of a firm's activities including production, finance, accounting, personnel, and marketing in order to provide customer satisfaction. A business organization can achieve its goals by providing customer satisfaction through coordinated activities. The marketing concept evolved through the following eras: (1) the production era, (2) the sales era, and (3) the marketing era.

To implement the marketing concept, several factors are required. It must be implemented by top management in the organization. The executives must accept the philosophy of the marketing concept as one of their personal philosophies of business management. Management must establish an information system to obtain information about customers' needs and must be willing to commit necessary resources to develop and maintain such a system; in some cases the firm may have to be reorganized.

Several problems arise when attempting to implement the marketing concept. First, there is a limit to which a firm can satisfy customers' needs for a particular product class. Second, management must be able to determine customers' product needs. Third, in attempting to satisfy its customers' needs, a firm may contribute to the dissatisfaction of other societal segments. Fourth, a restructuring of the organization may be required, which may lead to morale problems. The evidence indicates that adoption of the marketing concept has been more prevalent among larger organizations. However, we can expect more business organizations in the future to adopt the philosophy of the marketing concept.

The marketing mix consists of four major variables: product, price, distribution, and promotion. The marketing mix is built around consumers. To provide consumer satisfaction, a marketing manager must create and maintain a marketing mix that fits consumers' needs for that general type of product. Even though marketing mix variables can be altered, they are not totally controllable; marketing managers are limited in the degree to which they can change the mix variables. The marketing mix variables are affected in three general ways by the marketing environment. First, the marketing environment affects consumers' lifestyles, standards of living, and preferences and needs for products. Second, the forces in the marketing environment directly affect a marketing manager's ability to perform certain marketing activities. Third, the outcomes of a marketing manager's decisions and actions may be determined by marketing environment variables because these forces influence consumers' reactions toward a firm's marketing mixes. The marketing environment variables include political forces, legal and regulatory forces, societal forces, consumer movement forces, and economic and technological forces. To create and maintain an effective marketing mix, marketers must recognize and analyze the effects of the marketing environment on marketing decisions and activities. They must be able to adjust the marketing mix to be in line with major changes in the marketing environment.

TRUE OR FALSE STATEMENTS

- | | |
|-----|--|
| T F | 1. A sizable proportion of individuals who work for nonbusiness organizations are involved in marketing activities. |
| T F | 2. A firm's marketing activities are aimed directly or indirectly at helping to sell the organization's products. |
| T F | 3. Marketing is defined as selling and advertising. |
| T F | 4. The actual physical production of a good is not a marketing activity. |
| T F | 5. All kinds of organizations such as churches, schools, and hospitals perform marketing activities. |
| T F | 6. The consummation of a specific exchange between two parties does not determine whether or not marketing activities have occurred. |
| T F | 7. Products can be goods, services, or ideas. |
| T F | 8. A good is a tangible object possessing physical features. |
| T F | 9. The marketing concept should be viewed as a philosophy aimed at satisfying consumers, even though it may cost the firm long-run survival. |
| T F | 10. The customer orientation of the marketing concept stresses the importance of customers and emphasizes that business activities start within the firm and end with the consumers. |
| T F | 11. To satisfy customers, management should try to satisfy short-run needs as well as long-run desires. |
| T F | 12. The philosophy of the marketing concept calls for the coordination of a firm's activities. |
| T F | 13. Since the marketing concept is a management philosophy that affects all types of business activities, it must be implemented by top management in the organization. |
| T F | 14. One major problem with implementing the marketing concept is the ability of management to predict the effects of its decisions on future societal welfare. |
| T F | 15. When implementing the marketing concept, the business organization should strive to build products to fit the needs of each consumer. |
| T F | 16. Many consumer product companies spend considerable amounts of time and money to research consumers' needs. |
| T F | 17. When a firm satisfies one segment of society, it also may contribute to the dissatisfaction of another segment. |
| T F | 18. Research findings generally support the position that the marketing concept has been adopted by a large number of business organizations and has been more prevalent in larger organizations than in smaller ones. |
| T F | 19. Marketing mix variables are controllable. |

4 *Marketing: An Overview*

- | | |
|------------|--|
| T F | 20. Marketing activities are associated with two general kinds of marketing variables—marketing mix variables and consumer variables. |
| T F | 21. One primary goal of a marketing manager is to obtain information from consumers regarding their product needs. |
| T F | 22. Through the marketing mix variables a marketing manager can develop and change marketing decisions and activities. |
| T F | 23. Marketing mix variables are often viewed as “controllable” variables because the marketing manager can change them. |
| T F | 24. The forces in the marketing environment do not directly affect the ability of a marketing manager to perform certain marketing activities. |
| T F | 25. The forces in the environment are sometimes called “uncontrollable” variables because the marketing manager cannot control them. |
| T F | 26. Firms should not be concerned about how they are viewed by political officials. |
| T F | 27. To a large extent, economic forces determine the strength of a firm’s competitive atmosphere. |
| T F | 28. Technology affects people’s everyday lives. |
| T F | 29. Technology affects people’s lifestyles and their standards of living but does not have a direct impact on the creation of a marketing mix. |

MULTIPLE-CHOICE QUESTIONS

- ___ 1. Approximately what percentage of a buyer's dollar is used for paying the costs of marketing activities?
 - a. 50 percent
 - b. 60 percent
 - c. 45 percent
 - d. 40 percent
 - e. 25 percent
- ___ 2. Approximately what percent of U.S. civilian workers employed by business organizations perform marketing activities?
 - a. 30 to 35 percent
 - b. 50 to 55 percent
 - c. 25 to 33 percent
 - d. 33 to 38 percent
 - e. 50 percent
- ___ 3. A firm's marketing activities are
 - a. highly complex and established on a long-run basis
 - b. aimed directly or indirectly at helping to sell the organization's products
 - c. developed for the sole purpose of producing profits through exchanges
 - d. the lifeblood of an organization
 - e. utilized by the firm only in the event of a profitable exchange
- ___ 4. One of a firm's most important objectives for providing survival in a capitalistic economy is
 - a. growth
 - b. generating immediate profits
 - c. generating long-run profits
 - d. to attract more capital
 - e. to produce more products
- ___ 5. Which of the following is not considered a marketing activity?
 - a. promotion
 - b. storage
 - c. product development
 - d. wholesaling
 - e. production
- ___ 6. Which of the following statements most correctly defines the term "marketing"?
 - a. Marketing is the transporting of goods from the manufacturer to the retailers so that goods are available when and where consumers want them.
 - b. Marketing occurs when consumers go shopping and make purchases.
 - c. Marketing is a set of individual and organizational activities aimed at facilitating and expediting exchanges.

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- d. Marketing is the efficient organizing of the firm's activities into a single customer-oriented entity.
 - e. Marketing includes all those activities concerning the production, transportation, and ultimate sale of products.
- _____ 7. A sole owner and operator of a neighborhood store
- a. performs a variety of marketing activities
 - b. performs only one marketing activity
 - c. relies on others to perform all the marketing activities
 - d. performs only the marketing activity of pricing
 - e. does not bother with marketing activities
- _____ 8. Intangibles provided by applying human and mechanical efforts to people or objects are referred to as
- a. services
 - b. products
 - c. goods
 - d. "somethings of value"
 - e. exchange variables
- _____ 9. Concerning marketing activities, which statement is most correct?
- a. Most of the approaches, concepts, and activities are used by business organizations.
 - b. Many marketing activities are performed to support exchanges even though some situations do not result in exchanges.
 - c. The consummation of a specific exchange must occur for marketing activities to occur.
 - d. Marketing activities must be performed by individuals, not by organizations.
 - e. Marketing activities can be justified only if an exchange occurs and if profit results from the exchange process.
- _____ 10. The major thrust of the marketing concept is
- a. for business to create satisfying products
 - b. to provide customer satisfaction
 - c. to get the products into the hands of consumers
 - d. to satisfy narrow, short-run needs as well as long-run desires
 - e. to satisfy current needs in a manner that will not cause customer dissatisfaction in the future
- _____ 11. To provide customer satisfaction, marketing activities must
- a. create high-quality products
 - b. focus initially on customers in order to determine what will satisfy them
 - c. concentrate on putting the product in the hands of consumers
 - d. alter product offerings to keep prices as low as possible
 - e. attempt first to satisfy existing customers' needs
- _____ 12. In attempting to satisfy customers, businesses must consider not only short-run, immediate needs but also

7 Multiple-Choice Questions

- a. economic conditions
 - b. short-run consumers' wants
 - c. broad, long-run desires
 - d. current customer dissatisfaction
 - e. short-run effects of attempts to achieve customer satisfaction
- _____ 13. Marketing activities start and end with the
- a. firm
 - b. consumers
 - c. long-run objectives of the firm
 - d. exchange situation
 - e. middlemen
- _____ 14. The marketing concept developed out of a sequence of three eras. Identify the correct sequence:
- a. (1) sales era, (2) production era, (3) marketing era
 - b. (1) sales era, (2) marketing era, (3) production era
 - c. (1) marketing era, (2) sales era, (3) production era
 - d. (1) production era, (2) marketing era, (3) sales era
 - e. (1) production era, (2) sales era, (3) marketing era
- _____ 15. Which of the following statements is identified most closely with the marketing era?
- a. Businesses realized that products would have to be promoted through much personal selling and advertising.
 - b. The emphasis on marketing was accented by a strong consumer demand for manufactured goods.
 - c. The marketing era was facilitated by the scientific management movement to increase organizational efficiency.
 - d. Businesses discovered that they first must determine what consumers want and then produce it.
 - e. Businesses began to view sales as the major means for increased profits, which led to the development of marketing activities.
- _____ 16. Which of the following is a problem with implementing the marketing concept?
- a. There is a limit to which a firm can satisfy customers' needs for a particular product class.
 - b. The marketing concept affects all types of business activities rather than just marketing activities.
 - c. To provide customer satisfaction, management must be able to determine customers' product needs.
 - d. Managers sometimes find that by satisfying one segment of society, they may dissatisfy another segment.
 - e. All of the above
- _____ 17. Concerning the adoption of the marketing concept, research findings indicate that
- a. the marketing concept has been adopted by a number of business organizations

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- b. the adoption of the marketing concept has been more prevalent among smaller firms than among larger ones
 - c. there are few businesses that have not attempted to implement the marketing concept
 - d. almost all firms that have adopted the marketing concept have become more successful
 - e. the philosophy of the marketing concept is a dominant force in the organization of a business firm today
- 18. The marketing mix variables include:
- a. (1) political forces, (2) societal forces, (3) economic forces, (4) consumer movement forces
 - b. (1) consumers, (2) product, (3) environmental forces
 - c. (1) promotion, (2) price, (3) product, (4) distribution
 - d. (1) product, (2) consumers, (3) production, (4) price
 - e. (1) product, (2) consumers, (3) promotion, (4) political forces
- 19. Some of the variables in the marketing environment are:
- a. (1) political forces, (2) legal forces, (3) consumer movement forces, (4) economic forces
 - b. (1) societal forces, (2) technological forces, (3) political forces, (4) economic forces, (5) production, (6) consumers
 - c. (1) promotion, (2) product, (3) price, (4) distribution
 - d. (1) consumers, (2) producers, (3) wholesalers
 - e. (1) consumers, (2) product, (3) economic forces, (4) societal forces
- 20. Concerning marketing mix variables, which of the following statements is most accurate?
- a. Marketing mix variables often are viewed as uncontrollable because marketing managers cannot change them.
 - b. Marketing mix variables cannot be altered by marketing managers.
 - c. Marketing mix variables can be altered but cannot be controlled by marketing managers.
 - d. Marketing mix variables are not totally controllable because marketing managers are limited in the degree to which they can change the mix variables.
 - e. Marketing mix variables can be altered and controlled by marketing managers.
- 21. The marketing mix ingredient that is most controllable is
- a. product
 - b. consumers
 - c. promotion
 - d. price
 - e. not the same for all situations
- 22. Which of the following statements about marketing environment variables is most correct?

9 Multiple-Choice Questions

- a. Marketing managers have more control over these variables than over most marketing variables.
 - b. The strength of the variables in the marketing environment is relatively stable as compared with that of other variables in the market.
 - c. The marketing environment variables surround consumers only and not the marketing mix.
 - d. The forces in the marketing environment influence marketing managers but do not directly affect their ability to perform certain activities.
 - e. These forces influence consumers' reactions toward the firm's marketing mixes.
- _____ 23. Which forces in the marketing environment are concerned primarily with the three general areas of product safety, information disclosure, and protection of the environment?
- a. political forces
 - b. legal forces
 - c. regulatory forces
 - d. economic forces
 - e. consumer movement forces
- _____ 24. The marketing environment forces that primarily determine the size and strength of demand for products are
- a. consumer movement forces
 - b. technological forces
 - c. societal forces
 - d. promotion forces
 - e. economic forces
- _____ 25. Concerning technological forces, which of the following statements is most correct?
- a. Technological developments have a direct impact on creating and maintaining a marketing mix.
 - b. Technological developments have their greatest impact on the pricing of products.
 - c. Technology does not influence people's desires for products but does affect their reactions to a business organization's marketing mix.
 - d. Technological developments have their greatest impact on the distribution of products.
 - e. The real impact of technology in this country depends solely on consumers' acceptance.

PROGRAMMED COMPLETION EXERCISES

activities,
facilitating,
expediting

some things of
value,
products

intangibles,
human,
mechanical

concepts,
philosophies,
images,
issues
marketing
concept,
customers',
coordinated

alter,
adapt,
change

customer
satisfaction,
coordinated
activities

coordinated,
coordination,
dissatisfac-
tion

production,
sales
marketing

philosophy,
activities,
top
management

information
system,
satisfying
products

1. Marketing is a set of _____ that are aimed at _____ and _____ exchanges.
2. The _____ that are held by two exchange parties are usually _____ and/or financial resources such as cash or credit.
3. Services are _____ provided by applying _____ and _____ efforts to people or objects.
4. Products in the form of ideas include _____, _____, _____, and _____.
5. The _____ is a philosophy that a business organization should try to satisfy _____ needs through a _____ set of activities that allows the organization to achieve its goals.
6. To be customer oriented, a firm must _____, _____, and _____ current product offerings to keep pace with changes in consumers' desires and preferences.
7. The marketing concept stresses the point that a business organization can achieve its goals by providing _____ through _____.
8. If the firm's activities are not effectively _____, the lack of _____ not only may lead to less customer satisfaction but also may cause severe customer _____.
9. The marketing concept developed out of a sequence of three eras:
(a) _____, (b) _____, and (c) _____.
10. Since the marketing concept is a management _____ that affects all types of business activities rather than just marketing _____, it must be implemented by _____ in the organization.
11. Management must establish an _____ that allows the firm to obtain information about customers' needs, to use that information internally to create _____, and to inform customers about the firm and its products.