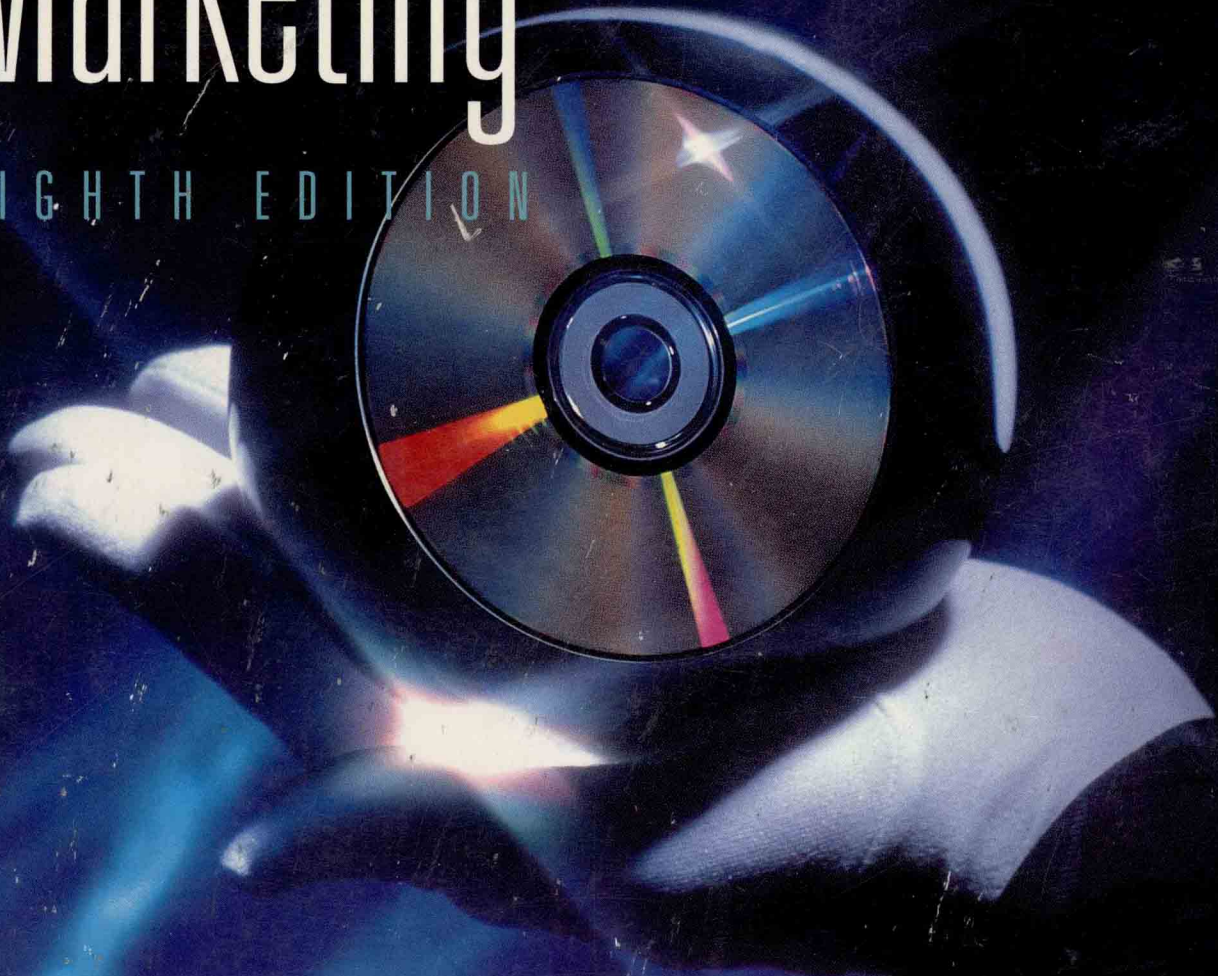


STUDY GUIDE

Thomas S. O'Connor

Contemporary Marketing **PLUS**

EIGHTH EDITION



BOONE & KURTZ

STUDY GUIDE

Thomas O'Connor
University of New Orleans

Contemporary Marketing **PLUS**

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Introduction

There have been a number of changes made in the *Study Guide for Contemporary Marketing*, Eighth Edition. As always, these were made only when it was felt they would improve the essential purpose of this work—to help the student gain greater understanding of marketing as it is practiced today. The *Study Guide* is coordinated with the textbook and each of its parts is designed as a learning unit exploring a particular area of the discipline of marketing.

Coverage of each chapter of the *Study Guide* begins with an outline of the material in the chapter. The outline, when used in concert with the textbook, is designed to serve as a memory refresher to assist in recalling significant points in the text as you work through the exercises in the guide.

Other features include a **Self Quiz** for each chapter's material; **Experiential Exercises** which let you examine marketing operations firsthand; **Applying Marketing Concepts**, a series of illustrations of how the techniques and principles described in the text are put to use; **Computer Applications** designed to allow you to use some of the more popular analytical tools of the trade in relatively painless fashion; and a **Crossword Puzzle** that relates terms used in the text with their definitions.

In **Creating a Marketing Plan**, you are provided with information you can develop by following the adventures of three young entrepreneurs. This information allows you to create a marketing mix from the ground up.

Each of the parts of this guide contains a brief synopsis of the part as well as several **Cases** that call for problem solving in a marketing context.

As always, I solicit and welcome your comments and those of your teachers. Though every effort has been made to make sure that the answers match the questions and it all makes sense, I'm sure there are errors scattered here and there through the *Study Guide*. For these I apologize and request that if you find them, please tell me about them.

Otherwise, my best wishes to you in your studies and in the use of these materials.

Thomas S. O'Connor

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A Few Words of Thanks

As always, it has been a pleasure working with the people at Dryden Press. Paul Stewart has been unfailingly jovial as we worked our way through this revision. My thanks also go to Nancy Carroll for formatting this book. And once again my secretary, Joyce Stall, has ably assisted in keeping other things going while I pursued this project.

My family have tolerated me well while this revision was in progress. I guess they're getting used to it. To them I express my deepest appreciation for that tolerance. Thanks again Val, Brian, and Terry.

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Part 1

The Contemporary Marketing Environment

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy organizational and individual objectives. The marketing process creates time, place, and ownership utility for consumers.

Marketing arises out of the exchange process. The emphasis on marketing activities increases as firms progress through the three eras of: (1) production orientation, (2) sales orientation, and (3) marketing orientation. Long-run success cannot result unless firms adopt a company-wide consumer orientation. This realization has been called the marketing concept.

Marketers plan and coordinate the four strategic areas of product, distribution, promotion, and pricing. A comprehensive marketing mix strategy cannot be set until the needs and wants of the chosen market segment have been determined. For marketing to take place, it is usually necessary that a firm or some combination of firms perform the eight universal functions of: (1) buying, (2) selling, (3) transporting, (4) storing, (5) standardization and grading, (6) financing, (7) risk-taking, and (8) securing marketing information.

In recent years, the marketing concept has been broadened to include the activities of not-for-profit organizations, though their marketing activities often differ significantly from those of for-profit firms.

Quality describes the degree of excellence or superiority of an organization's goods and services, as well as the intangible component of consumer satisfaction. Total quality management is an approach that involves all employees in continually improving products and work processes to achieve customer satisfaction and world-class performance. Applying TQM to marketing involves (1) involving top management, (2) conducting a marketing audit, (3) focusing on customer satisfaction, and (4) working toward continuous improvement in the marketing function. Improvement in the marketing function is achieved by reducing cycle time, reducing variation in work processes, products, and services, and eliminating waste.

Benchmarking is the process in which an organization continuously compares and measures itself against industry leaders to gain information that will improve performance. The three key steps of benchmarking include identifying processes for improvement and companies that implement them best, analyzing internal processes and performance levels compared to those of industry leaders, and implementing changes to improve processes.

Employee involvement in TQM is achieved through internal marketing, employee training, and teamwork. In the marketing mix, TQM may be applied to each element to create a world-class product.

The marketer must be aware of the five interacting environments which affect marketing activities: the competitive, the political-legal, the economic, the technological, and the social-cultural. These environments are complex and are affected by the actions of many persons and organizations.

2 Part 1 The Contemporary Marketing Environment

The competitive environment includes all those organizations competing for the purchasing power of the consumer. A firm chooses its competitive environment when it chooses its markets.

Marketing strategies must be adjusted in response to changes in the political-legal environment. Early antitrust legislation was aimed at maintaining a competitive environment. Later legislation arising out of conditions which existed during the 1930's were designed to protect small competitors from discriminatory practices. Since the 1950's, a number of laws have been designed to protect consumers from harmful marketing practices and unsafe products or services. Beginning in the 1970s, it became common to "deregulate" industries which were formerly under substantial government control.

The rate of inflation, level of unemployment, and availability of critical resources all influence the likelihood of individuals parting with discretionary income. If resources are in short supply it becomes difficult to satisfy consumer demand. Marketers may, in fact, have to engage in "demarketing," encouraging consumers not to buy scarce commodities.

Technology is changing with incredible speed. There are competitors in this environment, too, and technological breakthroughs by others may take market share away from those who don't keep up the pace.

The social-cultural environment is a significant factor to marketers. This area includes all relationships marketers have with society. Rising educational levels and better communications have lead to greater public involvement in this area.

Entering the global market involves understanding the differences in the marketing environment as one moves from culture to culture.

One of the more significant influences on a firm's activities in the global sphere is the trend toward multinational economic integration. Entry into the world market may be by exporting, foreign licensing, or overseas production and marketing. American firms must also recognize that the United States is an attractive market for international entrepreneurs.

Chapter 1

Marketing in Profit and Not-For-Profit Settings

Chapter Outline

You may want to use the following as a guide in taking notes.

- I. Chapter Overview
 - A. All organizations produce and market something
 - B. The marketplace is global in scope
 - C. Organizations satisfy a commitment to society by creating utility of form, time, place, and possession
- II. What is Marketing?
 - A. Organizations exist, according to Drucker, to “create customers”
 - B. Definition of marketing—conception, pricing, distribution, and promotion
- III. The Origins of Marketing Lie in the Need for Exchange of One Valuable Item for Another
 - A. Tangible goods and intangible services
 - B. Marketing as a process of creating and resolving exchanges
- IV. Three Eras in the History of Marketing
 - A. The production era—efficiency on the assembly line in a seller’s market
 - B. The sales era—output begins to fully meet demand
 - C. The marketing era—a new point of view appears

- V. Emergence of the Marketing Concept
 - A. The buyer's market finally arrives
 - B. Consumer orientation
 - C. Definition of the concept
- VI. Avoiding Marketing Myopia
- VII. Broadening the Marketing Concept to Include Not-For-Profit Marketing
 - A. Marketing in not-for-profit organizations
 - B. Types of not-for-profit marketing
 - C. Characteristics of not-for-profit marketing
- VIII. Elements of a Marketing Strategy
 - A. The target market
 - B. The marketing mix variables
 - C. The marketing environment
- IX. Marketing Costs and Marketing Functions
 - A. The exchange functions—buying and selling
 - B. The physical distribution functions—transportation and storage
 - C. The facilitating functions—standardization and grading, financing, risk-bearing, and securing marketing information
- X. The Study of Marketing

Name _____ Instructor _____

Section _____ Date _____

Key Concepts

The purpose of this section is to allow you to determine if you can match key concepts with the definitions of the concepts. It is essential that you know the definitions of the concepts prior to applying the concepts in later exercises in this chapter.

From the list of lettered terms, select the one that best fits each of the numbered statements below. Write the letter of that choice in the space provided.

Key Terms

- | | |
|---------------------------|---------------------------|
| a. utility | l. person marketing |
| b. marketing | m. place marketing |
| c. exchange process | n. cause marketing |
| d. production orientation | o. organization marketing |
| e. sales orientation | p. target market |
| f. seller's market | q. marketing mix |
| g. buyer's market | r. product strategy |
| h. consumer orientation | s. distribution strategy |
| i. marketing concept | t. distribution strategy |
| j. marketing myopia | u. promotional strategy |
| k. broadening concept | |

- _____ 1. An example of this would be when states, cities, and countries publicize their tourist attractions to lure vacation travelers.
- _____ 2. A blending together of the elements of promotion by marketers to create effective communication with their target market.
- _____ 3. Occurs when management fails to recognize the scope of its business.
- _____ 4. Expanded view of marketing as a generic function performed by both profit-seeking and not-for-profit organizations.
- _____ 5. The blending of marketing strategy elements to fit the needs and preferences of chosen consumer segments.
- _____ 6. "The want-satisfying power of a good or service" describes this characteristic.
- _____ 7. A market characterized by a shortage of goods and services.
- _____ 8. Choosing brand names and trademarks, deciding on package design, and creating the terms of warranties are part of this.
- _____ 9. Marketing by mutual-benefit organizations, service organizations, and governments that seek to influence others to accept their goals, receive their services, or contribute to them in some way.
- _____ 10. You hear a radio commercial which outlines the plight of the world's children and asks for your help in relieving their difficulty by contributing to the child-oriented charity of your choice. How would you characterize this activity?

- _____ 11. This afternoon's mail brings an envelope containing a pamphlet praising a candidate for a local political office. The pamphlet, and the accompanying request for a financial contribution, is typical of this activity.
- _____ 12. "The strong buyer's market which appeared in this country after World War II made it necessary for business to realize that it must first market, then sell goods." What new point of view does this phrase describe?
- _____ 13. A marketplace characterized by an abundance of goods and services.
- _____ 14. The philosophy that if you "build a better mousetrap the world will beat a path to your door."
- _____ 15. Assuring that products are shipped to the right destinations is part of this strategy.
- _____ 16. The objective of this company-wide consumer orientation is the achievement of long-term success.
- _____ 17. The process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services, and organizations to create exchanges that will satisfy individual and organizational objectives.
- _____ 18. The process of two or more parties trading things of value to satisfy perceived needs.
- _____ 19. When a business assumes that consumers do not wish to buy nonessential products and services and relies on creative advertising and personal selling to "push" its offering, it is expressing this philosophy.
- _____ 20. A group of people toward whom a firm markets its goods, services, or ideas with a strategy designed to satisfy their specific needs and preferences.

Name _____ Instructor _____

Section _____ Date _____

Self Quiz

You should use these objective questions to test your understanding of the chapter material. You can check your answers with those provided at the end of the chapter.

While these questions cover most of the chapter topics, they are not intended to be the same as the test questions your instructor may use in an examination. A good understanding of all aspects of course material is essential to good performance on any examination.

True/False

Write “T” for True or “F” for False for each of the following statements.

- _____ 1. The Bubble Yum Virtuality Tour used new technology to create a unique “immersive” approach to marketing chewing gum.
- _____ 2. Marketing does not take place in underdeveloped countries because the traders who sell goods in central marketplaces cannot afford television and radio advertisements.
- _____ 3. Marketing has been described as concerned with creating and resolving exchange relationships.
- _____ 4. Taylor’s book, *Principles of Scientific Management*, through its emphasis on production efficiency, tended to prolong a *production orientation* among management through the early part of this century.
- _____ 5. A *sales orientation* is most appropriate for firms in a strong seller’s market.
- _____ 6. Severe weather such as deep freezes or tornadoes can result in tremendous reductions in fruit crops such as oranges. If the amount of oranges available is less than the number consumers wish to eat, a buyer’s market exists.
- _____ 7. An example of marketing myopia is when an airline defines its main scope of business activity as providing faster airline service than any other airline.
- _____ 8. The marketing concept emerged as the American economy changed from a buyer’s market to a seller’s market at the end of World War II.
- _____ 9. An example of broadening the marketing concept is the American Heart Association using a promotional campaign to encourage people to enroll for courses in cardiopulmonary resuscitation.
- _____ 10. If you were in charge of distribution strategy, you would be concerned with transportation, storage, and institutions such as retailers who sell to consumers.
- _____ 11. The marketing mix involves blending four types of marketing decisions to satisfy chosen consumer segments.
- _____ 12. Until about twenty years ago, marketing was considered to be an activity reserved solely to profit-making organizations.
- _____ 13. Trucking companies perform the transportation function; warehouses perform the storage function.
- _____ 14. Egg producers who separate their eggs into small, medium, large, and extra-large and package them separately are performing the function of securing marketing information.

- ___ 15. Marketing activities should be understood, but it should be remembered that they have little direct impact on job potential because the number of people needed to do them is so small.
- ___ 16. The Metropolitan Museum of Art's ads which invited the public to visit the museum and view its vast collection of 19th century paintings and sculptures exemplifies event marketing.
- ___ 17. If you should happen to come across a company whose chief marketing executive bore the title of "sales manager," you would have reason to suspect that the company was still in the production, rather than the sales or marketing era.
- ___ 18. By focusing on the benefits resulting from the use of products or services, marketing converts wants into needs.
- ___ 19. The private sector of the economy has an even more diverse array of not-for-profit organizations than does the public sector.
- ___ 20. The definition of marketing that identified it as the performance of business activities that directed the flow of goods and services from producer to consumer proved too broad to be valid in today's markets.
- ___ 21. A television commercial sponsored by a citizens' group stressing the necessity for your state to undertake prison reform would be an example of organization marketing.
- ___ 22. One characteristic more typical of nonprofit organizations than for-profit organizations is the lack of a clear organization structure.
- ___ 23. If you buy a set of tires, you can be sure that if the new set bears the same size markings as the old, it will fit the car. This is because tire sizes are standardized.
- ___ 24. If the Alabama Power Company published a statement in which it defined its business as "providing electricity reliably and cheaply" to the geographic area defined in its charter, it would probably be fair to say its management was suffering from marketing myopia.

Multiple Choice

Circle the letter of the word or phrase that best completes the sentence or best answers the question.

Use the following information for Questions 25 - 28:

Assume that you and another student have started a newspaper. The purpose of the paper is to serve as an independent source of campus and community news. You have hired a secretary to type news copy with a personal computer you have bought the firm.

- 25. The process of changing the information you have collected into a finished product, a newspaper, would create
 - a. time utility.
 - b. place utility.
 - c. form utility.
 - d. ownership utility.
 - e. marketing utility.
- 26. If you hire someone to deliver the finished newspapers, instead of requiring your customers to pick them up at your office, you are performing the _____ function and creating _____ utility.
 - a. storage, place
 - b. buying, time
 - c. transportation, time
 - d. transportation, place
 - e. risk-taking, place

27. You are in charge of contacting potential customers. You talk to students to determine who wants or needs an independent newspaper and how much they are willing to pay. In addition, after a sale is made you assign the title of the paper to the student. The function in which you are involved and the utility you create by helping transfer title are
 - a. transporting function; place utility.
 - b. buying function; ownership utility.
 - c. financing function; time utility.
 - d. selling function; ownership utility.
 - e. grading function; form utility.
28. The marketing efforts of your firm will not create
 - a. form utility.
 - b. time utility.
 - c. place utility.
 - d. ownership utility.
 - e. functional utility.
29. "The performance of business activities that direct the flow of goods and services from producer to consumer or user." Which of the following are two major problems with this definition of marketing?
 - a. it ignores the marketing functions of transportation and storage
 - b. it assumes that marketing creates only form and place utility
 - c. it does not recognize marketing's contribution to form utility, nor does it recognize marketing by not-for-profit organizations
 - d. it does not consider the importance of production efficiency and quality control
 - e. it does not emphasize that the firm must produce output of value to consumers, nor does it mention long-term survival
30. A good marketing strategy should include
 - a. seeking high levels of market share regardless of the ethics of the marketing activities necessary to obtain that share.
 - b. selecting target segments by analysis of consumer needs prior to production.
 - c. establishing the lowest cost marketing program regardless of customer needs.
 - d. analyzing consumer needs after the product has been designed and produced.
 - e. recognizing that marketing does not apply to nonprofit organizations.
31. Which of the following statements best reflects a firm with a production orientation?
 - a. Our company is consumer oriented.
 - b. We have a first-rate sales organization which disposes of all the products we can make at a favorable price.
 - c. We guarantee our customers complete satisfaction or we will refund their money.
 - d. Our basic function is to produce the highest quality product possible.
 - e. Selling is only one component of marketing.
32. The marketing concept emphasizes
 - a. company-wide consumer orientation.
 - b. marketers running the company.
 - c. a production orientation.
 - d. achievement of short-run success.
 - e. building retail stores in the ghettos.

33. Firms facing a buyer's market will tend to be concerned with
- producing more goods or services.
 - convincing consumers to buy their goods and services.
 - restricting production to meet the level of demand.
 - hunting for new markets for their goods and services.
 - offering consumers lower prices than the competitors'
34. Which of the following best exemplifies a firm which has adopted the marketing concept?
- Sales must increase 30 percent annually.
 - We train our sales force to be persuasive so they can wear down consumer resistance.
 - Our new car was developed to satisfy the needs of young, urban professionals who want a luxurious, quality mode of transportation.
 - We do not have to worry about competitors because we have a patent on the production process for our products.
 - Engineers plan our products and marketers sell them.
35. Which of the following would you consider to be an example of marketing myopia?
- telephone company—the lowest cost phone service.
 - railroad company—transportation services to meet customer needs.
 - perfume company—hope in a bottle.
 - movie company—entertainment for all ages.
 - chicken company—nutritional dining enjoyment.
36. The marketing mix includes
- planning the product.
 - blending personal selling, advertising and sales promotion tools.
 - setting prices.
 - establishing marketing channels.
 - all of the above.
37. In order to remain a dealer for a certain brand of computers, a firm must agree with the manufacturer to buy a certain number of units each month. Once bought, the computers can't be returned to the manufacturer. Dealers borrow money from banks and other financial institutions to pay for the computers before they are sold to ultimate users. Some of the functions performed in this example include
- dealers: transporting, banks: storing.
 - dealers: buying, banks: selling.
 - dealers: securing market information, banks: grading.
 - dealers: risk-taking, banks: buying.
 - dealers: risk-taking, banks: financing.
38. Driving to the mall one day, you realize that the commercial you're hearing on the radio isn't trying to convince you to eat at a particular hamburger restaurant, but is trying to convince you to try the "designated driver" (one of the people in your group agrees not to drink so as to be a safe driver for the others) program for holiday revelers who expect to partake of alcoholic beverages at parties and other festive events. The commercial is paid for by a brewing company. This commercial is an example of
- place marketing.
 - organization marketing.
 - event marketing.
 - person marketing.
 - cause marketing.

39. Which of the following would be considered an environmental factor which would impact the marketing effort?
 - a. doubling the size of the sales force
 - b. testing a new product in selected markets
 - c. sharing the cost of advertisements with retailers who sell the company's products
 - d. Japanese competitors offering higher quality products for the same price
 - e. using prime time television advertisements to extol the benefits of the company's products.
40. In which of the following situations would the you expect the utility created by marketing activity to be the greatest?
 - a. A physician and his assistants use the facilities of Providence Hospital to study a new surgical technique.
 - b. An engineer studies the feasibility of assembling particular integrated circuits, resistors, capacitors, and other electrical and mechanical components into a Sony TV set.
 - c. Musicians, sheet music, instruments, and a leader come together in Joe's Bar and Grill after a rehearsal by the Zootsuit Five Plus Two.
 - d. Your local Wal-Mart advertises a price reduction on all remaining summer merchandise on an as-is, where-is basis at the end of August.
 - e. Delchamps opens a new shopping center built around one of its "super-supermarkets" in a growing suburb
41. A Rolls-Royce executive was once heard to remark, "We have never had to worry about sales or advertising. Our cars are simply the best in the world." The chances are that the automobile division of Rolls Royce is
 - a. an active advocate of the marketing concept.
 - b. a production oriented company.
 - c. a firm with a sales orientation.
 - d. unique in its analysis of marketing opportunities and target markets.
 - e. operating in a buyer's market.
42. When marketing departments began to emerge during the sales era,
 - a. they tended to assume a subordinate position to production, finance, and engineering.
 - b. they were often headed by an executive whose background and orientation had nothing to do with sales.
 - c. they quickly assumed a position of domination over the firm's other divisions.
 - d. marketing to specific target groups of consumers became the rule rather than the exception.
 - e. many firms returned to a strong emphasis on product quality and production techniques.
43. Not-for-profit organizations
 - a. are prohibited by law from earning a profit on their operations.
 - b. are very numerous in the public sector, but are seldom found in the private sector.
 - c. have as their primary objective something other than returning a profit to their owners.
 - d. seldom deal in tangible goods.
 - e. generate over \$900 billion in revenues each year.