

**FOUNDATIONS OF  
MARKETING**



**BECKMAN • KURTZ • BOONE**



# Foundations of Marketing

Fourth Canadian Edition

---

M. DALE BECKMAN

---

DAVID L. KURTZ

---

LOUIS E. BOONE

---

Copyright © 1988, 1985, 1982, 1979  
Holt, Rinehart and Winston of Canada, Limited  
All rights reserved

It is illegal to reproduce any portion of this book except by special arrangement with the publishers. Reproduction of this material without authorization by any duplication process whatsoever is a violation of copyright.

Every effort has been made to determine and locate copyright owners. In the case of any omissions, the publisher will be pleased to make suitable acknowledgements in future editions.

**Canadian Cataloguing in Publication Data**

Beckman, M. Dale, 1934–  
Foundations of marketing

4th ed.

Includes bibliographical references and indexes.  
ISBN 0-03-922577-1

1. Marketing. I. Kurtz, David L. II. Boone,  
Louis E. III. Title.

HF5415.B42 1988 658.8 C88-093309-7

Publisher: Richard Kitowski  
Editor: Rachel Campbell  
Publishing Services Manager: Karen Eakin  
Editorial Co-ordinator: Edie Franks  
Copy Editor: Riça Night  
Interior Design: Peter Maher  
Cover Design: Pronk and Associates  
Typesetting and Assembly: Compeer Typographic Services Limited  
Printing and Binding: T. H. Best Printing Company Limited

Printed in Canada

2 3 4 5 92 91 90 89

## ***Preface***

---

The late 1980s are both trying and exciting times in which to begin a study of marketing. Organizations—both profit and nonprofit—are engaged in intense competition for customers, audiences, and clients. The marketplace has grown rapidly. Rising costs and the increasing scarcity of energy and other needed resources have resulted in increasingly complex decision-making. Marketing will play an important role in the Canadian economy. Organizations ranging from the local symphony orchestra to the Federal Government are attempting to employ marketing concepts and techniques in their operations. Politicians, hospital administrators, accountants, financial institutions, and provincial tourism offices are studying—and applying—marketing knowledge in their attempts to identify their clients and provide them with needed services.

*Foundations of Marketing* is designed to be the textbook for such an environment. It provides the reader with the following features that we believe make it one of the most thorough and comprehensive textbooks available.

- Comprehensive coverage of marketing planning and strategy and of orthodox marketing subjects

*Foundations of Marketing* is written with a strong marketing planning/strategy orientation. Several chapters deal with the vital subjects of marketing planning, forecasting, evaluation, and control. Two chapters are devoted to market segmentation. Since planning occurs at the beginning of the marketing effort, coverage of marketing planning and forecasting begins in Chapter 3.

- Major emphasis on consumer behaviour and elements of the marketing mix

Although the text does emphasize the importance of marketing planning, this is not done at the expense of coverage of essential marketing concepts. The vital subjects of consumer behaviour and the elements of the marketing mix are stressed throughout the book. *Foundations* devotes two entire chapters to the critical subject of consumer behaviour, and a third chapter is devoted to industrial buyer behaviour. In addition, at least two chapters are devoted to each of the elements of the marketing mix, and separate chapter treatment of retailing, wholesaling, and physical distribution is provided.

- Separate chapter coverage of important marketing subjects

This textbook pays special attention to emerging areas of marketing. The areas of international marketing, marketing of services, industrial marketing, marketing and society, and marketing in non-profit settings are too important to ignore in the 1980s. *Foundations of Marketing* provides complete coverage of these subjects in the following chapters:

Chapter 9	Buyer Behaviour in Industrial and Government Markets
Chapter 12	Services
Chapter 22	International Marketing
Chapter 23	Marketing in Nonprofit Settings
Chapter 24	Marketing and Society

- Longer, more comprehensive cases in marketing

The authors have made a special effort to avoid simplistic, made-up cases that provide little possibility for class use. We thank the authors of the cases included at the end of the book for their assistance in obtaining them. This collection of thirty-one discussion-oriented cases makes it possible for instructors who use cases to choose from a good selection. Four more comprehensive cases are included for longer written assignments.

- Technical appendices

To provide instructors with more detailed, analytical material and additional reading assignments on several sections, the authors have included four technical appendices following appropriate chapters in *Foundations of Marketing*. The appendices are as follows:

Appendix A	Developing a Marketing Plan
Appendix B	Locating Secondary Data
Appendix C	Consumer Behaviour Models
Appendix D	Careers in Marketing

- Readable text with marketing concepts emphasized by real-world examples

*Foundations of Marketing* is comprehensive, systematic, and rigorous. We hope it is also both practical and written in a lively, engaging manner that avoids tedious, boring prose. Readily identifiable cases and real-world examples are included to illustrate the application — correct and incorrect — of fundamental marketing concepts discussed in the text. Opening vignettes provide the reader with a flavour of the marketing concepts to be treated in each chapter. Examples following the explanation of each concept reinforce stu-

dent learning. Comprehensive cases then require application of this knowledge. The book avoids sexist language and portrays women in realistic roles.

- The Marketing Disk

The study of marketing can be greatly enhanced by examining various problems using computer-assisted quantitative techniques. Accordingly, the exercises and software available with this book enhance the teaching and learning of such sophisticated concepts and analytical techniques.

Most chapters contain a section titled *Microcomputer Exercise*, where students are assigned quantitative problems focusing on a concept or technique discussed in the text. Additional computer-based problems are also included among the discussion questions and exercises at the end of the chapter.

Almost 100 computer problems are included in the text. Each of these computer problems can be solved with the use of a new software supplement available free to adopters for use with the IBM PC® microcomputer. *The Foundations of Marketing Disk* includes the following programs, presented in a user-friendly, menu-driven format for use in solving marketing problems:

1. Sales Forecasting
2. Engel's Laws
3. Sales Analysis
4. Evaluation of Alternatives
5. Competitive Bidding
6. Return on Investment
7. Breakeven Analysis
8. Decision Tree Analysis
9. Inventory Turnover
10. Markups
11. Markdowns
12. Economic Order Quantity (EOQ)
13. Promotional Budget Allocations
14. CPM
15. Sales Force Size Determination
16. ROAM
17. Ratio Analysis

Since full descriptions of each technique and sample worked-out problems are included in the text, the instructor can use these computer problems in a variety of formats. If students have ready access to microcomputers, problem assignments can be used as daily homework. If students do not have easy access to computers, the problems can be solved by using a hand calculator. When micro-



computer access is difficult, instructors can integrate computer usage in their classes by making one or two assignments during the term and/or by spacing computer assignments for different groups of students throughout the course to relieve demand for computer access in the microcomputer lab. Each of these alternatives provides homework assignments involving quantitative problems for most chapters in the textbook.

- Comprehensive teaching-learning package

*Foundations of Marketing* is available in a complete educational package, designed for both instructor and student. The package includes:

*Study Guide:* a comprehensive aid for students. It includes review exercises to be done by the students as well as many study questions and cases that can be discussed in class. A special feature of the study guide is an extensive and comprehensive marketing project that unfolds with the textual materials. This provides a thread that requires students to tie theory and practice together. Experience has proven this to be a powerful learning aid.

*Chapter Organizer with Film Guide:* the most complete manual available with any basic marketing text. The *Chapter Organizer* includes lecture suggestions, a film guide, reference materials, and suggestions for using the transparency masters and acetates.

*Test Bank:* 2000 items organized into quiz-type and comprehensive exam-type questions. Written by Ann Walker of the Ryerson Polytechnical Institute, the *Test Bank* is available on floppy disk and in printed format.

*Transparencies:* a complete transparency package, prepared by Jim Forbes of The University of British Columbia, is available.

### ***Publisher's Note to Instructors and Students***

This textbook is a key component of your course. If you are the instructor of this course, you undoubtedly considered a number of texts carefully before choosing this as the one that would work best for your students and you. The authors and publishers of this book spent considerable time and money to ensure its high quality, and we appreciate your recognition of this effort and accomplishment.

If you are a student we are confident that this text will help you to meet the objectives of your course. You will also find it helpful after the course is finished as a valuable addition to your personal library.

As well, please do not forget that photocopying copyright work means the authors lose royalties that are rightfully theirs. This loss will discourage them from writing another edition of this text or other books; doing so would simply not be worth their time and effort. If this happens we all lose — students, instructors, authors, and publishers.

Since we want to hear what you think about this book, please be sure to send up the stamped reply card at the end of the text. This will help us to continue publishing high-quality books for your course.



# Acknowledgements

---

The authors gratefully acknowledge the contributions of a large number of persons — colleagues, students, professional marketers in businesses and nonprofit organizations, and the fine professionals at Holt, Rinehart and Winston of Canada, Limited for their invaluable critiques, questions, and advice in making **Foundations of Marketing** a reality. In particular, our thanks go to Mike Roche, Ric Kitowski, and Edie Franks for their efforts. We would like to express our special appreciation to Professor Jim Forbes of the University of British Columbia for his comprehensive analysis and suggestions and Marvin Ryder of McMaster University for his cases. We would like to express our appreciation to the following instructors who have formally commented on this text over the years:

Padraig Cherry, British Columbia Institute of Technology

Byron Collins, Humber College

Knud Jenson, Ryerson Polytechnical Institute

Karen Karpuk, Southern Alberta Institute of Technology

William Lyon, Fanshawe College

David C. Mulder, Northern Alberta Institute of Technology

Lewis A. Presner, Durham College

Jay Rubinstein, Vanier College

J. Steen, Georgian College

Gordon Thomas, University of Manitoba

Don Yurchuk, Northern Alberta Institute of Technology

J.L. Zoellner, Seneca College

We would also like to thank Ron Scott of Scali, McCabe, Sloves (Canada) Ltd. for his cooperation and assistance in providing the full-colour Canadian advertisements that appear in this book. The specific advertisers — Volvo Canada Ltd., William Nielson Ltd., Labatts Brewing Company Limited, Chase Manhattan Bank of Canada — also deserve our appreciation.

M. Dale Beckman  
Professor and Head  
Dept. of Marketing  
University of Manitoba  
Winnipeg, Manitoba

David L. Kurtz  
The Thomas F. Gleed Chair in Business Administration  
Seattle University  
Seattle, Washington

Louis E. Boone  
Professor of Business Administration  
University of South Alabama  
Mobile, Alabama

January, 1988



# Contents

---

---

## ***Part 1 The Marketing Environment***

---

CHAPTER ONE / THE MARKETING PROCESS	2
The Conceptual Framework	3
What is Marketing?	3
The Origins of Marketing	5
Three Eras in the History of Marketing	6
Emergence of the Marketing Concept	8
Avoiding Marketing Myopia	11
Broadening the Marketing Concept for the 1980s and 1990s	11
Introduction to the Marketing Process	13
The Marketing Environment	16
The Study of Marketing	17
Summary	18
CHAPTER TWO / THE ENVIRONMENT FOR MARKETING DECISIONS	20
The Conceptual Framework	21
The Competitive Environment	23
The Political and Legal Environment	25
The Economic Environment	35
The Technological Environment	38
The Social Environment	40
Summary	44

---

## ***Part 2 Planning the Marketing Effort***

---

CHAPTER THREE / MARKETING PLANNING AND FORECASTING	48
The Conceptual Framework	49
Marketing Planning	50
Steps in the Planning Process	52
Alternative Marketing Strategies	60
Sales Forecasting	64
Summary	69
Microcomputer Exercise: Sales Forecasting	72

APPENDIX A / DEVELOPING A MARKETING PLAN	73
Components of the Marketing Plan	73
Sample Marketing Plan: The Driftwood Inn	74

CHAPTER FOUR / MARKET SEGMENTATION	78
The Conceptual Framework	79
Segmenting Consumer Markets	80
Geographic Segmentation	82
Demographic Segmentation	88
Psychographic Segmentation	96
Benefit Segmentation	98
Segmenting Industrial Markets	101
Summary	103
Microcomputer Exercise: Engel's Law	105

CHAPTER FIVE / MARKET SEGMENTATION STRATEGIES	107
The Conceptual Framework	108
Alternative Market Matching Strategies	108
The Market Segmentation Process	112
Market Target Decision Analysis	116
Product Positioning	121
Summary	122

CHAPTER SIX / MARKETING RESEARCH AND INFORMATION SYSTEMS	124
The Conceptual Framework	125
An Overview of the Marketing Research Function	126
The Marketing Research Process	130
Data Collection	133
Interpreting Research Findings	144
Marketing Information Systems	146
Summary	154
Microcomputer Exercise: Sales Analysis	157

APPENDIX B / LOCATING SECONDARY DATA	158
Canadian Government Publications	158
Provincial Government Publications	161
Market Reports, Surveys, Directories, Special Issues, and Newsletters	162
International Marketing Publications	173

---

**Part 3 Consumer Behaviour**

---

**CHAPTER SEVEN / INTERPERSONAL INFLUENCES ON  
CONSUMER BEHAVIOUR 178**

The Conceptual Framework 179

Classifying Behavioural Influences: Personal and  
Interpersonal 179

The Consumer Decision Process 180

Cultural Influences 181

Social Influences 191

Family Influences 199

Summary 202

**CHAPTER EIGHT / PERSONAL INFLUENCES ON  
CONSUMER BEHAVIOUR 205**

The Conceptual Framework 206

Personal Determinants of Consumer Behaviour 206

Needs and Motives 206

Perceptions 210

Attitudes 214

Self Concept Theory 219

Learning 220

The Consumer Decision Process 223

Summary 228

Microcomputer Exercise: Evaluation of Alternatives 230

**CHAPTER NINE / BUYER BEHAVIOUR IN INDUSTRIAL  
AND GOVERNMENT MARKETS 233**

The Conceptual Framework 233

Types of Industrial Markets 234

Scope of the Industrial Market 235

Distinctive Features of the Industrial Market 236

Standard Industrial Classifications 237

Industrial Market Demand 238

Basic Categories of Industrial Products 239

The Nature of the Industrial Purchase: Systematic  
and Complex 240

Classifying Industrial Purchasing Situations 242

The Buying Centre Concept 244

The Process of Buying Industrial Goods and Services 246

Government Markets 249

Summary 252

Microcomputer Exercise: Competitive Bidding 254

**APPENDIX C / CONSUMER BEHAVIOUR MODELS 256**

Modelling Consumer Behaviour 256

---

**Part 4 Products**

---

CHAPTER TEN / PRODUCT STRATEGY	264
The Conceptual Framework	265
The Product Life Cycle	267
Departures from the Traditional Product Life-Cycle Model	270
Product Life Cycle Considerations in Marketing Strategy	273
Consumer Adoption Process	276
Consumer Goods and Industrial Goods: A Definition	281
Summary	288
Microcomputer Exercise: Return on Investment	291
CHAPTER ELEVEN / PRODUCT MANAGEMENT	
DECISIONS AND NEW-PRODUCT PLANNING	292
The Conceptual Framework	294
The Existing Product Mix	294
The Importance of Product Lines	295
New-Product Planning	297
The Organizational Structure for New-Product Development	301
Stages in the New-Product Development Process	306
Product Deletion Decisions	312
Product Identification	312
Packaging	321
Product Safety	326
Summary	327
CHAPTER TWELVE / SERVICES	331
The Conceptual Framework	332
Services: A Definition	332
The Nature of the Service Sector	333
Buyer Behaviour	336
The Status of Marketing in Service Firms	339
The Marketing Environment for Service Industries	340
The Marketing Mix for Service Firms	346
Organizational Responsibility for Marketing	349
Summary	350

---

**Part 5 Price**

---

CHAPTER THIRTEEN / PRICE DETERMINATION	354
The Conceptual Framework	355
The Importance of Price as an Element of the Marketing Mix	356



Price Determination	363
Price Determination in Economic Theory	363
Price Setting in Practice	370
Toward Realistic Pricing	378
Summary	385
Microcomputer Exercises: Markup	387
Breakeven Analysis	387

CHAPTER FOURTEEN / MANAGING THE PRICING  
FUNCTION 389

The Conceptual Framework	389
Organization for Pricing Decisions	389
Price Quotations	391
Pricing Policies	394
The Price–Quality Concept	404
Negotiated Prices and Competitive Bidding	405
The Transfer Pricing Problem	406
Pricing in the Public Sector	407
Summary	408
Microcomputer Exercise: Competitive Bidding	410

## Part 6 Distribution

## CHAPTER FIFTEEN / CHANNEL STRATEGY 414

The Conceptual Framework	415
The Role of Distribution Channels in Marketing Strategy	416
Types of Distribution	418
Power in the Distribution Channel	425
Channel Strategy Decisions	427
Vertical Marketing Systems	433
The Distribution Channel: Conflict and Co-operation	440
Summary	441
Microcomputer Exercise: Decision Tree Analysis	444

## CHAPTER SIXTEEN / WHOLESALING 447

- The Conceptual Framework 448
- Wholesaling Activities 448
- Wholesaling Functions 448
- Types of Wholesaling Intermediaries 453
- Summary 463
- Microcomputer Exercise: Inventory Turnover 465

## CHAPTER SEVENTEEN / RETAILING 466

The Conceptual Framework 467

Evolution of Retailing	467
The Framework for Decisions in Retailing	469
Categorizing Retailers by Retailing Strategy	473
Retailers Classified by Shopping Effort	474
Retailers Classified by Services Provided	476
Retailers Classified by Product Lines	477
Retailers Classified by Location of Retail Transaction	484
Retailers Classified by Form of Ownership	488
Significant Developments Affecting Retailing Strategy	491
The Wheel-of-Retailing Hypothesis	494
The Retail Life Cycle	495
Summary	498
Microcomputer Exercise: Markups and Markdowns	501

## CHAPTER EIGHTEEN / MANAGEMENT OF PHYSICAL DISTRIBUTION 502

The Conceptual Framework	503
Importance of Physical Distribution	503
Physical Distribution and Consumer Satisfaction	504
Components of the Physical Distribution System	505
The Objective of Physical Distribution	505
Organizational Considerations	507
Customer Services Standards	510
Physical Distribution System Components	511
Transportation Considerations	512
Warehousing	518
Order Processing	520
Inventory Control Systems	522
Materials Handling Systems	524
International Physical Distribution	525
Summary	525
Microcomputer Exercise: Economic Order Quantity	527

---

## **Part 7 Promotion**

---

## CHAPTER NINETEEN / PROMOTIONAL STRATEGY 532

The Conceptual Framework	533
The Communications Process	534
Components of the Promotional Mix	537
Factors Affecting the Promotional Mix	539
Promotional Strategy — Pull or Push	542
Promotion Objectives	544
Budgeting for Promotional Strategy	548
Measuring the Effectiveness of Promotion	551