

The background of the cover is a complex, abstract pattern of overlapping geometric shapes in two colors: a deep blue and a mustard yellow. The shapes are irregular, with some resembling stylized letters or organic forms. The blue shapes are set against a yellow background, and vice versa, creating a high-contrast, visually busy texture. The text is printed in a bold, sans-serif font, with the title and authors' names in yellow on blue rectangular backgrounds, and the subtitle in blue on a yellow background.

STUDY GUIDE

MODERN MARKETING

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Study Guide with Readings and Cases

to accompany

Rachman and Romano's

MODERN MARKETING

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TO THE STUDENT

The purpose of this Study Guide is to help you understand and apply the concepts presented in Modern Marketing. This supplementary resource is designed to facilitate your understanding and appreciation of the field of marketing, not to serve as a substitute for the text itself.

HOW THE GUIDE IS ORGANIZED

The first section of each chapter, entitled Chapter Objectives, describes what you should expect to have learned after you have carefully studied the material in the chapter. These objectives will help define and clarify the important issues involved in the chapter. The chapter exercises that follow in the guide are written with the objectives in mind, so that by the time you have read the text chapter and completed the study guide exercises, you should have mastered all of the objectives.

The Chapter Highlights section is designed to resemble an outline of the chapter that you yourself might have constructed. This overview of the chapter's main ideas can be used both as a preview of the scope and organization of the chapter and as a quick review to refresh your memory or to prepare for a test.

The Chapter Glossary merits careful study. It highlights the significant terms presented in the chapter. When you fully grasp their meanings, you will have a good understanding of the chapter itself. By reviewing the terms occasionally, you will quickly add them to your vocabulary in marketing.

The three groups of exercises that follow give you an opportunity to evaluate your progress in mastering concepts presented in the chapter. The groups of exercises are progressively more challenging, requiring you to (1) remember the factual information presented, especially the definitions that appear in the Chapter Glossary (Recall), (2) digest this information and begin to see how different facts are related (Review and Reinforcement), and (3) apply this information to a variety of short cases and readings involving some aspect of the marketing profession (Comprehension and Application). Answers for the three sets of exercises are provided at the end of the guide.

USING THE STUDY GUIDE

Now, how are you to make the best possible use of your guide? Here are a few suggestions.

As you begin a chapter, first read the Chapter Objectives to find out what is expected of you. Next scan the Chapter Highlights to become acquainted with the scope and organization of the chapter. Then scan the Chapter Glossary. Mark any

terms that are unfamiliar to you or that seem likely to have specialized meanings in marketing. You will want to watch for their meanings in context as you read the text chapter itself.

In reading the chapter itself, you may find it very helpful to refer now and again to these sections in the Study Guide. Reread the Chapter Objectives to keep yourself on track, review the Chapter Glossary, and quickly scan the Chapter Highlights for preceding sections as you begin a new major section in the chapter to maintain a sense of the whole. Make the book your own: underline key sentences, circle significant terms, jot notes and queries about items of special interest or difficulty in the margins. If you prefer not to mark your text, by all means mark your Study Guide. Each notation makes it more valuable to you as a resource and a guide.

When you have completed the chapter, turn to the exercises in your Study Guide. Their purpose is to make you an active participant in the learning process through self-evaluation. They are designed to help you spot quickly the facts, concepts, or principles you have not mastered so that you can review them before being tested by your instructor.

For the Recall exercises, answers are given at the end of the Study Guide. If you cannot provide the word or phrase that best completes a statement, take a moment to reread it in context before continuing. When you check your answers after completing the exercises, again take a moment to review in context any that you answered incorrectly. Suggested answers are provided for the Comprehension and Application items, but these are merely guidelines to what should be included in your answers. Completing the activities in this section requires a firm grasp of marketing principles and a good deal of imagination. If your answers bear little resemblance to the guidelines provided, a more concentrated review of related material in the chapter may be required.

SOME ADDITIONAL GUIDANCE

On answers that you swear are right. Occasionally an answer you give to one of the test items may not be the answer given in the guide, even though it is just as good as that answer. This will be especially true of the Recall exercises. If the answer key says "black" and you have written "dark," don't let it worry you. You are just as right as the guide. If you are in doubt about whether your response is correct or not, go to the text or the summary at the end of the chapter. It should tell you. In the multiple-choice items in the Review and Reinforcement section, the correct answers are more clear-cut. You must choose the best possible answer among the choices given. Check with your instructor if you're not sure.

On taking tests and exams. Your instructor will probably be giving you tests that look very much like the Review section in this guide. Clearly, it is to your advantage to spend some time with the guide before taking any quiz or exam. When you do take a test, whether in marketing or any other field, read each question carefully and be sure to answer the question asked, not one of your own making.

It is common in the social sciences for students to try to "psych out" questions, thinking up all possible exceptions to every rule. Do not allow yourself to do this. You will only confuse yourself and reduce your overall score.

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WHO NEEDS MARKETING?

I. REVIEWING THE CHAPTER

CHAPTER OBJECTIVES

After studying this chapter you should be able to:

1. Describe the essential elements of marketing.
2. Explain the meaning of the word "exchange" in the expanded sense often used in marketing.
3. Describe what marketing adds to the United States economy.
4. Relate marketing costs to the economic and psychological utilities created by marketing.
5. Explain the essential elements of the marketing concept and why this concept is useful.
6. Relate some of your personal qualities to potential marketing careers and estimate how you fit into the marketing picture.
7. Discuss the conflict between reformers and current marketing practitioners.

CHAPTER HIGHLIGHTS

1. Marketing Transactions

Exchange consists of surrendering something of value for something else of value. The things exchanged need not be tangible. For example, you are now exchanging time and mental effort for knowledge. Exchange is used in marketing in this broader sense, rather than in the classical economic sense. In a typical marketing transaction you exchange time, attention, thought, analysis, information, and money for goods or services that have real (tangible), social, and psychological values to you. It is also possible for the elements of exchange to be entirely intangible or symbolic.

2. Marketing and the Economy

Marketing is important to our economy and a key element in the maintenance of our higher standard of living. As a matter of fact, on the average about half of what consumers spend covers marketing costs, and this half goes to the approximately one-third of the population engaged in marketing functions. Therefore, incomes to people employed in marketing can be expected to be at least very good in general, and high in many cases.

Marketing adds value to products through the creation of time, place, and ownership utility. Form utility is created by manufacturing. Without the economies of scale made possible by modern marketing, industry probably could not function as efficiently as it does. Someone must perform marketing functions. They cannot be eliminated. But, they can be shifted or shared.

3. Marketing, the Business Firm, and Other Organizations

The marketing orientation is a rather recent phenomenon. In our nation's early industrial history, mass production by mechanized means was thought of as key and mass production did not give consumers much choice of product style. When production began to exceed demand, selling became the focus of the business effort. In the 1950s, with the growth of consumer affluence, consumers have had more voice in the marketplace. Consumers now seek goods and services not only for their functional utility, but also to derive psychological and social benefits--and companies have responded by becoming marketing oriented.

Marketing-oriented businesses develop strategies and programs about three central objectives:

- 1) Market only what consumers want
- 2) Integrate systems to satisfy those wants
- 3) Operate for long-run profitability rather than quick sales

The adoption of the marketing orientation has caused many companies to operate with great success.

Companies which operate according to the marketing concept focus upon the customer, the key element in their target market. They then select a marketing strategy derived from their goals (mission) and develop or design a marketing mix composed of specific blends of product, pricing, promotion, and placement --the four Ps of marketing.

The differences between a marketing orientation and a production orientation can be readily indicated by contrasting the economy of Communist nations with our own. The levels of consumer satisfaction and material well-being are vastly higher in this country.

As a philosophical approach the marketing concept has broad application. It can be successfully applied to commerce for a profit, or it can be applied

to the operations of nonprofit organizations to achieve their goals with more certainty and more efficient application of their resources.

4. Marketing Careers and Reform

Marketing is a growing field. Knowledgeable people are in demand to accomplish marketing functions for all kinds of organizations, and the rewards for successful effort are more than adequate. The challenges to be met and the joy of success can both be great in marketing. There also appears to be more room at the top for marketers than people with other specializations.

Marketing is under pressure to meet not just consumer needs but societal needs as well. If marketers do not do this voluntarily, they may be constrained to do so through legislation, which may then compel modification of the marketing concept into a societal marketing concept. This represents a massive challenge. Consumers as individuals do not often want what is best for society when it increases their costs or inconvenience significantly.

CHAPTER GLOSSARY

consumerism The social movement that seeks to increase the power and rights of buyers in relation to sellers.

exchange The process by which two or more parties freely give something of value to each other to satisfy some of their needs.

form utility The value added to a product by the conversion of raw materials into a finished good.

goods Tangible objects exchanged in marketing.

marketing Activities performed by individuals, businesses, and nonprofit organizations that help bring about exchange and thus satisfy the needs of parties to the exchange.

marketing concept The business philosophy which emphasizes that (1) companies should produce only what customers want; (2) management must integrate all company activities to develop programs to satisfy those wants; and (3) long-range profit goals, rather than quick sales, should guide management.

marketing manager The chief marketing executive who coordinates the work of members of the marketing department.

marketing mix The marketing department's unified plan which specifies what will be offered to customers (the product) and how (its price, promotion, and placement).

ownership utility The value added to a product when a means of transferring title to it is provided.

place utility The value added to a product by making it available where buyers want it.

placement The marketing activity of delivering a product and (often) title to it.

pricing The marketing activity of placing a monetary and/or nonmonetary value on products offered by a firm.

product A good, service, or idea offered for exchange that embodies benefits customers seek.

production orientation The business philosophy which emphasizes that (1) anything that can be produced can be sold; (2) the most important managerial task is to reduce the cost of production; and (3) a company should produce only certain basic products.

promotion An organization's communications with customers to inform, persuade, or remind them to accept, resell, recommend, or use a product.

sales orientation The business philosophy which emphasizes that (1) finding buyers for products is management's chief concern; and (2) a manager's main task is to convince buyers, sometimes through high-pressure tactics, to purchase a firm's output.

services Intangible products exchanged in marketing.

societal marketing concept The business philosophy that emphasizes balancing concern for profits with satisfying individual wants and meeting overall societal needs.

time utility The value added to a product by making it available when buyers need it.

II. MASTERING THE CHAPTER

RECALL

1. Exchange is concerned with both tangible and _____ elements.
2. Almost every product possesses economic utility plus _____ and _____ benefits.
3. Form utility is generated by _____.
4. Time, place, and ownership utilities are generated by _____.

5. On the average about _____ cents out of each dollar you spend covers marketing costs.
6. From 1865 to the end of World War I a _____ orientation dominated business in the United States.
7. The business philosophy which preceded the marketing concept (about 1920-1950) was _____ oriented.
8. The marketing concept focuses upon _____ (production/consumers/financial data).
9. The 4Ps (elements of the marketing mix) are (1) _____, (2) _____, (3) _____, and (4) _____.
10. The marketing concept stresses _____ (short-term/long-term) profit.
11. Whenever two or more parties transfer something of value (tangible or intangible), an _____ has taken place.
12. The consumer movement is likely to result in _____ constraints upon marketing practice if business does not undertake voluntary reform.
13. Consumerism is likely to result in the adoption of a _____ marketing concept.
14. Marketers often risk alienating _____ when employing a societal marketing concept.
15. The individual needs which marketers seek to satisfy _____ (often/rarely) conflict with society.

REVIEW AND REINFORCEMENT

1. The production-oriented era began after the Civil War (1865) and ended:
(a) at the turn of the century; (b) 20 years later; (c) about 1920; (d) after the Great Depression (1930s).
2. Mass production depends heavily upon: (a) centralization; (b) efficient marketing systems; (c) wide distribution; (d) all of these.
3. The marketing concept forces a focus upon: (a) form utility; (b) consumers; (c) product; (d) price.
4. Marketing based upon research and analysis of consumer needs determines what is produced under: (a) a production orientation; (b) a sales orientation; (c) the marketing concept; (d) none of these.

5. The want- or need-satisfying power of a good or service is called: (a) satiation; (b) utility; (c) gratification; (d) none of these.
6. Production creates _____ utility. (a) time; (b) place; (c) form; (d) possession.
7. Deriving long-run profits through consumer satisfaction is the prime element in: (a) manufacturing efficiency; (b) the consumer movement; (c) the marketing concept; (d) the sales concept.
8. When you buy a typical good in the marketplace for \$4, it is most likely that _____ was spent to cover marketing costs. (a) \$1; (b) \$2; (c) \$2.50; (d) less than \$2.
9. The existence of _____ creates the need for marketing. (a) production; (b) needs; (c) surpluses; (d) all of these.
10. Marketing-oriented businesses develop strategies and programs concerned with: (a) marketing only what consumers want; (b) integrated systems to satisfy wants; (c) operations oriented to long-run profitability; (d) all of these.

COMPREHENSION AND APPLICATION

1. Kellie Weir (age 18) has been "bugging" her father for the past six months to set her up in her own business. She would like to establish a hammock shop.

It is her intent to produce woven rope hammocks using piece-rate contract labor for the weaving of the bed and end parts and the drilling of the wooden spreader bars. The parts thus produced are to be assembled in the salesroom she intends to rent. The salesroom is to be on a main thoroughfare traveled by tourists going to Wrightsville Beach, North Carolina, and is staffed by a salaried clerk.

The costs and selling prices for each of the three models of hammocks she intends to produce are the following (her estimates):

<u>Model</u>	<u>Selling Price</u>	<u>Cost</u>
48" wide	\$39.95	\$26.50
54" wide	\$54.95	\$35.50
60" wide	\$59.95	\$41.00

The selling prices cannot be adjusted upward due to competition and the conditions already established in the market by competition.

Before he will permit Kellie to begin the venture (which he will likely finance), her father insists that Kellie devise a plan and get more information on what her market will be and how she intends to reach it. He says, "The price must

cover all costs." He keeps pressuring her to prepare estimates of all her costs and revenues. She keeps repeating to him, "I've already told you what each hammock will cost and sell for. Stop bugging me." She insists the tourists and the surrounding community will buy all the hammocks she can produce.

- a. How could knowledge of the marketing concept benefit Kellie and her father?
- b. If Kellie is to do things right, what should she do first?
- c. What should the next steps be?
- d. Does the marketing concept really apply to an operation this small?
- e. In addition to production, what other functions must Kellie perform or provide for?
- f. What does Kellie's father mean by "the price must cover all costs"?

g. Because Kellie is to be producer and seller, has she eliminated middleman functions?

h. What is Kellie's implicit philosophy of marketing?

2. Bashir Kassim came to the United States as a student of philosophy and mathematics. He liked it here and decided to stay. However, he needed to support himself and turned to his family in India for suggestions. They recommended that upon graduation he establish an outlet on the East Coast of the United States for the single product produced by his family in Delhi--traditional Indian rugs of high quality. The family operated a factory, the output of which was constantly increasing as a result of growing affluence in Asia and Europe.

Initially, Bashir was successful. But after about ten years of operation, the post-1972 recession began, and Bashir was confronted with declining demand. He advertised heavily and offered frequent sales with only minor success.

In desperation he sought family advice. The family's response was disheartening. They did not know what to do. Sales everywhere were down. The factory could not afford to operate much longer, since most of the time it was a losing proposition. The family countered with a request for advice from Bashir since he was in the "domain of modern marketing," the United States.

Bashir hired a consultant. Much to his surprise, rather than immediately giving advice, the consultant began by questioning Bashir. At the end of the first session the consultant gave Bashir a condensed list of the main points revealed as a result of the questioning and told Bashir to study the list before their next meeting in order to get a good picture of the present operations. The consultant said, "We have to move from what is to what ought to be. This list contains the main elements of 'what is.' Read it and then speculate on 'what ought to be' until next week, when I'll see you again."

Bashir looked at the list. It read:

- 1) Nonmarketing activities are given prime emphasis in company planning.
- 2) Your company is dominated by a sales orientation. You are told to sell what is produced.

- 3) A volume orientation exists.
- 4) Most of your marketing is managed by nonmarketing people and departments.
 - a. What ought to be?
 - b. What elements are required in the company's operations, and in what possible forms?
 - c. The recession has imposed a requirement for a new strategy. In general, what might it be?
 - d. How might the company change its product?
 - e. Prepare a revised list of the factors referred to by the consultant with the marketing concept in mind.
3. The following excerpt relates to marketing's current great dilemma. Read the excerpt and answer the questions which follow.

Marketing's Changing Social Relationships

William Lazer

Changing Marketing Boundaries

We may well ask, what are the boundaries of marketing in modern society? This is an important question that cannot be answered simply. But surely these boundaries have changed and now extend beyond the profit motive. Marketing ethics, values, responsibilities, and marketing government relationships are involved. These marketing dimensions will unquestionably receive increasing scrutiny by practitioners and academicians in a variety of areas, and the result will be some very challenging and basic questions that must be answered.

We might ask, for example, can or should marketing, as a function of business, possess a social role distinct from the personal social roles of individuals who are charged with marketing responsibilities? Does the business as a legal entity possess a conscience and a personality whose sum is greater than the respective attributes of its individual managers and owners? Should each member of management be held personally accountable for social acts committed or omitted in the name of business? Answers to such questions change with times and situations, but the trend is surely to a broadening recognition of greater social responsibilities--the development of marketing's social role.

Few marketing practitioners or academicians disagree totally with the concept that marketing has important social dimensions and can be viewed as a social instrument in a highly industrialized society. Disagreement exists, however, about the relative importance of marketing's social dimensions as compared to its managerial or technical dimensions.

The more traditional view has been that marketing management fulfills the greater part of its responsibility by providing products and services to satisfy consumer needs profitably and efficiently. Those adopting this view believe that as a natural consequence of its efficiency, customers are satisfied, firms prosper, and the well-being of society follows automatically. They fear that the acceptance of any other responsibilities by marketing managers, particularly social responsibilities, tends to threaten the very foundation of our economic system. Moot questions about who will establish the guidelines, who will determine what these social responsibilities should be, and who will enforce departures from any standards established are raised.

However, an emerging view is one that does not take issue with the ends of customer satisfaction, the profit focus, the market economy, and economic growth. Rather, its premise seems to be that the tasks of marketing and its concomitant responsibilities are much wider than purely economic concerns. It views the market process as one of the controlling elements of the world's social and economic growth. Because marketing is a social instrument through which a standard of living is

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