



Marketing Today

Third Edition



David J. Schwartz



Marketing Today A Basic Approach

Third Edition

David J. Schwartz

Georgia State University



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Preface

Marketing Today, Third Edition, continues its overall managerial orientation and focuses on dealing with product, place, price, and promotion decisions. The eclectic approach of the previous two editions has been retained on the premise that an introductory course should make use of pertinent information from related disciplines. The broad objective of this text is simple and direct: to present the fundamentals of marketing in an interesting, challenging, and rewarding way.

In this edition, Marketing Strategies of two or more firms competing for the same market are included in each chapter. Some of them are ABC versus CBS versus NBC, John Deere versus International Harvester, Coca-Cola versus Pepsi-Cola, and Red Carpet versus Century 21. These comparative strategies are interesting in themselves, but they also illustrate the creativity involved in marketing and the variety of ways marketing managers try to achieve goals.

The very popular Marketing Profile feature has been retained. Most of the marketers discussed are new to this edition. Students should find the varied backgrounds and approaches to marketing of the people profiled both interesting and encouraging. Some of the people included are Sir Freddie Laker, the marketer of air travel; Joseph Gandolfo, who may be the nation's greatest salesperson; Diane Von Furstenberg, the fashion marketer; and Berry Gordy, one of the great marketing people in entertainment.

Marketing Milestones in each chapter treat major developments that have refocused the practice of marketing. These developments include ZIP codes, WATS lines, self-service gasoline, the death of resale price maintenance, and product warranties. These discussions are designed to help the student see that the environment of marketing is under constant change.

A short case study concludes each chapter. Although the cases have been fictionalized, they are based on real marketing problems. The objective of the cases is to show that problem solving is the principal activity of marketing managers.

Structurally, the Third Edition differs significantly from preceding editions. The number of chapters has been reduced through a more practical arrangement of content. The chapter on marketing to the government, for example, has been integrated with the chapter on the industrial market. The three chapters on pricing have been condensed to two. Overall, the Third Edition is more than 100 pages shorter than the Second Edition. A combination instructor's manual and test bank are available to professors using the text. A student workbook, *Marketing Words and Concepts*, is also available.

This edition of *Marketing Today* would not have been possible without the assistance of the staff at Harcourt Brace Jovanovich, Inc. For their patience, imagination, and talents, I would like to thank Geri Davis, designer, and Sue Lasbury, art editor. In addition, Eudora Rogers acted as my research assistant, and Dianne Malik provided the index. I am also indebted to two of my colleagues in marketing—Donald Sciglimpaglia of San Diego State University and Larry M. Robinson of Georgia State University—who reviewed the revised manuscript in its early stages.

Although we live in a time of rapid change and uncertainty, the growing interest in the revitalization of all aspects of business, particularly marketing, should be encouraging. I hope *Marketing Today*, Third Edition, will help students to appreciate not only the role that marketing plays in business, but the role that they can play in marketing.

David J. Schwartz

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1

An Overview

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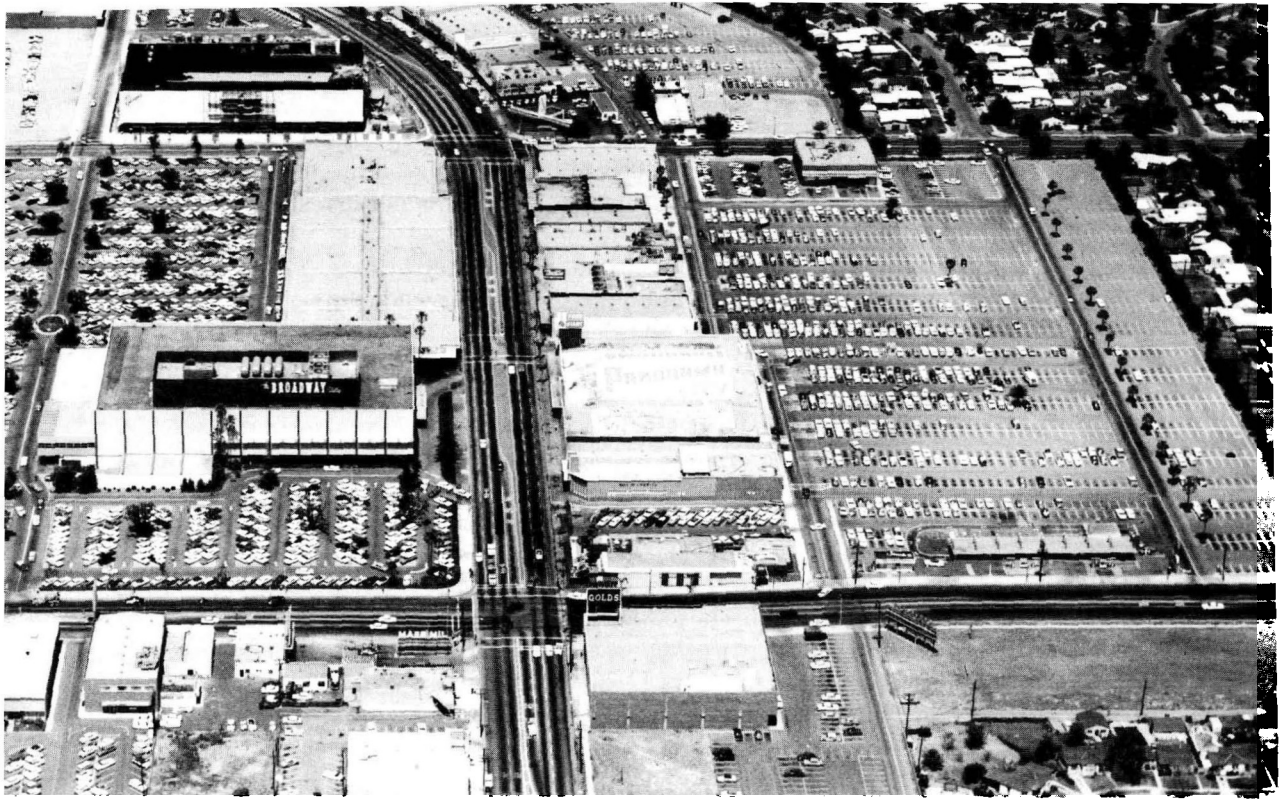
Marketing: An Overview



Study Objectives

After studying this chapter, you should be able to

1. Define marketing and discuss the activities it involves.
2. Define the marketing mix and outline its four controllable strategy variables.
3. List the uncontrollable elements that exist in the marketing environment.
4. Explain the key role management plays in the marketing process.
5. Describe the relationship of marketing to economics, sociology, psychology and anthropology.
6. Briefly summarize the history of marketing.



At its most basic level, marketing refers to the efforts of a producer to convince potential consumers to buy a product. At a more sophisticated level, marketing consists of all those activities that direct a flow of products or services from individual or organized producers to consumers or users, for either commercial or noncommercial objectives.

What Is Marketing?

First, marketing involves performing activities. Consider just a few of the marketing activities performed by automobile producers to persuade you to exchange your dollars for their cars:

1. Research on design, on styling, and on the demand for the product. (Thus, marketing begins *before* the production process.)
2. Pricing, at both the manufacturer and retailer (dealer) levels.
3. Transportation and storage of the finished cars, first by the manufacturer and later by the retailer.

4. Advertising in magazines, on radio and television, in newspapers, on billboards, and through other media. (Demand is not just satisfied; it is often created or directed.)
5. Provision of sales tools and promotional aids to dealers. (Education of dealer personnel is a major marketing activity in this and many other industries.)
6. Management of franchised dealers to make certain customers receive adequate service; establishment of sales quotas, policies, plans, and controls.
7. Personal selling by dealer personnel; transfer of title to the car buyer.
8. Financing of dealers' inventories and, perhaps, customers' purchases.
9. Providing postpurchase services to ensure customer satisfaction.

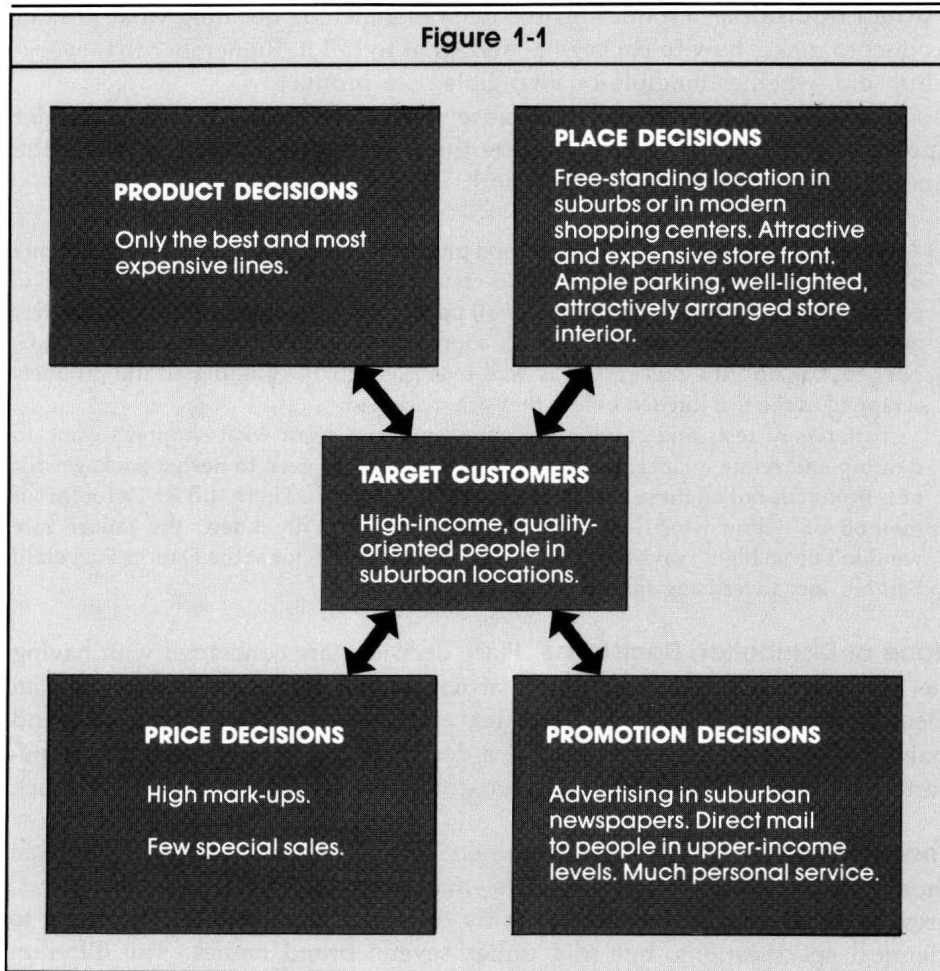
Second, *marketing directs the flow of products and services*. Marketing is not concerned only with tangible products such as appliances, food, or tennis balls. Services such as health care, hair styling, and entertainment are intangible "products" which must be marketed as well. As our understanding of marketing expands, we see that marketing activities are needed to bring about the exchange of concepts and ideas. Certainly, politicians use marketing techniques to obtain votes in exchange for their promises. And various kinds of social movements seem to succeed or fail according to how effectively they are marketed.

A third key element in our definition states that *marketing is performed by both individuals and organizations*. Marketing by large organizations is much more conspicuous because of its heavy emphasis on promotion. But small businesses must also market successfully to survive and prosper. The sole proprietor of a small sandwich shop performs marketing activities by displaying cold cuts in a glass-fronted cooler or painting a menu on the front window.

Our definition also states that *marketing is intended to meet either commercial or noncommercial objectives*. This book focuses on the commercial objectives of profit-seeking firms. Nonprofit-seeking enterprises, however, must also perform marketing activities. Many universities use advertising and other promotional techniques to market continuing education programs; the United Appeal and other charitable organizations perform marketing activities to win public support; and the mounting of an evangelical crusade requires careful marketing planning and execution.

Marketing Involves Much More than Selling and Advertising

Students and many business people often feel that marketing is synonymous with personal selling and advertising. Unquestionably, selling and advertising are two key activities in marketing many products and services. But marketing includes much more. For example, a retailer of tape recorders and related merchandise must decide which target market to reach, where to locate the store, what specific items and how many to stock, where and how to display them, how to price them, and how to handle credit. These are all marketing related issues.



The Marketing Mix: Controllable Strategic Variables

A convenient way to study marketing is to separate the various activities involved into four decision areas or marketing variables: product decisions, place decisions, price decisions, and promotion decisions. These are diagrammed in Figure 1-1. These activities focus on the consumer, because the goals of a marketing manager are to satisfy the consumer and earn a profit in the process.

Marketing managers should aim all decisions at satisfying the target customers. The goals of marketing managers cannot be met by marketing products that target customers don't want or by trying to sell desirable products at undesirable locations, at the wrong price, or through ineffective promotional means.

**Marketing
Variables:
The 4 Ps**

Product Decisions Product-related decisions include deciding what kind of product to make, how to package it, and what to call it. Remember that everything sold, whether tangible or intangible, is a product.

Product decisions are risky, because most new products fail. Consider Applesy, a Pillsbury product. Despite three years of extensive research, the product failed. According to one report:

Applesy went the way of most new food products—down the drain. The failure rate has always been enough to give food-company executives indigestion, and it is getting worse. More than 60 percent of all new grocery products introduced into test markets in 1977 failed, compared with about 50 percent in 1971, according to A.C. Nielsen Co. And the failure rate is well over eight in 10 counting all the products scrapped in the test kitchen before they are marketed.

Batteries of tests and surveys are conducted to discern what shoppers want, to develop and refine recipes, to choose brand names and even to design packages for new products, but all these efforts have been to little avail. There still isn't a foolproof method of telling what will succeed. "If anybody really knew, the failure rate wouldn't be so high," says Edward Tauber, research director at the Dancer Fitzgerald Sample, Inc. advertising agency.¹

Place or Distribution Decisions Place decisions are concerned with having the product available to consumers at convenient locations, maintaining an adequate inventory, selecting wholesalers and retailers to carry the product, and maintaining distribution centers. Place decisions also involve selecting transportation companies and arranging for storage or warehousing of the product.

Price Decisions Everything of commercial value commands a price. But what should that price be? Many products—mattresses, raincoats, sweaters, shoes, tires, batteries, and so on—are made by the same manufacturer according to identical specifications, but sold under several brand names. The different brand names often command different prices. Marketing managers must decide to sell at, above, or below competitive prices.

Most food stores, for example, sell meat at or near the prices charged by competitors. But not Lobel's. When A & P was selling veal scallops for \$6.20 a pound, Lobel's butcher shop was selling theirs for \$14.89 a pound. Lobel's charges two to five times as much for its meat and poultry products as do other stores. Why? Because it sells the highest quality products, is located in an exceptionally affluent neighborhood (Manhattan's Upper East Side), provides highly personalized service, and caters to Jacqueline Onassis, Robert Redford, and other wealthy consumers.²

¹Laurence Ingrassia, "There's No Way to Tell If a New Food Product Will Please the Public," *Wall Street Journal*, February 26, 1980, p. 1. Reprinted by permission of *The Wall Street Journal*, © Dow Jones & Company, Inc., 1980. All Rights Reserved.

²Maria Shao, "Those Who Insist on Paying the Most Get Meat at Lobel's," *Wall Street Journal* February 25, 1980, p. 1.