

## BASIC MARKETING

15/E

A GLOBAL-MANAGERIAL APPROACH

William D. Perreault, Jr. E. Jerome McCarthy

## BASIC MARKETING

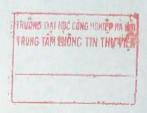
A GLOBAL-MANAGERIAL APPROACH



FIFTEENTH EDITION

## BASIC MARKETING

A GLOBAL-MANAGERIAL APPROACH



#### William D. Perreault, Jr., Ph.D.

UNIVERSITY OF NORTH CAROLINA

#### E. Jerome McCarthy, Ph.D.

MICHIGAN STATE UNIVERSITY

GIFT OF THE ASIA FOUNDATION NOT FOR RE-SALE

QUÀ TẶNG CỦA QUỸ CHÂU Á KHÔNG ĐƯỢC BÁN LAI



Boston Burr Ridge, IL Dubuque, IA Madison, WI New York San Francisco St. Louis Bangkok Bogotá Caracas Kuala Lumpur Lisbon London Madrid Mexico City Milan Montreal New Delhi Santiago Seoul Singapore Sydney Taipei Toronto



#### BASIC MARKETING: A GLOBAL-MANAGERIAL APPROACH

Published by McGraw-Hill/Irwin, a business unit of The McGraw-Hill Companies, Inc., 1221 Avenue of the Americas, New York, NY, 10020. Copyright © 2005, 2002, 1999, 1996, 1993, 1990, 1987, 1984, 1981, 1978, 1975, 1971, 1968, 1964, 1960 by The McGraw-Hill Companies, Inc. All rights reserved. No part of this publication may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written consent of The McGraw-Hill Companies, Inc., including, but not limited to, in any network or other electronic storage or transmission, or broadcast for distance learning. Some ancillaries, including electronic and print components, may not be available to customers outside the United States.

This book is printed on acid-free paper.

#### 1234567890 DOW/DOW 0987654

#### ISBN 0-07-252523-1

Editorial director: John E. Biernat Executive editor: Linda Schreiber Coordinating editor: Lin Davis

Managing developmental editor: Nancy Barbour Executive marketing manager: Dan Silverburg

Media producer: Craig Atkins

Senior project manager: Christine A. Vaughan Manager, new book production: Heather D. Burbridge

Director of design BR: Keith J. McPherson
Photo research coordinator: Jeremy Cheshareck

Photo researcher: Mike Hruby

Lead supplement producer: Cathy L. Tepper Senior digital content specialist: Brian Nacik

Interior design: Kiera Pohl

Cover Illustration: Jeff Nishinaka/Bernstein & Andriulli

Cover designer: Keith J. McPherson

Typeface: 10.5/12 Goudy

Compositor: GTS-Los Angeles, CA Campus

Printer: R. R. Donnelley

#### Library of Congress Cataloging-in-Publication Data

Perreault, William D.

Basic marketing: a global-managerial approach/William D. Perreault, Jr., E. Jerome McCarthy.—15th ed.

p. cm.—(McGraw-Hill/Irwin series in marketing) Includes bibliographical references and index. ISBN 0-07-252523-1 (alk. paper)

1. Marketing—Management. I. McCarthy, E. Jerome (Edmund Jerome) II. Title. III. Series.

HF5415.13.M369 2005 658.8—dc22

2004040321

# About the Authors of *Basic Marketing, 15/e*



William D. Perreault, Jr.

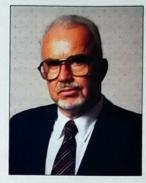
is currently Kenan Professor at the University of North Carolina Kenan-Flagler Business School. He has also taught at Stanford University, the University of Georgia, and North Carolina State University and has been an invited speaker at over 80 universities. During 1997 he was the Arthur Andersen

Distinguished Visitor at Cambridge University.

Dr. Perreault is the recipient of the two most prestigious awards in his field: the American Marketing Association Distinguished Educator Award and the Academy of Marketing Science Outstanding Educator Award. He also was selected for the Churchill Award, which honors career impact on marketing research. He was editor of the Journal of Marketing Research and has been on the review board of the Journal of Marketing and other journals. His research has also been published in many journals, and one Journal of Marketing article was recently voted one of the most influential articles on sales and sales management of the twentieth century.

The Decision Sciences Institute has recognized Dr. Perreault for innovations in marketing education, and at UNC he has received several awards for teaching excellence. His books include two other widely used texts: Essentials of Marketing and The Marketing Game!

Dr. Perreault is a past president of the American Marketing Association Academic Council and twice served on the AMA board. He was chair of an advisory committee to the U.S. Bureau of the Census, a trustee of the Marketing Science Institute, and on the Council of the Decision Sciences Institute. He is a Fellow of the Society for Marketing Advances. He has also worked as a consultant to organizations that range from GE and IBM to the Federal Trade Commission and Venezuelan Ministry of Education. He is on the advisory board for Copernicus: The Marketing Investment Strategy Group.



E. Jerome McCarthy

received his Ph.D. from the University of Minnesota. He has taught at the Universities of Oregon, Notre Dame, and Michigan State. He was honored with the American Marketing Association's Trailblazer Award in 1987, and he was voted one of the "top five" leaders in Marketing Thought by marketing educators.

He has been deeply involved in teaching and developing new teaching materials. Besides writing various articles and monographs, he is the author of textbooks on data processing and social issues in marketing.

Dr. McCarthy is active in making presentations to business meetings and academic conferences. He has worked with groups of teachers throughout the country and has addressed international conferences in South America, Africa, and India.

He was also a Ford Foundation Fellow in 1963–64, studying the role of marketing in global economic development. In 1959–60 he was a Ford Foundation Fellow at the Harvard Business School working on mathematical methods in marketing.

Besides his academic interests, Dr. McCarthy has been involved in consulting for, and guiding the growth of, a number of businesses—both in the U.S. and overseas. He has worked with top managers from Steelcase, Dow Chemical, 3M, Bemis, Grupo Industrial Alfa, and many other companies. He has also been active in executive education and is a director of several organizations. However, throughout his career his primary interests have been in (1) "converting" students to marketing and effective marketing strategy planning and (2) preparing teaching materials to help others do the same. This is why he has spent a large part of his career developing, revising, and improving marketing texts to reflect the most current thinking in the field.

### Contents



CHAPTER ONE

Marketing's Value to Consumers, Firms, and Society

Marketing—What's It All About? 4
Marketing Is Important to You 6
How Should We Define Marketing? 7
Macro-Marketing 9

The Role of Marketing in Economic Systems 13 Marketing's Role Has Changed a Lot over the Years 15

What Does the Marketing Concept Mean? 17
Adoption of the Marketing Concept Has Not Been
Easy or Universal 18

The Marketing Concept and Consumer Value 19
The Marketing Concept Applies in Nonprofit
Organizations 23

The Marketing Concept, Social Responsibility, and Marketing Ethics 24

Conclusion 28
Key Terms 28
Questions and Problems 29
Suggested Cases 30
Computer-Aided Problem 30



CHAPTER TWO

#### Marketing Strategy Planning

The Management Job in Marketing 35
What Is Marketing Strategy Planning? 36
Selecting a Market-Oriented Strategy Is Target
Marketing 37

Developing Marketing Mixes for Target Markets 38

The Marketing Plan Is a Guide to Implementation and Control 43

The Importance of Marketing Strategy Planning 45

Creative Strategy Planning Needed for Survival 47

What Are Attractive Opportunities? 47
Marketing Strategy Planning Process Highlights
Opportunities 49

Types of Opportunities to Pursue 52
International Opportunities Should Be
Considered 54

Conclusion 55 Key Terms 56 Questions and Problems 56 Suggested Cases 57 Computer-Aided Problem 57



#### CHAPTER THREE

#### Focusing Marketing Strategy with Segmentation and Positioning

Search for Opportunities Can Begin by Understanding Markets 61

Naming Product-Markets and Generic Markets 63 Market Segmentation Defines Possible Target Markets 65

What Dimensions Are Used to Segment Markets? 71

A Best Practice Approach to Segmenting Product-Markets 75

More Sophisticated Techniques May Help in Segmenting 79

Differentiation and Positioning Take the Customer Point of View 81

Conclusion 85 Key Terms 85 Questions and Problems 85 Suggested Cases 86 Computer-Aided Problem 86



CHAPTER FOUR

### Evaluating Opportunities in the Changing Marketing Environment

The Marketing Environment 90
Objectives Should Set Firm's Course 91
Company Resources May Limit Search for Opportunities 93

Analyzing Competitors and the Competitive Environment 95

The Economic Environment 99
The Technological Environment 101

The Political Environment 102 The Legal Environment 104

The Cultural and Social Environment 107

Using Screening Criteria to Narrow Down to Strategies 110

Planning Grids Help Evaluate a Portfolio of Opportunities 112

Multiproduct Firms Have a Difficult Strategy Planning Job 113

Evaluating Opportunities in International Markets 114

Conclusion 115 Key Terms 116 Questions and Problems 116 Suggested Cases 117 Computer-Aided Problem 117



CHAPTER FIVE

#### Demographic Dimensions of Global Consumer Markets

Target Marketers Focus on the Customer 120 People with Money Make Markets 121 Population Trends in the U.S. Consumer Market 130

Income Dimensions of the U.S. Market 138
Spending Varies with Income and Other
Demographic Dimensions 141
Ethnic Dimensions of the U.S. Market 143

Conclusion 145 Key Terms 146 Questions and Problems 146 Suggested Cases 146 Computer-Aided Problem 147



CHAPTER SIX
Behavioral Dimensions of the
Consumer Market

Consumer Behavior—Why Do They Buy What They Buy? 150

The Behavioral Sciences Help You Understand the Buying Process 151

Psychological Influences within an Individual 152
Social Influences Affect Consumer Behavior 161
Individuals Are Affected by the Purchase
Situation 165

Consumers Use Problem-Solving Processes 166 Several Processes Are Related and Relevant to Strategy Planning 170

Consumer Behavior in International Markets 171

Conclusion 173
Key Terms 173
Questions and Problems 174
Suggested Cases 174
Computer-Aided Problem 175



CHAPTER SEVEN

Business and Organizational Customers and Their Buying Behavior

Business and Organizational Customers—A Big Opportunity 178 Organizational Customers Are Different 179 Many Different People May Influence a Decision 182
Organizational Buyers Are Problem Solvers 186
Buyer–Seller Relationships in Business Markets 187
Internet E-Commerce Is Reshaping Many Business
Markets 193

Manufacturers Are Important Customers 198
Producers of Services—Smaller and More Spread
Out 201

Retailers and Wholesalers Buy for Their Customers 202

The Government Market 204

Conclusion 206 Key Terms 207 Questions and Problems 207 Suggested Cases 208 Computer-Aided Problem 208



CHAPTER EIGHT

### Improving Decisions with Marketing Information

Radical Changes Are Underway in Marketing
Information 212
What Is Marketing Research? 216
The Scientific Method and Marketing Research 217
Five-Step Approach to Marketing Research 217
Defining the Problem—Step 1 218
Analyzing the Situation—Step 2 219
Getting Problem-Specific Data—Step 3 223
Interpreting the Data—Step 4 232
Solving the Problem—Step 5 234
International Marketing Research 235
How Much Information Do You Need? 236

Conclusion 236 Key Terms 237 Questions and Problems 237 Suggested Cases 238 Computer-Aided Problem 238



## Elements of Product Planning for Goods and Services

The Product Area Involves Many Strategy Decisions 242

What Is a Product? 242

Differences in Goods and Services 245

Whole Product Lines Must Be Developed Too 246

Product Classes Help Plan Marketing Strategies 247

Consumer Product Classes 248

Business Products Are Different 250

Business Product Classes—How They Are Defined 251

Branding Needs a Strategy Decision Too 254 Conditions Favorable to Branding 255

Achieving Brand Familiarity Is Not Easy 256

Protecting Brand Names and Trademarks 258

What Kind of Brand to Use? 259

Who Should Do the Branding? 260

The Strategic Importance of Packaging 261

What Is Socially Responsible Packaging? 262

Warranty Policies Are a Part of Strategy

Planning 264

Conclusion 265 Key Terms 265 Questions and Problems 266 Suggested Cases 267 Computer-Aided Problem 267



CHAPTER TEN

#### Product Management and New-Product Development

Managing Products over Their Life Cycles 270
Product Life Cycles Should Be Related to Specific
Markets 273

Product Life Cycles Vary in Length 274

Planning for Different Stages of the Product Life Cycle 277

New-Product Planning 281

An Organized New-Product Development Process Is Critical 282

New-Product Development: A Total Company Effort 289

Need for Product Managers 290

Conclusion 292 Key Terms 292 Questions and Problems 292 Suggested Cases 293 Computer-Aided Problem 293



CHAPTER ELEVEN

### Place and Development of Channel Systems

Place Decisions Are an Important Part of Marketing Strategy 296 Place Decisions Are Guided by "Ideal" Place Objectives 297

Channel System May Be Direct or Indirect 299

Channel Specialists May Reduce Discrepancies and Separations 302

Channel Relationship Must Be Managed 304
Vertical Marketing Systems Focus on Final
Customers 308

The Best Channel System Should Achieve Ideal Market Exposure 310

Channel Systems Can Be Complex 313

Conclusion 315
Key Terms 315
Questions and Problems 316
Suggested Cases 317
Computer-Aided Problem 317



## Distribution Customer Service and Logistics

Physical Distribution Gets It to Customers 321
Physical Distribution Customer Service 321
Physical Distribution Concept Focuses on the Whole Distribution System 323
Coordinating Logistics Activities among Firms 326
The Transporting Function Adds Value to a Marketing Strategy 330
Which Transporting Alternative Is Best? 331
Economies of Scale in Transporting 335
The Storing Function and Marketing Strategy 336
Specialized Storing Facilities May Be Required 339
The Distribution Center—A Different Kind of Warehouse 340

Conclusion 341 Key Terms 341 Questions and Problems 341 Suggested Cases 342 Computer-Aided Problem 342



## CHAPTER THIRTEEN Retailers, Wholesalers, and Their Strategy Planning

Wholesalers and Retailers Plan Their Own Strategies 346 The Nature of Retailing 347 Planning a Retailer's Strategy 347 Conventional Retailers—Try to Avoid Price Competition 349 Expand Assortment and Service—To Compete at a High Price 350 Evolution of Mass-Merchandising Retailers 351 Some Retailers Focus on Added Convenience 354 Retailing on the Internet 355 Retailing Types Are Explained by Consumer Needs Filled 359 Why Retailers Evolve and Change 360 Retailer Size and Profits 361 Differences in Retailing in Different Nations 363 What Is a Wholesaler? 364 Wholesaling Is Changing with the Times 364 Wholesalers Add Value in Different Ways 366 Merchant Wholesalers Are the Most Numerous 367

Agent Middlemen Are Strong on Selling 370

What Will Happen to Retailers and Wholesalers in

Conclusion 373 Key Terms 374 Questions and Problems 374 Suggested Cases 375 Computer-Aided Problem 375

the Future? 372



#### CHAPTER FOURTEEN

## Promotion—Introduction to Integrated Marketing Communications

Several Promotion Methods Are Available 378
Someone Must Plan, Integrate, and Manage the
Promotion Blend 381

Which Methods to Use Depends on Promotion Objectives 384

Promotion Requires Effective Communication 386 Integrated Direct-Response Promotion Is Very Targeted 388

The Customer May Initiate the Communication Process 390

How Typical Promotion Plans Are Blended and Integrated 392

Adoption Processes Can Guide Promotion Planning 395

Promotion Blends Vary over the Life Cycle 398 Setting the Promotion Budget 400

Conclusion 401 Key Terms 401 Questions and Problems 402 Suggested Cases 403 Computer-Aided Problem 403



Personal Selling

The Importance and Role of Personal Selling 406 What Kinds of Personal Selling Are Needed? 409

Order Getters Develop New Business Relationships 409

Order Takers Nurture Relationships to Keep the Business Coming 411

Supporting Sales Force Informs and Promotes in the Channel 412

The Right Structure Helps Assign Responsibility 414
Information Technology Provides Tools to Do the
Job 417

Sound Selection and Training to Build a Sales Force 419

Compensating and Motivating Salespeople 420
Personal Selling Techniques—Prospecting and
Presenting 423

Conclusion 427 Key Terms 427 Questions and Problems 428 Suggested Cases 428 Computer-Aided Problem 428



#### CHAPTER SIXTEEN

#### Advertising and Sales Promotion

Advertising, Sales Promotion, and Marketing Strategy Decisions 432

Advertising Objectives Are a Strategy Decision 435 Objectives Determine the Kinds of Advertising Needed 436

Coordinating Advertising Efforts with Cooperative Relationships 439

Choosing the "Best" Medium—How to Deliver the Message 440

Advertising on the Internet: New Opportunities and New Challenges 444

Planning the "Best" Message—What to Communicate 447

Advertising Agencies Often Do the Work 449 Measuring Advertising Effectiveness Is Not Easy 451 How to Avoid Unfair Advertising 452 Sales Promotion—Do Something Different to Stimulate Change 454 Problems in Managing Sales Promotion 456 Different Types of Sales Promotion for Different Targets 457

Conclusion 459 Key Terms 459 Questions and Problems 460 Suggested Cases 460 Computer-Aided Problem 461



### Pricing Objectives and Policies

Price Has Many Strategy Dimensions 464
Objectives Should Guide Strategy Planning for Price 466

Profit-Oriented Objectives 467
Sales-Oriented Objectives 468
Status Quo Pricing Objectives 469
Most Firms Set Specific Pricing Policies—To Reach
Objectives 470

Price Flexibility Policies 471

Price-Level Policies—Over the Product Life Cycle 473

Most Price Structures Are Built around List Prices 477
Discount Prices—Reductions from List Prices 478
Allowance Policies—Off List Prices 481
Some Customers Get Something Extra 482
List Price May Depend on Geographic Pricing
Policies 483

Pricing Policies Combine to Impact Customer Value 484

Legality of Pricing Policies 487

Conclusion 489 Key Terms 490 Questions and Problems 490 Suggested Cases 491 Computer-Aided Problem 491



### CHAPTER EIGHTEEN Price Setting in the Business World

Price Setting Is a Key Strategy Decision 495 Some Firms Just Use Markups 495 Average-Cost Pricing Is Common and Can Be Dangerous 499

Marketing Managers Must Consider Various Kinds of Costs 500

Some Firms Add a Target Return to Cost 504
Break-Even Analysis Can Evaluate Possible Prices 505
Marginal Analysis Considers Both Costs and
Demand 508

Demand-Oriented Approaches for Setting Prices 511 Pricing a Full Line 517

Bid Pricing and Negotiated Pricing Depend Heavily on Costs 518

Conclusion 520 Key Terms 520 Questions and Problems 520 Suggested Cases 521 Computer-Aided Problem 521



Implementing and Controlling
Marketing Plans: Evolution
and Revolution

Good Plans Set the Framework for Implementation and Control 524 Speed Up Information for Better Implementation and Control 525

Effective Implementation Means That Plans Work as Intended 526

Building Quality into the Implementation Effort 529

Control Provides Feedback to Improve Plans and Implementation 535

Sales Analysis Shows What's Happening 536 Performance Analysis Looks for Differences 537 Performance Indexes Simplify Human Analysis 539

A Series of Performance Analyses May Find the Real Problem 540

Marketing Cost Analysis—Controlling Costs Tee 543
Planning and Control Combined 547
The Marketing Audit 549

Conclusion 549
Key Terms 550
Questions and Problems 550
Suggested Cases 551
Computer-Aided Problem 551



#### CHAPTER TWENTY

#### Managing Marketing's Link with Other Functional Areas

Marketing in the Broader Context 554
The Finance Function: Money to Implement
Marketing Plans 556

Production Must Be Coordinated with the Marketing Plan 561

Accounting Data Can Help in Understanding Costs and Profit 567

People Put Plans into Action 572

Conclusion 574 Key Terms 575 Questions and Problems 575 Suggested Cases 575



#### CHAPTER TWENTY-ONE Developing Innovative Marketing Plans

Marketing Planning Process Is More than Assembling the Four Ps 581

Blending the Four Ps Takes Understanding of a Target Market 582

Forecasting Target Market Potential and Sales 586
Forecasting Company and Product Sales by
Extending Past Behavior 589

Predicting Future Behavior Calls for More Judgment and Some Opinions 593

Analysis of Costs and Sales Can Guide Planning 594 The Marketing Plan Brings All the Details

Together 596

Companies Plan and Implement Whole Marketing Programs 600

Planning for Involvement in International Marketing 601

Conclusion 604 Key Terms 605 Questions and Problems 605 Suggested Cases 605



CHAPTER TWENTY-TWO

Ethical Marketing in a Consumer-Oriented World: Appraisal and Challenges

How Should Marketing Be Evaluated? 608
Can Consumer Satisfaction Be Measured? 610

Micro-Marketing Often Does Cost Too Much 611 Macro-Marketing Does Not Cost Too Much 613 Challenges Facing Marketers 616 How Far Should the Marketing Concept Go? 622

Conclusion 623 Questions and Problems 623 Suggested Cases 624

Appendix A
Economics Fundamentals 625

Appendix B Marketing Arithmetic 639

### Appendix C Career Planning in Marketing 651

#### Video Cases 665

- Suburban Regional Shopping Malls: Can the Magic Be Restored? 666
- 2. Celestial Seasonings 668
- 3. Briggs & Stratton Corporation 670
- 4. Frog's Leap Winery 671
- 5. Girl Scouts 673
- 6. Volkswagen's New Beetle 675
- 7. Royal Appliance Manufacturing Company: Dirt Devil 676

#### Cases 679

- 1. McDonald's "Seniors" Restaurant 680
- 2. Healthy Foods, Inc. 680
- 3. Pillsbury's Häagen-Dazs 681
- 4. Computer Support Services 682
- 5. ResinTech 683
- 6. Valley Steel Company 684
- 7. Lilybank Lodge 685
- 8. Marie's Ristorante 686
- 9. SleepEasy Motel 686
- 10. Murphy's Ice Land 688

- 11. Joggers Universe 689
- 12. Applied Chemistry Corporation 690
- 13. Paper Products, Inc. 690
- 14. Multimedia Corral 691
- 15. Growth Enterprises 692
- 16. Matisse Company 693
- 17. Eco Water, Inc. 694
- 10 100
- 18. Village Bank 696
- 19. myWedding.com 697
- 20. Leisure World, Inc. 698
- 21. Lextron International, Inc. 699
- 22. Structural Wire Corporation 700
- 23. Heritage Furniture 701
- 24. Metal Solutions, Inc. 702
- 25. PlastiForm Mfg., Inc. 703
- 26. Riverside Packers, Inc. 704
- 27. Injection Molding, Inc. 705
- 28. QCT, Inc. 706
- 29. Custom Castings, Inc. 707
- 30. Deluxe Foods, Inc. 708
- 31. Home Nursing Services, Inc. 709
- 32. Lever, Ltd. 710
- 33. Bushman & Associates 712
- 34. Alumco International 714
- 35. Sal's 715

Computer-Aided Problems 719

Notes 725

Illustration Credits 789

Author Index 1-1

Company Index I-13

Subject Index I-17

Glossary G-1