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Basic Marketing

A Global-Managerial Approach

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BASIC MARKETING: A GLOBAL MANAGERIAL APPROACH

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Preface



Basic Marketing Is Designed to Satisfy Your Needs

This book is about marketing and marketing strategy planning. And, at its essence, marketing strategy planning is about figuring out how to do a superior job of satisfying customers. We take that point of view seriously and believe in practicing what we preach. So you can trust that this new edition of *Basic Marketing*—and all of the other teaching and learning materials that accompany it—will satisfy *your* needs. We’re excited about this edition of *Basic Marketing*, and we hope that you will be as well.

In developing this edition we’ve made hundreds of big and small additions, changes, and improvements in the text and all of the supporting materials that accompany it. We’ll highlight some of those changes in this preface, but first it’s useful to put this newest edition in a longer-term perspective.



Building on Pioneering Strengths

Basic Marketing pioneered an innovative structure—using the “four Ps” with a managerial approach—for the introductory marketing course. It quickly became one of the most widely used business textbooks ever published because it organized the best ideas about marketing so that readers could both understand and apply them. The unifying focus of these ideas was on how to make the marketing decisions that a manager must make in deciding what customers to focus on and how best to meet their needs.

Over many editions of *Basic Marketing* there has been constant change in marketing management and the marketing environment. Some of the changes have been dramatic, and others have been subtle. As a result, we have made ongoing changes to the text to reflect marketing’s best practices and ideas. Throughout all of these changes, *Basic Marketing* and the supporting materials that accompany it have been more widely used than any other teaching materials for introductory marketing. It is gratifying that the four Ps has proved to be an organizing structure that has worked well for millions of students and teachers.



Continuous Innovation and Improvement

The success of *Basic Marketing* is not the result of a single strength—or one long-lasting innovation. Rather, the

text’s four Ps framework, managerial orientation, and strategy planning focus have proved to be foundation pillars that are remarkably robust for supporting new developments in the field and innovations in the text and package. Thus, with each new edition of *Basic Marketing* we have continued to innovate to better meet the needs of students and faculty. In fact, we have made ongoing changes in how we develop the logic of the four Ps and the marketing strategy planning process. As always, though, our objective is to provide a flexible, high-quality text and choices from comprehensive and reliable support materials—so that instructors and students can accomplish their learning objectives. For example, included with the other innovations for this new edition are

- Integrated coverage, throughout the text, of the significant impacts that e-commerce, the Internet, and related information technologies are having on marketing.
- A complete revision of the *Student CD-ROM to Accompany Basic Marketing* that comes with the text, with a new interface that integrates the rich variety of multimedia learning resources it includes.
- A completely new and expanded archive of PowerPoint electronic lecture-support slides, with links to full-motion videos, ads, and photos, to provide instructors with flexible support for lectures and presentations.
- The *Instructor CD-ROM to Accompany Basic Marketing* that provides Windows software and all of the text’s teaching support materials in easy-to-use electronic form.
- A sharper focus, throughout the text, on how the strategy planning process should lead to decisions about a target market and marketing mix that represents the best opportunity and competitive advantage for the firm and superior value for consumers.
- Interesting new video cases and teaching videos focused on current marketing issues.
- High-involvement Internet exercises integrated throughout each chapter of the text.



We Believe in Continuous Quality Improvement

McCarthy pioneered *Basic Marketing* and worked on the text without a coauthor for seven editions. Twenty years ago Perreault joined the team. We formed our

partnership with a shared commitment to ongoing improvements, and we're both proud that we were implementing continuous quality improvements in preparing *Basic Marketing* long before the idea became popular in the world of business. We work to be creative in our coverage and approaches—because creativity is at the heart of the marketing spirit. The most creative teaching innovations are ones that meet students' needs and instructors' objectives. That's also why our first priority has always been, and always will be, producing quality materials that really work well for students and teachers. Students take the first marketing course only once. It is an investment and opportunity from which there should be a solid return. So we take it as a serious personal responsibility to support that investment with materials that are interesting and motivating—and that really build the skills and ideas that students need in their lives and careers.

Our belief that attention to continuous quality improvement in every aspect of the text and support materials *does make a difference* is consistently reaffirmed by the enthusiastic response of students and teachers alike to each new edition.



Leading Technology Innovations for Teaching and Learning

It has always been our belief that it is our responsibility to lead the marketing discipline in developing new, breakthrough approaches for teaching and learning in the first marketing course. Our constant thrust has been to use technology to provide better and easier options for teaching and richer and more interesting approaches for learning. Along with other innovations, we were the first to develop and offer spreadsheet-based computer-aided problems, custom-produced videos, a computerized test bank, a PC-based marketing simulation, a hypertext reference, bar-coded laser disks, CD-ROM-based interactive versions of the text, PowerPoint presentation slides with linking by objectives, CD-ROM multimedia archives and presentation software for instructors, multimedia case support, and the multimedia CD for students. Now we continue these traditions of innovation with a completely redesigned *Student CD-ROM to Accompany Basic Marketing*, *myPowerWeb* online readings, and a host of new and improved teaching and learning materials available at the *Basic Marketing* website at www.mhhe.com/fourps.



Critically Revised, Updated, and Rewritten

This new edition of *Basic Marketing* is the highest-quality teaching and learning resource ever published for the introductory marketing course. The whole text and

all of the supporting materials have been critically revised, updated, and rewritten. As in past editions, clear and interesting communication has been a priority. *Basic Marketing* is designed to make it easy, interesting, and fast for students to grasp the key concepts of marketing. Careful explanations provide a crisp focus on the important “basics” of marketing strategy planning. At the same time, we have thoroughly

- Researched and incorporated new concepts.
- Integrated hundreds of new examples that bring the concepts alive.
- Illustrated marketing ideas and “best practices” in a rich variety of contexts.

We have deliberately used marketing examples from a host of different contexts. Examples span organizations that have moved to e-commerce and those that have found other ways to innovate, profit and nonprofit organizations, large and small firms, domestic and international settings, purchases by organizations as well as by final consumers, services and ideas or “causes” as well as physical goods, and established products as well as new technologies—because this variety reinforces the point that effective marketing is critical to all organizations.



Clear Focus on Changes in Today's Dynamic Markets

This edition focuses special attention on changes taking place in today's dynamic markets. Throughout every chapter of the text we have integrated discussion and examples of

- Best practices in marketing, and how to avoid the mistakes of death-wish marketing (including errors and omissions all too common among many failed dot-com operators).
- Effective e-commerce innovations and changes in marketing over the Internet.
- The costs and benefits of different approaches for customer acquisition and retention.
- Relationship building in marketing.
- The importance of providing superior customer value as the means to achieve customer satisfaction and competitive advantage.
- International perspectives.
- Ethical issues.

Similarly, we've also integrated new material on many important and fast-evolving topics. The following are but a sampling:

- Integrated marketing communications, direct-response promotion, and customer-initiated interactive marketing communications.

- Promotional campaigns that build “buzz” among consumers.
- The Euro, the World Trade Organization, exchange rates, and other topics central to international markets.
- The growth of business-to-business (B2B) exchanges on the Web and the expanding use of reverse auctions and interactive bidding.
- The circumstances when using a website for direct distribution or dual distribution makes sense and when it doesn’t.
- The expanding role of sales technologies and self-service technology.
- The increasing channel power of large retail chains.
- Competitor analysis and how to develop competitive advantage.
- How to use flexible pricing and evaluate price sensitivity.
- Marketing control, including marketing cost analysis.



Driving Home Competitive Advantage

Throughout the 14th edition we’ve continued to put more emphasis on the *process* of marketing strategy planning. In today’s dynamic markets it’s not enough to simply figure out an attractive opportunity and an effective marketing mix. The real challenge is to quickly but logically zero in on the target market and marketing mix that is really best for the firm, while recognizing that strategies need to be refined and improved as market conditions change. This highlights the need for breakthrough opportunities, the problems with me-too imitation, and the crucial role of competitive advantage in providing customers with superior value. In other words, we sharpen the focus on how to figure out the best blend of the four Ps and crush the mistaken view fostered by some texts that the marketing job is just coming up with *some* marketing mix.

Coupled with this, you’ll learn how breakthroughs in information technology are driving changes in all aspects of marketing—whether it’s e-commerce ordering, getting marketing information, preparing salespeople to interact with customers, or analyzing the “fire-hydrant” flow of data on sales and costs. We’ll also highlight the many ways that relationships among marketing partners are changing—ranging from coordination of logistics to alliances among firms focused on the same market opportunity. You’ll see how intense competition, both in the United States and around the world, is affecting marketing strategy planning. You’ll see what it takes to

transform an effective new-product development process into profitable business.

Some other marketing texts are attempting to describe such changes. But that’s not adequate. What sets *Basic Marketing* apart is that the explanations and examples equip students to see *why* these changes are taking place and what changes to expect in the future. That is an important distinction—because marketing is dynamic. Our objective is to prepare students to analyze marketing situations and develop exceptional marketing strategies—not just recite endless sets of lists.



A Fresh Design—to Make Important Concepts Even Clearer

Along with the new content, we’ve given the text a fresh design. The changes range from the new cover to hundreds of new photographs, ads, web pages, and illustrations. We’ve created many new exhibits—conceptual organizers, charts, and tables—and updated proven pieces from past editions, all with a fresh new design.

The aim of all this revising, refining, editing, and illustrating is to make important concepts and points even clearer to students. We want to make sure that each student really does get a good feel for a market-directed system and how he or she can help it—and some company—run better. We believe marketing is important and interesting—and we want every student who reads *Basic Marketing* to share our enthusiasm.



Twenty-Two Chapters—with an Emphasis on Marketing Strategy Planning

The emphasis of *Basic Marketing* is on marketing strategy planning. Twenty-two chapters introduce the important concepts in marketing management and help the student see marketing through the eyes of the marketing manager. The organization of the chapters and topics is carefully planned. But we took special care in writing so that

- It is possible to rearrange and use the chapters in many different sequences—to fit different needs.
- All of the topics and chapters fit together into a clear, overall framework for the marketing strategy planning process.

Broadly speaking, the chapters fall into two groupings. The first eight chapters introduce marketing and a broad view of the marketing strategy planning process. They cover topics such as segmentation, differentiation, the marketing environment, and buyer behavior, as well as how marketing information systems and research provide information about these forces to improve marketing

decisions. The second half of the text goes into the details of planning the four Ps, with specific attention to the key strategy decisions in each area. Then we conclude with an integrative review and coverage of overarching topics such as implementation and control, marketing's link with other functional areas, and an assessment of marketing's challenges and opportunities.

The first two chapters deal with the nature of marketing—focusing both on its macro role in a global society and its micro role in businesses and other organizations. The first chapter stresses that the effectiveness of our macro-marketing system depends on the decisions of many producers and consumers. That sets the stage for the second chapter—and the rest of the book—which focuses on how businesspeople and, in particular, marketing managers develop marketing strategies to satisfy specific target markets. This chapter introduces the marketing concept and develops the customer value and four Ps frameworks.

Chapter 3 introduces an integrative model of the marketing strategy planning process that serves as an organizing framework for the whole text. Chapter 3 sets the stage by overviewing how analysis of the market and external market environment relate to segmentation and differentiation decisions as well as the criteria for narrowing down to a specific target market and marketing mix. Broadly speaking, it introduces a strategic planning view of how a manager leads his or her firm to new market opportunities and competitive advantage.

This strategic view alerts students to the importance of evaluating opportunities in the external environments affecting marketing—and these are discussed in Chapter 4. This chapter also highlights the critical role of screening criteria for narrowing down from possible opportunities to those that the firm will pursue.

The next three chapters take a closer look at *customers*—so students will better understand how to segment markets and satisfy target market needs. Chapter 5 introduces the demographic dimensions of the global consumer market and provides up-to-date coverage on important geodemographic trends. The next chapter studies the behavioral aspects of the final consumer market. Chapter 7 looks at how business and organizational customers—like manufacturers, channel members, and government purchasers—are using e-commerce and the other ways that they are similar to and different from final consumers. You have to understand customers to understand marketing.

Chapter 8 is a contemporary view of getting information—from marketing information systems and marketing research—for marketing management planning. This chapter includes discussion of how information technology—ranging from intranets to speedy collection of market research data—is transforming the marketing manager's job. This sets the stage for discussions in later

chapters about how research and marketing information improve each area of marketing strategy planning.

The next group of chapters—Chapters 9 to 18—is concerned with developing a marketing mix out of the four Ps: Product, Place (involving channels of distribution, logistics, and distribution customer service), Promotion, and Price. These chapters are concerned with developing the “right” Product and making it available at the “right” Place with the “right” Promotion and the “right” Price—to satisfy target customers and still meet the objectives of the business. These chapters are presented in an integrated, analytical way—as part of the overall framework for the marketing strategy planning process—so students' thinking about planning marketing strategies develops logically.

Chapters 9 and 10 focus on product planning for goods and services as well as new-product development and the different strategy decisions that are required at different stages of the product life cycle. We emphasize the value of an organized new-product development process for developing really new products that propel a firm to profitable growth.

Chapters 11 through 13 focus on Place. Chapter 11 introduces decisions a manager must make about using direct distribution (for example, selling from the firm's website) or working with other firms in a channel of distribution. We put special emphasis on the need for channel members to cooperate and coordinate to better meet the needs of customers. Chapter 12 focuses on the fast-changing arena of logistics and the strides that firms are making in using e-commerce to reduce the costs of storing, transporting, and handling products while improving the distribution service they provide customers. Chapter 13 provides a clear picture of retailers, wholesalers, and their strategy planning—including exchanges taking place via the Internet. This composite chapter helps students see why the big changes taking place in retailing are reshaping the channel systems for many consumer products.

Chapters 14 to 16 deal with Promotion. These chapters build on the concepts of integrated marketing communications, direct-response promotion, and customer-initiated digital communication, which are introduced in Chapter 14. Chapter 15 deals with the role of personal selling and sales technology in the promotion blend. Chapter 16 covers advertising and sales promotion, including the ways that managers are taking advantage of the Internet to communicate more effectively and efficiently.

Chapters 17 and 18 deal with Price. Chapter 17 focuses on pricing objectives and policies, including use of information technology to implement flexible pricing, pricing in the channel, and the use of discounts, allowances, and other variations from a list price. Chapter 18 covers cost-oriented and demand-oriented pricing

approaches and how they fit in today's competitive environments. The careful coverage of marketing costs helps equip students to deal with the renewed cost-consciousness of the firms they will join.

Chapter 19 offers completely updated coverage of how information technology is reshaping marketing implementation and control. This chapter also details how quality management approaches can improve implementation, including implementation of better customer service.

Chapter 20 deals with the links between marketing and other functional areas. The marketing concept says that people in an organization should work together to satisfy customers at a profit. No other text has a chapter that explains how to accomplish the “working together” part of that idea. Yet it's increasingly important in the business world today; that's what this important chapter is designed to do.

Chapter 21 reinforces the integrative nature of marketing management and reviews the marketing strategy planning process that leads to creative marketing plans and programs.

The final chapter considers how efficient the marketing process is. Here we evaluate the effectiveness of both micro- and macro-marketing—and we consider the competitive, technological, ethical, and social challenges facing marketing managers now and in the future. After this chapter, many students want to look at Appendix C—which is about career opportunities in marketing.



Careful Integration of Special Topics

Some textbooks treat “special” topics—like e-commerce, relationship marketing, international marketing, services marketing, marketing over the Internet, marketing for nonprofit organizations, marketing ethics, and business-to-business marketing—in separate chapters. We deliberately avoid doing that because we are convinced that treating such topics separately leads to an unfortunate compartmentalization of ideas. We think they are too important to be isolated in that way. For example, to simply tack on a new chapter on e-commerce or marketing applications on the Internet completely ignores the reality that these are not just isolated topics but rather must be considered broadly across the whole fabric of marketing decisions. In fact, the huge losses piled up by failed dot-com firms over the past few years are evidence of what happens when managers fail to understand the need to integrate marketing strategy planning decisions and don't come to grips with issues such as competitor analysis, customer value, and the marketing concept. Conversely, there is virtually no area of marketing decision making where it's safe to ignore the impact of e-commerce, the Internet, or information

technology. The same is true with other topics. So they are interwoven and illustrated throughout the text to emphasize that marketing thinking is crucial in all aspects of our society and economy. Instructor examination copies of this edition are again packaged with a grid that shows, in detail, how and where specific topics are integrated throughout the text. Talk is cheap, especially when it comes to the hype from some publishers about how important topics are treated in a new text. But the grid offers proof that in *Basic Marketing* we have delivered on the promise of integrated treatment.



Students Get “How-to-Do-It” Skill and Confidence

Really understanding marketing and how to plan marketing strategies can build self-confidence—and it can help prepare a student to take an active part in the business world. To move students in this direction, we deliberately include a variety of frameworks, models, classification systems, cases, and “how-to-do-it” techniques that relate to our overall framework for marketing strategy planning. Taken together, they should speed the development of “marketing sense” and enable the student to analyze marketing situations and develop marketing plans in a confident and meaningful way. They are practical and they work. In addition, because they are interesting and understandable, they motivate students to see marketing as the challenging and rewarding area it is.



Basic Marketing Motivates High-Involvement Learning

So students will see what is coming in each *Basic Marketing* chapter, behavioral objectives are included on the first page of each chapter. And to speed student understanding, important new terms are shown in red and defined immediately. Further, a glossary of these terms is presented at the end of the book. Within chapters, major section headings and second-level headings (placed in the margin for clarity) immediately show how the material is organized *and* summarize key points in the text. Further, we have placed annotated photos and ads near the concepts they illustrate to provide a visual reminder of the ideas and to show vividly how they apply in the current business world. In each chapter we have integrated Internet exercises related to the concepts being developed. The focus of these exercises is on important marketing issues, not just on “surfing the Net.”

All of these aids help the student understand important concepts and speed review before exams. End-of-chapter questions and problems offer additional opportunities. They can be used to encourage students to investigate the marketing process and develop their

own ways of thinking about it. These can be used for independent study or as a basis for written assignments or class discussion.



Varied Types of Cases

Understanding of the text material can be deepened by analysis and discussion of specific cases. *Basic Marketing* features several different types of cases. Each chapter starts with an in-depth case study developed specifically to highlight that chapter's teaching objectives and the specific marketing decision areas covered in that chapter. In addition, each chapter features a special case report in a highlighted box. These thought-provoking cases illustrate how companies handle topics covered in that chapter. All of these cases provide an excellent basis for critical evaluation and discussion. And we've included relevant Internet addresses so that it is easy for students to quickly get updated information about the companies and topics covered in the cases. Of course, website addresses referenced in the cases may change. Some companies change their websites to get a fresh look, to take advantage of new Web capabilities, or just to update the information that's available. However, when that occurs, our *Basic Marketing* website at www.mhhe.com/fourps provides up-to-date links relevant to the chapters in the text. Our CD-ROMs also include links to the website so you can bookmark the site in your Internet browser.

In addition, there are several suggested cases at the end of each chapter. The focus of these cases is on problem solving. They encourage students to apply, and really get involved with, the concepts developed in the text. Each of the first 19 chapters also features a computer-aided problem. These case-based exercises stimulate a problem-solving approach to marketing strategy planning and give students hands-on experience that shows how logical analysis of alternative strategies can lead to improved decision making. For the convenience of students and faculty alike, printed versions of the cases for the computer-aided problems are incorporated in the book itself. Further, the award-winning spreadsheet software we developed specifically for use with these problems has been revised so that it is fully integrated with the other applications on the Student CD-ROM that comes with the text.



New Multimedia Video Cases are Integrative

In the last edition we included a custom-produced set of exciting video cases. The response to them was great, and this time we've expanded the set and updated some of the best from the previous set. Each of these combines a written case with an accompanying video. These cases

are a bit longer than the text-only cases and open up the opportunity for students to analyze an organization's whole marketing program in more depth and with even greater integration. Marketing professors wrote the scripts for both the videos and text portions of the cases—so the videos reinforce real content while bringing a high-involvement multimedia dimension to the learning experience. And to assure consistency with all of the other *Basic Marketing* materials, we've carefully edited and coordinated the whole effort. These cases were developed so that they focus on different areas of the text, and thus they deal with a variety of issues:

- The expanding role of marketing in developing export opportunities for a raw material that was previously just viewed as a commodity.
- How a well-known company won profits and customer loyalty by developing a marketing mix that's carefully matched to the needs of its target market.
- New-product development for a major component part that is sold to producers who serve consumer markets.
- The growth strategy for a vineyard that is working to develop a major brand.
- The development of a new market awareness and strategy by a major nonprofit organization.
- A case on the promotional program for the introduction of an exciting new automobile.
- An integrated case on the marketing strategy for an innovative household appliance.

We designed these cases so that students can analyze them before or after seeing the video, or even without seeing the video at all. They can be used in a variety of ways, either for class discussion or individual assignments. To get the ball rolling, students get their own copy of segments of the case videos on the Student CD-ROM. We're proud of these video cases, and we're sure that they provide you with a valuable new way to learn about marketing.



Comprehensive, Current References for Independent Study

Some professors and students want to follow up on text readings. Each chapter is supplemented with detailed references—to both classic articles and current readings in business publications. These can guide more detailed study of the topics covered in a chapter.



Instructor Creates a System— with *Basic Marketing's* P.L.U.S.

Basic Marketing can be studied and used in many ways—the *Basic Marketing* text material is only the

central component of our Professional Learning Units Systems (our *P.L.U.S.*) for students and teachers. Instructors (and students) can select from our units to develop their own personalized systems. Many combinations of units are possible—depending on course objectives. As a quick overview, in addition to the *Basic Marketing* text, the *P.L.U.S.* package includes a variety of new and updated supplements:

- A redesigned and updated *Student CD-ROM to Accompany Basic Marketing*, which includes clips for the video cases, a database of ads and annotations that illustrate key concepts for each chapter, a new version of our computer-aided problems (CAP) spreadsheet software, self-test quizzes, and narrated self-study PowerPoint electronic slide shows, to introduce students to what's ahead. The CD also includes a revision of the *Basic Marketing Hypertext Reference* for use in developing marketing plans or reviewing for tests.
- An online learning center at our revised website (www.mhhe.com/fourps) for students and instructors, with features such as (constantly updated) links to just-published articles from myPowerWeb on topics in each chapter, chat rooms, software downloads, Internet website links, and other exciting features.
- A completely new and much expanded archive of PowerPoint lecture slides, incorporating full-motion video clips, photos, ads, and other multimedia assets to support the professor.
- An improved *Instructor CD-ROM to Accompany Basic Marketing*, which includes all of the instructor resources available for *Basic Marketing* in electronic form.

In addition, we've completely revised and updated

- The *Multimedia Lecture Support Package*.
- The *Learning Aid* workbook.
- *Applications in Basic Marketing*, an annually updated book of marketing clippings from the popular press, free and shrinkwrapped with the text and, new to this edition, supplemented with myPowerWeb digital articles on the Web.
- Over 200 color acetates (also available in electronic form).
- Over 200 transparency masters (also available as PowerPoint slides).
- *Instructor's Manual*.
- Author-prepared *Manual of Tests*, accompanied by the *Diploma* test-generator software that supports both printed and online testing.
- A complete set of new and updated *teaching videos* and seven great video cases (and instructor's manual).

- A new Windows version of the *The Marketing Game!* (and instructor's manual) that offers password-protected digital plan and report files and supports working over the Internet.

We've been busy. You may not want to use all of this. Some people don't want any of it. But whatever you elect to use—and in whatever medium you like to work—the teaching and learning materials work well together. We've designed them that way.



Hypertext—A Marketing Knowledge Navigator

We introduced the innovative *Basic Marketing Hypertext Reference* with the 11th edition of *Basic Marketing* and have expanded its capabilities ever since. This easy-to-use Windows software puts almost all of the key concepts from *Basic Marketing* at your fingertips. It features hyperlinks, which means that when you are reading about a concept on screen you can instantly jump to more detail on any topic. You simply highlight the concept or topic and click with a mouse or press the enter key. Books assemble information in some specific order—but hypertext allows you to integrate thinking on any topic or combination of topics, regardless of where it is treated in the text.

The new version of the software provides an even clearer and easier way to search for ideas while developing a marketing plan. You can also use the software to review topics in “book order”—starting with learning objectives and then “paging” through each set of ideas.



Free Applications Book—Updated Each Year

It is a sign of the commitment of our publisher to the introductory marketing course that it will publish a new edition of *Applications in Basic Marketing* every year and provide it free of charge shrinkwrapped with each new copy of the 14th edition of *Basic Marketing*. This annually updated collection of marketing “clippings”—from publications such as *Business Week*, *The Wall Street Journal*, *Advertising Age*, and *Fortune*—provides convenient access to short, interesting, and current discussions of marketing issues. Each edition features about 100 articles. There are a variety of short clippings related to each chapter in *Basic Marketing*. In addition, because we revise this collection each year, it includes timely material that is available in no other text.



Learning Aid—Deepens Understanding

There are more components to *P.L.U.S.* A separate *Learning Aid* provides several more units and offers further

opportunities to obtain a deeper understanding of the material. The *Learning Aid* can be used by the student alone or with teacher direction. Portions of the *Learning Aid* help students to review what they have studied. For example, there is a brief introduction to each chapter, a list of the important new terms (with page numbers for easy reference), true-false questions (with answers and page numbers) that cover all the important terms and concepts, and multiple-choice questions (with answers) that illustrate the kinds of questions that may appear in examinations. In addition, the *Learning Aid* has cases, exercises, and problems—with clear instructions and worksheets for the student to complete. The *Learning Aid* also features computer-aided problems that build on the computer-aided cases in the text. The *Learning Aid* exercises can be used as classwork or homework—to drill on certain topics and to deepen understanding of others by motivating application and then discussion. In fact, reading *Basic Marketing* and working with the *Learning Aid* can be the basic activity of the course.



Compete and Learn—with New Edition of *The Marketing Game!*

Another valuable resource is *The Marketing Game!* *The Marketing Game!* is a PC-based competitive simulation. It was developed specifically to reinforce the target marketing and marketing strategy-planning ideas discussed in *Basic Marketing*. Students make marketing management decisions—blending the four Ps to compete for the business of different possible target markets. The innovative design of *The Marketing Game!* allows the instructor to increase the number of decision areas involved as students learn more about marketing. In fact, many instructors use the advanced levels of the game as the basis for a second course. *The Marketing Game!* is widely heralded as the best marketing strategy simulation available—and the new Windows edition widens its lead over the others available. Competitors don't even need to be on the same continent. It works great with password-protected decisions submitted over the Internet and reports returned the same way.



Multimedia Support for Preparation, Lectures, and Discussion

Basic Marketing and all of our accompanying materials have been developed to promote student learning and get students involved in the excitement and challenges of marketing management. Additional elements of *P.L.U.S.* have been specifically developed to help an instructor offer a truly professional course that meets the objectives he or she sets for students. Complete instructor's manuals accompany all of the *P.L.U.S.* components.



Electronic Presentation Slides with Many Uses

With this edition we are providing instructors with a completely new, much-expanded set of PowerPoint electronic slide presentations. This flexible package features a large number of PowerPoint graphics developed for every chapter in the text. An instructor can use the provided software to display the electronic slides with a computer-controlled video projector, in the order that they're provided or branching in whatever sequence is desired. Presentations can be based on composite slides, or the points on a slide can "build up" one point at a time.

Because we provide the native-format PowerPoint files, instructors can modify or delete any slide or add other slides by using their own copy of PowerPoint. And, of course, if electronic projection equipment isn't available, the instructor can print out the images to customized color acetates or black and white transparencies. All of the overhead masters are also available, in color, as PowerPoint slides.

While these electronic slides are intended mainly for instructor use in class discussions and lectures, they are easy to use and can be placed on the Internet, on the school's computer network, or in a computer lab as a supplement for independent review by students.



Complete Multimedia Lecture Support

With the PowerPoint electronic slide presentations we also provide detailed lecture notes, as well as lecture outlines. The PowerPoint slide show includes small versions of the slides for class handouts. All of these materials are packaged in our *Multimedia Lecture Support Package*. This supplement is available in an electronic form on the Instructor CD-ROM, and that makes it even more convenient to use. It gives instructors a great deal of flexibility and saves time that can be spent on other teaching activities. Instructors who prefer to use materials like those that were in the past included with our *Lecture Guide* won't be disappointed either. The new package will provide that material as well—in both printed form and in the form of word-processing files (which makes it easier for instructors to electronically cut and paste and incorporate their own materials or to save time and effort in creating a website for the course).

In addition, the *Multimedia Lecture Support Package* is accompanied by a high-quality selection of overhead masters and color transparencies—over 400 in all. The manual provides detailed suggestions about ways to use them. All of these items are also available on the CD-ROM.



Exciting New Videos—Created by Marketing Experts

The newly revised and expanded *Basic Marketing Videos* are also available to all schools that adopt *Basic Marketing*. Half of the video modules are completely new—based on scripts written by expert marketing scholars and carefully linked to key topics in the text. In addition, several of the most popular video modules from the previous edition—the ones instructors and students said they most wanted to keep—have been thoroughly revised and updated. These new videos are really great, but it doesn't stop there! As we noted earlier, there are also seven great new videos to accompany the video cases.



Testing that Works for Faculty and Students

In addition, thousands of objective test questions—*written by the authors* to really work with the text—give instructors a high-quality resource. The *Diploma* program for Windows computers allows the instructor to select from any of these questions, change them as desired, or add new questions—and quickly print out a finished test customized to the instructor's course. As an added benefit, the instructor can publish questions to a website and students can take tests online.



The Responsibilities of Leadership

In closing, we return to a point raised at the beginning of this preface. *Basic Marketing* has been a leading textbook in marketing since its first edition. We take the responsibilities of that leadership seriously. We know that you want and deserve the very best teaching and learning materials possible. It is our commitment to bring you those materials—today with this edition and in the future with subsequent editions.

We recognize that fulfilling this commitment requires a process of continuous improvement. Improvements, changes, and development of new elements must be ongoing—because needs change. You are an important part of this evolution, of this leadership. We encourage your feedback. The most efficient way to get in touch with us is to send an e-mail message to Bill_Perreault@unc.edu. There's also a comment form built into the book's website, and if you prefer the traditional approach, send a letter to 2104 N. Lakeshore Dr., Chapel Hill, NC, 27514. Thoughtful criticisms and suggestions from students and teachers alike have helped to make *Basic Marketing* what it is. We hope that you will help make it what it will be in the future.

William D. Perreault, Jr.

E. Jerome McCarthy

When You Finish This Chapter, You Should

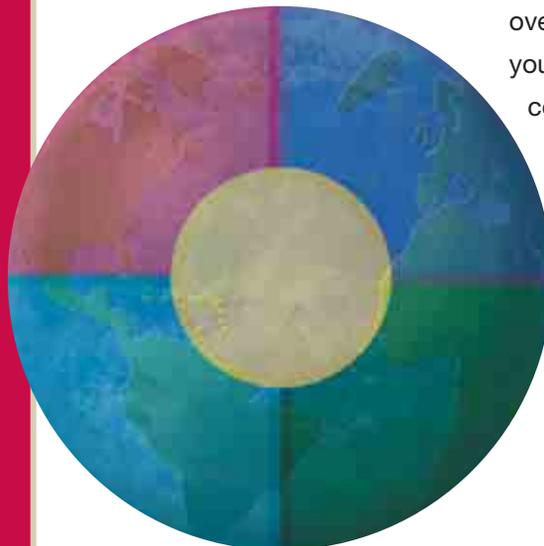
1. Know what marketing is and why you should learn about it.
2. Understand the difference between micro-marketing and macro-marketing.
3. Know why and how macro-marketing systems develop.
4. Understand why marketing is crucial to economic development and our global economy.
5. Know why marketing specialists—including middlemen and facilitators—develop.
6. Know the marketing functions and who performs them.
7. Understand the important new terms (shown in red).

Chapter One

Marketing's Role in the Global Economy

When it's time to roll out of bed in the morning, does your Sony alarm clock wake you with a buzzer or playing your favorite radio station? Is the station playing hip-hop, classical, or country music—or perhaps a Red Cross ad asking you to contribute blood? Will you slip into your Levi's jeans,

your shirt from Abercrombie and Fitch, and your Nikes, or does the day call for your Brooks Brothers interviewing suit? Will breakfast be Lender's Bagels with cream cheese or Kellogg's Frosted Flakes—made with grain from America's heartland—or some extra-large eggs and Oscar Mayer bacon cooked in a Panasonic microwave oven imported from Japan? Will you drink Maxwell House decaf coffee grown in Colombia or some Tropicana Orange Juice? Will you eat at home or is this a day to meet a friend at the Marriott-run cafeteria—where you'll pay someone else to serve your breakfast? To figure

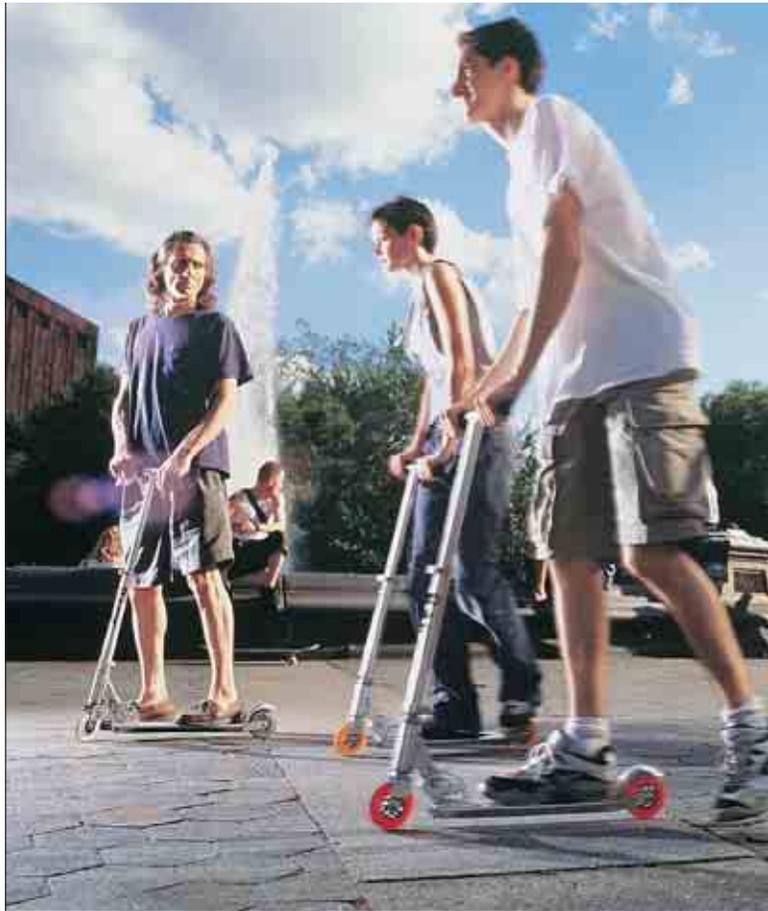


place

price

promotion

product



out what the day holds, will you need to log on to AOL to check your e-mail, or perhaps check the calendar on your Palm? Will you head off to school or work in a VW Beetle or on a bus that the city bought from General Motors, or is this the right kind of day to dust off your Razor scooter?

When you think about it, you can't get very far into a day without bumping into marketing—and what the whole marketing system does for you. It affects every aspect of our lives—often in ways we don't even consider.

In other parts of the world, people wake up each day to different kinds of experiences.

A family in China may have little choice about what food they will eat or where their clothing will come from. A farmer in the mountains of Jamaica may awake in a barren hut with little more than the hope of raising enough to survive. A businessperson in a large city like Tokyo may have many choices but not be familiar with products that have names like Maxwell House, General Motors, and Oscar Mayer.

What explains these differences, and what do they have to do with marketing? In this chapter, we'll answer questions like these. You'll see what marketing is all about and why it's important to you. We'll also explore how marketing affects the quality of life in different societies and why it is so crucial to economic development and our global economy.

4 Chapter 1

Service Master helps hospitals improve a new mom's satisfaction with the hospital by serving "celebration meals."



Marketing—What's It All About?

Marketing is more than selling or advertising

If forced to define marketing, most people, including some business managers, say that marketing means "selling" or "advertising." It's true that these are parts of marketing. But *marketing is much more than selling and advertising.*

How did all those bicycles get here?

To illustrate some of the other important things that are included in marketing, think about all the bicycles being peddled with varying degrees of energy by bike riders around the world. Most of us weren't born sitting on a bicycle. Nor do we make our own bicycles. Instead, they are made by firms like Schwinn, Performance, Huffy, and Murray.

Most bikes are intended to do the same thing—get the rider from one place to another. But a bike rider can choose from a wide assortment of models. They are designed in different sizes, with different frames for men and women, and with or without gears. Off-road bikes have large knobby tires, and the tires on racing bikes are narrow. Some bikes have hand brakes and others have foot brakes. Kids and older people may want more wheels—to make balancing easier; clowns want only one wheel, to make balancing more interesting. And some bikes need baskets or even trailers for cargo or an infant seat for a small passenger. You can buy a basic bike for less than \$50. Or, you can spend more than \$2,500 for a custom frame—not including the handcrafted wheels that you order over the Internet.

This variety of styles and features complicates the production and sale of bicycles. The following list shows some of the many things a firm should do before and after it decides to produce a bike.

1. Analyze the needs of people who might buy a bike and decide if they want more or different models.
2. Predict what types of bikes—handlebar styles, type of wheels, weights, and materials—different customers will want and decide which of these people the firm will try to satisfy.

3. Estimate how many of these people will be riding bikes over the next several years and how many bikes they'll buy.
4. Predict exactly when these people will want to buy bicycles.
5. Determine where in the world these bike riders will be and how to get the firm's bikes to them.
6. Estimate what price they are willing to pay for their bikes and if the firm can make a profit selling at that price.
7. Decide which kinds of promotion should be used to tell potential customers about the firm's bikes.
8. Estimate how many competing companies will be making bikes, how many bikes they'll produce, what kind, and at what prices.
9. Figure out how to provide warranty service if a customer has a problem after buying a bike.

The above activities are not part of **production**—actually making goods or performing services. Rather, they are part of a larger process—called *marketing*—that provides needed direction for production and helps make sure that the right goods and services are produced and find their way to consumers.

Our bicycle example shows that marketing includes much more than selling or advertising. We'll describe marketing activities in the next chapter. And you'll learn much more about them before you finish this book. For now, it's enough to see that marketing plays an essential role in providing consumers with need-satisfying goods and services and, more generally, in creating customer satisfaction. Simply put, **customer satisfaction** is the extent to which a firm fulfills a customer's needs, desires, and expectations.

How Marketing Relates to Production

Production is a very important economic activity. Whether for lack of skill and resources or just lack of time, most people don't make most of the products they use. Picture yourself, for example, building a 10-speed bicycle, a DVD player, or an electronic watch—starting from scratch! We also turn to others to produce services—like health care, air transportation, and entertainment. Clearly, the high standard of living that most people in advanced economies enjoy is made possible by specialized production.

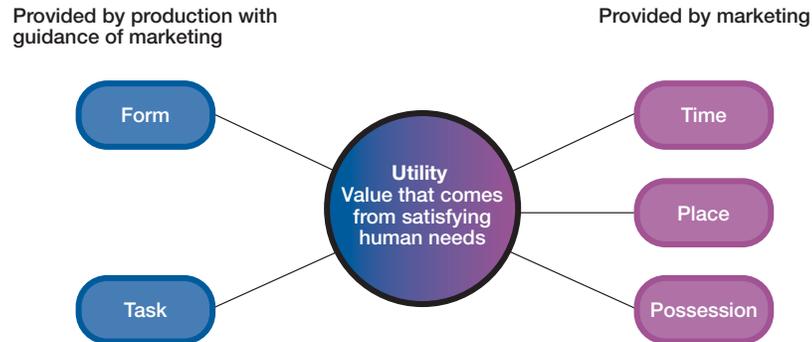
Bicycles, like mousetraps, don't sell themselves

Although production is a necessary economic activity, some people overrate its importance in relation to marketing. Their attitude is reflected in the old saying: "Make a better mousetrap and the world will beat a path to your door." In other words, they think that if you just have a good product, your business will be a success.

The "better mousetrap" idea probably wasn't true in Grandpa's time, and it certainly isn't true today. In modern economies, the grass grows high on the path to the Better Mousetrap Factory—if the new mousetrap is not properly marketed. We have already seen, for example, that there's a lot more to marketing bicycles than just making them. This is true for most goods and services.

The point is that production and marketing are both important parts of a total business system aimed at providing consumers with need-satisfying goods and services. Together, production and marketing supply five kinds of economic utility—form, task, time, place, and possession utility—that are needed to provide consumer satisfaction. Here, **utility** means the power to satisfy human needs. See Exhibit 1-1.

Exhibit 1-1
Types of Utility and How They Are Provided



Bicycles do not automatically provide utility

Form utility is provided when someone produces something tangible—for instance, a bicycle. **Task utility** is provided when someone performs a task for someone else—for instance, when a bank handles financial transactions. But just producing bicycles or handling bank accounts doesn't result in consumer satisfaction. The product must be something that consumers want or there is no need to be satisfied—and no utility.

This is how marketing thinking guides the production side of business. Marketing decisions focus on the customer and include decisions about what goods and services to produce. It doesn't make sense to provide goods and services consumers don't want when there are so many things they do want or need. Let's take our "mousetrap" example a step further. Some customers don't want *any kind of* mousetrap. They may want someone else to produce a service and exterminate the mice for them, or they may live where mice are not a problem. Marketing is concerned with what customers want, and it should guide what is produced and offered. This is an important idea that we will develop more completely later.

Even when marketing and production combine to provide form or task utility, consumers won't be satisfied until time, place, and possession utility are also provided.

Time utility means having the product available *when* the customer wants it. And **place utility** means having the product available *where* the customer wants it. Bicycles that stay at a factory don't do anyone any good. Time and place utility are very important for services too. For example, neighborhood emergency care health clinics have become very popular. People just walk in as soon as they feel sick, not a day later when their doctor can schedule an appointment.

Possession utility means obtaining a good or service and having the right to use or consume it. Customers usually exchange money or something else of value for possession utility.

Stated simply, marketing provides time, place, and possession utility. It should also guide decisions about what goods and services should be produced to provide form utility and task utility. We'll look at how marketing does this later in this chapter. First, we want to discuss why you should study marketing, and then we'll define marketing.

Marketing Is Important to You

Marketing is important to every consumer

One important reason for learning about marketing is that marketing affects almost every aspect of your daily life. All the goods and services you buy, the stores where you shop, and the radio and TV programs paid for by advertising are there because of marketing. Even your job résumé is part of a marketing campaign to sell

By working to understand the needs of its customers, wherever they are, Toyota has successfully adapted to marketers all around the world.



yourself to some employer! Some courses are interesting when you take them but never relevant again once they're over. Not so with marketing—you'll be a consumer dealing with marketing for the rest of your life.

Another reason for studying marketing is that you—as a consumer—pay for the cost of marketing activities. In advanced economies, marketing costs about 50 cents of each consumer dollar. For some goods and services, the percentage is much higher.

Marketing will be important to your job

Marketing Manager for Consumer Electronics

We've got a new opportunity that should help our business grow into the next century. Put your college degree and experience in marketing consumer durables to work. Come help us analyze our markets and plan our marketing mix in a logical, creative, and enthusiastic way. This job offers income above industry standards, dynamic colleagues, relocation to desirable midwest suburb, and fast-track upward mobility. Check our website for more detail or reply in confidence, with a copy of your resume, to Box 4953.

Still another reason for studying marketing is that there are many exciting and rewarding career opportunities in marketing. Marketing is often the route to the top. Throughout this book you will find information about opportunities in different areas of marketing—in sales, advertising, product management, marketing research, distribution, and other areas. And Appendix C is all about career planning in marketing.

Even if you're aiming for a nonmarketing job, you'll be working with marketing people. Knowing something about marketing will help you understand them better. It will also help you do your own job better. Throughout the book, we'll discuss ways that marketing relates to other functional areas—and Chapter 20 focuses on those issues. Further, remember that marketing is important to the success of every organization. A company that can't successfully sell its products doesn't need accountants, financial managers, production managers, personnel managers,

computer programmers, or credit managers.

Even if you're not planning a business career, marketing concepts and techniques apply to nonprofit organizations too. Many nonprofit organizations have a marketing manager. And the same basic principles used to sell soap are also used to "sell" ideas, politicians, mass transportation, health care services, conservation, museums, and even colleges. Think about the school where you take this course. If you didn't know about its offerings—or if they didn't interest you—you would simply pick some other school.¹

Marketing affects economic growth

An even more basic reason for studying marketing is that marketing plays a big part in economic growth and development. Marketing stimulates research and new ideas—resulting in innovative new goods and services. Marketing gives customers a choice among products. If these products satisfy customers, fuller employment, higher incomes, and a higher standard of living can result. An effective marketing system is important to the future of all nations.²

How Should We Define Marketing?

As we said earlier, some people think of marketing too narrowly as “selling and advertising.” On the other hand, one author defined marketing as the “creation and delivery of a standard of living.”³ That definition is too broad.

An important difference between the two definitions may be less obvious. The first definition is a *micro*-level definition. It focuses on activities performed by an individual organization. The second is a *macro*-level definition. It focuses on the economic welfare of a whole society.

Micro- or macro-marketing?

Which view is correct? Is marketing a set of activities done by individual firms or organizations? Or is it a social process?

To answer this question, let's go back to our bicycle example. We saw that a producer of bicycles has to perform many customer-related activities besides just making bikes. The same is true for an insurance company, an art museum, or a family-service agency. This supports the idea of marketing as a set of activities done by individual organizations.

On the other hand, people can't survive on bicycles and art museums alone! In advanced economies, it takes thousands of goods and services to satisfy the many needs of society. For example, a typical Wal-Mart store carries more than 100,000 different items, and its Supercenter carries more than 20,000 additional grocery items, many of them perishable. A society needs some sort of marketing system to organize the efforts of all the producers and middlemen needed to satisfy the varied needs of all its citizens. So marketing is also an important social process.

Internet

Internet Exercise You can check out the online shopping experience of Wal-Mart on the Web by going to the Wal-Mart home page (www.walmart.com) and clicking on “Go Shopping.”

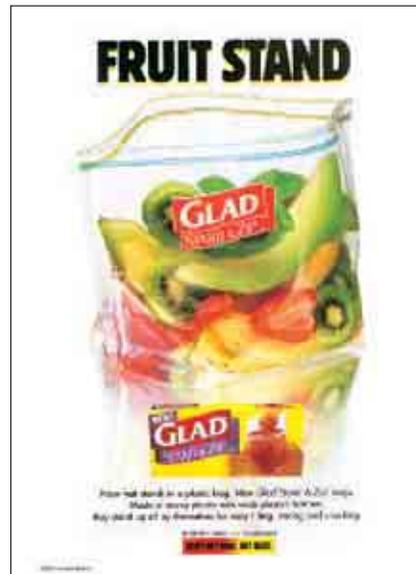
The answer to our question is that *marketing is both a set of activities performed by organizations and a social process*. In other words, marketing exists at both the micro and macro levels. Therefore, we will use two definitions of marketing—one for micro-marketing and another for macro-marketing. Micro-marketing looks at customers and the organizations that serve them. Macro-marketing takes a broad view of our whole production–distribution system.

Micro-Marketing Defined

Micro-marketing is the performance of activities that seek to accomplish an organization's objectives by anticipating customer or client needs and directing a flow of need-satisfying goods and services from producer to customer or client.

Let's look at this definition.⁴

The aim of marketing is to identify customers' needs—and to meet those needs so well that the product almost sells itself.



Applies to profit and nonprofit organizations

To begin with, this definition applies to both profit and nonprofit organizations. Profit is the objective for most business firms. But other types of organizations may seek more members—or acceptance of an idea. Customers or clients may be individual consumers, business firms, nonprofit organizations, government agencies, or even foreign nations. While most customers and clients pay for the goods and services they receive, others may receive them free of charge or at a reduced cost through private or government support.

More than just persuading customers

You already know that micro-marketing isn't just selling and advertising. Unfortunately, many executives still think it is. They feel that the job of marketing is to "get rid of" whatever the company happens to produce. In fact, the aim of marketing is to identify customers' needs and meet those needs so well that the product almost "sells itself." This is true whether the product is a physical good, a service, or even an idea. If the whole marketing job has been done well, customers don't need much persuading. They should be ready to buy. And after they do buy, they'll be satisfied and ready to buy the same way again the next time.

Begins with customer needs

Marketing should begin with potential customer needs—not with the production process. Marketing should try to anticipate needs. And then marketing, rather than production, should determine what goods and services are to be developed—including decisions about product design and packaging; prices or fees; credit and collection policies; use of middlemen; transporting and storing policies; advertising and sales policies; and, after the sale, installation, customer service, warranty, and perhaps even disposal policies.

Does not do it alone

This does not mean that marketing should try to take over production, accounting, and financial activities. Rather, it means that marketing—by interpreting customers' needs—should provide direction for these activities and try to coordinate them. After all, the purpose of a business or nonprofit organization is to satisfy customer or client needs. It is not to supply goods and services that are convenient to produce and *might* sell or be accepted free.

Builds a relationship with the customer

When marketing helps everyone in a firm really meet the needs of a customer both before and after a purchase, the firm doesn't just get a single sale. Rather, it

has a sale and an ongoing *relationship* with the customer. Then, in the future, when the customer has the same need again—or some other need that the firm can meet—other sales will follow. That's why we emphasize that marketing concerns a *flow* of need-satisfying goods and services to the customer. Often, that flow is not just for a single transaction but rather is part of building a long-lasting relationship that is beneficial to both the firm and the customer.

The Focus of This Text—Management-Oriented Micro-Marketing

Since you are probably preparing for a career in management, the main focus of this text will be on micro-marketing. We will see marketing through the eyes of the marketing manager.

It is important to keep in mind that the micro-marketing ideas and decision areas we will be discussing throughout this text apply to a wide variety of situations. They are important not only for large and small business firms but also for all types of public sector and nonprofit organizations. They apply to new ventures started by a single entrepreneur as well as to ongoing efforts by teams of people in corporations. They are useful in domestic markets and international markets and regardless of whether the organization focuses on marketing physical goods, services, or an idea or cause. They are equally critical whether the relevant customers or clients are individual consumers, businesses, or some other type of organization. In short, every organization needs to think about its markets and how effectively it meets its customers' or clients' needs. For editorial convenience, and to reflect the fact that most readers will work in business settings, when we discuss marketing concepts we will sometimes use the term *firm* as a shorthand way of referring to any type of organization, whether it is a political party, a religious organization, a government agency, or the like. However, to reinforce the point that the ideas apply to all types of organizations, throughout the book we will illustrate marketing management concepts with examples that represent a wide variety of marketing situations.

Although micro-marketing is the primary focus of the text, marketing managers must remember that their organizations are just small parts of a larger macro-marketing system. Therefore, the rest of this chapter will look at the macro view of marketing. Let's begin by defining macro-marketing and reviewing some basic ideas. Then, in Chapter 2, we'll explain the marketing management decision areas we will be discussing in the rest of the book.

Macro-Marketing Defined

Macro-marketing is a social process that directs an economy's flow of goods and services from producers to consumers in a way that effectively matches supply and demand and accomplishes the objectives of society.

Emphasis is on whole system

Like micro-marketing, macro-marketing is concerned with the flow of need-satisfying goods and services from producer to consumer. However, the emphasis with macro-marketing is not on the activities of individual organizations. Instead, the emphasis is on *how the whole marketing system works*. This includes looking at how marketing affects society, and vice versa.

Every society needs a macro-marketing system to help match supply and demand. Different producers in a society have different objectives, resources, and skills. Likewise, not all consumers share the same needs, preferences, and wealth. In other