

basic marketing

A GLOBAL-MANAGERIAL APPROACH
ELEVENTH CANADIAN EDITION

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BASIC MARKETING
A GLOBAL-MANAGERIAL APPROACH
Eleventh Canadian Edition

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DEDICATION

To James and Sandra at McGraw-Hill Ryerson

I was blessed to be a part of your team.

To my RAs – Lesley, Nat, Patricia, Jared, Anne, Angie, Logan, and Carolyn

I was blessed to have you on my team.

To my Family – Marcel, Alice, Barb, James, Ben, Lauren, and Lesley

I am blessed.

KW

To Roberta

Partner “par excellence” in all the joint ventures of a lifetime.

Ours has been the ultimate strategic alliance.

SJS

About the Authors

Kenneth B. Wong

Ken Wong is a faculty member at Queen's School of Business, where he has held both teaching and administrative positions.

In his last administrative assignment, he was a principal architect of the first full-time degree program in Canada to operate completely outside of government subsidy; a distinction that earned him the cover of *Canadian Business* in April 1994. (The new program, the MBA for Science & Technology, has itself been a cover feature: it was named Canada's Number One MBA in *Canadian Business*' annual ratings in five of its first seven years of operation, and was rated by *Business Week* as #2 among non-U.S. MBAs in the magazine's 2002 survey.)

As a teacher, Professor Wong has received numerous awards for his courses in strategic planning, marketing, and business strategy. In 1998 he won the *Financial Post*'s Leaders in Management Education award, a lifetime achievement award for his work in undergraduate, MBA, and executive development programs. Beyond Queen's, he has also taught in degree programs at Carleton University, Radcliffe College, and Harvard's Continuing Education Program, and in executive programs at York University, the University of Toronto, Dalhousie University, and the University of Alberta.

Professor Wong is a frequent speaker and facilitator for conferences and executive development programs around the world. His corporate clients have included Accelio; Accenture; Alcan; AT&T (Canada); BC Hydro; Bell Canada; Campbell's Soup (Canada); Canada Post; Cara; Carstar; Cartier Partners; Central Park Lodges; Coast Spas; COGECO; The Co-operators; Credit Union Central (Alberta); Credit Union Central (BC); Dalsa; Dillon Consulting; DuPont; Eagle Human Resources; Empire Financial Group; Equifax Canada; Falconbridge Mines; Farmer's Credit Canada (FCC); Frito-Lay; General Accident Insurance; General Mills; GlaxoSmithKline; Hummingbird; Humpty Dumpty; H.Y. Louie (London Drugs and IGA); IFIC; Interac; Jacques-Whitford; Janssen-Ortho; The Johnson Group; Lombard Insurance; Mattel; McCain; Microsoft; Mountain Equipment Co-op; PBB Global Logistics; Red Lobster; RLG International; Rohm & Haas; Royal-SunAlliance; SaskTel; Scott Paper; Sonoco Products Company; Starbucks; St. Joseph's Printing; TD-Canada Trust; Telus; Texec; and 3M Canada. He has also served a variety of public agencies and associations, including Attorney General (Ontario); Canada Customs and Revenue Agency (CCRA); Canada Mortgage & Housing Corporation (CMHC); Canadian Advanced Technology Managers (CATM); Canadian

Agricultural Marketing Association (CAMA); Canadian Association of Chemical Distributors (CACD); Canadian Council of Grocery Distributors; Canadian Poultry and Egg Processors (CPEPC); Canadian Professional Sales Association; Canadian Urban Transit Association; Communications Canada (CCMD); Credit Union Central of Saskatchewan; Electro Federation; Hostex; National Association of Printers & Lithographers; New Brunswick Department of Economic Development & Tourism; North American State & Provincial Lottery Association; North York Board of Education; Ontario Dairy Council; Province of Nova Scotia; and Saskatchewan Wheat Pool.

As a researcher, Professor Wong has worked with the Strategic Planning Institute (Cambridge, MA) and the Conference Board of Canada. He has written for *Marketing Magazine*, the *Financial Post*, and the *National Post*. His current research focuses on devices that assist organizations in becoming more market-oriented and in enhancing their marketing productivity.

Private corporations that have used Professor Wong as a marketing and strategic planning consultant include Acklands Grainger; Baxter Corporation; Bell Canada; Equifax; General Electric (U.S.); Hoffman-LaRoche; QL Systems; Rohm & Haas; Rx Plus; Sherritt-Gordon; Southmedic; Sprint Canada; Tremco Products; and Xerox. He has also served as a strategic adviser to the Ontario Ministry of Education and Training; on various local, provincial, and federal government task forces; and on the Community Editorial Board of the *Kingston Whig-Standard*. He often assists on judging panels, most recently for the 2003 Canadian "Best 50" competition (excellence in management), the 2003 Canadian Entrepreneur of the Year, and the 2001 Cassies (advertising).

He received his B.Comm and MBA degrees from Queen's University prior to a period of doctoral studies at the Harvard Business School. He is Chairman of the Board, PBB Global Logistics Inc. and a member of a number of other advisory boards and boards of directors. He is listed in the *Canadian Who's Who* and the *International Who's Who of Professionals*.

Stanley J. Shapiro

Stanley J. Shapiro received his B.A. from Harvard and his MBA and Ph.D. degrees from the Wharton School of the University of Pennsylvania. His doctoral dissertation was a "politics of distribution" study focusing on the Ontario Hog Producers' Marketing Board. He then taught at Wharton for three years before moving to Montreal to join first an advertising agency and then a marketing

research firm. In 1967, he became an associate professor at the McGill Graduate School of Business. He became a full professor in 1972 and between 1973 and 1978 he was Dean of the McGill Faculty of Management. In 1981, he became a Professor of Marketing at Simon Fraser University, where he was also Dean of Business Administration between 1987 and 1997. Dr. Shapiro has also been a Visiting Professor at Queen's University, Bentley College, and Royal Roads University. Dr. Shapiro is a Past Chair of the Canadian Federation of Deans of Management and Administrative Studies. During his career he has conducted numerous evaluations of BBA, MBA, and Ph.D. programs at other Canadian universities. He was also a member of a CIDA-sponsored task force that established close (and still continuing) federation links with comparable organizations of deans in South Asia. Dr. Shapiro is also a former editor of the *Journal of Macromarketing* and was an editorial board member of the *Journal of Marketing* for more than 30 years. He currently serves on the editorial boards of the *Journal of Macromarketing*, the *Journal of Global Marketing*, the *International Marketing Review*, and the *Journal of Business Ethics*. Dr. Shapiro is a past president of the Montreal chapter of the American Marketing Association and a former National Director of that organization. Also, he is both a Past Governor and a Distinguished Fellow of the Academy of Marketing Science. He has published extensively in subjects ranging from marketing history to the financial dimensions of marketing management. Much of his consulting has been public sector-related, including such major projects as the first marketing study ever conducted by Canada Post and active involvement in the Canadian government's Conserver Society initiatives. Between 1987 and 1993, Dr. Shapiro was also an elected School Trustee in Burnaby, British Columbia.

William D. Perreault, Jr.

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 more than 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 honours 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 20th 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 was 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 the Venezuelan Ministry of Education. He is on the advisory board for Copernicus: The Marketing Investment Strategy Group.

E. Jerome McCarthy

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 honoured 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 in the U.S. and overseas. He has worked with top managers from Bemis, Dow Chemical, Grupo Industrial Alfa, 3M, Steelcase, and many other companies. He is also active in executive education and is a director of several organizations. His primary interests, however, are in (1) converting students to marketing and 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.

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Preface

Basic Marketing Is Designed to Satisfy Your Needs

This is a book about marketing and marketing strategy planning. It's also a book that “practises what it preaches.” And, since the heart of marketing and marketing strategy is figuring out how to do a superior job of satisfying customers, it seems appropriate here to outline some of the important changes that we've made with instructors and students—our customers—in mind.

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 pillars of a foundation that is remarkably robust for supporting new developments in the field and innovations in the text and package.

In developing this 11th Canadian edition, we've reorganized chapters, made hundreds of additions big and small, and improved the text and the supporting materials that accompany it. We've added new instructional and learning aids, new case studies, and improvements to our Online Learning Centre. The goal was simple: to make this the most user-friendly source of information possible.

A Tradition of Innovation Rooted in the Fundamentals

When *Basic Marketing* was first published more than 40 years ago, it pioneered an innovative way of organizing marketing knowledge for introductory marketing courses. The managerially oriented “Four Ps” quickly became *the* language of marketing, and *Basic Marketing* became one of the most widely used business textbooks ever published. The reason was simple: it not only listed the various decisions marketing managers must make every day, but also provided a unifying theme or philosophy that integrated those decisions: a focus on the customer. Today, that philosophy is so deeply rooted in marketing thought and practice that it often goes without saying.

But not in this book. While *Basic Marketing* has undergone constant change to reflect the realities of the contemporary marketplace, its focus on customers as the heart of marketing action—and on students and instruc-

tors as the customers for marketing knowledge—has not wavered. As a result, readers of *Basic Marketing* learn tools and approaches that have withstood the test of time and remain vital to understanding the complexities that modern marketers face. It is gratifying that the Four Ps has proven to be an organizing structure that has worked well for thousands of students and instructors.

A Book Designed for Both Instructors and Students

The preparation of the 11th edition went beyond the standard textbook review process. As most textbook authors do, we went to instructors to determine what they needed—both within and beyond the text—to improve the book as a teaching resource and learning aid. Then we went one step further: **we went to the students themselves.**

A team of students has critically reviewed every chapter of the text. The students came from Queen's Business School and the faculties of Arts & Science and Engineering. Their mission was not to identify *what* to cover, but to help us decide *how* to cover the material. They looked at the examples used, the photos and advertisements, the charts and graphs, even the language used to communicate the material.



We also asked them to comment on the value of each paragraph to their understanding of the concepts: in this way, we sought to reduce the chapter size, the required reading time, and the cost of the text. The revised manuscript was then submitted to a second round of instructor review to ensure that we had not compromised the book's instructional value along the way.

The result was a major change in the organization of material: almost every chapter received a new layout and sequence. We believe the result is another exciting innovation that will continue the tradition of focusing on our “customers” and, in doing so, generate not only marketing knowledge but also a sense of excitement and passion for the field.



Critical Revisions, Updates and Rewrites = A New Order

The 11th edition organizes material into four parts: Marketing Fundamentals, The Marketing Environment, Marketing Policies and Decisions, and Managing the Marketing. Each of these parts has a theme unto itself and a set of learning objectives attached to it. The goal was to give students a better sense of the relevance and practical significance of the material being covered, thereby enhancing their motivation as they approach each chapter.

The material covered in earlier editions was then re-distributed among these four parts to establish a more easily followed flow of thought. Our belief was that marketing should not be viewed as a series of independent chapters but rather as a continuous story. To assist in telling that story, each chapter received a new vignette and a new element, located at the start of each chapter, entitled “In This Chapter”.

Chapter Sixteen
Pricing Objectives and Policies

IKEA's Attractive Price Tags
Sunday at IKEA, and there's a circus in the living room at the Swedish-origin furniture and home furnishings retailer's (pre-painted) show. Every chair has a potential buyer writing in it, or scribbling it, or crossing it like a lion around a lettered goal.

The same scene is routinely played out across North America, where IKEA has launched 24 stores since 1986. The most powerful furniture retailer on planet Earth—with more than 180 stores in 32 countries—is about to get even bigger. By 2012, it expects to have 30 of the big, red-tinted store and yellow big-box furniture outlets open for business in North America.

Meanwhile, the IKEA influence is even more dramatic. Though the company is privately held and doesn't release profit figures, its worldwide sales have grown by an estimated 20 percent a year for the past five years, and it's

place price promotion product

This new introduction goes beyond alerting students to key learning objectives to provide the student with a **roadmap** to how the current chapter relates to earlier chapters, what will be covered in the chapter, and why it is laid out in that manner. New chapter summaries revisit those themes to reinforce the student takeaways.

In This Chapter

In this chapter we look at the tools of mass selling, with emphasis on the two most widely used tools—advertising and sales promotion. To provide you with a sense of how important these activities are to firms, we'll begin with a discussion of the scope of these activities—how much is spent, by whom, and on what media.

We'll then look at the decisions that must be made to develop an advertising campaign. Because many of these decisions must also be made for sales promotion programs, we'll examine those decisions in some detail. These decisions include setting advertising objectives, choosing the type of advertising, selecting media,

Chapter Summary

Theoretically, it may seem simple to develop an advertising campaign that picks the audience and develops a message. But it's not that easy. Effectiveness depends on using the "best" available medium and the "best" message (considering (1) promotion objectives, (2) the target audience, and (3) the funds available for advertising).

Specific advertising strategy decisions also lead to advertising to one product or organization. If product advertising is needed, then the particular copy must be decided. Promoting, competence (short or long-term), or reminder. And advertising alternatives and comparing advertising may be helpful.

Most technical details are used in mass selling, and creation—advertising agencies—handle some of these jobs. The specific objectives must be set for them, or their advertising may have little direction and be almost impossible to measure.

Effective advertising should affect sales. The first

which marketing was often referred the results of advertising usually can't be measured by sales change alone. By contrast, sales promotion tends to be more achievement.

Sales promotion spending is big and growing. This approach is especially important to promoting sales. It's common, convenient, and adaptable. There are many different types of sales promotion, and it is a profitable one to use because it is difficult for a firm to decrease expenses with all of the possibilities.

Advertising and sales promotion are often important parts of a promotion blend—like a team that work together. Sales promotion also plays an important role. Further, promotion is only a part of the overall marketing mix. Marketing managers must develop a carefully targeted campaign. So to broaden your understanding of this book, we have placed it together, in the next two chapters we'll go into more detail on the role of price in strategic decisions.

The Scope



Environment

The goal was to get the student “faster to marketing”: to enable the students to begin looking at the world using marketing tools and concepts at an earlier stage in their course. For example, by moving the chapter on segmentation and positioning from Chapter 8 (10th edition) to Chapter 3 (11th edition), students start dealing with marketing issues anywhere from two to four weeks sooner in a typical course. As an added benefit, with these concepts in mind, students will also find it much easier to appreciate the relevance of material on marketing's external environment, consumer behaviour and demographics.

But we didn't stop our re-ordering process at the chapter level. We wrote each chapter so as to highlight the strategic issues in the chapter and to identify the key decisions to be made. This is especially apparent in Part 3 (Chapters 9–17) where each chapter identifies the key decisions and organizes the discussion of those decisions around a common approach—starting with the identification of objectives and ending with implementation and control. The result is that students should find it easier to understand “where the pieces fit.” And, if working on projects or cases, students will be able to more quickly locate necessary background material.



We Listened! The Return of What You Like

We were very careful to attend to reviewers' comments about what they liked and didn't want to see changed. As a result, we continued the practice—with updated materials—of using opening vignettes,

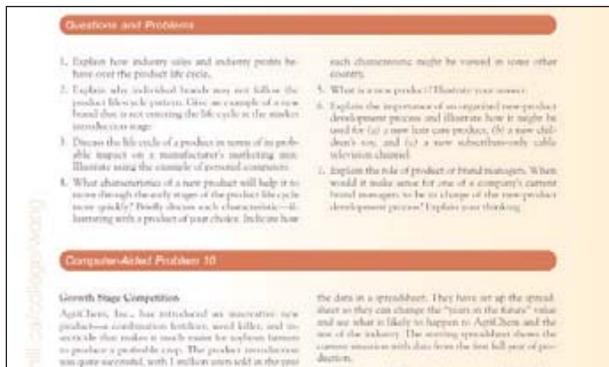
Marketing Demos,



Ethical Dimensions,



extensive illustrations, end of chapter notes, Questions and Problems, and Computer-Aided Problems.



In addition, Ramesh Venkat, of the Sobey School of Business, has authored an entirely new set of Internet Insites to provide up-to-date information on the latest e-commerce topics.



Those familiar with the 10th and earlier editions will recognize the return of three Appendices that were omitted from the 10th edition:

- Marketing “YOU INC.”: Preparing a Personal Marketing Plan
- Economics Fundamentals
- Marketing Arithmetic

These appendices are written at a level that enables students who lack prior courses in economics and accounting to feel comfortable with the vocabulary of business. This gives greater flexibility in the placement of an introductory marketing course within the academic calendar: *Basic Marketing* can be used as early as the first semester of the first year of studies. Also note that an appendix on Career Planning in Marketing can now be found on the Online Learning Centre.



What You Said—What We Did

We’ve heard from instructors that it is extremely challenging to keep cases current. Thus, in the 11th edition we’ve removed the cases from the book and will be offering a **new casebook with the text every year** with new and updated cases! It is the commitment of the publisher to provide this casebook free of charge, shrinkwrapped with each new copy of *Basic Marketing*. For this edition, substantial new case materials have been developed. More than 70 percent of the cases are new and revised—50 percent of those are new global cases, and 10 percent of those are new Canadian cases. If you prefer some of the classics, cases from the 10th edition can still be accessed through the Online Learning Centre. This should provide instructors with tremendous flexibility in choosing cases for discussion, assignment, or exam purposes.



A Clear Focus on Contemporary Issues

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 major issues such as:

- Customer Relationship Management (CRM): developing and sustaining customer relationships and the costs and benefits of different approaches to customer acquisition and retention
- Customer Value: the importance of providing superior customer value as a means to achieve customer satisfaction and competitive advantage
- Integrated Marketing Communications (IMC): including the growing use and methods of direct marketing and public relations as a marketing tool, including “buzz” marketing
- The increasing channel power of large retail chains
- New technologies in marketing communication and distribution
- The debate between using sales promotion versus brand development
- New ways of setting and merchandising price
- The growth of B2B (business-to-business) marketing
- New privacy legislation

Similarly, we've also integrated new material on many important and fast-evolving topics. Look for the following dynamic marketing areas:

- Integrated e-commerce throughout
- More emphasis on how breakthroughs in technology are affecting marketing and why these changes are happening
- More on the process of marketing strategic planning
- New/updated IMC coverage
- New/updated coverage of relationship marketing
- Updated coverage of data management capabilities for CRM
- New/updated coverage of B2B and the use of technology
- New material on direct-response promotion and customer-initiated marketing communications
- New/updated coverage of sales and self-service technologies
- New/updated coverage of distribution channels (including the Internet and when it makes sense to use a website for direct distribution or dual distribution and when it doesn't)

- New coverage on the increasing channel power of large retail chains
- New/updated coverage of competitor analysis and creating competitive advantage
- New/updated coverage of using flexibility pricing and evaluating price sensitivity
- Increased coverage of five key themes: customer satisfaction, value, relationships, competition, and ethics.
- New/updated coverage of global demographics and population trends
- New/updated coverage of the differences between B2B and B2C marketing
- New/updated coverage of branding (to both B2B & B2C)
- New coverage of product risk management
- New/updated coverage of factors influencing product life cycles
- New/updated coverage of retail strategy and why it evolves
- Expanded coverage of retail and wholesale evolution
- New/updated coverage of direct marketing
- New coverage of permission marketing and pointcasting
- Expanded coverage of sales promotion and brand development
- New coverage of promotional campaigns that build “buzz” among consumers
- New coverage of pricing decisions
- Expanded coverage of traditional vs. Internet-based customers
- New/updated coverage of marketing control, including marketing cost analysis

Three external authors were commissioned to write pieces for use solely in the 11th edition. These contributions ensure that students receive practical insights from executives who deal with market changes every day.

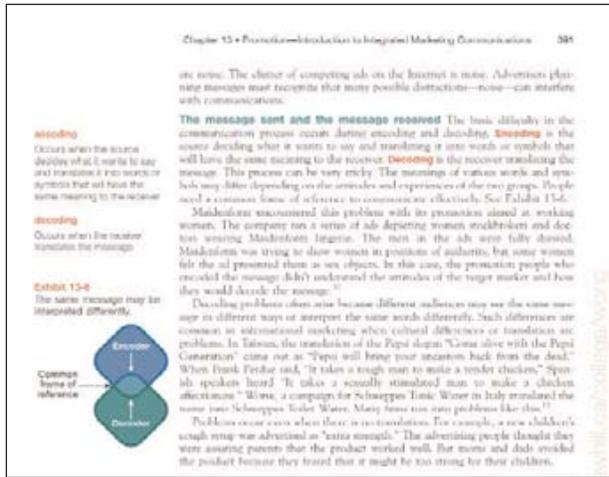
- Bryan Pearson, President of Air Miles, on “Direct Marketing”
- Dan Tisch, President of Argyle Rowland Communications, on “Public Relations”
- Steven Cross, former Director, Canadian Centre for Ethics & Corporate Policy, on Marketing Ethics (in OLC)



A Fresh Design—To Make Important Concepts Even Clearer

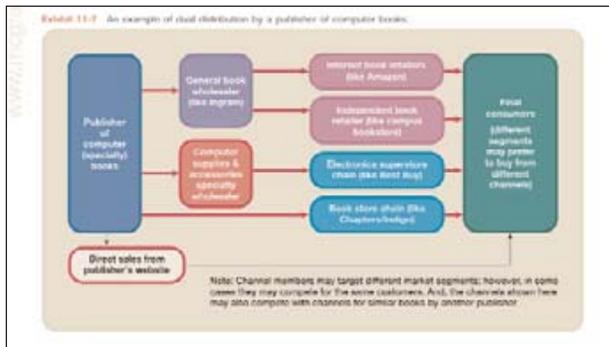
The 11th edition also sports a very new look. But it's a look that goes beyond the cosmetic. Our typestyle and paper quality enhance the readability of the book and

the use of colour coding makes it easy to find material within the text. These changes, along with our usual practice of including key terms in the margins, make the 11th edition our easiest version ever to read.



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’ve deliberately included a variety of frameworks, models, classification systems, cases, and “how-to-do-it” techniques that relate to our overall marketing framework for marketing strategic 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.

The Spirit of Nineteen Chapters—With an Emphasis on Marketing Strategic Planning

The 11th edition has several major changes from earlier editions. In fact, every chapter had a “change theme” attached to it—a statement of what we wanted to do better in this version.

Part 1 (Marketing Fundamentals) comprises Chapters 1–3. It seeks to establish what marketing is and is not. It provides a viewpoint that marketing is as much a way of thinking and managing as it is a collection of techniques.

Chapter 1 (The Nature of Marketing) discusses not only what marketing is but also, equally important, why it is relevant for students. We wanted students to get excited about marketing and motivated to learn about it, even if they were not considering a marketing career. To that end, the early sections of this chapter show how marketing touches the everyday, professional, and personal lives of students. Beyond buying and selling activities, we portray marketing as applicable to any exchange—whether of ideas, products, services, feelings, or friendships. This chapter also introduces five key themes that influence what marketers do and how they do it (and, as such, run through all remaining chapters): customer satisfaction, value, relationships, competitive advantage, and ethics and social responsibility.

Chapter 2 (Marketing’s Role within the Firm or Non-profit Organization) is about the “what and how” of marketing and how those decisions are made. Building on the discussion of major themes in Chapter 1, this chapter introduces the classic four Ps of marketing, with customers at the heart of all decisions. This is an important chapter, because it highlights the number-one source of many subsequent marketing problems: inappropriate attention to the selection of target markets and the need to align marketing actions with the behaviour of that group.

Chapter 3 (Focusing Marketing Strategy with Segmentation and Positioning) continues the theme of market selection and alignment by showing how segmentation and positioning assist in those tasks. However, before offering these concepts as “solutions,” we first concentrate on getting to recognize the challenge and opportunity created by the “problem” of customer diversity. The goal is to help the student appreciate the opportunities created by customer diversity and to overcome the temptation to think in terms of “one size fits all.”

Part 2 (The Marketing Environment) comprises Chapters 4–8. These chapters collectively lay out a number of factors that influence the behaviour of customers and

therefore the types of marketing strategies and mixes required to reach them. In doing so, this part of the text builds directly on Part 1: if target-market selection and positioning are critical to marketing success, what types of factors do we need to consider in making those decisions?

Chapter 4 (The Changing Marketing Environment) presents the external factors that affect how marketing is performed. The perspective taken is that while many of these factors may be beyond management's direct control, we can plan and manage in anticipation of trends and other developments. Thus, we not only identify some developments but also discuss how organizations respond to those developments. This viewpoint is key to developing effective, action-oriented marketing plans, since the factors discussed are the usual headings found in the situation assessments section of most plans.

Chapter 5 (Demographic Dimensions of Canadian and Global Consumer Markets) presents demographic data and analysis. In addition to offering a new section on global demographics, this chapter also details the uses of data on where we live, what we buy, where and how we earn, and various ethnic dimensions. In this way, the chapter has been reworked so that students (1) can see the commercial implications of Canada's diversity, and (2) can see how Canada compares to the rest of the world.

Chapter 6 (Behavioural Dimensions of the Consumer Market) presents a variety of concepts central to understanding consumer behaviour. These concepts have been organized into two sections—"why people buy what they do" and "how people buy what they do." This distinction helps the student see the difference between factors that shape primary demand versus selective demand and adds a keener focus to material covered in Chapters 4 and 5.

Chapter 7 (Business and Organizational Customers and Their Buying Behaviour) is the organizational-buying equivalent of Chapter 6. Recognizing that most of the students using this book would not have considerable experience in buying or selling to an organization, we've restructured this chapter to follow the flow of Chapter 6 so that students can see the similarities in both the issues being considered and the frameworks used to explore them. We also added new materials on e-commerce and relationship marketing.

Chapter 8 (Improving Decisions with Marketing Information) covers the methods used to gather information on the factors detailed in Chapters 4 through 7. While we have retained and updated much of the material contained in earlier editions, we restructured that material to separate the "managerial process" of research (i.e., how we determine what we need to know) from the "technical performance" (i.e., how we find out) of research. The

result is a smoother flow to the discussion and enhanced student understanding of how the various technologies and methodologies are interrelated.

Part 3 (Marketing Policies and Decisions) comprises Chapters 9–17. These are the key managerial decision areas. The 11th edition uses a common structure to the treatment of each area: in each chapter we'll identify the constituent decisions, the alternatives available, and the kinds of factors to consider in choosing among alternatives. This parallel structure should make it easier to organize teaching materials and for students to organize their notes.

Chapter 9 (Elements of Product Planning for Goods and Services) is an important chapter in shaping student thinking about sources of competitive advantage. Thus, instead of describing product policy as an inventory of elements, we focus on a product or service as a "bundle of capabilities" and show how all other product decisions take their cue from the customer whose bundle we seek to provide. We added a section up front called "What Is a Product?" The goal was to get students thinking about our "offering" as much more than a product per se ... or even a product with associated services. We wanted the student to think about a product as a "bundle of capabilities" built around solving a consumption problem—a model far better suited to today's technologies. Consistent with this line of thinking, we greatly expanded our discussion of branding to now cover the major branding decisions (for both B2B and B2C) and added new material on packaging and warranties.

Chapter 10 (Product Management and New-Product Development) covers two distinct but related topics. The first half of the chapter deals with managing products over their lifetime—the product life cycle (PLC) is the organizing theme for this discussion. This is a very strong chapter for examining industry trends and evolutionary patterns. However, in recognition that students might view this approach as an all-out endorsement of the PLC as a management decision-making tool, we added a section of "special considerations" in using the model. The second part of the chapter deals with new-product development. We've added sections on "minimizing risk" and "best practices," but our intention was less to teach methods than to show that product development is as much about managing ideas and people as it is about physical products or prototypes. To that end, we also added an Internet Insite on how some firms use the Internet to generate and evaluate new product ideas.

Chapter 11 (Place: Channel Systems and Physical Distribution) breaks with the tradition of having separate chapters for channels and physical distribution. This facilitated the introduction of the supply chain management concept and the growing need to manage

strategies for the two areas together. The chapter may be broken down into three parts. The first (The Basics) section reviews how distribution practices and arrangements add value for customers and suppliers and, within that context, reviews how information technology can either augment or replace traditional distribution systems. The second section (Channel Decisions) proposes four key decisions as collectively representing a firm's channel strategy and includes a more in-depth discussion of channel relations. The third section (Physical Distribution) reviews the basics of PD but with emphasis on the use of PD to gain competitive advantage.

Chapter 12 (Retailers, Wholesalers, and Their Strategy Planning) augments the descriptions of alternative retail and wholesale formats with new material on retail careers and retail strategy. This chapter has several new elements, including a discussion of retail strategy and an expanded discussion of retail and wholesale evolution. The coverage of retailer strategy focuses on the “seven Ps” of a retail marketing mix and discusses the use of segmentation and positioning within the industry. It also reviews the basics of selecting a retail strategy and the impact of retailer size on competitiveness. This leads to a discussion of why retail strategy changes or evolves and the implications for those hoping for a career in these sectors.

Chapter 13 (Promotion: Introduction to Integrated Marketing Communications) breaks out into three component parts: (1) why we do IMC, (2) the consumer behaviours that we must accommodate to realize those objectives, and (3) how we actually do it, including discussion of how the role of communications changes over the product's life cycle and two new sections on direct marketing and Internet-based marketing.

Chapter 14 (Personal Selling) presents the alternative types of salesforces and the associated sales management tasks to be undertaken. The treatment of this material in the 11th edition is more prescriptive than in past years, recognizing that more and more students are opting for sales careers and thus wish to move beyond simple descriptions.

Chapter 15 (Advertising and Sales Promotion) expands the coverage of the key decisions to be made in managing advertising and sales promotion with new material on managing public relations and Internet-based communications (like permission marketing and pointcasting). In addition, to reflect contemporary issues, students will learn about the “advertising vs. sales promotion” debate and the rise of “contingency billing” in advertising.

Chapter 16 (Pricing Objectives and Policies) organizes the conceptual discussion of pricing around five key pricing decisions and shows how one might make those

decisions differently depending upon market and competitive conditions.

Chapter 17 (Price Setting in the Business World) by contrast, is a more technical discussion that offers an overview and comparison of cost-, market- and competitive-based pricing methods.

Part 4 (Managing the Marketing Environment) comprises Chapters 18 and 19. Collectively, these chapters take the student through the major planning tasks: in organizing their thoughts and data (planning), presenting them in a written or verbal format (writing a plan), and monitoring and controlling the performance against plan.

Chapter 18 (Developing Innovative Marketing Plans) reminds students why certain information is helpful to include in a plan and provides templates and best practices for the construction of a plan. In this regard, it reminds students that planning and writing a plan are distinct activities.

Chapter 19 (Implementing and Controlling Marketing Plans: Evolution and Revolution) focuses on techniques that managers can use to monitor performance in order to make adjustments to their plans and offers suggestions for how information technology can be used to translate performance feedback into institutional learning.



A Comprehensive and Integrated Teaching and Learning Package

Basic Marketing has always offered a wide array of instructional and learning support materials, and the 11th edition is no exception. You may want to use all of these materials, or none of them, but whatever you elect to use—and in whatever medium you like to work—the teaching and learning materials work well together. These include:

Supporting the Teaching Process:

- **Instructor's Manual and Lecture Guide**—Provides lecture outlines, suggestions and ideas about teaching introductory marketing, and numerous teaching suggestions, chapter-by-chapter aids, case teaching notes, and answers to end-of-chapter exercises.
- **PowerPoint Slides**—A completely new and expanded archive of Microsoft® PowerPoint® Presentation lecture slides incorporating text figures and multimedia assets to support the professor.
- **CBC**  **CBC Video Cases and Video Guide**—A complete set of new and updated teaching videos to bring real-world relevance to chapter concepts.

- **Computerized Test Bank Using Brownstone Diploma**—More than 3,000 questions are supplied in true/false and multiple-choice formats in the easy-to-use Brownstone software.

- **Instructor’s Resource CD**—Includes in electronic format all of the instructor resources available for *Basic Marketing*.



The integrator—This pioneering instructional

resource from McGraw-Hill Ryerson is your roadmap to all the elements of your text’s support package. Keyed to the chapters and topics of your McGraw-Hill Ryerson textbook, the **integrator** ties together all of the elements in your resource package, guiding you to where you’ll find corresponding coverage in each of the related support package components!



Online Learning Centre—Both students and faculty

can access this website for a variety of support materials, including an interactive glossary, computer-aided problems, student quizzes with e-mail feature, video cases, learning objectives, and additional Appendices. Instructors adopting this text are also given password-protected access to additional support materials. Visit the site at www.mcgrawhill.ca/college/wong.

- **Superior Service**—Service takes on a whole new meaning with McGraw-Hill Ryerson and *Basic Marketing*. More than just bringing you the textbook, we have consistently raised the bar in terms of innovation and educational research—both in marketing and in education in general. These investments in learning and the education community have helped us to understand the needs of students and educators across the country, and allowed us to foster the growth of truly innovative, integrated learning.



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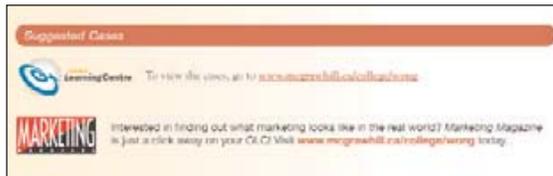
- **Teaching, Technology & Learning Conference Series**—The educational environment has changed tremendously in recent years, and McGraw-Hill Ryerson continues to be committed to helping you acquire the skills you need to succeed in this new milieu. Our innovative Teaching, Technology & Learning Conference Series brings faculty together from across Canada with 3M Teaching Excellence award winners to share teaching and learning best practices in a collaborative and stimulating environment. Pre-conference workshops on general topics, such as teaching large classes and technology integration, will also be offered. We will also work with you at your own institution to customize workshops that best suit the needs of your faculty. **These include our Teaching Excellence and Accounting Innovation symposium series.**
- **Research Reports into Mobile Learning and Student Success**—These landmark reports, undertaken in conjunction with academic and private-sector advisory boards, are the result of research studies into the challenges professors face in helping students succeed and the opportunities that new technology presents to impact teaching and learning.
- **PageOut** **PageOut**—This unique point-and-click course website tool enables you to create a high-quality course website without knowing HTML coding. With PageOut you can post your syllabus online, assign McGraw-Hill Online Learning Centre or e-Book content, add links to important off-site resources, and maintain student results in the online gradebook. Visit www.mhhe.com/pageout or contact your *i-Learning* Sales Specialist for details.

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 In addition, content cartridges are also available for course management systems, such as **WebCT** and **Blackboard**, to expand the reach of your course and open up distance-learning options.

Supporting the Learning Process:

- Learning Aid**—The *Learning Aid* can be used alone or with instructor direction. Portions of the *Learning Aid* help students review what they have studied. For example, there is a list of important new terms, true/false questions (with answers) that cover important terms and concepts, and multiple-choice questions (with answers) illustrating the kinds of questions that may appear on examinations. In addition, the *Learning Aid* has cases, exercises, and problems—with clear instructions and worksheets for the student to complete. The *Learning Aid* exercises can be used as class work 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.



- Online Learning Centre** —Both students and faculty can access this website for a variety of support materials, including an interactive glossary, computer-aided problems, student quizzes with e-mail feature, video cases, learning objectives, and additional Appendices. Accessing and using the material at this site will help students obtain a better understanding of what is in the text. Visit the site at www.mcgrawhill.ca/college/wong.

The 11th edition adds even more resources for instructors and students. The new chapter organization of material resulted in a sequencing that was closer to that used in the U.S. edition of *Basic Marketing*. As a result, Canadian adopters will be able to more seamlessly integrate a host of supplemental materials from the U.S. These include:

- a dedicated video for each chapter
- a student CD that provides an electronic glossary with hotlinks, copies of selected illustrations, PowerPoint slides, and a small number of chapter-keyed videos
- a computer simulation that unfolds chapter by chapter
- an “Applications” book of selected articles, keyed to each chapter

Acknowledgements

The best part of writing a textbook is having an opportunity to thank those who made it possible. And in this instance the task is especially welcome because there are so many people to whom I am beholden.

I could never overstate the incredible level of support and championship effort demonstrated by the team at McGraw-Hill Ryerson. Far beyond the excellence they demonstrated in the performance of their responsibilities, their professionalism and understanding is what made this book possible: and I do not say this as a matter of protocol but rather true and sincere gratitude.

At a time when people are constantly challenging both the entrepreneurial spirit and integrity found in large corporations, James Buchanan, the Sponsoring Editor, showed that large organizations can be phenomenally agile and concerned with people and quality when they have the right leadership. James championed our new approach and removed every barrier that appeared along the way. He was our champion.

Sandra de Ruiters, the Developmental Editor on this project, oversaw the organization and development of the project from the initial Author Planning Day through manuscript handover. Her efforts in securing reviewer feedback and project scheduling went so far beyond the call of duty that I am at a loss for words in expressing my deep gratitude to her. Suffice it to say that I would “go to war” anytime and anyplace with her, secure that my every error and shortcoming was being covered.

While James and Sandra were at the helm, their team was the fuel that propelled this book to completion:

- Kim Brewster, Managing Editor, lent her considerable talents and knowledge of previous editions to act as an adviser and resource for the project: her efforts enabled us to build on the traditional strengths of *Basic Marketing*.
- Joanne Murray, Supervising Editor, coordinated the transition of the textbook from final manuscript to typeset pages and through to finished book: no small task when dealing with an author who missed more deadlines than he met.
- Greg Devitt, Designer, had the complex task of blending the interior designs of this edition with previous Canadian and U.S. editions: many of the ease-of-use enhancements to this edition’s layout are attributable to him.
- Dianna Little, Art Director, designed and created the original cover design and, in doing so, gave expression to this edition’s personality.
- Kim Verhaeghe, Marketing Manager, provided

the market information and communications that made it possible for this book to achieve a true point of competitive differentiation.

- Megan Ferrell, Sales Manager, provided leads for supplement authors and reviewers and serves as an ongoing resource for the sales team: her contributions were and continue to be mission critical in this book realizing its vision.
- Alison Derry, Freelance Permissions Editor, researched photos and obtained permission for the text’s photo program: I lost count of the number of times she showed incredible fortitude and creativity in securing the visual images that are so important to a book like this.
- Darren Hick, Developmental Editor, coordinated the creation and production of the text’s ancillary supplements: a key role in our efforts to make this 11th edition the best teaching and learning resource available.
- Carole Harfst and Christine Lomas, Editorial Coordinators, organized the many administrative tasks associated with this project: an often unsung role that provided the foundation for the team’s efforts.

I was blessed to be asked to author this edition at a time when I had immediate access to some of the finest young marketing minds in the world—my students at Queen’s School of Business. As noted earlier, their reviews, constructive criticism, and ideas were a central part of this book’s distinctiveness. We put a lot of faith in these talented individuals and they rewarded that trust with performance that went far beyond even my most optimistic expectations. Readers may wish to note their names—I am certain you will hear much more from them in the future. In order of appearance within the book:

- Lesley Tod—Chapter 3: Focusing Marketing Strategy with Segmentation and Positioning; Chapter 4: The Changing Marketing Environment.
- Nathaniel (Nat) Barnes—Chapter 5: Demographic Dimensions of Canadian and Global Consumer Markets.
- Carolyn Hudson—Chapter 6: Behavioural Dimensions of the Consumer Market; Chapter 11: Place—Channel Systems and Physical Distribution; Chapter 12: Retailers, Wholesalers, and Their Strategy Planning. Carolyn also edited the new Canadian case studies.

- Angie Chan—Chapter 8: Improving Decisions with Marketing Information; Chapter 14: Personal Selling.
- Anne Kozak—Chapter 9: Elements of Product Planning for Goods and Services; Chapter 10: Product Management and New-Product Development.
- Patricia Tay—Chapter 13: Promotion—Introduction to Integrated Marketing Communications; Chapter 15: Advertising and Sales Promotion.
- Logan Chambers—Chapter 16: Pricing Objectives and Policies; Chapter 17: Price Setting in the Business World.
- Jared Ginsberg—Chapter 18: Developing Innovative Marketing Plans; Chapter 19: Implementing and Controlling Marketing Plans: Evolution and Revolution.

The 11th edition also benefited from a number of alliances and partnerships. Exhibit A-1 lists the many contributors to this text. In particular, Ramesh Venkat of the Sobey School of Business at Saint Mary's University provided superlative material in the Internet Insites that are found throughout the book. In addition, I must thank

- Stan Sutter and his staff at *Marketing Magazine*, who contributed material for many of our vignettes and Marketing Demos;
- Statistics Canada, who continued their long tradition of providing accurate and timely data for our exhibits

While the 11th edition is an innovative version of *Basic Marketing*, it owes its pedigree and much of its substance to earlier authors. In this regard, I remain personally indebted to Stanley Shapiro who, along with his wife, Roberta, nurtured this text for many years; to Bill Perreault, the author of the U.S. 14th edition for his insights on how we could better utilize the global resources of McGraw-Hill, and, of course, to Eugene McCarthy for his original pioneering efforts.

I would be greatly remiss if I did not mention the contributions of my own school, Queen's School of Business, and my Dean, David Saunders, for their support and encouragement in this undertaking. As a student and now as a faculty member I owe much of my professional knowledge to the faculty and staff at Queen's.

And last, but certainly not least, I owe an enormous debt of gratitude to my family. To my parents—Marcel and Alice—for giving me all the tools I need to be happy. To my own family—Barb, James, Ben, Lauren, and Lesley—who gave up family time so that I could pursue this effort and toward whom, ultimately, anything I do is directed. From the bottom of my heart....

Ken Wong
Kingston, Ontario
February 2004

