

Walkthrough

BASIC MARKETING HELPS YOUR STUDENTS LEARN ABOUT MARKETING AND MARKETING STRATEGY PLANNING.

At its essence, marketing strategy planning is about figuring out how to do a superior job of satisfying customers. With that in mind, the 15th Edition of *Basic Marketing* was developed to satisfy your students' desire for knowledge and add value to their course experience. Not only will this text teach them about marketing and marketing strategy planning, but its design, pedagogy, and supplementary learning aids were developed to work well with the text and a variety of study situations.

Each person has a different approach to studying. Some may focus on reading that is covered during class, others prefer to prepare outside of the classroom and rely heavily on in-class interaction, and still others prefer more independence from the classroom. Some are more visual or more "hands on" in the way they learn and others just want clear and interesting explanations. To address a variety of needs and course situations, many hours went into creating the materials highlighted in this section. When used in combination with the text, these tools will elevate your students' understanding of marketing.

Take a moment now to learn more about all of the resources available to help your students best prepare for this course— and for their future careers.

BASIC MARKETING: AN INNOVATIVE MARKETING EXPERIENCE.

With twenty-two chapters that introduce the important concepts in marketing management, your students will see all aspects of marketing through the eyes of the marketing manager. The first eight chapters introduce marketing and give them a framework for understanding marketing strategy planning in any type of organization, and then the second half of the text takes them into planning the four Ps of marketing (Product, Place, Promotion, and Price) with specific attention to the key strategy decisions in each area.

Basic Marketing pioneered the “four Ps” approach to organize and describe managerial marketing for introductory marketing courses. This new edition covers the dynamic changes taking place in marketing management and the marketing environment. Some of these changes have been dramatic, and others have been subtle. But the 15th Edition helps all students understand the changes taking place and reflects today’s best marketing practices and ideas.

WHEN YOU FINISH THIS CHAPTER, YOU SHOULD

1. Know about defining generic markets and product-markets.
2. Know what market segmentation is and how to segment product-markets into submarkets.
3. Know three approaches to market-oriented strategy planning.
4. Know dimensions that may be useful for segmenting markets.
5. Know a seven-step approach to market segmentation that you can do yourself.
6. Know what positioning is and why it is useful.
7. Understand the important new terms (shown in red).

CHAPTER THREE

Focusing Marketing Strategy with Segmentation and Positioning

If you wanted to take a picture to give to a friend, what would you do? Would you buy some Kodak Gold film for your 35 mm camera, shoot a few pictures, have the local drugstore send the film to Kodak for processing, and then mail your friend the best print? Or would you snap a few pictures with your new Hewlett-Packard (HP) digital camera, insert the camera’s memory card in your HP PhotoSmart printer, and print the best photo on the spot? If your friend later wanted a copy, would she make it on her HP scanner or send it to Kodak for a reprint?

How is it that Kodak, long famous for those “Kodak moments,” now finds itself competing with HP for a share of the wallet of customers who want to capture photographic images? These firms serve similar customer needs, but the products (and whole marketing mixes)



with which they compete are very different. Further, the group of customers who prefer Kodak’s offering is probably different—on a variety of characteristics—from the segment of people who prefer HP’s offering.

To understand HP’s marketing program, and how its strategies have become more focused with market segmentation, let’s take a longer-term look at how its strategy has evolved.

In the early 1980s, most people used a typewriter to prepare letters and reports. With the introduction of the PC, however, word processing changed—and

presented new printing needs. The early dot-matrix printers were fast enough to work with computers, but the output was of poor quality. Most businesses wanted both high speed and high quality.

HP responded to this need with its initial LaserJet printer. It printed text pages quickly, used a variety of typefaces for a quality look, could handle a variety of graphics, and was designed to handle big print jobs.

However, it was difficult to set up and use—so HP sold it through a select group of computer dealers that could provide customers with technical support. Even at a

Each chapter begins with a list of learning objectives that will help students understand and identify important terms and concepts covered in the chapter, and then provides an in-depth case study, developed specifically to motivate their interest and highlight real life examples of the learning objectives and specific marketing decision areas covered in that chapter.



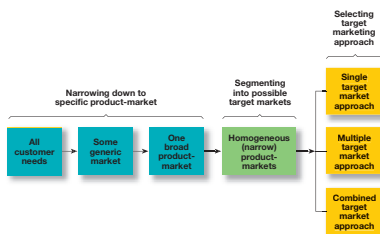
Full-color photos and current ads are carefully placed in every chapter and annotated—to provide a visual emphasis on key concepts and ideas discussed in the text. These illustrations vividly show how companies apply marketing concepts in the modern business world.

INTERNATIONAL OPPORTUNITIES SHOULD BE CONSIDERED

It's easy for a marketing manager to fall into the markets, especially when the firm's domestic market reasons to go to the trouble of looking elsewhere for

A variety of interesting exhibits—“conceptual organizers,” charts, and tables—illustrate each chapter and focus reader attention on key frameworks and ideas.

Exhibit 3-2
Narrowing Down to Target Markets



may be able to operate profitably. See Exhibit 3-2. No one firm can satisfy every-one's needs. So the naming—disaggregating—step involves brainstorming about very different solutions to various generic needs and selecting some broad areas—broad product-markets—where the firm has some resources and experience. This means that a car manufacturer would probably ignore all the possible opportunities in food and clothing markets and focus on the generic market, “transporting people in the world,” and probably on the broad product-market, “cars, trucks, and utility vehicles for transporting people in the world.”

Disaggregating, a practical rough-and-ready approach, tries to narrow down the marketing focus to product-market areas where the firm is more likely to have a competitive advantage or even to find breakthrough opportunities.

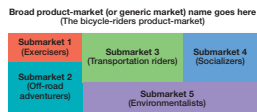
Market grid is a visual aid to market segmentation

Assuming that any broad product-market (or generic market) may consist of sub-markets, picture a market as a rectangle with boxes that represent the smaller, more homogeneous product-markets.

Segmenting is an aggregating process

Marketing-oriented managers think of **segmenting** as an aggregating process—clustering people with similar needs into a “market segment.” A **market segment** is

Exhibit 3-3
A Market Grid Diagram with Submarkets



problem. So she started SoapWorks and developed a line of hypoallergenic cleaning products to pursue this opportunity. Unlike the big firms, she didn't have relations with grocery chains or money for national TV ads. To get around these weaknesses, she used inexpensive radio ads in local markets and touted SoapWorks as a company created for moms by a mom who cared about kids. She had a credible claim that the big corporations couldn't make. Her ads also helped her get shelf space because they urged other mothers to ask for SoapWorks products and to tell friends about stores that carried them. This wasn't the fastest possible way to introduce a new product line, but her cash-strapped strategy played to her unique strengths with her specific target market.¹¹

INTERNET EXERCISE



Go to the SoapWorks website (www.soapworks.com) and click on the link for its store locator. Click your state on the map and see if there is a retailer in your area that carries SoapWorks products. Check several other states in different regions of the country. Why do you think that SoapWorks has distribution through retail stores in some states but not in others?

Exhibit 2-10 focuses on planning each strategy carefully. Of course, this same approach works well when several strategies are to be planned. Then, having an organized evaluation process is even more important. It forces everyone involved to think through how the various strategies fit together as part of an overall marketing program.¹²

Internet exercises are integrated with the discussion of important ideas as they are developed—to help users learn about marketing while they surf to interesting websites.

Each chapter features a special case report in a highlighted box that illustrates how companies handle a topic of special interest covered in that chapter.

End-of-chapter questions and problems offer additional opportunities for readers to investigate the marketing process and develop their own ways of thinking about it.

QUESTIONS AND PROBLEMS

1. List your activities for the first two hours after you woke up this morning. Briefly indicate how marketing affected your activities.
2. It is fairly easy to see why people do not beat a path to a mousetrap manufacturer's door, but would they be similarly indifferent if some food processor developed a revolutionary new food product that would provide all necessary nutrients in small pills for about \$100 per year per person?
3. If a producer creates a really revolutionary new product and consumers can learn about it and purchase it at a website on the Internet, is any additional marketing effort really necessary? Explain your thinking.
4. Explain, in your own words, why this text emphasizes micro-marketing.
5. Distinguish between macro- and micro-marketing. Then explain how they are interrelated, if they are.
6. Refer to Exhibit 1-2, and give an example of a purchase you made recently that involved separation of information and separation in time between you and the producer. Briefly explain how these separations were overcome.
7. Describe a recent purchase you made. Indicate why that particular product was available at a store and, in particular, at the store where you bought it.
8. Define the functions of marketing in your own words. Using an example, explain how they can be shifted and shared.
9. Online computer shopping at websites on the Internet makes it possible for individual consumers to get direct information from hundreds of companies they would not otherwise know about. Consumers can place an order for a purchase that is then shipped to them directly. Will growth of these services ultimately eliminate the need for retailers and wholesalers? Explain your thinking, giving specific attention to what marketing functions are involved in these "electronic purchases" and who performs them.
10. Explain why a small producer might want a marketing research firm to take over some of its information-gathering activities.
11. Distinguish between how economic decisions are made in a planned economic system and how they are made in a market-directed economy.
12. Would the functions that must be provided and the development of wholesaling and retailing systems be any different in a planned economy from those in a market-directed economy?
13. Explain why a market-directed macro-marketing system encourages innovation. Give an example.
14. Define the marketing concept in your own words, and then explain why the notion of profit is usually included in this definition.
15. Define the marketing concept in your own words, and then suggest how acceptance of this concept might affect the organization and operation of your college.
16. Distinguish between production orientation and marketing orientation, illustrating with local examples.
17. Explain why a firm should view its internal activities as part of a total system. Illustrate your answer for (a) a large grocery products producer, (b) a plumbing wholesaler, (c) a department store chain, and (d) a cell phone service.

Marketing's Value to Customers, Firms, and Society

COLGATE BRUSHES UP ON MARKETING IN RURAL INDIA

Two-thirds of the people in India still live in rural farm areas. Many don't have life's basic comforts. For example, three out of four use wood as fuel to cook. Only about 40 percent have electricity, and less than 20 percent have piped water. Most can't afford a refrigerator. A person who works in the sugarcane fields, for example, only earns about \$1 a day.

While these rural villagers do not have much money, there are about 1 billion of them. So they are an important potential market for basic products like toothpaste and shampoo. Marketing managers for Colgate know that. However, many rural Indians have never even held a tube of toothpaste. Rather, they clean their mouths with charcoal powder and the stem of a local plant. But Colgate can't rely on U.S.-style ads—or the local drugstore—to do the selling job. Half of the rural population can't read, and very few have a TV. They also don't go to stores. Rather, once a week the men go to a central market in a nearby village to get basic supplies they can't grow themselves.

In spite of these challenges, in the past decade Colgate has about doubled its sales—and rural Indians

are now buying over 17,000 tons of toothpaste a year. What's the trick? Colgate sends a van that is equipped with a generator and video gear into a village on market day. Music attracts the shoppers, and then an entertaining half-hour video (infomercial) explains the benefits (including increased sex appeal) of using Colgate toothpaste. The van reaches only about 100 people at a time, but many of those who see the video try the toothpaste. Of course, not many want to spend a day's wages to buy a standard tube. So Colgate offers a small (30 gram) tube for six rupees (about 18 cents). Colgate's approach is expensive, but managers in the firm are wisely thinking about the long-run return on the marketing investments.

Where did this idea come from? The video vans were first used in 1987 to spread propaganda for a political party that was denied airtime on state-run television. Between elections the vans were idle, so the owner decided to become a marketing specialist—and offered to rent the vans to firms like Colgate that wanted to reach rural consumers.¹⁰

So far, we have described how a market-directed macro-marketing system adjusts to become more effective and efficient by responding to customer needs. See Exhibit 1-3. As you read this book, you'll learn more about how marketing affects society and vice versa. You'll also learn more about specific marketing activities and be better informed when drawing conclusions about how fair and effective the macro-marketing system is. For now, however, we'll return to our general emphasis on micro-marketing and a managerial view of the role of marketing in individual organizations.

MARKETING'S ROLE HAS CHANGED A LOT OVER THE YEARS

It's clear that marketing decisions are very important to a firm's success. But marketing hasn't always been so complicated. In fact, understanding how marketing thinking has evolved makes the modern view clearer. So we will discuss five stages in marketing evolution: (1) the simple trade era, (2) the production era, (3) the sales era, (4) the marketing department era, and (5) the marketing company era. We'll talk about these eras as if they applied generally to all firms—but keep in mind that some managers still have not made it to the final stages. They are stuck in the past with old ways of thinking.

When societies first moved toward some specialization of production and away from a subsistence economy where each family raised and consumed everything it produced, traders played an important role. Early "producers for the market" made products that were needed by themselves and their neighbors. As bartering became

Specialization permitted trade—and middlemen met the need

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SUGGESTED CASES

7. Lilybank Lodge
30. Deluxe Foods, Ltd.

COMPUTER-AIDED PROBLEM

3. Segmenting Customers

The marketing manager for Audiotronics Software Company is seeking new market opportunities. He is focusing on the voice recognition market and has narrowed down to three segments: the Fearful Typists, the Power Users, and the Professional Specialists. The Fearful Typists don't know much about computers—they just want a fast way to create e-mail messages, letters, and simple reports without errors. They don't need a lot of special features. They want simple instructions and a program that's easy to learn. The Power Users know a lot about

computers, use them often, and want a voice recognition program with many special features. All computer programs seem easy to them—so they aren't worried about learning to use the various features. The Professional Specialists have jobs that require a lot of writing. They don't know much about computers but are willing to learn. They want special features needed for their work—but only if they aren't too hard to learn and use.

The marketing manager prepared a table summarizing the importance of each of three key needs in the three segments (see table below).

Market Segment	Importance of Need (1 = not important; 10 = very important)		
	Features	Easy to Use	Easy to Learn
Fearful typists	3	8	9
Power users	9	2	2
Professional specialists	7	5	6

Audiotronics' sales staff conducted interviews with seven potential customers who were asked to rate how important each of these three needs were in their work. The manager prepared a spreadsheet to help him cluster (aggregate) each person into one of the segments—along with other similar people. Each person's ratings are entered in the spreadsheet, and the clustering procedure computes a similarity score that indicates how similar (a low score) or dissimilar (a high score) the person is to the typical person in each of the segments. The manager can then "aggregate" potential customers into the segment that is most similar (that is, the one with the lowest similarity score).

- a. The ratings for a potential customer appear on the first spreadsheet. Into which segment would you aggregate this person?
- b. The responses for seven potential customers who were interviewed are listed in the table below. Enter the ratings for a customer in the spreadsheet and then write down the similarity score for each segment. Repeat the process for each customer. Based on your analysis, indicate the segment into which you would aggregate each customer. Indicate the size (number of customers) of each segment.
- c. In the interview, each potential customer was also asked what type of computer he or she would be using.

There are several suggested cases and a computer-aided problem at the end of each chapter. These help readers focus on problem solving and they can be studied and analyzed independently or in class. They encourage students to apply, and really get involved with, the concepts developed in the text.

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THE LEARNING AID.

The *Learning Aid* helps students review and test themselves on material from each chapter—while also providing opportunities for them to obtain a deeper understanding of the material. You can assign exercises in the *Learning Aid*—or you can encourage students to practice on their own. Either way, the *Learning Aid* offers a hands-on way to develop a better understanding of the basics of marketing.

Chapter 7 Business and organizational customers and their buying behavior

What This Chapter Is About

Chapter 7 discusses the buying behavior of the important business and organizational customers who buy for resale or for use in their own businesses. They buy more goods and services than final customers! There are many opportunities in marketing to producers, to middlemen, to government, and to nonprofit organizations—and it is important to understand how these organizational customers buy.

Organizations tend to be much more economic in their buying behavior than final consumers. Further, some must follow pre-set bidding and bargaining processes. Yet, they too have emotional needs. And sometimes a number of different people may influence the final purchase decision. Keep in mind that business and organizational customers are problem solvers too. Many of the ideas in Chapter 6 carry over, but with some adaptation.

This chapter deserves careful study because your past experience as a consumer is not as helpful here as it was in the last few chapters. Organizational customers are much less numerous. In some cases it is possible to create a separate marketing mix for each individual customer. Understanding these customers is necessary to plan marketing strategies for them. Try to see how they are both similar and different from final customers.

Important Terms

business and organizational customers, p. 184
 purchasing specifications, p. 187
 ISO 9000, p. 187
 purchasing managers, p. 187
 multiple buying influence, p. 188
 buying center, p. 189
 vendor analysis, p. 189
 requisition, p. 191
 new-task buying, p. 192
 straight rebuy, p. 192
 modified rebuy, p. 192
 just-in-time delivery, p. 196
 negotiated contract buying, p. 197
 reciprocity, p. 198
 competitive bids, p. 200
 North American Industry Classification System (NAICS) codes, p. 206
 open to buy, p. 210
 resident buyers, p. 210
 Foreign Corrupt Practices Act, p. 212

7-1

Name: _____ Course & Section: _____

Exercise 7-3

Vendor analysis

This exercise is based on computer-aided problem number 7—Vendor Analysis. A complete description of the problem appears on page 214 of *Basic Marketing*, 14th edition.

- Supplier 2 is thinking about adding U.S. wholesalers to its channel of distribution. The supplier would ship in large, economical quantities to the wholesaler and the wholesaler would keep a stock of chips on hand. The wholesaler would charge CompuTech a higher price—1.90 a chip. But with the chips available from a reliable wholesaler CompuTech's inventory cost as a percent of its total order would only be 2 percent. In addition, the cost of transportation would only be \$.01 per chip. Assuming CompuTech planned to buy 84,500 chips, what would its total costs be with and without the wholesaler? Should CompuTech encourage the supplier to add a wholesaler to the channel?

Total Costs for Vendor Supplier 2, buying direct _____

Total Costs for Vendor Supplier 2, using wholesaler _____

- Supplier 2 has explored the idea of adding wholesalers to the channel, but has found that it will take at least another year to find suitable wholesalers and develop relationships. As a result, if CompuTech deals with Supplier 2 its inventory cost as a percent of the total order would remain at 5.4 percent, and transportation cost would remain at \$.03 per chip. But the supplier is still interested in improving its marketing mix now—so it can develop a strong relationship with CompuTech. Based on an analysis of CompuTech's needs, Supplier 2 has developed a new design for the electronic memory chips.

The redesigned chips would have a built-in connector, so CompuTech would not have to buy separate connectors. In addition, the new design would make it faster and easier to replace a defective chip. The supplier estimates that with the new design it would cost CompuTech only \$1.00 to replace a bad chip.

The supplier has not yet priced the new chip, but it would cost the supplier an additional \$.06 to produce each chip. If the supplier set the price of the chip at \$1.93 each (the old price of \$1.87 plus the additional \$.06), how much would the new design cost CompuTech on an order of 84,500 chips. (Hint: compute CompuTech's total cost for the current design based on an order quantity of 84,500 chips, and then compute the total cost assuming the new price, the reduced cost of replacing a defective chip, and no cost for a connector.)

7-1

The *Learning Aid* provides 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.

- 35. Government buyers avoid the use of negotiated contracts whenever there are a lot of intangible factors.
- 36. The Internet is not a very effective way to locate information on potential government target markets.
- 37. In international markets, it is legal to make small grease money payments—if they are customary in that country.

Answers to True-False Questions

- | | | |
|---------------|-------------------|---------------|
| 1. F, p. 184 | 14. F, p. 196 | 27. T, p. 208 |
| 2. T, p. 186 | 15. F, p. 197 | 28. F, p. 208 |
| 3. F, p. 186 | 16. T, p. 198 | 29. T, p. 209 |
| 4. T, p. 187 | 17. T, p. 199 | 30. T, p. 209 |
| 5. T, p. 188 | 18. T, p. 199-200 | 31. F, p. 210 |
| 6. F, p. 189 | 19. T, p. 200 | 32. F, p. 210 |
| 7. T, p. 189 | 20. T, p. 200 | 33. T, p. 210 |
| 8. T, p. 189 | 21. T, p. 201 | 34. F, p. 210 |
| 9. T, p. 190 | 22. T, p. 203 | 35. F, p. 211 |
| 10. T, p. 191 | 23. T, p. 203 | 36. F, p. 212 |
| 11. T, p. 192 | 24. T, p. 204 | 37. T, p. 212 |
| 12. F, p. 192 | 25. T, p. 205 | |
| 13. F, p. 193 | 26. T, p. 206-207 | |

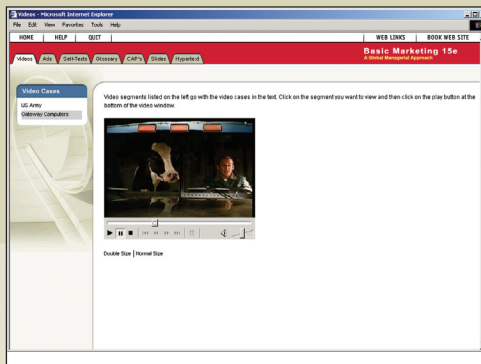
Multiple-Choice Questions (Circle the correct response)

- The bulk of all buying done in the United States is not by final consumers—but rather by business and organizational customers. Which of the following is a business or organizational customer?
 - a manufacturer.
 - a retailer.
 - a wholesaler.
 - a government agency.
 - All of the above are business and organizational customers.
- In comparison to the buying of final consumers, the purchasing of organizational buyers:
 - is strictly economic and not at all emotional.
 - is always based on bids from multiple suppliers.
 - leans basically toward economy, quality, and dependability.
 - is even less predictable.
 - Both a and c are true statements.
- Today, many agricultural commodities and manufactured items are subject to rigid control grading. As a result, organizational buyers often buy on the basis of:
 - purchasing specifications.
 - negotiated contracts.
 - competitive bids.

The *Learning Aid* also incorporates cases, problems, and exercises including ones that build on the end-of-chapter computer-aided problems—with clear instructions and worksheets for students to complete for additional practice.

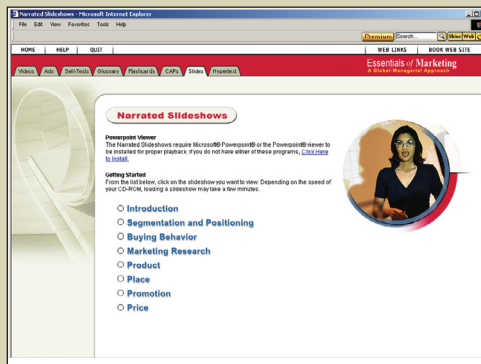
FREE MULTIMEDIA STUDENT CD-ROM.

Each new copy of this book includes a custom-developed multimedia Student CD. Loaded with interesting and interactive tools, programs, videos, graphics, and illustrations, this CD will help students review and apply concepts from the 15th Edition of *Basic Marketing*. When used in combination with the text, the CD will enhance each lesson and engage them in real-world marketing situations.



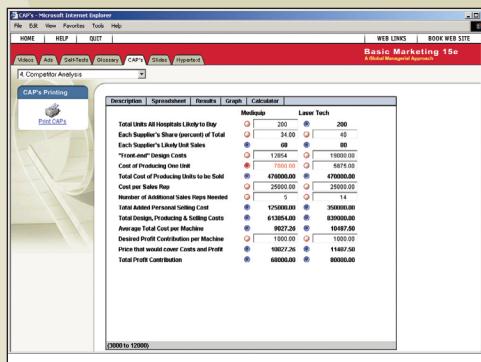
Videos

Custom-produced video clips accompany cases printed in the text—to vividly illustrate points and start your students' creative juices flowing. These video cases allow them to analyze an organization's whole marketing program in depth—giving them an opportunity to integrate and apply concepts from the course. Whether they enjoy the video clips on their own or later view and discuss the full videos in class, the video cases provide students with a valuable new way to learn about marketing.



Narrated Slide Shows

Seven narrated slide shows provide an overview of key marketing concepts and reinforce how sections of the text fit together. They include full-motion video clips, photos, ads, and commentary that further illustrate ideas covered in lectures, class discussion, and independent reading.



Computer-Aided Problems

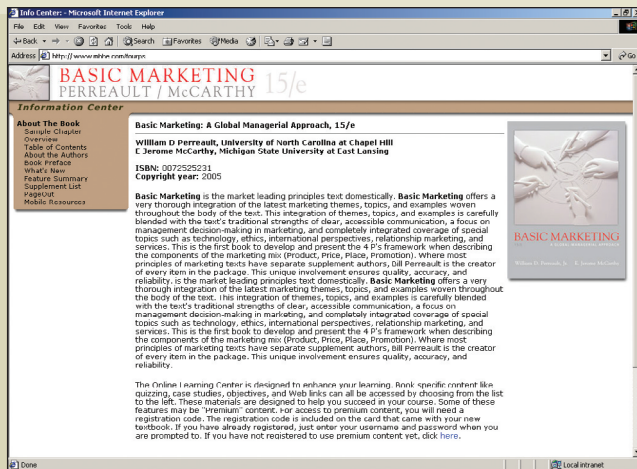
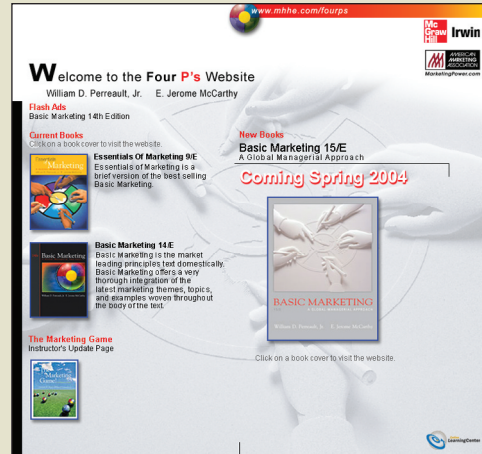
Award-winning spreadsheets, pre-programmed specifically for ease of use with the computer-aided problems at the end of each chapter, are fully integrated with the other applications on the Student CD. This software allows users to enter their answers to questions on screen and then print out both the spreadsheet and answer. These interesting problems give students practice in working with marketing concepts to see how they impact a firm's overall profitability and effectiveness in serving customers.

ONLINE SUPPORT.

Understanding that your students have a variety of classes and responsibilities to worry about, *Basic Marketing* offers flexible online study and support tools that will fit into any busy schedule. If they have a few moments in the library or when they're checking email, they have enough time to visit the website to enhance their marketing education experience.

Website

Basic Marketing's website (www.mhhe.com/fourps) provides a cutting edge, interactive resource on marketing education.



Online Learning Center

The text's Online Learning Center features current events, downloadable supplements, chapter quizzes, and even videos of current commercials.

PowerWeb

Access PowerWeb through *Basic Marketing's* site. It is constantly updated and offers links to just-published articles from the best business periodicals. Articles are keyed to the chapter lessons and PowerWeb provides interactive chat rooms, software updates, company Web links, and other exciting features.

