



## **CAREERS IN MARKETING**

### **MARRIOTT INTERNATIONAL**

Marriott International, Inc., is the world's leading hospitality company. The company, best known for its Marriott Hotels, also owns Ritz Carlton, Ramada International, and several other hotel brands. Marriott also offers vacation opportunities and meeting space.

Marriott builds and manages communities for senior citizens. It also operates a nationwide food distribution system and provides food services in colleges, corporations, and airlines.

The Manager of International Public Relations works with Marriott hotels worldwide as well as sales offices and sales agents. The manager oversees market-based public relations programs and coordinates special events for specific Marriott brands worldwide.

For this position, you need a B.A. in public relations or journalism, four or more years experience in publicity program development, and two years as a PR account manager. Exceptional writing ability and sensitivity to cultural differences are a must. Organization, time management skills, and event planning experience also are important.

#### **THINK CRITICALLY**

1. What types of special event sponsorship would benefit Marriott?
2. How would you show sensitivity to cultural differences in a resume?

# **CHAPTER**

# **2**

## **MEET CUSTOMER NEEDS**

### **LESSONS**

#### **2.1 MARKETING STRATEGY**

#### **2.2 MARKETING RESEARCH**

#### **2.3 CONSUMER DECISIONS**

#### **2.4 BUSINESS-TO-BUSINESS**

## LESSON 2.1

**MARKETING STRATEGY****GOALS**

**IDENTIFY** the parts of a marketing strategy

**DESCRIBE** each of the elements of a marketing mix

**IMPLEMENT THE MARKETING CONCEPT**

**T**he marketing concept has changed the way businesses operate. More than just a new way to complete marketing activities, it requires companies to change their approach to business planning. The marketing concept uses the needs of customers as the primary focus during the planning, production, distribution, and promotion of a product or service. That may seem simple, but the experience of many businesses shows how difficult it actually is.

Businesses fail every day because they don't understand and use the marketing concept. Any business that does not study customer needs or that is unwilling to use that information when planning and marketing products and services is taking a big risk.

**ON THE SCENE**

**X**in Junming, an exchange student in the U.S. from China, was preparing to celebrate the Chinese New Year. The tenth night of the 15-day celebration is a time to invite friends for dinner. Junming wanted to introduce a few of his classmates to his cultural traditions. He looked in several stores for appropriate decorations representing the Year of the Horse. Even though there was a sizeable Chinese population in the town, he had no success. Whenever he would ask a clerk, he would be shown decorations used for the typical Western New Year's celebrations. Why do many businesses fail to provide products for customers with unique needs like Xin Junming?

The experiences of those businesses illustrate the difficulty of implementing the marketing concept. Most businesses spend a great deal of time and resources developing a good product or service. Yet they find that many customers do not value their product so the product fails. There are several reasons companies are frequently unsuccessful.

1. They focus too much on the product or service they are developing.
2. They believe that they know what customers will buy and so fail to study the market.
3. They do not use all of their marketing tools effectively.

## DEVELOP A MARKETING STRATEGY

Most businesses use carefully prepared plans to guide their operations. A company's plan that identifies how it will use marketing to achieve its goals is called a **marketing strategy**. The marketing strategy a business uses provides the clearest indication of whether that business understands the marketing concept.

Without the marketing concept, a business will develop a product or service and then decide how to market the product. There will be little consideration of who the customers are or what their needs are until the product is ready to be sold. The business expects that most people are potential customers of the product and that with adequate marketing those customers can be convinced to buy the product.

Using the marketing concept, a very different strategy will be followed. The company believes it will be most successful if it can respond to needs of customers. It also recognizes that those needs may be different among various groups of customers. The company will begin its planning by identifying potential customers and studying the needs of those customers.

The results of that study will be used to plan the products and services the company will offer. The company will attempt to develop products and services that respond to customers' needs rather than what the company thinks should be offered. Marketing and product planning will occur at the same time, involving many people in all parts of the company. Marketing will be directed at meeting the identified needs of the customers rather than developing ways to convince people to buy something they may not need.

## A TWO-STEP PROCESS

Companies that follow the marketing concept operate differently from those that do not. Businesses using the marketing concept use a two-step process to develop their marketing strategy.

**Identify a Target Market** The first step is to identify the market. A **market** refers to a broad group of prospective customers that a company wants to serve. For example, a market for a clothing manufacturer is people who purchase apparel for outdoor work or recreation.

A company usually will not be able to meet the needs of everyone in a market and particularly not with the same product. Therefore, a company will select one or more target markets. A **target market** is a smaller group or segment of a market in which customers have similar characteristics and needs. A target market for the clothing manufacturer is workers in hazardous

## BUSINESS MATH CONNECTION

A company has a choice of serving a large market of 850,000 prospective customers or a specific target market that includes 175,000 people. If it offers the product to the larger market, it estimates 23% of the market will purchase its product and each customer will spend an average of \$38. If it offers a more specific product to the target market, it estimates 83% of the market will purchase its product and each customer will spend an average of \$56. Calculate the amount of revenue the company can expect to receive from each market. Which strategy may provide a greater profit?

### SOLUTION

To find the number of customers, multiply the total market by the percent estimated to purchase the product.

Number of customers  $\times$  Average sale = Revenue

Large market:  $(850,000 \times 0.23) \times \$38 = \$7,429,000$

Target market:  $(175,000 \times 0.83) \times \$56 = \$8,134,000$

The target market strategy may provide a greater profit.

occupations who need protective clothing. Another target market could be people who enjoy hiking and camping and want lightweight apparel appropriate for changes in temperature and weather. Companies that follow the marketing concept conduct extensive marketing research to gather and analyze consumer information. They use this information to classify customers according to similar characteristics, needs, and purchasing behavior.

**Develop a Marketing Mix** The second step in a marketing strategy is to develop a marketing mix that will meet the needs of the target market and that the business can provide profitably. A **marketing mix** is the blending of four marketing elements—product, distribution, price, and promotion.

Companies that follow the marketing concept use the needs of the target market to develop a marketing mix that will satisfy those customers. A company can decide to serve more than one target market. However, because every target market has unique needs, each will require a different marketing mix. The workers in hazardous occupations will need very different types of clothing than the people involved in outdoor recreation. Not only will the clothing products differ for each group but so will the places and methods used to sell the clothing to each group of customers. Prices charged and the promotional methods and messages used will differ as well.

## CHECKPOINT

What are two steps in developing a marketing strategy?

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## PLAN A MARKETING MIX

**A** business uses the marketing concept because it believes that the best decisions can be made when the needs of consumers become an important focus of the planning. By combining the planning of product, distribution, pricing, and promotion, a company has the best opportunity to develop a satisfying, competitive, and profitable mix. Businesspeople need to understand each of the mix elements and all of the choices available in order to develop a good marketing mix.

**Product** When the term *product* is used, you may think of the company's basic offering that is similar to what is sold by many other competitors, such as a movie, a boat, a meal at a restaurant, or an item of clothing. However, there is much more to the product. Each competitor must make decisions that will make its brand different from and better than those offered by competitors.

Parts of the product decision that can improve customer satisfaction are special features such as a unique design, construction, size, color, or operation. Accessories can be added to make the product easier to operate, more efficient, and so on.

Products can be improved with the availability of service to customers. Services can be provided before or after the sale. They can relate to the purchase, delivery, installation, use, or maintenance of the product. Guarantees and warranties should be considered a part of the product because they make customers more confident in the purchase.

Packaging is an important part of the product. A package often is needed to protect the product. It also can make the product easier to use and provide important information for the customer.

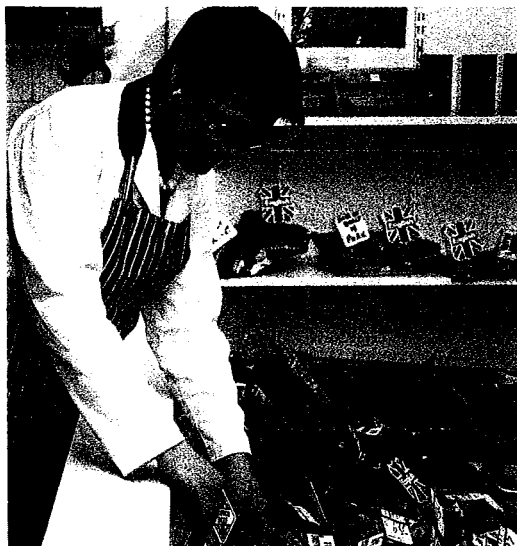
**Distribution** Distribution has an important impact on satisfaction. It makes the product available where and when the customer wants it. You may have purchased a product that was damaged during shipment, poorly packaged, or assembled incorrectly. That certainly caused some inconvenience and may have caused you to return the product and purchase it from another company.

Usually distribution involves several companies as products move from producer to consumer. Manufacturers must rely on wholesalers and retailers to sell their products. Retailers must locate and obtain the products their customers want. Try to trace the channel of distribution for products you purchase. Sometimes it is almost impossible to identify the companies involved in some part of the distribution process or even the company that manufactured the product. Even though many of the businesses are not obvious to the consumer, each business performs activities that are important to the success of the marketing process. Activities such as order processing, product handling, transportation, and inventory control must be completed well if customers are to be satisfied with the products they purchase.

## did you KNOW?

Nearly 20,000 new products are introduced in supermarkets each year. The three categories in which the most products are introduced are health and beauty products, condiments, and candy and snacks. On average only 1 in 4 of these new products are successful.





**Pricing** Price is probably the most difficult marketing decision to understand and plan. Theoretically, price is determined from the interaction of supply and demand. That relationship is important in setting the best price, but it is almost impossible to set the price of a specific product in a specific business using supply and demand. Businesses must develop specific procedures to set prices that are competitive and allow the business to make a profit. Many businesses set their prices so they will be the same or slightly lower than their major competitors. That may be necessary in some situations but also can create problems.

Calculating the price to charge involves several elements. Production, marketing, and operating costs make up a great percentage of the price of most products, so the net profit available is very small. If all of the components of a price are not considered, or if prices are not calculated carefully, businesses may find that there is no profit available after expenses have been tallied.

At times, businesses may decide to offer discounts to some or all of their customers. Sales and coupons are other ways that prices can be changed. Finally, credit commonly is offered to enable customers to purchase a product even if they don't have cash available at the time they make the purchase.

In pricing products and services, marketers must try to balance the costs of the product with the customer's feelings about the value of the product. The goal is a fair price and a reasonable profit.

**Promotion** When planning promotion, businesspeople select from a variety of methods. The most common are advertising, personal selling, sales promotion, visual display, and publicity. The selection will be based primarily on the company's communication objectives and the audience it wants to reach. Each method varies in terms of the cost per person, number of people reached, types of messages carried, and other factors. Careful planning needs to be done to reach the specific audience with a straightforward message in a way that helps the consumer make appropriate decisions.

Promotion cannot do much to help a company that has a poor product, excessively high prices, or ineffective distribution. Companies that have otherwise made good decisions need to have an effective promotional plan to help consumers decide from among the many choices available to them.



Visit a store and select a product for analysis. Based on your study, (1) identify the target you believe the product is directed to, and (2) describe the marketing mix being used for the product. Draw pictures on a poster board or a large sheet of paper illustrating your decisions and present them in class.

## CHECKPOINT

Name the four elements of the marketing mix.

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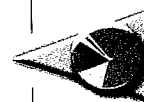


## THINK CRITICALLY

1. Why are businesses more likely to fail if they do not use the marketing concept?  
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2. Why is it important to identify a target market before developing a marketing mix?  
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3. Provide examples of several products for which packaging is an important part of the product mix element.  
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4. In what ways can promotion be misused by a company when marketing a product?  
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## MAKE CONNECTIONS

5. **ART** You are responsible for designing a package for a new brand of spaghetti. The package needs to offer adequate product protection, be attractive, and communicate needed nutritional information, directions for use, and other important information. Use heavy stock paper and art supplies to create a package design. Present your package in class.
6. **BUSINESS MATH** The following chart shows the markups on the price of a product taken by businesses that are a part of a channel of distribution. Each markup is calculated on the price that a business paid for the product. Use a spreadsheet to determine the price customers will pay for each product.



Product	Production Cost	Manufacturers' Markup	Wholesalers' Markup	Retailers' Markup	Customers' Price
A	\$0.58	63%	22%	46%	
B	\$3.26	27%	18%	30%	
C	\$25.10	12%	6%	21%	
D	\$78.00	22%	11%	50%	
E	\$3,220.00	6%	9%	18%	

## LESSON 2.2

## MARKETING RESEARCH

## GOALS

IDENTIFY information you need to make marketing decisions

DESCRIBE marketing research procedures



## MARKETING INFORMATION

**W**ould you select a college or choose a career without gathering information? If you did, you might end up with a decision you would regret. As you consider a college or a job, what information will help you make the best choice? What are your interests? What preparation and resources will you need? Do you want or need to live close to your current home, or would you prefer to move to a new location? Do you have to consider the needs and opinions of other people, or will it be entirely your own decision? If you don't like your original choice, how difficult will it be to make a change after a few months or a few years?

Businesses that understand the marketing concept also recognize the value of information. By carefully determining the information they need to plan

## ON THE SCENE

**M**ovies Plus is a new 32-screen theater complex opening in a regional mall. The theater owners want the best possible experience for consumers. They also want the theater to be profitable. A survey of prospective customers found that moviegoers do not like a long walk to the lobby area to purchase snacks and they believe that theaters often are unsanitary due to the snack wrappers, food packages, and drink cups dropped on the floor. How can the theater respond to the customer concerns in the survey?



and market products, they will have a much greater chance of success than if they go forward without any information. Remember that in the past businesses relied on their experience rather than information to decide what products to produce and how to market them. That often led to dissatisfied customers, products that remained unsold, and financial loss. Today, businesses recognize the importance of careful planning, including gathering various types of information to help them make correct decisions.

## TYPES OF INFORMATION

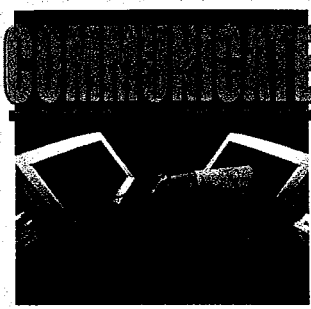
Businesses collect information for many reasons, which can all be summarized into two statements. Effective marketing information *improves the decisions of businesses* and *reduces the risk of decision making*.

If a business can make better decisions that increase the likelihood of making a profit, the time and money spent gathering information will be a good investment. More information is available to a business than it can reasonably obtain and analyze. Therefore, managers need to consider the types of information they need to make the best possible decisions. The information needed to make marketing decisions can be divided into three categories, including information about customers, the business, and the business environment.

**Customer Information** The marketing strategy of a business identifies a target market and develops a marketing mix to meet the needs of that market. Information on prospective customers is used to select the best target markets. To select a target market, a business needs to know the following.

1. What are the *characteristics* of prospective customers? Characteristics describe the customers so the business can locate them and recognize how they are different from other consumers who are not in the target market. Important characteristics of customers include age, gender, race or ethnicity, education level, geographic location, income, and occupation.
2. What are customers' *needs and wants*? Needs and wants motivate behavior. One way people attempt to satisfy their needs and wants is to purchase products and services. If people are hungry and thirsty, they look for food and beverages. If people want to socialize, they look for entertainment alternatives. Differences in needs and wants and their importance to customers help to determine the type of marketing mix a business will use to satisfy the needs and wants.
3. What *shopping behavior* do customers use to satisfy their needs? Customers use information and experience to choose the products and services they will buy. They have preferences of stores and brands. They look to different sources for information to help them decide what to buy. Understanding customer attitudes and the way they shop and select products and services will help the business make better marketing decisions.

**Business Information** To be able to develop an effective marketing mix, the business must understand its strengths and weaknesses, the resources it has available for product development and marketing, and what support it needs from other businesses. The type of information the business needs to collect includes the following.



- *Performance information* How effective has the company been in the past with target markets and marketing mixes? What have been the levels of customer satisfaction, sales, and profits?
- *Resources* What resources are available to design and develop new products? How can the company distribute products and services? Can the company offer credit and financing to customers? Does the company have expertise in communications and promotion?
- *Support needed* Where can the company obtain needed products, services, and materials? What businesses will cooperate with the business in providing a marketing mix that meets customer needs including distribution, credit and finance, and promotion activities?

**The Business Environment** Businesses operate in a competitive environment. Other businesses attempt to sell similar products and services to the same customers. Understanding competitors' strengths and weaknesses will help the business develop a marketing mix that meets customer needs better than the competition. Other information about the business environment needed to make effective marketing decisions includes the following.

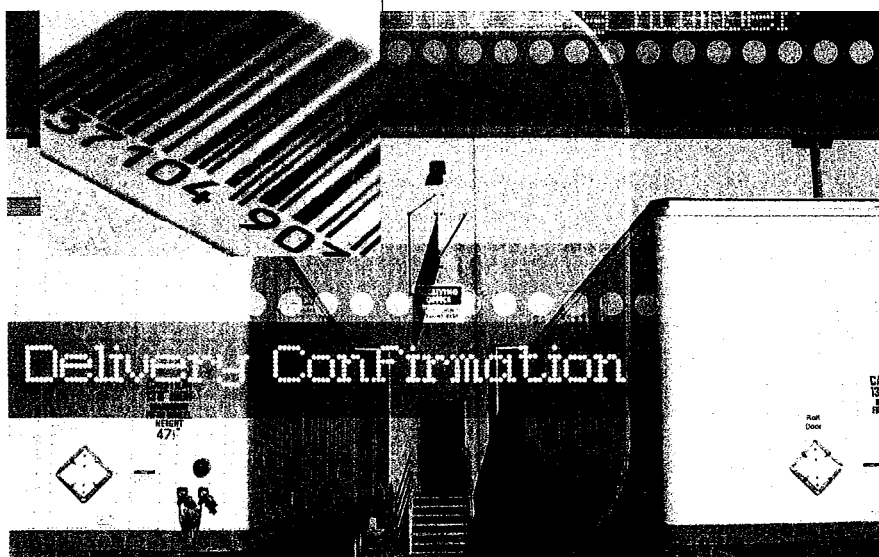
- Strength of the economy
- Laws or regulations that will affect the sale of products
- Technology that can be used in the marketing mix

## SOURCES OF INFORMATION

After a company determines the information it needs to plan a marketing strategy, the next step is to determine where the information can be obtained. Marketing information can come from internal sources, external sources, and marketing research. Marketing research will be discussed in the next section of this lesson.

**Internal Information** A great deal of information flows through a business. Much of it is valuable for marketing decision making. Examples of important internal information for marketing planning are listed below.

- *Customer records and sales information* Many companies keep a complete record of all transactions they have with a customer. They record what is purchased, dates, and quantities purchased.
- *Production and operations reports* Production and operations activities are important to marketing. Internal records provide information about sales, costs, inventory levels, and production and delivery schedules to help plan marketing mixes.
- *Performance information* The success of a business is judged by





its performance. The types of performance measures important to most businesses are sales, costs, quality, and customer satisfaction. Performance is typically measured in one of three ways. The current sales or costs can be compared to those of a previous month or year to determine if performance is improving. Performance can be compared with that of similar businesses. Or actual performance can be compared with expected performance.

**External Information** Marketing regularly involves other people and businesses. A business must understand and know how to work effectively with those outside the organization. External information provides an understanding of factors outside of the organization. Several valuable sources of external information include the following.

- *Government reports* An important activity of federal, state, and local governments is to supply information that can be used by businesses and consumers. There are a number of agencies that regularly collect information that can help businesses improve their marketing decisions. There are literally thousands of other databases, reports, and information sources available from government offices. Much federal government data can now be accessed through links at its comprehensive information web site at [www.FedStats.gov](http://www.FedStats.gov).
- *Trade and professional associations* Trade and professional associations are organized to serve people and businesses with common interests. Most associations provide information specific to the needs of their members. That information may be disseminated through journals, newsletters, or more detailed research reports. Some associations have research services, libraries, or data services that can be used by members.
- *Business publications* Magazines and journals provide useful information for businesspeople. Those publications include general business newspapers and magazines such as *The Wall Street Journal*, *Forbes*, and *Business Week*, as well as more specialized publications. Business publications are useful sources of current information on the economy, legislation, new technology, or business ideas. Often the publications devote specific issues or sections to analysis of business performance.
- *Commercial data and information services* A number of businesses collect, analyze, and sell data. Dun & Bradstreet and Equifax provide credit information on consumers and businesses. A.C. Nielsen Co. and Hoover's Inc. conduct research and sell information on a number of business issues.

## CHECKPOINT

What are the three categories of information businesses need to make effective marketing decisions?

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A large discount warehouse wants to know if the location of a new product in the store affects the amount of sales in the first week. Work with a small group to design a marketing research study on this issue. Follow the scientific problem-solving procedure and use one of the three methods of marketing research to plan the study.

## MARKETING RESEARCH

**A** business should regularly gather and analyze information in order to plan marketing strategies and make improvements in marketing procedures. Having regular access to important information will help marketers make decisions accurately and effectively.

However, sometimes a business needs information that is not currently available. The company may be considering entering a new market or a new competitor enters an existing market. In these situations, the company may not have needed information from current internal and external sources. The company will need to use marketing research to gather the information.

**Marketing research** is a procedure designed to identify solutions to a specific marketing problem through the use of scientific problem-solving.

The scientific method is used to ensure that a careful and objective procedure is followed in order to develop the best possible solution. The scientific problem-solving steps used in marketing research are listed below.

1. Define the problem
2. Analyze the situation
3. Develop a data-collection procedure
4. Examine and organize information
5. Propose a solution

### ORGANIZE A STUDY

Marketing research is used when a business needs to solve a specific problem. Therefore, the first step in the process is to be certain that *the problem is clearly and carefully defined*. That is not always an easy step. The problem must be stated clearly so it is understandable. The problem should be specific enough that researchers know what to study, whom to involve in the study, and the types of solutions that might be appropriate.

*Analyzing the situation* allows the researcher to identify what is already known about the problem, the information currently available, and the possible solutions that have already been attempted. It is possible that a careful situation analysis may result in the identification of a solution. If the decision maker is confident in the proposed solution, the marketing research process will come to an end.

After thoroughly reviewing the situation and the available information, the researcher *develops a data-collection procedure*. The researcher decides what additional information is needed and how it should be collected. The researcher needs to know where to obtain information and the best and most efficient ways to obtain the information.

After the study is complete, the researchers *examine and organize the information collected*. That information may be in the form of answers to surveys, observations that have been recorded, or data collected from an experiment. The information needs to be meaningful and easy to understand in order to solve the identified problem.

The purpose of marketing research is to identify the best strategy for the company to follow in implementing and improving marketing activities. After the research results have been organized, they need to be studied to determine if the findings support the proposed solution or suggest a different solution. Market researchers usually do not make decisions about solutions. They prepare a report of the research results which *proposes a solution* to managers. It is important that results are accurately communicated in the report. The marketing managers use the results to help them with decision making.

## METHODS OF MARKETING RESEARCH

Marketing researchers gather information in several ways. The most common methods are surveys, observations, and experiments.

**Surveys** A survey is a planned set of questions to which individuals or groups of people respond. The survey can be completed in writing or orally. People can be surveyed in person, through the mail, by telephone, by e-mail or online messaging, or even interactive television. With some methods, consumers are presented questions on a computer or television screen. They may key responses on the computer keyboard, push buttons on a special keypad provided by the researcher, or enter information on a touch-tone telephone.

**Observations** An observation collects information by recording peoples' actions without interacting or communicating with the participant. The purpose of observation research is to watch the actions of the participant rather than ask them about their ideas and opinions. This usually results in greater accuracy and objectivity. However, using observations to gather data normally requires greater time and expense than surveys. The observation method often is used when collecting information about the product preferences of children.

**Experiments** The most precise and objective information is obtained through experimentation. Experiments are tightly controlled situations in which all important factors are the same except the one being studied. Scientific research is done by planning and implementing experiments and then recording and analyzing the data obtained to determine the result, if any, of the change.

Marketing experiments can be used to choose among target markets or to study marketing mix alternatives. For example, experiments are used to test two different locations for a retail store in a city. They also may be used to determine whether an advertisement placed on the Internet is more effective in maintaining customers' memory of a product than the traditional newspaper advertisement.



## CHECKPOINT

What are three methods marketing researchers use to collect information?

## THINK CRITICALLY

1. Why is information especially important to companies that follow the marketing concept?

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2. What is meant by the statement, "marketing information reduces the risk of decision making?"

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3. How can information on whether the economy is strong or weak affect decisions about a company's marketing strategy?

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4. Why should companies be cautious about using information obtained from a consumer survey in making marketing decisions?

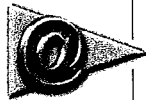
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## MAKE CONNECTIONS

5. **TECHNOLOGY** Changes in technology not only allow companies to improve their products but also can be used to improve marketing functions. Use business magazines, your own observations of business operations, and the Internet to identify changes in technology that have improved each of the following marketing functions, including distribution, pricing, financing, selling, and promotion.

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6. **GOVERNMENT** Businesses gather a lot of information about consumers as part of their marketing research activities. Many companies sell the information they collect to other companies. There is continuing discussion about whether federal and state governments should regulate how companies can use information they collect or whether businesses should regulate themselves. Use the Internet to gather information on this issue. Develop a one-page report that describes the reaction of politicians, businesses, and consumer groups to the issue as well as any laws that have been passed to regulate the use of consumer information by businesses.

## LESSON 2.3

## CONSUMER DECISIONS



## GOALS

DEFINE consumer needs and buying motives

IDENTIFY the steps in consumer decision making

## CONSUMERS SATISFY NEEDS AND WANTS

Every time you go to the store, you go through a decision-making process based on your needs and wants. What do you want to buy? Do you really need it? Can you afford it? What if it isn't really what you expected? Depending on the importance of the need or want and the amount of money you have available, the decision may be easy or difficult. In order to offer marketing mixes that will satisfy their customers, marketers need to understand consumer needs as well as how consumers make decisions.

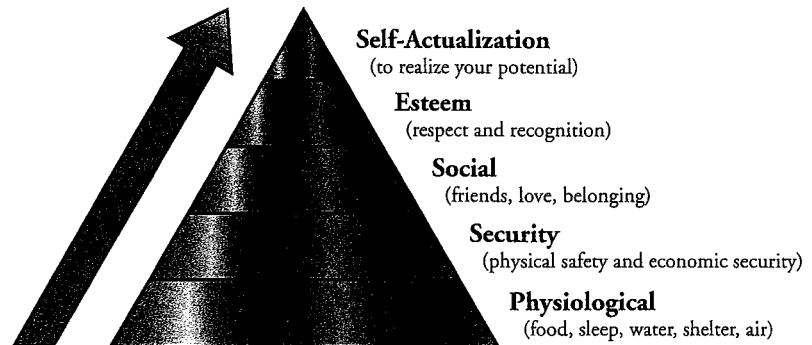
Wants and needs provide the basis for buying behavior. A **want** is an unfulfilled desire. Consumers want to wear the latest fashions, ride in the newest models of automobiles, and own the latest electronic gadgets. A **need** is anything you require to live. You need healthy food, shelter, education, and clean air and water.

## ON THE SCENE

Ali and his friends gathered outside of school on Friday afternoon. It had been a busy week and they were all ready to relax. But what should they do? Would it be more fun to go to a movie or rent a DVD? The pro hockey team's first exhibition game was scheduled for this evening and the Youth League had discount tickets. Ali had just purchased the new NHL video game and was anxious to try it out. All of the choices required a commitment of time and some money. Each person had his or her own idea of what would be the best choice, but the group didn't have much time to decide. How can one decision satisfy everyone?

Abraham Maslow developed a widely accepted theory on human motivation. Maslow's *hierarchy of needs* identifies five areas that guide behavior—physiological, security, social, esteem, and self-actualization. Maslow suggested that people progress through the levels of need. The higher levels do not influence behavior until the lower levels are reasonably satisfied. However, if people are not hungry, and feel safe, secure, and accepted, they will be motivated more by esteem and self-actualization needs.

### Maslow's Hierarchy of Needs



You can identify businesses that use Maslow's hierarchy to promote their products. Tire manufacturers and home security businesses often appeal to safety and security needs. Insurance companies and financial planners emphasize economic security. The Army appealed to esteem and self-actualization with its call to "be all that you can be."

### MOTIVATION TO BUY

Consumers often express their wants and needs by identifying the products and services they would like to purchase. However, the products and services represent ways to satisfy the needs. You might say, "I need a hair dryer." However, the hair dryer provides a way to quickly manage and style your hair. You might say, "I need a driver's license." In reality, obtaining your license gives you the freedom to travel without asking someone else to provide transportation and it provides a feeling of power and control.

The decision to purchase products and services are guided by buying motives. **Buying motives** are the reasons that you buy. The three categories of buying motives that drive consumers to purchase products or services are emotional, rational, and loyalty.

*Emotional motives* are reasons to purchase based on feelings, beliefs, or attitudes. Emotions are very strong and influence your actions and purchases in many situations. You buy greeting cards and gifts out of love and friendship. You go to amusement parks because of the excitement and thrills of the rides and games. Fear, anxiety, and concern may influence us to search for products and services, such as insurance, that address those emotions.

*Rational motives* are reasons to buy based on facts or logic. You may want the most durable pair of athletic shoes or the most economical airline ticket. Automobile dealers that emphasize the performance ratings or fuel efficiency of their brands are appealing to rational buying motives.





## TECH TALK

**GENDER DIFFERENCES ONLINE** Understanding similarities and difference among consumer groups allows businesses to tailor their marketing mixes to specific needs and interests. A study by Jupiter Communications found that teenage males and females surf the Web in different ways.

### Males

Make surfing decisions based on their interests  
Focus on technology, entertainment, and ways to fill their time  
Spend more time surfing and visit more sites

### Females

Look for familiar brands  
Want to interact with others who share their interests  
Are goal oriented in surfing  
Have a preference for off-line products and brands

**THINK CRITICALLY** If you were marketing to teenage males online, what products would you feature and what needs would you emphasize? How would you approach online marketing differently for teenage females?

*Loyalty motives* are based on satisfying relationships. If you have had several positive experiences with a particular business or brand, you are likely to continue to use them without a great deal of thought. People are influenced by their affiliation with groups and organizations or their identification with a popular person. Companies that use actors, athletes, or other famous people as spokespeople for their products are appealing to loyalty motives.

## CHECKPOINT

What is the difference between needs and wants?

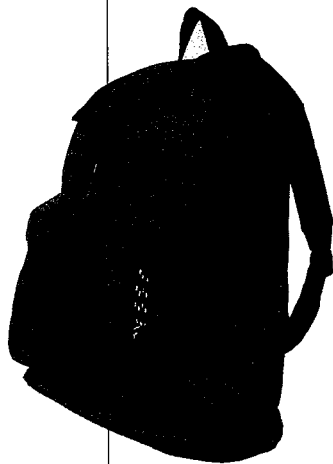
## CONSUMER DECISION-MAKING PROCESS

**P**urchasing a product is a lot like eating and breathing. You do it so often, you don't think much about it. But you go through a specific procedure every time you decide whether to buy something or not. After deciding to make a purchase, you must choose the business and brand you will buy.

For some products you purchase regularly, you may have a particular store you will typically visit and a brand you prefer. In other cases, you may not have a preference, knowing that several stores or brands will meet your needs. If you are shopping for a new product, or if the possible purchase is quite expensive, you may be very careful in gathering information and comparing alternatives before making the final selection.



Select a product you have purchased that meets an important need and is somewhat expensive. Using the five steps in the consumer decision-making process, trace the way you approached making the decision of which product to buy. Write a brief description of each step. Compare the procedure you followed with those used by other students for their purchases.



The decision processes and actions of consumers as they buy and use services and products is called **buying behavior**. Marketers want to understand their customers' buying behavior so they can assist them in making the best possible decisions that will offer the most need satisfaction.

Consumers go through five steps when making a purchase decision. They move from problem recognition, to information search, to alternative evaluation, to purchase, and finally to post-purchase evaluation.

**Problem Recognition** First the consumer must recognize a need, desire, or problem. You won't be interested in purchasing a backpack until the school year is about to begin and you think about having to carry books and supplies all day long. Once you recognize the need, you begin to consider ways to satisfy it, often with the purchase of a product or service.

**Information Search** Next, the consumer gathers information about alternative solutions. You will consider how you satisfied the need in the past. You may ask friends or experts for advice or gather information from magazines, newspapers, or the Internet. The information is designed to provide several choices of products and services to solve the problem.

**Evaluation of Alternatives** Consumers use the information they gather to evaluate their choices. The goal is to determine which alternative is the best. This may mean making trade-offs between price and various options. Your evaluation may be rational, emotional, or based on loyalty.

**Purchase Decision** If a suitable choice is available and affordable, the consumer will make a selection and complete the purchase. If no choice seems appropriate, the purchase may be delayed or you may decide the need isn't strong enough to warrant making an undesirable choice.

**Post-purchase Evaluation** At this point the consumer uses the purchase and decides if it met the need or solved the problem. If you are satisfied with your choice, you will probably make the same decision the next time and may even recommend the product to your family and friends. If you are dissatisfied, you will not buy the product again and may decide to return it to the business for a refund. You will usually tell others about an unsatisfactory experience as well.

Even though it is not always apparent, consumers follow the five steps when they make purchase decisions. In some cases, the steps are completed very quickly, even in a matter of minutes. At other times, it may take weeks and even months to select a college, buy a home, or make other risky or expensive purchases. Satisfied customers will skip quickly through the first several steps when they have a need and buy the same product over and over.

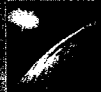
## CHECKPOINT

List the five steps in the consumer decision-making process.

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## THINK CRITICALLY

1. How does an understanding of consumer behavior help marketers make better decisions about a marketing strategy?

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2. Why would consumers use emotional or loyalty motives rather than rational motives when purchasing a product?

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3. Under what circumstances would a consumer make a decision to buy a product even if it appeared the product would not offer full satisfaction?

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## MAKE CONNECTIONS

4. **RESEARCH** Prepare a list of three products and services that many people purchase ranging from inexpensive to expensive. Survey ten people to determine the reasons they purchase each of the products or services. Then classify each reason as an emotional, rational, or loyalty motive. Summarize and present your results in a table or chart.

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5. **PSYCHOLOGY** Use a word-processing or computer graphics program to draw a pyramid and label it to represent the five levels of Maslow's hierarchy of needs. For each level, list needs that you think match the level. Then identify at least three products or services that appeal to the needs at that level.



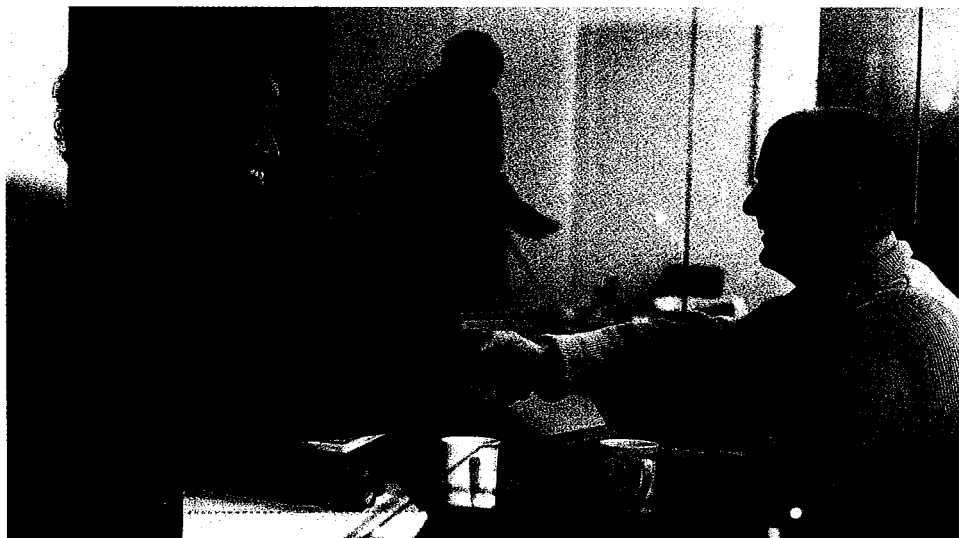
## LESSON 2.4

# BUSINESS-TO-BUSINESS

### GOALS

DESCRIBE the types of business customers and products

DISCUSS procedures for business-to-business marketing



### BUSINESSES AS CUSTOMERS

**B**usiness markets are the companies and organizations that purchase products for the operation of a business or the completion of a business activity. Business markets include producers, manufacturers, retail businesses, non-profit organizations, government offices and agencies, schools, and other types of groups that provide products or services for consumption by others. Business markets make purchase decisions on the basis of what is needed to effectively operate the business, to meet the needs of employees and customers of the business, and to produce the products and services of the business.

Do you think marketing to businesses and organizations should be done in a different way than marketing to final consumers? In some cases busi-

### ON THE SCENE

**J**anice enjoys being a professional salesperson. She worked in retail stores while she was in high school and college. For five years since completing her marketing degree, she has been successful working for a national retail chain selling personal computers to individuals and families. The chain has decided to begin selling computers to businesses. The top salespeople are being selected for sales teams that will work with large businesses to determine their computer needs. The company has asked Janice to join one of the teams. How do you think selling computers to businesses as a part of a sales team will differ from selling computers to individuals and families in a retail store?

nesses purchase the same products as final consumers. However, businesses usually purchase products—such as computers, telephones, automobiles—in much larger quantities. In other cases, businesses purchase products seldom purchased by final consumers, such as jet fuel, a factory, and a product scanning system for inventory control.

Even though the products may differ, the basic marketing process does not. Business marketers must identify the target markets to be served, determine their characteristics and needs, and develop a marketing mix that meets their business customers' needs better than their competition. Just as all consumers are not the same, businesses also have important differences that require different marketing strategies.

## CATEGORIES OF BUSINESSES

One way of classifying business consumers is by the type of organization. The major categories of businesses are producers, resellers, service businesses, government, and nonprofit organizations.

**Producers** More than six million businesses in the United States produce products for sale to final consumers and other businesses. They can be very small businesses that employ only a few people or companies as large as Microsoft or Procter and Gamble that each employ several hundred thousand people worldwide.

**Resellers** Wholesale and retail businesses are a part of the product distribution system connecting producers with consumers. They purchase products for resale. As a part of that process they may maintain distribution and storage services, promote products through advertising and personal selling, extend credit to consumers, and complete a variety of other marketing activities designed to meet customer needs. More than three million businesses operate as resellers in the U.S. economy.

**Service Businesses** More than seven million service businesses were operating in 2000. That number is growing faster than any other category of businesses. Services are activities provided directly to the customer by a business. Services cover a broad range of activities including insurance, transportation, accounting, cleaning, repair, and many others.

**Government** Federal, state, and local government offices and agencies provide services to citizens including individuals and businesses. They also develop and enforce laws and regulations. The U.S. government is the largest single customer in the world. From a supplier's viewpoint, the government is made up of thousands of separate customers with very different needs.

**Nonprofit Organizations** Many organizations have specific goals or clients that they are organized to serve, and providing that service is the reason they exist. While they need an adequate budget to operate, profit is not the primary motive for their existence. Common examples of these organizations are schools, museums, churches, shelters, community centers, colleges and universities, and professional organizations.

Each of the types of businesses described is a prospective customer for other businesses. Whether businesses sell to final consumers, businesses, or a combination, the business needs to carefully study prospective customers and their needs, select the most appropriate target markets, and develop a specific marketing mix for each market.

## TYPES OF BUSINESS PURCHASES

Recognizing the types of purchases businesses make will help you understand the business market. There are five categories of products used by businesses. These are capital equipment, operating equipment, raw materials, component parts, and supplies.

**Capital Equipment** The land, buildings, and major pieces of equipment are usually the most expensive products purchased by a business. They are also the most important. They must meet the specific needs of the business so it operates effectively. Often they are individually designed and can be very expensive. They usually are purchased after careful planning and are expected to be used by the business for many years.

**Operating Equipment** Smaller, less expensive equipment used in the operation of the business or in the production and sale of products and services is known as operating equipment. Examples of operating equipment are tools, small machines, and furniture. They usually have a shorter life than capital equipment and must be replaced from time to time.

**Raw Materials** Producers and manufacturers buy many products that are incorporated into the products they make. Raw materials are unprocessed products used as basic materials for the products to be produced. Lumber, steel, plastic, grain, fabric, and cement are just a few examples of raw materials. Purchasers of raw materials must have an adequate supply and a standard quality of the raw materials they use to produce their products. The price of the raw materials also is important, because the cost has a big influence on what the company charges for its finished products.



**Component Parts** Component parts also are incorporated into the products that a business makes. However, component parts have been processed either partially or totally by another company. For example, a computer manufacturer will buy computer chips from one company and assembled hard drives from another. Those parts are then integrated as a part of the final computer assembly.

**Supplies** The products and materials consumed in the operation of the business are supplies. The supplies needed are often unique to a type of business but common examples are cleaning supplies, pencils, pens, light bulbs, and printer cartridges. Some supplies are purchased and used in very small quantities and are quite inexpensive. Others, such as fuel, electricity, or water may be needed in large quantities and are a major expense for the company.

## CHECKPOINT

What are the five types of products used by businesses?

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## MARKETING TO BUSINESSES

**B**usinesses that sell to other businesses use the same general marketing procedures as those that market to final consumers. They must develop a marketing strategy and complete each of the seven marketing functions. Effective marketing relies on understanding unique characteristics of business customers and the way they make purchase decisions.

### CHARACTERISTICS OF BUSINESS CUSTOMERS

Some characteristics of business customers influence the specific marketing procedures a business will use. The types of purchases their customers make, the volume purchased, and the relationship they have with their customers all influence the way businesses market their products and services.

**Types of Purchases** Businesses make purchases to be used directly or indirectly in meeting the needs of final consumers. The types and quantities of products and services demanded by the business are derived from the level of demand of their customers. Businesses that produce or resell similar products and services usually have common purchasing needs. Consider two construction companies that build homes. Each company will purchase many of the same types of equipment and materials.

**Purchase Volume** The number of business customers that make up a market for a particular type of product usually is smaller than the number of final consumers who will purchase a product. However, the business customers usually purchase a much larger quantity of each product.

**Buyer/Seller Relationship** In business-to-business selling the seller often is in direct contact with the customer. This results in closer buyer/seller relationships, better understanding of needs, and effective customer service.



### JUST THE FACTS

**Y**ou probably think of the Central Intelligence Agency (CIA) as the federal agency that spies on other countries. However, the CIA is a large data collection and analysis organization. While its primary purpose is providing intelligence information for security purposes, it is a valuable resource for businesses involved in international business. The CIA publishes the annual *World Fact Book* that provides a comprehensive report of information it collects on countries from all over the world. Up-to-date information is provided on each country's geography, people, government, economy, transportation, communications, and military. It also includes maps and information on issues that might affect international relations.

**THINK CRITICALLY** How might a business use information from the CIA *World Fact Book*?



List the five types of businesses. Use a business directory or telephone directory for your community to identify two businesses or organizations that fit each type. List three products or services you think the businesses would need to purchase. Use the directory to locate a possible supplier of each product. Prepare a table that presents your results.



## BUSINESS PURCHASES

While the decisions of individual consumers often are guided by emotion, business purchasing usually is very rational. A purchase is not made unless the product or service is useful in the operation of the business or can be resold to customers. The product or service purchased will be the one that best meets the needs of the business at a reasonable price. If the purchase does not improve the business or cannot be sold to customers, the business will not be successful. If the business pays too much for a purchase, it will make it difficult to make a profit. Therefore, business purchasing is done very carefully.

**Purchasing Specialists** Purchasing in businesses occurs continuously and may involve thousands, even millions, of dollars each day. Many of the products purchased are unique and very complex. The purchasing process involves arranging delivery and payment schedules. Often lengthy and complex contracts are prepared between the buyer and seller. Because the process is so important and complicated, many businesses have departments and personnel that specialize in purchasing. Job titles for people involved in purchasing include buyers, product managers, merchandise managers, and purchasing agents.

**Evaluating Purchases** When a purchase is made, the buyer determines if the product meets the needs as closely as possible. That also is true for business customers. Businesses normally develop very detailed specifications for products. They use those specifications in evaluating purchases. The needs of the business's customers also are considered in the evaluation process. When the purchases meet the buyer's needs, the buyer usually will continue to purchase from the same supplier unless needs change or the supplier is no longer able to meet the purchasing requirements of the buyer.

Businesses continually evaluate purchasing procedures and the products and services purchased to improve their purchasing performance. One of the management methods companies use to improve purchasing is known as just-in-time (JIT) purchasing. With JIT purchasing, a company develops a relationship with its suppliers to keep inventory levels low and to re-supply inventory on an as-needed basis.

## CHECKPOINT

How do purchases made by business customers differ from the purchases of final consumers?

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## THINK CRITICALLY

1. In what ways are business customers similar to and different from final consumers?

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2. Why are service businesses the fastest-growing category of business customers?

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3. Develop examples of each of the five categories of business products.

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4. Why might businesses continue to purchase products such as raw materials or component parts from the same supplier?

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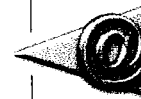
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## MAKE CONNECTIONS

5. **ACCOUNTING** Businesses follow specific procedures to purchase products and services. Usually a specific document, called a *purchase order*, is completed and sent to the seller. Using an accounting text or the Internet locate an example of a business purchase order. Photocopy the form or recreate the form on a computer using word-processing software. Assume you are a purchasing agent for a business. Fill in the form to order five desktop computers for your company. Use the Internet or library resources to locate a supplier and the necessary purchase information. Use spreadsheet software to perform the calculations.
6. **GOVERNMENT** Local, state, and federal governments are an important part of business-to-business marketing and business-to-consumer marketing. Government agencies are both suppliers of products and services and customers for the products and services supplied by other businesses. Use the Internet to find examples of each of the following: (1) products and services offered for sale by a government agency to businesses, (2) products and services offered for sale by a government agency to individual consumers, (3) products and services purchased by a government agency for use in its operations.



# REVIEW

## CHAPTER SUMMARY

### LESSON 2.1 Marketing Strategy

- A.** A company's plan that identifies how it will use marketing to achieve its goals is known as a marketing strategy.
- B.** Businesses using the marketing concept identify and select a target market and then develop a marketing mix to satisfy its needs.

### LESSON 2.2 Marketing Research

- A.** Businesses have a much greater chance of success if they carefully determine the information they need to plan and market products.
- B.** If a business needs information that is not currently available, the company will need to use marketing research to gather the information.

### LESSON 2.3 Consumer Decisions

- A.** Marketers must understand consumer needs and how consumers make decisions in order to offer marketing mixes that will satisfy their customers.
- B.** Consumers go through five steps when making a purchase decision. They move from problem recognition, to information search, to alternative evaluation, to purchase, and finally to post-purchase evaluation.

### LESSON 2.4 Business-to-Business

- A.** Business markets include producers, manufacturers, retail businesses, nonprofit organizations, government agencies and other organizations that provide products or services for consumption by others.
- B.** While the decisions of individual consumers often are guided by emotion, business purchasing usually is very rational.

## VOCABULARY BUILDER

Choose the term that best fits the definition. Write the letter of the answer in the space provided. Some terms may not be used.

- |  |                              |
|--|------------------------------|
| _____ 1. Company plan that identifies how it will use marketing to achieve its goals   | <b>a.</b> business markets   |
| _____ 2. Prospective customers a company wants to serve  | <b>b.</b> buying behavior    |
| _____ 3. Segment of a market in which customers have similar characteristics and needs   | <b>c.</b> buying motives     |
| _____ 4. An unfulfilled desire   | <b>d.</b> market             |
| _____ 5. Anything you require to live  | <b>e.</b> marketing mix      |
| _____ 6. Reasons that you buy  | <b>f.</b> marketing research |
| _____ 7. Blending of four marketing elements—product, distribution, price, and promotion   | <b>g.</b> marketing strategy |
| _____ 8. Decision processes and actions of consumers as they buy and use services and products                                       | <b>h.</b> need               |
| _____ 9. Companies and organizations that purchase products for the operation of a business or the completion of a business activity | <b>i.</b> target market      |
|  | <b>j.</b> want               |

# CHAPTER 2



## REVIEW CONCEPTS

10. What are the two steps in developing a marketing strategy?

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11. Identify the four elements of a marketing mix.

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12. What customer information does a business need in order to select a target market?

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13. What are three methods businesses use to collect data in marketing research?

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14. What is the difference between an emotional and a rational buying motive?

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15. Describe the process consumers go through to make a purchase decision.

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16. Identify several categories of business customers.

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# REVIEW

**17.** Why do businesses frequently use purchasing specialists?

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## **APPLY WHAT YOU LEARNED**

**18.** Provide examples of two unique target markets for a computer manufacturer.

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**19.** What is the highest level of Maslow's hierarchy of needs? Name several examples of products and services that appeal to this need.

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**20.** How does the consumer decision-making process differ for a product purchased regularly and one that is being purchased for the first time?

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**21.** Why would a business use a survey to gather marketing research information rather than conducting an experiment?

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**22.** How do you think the needs and purchase procedures of a government agency might be different from those of a private business?

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# CHAPTER 2



- 23.** Why do businesses often continue to use the same supplier to buy products and services? What might cause them to change suppliers?

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## MAKE CONNECTIONS

- 24. RESEARCH** Outline the procedure a marketing researcher would follow in determining the most effective brand name for a new product. Try to organize the procedure within the five steps of the scientific decision-making process. Does it appear that the scientific decision-making process is an effective procedure for marketing research? Why or why not? Prepare your outline and answer using word-processing software.

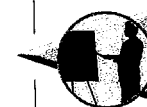


- 25. BUSINESS MATH** A purchasing agent has been given the following information to complete an order. Enter the information into a spreadsheet. Determine the cost of each product and the total cost of the order.

Product	Price/Unit	Numbered Ordered	Cost
Plastic tubes	\$1.20/doz.	88 doz.	_____
Glassware	\$33.50/case	22 cases	_____
Paper	\$4.65/ream	350 reams	_____
Blank CDs	\$18.00/hundred	6,000 CDs	_____
Manuals	\$3.80 each	135 units	_____
<b>Total Cost</b>			_____



- 26. ART** Select a product to analyze. Determine the marketing mix that is being used by the company for the product. Using poster board or a graphics programs on a computer, create a picture or collage that illustrates each of the elements of the marketing mix. Present your graphic in class.



- 27. TECHNOLOGY** The Internet is used as a way for businesses to conduct customer surveys as a part of their marketing research. Find an example of an online marketing research survey. Print a copy of the survey. Review the survey to determine the type of information the business is collecting. Discuss with your class how you think the information collected can be used by the business to improve marketing decisions.



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