**Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Marketing - Ch. 2 Meet Customer Needs**

**Lesson 2.1 – Marketing Strategy**

* Describes the **parts of a marketing strategy** and each of the **marketing mix elements.**

Using the Marketing Concept has **changed** the way businesses operate.

* It requires companies to **change their approach** to business **planning**.
* The **needs of customers** are the **primary focus**.
* **Businesses fail** every day because they don’t **understand** and **use** the marketing concept.
* It is very **risky**
	+ if a business does **not study customer needs**
	+ is **unwilling to use that information** when planning & marking products and services.

Reasons Companies are **Unsuccessful**

* **Focuses too much** on **product/service** they are developing.
* **Believe they know** what customers will buy and fail to study the market.
* Do not use all of their **marketing tools effectively.**

Developing a Marketing Strategy

* Marketing Strategy - A company’s **plan** that identifies **how** it will use marketing to **achieve its goals**.
* The type of marketing a business uses is the best **indicator** of how well the business **understands** the marketing concept.

**Without** the Marketing Concept

* A business will develop a product/service **first**, and **THEN decide how to market it**.
* Little consideration is given to **who** the customers are or what their needs are until the product is **ready to be sold.**
* They EXPECT 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 the **needs of the customers.**
	+ It **recognizes** those needs may be **different** among various groups of customers.
	+ The company begins its planning by
		- identifying **potential customers**
		- studying the **needs** of those customers.

Marketing Study Results

* Used to **PLAN** the products/services a company will offer.
* The company will develop products/services that **respond to customers needs,** rather that what the company THINKS should be offered.

Marketing is directed at **meeting the needs** of the customers, rather than developing ways to **convince** people to buy something they may not need.

**The 2 step process used by a company utilizing the marketing concept.**

**1. Identify a Target Market**

**2. Develop a Marketing Mix**

Identifying a **Target Market**

* **Market** – a broad group of **prospective customers** that a company wants to serve.
* Company cannot meet the needs of **everyone** in a market with the same product so they must **select** one or more target market.

Target Market

* Def. - smaller group of the market where **customers** have **similar** characteristics and needs.
* Example:
	+ **Sample Market** – Clothing Manufacturer
	+ **Target Market** – Workers in hazardous occupations need protective clothing

Companies that follow the Marketing Concept

* Conduct extensive marketing **research** together and **analyze** consumer information.
* They use this information to **classify** **customers** according to similar characteristics, needs and purchasing behavior.

Developing a Marketing Mix

* A company must develop a marketing mix that:
	+ **meets the needs** of the target market
	+ business can still make a profit.

**Marketing Mix** – blending of 4 marketing elements

* + product,
	+ distribution,
	+ price,
	+ promotion.

Companies that follow the marketing concept

* use the **needs of the target market** to develop a marketing mix that will **satisfy** those customers.

Serving more than 1 Target Market

* Because every target market has unique needs, each will **require a different marketing mix.**
* Various differing areas
	+ Prices charged,
	+ promotional methods,
	+ messages used

Checkpoint, pg. 34

* + What are two steps in developing a marketing strategy?

Planning a Marketing Mix

* Consumer **needs** must be the **focus** of product **planning**.
* Using the 4 Mix Elements is key to develop a satisfying, competitive, profitable mix.

4 Mix Elements

* + Product
	+ Distribution/Place
	+ Pricing
	+ Promotion

Product

* A **basic product** is **similar** to products sold by many other competitors.
* **Special features** often improve product satisfaction
	+ unique design
	+ construction
	+ size
	+ color
	+ operation
	+ accessories can be added

One way to improve product **value** is by adding **customer service** to a product.

* Service before and after the sale
* Delivery and installation
* Use and maintenance
* Guarantees and warrantees

**Packaging** is an important part of a product

* **protects** the product
* makes it **easier to use**
* provides **important information** to the customer

Distribution/Place

* Has an important impact on customer **satisfaction**.
* Makes the **product available where** the customer wants it.

What if…

* You purchased a product that was **damaged** during shipment, poorly packaged, or **assembled incorrectly**.
	+ This will be a major **inconvenience**.
	+ You will need to return the product.
	+ You may have to buy it some place else.

Distribution involves **several companies** as the products **move** from producer to consumer.

* Manufacturers rely on **wholesalers** and **retailers** to sell their products.
* Retailers must **locate and obtain** the products their customers want.
* How do YOU get the products you need and want?

Activities Involved in **Distribution**

* Ordering
* Product Handling
* Transportation
* Inventory Control

“Nearly 20,000 new products are introduced in supermarkets each year.

* The **three categories** in which the most products are introduced
	+ health and beauty products,
	+ condiments and
	+ candy and snacks.
* On average only 1 in 4 of these new products are successful.”

Pricing

* Pricing is the most **difficult** marketing decision to **understand and plan**.
* Price is determined from the law of supply and demand.
* Prices must be **competitive** but still allow the business to make a **profit**.
* Many businesses set prices that are the **same or slightly lower** than their major competitors.

Elements involved in **calculating price**

* Production costs
* Marketing costs
* Operating costs
	+ There are so many costs involved making it difficult to make a good profit.
* If price is not **calculated properly** there will be **NO profit** after business expenses have been paid.

Discounts offered by businesses

* + Special discounts may be offered
	+ Sales & Coupons
	+ Credit for purchases
* The consumer must feel they are getting the **best product** at the **lowest price**.
* Goal – fair price & a reasonable profit.

Promotion

* Each method of promotion varies in terms of
	+ the **cost per person**
	+ **number** of people to be **reached**
	+ message to be sent
	+ and various other factors.

Methods of Promotion

* Careful **planning** must done to reach the **target audience**.
	+ Advertising
	+ Personal selling
	+ Sales
	+ Promotion
	+ Visual display
	+ Publicity

When promotion can’t help

* Company that has a **poor product**
* Company with **excessively high prices**
* **Ineffective distribution**

**Checkpoint, pg. 36**

* + Name four elements of the marketing mix.

---------------------

2.1 Questions, pg. 37

**Checkpoint pg. 34**

* + What are two steps in developing a marketing strategy?

**Checkpoint pg. 36**

* + Name the four elements of the marketing mix.

**2.1 Questions pg. 37**

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

----------------------

**Lesson 2.2 – Marketing Research**

-Discusses how marketing research is used to **improve** marketing decisions.

Businesses that understand the value of the marketing concept understand the value of information.

* In the **past** businesses relied on their **experience,** not information, to decide on what products to produce and how to market them.
	+ Often leading to **dissatisfied** customers
	+ Products remained **unsold** and much financial **loss**.
* **Today** businesses recognize the importance of careful **planning** and information gathering to help them make **correct decisions**.

Businesses collect information for many reasons:

* Effective marketing information
	+ **Improves the decisions** of businesses
	+ **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.

Managers need to consider the types of information they need to make the best possible decisions.

* Information needed to make marketing decisions can be divided into 3 categories
	+ **Customer** Information
	+ **Business** Information
	+ **Business** Environment

Customer Information

* The marketing strategy of a business identifies
	+ a **target market**
	+ 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 must know

* What are the **characteristics** of **prospective** **customers**?
* What are **customers’ needs** and **wants**?
* What **shopping behavior** do customers use to satisfy their needs?

Characteristics of Prospective Customers

* Describe customers so the business can **locate** them and recognize how they are **different from other consumers** not in the target market.
* Managers need to consider the types of information they need to make the best possible decisions.

Important characteristics of customers

* age
* gender
* race or ethnicity
* educational level
* geographic location
* income
* occupation

Customer Needs & Wants

* Needs & wants **motivate** behavior
	+ For example, if people are hungry they look for food – grocery stores & restaurants.

Shopping behavior customers use to satisfy their needs.

* Customers use **information** and **experience** to choose products and services they will buy.
	+ They have **preferences** of stores and brands.
* **Understanding** customer attitudes, the way they shop, select products and services, helps the business make **better decisions**.

Business Information

* To be able to develop an effective marketing mix the **business must understand**
* Performance Information
	+ Its **strengths** and **weaknesses**
* Resources
	+ **Resources** it has **available** for product development and marketing
* Support Needed
	+ What **support** it needs from **other** businesses

Performance Information

* How **effective** the company has 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 **communication and promotion**?

Support Needed

* Where can the company **obtain needed** products, services and materials?
* What **other businesses** will help provide a marketing mix that meets customer needs:
	+ including distribution, credit and finance, and promotion activities.

The Business Environment

* Businesses operate in a **competitive environment**.
* **Understanding competitors**’ strengths and weaknesses will help the business develop a marketing mix that meets customer needs **better** **than competition**.

Other information needed to make effective business decisions.

* 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

* Marketing information can come from:
	+ **Internal** Sources
	+ **External** Sources
	+ Marketing **Research**

Internal Information

* A great deal of information flows **through** a business.
* Examples of important internal information
	+ Customer records and **sales information**
	+ Production and operations **reports**
	+ **Performance** information

Many companies keep a complete record of transactions they have with a customer.

* **What** is purchased.
* **Dates** of purchases.
* **Quantities** (amounts) purchased.

Production and Operations Reports

* Provide information about
	+ sales,
	+ costs,
	+ inventory levels,
	+ production,
	+ and delivery schedules.

Success of a business is judged by its performance.

* **Performance measures**
	+ Sales, costs, quality and customer satisfaction
* Performance can be
	+ **compared** to previous months and years to determine if it is **improving**.
	+ compared to that of **similar businesses**.
* Actual performance can be compared to expected performance.

External Information

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

Valuable Sources of External Information

* Government Reports
* Trade and Professional Associations
* Business Publications
* Commercial Data and Information Services

Government Reports

* An important activity of **federal, state and local government** is to supply information that can be used by business and consumers.
* There are thousands of **databases**, reports, and other sources available from government offices.

Trade & Professional Associations

* Organized to serve people and businesses with **common interests**.
	+ Most provide information specific to the needs of their members.
* Information can 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 business people.
	+ general business newspapers such as The Wall Street Journal, Forbes & Business Week, as well as Specialized publications.
* Business publications are useful sources of current information on the economy, legislation, new technology or business ideas.

Commercial Data & Information Services

* A number of businesses collect, analyze or 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, pg. 41

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

Marketing Research

* Businesses 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 information that is needed is not currently available.
* The company may be considering entering a new market or a new competitor enters an existing market
	+ The company may not have information from their internal/external sources and will need to use marketing research to gather data.

Marketing Research

* A procedure designed to **identify solutions** to a specific market through the use of specific problem-solving.
* The **Scientific Method** - Used to ensure that careful and object procedure is followed in order to develop the best possible solution.

The Scientific Problem Solving Steps

* **Define** the Problem
* **Analyze** the Situation
* **Develop** a data-collection procedure
* **Examine** and **organize** information
* Propose a **solution**

Organize a Study

* Marketing research is used to **solve** a specific **problem**.
* The first step,
	+ clearly **define the problem**.
* It should be **specific** enough so researchers know
	+ **what** to study,
	+ **whom** to involve in the study,
	+ **type of solutions** that might be appropriate.

Examine & Organize the Information

* After the study is complete.
* May be in the form of
	+ answers to **surveys**,
	+ **observations** that have been recorded,
	+ or data collected from an **experiment**.

The purpose of marketing research is to identify the **best strategy** for the company to follow in implementing and improving marketing activities.

* After research **results are organized** they need to be studied to determine if the findings **support the proposed solution** or **suggest a different solution**.

Marketing Researchers

* Are not the decision makers.
* They prepare a report of research results which proposes a solution to managers
	+ That report must be clearly and accurately communicated.
* Then the marketing managers use the results to help them with decision making.

Methods of Marketing Research

* Surveys
* Observations
* Experiments

Surveys

* A **planned set of questions** to which individuals or groups of people respond.
	+ Can be completed written or orally,
	+ Done in person, through the mail, by phone, by email, on line, even interactive tv.

Observations

* **Collects information** by recording peoples actions **without interacting** or communicating with the participant.
* The purpose is to **watch the actions** of the participant rather than ask them about their ideas or opinions
	+ This usually results in **greater accuracy** and objectivity
	+ Requires **greater time and expense.**
	+ Often used when collecting information about product preferences of children.

Experiments

* The **most precise** and **objective** information gathering form
* **Tightly controlled situations** where all important factors are the same except the one being studied.
* Scientific research is done by
	+ **planning** and **implementing** experiments
	+ **recording** and **analyzing** the data obtained.

Marketing research can be used to **choose among target markets** or to study marketing mix alternatives.

* For example, experiments being used to test two different locations for retail stores.

Checkpoint, pg. 43

* + What are three methods marketing researchers use to collect information?

--------------------------

2.2 Questions

**Checkpoint pg. 41**

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

**Checkpoint pg. 43**

* What are three methods marketing researchers use to collect information?

**2.2 Questions pg. 44**

1. Why is information especially important to companies that follow the marketing concept?
2. What is meant by the statement, “marketing information reduces the risk of decision making?”
3. How can information on whether the economy is strong or weak affect decisions about a company’s marketing strategy?
4. Why should companies be cautious about using information obtained from a consumer survey in making marketing decisions?

--------------------

**Lesson 2.3 – Consumer Decisions**

- Identifies the **importance** of **understanding consumer** **needs** and buying motives to aid decision making.

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**?
* Marketers need to understand consumer needs as well as how consumers make decisions.

Wants & needs provide the basis for buying behavior

* **Want** – an unfulfilled desire.
	+ Consumers want to wear the latest fashions and own the latest electronic gadgets.
* **Need** – anything you require to live.
	+ You need healthy food, shelter & clean air and water.

Maslow’s Hierarchy of Needs

* Abraham Maslow developed a widely accepted **theory on human motivation**.
* Identifies **5 areas** that guide behavior.
* People **progress through** the levels of need
	+ Higher levels only influence behavior after lower levels are reasonably satisfied.
	+ For example, if people are not hungry or cold they won’t care how cool they look.

Maslow's Hierarchy of Needs

* Many businesses 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 planner emphasize economic security.
* The Army appealed to esteem and self-actualization with its call to “be all that you can be.”



Motivation to Buy

* The decision to purchase products and services are guided by **buying motives**.
* Buying motives – **reasons that you buy**.
* **3 categories** of buying motives
	+ Emotional
	+ Rational
	+ Loyalty

**Emotional** Motives

* Based on **feelings**, **beliefs** or **attitudes**.
* Emotions are strong and influence you actions and purchases on any situation.
	+ For example; you buy a greeting card and gift out of love and friendship.
* Fear, anxiety and concern may influence us to search for products and services (such as insurance) that address those emotions.

**Rational** Motives

* Reasons to buy based on **facts** or **logic**.
* For example
	+ You may want the most durable pair of sneakers or most economic plane ticket.
	+ Automotive dealers that emphasize the performance of ratings or fuel efficiency are appealing to rational buying attitudes.

**Loyalty** Motives

* Based on **satisfying relationships**.
* If you have **positive experiences** with a business or brand, you are likely to continue to use them without a great deal of thought.
* Companies often use actors, athletes or other famous people as spokespeople for their products.

Checkpoint, pg. 47

* + What is the difference between needs & wants?

Consumer Decision-Making Process

* Purchasing a product is a lot like eating & breathing. You do it so often **you don’t even think about it**.
* However, you go through a **specific procedure** every time you decide to buy something or not.
* **Products** you purchase regularly;
	+ You usually buy a **brand** you prefer.
* No brand preference;
	+ you know that several stores or brands will meet your needs.
* Shopping for a new product, or a product that is quite expensive;
	+ you may be **very careful** in gathering information and comparing alternatives **before** making the final selection.

**5 Steps** of Making a Purchase

1. **Problem Recognition**
2. Information **Search**
3. **Evaluation** of Alternatives
4. Purchase **Decision**
5. Post Purchase **Evaluation**

Problem Recognition

* The consumer must **recognize** a **need**, **desire** or **problem**.
* For example: You won’t be interested in buying a backpack until school is starting and you have to think about.
	+ Once you recognize the need, you begin to consider ways to satisfy it, often with the purchase of a product or service.

Information Search

* Consumer **gathers information** about **alternatives solutions**.
	+ You will consider how you satisfied this need in the **past**.
	+ You may **ask** friends or experts for **advice** or gather information from magazines, newspapers or the internet.

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 evaluations may be rational, emotional and based on loyalty.

Purchase Decision

* If a **suitable choice is available** the consumer will make a selection and **complete the purchase.**
* If no choice seems appropriate
	+ the purchase may be **delayed**
	+ you may decide **not to purchase** yet.

Post Purchase Evaluation

* Consumer **uses the purchase** and decides if it **met the needs** or **solved the problem**.
* **Satisfied** with your choice;
	+ Make the same decisions next time and possibly recommend the product to others.
* **Dissatisfied**, **not** buy the product again.
	+ Return it to the business for a refund, tell others about your poor experience.

Following the 5 Steps

* You don’t always know you have followed the 5 steps because it is done so **quickly and naturally**.
* It may be done in a matter of **minutes** or may take a matter of **months** or weeks.
	+ **How long can it take to choose a college?**
* Satisfied customers will move quickly through the first several steps when they have a need and buy the same product over and over.

Check point, pg. 48

* + List the 5 steps in the consumer decision-making process.

----------------------

2.3 Questions

**Checkpoint pg. 47**

* What is the difference between needs and wants?

**Checkpoint pg. 48**

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

**2.3 Questions pg. 49**

1. How does an understanding of consumer behavior help marketers make better decisions about a marketing strategy?
2. Why would consumers use emotional or loyal motives rather than rational motives when purchasing a product?
3. Under what circumstance would a consumer make a decision to buy a product even if it appeared the product would not offer full satisfaction?
4. In what ways can promotion be misused by a company when marketing a product?

----------------

**Lesson 2.4 – Business-to-Business**

* Describes the types of **business customers** and how to complete **business-to-business marketing**.

Businesses as Customers

* **Business Markets**
	+ companies and organizations that purchase products for the **operation of a business** or the completion of a business activity.

Included in a Business Market

* Producers
* Manufacturers
* Retail Businesses
* Non-Profit Organizations
* Government Offices & Agencies
* Schools
* Other types of groups that provide Products or services for consumption by others

Business Markets

* Purchase decisions based on what is needed to **effectively operate** the business.
* **Meet the needs** of employees and customers of the business.
* **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?

**Businesses** usually **purchase** products in much **larger quantities** than the final consumer;

* + For example: computers, automobiles & telephones.

Many business product purchases are seldom purchased by the final consumer

* + For example: jet fuel, a factory, a product scanning system for inventory control.

The Basic Marketing Process does not change even though the products may

* Business markets must **identify the target market** to be served.
* Determine **characteristics** and **needs** of their customers.
* Develop a **marketing mix** that meets their business customers needs better than their competition.

Categories of Business

* Producers
* Resellers
* Service Businesses
* Government
* Non-Profit Organizations

Producers

* More than **6 million businesses** in the US produce products for sale to final consumers and other businesses.
* They can be **small** and employ only a few people or companies as **large** as Microsoft and Proctor & Gamble that employ several hundred thousand people world-wide.

Resellers

* **Wholesale & retail** businesses are a part of the product distribution system connecting producers with consumers
	+ They purchase goods for resale.
* As part of that process they may maintain distribution & storage services.
* Promote products through advertising and personal selling.
* Extend credit to consumers.
* Complete a variety of other marketing activities designed to meet customer needs.
* More than 3 million businesses operate as resellers in the US economy.

Service Businesses

* There are more than **7 million service** businesses in the US and the number is growing faster than in any other category of business.
* Services are **activities** provideddirectly to the consumer by a business.
	+ transportation, accounting, cleaning, repair, etc.

Government

* Federal, state and local government offices and agencies provide **services to citizens** including individuals and businesses.
* They develop and enforce laws and regulations.
* The **US government** is the **largest single customer** in the world.

Non-Profit Organizations

* Organizations that have specific goals **to serve and provide** a service.
* They do need to make money to operate, but **profit is not their primary motive**.
* Common examples of these organizations
	+ schools, museums, churches, shelters, community centers, colleges and universities and professional organizations.

Types of Business Purchases

* 5 Categories of products used by business
	+ Capital Equipment
	+ Operating Equipment
	+ Raw Material
	+ Component Parts
	+ Supplies

Capital Equipment

* The **most expensive** and **most important** products purchased by a business.
	+ Land, buildings and major pieces of equipment.
* Capital equipment must meet the specific needs of the business so it operates effectively.
* Often they are **specially designed** and can be very expensive.
* Purchased after careful planning and 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.
	+ Tools, small machines, furniture.
* They usually have a **shorter life** than capital equipment and must be replaced from time to time.

Raw Materials

* Raw materials are **unprocessed products** used as basic materials for the products to be produced.
	+ lumber, steel, plastic, grain, fabric, and cement.
* 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 is a big influence on what the company **charges** for its finished product

Component Parts

* **Incorporated into products** a business makes; they have been processed partially or totally by another company.
	+ computer manufacturer will buy computer chips from one company and assembled hard drives from another.
	+ Those parts are then integrated as part of the final computer assembly.

Supplies

* Products and materials **consumed** in the operation of the business.
* Supplies needed are often unique to a type of business.
	+ cleaning supplies, pencils, pens, light bulbs and printer cartridges.
	+ Fuel electricity or water may be needed in large quantities and are a major expense for the company.

Checkpoint, pg. 52.

* + What are 5 type of products used by business?

Marketing to Business

* They use the same marketing procedures as businesses that market to the final consumer.
* They develop a marketing strategy and complete each of the 7 marketing functions.
* Success depends on **understanding the unique characteristics of business customers** and the way they make purchase decisions.

Characteristics of Business Customers

* Characteristics of business customers influence marketing procedures a business will use.
	+ **Types of purchases** their customers make
	+ **Volume** purchased
	+ **Relationship** they have with their customers

Types of Purchases

* Businesses purchase products to help **meet the needs of the final consumers.**
	+ Types and quantities of products and services the customer.
* Businesses that produce or resell similar products and services 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

* Business customers usually **purchase** a **larger** **quantity** of each product.
* There are usually fewer business customers than the number of final consumers of the product.

Buyer/Seller Relationships

* 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**
	+ **effective** customer **service**.

Business Purchases

* **Consumer** purchases are usually guided by **emotion.**
* **Business** purchases that are **very rational**.
* A business purchase is not made unless the product or service is **useful** in the **operation** of the business or can be **resold** to customers.
* Product or service purchased will be the one that best **meets the needs** of the business at a **reasonable price**.

Why business purchasing is done carefully

* 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**.

Purchasing Specialists

* Purchasing in business **occurs continuously** and may involve **thousands, even millions** of dollars every day.
* Many of the products purchased are **unique** and very **complex**.
* 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

* Buyers
* Product Managers
* Merchandise Managers
* Purchasing Agents

Evaluating purchases

* Buyer determines if the products meets the needs of the business customer.
* Businesses develop very **detailed specifications** for products.
	+ They use those specs in **evaluating purchases**.
	+ The **needs** of the business’s customers also are considered in the **evaluation process.**

When purchases **meet the buyers needs**, the buyer usually will **continue to purchase** from the same supplier unless needs change.

* Businesses **continually evaluate** purchasing procedures and the products and services purchased to **improve their purchasing performance**.

Just in Time Purchasing – JIT Purchasing

* Management method companies use to improve purchasing
* A company develops a **relationship** with its suppliers to keep its inventory levels low and to re-supply inventory on a quick, **as-needed basis.**

Checkpoint, pg. 54

* + How do purchases made by business customers differ from purchases of final customers?

--------------------

2.4 Questions

**Checkpoint pg. 52**

* What are the five types of products used by businesses?

**Checkpoint pg. 54**

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

**2.4 Questions pg. 55**

1. In what ways are business customers similar to and different from final consumers?
2. Why are service businesses the fastest-growing category of business customers?
3. Develop examples of each of the five categories of business products.
4. Why might businesses continue to purchase products such as raw materials or component parts from the same supplier?

---------------------

**End of Chapter Questions - pgs. 56 – 58 # 1-23.**