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Introduction to Business

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Chapter 13 Marketing in Today's World

Section 13.2 Market Research and Product Development

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Section 13.2

Market Research and Product Development

Reading Guide



Read to Learn

Describe the kinds of market research a company may use.

Identify the steps in developing a new product.

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Reading Guide



The Main Idea

Businesses must know their markets to provide products that will sell. They do market research to collect information and then develop products that will meet their customers' wants and needs.

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Key Concepts

Market Research

The Seven Steps of Product Development

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Key Term

market research

the gathering and analysis of information on the size, location, and makeup of a market

marketing concept

determining the wants and needs of customers and providing them more efficiently than competitors

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Key Term

demographics

facts about the population, including age, gender, location, and income

target marketing

focusing on the people most likely to buy a company's goods and services

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Key Term

**market
segmentation**

the division of a market for a product into groups of customers who have the same needs and traits

**test-
market**

offering a product in a limited market for a limited time

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Market Research

Market research
helps businesses
make decisions.

Key Term



market research

the gathering and analysis
of information on the size,
location, and makeup of a
market

Market Research

A **marketing concept** helps companies to produce and market products and services that attract customers.



Key Term

marketing concept

determining the wants and needs of customers and providing them more efficiently and effectively than competitors

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Information About Consumers

Marketers analyze and label their markets by **demographics**.



Key Term

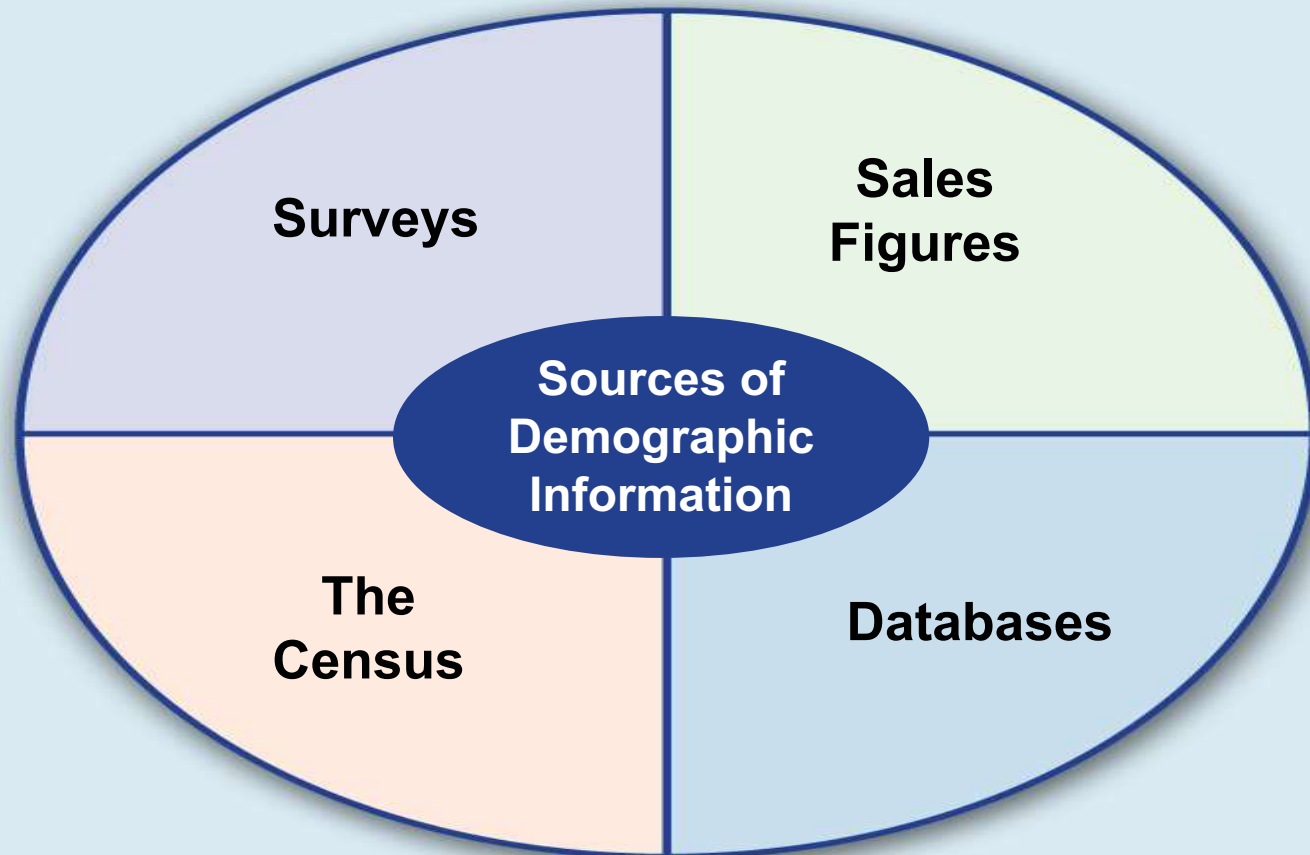
demographics

facts about the population, including age, gender, location, and income

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Graphic Organizer



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Market Research and Product Development

Information About Consumers

After studying a market, marketers use **target marketing**.

Key Term



target marketing

focusing on the people most likely to buy a company's goods and services

Information About Consumers

Once marketers know the demographics of a market, they can use **market segmentation** in their target marketing.



Key Term

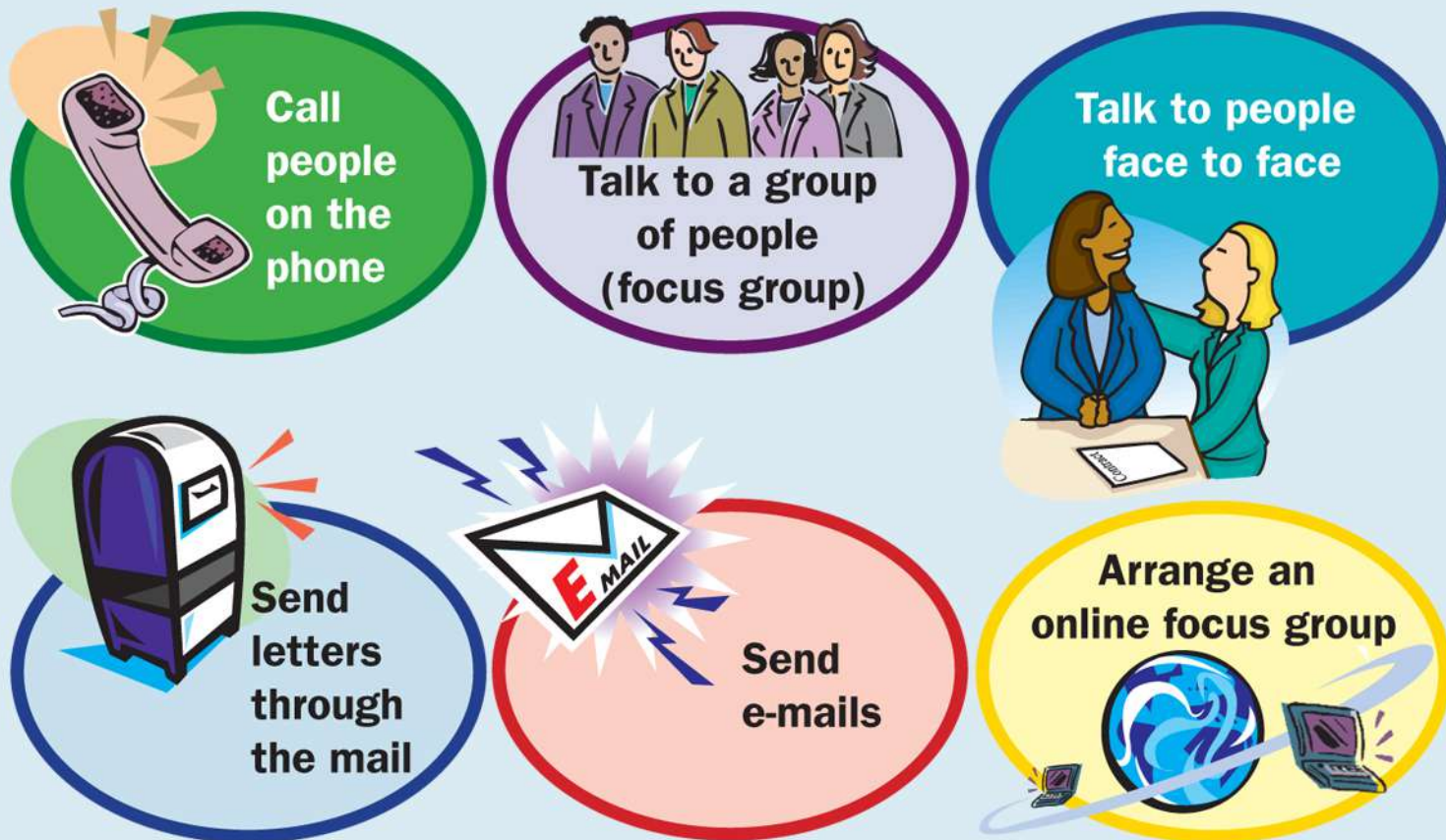
market segmentation

the division of a market for a product into groups of customers who have the same needs and traits

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Figure 12.1 Conducting Market Research



The Seven Steps of Product Development

New products energize the marketplace.

Companies take seven steps in developing a new product.

Graphic Organizer

The Seven Steps of Product Development



Step 1: Generate Ideas

Workers often get together for brainstorming.

People from a company's development department, the marketing research staff, and even outside market researchers may be involved.

Step 2: Screen Ideas

After a list of ideas for a new product is completed, the team must evaluate each idea.

How do these ideas fit the company's mission and strategy?

Does the new product compete with one of the company's existing products?

If the product's concept seems risky, should the company ask consumers about the creative concept?

Step 3: Develop a Business Plan

The business plan provides a look at the market, including estimated sales, costs, profit potential, market trends, and competing products.

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Step 4: Develop the Product

A company's decision makers are in favor of a product, a **prototype** will be made. If any aspects of changes needed, now is the time to make changes. Delays may be experienced in finalizing the product as it is being tested.

Key Term

prototype

a model of the actual product that is used to see what the new product will look like

Step 5: Test-Market the Product

Marketers need to **test-market** a product after the product is fully developed.

Key Term



test-market

offering a product in a limited market for a limited time

Step 5: Test-Market the Product

The goal of test-marketing is to collect customers' responses to see if the product is likely to be a success.

Step 6: Introduce the Product

A publicity campaign introduces the product.

The costs of launching a new product are often high.

Step 6: Introduce the Product

The company has a short time in the market before competitors start developing similar products.

Step 7: Evaluate Customer Acceptance

Once the product is introduced, marketers track customers and their responses to it.

The Functions of Marketing

The seven functions of marketing define all the aspects that are part of marketing.

Who are our best customers?

What new products are they buying?

How often do customers buy the new product?

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Product Failures

Not all products that are test-marketed succeed. After Ford[®] introduced the Edsel in 1958, the car failed to meet sales expectations. Marketing experts say Ford did not understand U.S. consumers.

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What are some tools used by market researchers?

surveys, sales figures for existing products, databases, and the census

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What are the seven steps of product development?

generate ideas, screen ideas, develop a business plan, develop the product, test-market the product, introduce the product, and evaluate acceptance

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How can a company know if its new product is succeeding?

Companies can evaluate success by tracking customer responses.

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