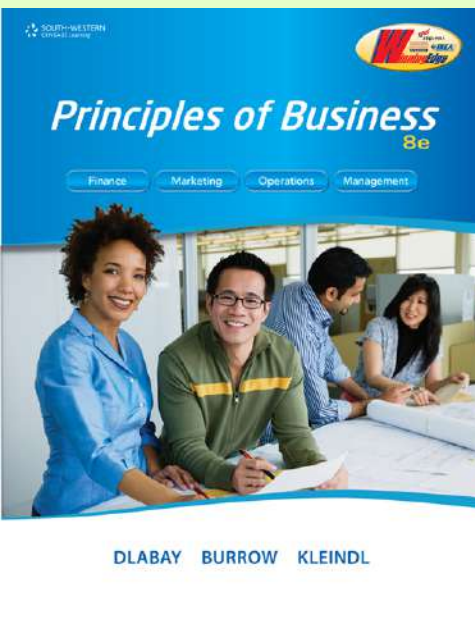


## CHAPTER

# 10

# Marketing



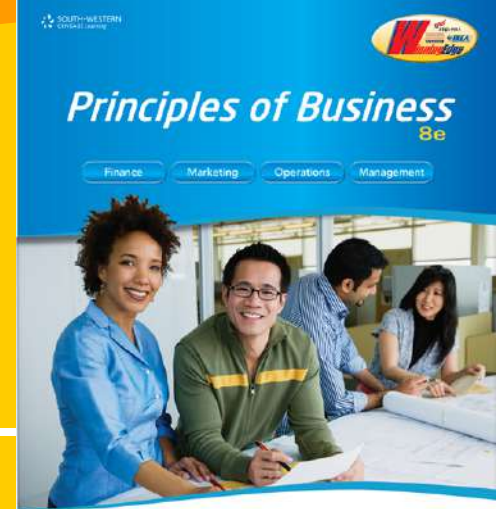
**10-1** Marketing Basics

**10-2** Develop Effective Products and Services

**10-3** Price and Distribute Products

**10-4** Plan Promotion

# 10-1 Marketing Basics



DLABAY BURROW KLEINDL

**Goal 1** Define important marketing concepts.

**Goal 2** Identify the steps in a marketing strategy.

**Goal 3** Describe the consumer decision-making process.

# KEY TERMS

- marketing
- marketing strategy
- target market
- marketing mix
- marketing orientation
- final consumers
- business consumers
- consumer decision-making process
- buying motives

# UNDERSTAND MARKETING

- Marketing activities
- Marketing businesses
- Marketing functions

# Marketing Functions



# Checkpoint ✓

- Define marketing and the seven marketing functions.
  - Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.
  - The seven marketing functions include product and service management, distribution, selling, marketing information management, financial analysis, pricing, and promotion.

# MARKETING STRATEGY

- Marketing planning
- Develop a successful marketing strategy
  - Identify a target market
  - Create a marketing mix

# Checkpoint ✓

- What are the two steps in developing a marketing strategy?
  - The two steps are identifying a target market and developing a marketing mix.



# UNDERSTAND CUSTOMERS

- Consumer decision-making
- Buying motives

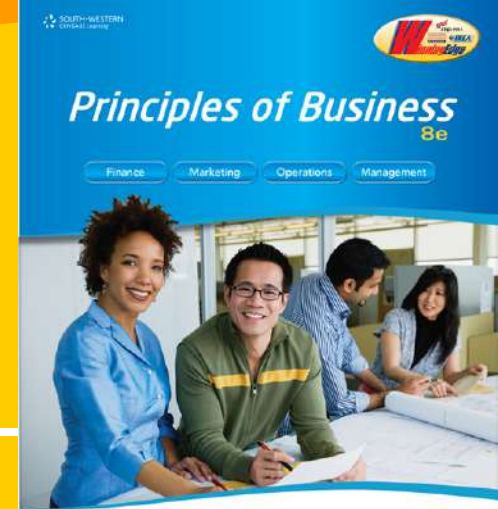
# STEPS IN THE CONSUMER DECISION-MAKING PROCESS

1. Recognize a need.
2. Gather information.
3. Select and evaluate alternatives.
4. Make a purchase decision.
5. Determine the effectiveness of the decision.

# Checkpoint ✓

- What are the steps in the consumer decision-making process?
  - Steps in the consumer decision-making process include recognizing a need, gathering information, selecting and evaluating alternatives, making a purchase decision, and determining the effectiveness of the decision.

# 10-2 Develop Effective Products and Services



DLABAY BURROW KLEINDL

**Goal 1** Justify the importance of marketing research.

**Goal 2** Identify the components of a product.

**Goal 3** Describe how services differ from products.

# KEY TERMS

- marketing research
- product
- services
- intangible
- inseparable
- perishable
- heterogeneous

# CREATE AND IMPROVE PRODUCTS

- Totally new products
- Major improvements in existing products
- Minor improvements in existing products

# PLAN MARKETING RESEARCH

- Steps in marketing research
  1. Define the marketing problem.
  2. Study the situation.
  3. Develop a data collection procedure.
  4. Gather and analyze information.
  5. Propose a solution.

# TYPES OF RESEARCH STUDIES

- Surveys
- Focus groups
- Observations
- Experiments



# Checkpoint ✓

- List the steps in a marketing research study.
  - The steps in marketing research are to define the marketing problem, study the situation, develop a data collection procedure, gather and analyze information, and propose a solution.

# PRODUCT PLANNING

- Parts of a product
- Product planning procedures
  - Idea development
  - Idea screening
  - Strategy development
  - Production and financial planning
  - Limited production and test marketing
  - Full-scale production

# Checkpoint ✓

- What are the components of a product?
  - Products are everything businesses offer to customers and are composed of the basic product, product features, its brand name and packaging, and sometimes a guarantee or warranty.

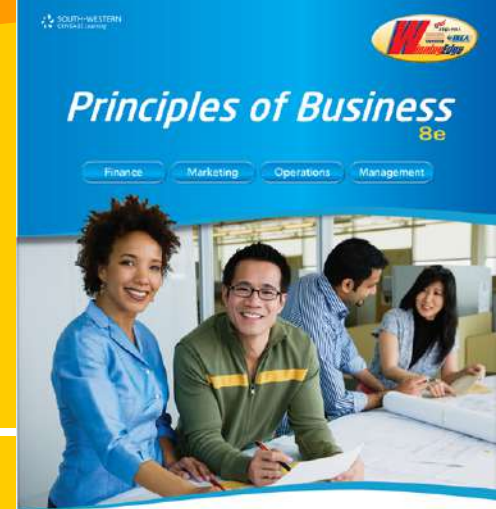
# SERVICES

- Intangible
- Inseparable
- Perishable
- Heterogeneous

# Checkpoint ✓

- In what ways are services different from products?
  - Products are tangible and may be nonperishable; it is generally easier to control the quality and marketability of these items.
  - Services, however, are intangible, more difficult to market, and perishable.

# 10-3 Price and Distribute Products



**Goal 1** Discuss how the selling price of a product is calculated.

**Goal 2** Differentiate between a direct and an indirect channel of distribution.

# KEY TERMS

- price
- distribution
- channel of distribution
- channel members
- retailer

# VALUE AND PRICE

- Buyers usually want to pay the lowest price possible.
- Sellers want to charge the highest price possible.



# PRICING FACTORS

- Supply and demand
- Uniqueness
- Age
- Season
- Complexity
- Convenience

# PRICE A PRODUCT

- Selling price
- Product costs
- Operating expenses
- Profit

$$\text{Selling price} = \text{Product costs} + \text{Operating expenses} + \text{Profit}$$

# GROSS MARGIN

**Gross Margin = Selling price + Product costs**

# MARKUP

- The amount added to the cost of a product to set the selling price
- Markup on cost
- Markup on selling price

# MARKDOWN

- A reduction from the original selling price
- Reasons for markdowns
  - Low demand
  - End of season
  - Flaws

# Checkpoint ✓

- What is the formula for calculating the selling price of a product?
  - Selling price = Product cost + Operating expenses + Profit

# CHANNELS OF DISTRIBUTION

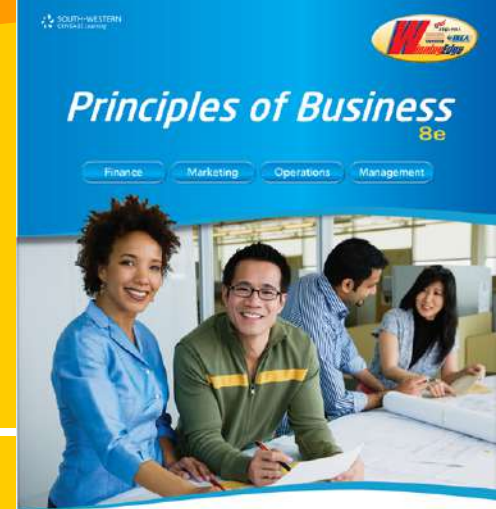
- Need for distribution channels
  - Differences in quantity
  - Differences in assortment
  - Differences in location
  - Differences in timing
- Channels and channel members

# Checkpoint ✓

- What is the difference between a direct and an indirect channel of distribution?
  - In a direct channel of distribution, products move directly from the producer to the consumer.
  - In an indirect channel, others may participate in the movement of products from the producer to the consumer, such as transportation services and retailers.



# 10-4 Plan Promotion



**Goal 1** Justify the importance of communication in marketing.

**Goal 2** Identify and describe the common types of promotion.

DLABAY BURROW KLEINDL

# KEY TERMS

- promotion
- effective communication
- personal selling
- advertising
- merchandising

# COMMUNICATION AND PROMOTION

- The communication process
- Communicating through promotion

# COMPONENTS OF EFFECTIVE COMMUNICATION



# Checkpoint ✓

- How does identifying a target market improve promotion communications?
  - Communication can be developed and directed more specifically if a target market is identified.

# TYPES OF PROMOTION

- Personalized promotion
- Mass promotion
- Merchandising
- Mass personalization

# Checkpoint ✓

- Describe the advantages and disadvantages of the major types of promotion.
  - Personalized promotion allows the provider to meet customers and identify customer needs.
  - It is, however, the most expensive type of promotion.
  - Mass promotion reaches a larger target market and is much less expensive.
  - It does not, however, provide for individualized service, and sales (results) are often not immediate.