

Section 10.1

Introduction to Marketing



How can marketing contribute to the success of a business?

Objectives

After completing this section, you will be able to:

- **Describe** marketing and its focus on the customer.
- **Explain** marketing strategies.

Section 10.1 Review

Check Your Understanding

1. How is marketing related to the other functions of business?

Answer: Marketing is one of the four functions of business and is focused on the customer. It consists of dynamic activities that identify, anticipate, and satisfy customer demand while making a profit.

2. What are the three elements of the marketing concept?

Answer: The three elements of the marketing concept are customer satisfaction, total company approach, and profit. Customer satisfaction is the degree to which customers are pleased with a company's goods or services. Total company approach is all functions of a company working together to achieve goals. Profit is money that a business has left over after all the expenses and costs of running the business are paid.

3. What are the seven functions of marketing?

Answer: The seven functions of marketing are channel management, marketing-information management (MIM), market planning, pricing, product/service management, promotion, and selling.

4. Explain the concept of market identification.

Answer: Market identification is the first step in developing a marketing strategy. It involves identifying the target market. These are the people whose wants and needs are fulfilled by the products or services offered by a business. They are the people most likely to buy the products or services.

5. List the four variables used to identify market segments.

Answer: Four variables used to identify market segments are geographic, demographic, psychographic, and segmentation.

Build Your Vocabulary

As you progress through this course, develop a personal glossary of key terms. This will help you build your vocabulary and prepare you for a career. Write a definition for each of the following terms and add it to your personal glossary.

marketing

Answer: Consists of dynamic activities that identify, anticipate, and satisfy customer demand while making a profit.

marketing concept

Answer: Approach to business that focuses on satisfying customers as the means of achieving profit goals.

four Ps of marketing

Answer: Marketing elements of product, price, place, and promotion.

product

Answer: Anything that can be bought or sold.

price

Answer: Amount of money requested or exchanged for a product.

place

Answer: Includes the activities involved in getting goods and services to customers.

promotion

Answer: Process of communicating with potential customers in an effort to influence their buying behavior.

target market

Answer: Specific group of customers whose needs a company will focus on satisfying.

marketing strategy

Answer: Plan that helps a business meet its overall goals and objectives.

marketing plan

Answer: Document describing business and marketing objectives and the strategies and tactics to achieve them.

market segmentation

Answer: Process of dividing the market into smaller groups.

geographic segmentation

Answer: Segmenting a market based on where customers live.

demographic segmentation

Answer: Dividing the market of potential customers by their personal statistics.

psychographic segmentation

Answer: Dividing the market by certain preferences of lifestyle choices.

behavioral segmentation

Answer: Dividing a market by the relationships between customers and the good or service.

customer profile

Answer: Detailed description of the typical consumer in a market segment.

mass marketing

Answer: Marketing to a larger group of people who might buy a product.

marketing mix

Answer: Strategy for using the elements of product, price, place, and promotion.

Section 10.2

Customers



How do customer buying decisions affect business strategies?

Objectives

After completing this section, you will be able to:

- **Describe** the types of customers that a business serves.
- **Differentiate** between consumer and business buying decisions.

Section 10.2 Review

Check Your Understanding

1. Identify three types of customers that a business serves.

Answer: The three basic types of customers are consumers, businesses, and government and institutions.

2. What are four influences that typically affect consumer buying behavior?

Answer: Consumer buying behavior is typically based on social, psychological, situational, and personal influences.

3. What are the stages of the decision-making process?

Answer: The stages in the decision-making process are define the problem or need, research, choose the best option, implement the decision, and evaluate the purchase.

4. List the three influences that affect the buying decisions of organizations.

Answer: The buying decisions of organizations are affected by internal, external, and situational influences.

5. What are the levels of buying decisions for business purchases?

Answer: The levels of buying decisions for business purchases are new purchase, repeat purchase, and modified purchase.

Build Your Vocabulary

As you progress through this course, develop a personal glossary of key terms. This will help you build your vocabulary and prepare you for a career. Write a definition for each of the following terms and add it to your personal glossary.

relationship selling

Answer: Focuses on building long-term relationships with customers.

database marketing

Answer: System of gathering, storing, and using customer data for marketing directly to customers based on their histories.

customer relationship management (CRM) system

Answer: System to track contact and other information for current and potential customers.

social influence

Answer: Influence that comes from the society in which a person lives.

psychological influence

Answer: Influence that comes from within a person or why a person has specific needs and wants.

situational influence

Answer: B2C influence that comes from the environment.

personal influence

Answer: Influence that makes each individual unique.

impulse buying decision

Answer: Purchase made with no planning or research.

routine buying decision

Answer: Purchase made quickly and with little thought.

limited buying decision

Answer: Purchase that requires some amount of research and planning.

extensive buying decision

Answer: Purchase that involves a great deal of research and planning.

internal influence

Answer: Motivator or change factor that comes from within a business itself.

external influence

Answer: Motivator or change factor from those outside the business.

situational influence

Answer: B2B influence that comes from the environment in which the business exists.

Chapter Summary

Section 10.1 Introduction to Marketing

- Marketing consists of dynamic activities that identify, anticipate, and satisfy customer demand while making a profit. The marketing concept is an approach to business that focuses on satisfying customers as the means of achieving profit goal. To help accomplish the marketing concept, the four Ps of marketing address product, price, place, and promotion. Applying the seven functions of marketing help a business organize its marketing activities.
- Marketing strategy is the plan that helps a business meet its overall goals and objectives. Strategies provide the groundwork for creating the marketing plan that describes marketing objectives and tactics to meet them. The first step in developing a marketing strategy is to identify the target market. The next step in developing a strategy is to identify the marketing mix.

Section 10.2 Customers

- Customer relationships are essential to business. Three basic types of customers are B2C, B2B, and government/institutions. To help manage customer relationships, many businesses use databases to gather, store, and use customer data for marketing directly to their customers. A customer service relationship management (CRM) is used to accomplish those tasks. It identifies customers, their buying habits, and other important information to help the business.
- The buying decisions made by customers of all types are affected by various influences. Consumer buying behavior is typically based on social, psychological, situation, and personal influences. The purchases made by a consumer are based on impulsive, routine, limited, or extensive buying decisions. In contrast, business purchases are influenced by internal factors, external factors, and situational factors. Purchases by a business are new, repeat, or modified.

Review Your Knowledge

1. What is the American Marketing Association definition of marketing?

Answer: The American Marketing Association defines marketing as “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.”

2. Explain the marketing concept.

Answer: The marketing concept is an approach to business that focuses on satisfying customers as the means of achieving profit goals. The three elements of the marketing concept are customer satisfaction, total company approach, and profit. Each element works together to create an effective business.

3. List the seven functions of marketing and describe their related activities.

Answer: Channel management handles activities involved in getting products through the different routes from the producers to the customers; market planning is creating an actionable marketing plan designed to achieve business goals; pricing handles all activities involved in setting acceptable prices for products; product/service management determines which products a business should offer to meet customer needs; promotion function includes all of the decisions made about how to promote the product; and selling pertains to all personal communications with customers.

4. Explain the concept of marketing strategies.

Answer: Marketing strategy is the plan that helps a business meet its overall goals and objectives. A well-designed strategy first addresses the target market. It then addresses the four Ps of marketing. Marketing strategies provide the groundwork for writing the marketing plan. The marketing plan is a document describing business and marketing objectives and the strategies and tactics to achieve them.

5. Define and explain the importance of a target market.

Answer: A target market is the specific group of customers at which a company aims its products and services. These are the people whose wants and needs are fulfilled by the products or services a business offers. They are also the people most likely to buy the products or services. Selecting the wrong target market means the business loses an opportunity for success in a different one.

6. Explain the difference between market segmentation and mass marketing.

Answer: Market segmentation is the process of dividing the market into smaller groups. It helps to determine a segment of the entire market that will be the ideal customer for a product or service. Mass marketing is marketing to a larger group of people who might buy a product. It will likely include people who are not interested in the product.

7. What is Maslow's Hierarchy of Needs?

Answer: Maslow's Hierarchy of Needs is a theory developed by Abraham Maslow that suggests that the needs that motivate people to act must be satisfied in a particular order of importance.

8. Define each component of the marketing mix.

Answer: The marketing mix is made up of the four Ps of marketing: product, which is anything that can be bought or sold; price, which is an amount for money requested or exchanged for a product; place, which includes the activities involved in getting goods and services to customers; and promotion, which is the process of communicating with potential customers in an effort to influence their buying behavior.

9. What are the four levels of consumer buying decisions?

Answer: The four levels of buying decisions are impulse, which is a purchase made with no planning or research; routine, which is a purchase made quickly and with little thought; limited, which requires some amount of research and planning; and extensive, which involves a great deal of research and planning.

10. Explain the three levels of business buying decisions.

Answer: The three levels of buying decisions are new purchase, which is a decision to buy a new product and requires a great deal of research and thought; repeat purchase, which requires little research and thought; and modified, which is the decision to buy a familiar product but with some changes or modifications.

Apply Your Knowledge

1. Select a student organization in your school of which you are a member or would consider becoming a member. For this organization to recruit members, it must first identify the target market. How would you identify a target market for a student organization? Explain how the concepts of marketing and market identification apply. How would you use market segmentation to identify the group that would be most likely to join when recruiting for the organization?

Answer: Student answers will vary. Evaluate each response individually.

2. Select a product that appeals to people in your age group, such as an electronics item or automobile. Imagine that you are creating a marketing strategy for that product. Identify examples of an effective marketing mix that would have the most influence on the target market. Which of the four Ps would you use? Explain your reasoning.

Answer: Student answers will vary. Evaluate each response individually.

3. In the last question, you identified examples of an effective marketing mix for a product. Create examples for each of the elements to market your chosen product. Identify each element and how you would use it in a marketing strategy.

Answer: Student answers will vary. Evaluate each response individually.

4. Describe a memorable commercial or print advertisement you have seen recently. What was the product or service being promoted? What do you think the target market was for that particular advertisement? Explain your answer.

Answer: Student answers will vary. Evaluate each response individually.

5. There are four levels of consumer buying decisions: impulse, routine, limited, and extensive. Give examples of purchases you have recently made that fit into each level. Did you make good purchasing decisions? Explain your answer.

Answer: Student answers will vary. Evaluate each response individually.



You Do the Math

Statistical Reasoning

There are three measures of the center of a data set. The mode is the value that occurs most frequently in the data set. The *median* is the middle number in a data set. To find the median, the numbers must be listed in numerical order. The mean is the average of all values in the data set. Mean is calculated by adding all values and dividing that sum by the total number of values.

Solve the following problems.

1. A recent survey of gasoline prices for a region reported these prices per gallon: \$3.49, \$3.67, \$3.52, \$3.58, and \$3.56. What is the mean price per gallon?

Answer: $\$3.49 + \$3.67 + \$3.52 + \$3.58 + \$3.56 = \17.82

$\$17.82 \div 5 = \3.56

The mean is \$3.56

2. A business ships telephone headsets all across the country. The various shipping costs it charged last week are: \$0.99, \$1.05, \$0.75, \$1.07, \$0.99, \$1.05, and \$1.05. What is the mode shipping charge?

Answer: The mode is \$1.05

3. For the data in question #2, what is the median shipping charge?

Answer: \$0.75, \$0.99, \$0.99, \$1.05, \$1.05, \$1.05, \$1.07

The median is \$1.05