

MARKETING: HELPING Buyers Buy

13

LEARNING goals

After you have read and studied this chapter, you should be able to

- 1 Define *marketing*, and apply the marketing concept to both for-profit and nonprofit organizations.
- 2 Describe the four Ps of marketing.
- 3 Summarize the marketing research process.
- 4 Show how marketers use environmental scanning to learn about the changing marketing environment.
- 5 Explain how marketers apply the tools of market segmentation, relationship marketing, and the study of consumer behavior.
- 6 Compare the business-to-business market and the consumer market.

Joseph (Joe) Jimenez was a collegiate all-American swimmer and captain of the swim team at Stanford University. He credits competitive swimming with helping him build an inner strength that sustains him to this day. Today Jimenez is CEO of Novartis, one of the world's largest pharmaceutical companies.

After earning an M.B.A. from the University of California, Berkeley, Jimenez began his career in marketing as a brand manager at Clorox. Success in marketing at Clorox led him to ConAgra Foods where he became a division head and finally to H.J. Heinz Company where he became President and CEO of Heinz Europe and Heinz North America. In 2010, he became the first American CEO of Swiss-based Novartis.

On assuming the CEO job at Novartis, Jimenez put his marketing experience to good use. Instead of lamenting the problems faced in the pharmaceutical industry, such as the uncertain Food & Drug Administration (FDA) approval process in the United States, he decided Novartis "was not going to complain—but was going to change." One decision Jimenez made was to "geo tailor" the sales force at Novartis to fit particular markets. He restructured the sales force to address specific trends in individual markets where payer organizations (i.e. insurance companies) have a great influence on what pharmaceutical products are purchased. In other areas where physicians make decisions, a more traditional sales model was retained. His intention was to focus on the individual needs of specific customers and develop better relationships with them as they make purchasing decisions. In other words, he wanted to help buyers buy.

Like all good marketers, Jimenez sees Novartis as more than just a pharmaceutical company. He understands that to exemplify marketing at its best, social

responsibility needs to be part of the Novartis mission. For example, Novartis teamed with America's VetDogs to train and provide guide dogs for veterans who are blind or visually impaired, and service dogs for those with disabilities other than blindness—at no cost to the veteran. The program trains over 1,000 dogs a year.

Novartis and Jimenez are also proud of the company's access-to-medicine program that has reached more than 80 million patients worldwide. The company offers discounts and support programs to patients who lack medical insurance or cannot afford treatment. Such strategies emphasize Jimenez's belief that marketing is a multi-dimensional discipline and is not just centered on issues of selling and advertising.

This chapter and the following three chapters are about marketing. You will learn about traditional marketing practices, but you will also learn about new marketing practices, including the use of social media. Joseph Jimenez is a role model for other progressive managers who see marketing from a broader perspective.

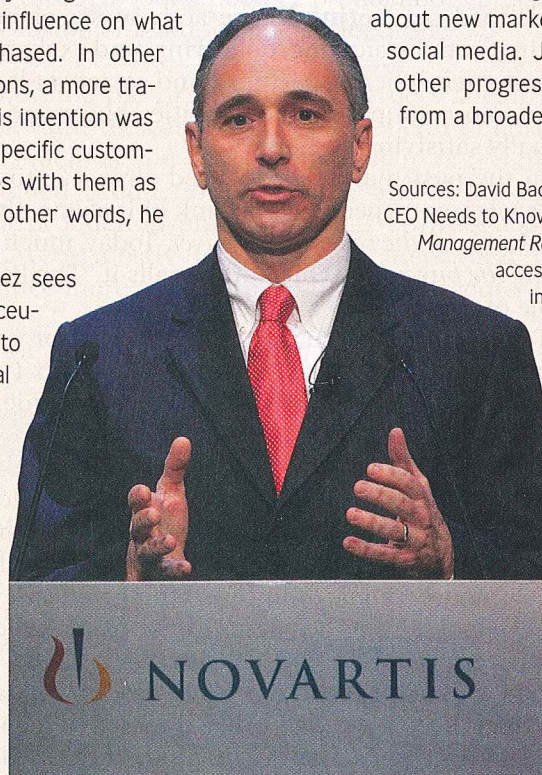
Sources: David Bach and David Bruce Allen, "What Every CEO Needs to Know about Nonmarket Strategy," *MIT Sloan Management Review*, Spring 2010; www.forbes.com, accessed April 2011; www.youtube.com, accessed in April 2011; www.novartis.com; and Dominic Barton, "Capitalism for the Long Term," *Harvard Business Review*, May 2011.

profile

Getting to Know

X Joseph Jimenez

CEO of Novartis



NAME THAT

company

Where's the beef? Many people don't care about the answer to that question anymore. As the trend toward vegetarianism grows, this well-known company in Canada offers a vegan version of its chicken sandwich in 500 of its 750 stores. What is the name of this company? (Find the answer in the chapter.)

LEARNING goal 1

Define *marketing*, and apply the marketing concept to both for-profit and nonprofit organizations.

marketing

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.

WHAT IS MARKETING?

The term marketing means different things to different people. Many think of marketing as simply “selling” or “advertising.”¹ Yes, selling and advertising are part of marketing, but it's much more. The American Marketing Association has defined **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. We can also think of marketing, more simply, as the activities buyers and sellers perform to facilitate mutually satisfying exchanges.

In the past marketing focused almost entirely on helping the seller sell. That's why many people still think of it as mostly selling, advertising, and distribution *from the seller to the buyer*. Today, much of marketing is instead about *helping the buyer buy*. One author calls it “The Power of Pull.”² Let's examine a couple of examples.

Today, when people want to buy a new or used car, they often turn to the Internet first. They go to a website like Vehix (www.vehix.com) to search for the vehicle they want and even take a virtual ride.³ At other websites they compare prices and features. By the time they go to the dealer, they may know exactly which car they want and the best price available.

The websites have *helped the buyer buy*. Not only are customers spared searching one dealership after another to find the best price, but manufacturers and dealers are eager to participate so that they don't lose customers. The future of marketing is doing everything you can to help the buyer buy.⁴

Let's look at another case. In the past, one of the few ways students and parents could find the college with the right “fit” was to travel from campus to campus, a grueling and expensive process. Today, colleges use podcasts, virtual tours, live chats, and other interactive technologies to make on-campus visits less necessary. Such virtual tours help students and their parents buy.

Of course, helping the buyer buy also helps the seller sell. Think about that for a minute.

Here's an example from *The Wall Street Journal*: In the vacation market, many people find the holiday they want themselves. They use the Internet to

find the right spot, and then make choices, sometimes questioning potential sellers online. In industries like this, the role of marketing is to make sure that a company's products or services are easily found online, and that the company responds effectively to potential customers.⁵

These are only a few examples of the marketing trend toward helping buyers buy. Consumers today spend hours searching the Internet for good deals. Wise marketers provide a wealth of information online and even cultivate customer relationships using blogs and social networking sites such as Facebook and Twitter.⁶

Online communities provide an opportunity to observe people (customers and others) interacting with one another, expressing their own opinions, forming relationships, and commenting on various goods and services.⁷ It is important for marketers to track what relevant bloggers are writing by doing blog searches using key terms that define their market. Vendors who have text-mining tools can help companies measure conversations about their products and their personnel. Much of the future of marketing lies in mining such online conversations and responding appropriately.⁸

Retailers and other marketers who rely solely on *traditional* advertising and selling are losing out to the new ways of marketing. The Spotlight on Small Business box on p. 354 discusses how some theaters are being creative with their marketing efforts.⁹

The Evolution of Marketing

What marketers do at any particular time depends on what they need to do to fill customers' needs and wants, which continually change. Let's take a brief look at how those changes have influenced the evolution of marketing. Marketing in the United States has passed through four eras: (1) production, (2) selling, (3) marketing concept, and (4) customer relationship (see Figure 13.1).

The Production Era From the time the first European settlers began their struggle to survive in America until the early 1900s, the general philosophy of business was "Produce as much as you can, because there is a limitless market for it." Given the limited production capability and vast demand for products in those days, a production philosophy was both logical and profitable. Business owners were mostly farmers, carpenters, and trade workers. They needed to produce more and more, so their goals centered on

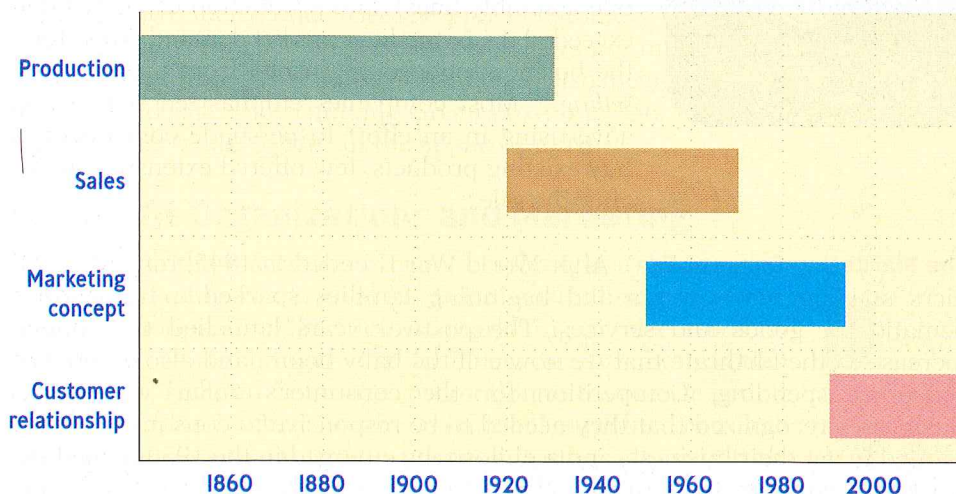


figure 13.1

MARKETING ERAS

The evolution of marketing in the United States involved four eras:

- (1) production, (2) selling,
- (3) marketing concept, and
- (4) customer relationship.

SPOTLIGHT ON SMALL business



Let's Go to the Movies

Imagine you own a small movie theater. How can you differentiate your theater from the others in your town? Some theaters have had success with 3D movies. Others offer bigger and more screens. For many theaters today, the answer is to provide food with the movie. In fact, about 400 of the 5,750 theaters are doing just that. In-theater dining is said to be one of the biggest bets for increasing the theater-going audience. Thus, you should expect to see more such theaters in the future.

It is a risk to offer an eat-in experience. For example, it is more difficult than you might imagine to keep such theaters clean. After all, there isn't that much time between showings. You can imagine the difficulty some theaters have had trying to create a menu that allows people to eat in the dark. You

can also imagine the work it takes to add a kitchen and luxury facilities to an old theater. Nonetheless, theater owners have decided that to fill a need they would have to go to such lengths. It may turn out that such theaters only appeal to a niche market and may not prove profitable.

To further enhance the experience, some theaters are offering alcohol, luxury seats, footrests, blankets, pillows, and the like. Have you experienced these theaters yet? What did you think? Was the additional cost worth it? Do you have other suggestions for how to improve the movie-going experience?

Sources: Lauren A. E. Schuker, "Double Feature: Dinner and a Movie," *The Wall Street Journal*, January 5, 2011; and Judy Hedding, "iPic Theatres—A Scottsdale Luxury Theatre Experience," About.com, accessed April 2011.



In the selling era, the focus of marketing was on selling, with little service afterward and less customization. What economic and social factors made this approach appropriate for the times?

production. You can see this same process occurring in the oil industry today, where producers can often sell as much oil as they can produce. For a long time, GE thought that they would sell all the products they produced.¹⁰ Now they know better, of course. The greatest marketing need in this industry is for more production and less expensive distribution and storage.

The Selling Era By the 1920s, businesses had developed mass-production techniques (such as automobile assembly lines), and production capacity often exceeded the immediate market demand. Therefore, the business philosophy turned from producing to *selling*.¹¹ Most companies emphasized selling and advertising in an effort to persuade consumers to buy existing products; few offered extensive service after the sale.

The Marketing Concept Era After World War II ended in 1945, returning soldiers starting new careers and beginning families sparked a tremendous demand for goods and services. The postwar years launched the sudden increase in the birthrate that we now call the baby boom, and also a boom in consumer spending. Competition for the consumer's dollar was fierce. Businesses recognized that they needed to be responsive to consumers if they wanted to get their business, and a philosophy emerged in the 1950s called the marketing concept.

The **marketing concept** had three parts:

1. *A customer orientation.* Find out what consumers want and provide it for them. (Note the emphasis on meeting consumer needs rather than on promotion or sales.)
2. *A service orientation.* Make sure everyone in the organization has the same objective: customer satisfaction. This should be a total and integrated organizational effort. That is, everyone from the president of the firm to the delivery people should be customer-oriented. Does that seem to be the norm today?
3. *A profit orientation.* Focus on those goods and services that will earn the most profit and enable the organization to survive and expand to serve more consumer wants and needs.

It took a while for businesses to implement the marketing concept. The process went slowly during the 1960s and 70s. During the 1980s, businesses began to apply the marketing concept more aggressively than they had done over the preceding 30 years. That led to a focus on customer relationship management (CRM) that has become very important today. We explore that concept next.

The Customer Relationship Era In the 1990s and early 2000s managers extended the marketing concept by adopting the practice of customer relationship management. **Customer relationship management (CRM)** is the process of learning as much as possible about present customers and doing everything you can over time to satisfy them—or even to exceed their expectations—with goods and services. The idea is to enhance customer satisfaction and stimulate long-term customer loyalty.¹² For example, most airlines offer frequent-flier programs that reward loyal customers with free flights. The newest in customer relationship building, as mentioned earlier, involves social networks, online communities, tweets, and blogs.¹³

Clearly, the degree of consumer dissatisfaction that exists, especially with services such as airlines and phone companies, shows that marketers have a long way to go to create customer satisfaction and loyalty. According to a recent study, only 6.8 percent of marketers said they have excellent knowledge of their customers when it comes to demographic, behavioral, and psychographic (how they think) data.

The newest in CRM efforts is customer-managed relationships (CMR). The idea is to give the customer the power to build relationships with suppliers and consumers. Websites like Expedia, Travelocity, and Priceline allow customers to find the best price or set their own.¹⁴ Since consumers are interested in green marketing today, relationship building also means responding to that desire. The Thinking Green box on p. 356, for example, explores “going green” in the apparel industry.

Nonprofit Organizations and Marketing

Even though the marketing concept emphasizes a profit orientation, marketing is a critical part of almost all organizations, including nonprofits. Charities use marketing to raise funds for combating world hunger, for instance, or to obtain other resources.¹⁵ The Red Cross uses promotion to encourage people to donate blood when local or national supplies run low. Greenpeace uses marketing to promote ecologically safe technologies. Environmental groups use marketing to try to cut

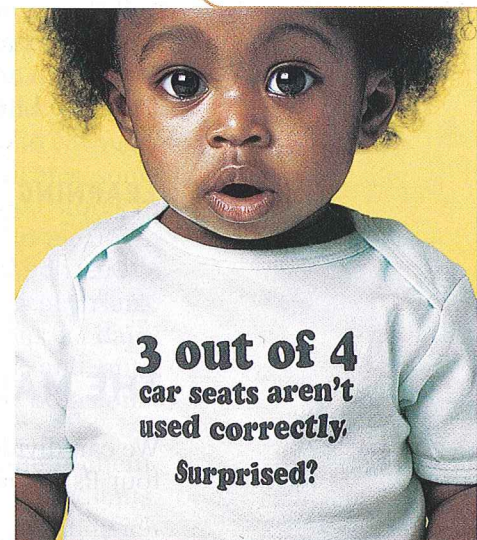
marketing concept

A three-part business philosophy: (1) a customer orientation, (2) a service orientation, and (3) a profit orientation.

customer relationship management (CRM)

The process of learning as much as possible about customers and doing everything you can to satisfy them—or even exceed their expectations—with goods and services.

The Ad Council sponsors many public service ads like this one. The idea is to make the public more aware of various needs that only nonprofit organizations are meeting. The ads then encourage the public to get engaged in the issue somehow, if only by donating money. Have you responded to any Ad Council advertisements?



The LATCH system makes it easier to be sure your child's car seat is installed correctly every time. Just clip it to the lower anchors, attach the top tether, and pull the straps tight. To find out more, visit safercar.gov.



THINKING green



How Green Is Green?

How far will companies go with relationship building through green marketing? Well, the clothing industry is developing a software tool to help them measure the environmental impact of their apparel and footwear, from raw material to garbage dump. You may be surprised by how “dirty” the apparel industry can be. For example, tanning leather often involves toxic chemicals. Making polyester uses large amounts of crude oil and other materials that release volatile compounds.

A series of questions is used to determine just how “green” some products are. The questions cover every step in the life of a product from raw-material production to manufacturing, shipping, and even disposal. Levi’s gets

points for having a recycling program that lets consumers drop off their old jeans at Goodwill.

Would you look at a label to determine whether or not you would buy tennis shoes or a garment based on its eco-friendliness? The apparel industry is counting on you to do so. And it is preparing for that choice by changing fabrics, distribution procedures, and more, all with the goal of establishing and maintaining good relationships with their customers.



Sources: Christina Binkley, “How Green Is My Sneaker?” *The Wall Street Journal*, July 22, 2010; and “Levi’s New Jeans Design Cuts Water Use by 96 Percent,” www.greenbiz.com, accessed June 2011.

carbon emissions. Churches use marketing to attract new members and raise funds. Politicians use marketing to get votes.

States use marketing to attract new businesses and tourists. Many states, for example, have competed to get automobile companies from other countries to locate plants in their area.¹⁶ Schools use marketing to attract new students. Other organizations, such as arts groups, unions, and social groups, also use marketing.¹⁷ The Ad Council, for example, uses public service ads to create awareness and change attitudes on such issues as drunk driving and fire prevention.

Organizations use marketing, in fact, to promote everything from environmentalism and crime prevention (“Take A Bite Out Of Crime”) to social issues (“Choose Life”).

LEARNING goal 2

Describe the four Ps of marketing.

THE MARKETING MIX

We can divide much of what marketing people do into four factors, called the four Ps to make them easy to remember. They are:

1. Product
2. Price
3. Place
4. Promotion

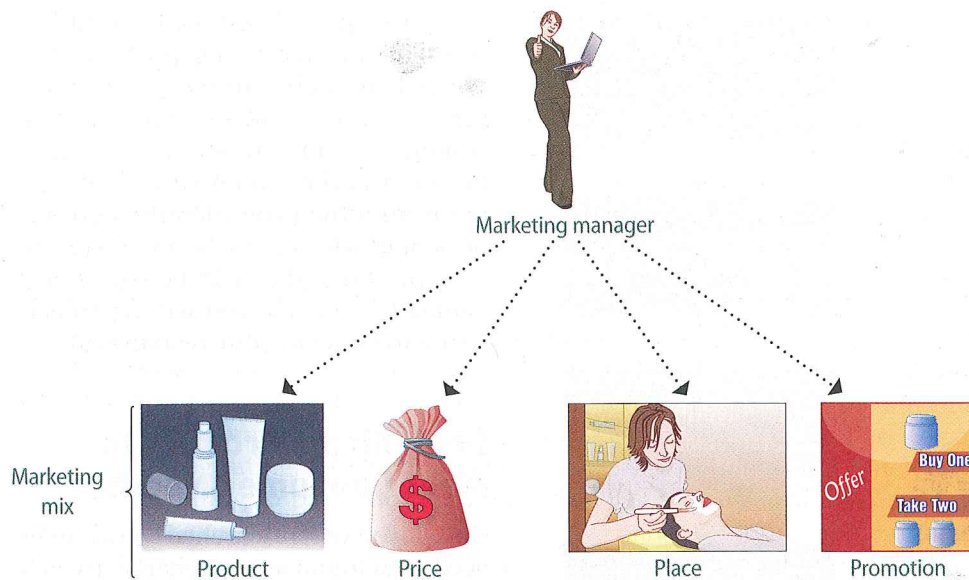


figure 13.2

MARKETING MANAGERS AND THE MARKETING MIX

Marketing managers must choose how to implement the four Ps of the marketing mix: product, price, place, and promotion. The goals are to please customers and make a profit.

Managing the controllable parts of the marketing process means (1) designing a want-satisfying *product*, (2) setting a *price* for the product, (3) putting the product in a *place* where people will buy it, and (4) *promoting* the product, including how “green” it is. These four factors are called the **marketing mix** because businesses blend them together in a well-designed marketing program (see Figure 13.2).

marketing mix

The ingredients that go into a marketing program: product, price, place, and promotion.

Applying the Marketing Process

The four Ps are a convenient way to remember the basics of marketing, but they don’t necessarily include everything that goes into the marketing process for all products. One of the best ways to understand the entire marketing process is to take a product or a group of products and follow the process that led to their development and sale (see Figure 13.3 on p. 358).

Imagine, for example, that you and your friends want to start a money-making business near your college. You’ve noticed a lot of vegetarians among your acquaintances. You do a quick survey in a few dorms, sororities, and fraternities and find many vegetarians—and other students who like to eat vegetarian meals once in a while.¹⁸ Your preliminary research indicates some demand for a vegetarian restaurant nearby. You check the fast-food stores in the area and find that none offer more than one or two vegetarian meals. In fact, most don’t have any, except salads and some soups.

Further research identifies a number of different kinds of vegetarians. Lacto-ovo vegetarians eat dairy products and eggs. Lacto-vegetarians eat dairy products but no eggs. Fruitarians eat mostly raw fruits, grains, and nuts. Vegans eat neither eggs nor dairy products. Flexitarians eat the occasional cheesecake, hamburger, or whatever.

Your research identifies vegan farmers who don’t use any synthetic chemical fertilizers, pesticides, herbicides, or genetically modified ingredients. You also find that KFC Canada offers a vegan version of its chicken sandwich in 500 of its 750 outlets. Is the Colonel on to something? He may be, since there are successful vegetarian restaurants even in Argentina, where the per-capita consumption of beef is the highest in the world. You conclude that a vegetarian restaurant would have to appeal to all kinds of vegetarians to be a success.

figure 13.3

THE MARKETING PROCESS
WITH THE FOUR PS**product**

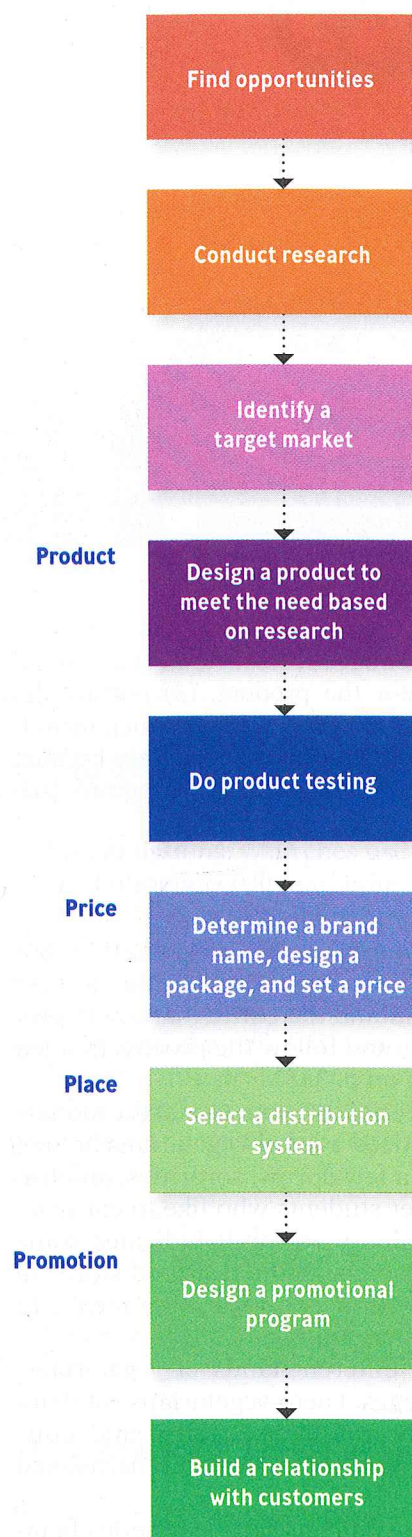
Any physical good, service, or idea that satisfies a want or need plus anything that would enhance the product in the eyes of consumers, such as the brand.

test marketing

The process of testing products among potential users.

brand name

A word, letter, or group of words or letters that differentiates one seller's goods and services from those of competitors.



You've just performed the first few steps in the marketing process. You noticed an opportunity (a need for vegetarian food near campus). You conducted some preliminary research to see whether your idea had any merit. And then you identified groups of people who might be interested in your product. They will be your *target market* (the people you will try to persuade to come to your restaurant).

Designing a Product to Meet Consumer Needs

Once you've researched consumer needs and found a target market (which we'll discuss in more detail later) for your product, the four Ps of marketing come into play. You start by developing a product or products. A **product** is any physical good, service, or idea that satisfies a want or need, plus anything that would enhance the product in the eyes of consumers, such as the brand name. In this case, your proposed product is a restaurant that would serve different kinds of vegetarian meals.

It's a good idea at this point to do *concept testing*. That is, you develop an accurate description of your restaurant and ask people, in person or online, whether the idea of the restaurant and the kind of meals you intend to offer appeals to them. If it does, you might go to a supplier, like Amy's Kitchen, that makes vegetarian meals, to get samples you can take to consumers to test their reactions. The process of testing products among potential users is called **test marketing**.

If consumers like the products and agree they would buy them, you have the information you need to find investors and look for a convenient location to open a restaurant. You'll have to think of a catchy name. (For practice, stop for a minute and try to think of one.) We'll use Very Vegetarian in this text, although we're sure you can think

of a better name. Meanwhile, let's continue with the discussion of product development.

You may want to offer some well-known brand names to attract people right away. A **brand name** is a word, letter, or group of words or letters that

differentiates one seller's goods and services from those of competitors. Brand names of vegetarian products include Tofurky, Mori-Nu, and Yves Veggie Cuisine. We'll discuss the product development process in detail in Chapter 14, and follow the Very Vegetarian case to show you how all marketing and other business decisions tie together. For now, we're simply sketching the whole marketing process to give you an overall picture. So far, we've covered the first P of the marketing mix: product. Next comes price.

Setting an Appropriate Price

After you've decided what products and services you want to offer consumers, you have to set appropriate prices.¹⁹ Those depend on a number of factors. In the restaurant business, the price could be close to what other restaurants charge to stay competitive. Or you might charge less to attract business, especially at the beginning. Or you may offer high-quality products for which customers are willing to pay a little more (as Starbucks does). You also have to consider the costs of producing, distributing, and promoting the product, which all influence your price. We'll discuss pricing issues in more detail in Chapter 14.

Getting the Product to the Right Place

There are several ways you can serve the market for vegetarian meals. You can have people come in, sit down, and eat at the restaurant, but that's not the only alternative—think of pizza. You could deliver the food to customers' dorms, apartments, and student unions. You may want to sell your products in supermarkets or health-food stores, or through organizations that specialize in distributing food products. Such *intermediaries* are the middle links in a series of organizations that distribute goods from producers to consumers. (The more traditional word for them is *middlemen*.) Getting the product to consumers when and where they want it is critical to market success.²⁰ Don't forget to consider the Internet as a way to reach consumers. We'll discuss the importance of marketing intermediaries and distribution in detail in Chapter 15.

Developing an Effective Promotional Strategy

The last of the four Ps of marketing is promotion.

Promotion consists of all the techniques sellers use to inform people about and motivate them to buy their products or services. Promotion includes advertising; personal selling; public relations; publicity; word of mouth (viral marketing); and various sales promotion efforts, such as coupons, rebates, samples, and cents-off deals.²¹ We'll discuss promotion in detail in Chapter 16.

Promotion often includes relationship building with customers. Among other activities, that means responding to suggestions consumers make to improve the products or their marketing, including price and packaging. For Very Vegetarian, postpurchase, or after-sale, service may include refusing payment for meals that weren't satisfactory and stocking additional vegetarian products customers say they would like. Listening to customers and responding to their needs is the key to the ongoing process that is marketing. The Social Media in Business box on p. 360 discusses how businesses can use social media and smartphones to build relationships with customers.

promotion

All the techniques sellers use to inform people about and motivate them to buy their products or services.



A vegetarian restaurant might fill a popular need in the neighborhood of many college campuses today. Is there one near your school? What can you tell about its manager's application of the four Ps of marketing – product, price, place, and promotion?

SOCIAL MEDIA IN **business**



Calling All Businesses!

In this digital age, setting up shop online is vital for most retail businesses. But having only an online presence that customers can access at home isn't enough anymore. Now consumers have an array of smartphones and digital tablets that can get them online from anywhere. For social networks and retailers alike, the mobile market has already enjoyed tremendous growth. Amazon, for instance, earned more than \$1 billion from purchases made on phones in 2009. The online auction house eBay predicts that its mobile sales will double in 2011 to \$4 billion.

Translating a company's current online presence into something suited for a smartphone isn't difficult for large retailers with vast resources. For small businesses, however, migrating to the mobile medium can be tricky. The array of devices available and lack of uniform design standards present a challenge to web designers, thus increasing the cost of going mobile. But as Amazon's mobile sales suggests, making the leap from laptop to touchscreen may become essential for the survival of small retailers.

Boulder-based company mShopper is helping small retailers break into the mobile market with the introduction of the Mobile Commerce Platform, or mStore. The service

takes the guesswork out of constructing a mobile site by providing design and search engine tools along with an analytics dashboard to track traffic and sales. It also streamlines records and retains customer service processes. mShopper charges a licensing fee on a sliding scale ranging from \$99 to \$999, depending on web traffic. Since mShopper doesn't get paid if their clients' stores don't get hits, the company also offers a marketing system that sends out promotional texts and discounts to customers on an mStore's mailing list.

Some retailers are hoping to use social media to enter the mobile market. Although many companies use social media to create awareness, there is a trend now of setting up direct outlets on social platforms. JCPenney and Delta Airlines have been in talks for months about obtaining a direct presence on Facebook. In three to five years, economists estimate that as much as 15 percent of total consumer spending may go through social networking sites. That means that many companies could be poised for a fortune if all those friends turn into customers.

Sources: Jason Ankeny, "Setting Sale on Smartphones," *Entrepreneur*, December 2010; and Sarah Shannon, "Fashion Retailer ASOS Sets Up Shop on Facebook," *Bloomberg Businessweek*, February 17, 2011.

progress assessment

- What does it mean to "help the buyer buy"?
- What are the three parts of the marketing concept?
- What are the four Ps of the marketing mix?

LEARNING goal 3

Summarize the marketing research process.

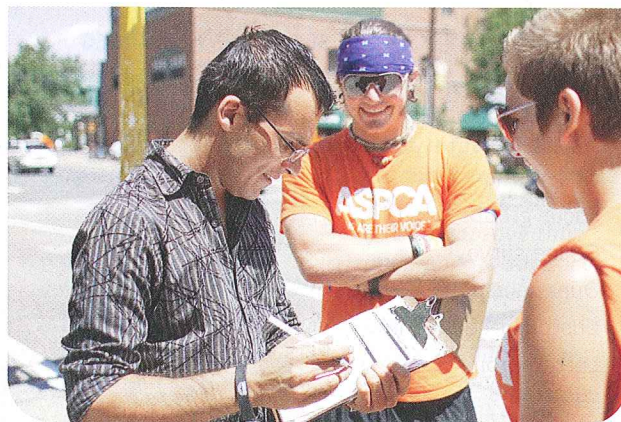
marketing research

The analysis of markets to determine opportunities and challenges, and to find the information needed to make good decisions.

PROVIDING MARKETERS WITH INFORMATION

Every decision in the marketing process depends on information. When they conduct **marketing research**, marketers analyze markets to determine opportunities and challenges, and to find the information they need to make good decisions.

Marketing research helps identify what products customers have purchased in the past, and what changes have occurred to alter what they want now and what they're likely to want in the future. Marketers also conduct research on business trends, the ecological impact of their decisions, global trends, and more. Businesses need information to compete effectively, and marketing research is the activity that gathers it. Besides listening to customers, marketing researchers also pay attention to what employees, shareholders, dealers, consumer advocates, media representatives, and other stakeholders have to say. As noted earlier, some of that research is now being gathered online through blogs and social networks.



The Marketing Research Process

A simplified marketing research process consists of at least four key steps:

1. Defining the question (the problem or opportunity) and determining the present situation.
2. Collecting research data.
3. Analyzing the research data.
4. Choosing the best solution and implementing it.

The following sections look at each of these steps.

Defining the Question and Determining the Present Situation Marketing researchers need the freedom to discover what the present situation is, what the problems or opportunities are, what the alternatives are, what information they need, and how to go about gathering and analyzing data.

Collecting Data Usable information is vital to the marketing research process. Research can become quite expensive, however, so marketers must often make a trade-off between the need for information and the cost of obtaining it. Normally the least expensive method is to gather information already compiled by others and published in journals and books or made available online.

Such existing data are called **secondary data**, since you aren't the first one to gather them. Figure 13.4 on p. 362 lists the principal sources of secondary marketing research information. Despite its name, *secondary* data is what marketers should gather *first* to avoid incurring unnecessary expense. To find secondary data about vegetarians, go to the website for *Vegetarian Times* (www.vegetariantimes.com) or search other websites on vegetarianism.

Often, secondary data don't provide all the information managers need for important business decisions. To gather additional in-depth information, marketers must do their own research. The results of such *new studies* are called **primary data**. One way to gather primary data is to conduct a survey.

Telephone surveys, online surveys, mail surveys, and personal interviews are the most common forms of primary data collection. Focus groups (defined below) are another popular method of surveying individuals. What do you think would be the best way to survey students about your potential new restaurant? Would you do a different kind of survey after it had been open a few months? How could you help vegetarians find your restaurant? That is, how

Personal interviews are one way of collecting primary research data about customers' needs, wants, and buying habits. Perhaps someone has stopped you in a shopping mall recently to ask you some questions about a product or product category you use. What might contribute to the difficulty of collecting information through such interviews, and how can marketers improve the process?

secondary data

Information that has already been compiled by others and published in journals and books or made available online.

primary data

Data that you gather yourself (not from secondary sources such as books and magazines).

PRIMARY SOURCES	SECONDARY SOURCES		
Interviews	Government Publications		
Surveys	<i>Statistical Abstract of the United States</i>	<i>Census of Transportation</i>	
Observation	<i>Survey of Current Business</i>	<i>Annual Survey of Manufacturers</i>	
Focus groups	<i>Census of Retail Trade</i>		
Online surveys	Commercial Publications		
Questionnaires	ACNielsen Company studies on retailing and media		
Customer comments	Marketing Research Corporation of America studies on consumer purchases		
Letters from customers	Selling Areas—Marketing Inc. reports on food sales		
	Magazines		
	<i>Entrepreneur</i>	<i>Journal of Retailing</i>	<i>Journal of Advertising Research</i>
	<i>Bloomberg Businessweek</i>	<i>Journal of Consumer Research</i>	Trade magazines appropriate to your industry such as <i>Progressive Grocer</i>
	<i>Fortune</i>	<i>Journal of Advertising</i>	Reports from various chambers of commerce
	<i>Inc.</i>	<i>Journal of Marketing Research</i>	
	<i>Advertising Age</i>	<i>Marketing News</i>	
	<i>Forbes</i>	<i>Hispanic Business</i>	
	<i>Harvard Business Review</i>	<i>Black Enterprise</i>	
	<i>Journal of Marketing</i>		
	Newspapers		
	<i>The Wall Street Journal</i> , <i>Barron's</i> , your local newspapers		
	Internal Sources		
	Company records	Income statements	
	Balance sheets	Prior research reports	
	General Sources		
	Internet searches	Commercial databases	
	Google-type searches		

figure 13.4

SELECTED SOURCES OF PRIMARY AND SECONDARY INFORMATION

You should spend a day or two at the library becoming familiar with these sources. You can read about primary research in any marketing research text from the library.

focus group

A small group of people who meet under the direction of a discussion leader to communicate their opinions about an organization, its products, or other given issues.

could you help your buyers buy? One question researchers pay close attention to is: "Would you recommend this product to a friend?"

A **focus group** is a group of people who meet under the direction of a discussion leader to communicate their opinions about an organization, its products, or other given issues. This textbook is updated periodically using many focus groups made up of faculty and students. They tell us, the authors, what subjects and examples they like and dislike, and the authors follow their suggestions for changes.

Marketers can now gather both secondary and primary data online. The authors of this text, for example, do much research online, but they also gather data from books, articles, interviews, and other sources.

Analyzing the Research Data Marketers must turn the data they collect in the research process into useful information. Careful, honest interpretation of the data can help a company find useful alternatives to specific marketing challenges. For example, by doing primary research, Fresh Italy, a small Italian



The authors of this text enjoy the benefits of using focus groups. College faculty and students come to these meetings and tell us how to improve this book and its support material. We listen carefully and make as many changes as we can in response. Suggestions have included adding more descriptive captions to the photos in the book and making the text as user-friendly as possible. How are we doing so far?

pizzeria, found that its pizza's taste was rated superior to that of the larger pizza chains. However, the company's sales lagged behind the competition. Secondary research on the industry revealed that free delivery (which Fresh Italy did not offer) was more important to customers than taste. Fresh Italy now delivers—and has increased its market share.

Choosing the Best Solution and Implementing It After collecting and analyzing data, market researchers determine alternative strategies and make recommendations about which may be best and why. This final step in a research effort also includes following up on actions taken to see whether the results were what was expected. If not, the company can take corrective action and conduct new studies in its ongoing attempt to provide consumer satisfaction at the lowest cost. You can see, then, that marketing research is a *continuous process* of responding to changes in the marketplace and in consumer preferences.

LEARNING goal 4

Show how marketers use environmental scanning to learn about the changing marketing environment.

THE MARKETING ENVIRONMENT

Marketing managers must be aware of the surrounding environment when making marketing mix decisions. **Environmental scanning** is the process of identifying factors that can affect marketing success. As you can see in Figure 13.5 on p. 364, they include global, technological, sociocultural,

environmental scanning

The process of identifying the factors that can affect marketing success.

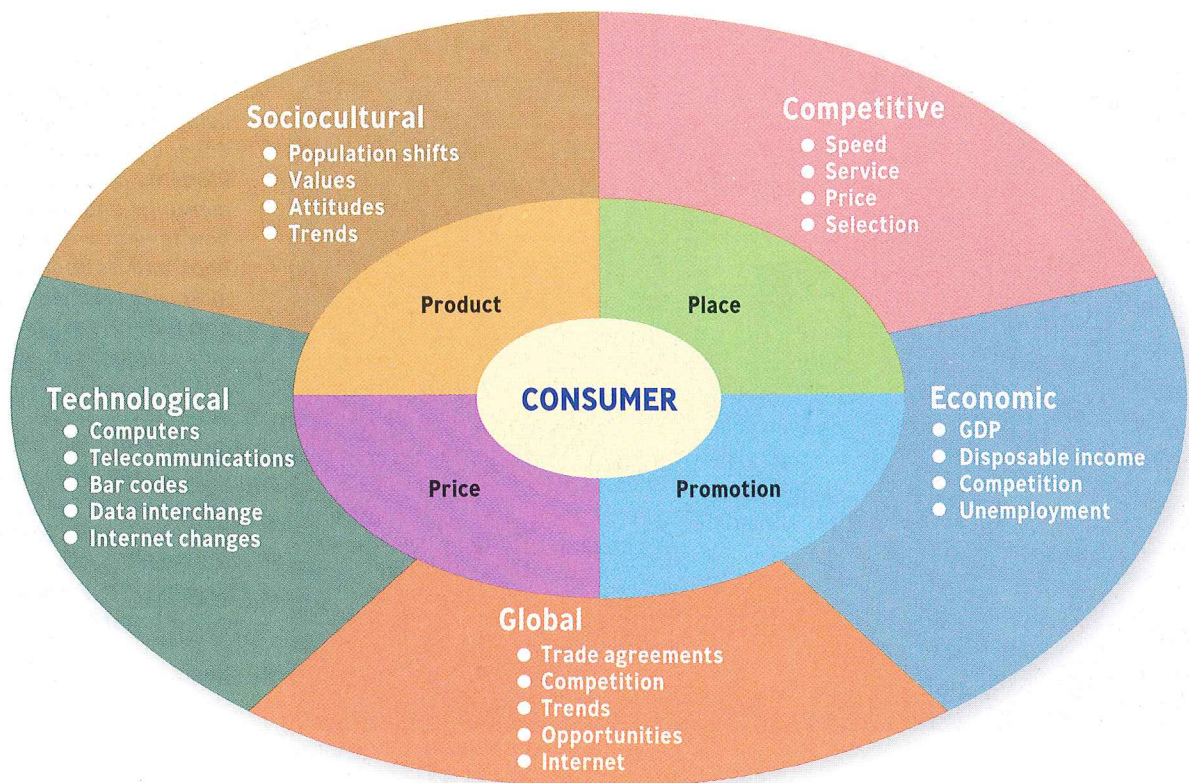


figure 13.5

THE MARKETING ENVIRONMENT

competitive, and economic influences. We discussed these factors in some detail in Chapter 1, but now let's review them from a strictly marketing perspective.

Global Factors

Using the Internet, businesses can reach many of the world's consumers relatively easily and carry on a dialogue with them about the goods and services they want. By 2018, half of all small businesses will be engaged in global trade.

The globalization process puts more pressure on those whose responsibility it is to deliver products. Many marketers outsource delivery to companies like FedEx, UPS, and DHL, which have a solid reputation for shipping goods quickly.²²

Technological Factors

The most important technological changes also relate to the Internet. Using consumer databases, blogs, social networking, and the like, companies can develop products and services that closely match consumers' needs. As you read in Chapter 9, firms can now produce customized goods and services for about the same price as mass-produced goods. Thus flexible manufacturing and mass customization are also major influences on marketers. You can imagine, for example, using databases to help you devise custom-made fruit mixes and various salads for your customers at Very Vegetarian.

Sociocultural Factors

Marketers must monitor social trends to maintain their close relationship with customers, since population growth and changing demographics can have an effect on sales. One of the fastest-growing segments of the U.S. population in

the 21st century is people over 65. The increase in the number of older adults creates growing demand for nursing homes, health care, prescription drugs, recreation, continuing education, and more.

Other shifts in the U.S. population are creating new challenges for marketers as they adjust their products to meet the tastes and preferences of Hispanic, Asian, and other growing ethnic groups.²³ To appeal to diverse groups, marketers must listen better and be more responsive to unique ethnic needs. What might you do to appeal to specific ethnic groups with Very Vegetarian?

Competitive Factors

Of course, marketers must pay attention to the dynamic competitive environment. Many brick-and-mortar companies must be aware of new competition from the Internet, including firms that sell automobiles, insurance, music, and clothes. In the book business, Barnes & Noble is still adjusting to the new reality of Amazon.com's huge selection of books at good prices. Borders Books went out of business.²⁴ What will the challenge from Kindle and other eReaders provide? Now that consumers can literally search the world for the best buys through the Internet, marketers must adjust their pricing, delivery, and services accordingly. Can you see any opportunities for Very Vegetarian to make use of the Internet and social media?

Economic Factors

Marketers must pay close attention to the economic environment. As we began the new millennium, the United States was experiencing unparalleled growth, and customers were eager to buy even the most expensive automobiles, watches, and vacations. But as the economy slowed, marketers had to adapt by offering products that were less expensive and more tailored to consumers with modest incomes.²⁵

The economic collapse beginning in 2008 really slowed sales and became global in scope. You can see why environmental scanning is critical to a company's success during rapidly changing economic times. What economic changes are occurring around your school that might affect a new restaurant? How have the economic crisis, the wars in Iraq, Afghanistan, and Libya, or natural disasters affected your area?

TWO DIFFERENT MARKETS: CONSUMER AND BUSINESS-TO-BUSINESS (B2B)

Marketers must know as much as possible about the market they wish to serve. As we defined it in Chapter 6, a *market* consists of people with unsatisfied wants and needs who have both the resources and the willingness to buy. There are two major markets in business: the *consumer market* and the *business-to-business market*. The **consumer market** consists of all the individuals or households that want goods and services for personal consumption or use and have the resources to buy them.

The **business-to-business (B2B) market** consists of all the individuals and organizations that want goods and services to use in producing other goods and services or to sell, rent, or supply goods to others. Oil-drilling bits, cash registers, display cases, office desks, public accounting audits, and business software are B2B goods and services. Traditionally, they have been known

consumer market

All the individuals or households that want goods and services for personal consumption or use.

business-to-business (B2B) market

All the individuals and organizations that want goods and services to use in producing other goods and services or to sell, rent, or supply goods to others.



The B2B market consists of individuals and organizations that sell goods and services to other businesses.

For example, manufacturer E.G.O. makes components for appliances and supplies them to virtually every stove, washing machine, and dishwasher manufacturer. How many ways can you think of in which B2B products differ from those you buy, like toothpaste and laundry detergent?

market segmentation

The process of dividing the total market into groups whose members have similar characteristics.

target marketing

Marketing directed toward those groups (market segments) an organization decides it can serve profitably.

as *industrial* goods and services because they are used in industry.

The important thing to remember is that the buyer's reason for buying—that is, the end use of the product—determines whether a product is a consumer product or a B2B product. A cup of yogurt that a student buys for breakfast is a consumer product. However, when Very Vegetarian purchases the same cup of yogurt to sell to its breakfast customers, it has purchased a B2B product. The following sections outline consumer and B2B markets.

progress assessment

- What are the four steps in the marketing research process?
- What is environmental scanning?
- What factors are included in environmental scanning?

LEARNING goal 5

Explain how marketers apply the tools of market segmentation, relationship marketing, and the study of consumer behavior.

THE CONSUMER MARKET

The total potential consumer market consists of the 7 billion or so people in global markets. Because consumer groups differ greatly by age, education level, income, and taste, a business usually can't fill the needs of every group. It must decide which groups to serve, and then develop products and services specially tailored to their needs.

Take the Campbell Soup Company, for example. You know Campbell for its traditional soups such as chicken noodle and tomato. You may also have noticed that Campbell has expanded its U.S. product line to appeal to a number of different tastes. Aware of population growth in the South and in Latino communities in cities across the nation, it introduced a Creole soup for the southern market and a red bean soup for the Latino market. In Texas and California, where people like their food with a bit of kick, Campbell makes its nacho cheese soup spicier than in other parts of the country. It's just one company that has had some success studying the consumer market, breaking it down into categories, and developing products for separate groups.

The process of dividing the total market into groups with similar characteristics is called **market segmentation**. Selecting which groups or segments an organization can serve profitably is **target marketing**. For example, a shoe store may choose to sell only women's shoes, only children's shoes, or only athletic shoes. The issue is finding the right *target market*—the most profitable segment—to serve.

figure 13.6

MARKET SEGMENTATION

This table shows some of the methods marketers use to divide the market. The aim of segmentation is to break the market into smaller units.

MAIN DIMENSION	SAMPLE VARIABLES	TYPICAL SEGMENTS
Geographic segmentation	Region	Northeast, Midwest, South, West
	City or county size	Under 5,000; 5,000–10,999; 20,000–49,000; 50,000 and up
	Density	Urban, suburban, rural
Demographic segmentation	Gender	Male, female
	Age	Under 5; 5–10; 11–18; 19–34; 35–49; 50–64; 65 and over
	Education	Some high school or less, high school graduate, some college, college graduate, postgraduate
	Race	Caucasian, African American, Indian, Asian, Hispanic
	Nationality	American, Asian, Eastern European, Japanese
	Life stage	Infant, preschool, child, teenager, collegiate, adult, senior
	Income	Under \$15,000; \$15,000–\$24,999; \$25,000–\$44,999; \$45,000–\$74,999; \$75,000 and over
	Household size	1; 2; 3–4; 5 or more
	Occupation	Professional, technical, clerical, sales supervisors, farmers, students, home-based business owners, retired, unemployed
Psychographic segmentation	Personality	Gregarious, compulsive, extroverted, aggressive, ambitious
	Values	Actualizers, fulfillers, achievers, experiencers, believers, strivers, makers, strugglers
	Lifestyle	Upscale, moderate
Benefit segmentation	Comfort	(Benefit segmentation divides an already established market into smaller, more homogeneous segments. Those people who desire economy in a car would be an example. The benefit desired varies by product.)
	Convenience	
	Durability	
	Economy	
	Health	
	Luxury	
	Safety	
	Status	
Volume segmentation	Usage	Heavy users, light users, nonusers
	Loyalty status	None, medium, strong

Segmenting the Consumer Market

A firm can segment the consumer market several ways (see Figure 13.6). Rather than selling your product throughout the United States, you might focus on just one or two regions where you can be most successful, say southern states such as Florida, Texas, and South Carolina. Dividing a market by cities, counties, states, or regions is **geographic segmentation**.

Alternatively, you could aim your product's promotions toward people ages 25 to 45 who have some college education and above-average incomes.

geographic segmentation

Dividing a market by cities, counties, states, or regions.

demographic segmentation

Dividing the market by age, income, and education level.

psychographic segmentation

Dividing the market using groups' values, attitudes, and interests.

benefit segmentation

Dividing the market by determining which benefits of the product to talk about.

volume (or usage) segmentation

Dividing the market by usage (volume of use).

niche marketing

The process of finding small but profitable market segments and designing or finding products for them.

The Internet has dramatically increased the ways in which companies can reach out to customers and conduct relationship marketing. For example, it can assist marketers in customizing products like photo books and calendars shown here. What appeals to you about these firms?

Automobiles such as Lexus are often targeted to this audience. Age, income, and education level are criteria for **demographic segmentation**. So are religion, race, and occupation. Demographics are the most widely used segmentation variable, but not necessarily the best.

You may want your ads to portray a target group's lifestyle. To do that, you would study the group's values, attitudes, and interests in a strategy called **psychographic segmentation**. If you decide to target Generation Y, you would do an in-depth study of members' values and interests, like which TV shows they watch and which personalities they like best. With that information you would develop advertisements for those TV shows using those stars.

In marketing for Very Vegetarian, what benefits of vegetarianism might you talk about? Should you emphasize freshness, heart-healthiness, taste, or something else? Determining which product benefits your target market prefers and using those benefits to promote a product is **benefit segmentation**.

You can also determine who are the big eaters of vegetarian food. Does your restaurant seem to attract more men or more women? More students or more faculty members? Are your repeat customers from the local community or are they commuters? Separating the market by volume of product use is called **volume (or usage) segmentation**. Once you know who your customer base is, you can design your promotions to better appeal to that specific group or groups.

The best segmentation strategy is to use all the variables to come up with a consumer profile that represents a sizable, reachable, and profitable target market. That may mean not segmenting the market at all and instead going after the total market (everyone). Or it may mean going after ever-smaller segments. We'll discuss that strategy next.

Reaching Smaller Market Segments

Niche marketing is identifying small but profitable market segments and designing or finding products for them. Because it so easily offers an unlimited choice of goods, the Internet is transforming a consumer culture once based on big hits and best-sellers into one that supports more specialized niche products.²⁶ Just how small such a segment can be is illustrated by FridgeDoor.com. This company sells refrigerator magnets on the Internet. It keeps some 1,500 different magnets in stock and sells as many as 400 a week.

One-to-one marketing means developing a unique mix of goods and services for *each individual customer*. Travel agencies often develop such packages, including airline reservations, hotel reservations, rental cars, restaurants, and

admission to museums and other attractions for individual customers. This is relatively easy to do in B2B markets where each customer may buy in huge volume. But one-to-one marketing is now becoming possible in consumer markets as well. Dell produces a unique computer system for each customer. Can you envision designing special Very Vegetarian menu items for individual customers?

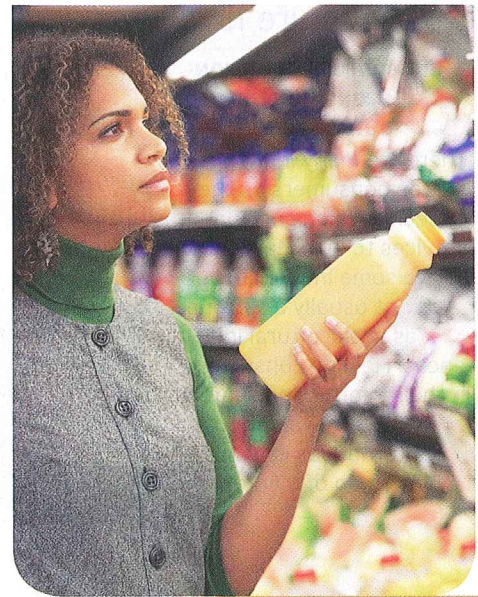
Moving toward Relationship Marketing

In the world of mass production following the Industrial Revolution, marketers responded by practicing mass marketing. **Mass marketing** means developing products and promotions to please large groups of people. That is, there is little

market segmentation. The mass marketer tries to sell the same products to as many people as possible. That means using mass media, such as TV, radio, and newspapers to reach them. Although mass marketing led many firms to success, marketing managers often got so caught up with their products and competition that they became less responsive to the market. Airlines, for example, are so intent on meeting competition that they often annoy their customers.

Relationship marketing tends to lead away from mass production and toward custom-made goods and services. The goal is to keep individual customers over time by offering them new products that exactly meet their requirements. The latest in technology enables sellers to work with individual buyers to determine their wants and needs and to develop goods and services specifically designed for them, like hand-tailored shirts and unique vacations.

Understanding consumers is so important to marketing that a whole area of marketing emerged called consumer behavior. We explore that area next.



The Consumer Decision-Making Process

Figure 13.7 on p. 370 shows the consumer decision-making process and some outside factors that influence it. The five steps in the process are often studied in courses on consumer behavior.

The first step is *problem recognition*, which may occur when your washing machine breaks down and you realize you need a new one. This leads to an *information search*—you look for ads and brochures about washing machines. You may consult a secondary data source like *Consumer Reports* or other information, perhaps online. And you'll likely seek advice from other people who have purchased washing machines.

After compiling all this information, you *evaluate alternatives* and make a *purchase decision*. But your buying process doesn't end here. After the purchase, you may ask the people you spoke to previously how their machines perform and then do other comparisons to your new washer.

Marketing researchers investigate these consumer thought processes and behavior at each stage in a purchase to determine the best way to help the buyer buy. This area of study is called *consumer behavior*.

Consumer behavior researchers also study the influences that affect consumer behavior. Figure 13.7 shows several: marketing mix variables (the four Ps); psychological influences, such as perception and attitudes; situational influences, such as the type of purchase and the physical surroundings; and sociocultural influences, such as reference groups and culture. Other important factors include these:

- **Learning** creates changes in an individual's behavior resulting from previous experiences and information. If you've tried a particular brand of shampoo and don't like it, you've learned not to buy it again.
- **Reference group** is the group an individual uses as a reference point in forming beliefs, attitudes, values, or behavior. A college student who carries a briefcase instead of a backpack may see businesspeople as his or her reference group.
- **Culture** is the set of values, attitudes, and ways of doing things transmitted from one generation to another in a given society. The U.S. culture emphasizes and transmits the values of education, freedom, and diversity.

Consumer behavior researchers investigate people's buying decisions and the factors that influence their choices. Social, psychological, and marketing-mix factors are important when we decide what to buy. So are the store environment and our previous buying experiences. What influences the choices you make in your local supermarket?

one-to-one marketing

Developing a unique mix of goods and services for each individual customer.

mass marketing

Developing products and promotions to please large groups of people.

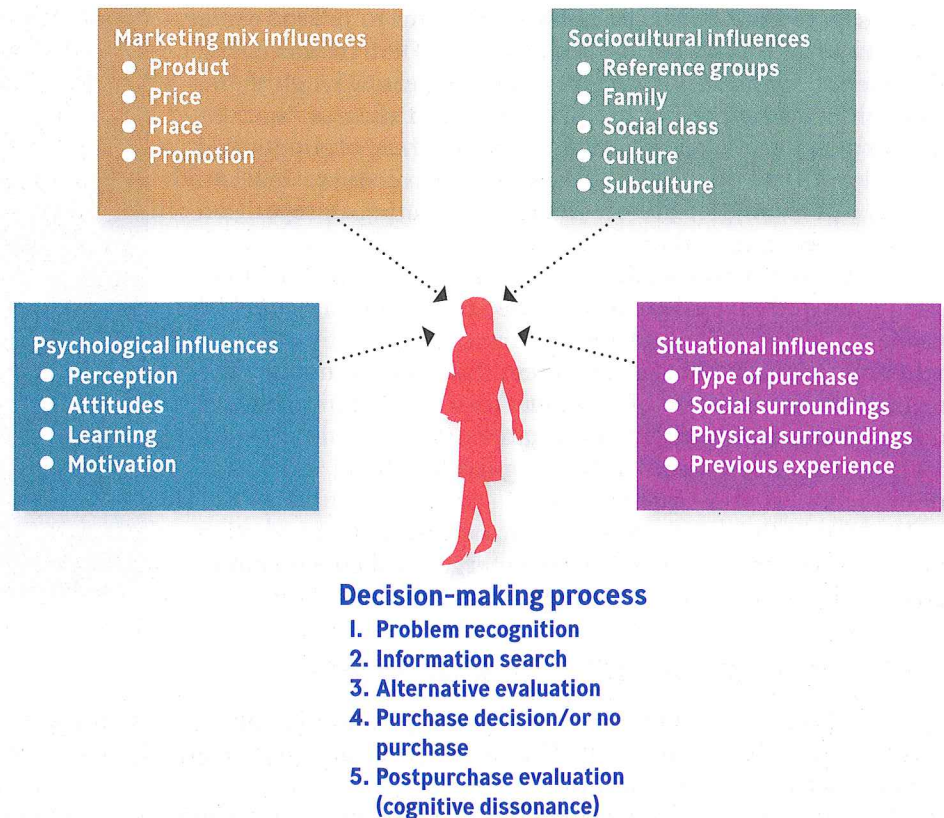
relationship marketing

Marketing strategy with the goal of keeping individual customers over time by offering them products that exactly meet their requirements.

figure 13.7

THE CONSUMER DECISION-MAKING PROCESS AND OUTSIDE INFLUENCES

There are many influences on consumers as they decide which goods and services to buy. Marketers have some influence, but it's not usually as strong as sociocultural influences. Helping consumers in their information search and their evaluation of alternatives is a major function of marketing.



- *Subculture* is the set of values, attitudes, and ways of doing things that results from belonging to a certain ethnic group, racial group, or other group with which one closely identifies (e.g., teenagers).
- *Cognitive dissonance* is a type of psychological conflict that can occur after a purchase. Consumers who make a major purchase may have doubts about whether they got the best product at the best price. Marketers must reassure such consumers after the sale that they made a good decision. An auto dealer, for example, may send positive press articles about the particular car a consumer purchased, offer product guarantees, and provide certain free services.

Many universities have expanded the marketing curriculum to include courses in business-to-business marketing. As you'll learn below, that market is huge.

LEARNING goal 6

Compare the business-to-business market and the consumer market.

THE BUSINESS-TO-BUSINESS MARKET

Business-to-business (B2B) marketers include manufacturers; intermediaries such as retailers; institutions like hospitals, schools, and charities; and the government. The B2B market is larger than the consumer market because

items are often sold and resold several times in the B2B process before they reach the final consumer. B2B marketing strategies also differ from consumer marketing because business buyers have their own decision-making process. Several factors make B2B marketing different, including these:

1. Customers in the B2B market are relatively few; there are just a few construction firms or mining operations compared to the 70 million or so households in the U.S. consumer market.
2. Business customers are relatively large; that is, big organizations account for most of the employment and production of various goods and services. Nonetheless, there are many small- to medium-sized firms in the United States that together make an attractive market.
3. B2B markets tend to be geographically concentrated. For example, oilfields are found in the Southwest and Alaska. Thus B2B marketers can concentrate their efforts on a particular area and minimize distribution problems by locating warehouses near industrial centers.
4. Business buyers are generally more rational and less emotional than ultimate consumers; they use product specifications to guide buying choices and often more carefully weigh the total product offer, including quality, price, and service.
5. B2B sales tend to be direct, but not always. Tire manufacturers sell directly to auto manufacturers but use intermediaries, such as wholesalers and retailers, to sell to ultimate consumers.
6. Whereas consumer promotions are based more on *advertising*, B2B sales are based on *personal selling*. There are fewer customers and they usually demand more personal service.

Figure 13.8 shows some of the differences between buying behavior in the B2B and consumer markets. B2B buyers also use the Internet to make purchases. You'll learn more about the business-to-business market in advanced marketing courses.

figure 13.8

COMPARING BUSINESS-
TO-BUSINESS AND CONSUMER
BUYING BEHAVIOR

	BUSINESS-TO-BUSINESS MARKET	CONSUMER MARKET
Market Structure	Relatively few potential customers Larger purchases Geographically concentrated	Many potential customers Smaller purchases Geographically dispersed
Products	Require technical, complex products Frequently require customization Frequently require technical advice, delivery, and after-sale service	Require less technical products Sometimes require customization Sometimes require technical advice, delivery, and after-sale service
Buying Procedures	Buyers are trained Negotiate details of most purchases Follow objective standards Formal process involving specific employees Closer relationships between marketers and buyers Often buy from multiple sources	No special training Accept standard terms for most purchases Use personal judgment Informal process involving household members Impersonal relationships between marketers and consumers Rarely buy from multiple sources

YOUR PROSPECTS IN MARKETING

There is a wider variety of careers in marketing than in most business disciplines. If you major in marketing, an array of career options will be available to you. You could become a manager in a retail store like Saks or Target. You could do marketing research or work in product management. You could go into selling, advertising, sales promotion, or public relations. You could work in transportation, storage, or international distribution. You could design interactive websites to implement CRM. These are just a few of the possibilities. Think, for example, of the many ways to use Facebook, Google, and other new technologies in marketing. As you read through the following marketing chapters, consider whether a marketing career would interest you.

progress assessment

- Can you define the terms *consumer market* and *business-to-business market*?
- Can you name and describe five ways to segment the consumer market?
- What is niche marketing, and how does it differ from one-to-one marketing?
- What are four key factors that make B2B markets different from consumer markets?

summary

Learning Goal 1. Define *marketing*, and apply the marketing concept to both for-profit and nonprofit organizations.

- **What is marketing?**

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.

- **How has marketing changed over time?**

During the *production era*, marketing was largely a distribution function. Emphasis was on producing as many goods as possible and getting them to markets. By the early 1920s, during the *selling era*, the emphasis turned to selling and advertising to persuade customers to buy the existing goods produced by mass production. After World War II, the tremendous demand for goods and services led to the *marketing concept era*, when businesses recognized the need to be responsive to customers' needs. During the 1990s, marketing entered the *customer relationship era*, focusing on enhancing customer satisfaction and stimulating long-term customer loyalty. The newest in customer relationship building involves social networks, online communities, and blogs.

- **What are the three parts of the marketing concept?**

The three parts of the marketing concept are (1) a customer orientation, (2) a service orientation, and (3) a profit orientation (that is, marketing goods and services that will earn a profit and enable the firm to survive and expand).

- **What kinds of organizations are involved in marketing?**

All kinds of organizations use marketing, including for-profit and nonprofit organizations like states, charities, churches, politicians, and schools.

Learning Goal 2. Describe the four Ps of marketing.

- **How do marketers implement the four Ps?**

The idea behind the four Ps is to design a *product* people want, *price* it competitively, *place* it where consumers can find it easily, and *promote* it so consumers know it exists.

Learning Goal 3. Summarize the marketing research process.

- **What are the steps in conducting marketing research?**

- (1) Define the problem or opportunity and determine the present situation,
- (2) collect data, (3) analyze the data, and (4) choose the best solution.

Learning Goal 4. Show how marketers use environmental scanning to learn about the changing marketing environment.

- **What is environmental scanning?**

Environmental scanning is the process of identifying factors that can affect marketing success. Marketers pay attention to all the environmental factors that create opportunities and threats.

- **What are some of the more important environmental trends in marketing?**

The most important global and technological change is probably the growth of the Internet. Another is the growth of consumer databases, with which companies can develop products and services that closely match consumers' needs. Marketers must monitor social trends like population growth and shifts to maintain their close relationship with customers. They must also monitor the dynamic competitive and economic environments.

Learning Goal 5. Explain how marketers apply the tools of market segmentation, relationship marketing, and the study of consumer behavior.

- **What are some of the ways marketers segment the consumer market?**

Geographic segmentation means dividing the market into different regions. Segmentation by age, income, and education level is *demographic segmentation*. We study a group's values, attitudes, and interests using *psychographic segmentation*. Determining which benefits customers prefer and using them to promote a product is *benefit segmentation*. Separating the market by usage is called *volume segmentation*. The best segmentation strategy is to use all the variables to come up with a consumer profile for a target market that's sizable, reachable, and profitable.

- **What is the difference between mass marketing and relationship marketing?**

Mass marketing means developing products and promotions to please large groups of people. Relationship marketing tends to lead away from mass production and toward custom-made goods and services. Its goal is to keep individual customers over time by offering them products or services that meet their needs.

- **What are some of the factors that influence the consumer decision-making process?**

See Figure 13.7 on p. 370 for some of the major influences on consumer decision-making. Other factors are learning, reference group, culture, subculture, and cognitive dissonance.

Learning Goal 6. Compare the business-to-business market and the consumer market.

- **What makes the business-to-business market different from the consumer market?**

Customers in the B2B market are relatively few and large. B2B markets tend to be geographically concentrated, and industrial buyers generally are more rational than ultimate consumers in their selection of goods and services. B2B sales tend to be direct, and there is much more emphasis on personal selling than in consumer markets.

key terms

benefit segmentation 368	focus group 362	primary data 361
brand name 358	geographic segmentation 367	product 358
business-to-business (B2B) market 365	marketing 352	promotion 359
consumer market 365	marketing concept 355	psychographic segmentation 368
customer relationship management (CRM) 355	marketing mix 357	relationship marketing 369
demographic segmentation 368	marketing research 360	secondary data 361
environmental scanning 363	market segmentation 366	target marketing 366
	mass marketing 369	test marketing 358
	niche marketing 368	volume (or usage) segmentation 368
	one-to-one marketing 369	

critical thinking

1. When businesses buy goods and services from other businesses, they usually buy in large volume. Salespeople in the business-to-business area usually are paid on a commission basis; that is, they earn a certain percentage of each sale they make. Why might B2B sales be a more financially rewarding career area than consumer sales?
2. Industrial companies sell goods such as steel, lumber, computers, engines, parts, and supplies. Name three such companies in your region.
3. What environmental changes are occurring in your community? What has been the impact of the recent economic crisis? What environmental changes in marketing are most likely to change your career prospects in the future? How can you learn more about those changes? What might you do to prepare for them?
4. Which of your needs are not being met by businesses and/or nonprofit organizations in your area? Are there enough people with similar needs to attract an organization that would meet those needs? How would you find out?

developing workplace skills

1. Think of an effective marketing mix for a new electric car or a brushless car wash for your neighborhood. Be prepared to discuss your ideas in class.
2. Working in teams of five (or on your own), think of a product or service your friends want but cannot get on or near campus. You might ask your friends at other schools what's available there. What kind of product would fill that need? Discuss your results in class and how you might go about marketing that new product or service.
3. Business has fallen off greatly at your upscale restaurant because of the economic crisis. List four things you can do to win back the loyalty of your past customers.

4. Working in teams of four or five (or on your own), list as many brand names of pizza as you can, including from pizza shops, restaurants, supermarkets, and so on. Merge your list with the lists from other groups or classmates. Then try to identify the target market for each brand. Do they all seem to be after the same market, or are there different brands for different markets? What are the separate appeals?
5. Take a little time to review the concepts in this chapter as they apply to Very Vegetarian, the restaurant we used as an example throughout. Have an open discussion in class about (a) a different name for the restaurant, (b) a location for the restaurant, (c) a promotional program, and (d) a way to establish a long-term relationship with customers.

taking it to the net

Purpose

To demonstrate how the Internet can be used to enhance marketing relationships.

Exercise

Nike wants to help its customers add soul to their soles and express their individuality by customizing their own shoes. See for yourself at www.nike.com. Enter "customize" in the search box and build a shoe that fits your style.

1. What if you're in the middle of your shoe design and have questions about what to do next? Where can you go for help?
2. How does Nike's website help the company strengthen its relationships with its stakeholders? Give examples to support your answer.
3. How do the elements of the website reflect Nike's target market?
4. Does Nike invite comments from visitors to its website? If so, how does this affect its attempt to build positive relationships with its customers?

casing the web

To access the case "Measuring Marketing Effectiveness," visit www.mhhe.com/ubl0e

video case

To access the video case featuring Energizer, visit www.mhhe.com/ubl0e