

Marketing in Today's World

Chapter Objectives

After completing this chapter, you will be able to:

▶ Section 13.1 *Marketing Essentials*

- **Define** marketing.
- **Identify** the functions of marketing.
- **List** the elements of the marketing mix.

▶ Section 13.2 *Market Research and Product Development*

- **Describe** the kinds of market research a company may use.
- **Identify** the steps in developing a new product.

Ask

STANDARD **Industry Surveys** & POOR'S

Q: Lately, I've been buying all of my clothes at a couple of online outlet Web sites. I think they're great, and I'll bet that companies like these are poised for big growth. Is there a way for me to find out more about this type of business so I can consider investing?

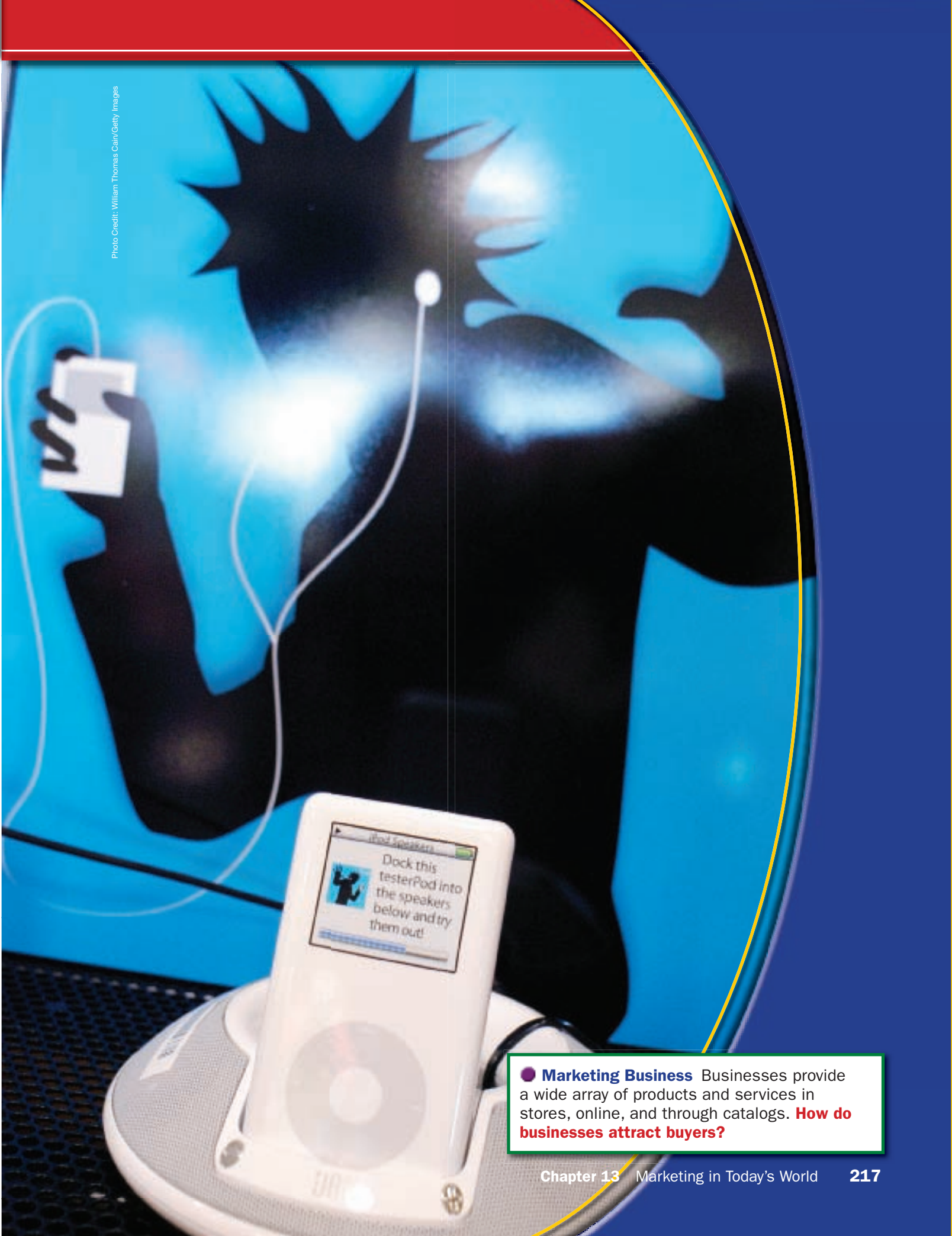
A: Your local library is a good place to start. Most libraries carry *The Value Line Investment Survey*, a weekly publication providing data on 1,700 stocks. Standard & Poor's also publishes *The Outlook*, a weekly investment advisory newsletter; *Stock Guide*, with key data on more than 11,000 securities; *Industry Surveys*, which provides in-depth analyses of 53 different industries; and *Stock Reports*, which covers about 2,000 companies.

Mathematics Which type of graph would be best to show the fluctuation in the price of a stock over time? Why? Describe a graphing technique that you could use to predict the short-term movement in the price of a stock.

CONCEPT

Graphs Different types of graphs include bar graphs, line graphs, circle graphs, scatter plots, and stem-and-leaf plots. They are used for different purposes. For example, circle graphs show how the parts of a whole relate in size to each other and to the whole.

Photo Credit: William Thomas Cain/Getty Images



● **Marketing Business** Businesses provide a wide array of products and services in stores, online, and through catalogs. **How do businesses attract buyers?**

Marketing Essentials

Reading Guide

Before You Read



Think about the role marketing plays in your life and how it affects your buying decisions.

Read to Learn

- Define marketing.
- Identify the functions of marketing.
- List the elements of the marketing mix.

The Main Idea

To sell their products or services, businesses engage in marketing activities. They find and analyze potential customers and then try to meet their wants and needs.

Key Concepts

- The Basics of Marketing
- The Functions of Marketing
- The Marketing Mix

Vocabulary

Key Terms

market
 marketing
 relationship marketing
 marketing mix
 channel of distribution
 direct distribution
 indirect distribution
 break-even point

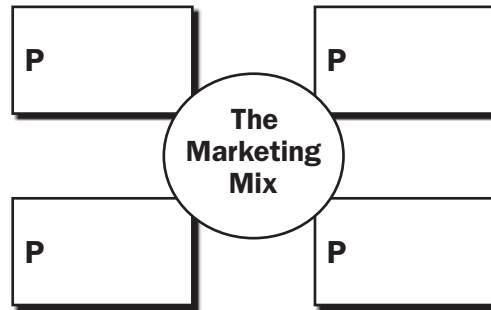
Academic Vocabulary

You will find these words in your reading and on your tests. Make sure you know their meanings.

genders
 physical
 located
 aware

Graphic Organizer

As you read, write the four parts of the marketing mix in a graphic like the one below.



Go to the *Introduction to Business* Online Learning Center through glencoe.com for a printable graphic organizer.

Academic Standards

English Language Arts

NCTE 1 Read texts to acquire new information

NCTE 9 Develop an understanding of diversity in language use across cultures

Mathematics

Algebra Represent and analyze mathematical situations and structures using algebraic symbols

The Basics of Marketing

Marketing a CD requires a different strategy than marketing diamond earrings. Each item appeals to people of different ages, **genders**, and income ranges. Every holiday season more gadgets, toys, and clothes hit stores. The companies that make these and other items do research before developing and selling them. To market a product successfully, a company has to understand what people want to buy and why they want to buy it.

It all comes down to knowing your market. From a marketing viewpoint, a **market** is a group of customers who share common wants and needs. These people have the ability to purchase the product or service. In the global marketplace, many countries can make up a market for a product. **Marketing** is the process of creating, promoting, and presenting a product or service to meet the wants and needs of consumers, wherever they are.

Marketing involves a number of stages, from studying what people want to buy to designing a product's packaging. For example, you might be part of the \$11 billion market for recorded music and music video purchases. Businesses want you to buy their products, so they perform detailed research to find and analyze potential customers in their market. Knowing what groups of people want and need helps companies decide how and what to sell.

The Functions of Marketing

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

1. *Distribution* is the process of getting goods and services to customers. The process includes purchasing, stock handling, inventory control, and **physical** distribution. Goods are usually transported by trucks, trains, airplanes, and ships. Distribution also involves the systems that track products so they can be **located** at any time.
2. *Financing* is getting the money that is necessary for setting up and running a business. Finance also includes protecting investments through risk management.
3. *Marketing information management* is gathering and analyzing information about consumers, trends, and competitors' products. Making informed decisions requires good research and development.

As You Read

Think about the "hot" new product that appealed to you this year. Was there a marketing strategy that influenced your decision to want the product?

ETHICS in Business

Marketing Questions

- **Critical Reading** Life is full of important decisions. Think about the kinds of decisions that you make as you read the question below.

Imagine that you have just gotten a job working for a toy company as a marketing director specializing in action figures for boys ages 7 to 12. In planning a special promotion, a team member under your direction suggests a contest. Children would fill out a questionnaire about their preferences and have a chance to win a chest full of toys and games. You can then use the information compiled from the questionnaires to design an action figure children will want.

- **Decision Making** To prepare for your new assignment, you do some research into ethical marketing to children and understand that you have a special responsibility in communicating with children. What are some guidelines you would use in designing a promotional contest for children? Explain your answer.

4. *Pricing* is deciding how much to charge for a product or service so the business can make a profit.
5. *Product/service management* is obtaining, developing, maintaining, and improving a product or product mix in response to market opportunities.
6. *Promotion* is any effort to inform, persuade, or remind potential customers about a business's products or services.
7. *Selling* is providing customers with the goods and services they choose to buy. A popular trend today is using relationship marketing. Companies use **relationship marketing** to build and maintain relationships with their customers.



Identify What are the seven functions of marketing?

BusinessWeek Reader and Case Study

The Art of Chinese Relationships

Westerners entering the market had best learn the basics of *guanxi* if they want their ventures to thrive

As a Scottish citizen, Rod MacGregor, who founded the U.S.-based NanoMuscle® in 1998 with venture capital from Germany, Switzerland, Italy, and France, knows a thing or two about international business. But when he started moving production and R&D of the company's miniature motors to China, MacGregor quickly realized that while it's nearly impossible to make a fatal mistake in other Western countries, doing business in China is an entirely different story.

Here's an example: Once when MacGregor went to visit a powerful factory owner in the south of China, an American business associate he was traveling with handed over his business card with a nonchalant, one-handed grasp rather than the more respectful and deliberate two-handed technique typically used in China. The factory owner accepted the card but didn't offer one of his own. Later, his people called MacGregor and told him to never bring that man back again.

The key to avoiding such deal-killers is understanding the etiquette of business in China.

How to present your card is important. But even more crucial is understanding the web of relationships that defines business in China. That's why, after recently launching China Corp., a company that specializes in helping Western companies enter the Chinese market, one of MacGregor's first moves was to compile a guidebook to doing business in China that devotes plenty of attention to *guanxi* (pronounced GUAN-SHEE), or the art of relationship development.



CASE STUDY Go to the *Introduction to Business* Online Learning Center through glencoe.com for the *BusinessWeek* Reader Case Study.

Active Learning

Greeting customs vary from one culture to the next. The two-handed handshake is typically used in China. Research greetings customs from three different countries and practice them with a friend. Demonstrate one in class.

The Marketing Mix

The **marketing mix** consists of four basic marketing strategies: product, place, price, and promotion, collectively known as the *four Ps*. In recent years, many people have begun to include a fifth P for people because the success of a marketing mix depends on people: good employees and customers.

Product

First, marketing is used to find out if there is a demand for a product. Then marketing predicts how to make the product appeal to consumers. Packaging is a major part of marketing. It includes the design, color, size, and brand name of a product.

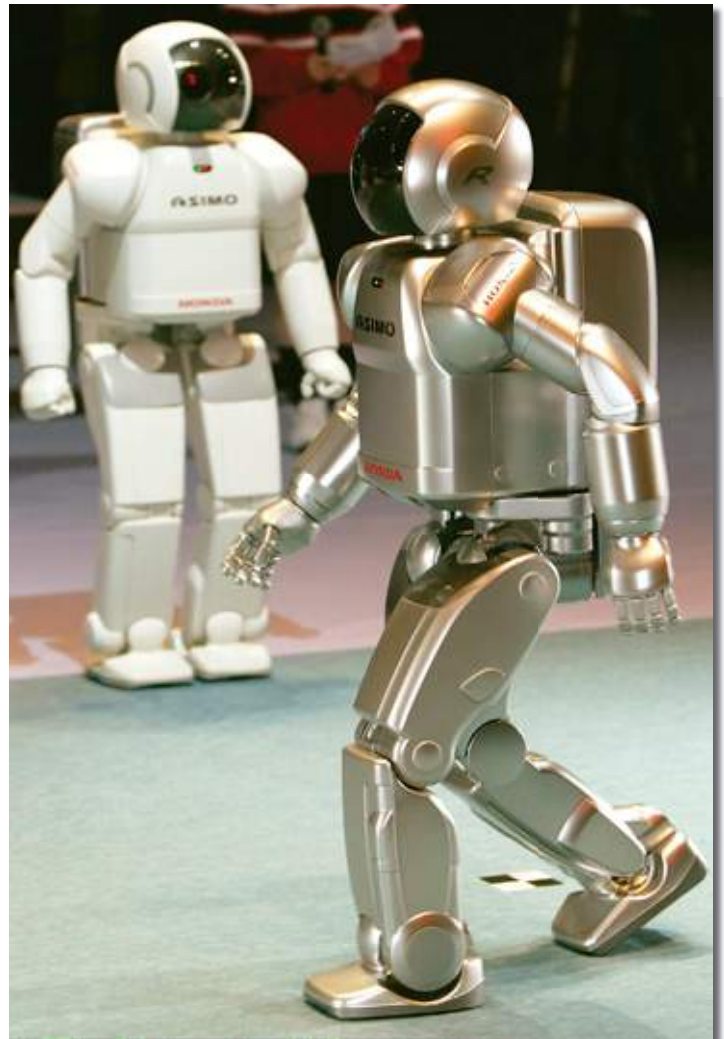
Place

Marketers have to decide how and where customers will buy their goods and services. For example, a company is more likely to sell snowshoes in Maine than in Texas because of the snowy weather in Maine. Then marketers have to consider in *what kind of location* to sell their product. Does the product need to be in a large department store or a boutique?

To make place decisions, marketers select the right channel of distribution. A **channel of distribution** is a pathway to direct products to consumers. **Direct distribution** occurs when goods or services are sold from the producer directly to the customer. **Indirect distribution** involves one or more intermediaries. Distribution decisions affect the price of products. The cost of distributing a product has to be added to its price.

● As You Read

Imagine that you have designed a new line of sunglasses for teens. Think about a particular location you would choose to sell your sunglasses.



● Product Strategies

Businesses make product strategy decisions when developing new products for their markets. **Do you think this product will appeal to consumers? Why?**

Celebrity

Endorsements Many big companies hire celebrities to endorse what they sell. A *celebrity endorsement* is public support from a well-known person for a product or service. Companies put celebrities in their TV commercials and print ads. *List some of the products and services that you have seen celebrities endorse. Then write reasons why you think the ads helped or hurt sales.*

Channel Members It takes an intermediary to move a product from the manufacturer to the final user. As discussed in Chapter 6, intermediaries can include distributors, wholesalers, or retailers. Even the Internet can be considered an intermediary. It allows people and businesses to interact with each other.

Price

To determine the price of a product, a marketer considers three questions: (1) How much are customers willing to pay? (2) Is the price competitive with other products? and (3) Can the company make a profit? Marketers must find the break-even point. The **break-even point** is the point at which total revenues, or sales, equal total costs and expenses of developing and offering a product or service.

Promotion

Promotion involves making customers **aware** of a product. The most familiar form of promotion is advertising, which will be covered in Chapter 14. Automakers spend billions of dollars each year on ads. There are, however, many other ways companies can promote a product. One way is to offer discounts in the form of coupons, rebates, and sales. They can also give away items.

Section 13.1**After You Read****Review Key Concepts**

1. Define marketing.
2. What are the seven functions of marketing?
3. What four elements are in the marketing mix? What is sometimes considered a fifth element?

Academic Skills

4. **Mathematics** You are manager of the sweatshirt department at Trends, a clothing manufacturer. Trends plans to produce 25,000 sweatshirts. The sweatshirts will be sold to stores for \$16 each. The cost of manufacturing and marketing each sweatshirt is \$10. How many sweatshirts need to be sold for the company to break even? Write an equation using x for the unknown that could be used to solve this problem.

CONCEPT

Writing Equations The unknown quantity in this problem is the number of sweatshirts that, when sold at \$16 apiece, equals the manufacturing cost of all the sweatshirts.



For math help, go to the Math Appendix.



Go to the *Introduction to Business* Online Learning Center through glencoe.com to check your answers.

Market Research and Product Development

Reading Guide

Before You Read

Think about how businesses decide when to market new products and when to discontinue old products.

Read to Learn

- Describe the kinds of market research a company may use.
- Identify the steps in developing a new product.

The Main Idea

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

Key Concepts

- Market Research
- The Seven Steps of Product Development

Vocabulary

Key Terms

market research
marketing concept
demographics
target marketing
market segmentation
test-market

Academic Vocabulary

You will find these words in your reading and on your tests. Make sure you know their meanings.

surveys
potential

strategy
crucial

Graphic Organizer

In a graphic organizer like the one below, list the seven steps of product development as you read.

1.
2.
3.
4.
5.
6.
7.



Go to the *Introduction to Business* Online Learning Center through glencoe.com for a printable graphic organizer.

Academic Standards

English Language Arts

NCTE 1 Read texts to acquire new information

NCTE 4 Use written language to communicate effectively

NCTE 6 Apply knowledge of language structure and conventions to discuss texts

NCTE 7 Conduct research and gather, evaluate, and synthesize data to communicate discoveries

Science

Content Standard B Students should develop an understanding of structure and properties of matter, chemical reactions, interactions of energy and matter

Market Research

Market research helps businesses make decisions. **Market research** is the gathering and analysis of information on the size, location, and makeup of a market.

Market researchers ask shoppers to answer questions or give an opinion about new foods, or watch a new commercial. This helps businesses discover consumers' wants and needs. Market research helps companies to produce and market products and services that attract customers. This is known as the marketing concept. The **marketing concept** involves determining the wants and needs of customers and providing them more efficiently and effectively than competitors.

 **Reading Check** Identify What is market research?

Information About Consumers

Before a product is put on the market, marketers gather information about the people who make up the market. They analyze and label their markets by demographics. **Demographics** are facts about the population. These facts include age, gender, location, and income. This information comes from **surveys**, sales figures for current products, databases, and the census.

Science/TechTRENDS

Flat-Screen TVs

Liquid crystal displays (LCDs) are used in all kinds of devices used every day—from laptop computers to cell phones to microwave ovens. LCDs have helped manufacturers transform the bulky, boxy TV into a slim screen that can hang on a wall. LCDs offer an environmental advantage over the cathode ray TV tube they replace because they draw much less power and are therefore more energy-efficient. LCDs also have some advantages over Plasma technology when it comes to TV screens. Just what are liquid crystals? The term “liquid crystal” sounds like a contradiction. We think of a crystal as a solid material such as quartz, usually as hard as rock, and a liquid is obviously different. How could any material combine qualities of the two?

Web Quest

Go to the *Introduction to Business* Online Learning Center through glencoe.com for links to Web sites where you can find out more about LCDs and how they work. List the products in which they are used. Make a chart to compare the advantages and disadvantages of LCDs versus plasma displays in flat-screen TVs. Write a report about how flat-screen TVs with LCDs are being marketed. What do advertisers say about these new products?

After studying a market, firms can aim their product or service at a group of **potential** customers. **Target marketing** helps companies focus on the people most likely to buy their goods or services. Once marketers know the demographics of a market, companies can make products to fit that group. **Market segmentation** is the division of a market for a product into groups of customers who have the same needs and traits. **Figure 13.1** shows different ways businesses can reach customers.

As You Read

Think about the target markets to which a marketer might seek to sell a new computer football game.

The Seven Steps of Product Development

New products energize the marketplace. Companies take seven steps in developing a new product. You could use these to develop a car, dish soap, a book, or even clothing.

Step 1: Generate Ideas

It usually takes more than one person to come up with new ideas. Workers often get together to think of new products. This is called *brainstorming*. People from a company's development department, the market research staff, and even outside market researchers may be involved. Collaboration is key in this step.

Step 2: Screen Ideas

Once the team puts together a list of ideas for a product, the team must evaluate each idea. How do these ideas fit the company's mission and **strategy**? Does the new product compete with one of the company's existing products? Consumers can identify what they liked or disliked about the concept. Their responses are **crucial** as to whether the company continues with a proposed product.

Figure 13.1 — Conducting Market Research



Market Research

There are many ways to reach present and potential customers. **Why do businesses contact customers directly?**



● **Concept Cars** Car makers develop concept cars, or prototypes, to introduce new cars to the buying public. **In the seven steps of product development, which step does this photograph illustrate?**

As You Read

Think about why it is important to develop a business plan before you develop a product.

Step 3: Develop a Business Plan

Once the creative ideas pass the screening process, one or two of the ideas are developed into a business plan. The written proposal provides a look at the market. This includes estimated sales, costs, profit potential, market trends, and competing products.

Step 4: Develop the Product

If the company's decision makers are in favor of the product, a *prototype* will be made. A prototype is a model of the actual product. It is used to see what the new product will look like. It also tests how it can be made. If any aspects of the prototype need to be changed, now is the time to make changes. A company might experience delays in finalizing the product as it is tested.

Step 5: Test-Market the Product

Once the product is fully developed, it should be test-marketed. To **test-market** a product means to offer it in a limited market for a limited time. The goal is to collect customers' responses to see if the product is likely to be a success. Testing may give a competitor time to produce a similar product. Then both products may enter the market at the same time, and the first firm loses its competitive advantage.

Step 6: Introduce the Product

When the product has passed the market test, it is ready for the marketplace. A publicity campaign introduces the product. The costs of launching a new product are often high. The company has a short time in the market before competitors start to develop similar products. This is especially true after a new product becomes successful.

Step 7: Evaluate Customer Acceptance

Once the product is introduced, marketers track customers and their responses to it. Their reports answer key questions that can be used in the company's research and development plans. Who are the best customers? What new products are they buying? How often do customers buy the new product? If customers like the new product, the company will continue to produce it. If not enough customers like it, it may not be on the market long.



Product Failures

Not all products that are test-marketed succeed. After Ford® introduced the Edsel in 1958, the car failed to meet sales expectations. Marketing experts say Ford did not understand U.S. consumers. *Compile a list of other commercial flops. Explain why they were not accepted.*

Section 13.2

After You Read

Review Key Concepts

1. What are some tools used by market researchers?
2. What are the seven steps of product development?
3. How can a company know if its new product is succeeding?

Academic Skills

4. **English Language Arts** Find advertisements in magazines and newspapers that appeal to different demographic categories. For example, look for ads for products that teens, parents with young children, and retirees would be especially interested in buying. Mount the ads on poster board and write captions for them. Prepare a five-minute talk about the demographic groups represented, telling why the ads are well-designed for their target demographic. Discuss the ads' headlines, visual imagery, and the words used in the ad copy.
5. **English Language Arts** During the next week, save all of the advertising and promotional material that comes in the mail for you and your family. Create categories based on the types of products and services offered. Organize the material accordingly, and prepare a brief questionnaire to give to your family members. Try to find out whether they would buy any of the goods or services based on the advertising material. Which advertisements do the best job of marketing their product or service? Write a summary of your findings.



Go to the *Introduction to Business* Online Learning Center through glencoe.com to check your answers.

Chapter 13 Review and Activities

Section 13.1 Summary

Marketing Essentials To market a product successfully, a company has to understand what people want to buy and why they want to buy it. Marketing is the process of creating, promoting, and presenting a product to meet the wants and needs of consumers. Marketing research studies how to promote, sell, and distribute a product or service. It helps companies determine who will buy the product or service and how much it should cost. Marketing research includes studying the marketing mix. The marketing mix consists of four marketing strategies: product, place, price, and promotion, or the *four Ps*. Some people also include a fifth P—for people.

Section 13.2 Summary

Market Research and Product Development Market research is the gathering and analysis of information on the size, location, and makeup of a product market. It helps companies make decisions based on demographics, which include age, gender, location, and income. Marketers use surveys, sales figures for current products, databases, and the census to gather this information. Companies generate ideas, screen the ideas, and develop a business plan. They also create the product, do test-marketing, introduce the new product, and evaluate customer acceptance. Their goal is to come up with a product that people would like to buy.

Vocabulary Review

1. On a sheet of paper, use each of these key terms and academic vocabulary terms in a sentence.

Key Terms

market	break-even point
marketing	market research
relationship marketing	marketing concept
marketing mix	demographics
channel of distribution	target marketing
direct distribution	market segmentation
indirect distribution	test-market

Academic Vocabulary

genders	survey
physical	potential
located	strategy
aware	crucial

Review Key Concepts

2. Define marketing.
3. Identify the functions of marketing.
4. List the elements of the marketing mix.
5. Describe the kinds of market research a company may use.
6. Identify the steps in developing a new product.

Critical Thinking

7. The basics of marketing apply to more than just products and services. If you want a job, you must market yourself to your potential employer. What questions would you research before applying for the job?
8. Compare and contrast the target markets for a music CD and diamond earrings.
9. If you planned to develop and market a sit-down restaurant that offered inexpensive meals, who would be your target market? Explain your answer.
10. Why is pricing such an important part of the marketing mix?
11. Why do you think many consumers now shop on the Internet? What types of products do you think they probably buy online?
12. Companies use many kinds of promotions to attract customers besides advertising. Which types of promotions work best at persuading you to buy?
13. What types of organizations can you list that have a limited role in marketing their products or services? Why do you think those businesses do not engage in more marketing?

Write About It

14. Write a one-page story about what you think the business world would be like without marketing.
15. Imagine that you are part of a team that is developing a new cereal. List the features you would promote for it and its packaging. Write an e-mail to your teacher on how each feature would help the promotion succeed.
16. Write at least one page about the target market for a new cereal. What group or groups would you recommend your company target in marketing the product?
17. Research different trucking companies. List their names, and then write at least two paragraphs about their role in marketing products.
18. Note three products that are marketed to a highly segmented market. Write two paragraphs about each of your choices. Include reasons why these items would be for a segmented market.
19. List at least five items you have purchased recently. Write a page about where each product was produced, where you bought it, and how you think it was brought to the market.

Technology Applications

Spreadsheets and Bar Graphs

20. Survey as many people as you can in your class. Ask them to name their favorite flavor of ice cream. Summarize your data in a spreadsheet. Make a bar graph of their favorites. If you were an ice cream vendor, how would this information be useful to your marketing plan?

Business Ethics

Marketing to Children

21. You have been working on developing a new snack food. Your team has identified small children as the target market. You know this snack food is not very healthful. However, market research shows that the new snack food would very likely sell well. What should you do?

Chapter 13 Review and Activities

Applying Academics to Business

English Language Arts

22. Advertising, publicity, promotion, and marketing are listed in a thesaurus as synonyms. However, the words have slightly different meanings. Write a few sentences clarifying the meanings of these words and explaining the relationships among them.

Mathematics

23. Market research shows that people prefer rectangular boxes over cylinders. If a company switches from cylinders with a volume of 528 cubic inches to rectangular boxes with a base measuring $8'' \times 11''$, how tall would the boxes need to be to have the same volume?

CONCEPT Finding Volume The volumes of a three-dimensional solid can be found using a formula. For a rectangle, use $V = lwh$ where V is volume, l is length, w is width, and h is height.

English Language Arts

24. The words *media*, *bacteria*, *strata*, and *phenomena* have something in common. They are all plurals. List the singular forms of these words and research their histories using a dictionary, an online source, or other reference material.

Mathematics

25. In a market research study, Acme Corporation showed that every 3¢ increase in the price charged for its widgets lost the company $\frac{1}{2}$ of 1% of its customer base to its competition. If its customer base is 2.3×10^5 people, how many customers would the company lose if it raised the price 6¢?

CONCEPT Scientific Notation To express a number in scientific notation in standard form, look at the exponent. Move the decimal point in the base number that many places to the right.

Active Learning

Design a New Product

26. Packaging must be as appealing as possible to catch the attention of customers. Pair up with a classmate and design a box for a new snack food called Twirls. This new item is nutritious, tastes like your favorite candy, is low-fat, and would be a good after-school snack. Develop a theme for your box and choose colors that will catch the attention of buyers. Design a logo and write a slogan. Share your ideas with the class.

Business in the Real World

Decision Making for Marketing

27. Interview at least two people about what they consider when shopping. Ask questions about the marketing mix: product, place, price, and promotion. Which part of the marketing mix do they consider to be the main factor when making buying decisions? Prepare a written report of your findings. Give an oral presentation to the class about the considerations your subjects considered most important.

Real LIFE skills

WISE BUYING

28. Critics of marketing sometimes say that products would cost less if consumers did not have to pay for marketing. Others say that, without marketing, we would not know about all of the products available, and there would be less competition. Write guidelines for shoppers to follow so that they can take advantage of the benefits that marketing provides.

COOL Business CAREERS

FIND YOUR DREAM JOB

29. Go to the *Introduction to Business* Online Learning Center through glencoe.com for a link to the Occupational Outlook Handbook Web site. Click on the "OOH Search/A-Z Index" link and enter the job category "market and survey researchers." Then write a one-page report about this type of occupation. Conclude your report with a list of things you could do now to prepare yourself to pursue the occupation.

Role Play

MARKETING A PRODUCT

30. **Situation** You have been asked to give a short speech to your class about the steps a company must follow to market a new running shoe.

Activity Prepare an outline of the points you will include in your presentation on the importance of marketing.

Evaluation You will be evaluated on how well you meet the following performance indicators:

- Define and discuss marketing research.
- Describe the different ways to gather market research.
- Discuss the marketing mix involved in marketing a new running shoe.
- Give reasons why marketing is so important to the success of a product.
- Prepare a written outline of the points in your speech.
- Speak clearly and use correct grammar.

Standardized Test Practice

Directions Choose the letter of the best answer. Write the letter for the answer on a separate piece of paper.

1. By 2000, Skillful Marketing Inc. had collected 1,245,850 names of people who vacation in Mexico for its marketing database. By 2006, the database had grown to 1,594,688. What was the percentage increase in names from 2000 to 2006?

- A 1.28%
- B 21.87%
- C 28%
- D 78%



TEST-TAKING TIP Concentration can reduce anxiety when you are taking a test. Do not worry about whether you should have studied more. Pay close attention to one question at a time.



READING Go to the *Introduction to Business* Online Learning Center through glencoe.com for a list of outside reading suggestions.