

CHAPTER 10

Understanding the Customer

Sections

- 10.1 **B2C Customers**
- 10.2 **B2B Customers**
- 10.3 **Credit Basics**



College
and Career
Readiness

Reading Prep

As you read this chapter, stop at the Section Reviews and take time to answer the Check Your Understanding questions. Were you able to answer them without referring to the chapter content?

Check Your Marketing IQ

Before you begin the chapter, see what you already know about marketing by taking the chapter pretest. The pretest is available at www.g-wlearning.com/marketing/.

DECA Emerging Leaders

Creative Marketing Project, Part 2

Career Cluster and **Instructional Area** are not identified for this event.

Procedure, Part 2

1. In the previous chapter, you studied the developed skills and procedures for this event.
2. The presentation begins immediately after the introduction of the chapter representatives to the judge by the adult assistant. Each chapter representative must take part in the presentation.
3. The oral presentation may be a maximum **15 minutes** in length, including time for the judge's questions.
4. The judge will evaluate the presentation, focusing on the effectiveness of public speaking and presentation skills and how well the chapter representatives respond to questions that the judge may ask during the presentation.
5. The chapter representatives may use the following items during the oral presentation.
 - Not more than three (3) standard-sized posters not to exceed 22 1/2 inches by 30 1/2 inches each. Participants may use both sides of the posters, but all attachments must fit within the poster dimensions.
 - One (1) standard-sized presentation display board not to exceed 36 1/2 inches by 48 1/2 inches.
 - One (1) desktop flip chart presentation easel that is 12 inches by 10 inches (dimensions of the page).
 - One (1) personal laptop computer.
 - Cell phones, smartphones, iPods, MP3 players, iPads, tablets, or any type of a handheld, information-sharing device will be allowed in written events *if* applicable to the presentation.

- Sound, as long as the volume is kept at a conversational level.
6. Only visual aids that can be easily carried to the presentation by the actual chapter representatives will be permitted, and the chapter representatives themselves must set up the visuals. No set-up time will be allowed. Chapter representatives must furnish their own materials and equipment. No electrical power will be supplied.
 7. Materials appropriate to the situation may be handed to or left with judges in all competitive events. Items of monetary value may be handed to but may not be left with judges. Items such as flyers, brochures, pamphlets, and business cards may be handed to or left with the judge. No food or drinks are allowed.
 8. If any of these rules are violated, the adult assistant must be notified by the judge.

Project

This project might concern itself with finding new markets for local products, promoting the community's resources, increasing the trading area of facilities, increasing sales, increasing employment, providing better shopping facilities, or solving problems or challenges affecting the marketing process, etc.

Critical Thinking

1. What problem will your chapter select?
 2. What is the rationale for selecting the problem?
- Visit www.deca.org for more information.

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Section 10.1



What motivates consumers to buy a product?

B2C Customers

Learning Objectives

- LO 10.1-1 Explain how a hierarchy of needs impacts consumer buying behavior.
- LO 10.1-2 Describe common factors that influence consumer buying.
- LO 10.1-3 Define categories of consumer buying motives.
- LO 10.1-4 Summarize steps in the consumer decision-making process.
- LO 10.1-5 Describe each level of consumer buying decisions.

Key Terms

consumer behavior
hierarchy of needs
self-actualization
social environment
reference group
situational influence
psychological influence
motive

buying motive
consumer decision-making process
value
impulse buying decision
routine buying decision
limited buying decision
extensive buying decision

LO
10.1-1

Consumer Buying Behavior

Businesses that sell to consumers as their primary market are called *business-to-consumer (B2C)* companies. Marketing professionals who work for B2C companies need to understand *why* people buy and use their products in order to create the ideal marketing mix. They study **consumer behavior**, which is the behavior and actions taken by people to satisfy their needs and wants, including what they buy.

In the 1950s, psychologist Abraham Maslow was trying to understand why people behave the way they do. He developed a theory that is now referred to as *Maslow's Hierarchy of Needs*. Maslow's theory states that unsatisfied needs motivate people to act. However, not all needs are equal. There is a **hierarchy of needs**, or an order in which certain needs are satisfied before others. Maslow noticed that people tend to fulfill physical needs before others that are less critical for survival. After physical needs, the needs for

security, love and acceptance, esteem, and self-actualization are fulfilled, in that order. Maslow presented this hierarchy of needs in pyramid form, as shown in Figure 10-1.

According to Maslow, the strongest needs are physical. These needs must be met in order to survive, such as having enough air, water, and food. The next level of need is for security. People need to be safe from physical harm and have financial security. After security are the needs for love and acceptance, which are also called *social needs*. People need to feel accepted by others and be part of a group. The next level of need is for esteem. People need to feel self-confident and have the respect of others. The last level of need is for self-actualization. **Self-actualization** is the expression of a person's true self through reaching personal goals and helping others.

Maslow's Hierarchy of Needs can be applied to explain human behavior as it relates to buying behavior. People will buy products to meet needs at the bottom of the pyramid before buying products to meet higher needs. For example, if a person is hungry, he or she will seek food before any other product. This

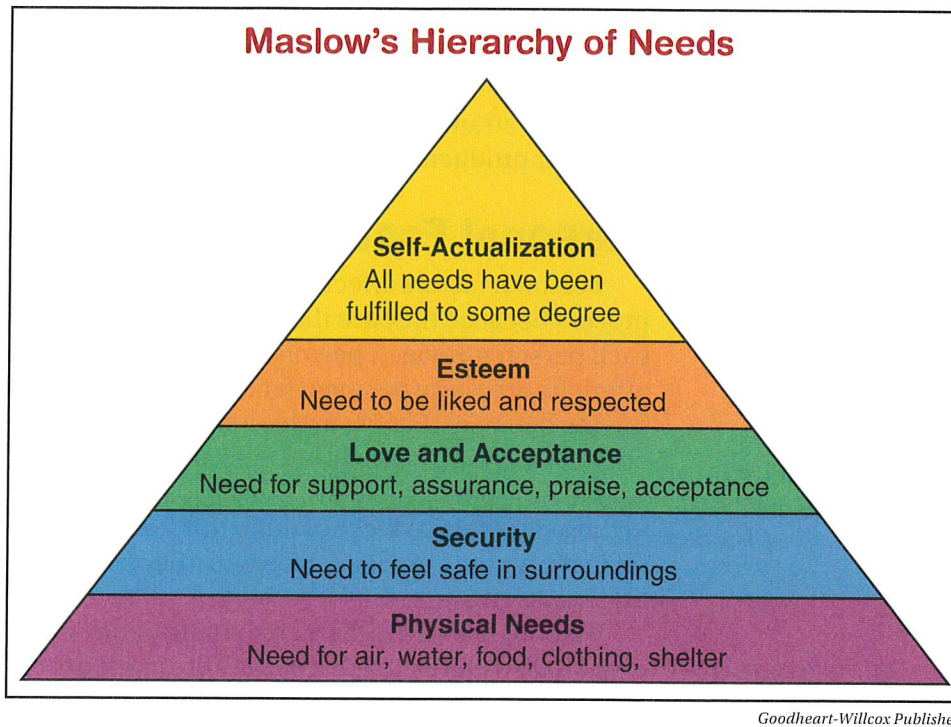


Figure 10-1 Abraham Maslow believed physical needs must be met before all other needs and wants.

need is partly the reason why so many shopping malls have food courts. People will not be interested in buying other products when they are hungry.

People may not always be aware of all their needs but usually know their wants. For example, a person may want a certain brand of clothing. The underlying need might be acceptance by peers who also wear that clothing brand. Marketers can use their understanding of different customer needs to increase sales. They can develop products and promotions to satisfy needs customers are aware of and the ones of which they are not aware.

From a marketing viewpoint, the lower levels of the pyramid have the largest markets. Everyone needs to eat, but not all people focus on their self-actualization needs. Many marketers use Maslow's theory to develop products that fulfill certain needs. They also focus promotions on how their products meet those needs. For example, digital devices meet several needs, including safety, acceptance, and esteem. Promotions for digital devices focus on how the products easily keep people connected, up-to-date, and safe anywhere in the world.

LO 10.1-2 Consumer Buying Influences

Many factors can influence consumer buying behavior, especially since every consumer is different. By performing marketing research,

companies can learn what influences consumers in their target markets. Common factors that influence consumer buying include social environment, situational influences, personal factors, and psychological influences.

Social Environment

Social environment is the aggregate of the groups that make up the surroundings in which people live and interact. Family, friends, classmates, and other groups to which an individual belongs make up his or her social environment. Culture is a strong influence that affects many aspects of life and often shapes an individual's social environment. The ethnic group, geographic location, and social class in which people grow up also contribute to their cultural influences. The culture with which consumers are most familiar often shapes their attitudes about products, credit, and shopping.

Within a social environment are reference groups. A **reference group** is a specific group of people that influences our attitudes, beliefs, and behavior. Most people identify with one or more reference groups. The football team is an example of a reference group for some high school students.

Reference groups are classified as normative or comparative. A *normative reference group* is one that directly influences an individual, such as family or peers. Family is one of the major

influences on all consumers. The adults in a family, particularly parents and grandparents, pass on their values, religion, and behaviors to their children. Family also influences the buying behavior of children. In addition, friends are very influential to many people because of the human need for acceptance and esteem.

A *comparative reference group* is one to which a person compares him or herself, such as celebrities or political leaders. For example, some people compare themselves to a specific celebrity by wearing the same clothing, participating in the same leisure activities, or driving the same automobile. By patterning one's appearance or activities after a celebrity, the person believes he or she is a part of the same reference group.

Situational Influences

Situational influences are the influences that come from the environment. Situational influences that can affect buying choices include the weather, store location, time of day, and current sales promotions. The mood, physical health, and available finances of a buyer at the time of a potential purchase are also situational influences. For example, perhaps you need more paper for your printer, but it is raining and you do not have transportation. That situation may help you decide to put off buying the printer paper. However, if you have a 25 percent discount coupon that expires the next day, you may find a way to make the purchase.



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Situational influences come from the environment and can affect buying choices, such as weather.

When have situational influences affected your buying decisions?

It is important for marketers to understand how situational influences affect consumer behavior. This information helps in developing marketing strategies that increase the likelihood that their products will be purchased.

Personal Factors

Personal factors affect the consumer buying process because they are the qualities that make each person unique. A person's age, gender, and ethnicity are some personal factors that influence buying behavior. For example, consider the differences in buying decisions between a middle-aged woman and a teenaged boy. The needs and wants of these two consumers are quite different based on their age and gender, which will affect their buying behavior.

Personality also influences buying behaviors. *Personality* is reflected in a variety of emotional and behavioral characteristics, such as being energetic, shy, competitive, cheerful, ambitious, or stubborn. Your personality affects the image of yourself that you portray to others, which affects what you buy. For example, if you are competitive and participate in team sports, you are likely to buy athletic clothing and equipment. Your personality often influences your outward appearance, activities, and interests.

Psychological Influences

Psychological influences are those that come from within a person and explain why a person has certain needs and wants. Examples of psychological influences include a person's image of himself or herself, the desire to being accepted by peers, or the need to manage stress.

Marketers and researchers work hard to learn why some people buy certain products, while other people do not. Understanding the psychological influences of consumers is helpful when creating promotions and while working with potential customers.

LO
10.1-3

Consumer Buying Motives

A **motive** is an internal push that causes a person to act. The strongest motives are based on the most pressing needs or wants. To *motivate* is to provide the internal push that results in action. A **buying motive**

is the reason a consumer seeks and buys a good or service. Consumer buying motives can be categorized as emotional, rational, and patronage.

- *Emotional buying motives* are based on emotions, feelings, and social needs. For example, a person who wants to be accepted by his or her peers may buy the same brand of jeans.
- *Rational buying motives* follow logical reasoning. For example, buying food is logical when you are hungry.
- *Patronage buying motives* are based on features of a specific store or product, such as consumers who are loyal to a certain product brand.

Examples of these buying motives are shown in Figure 10-2.

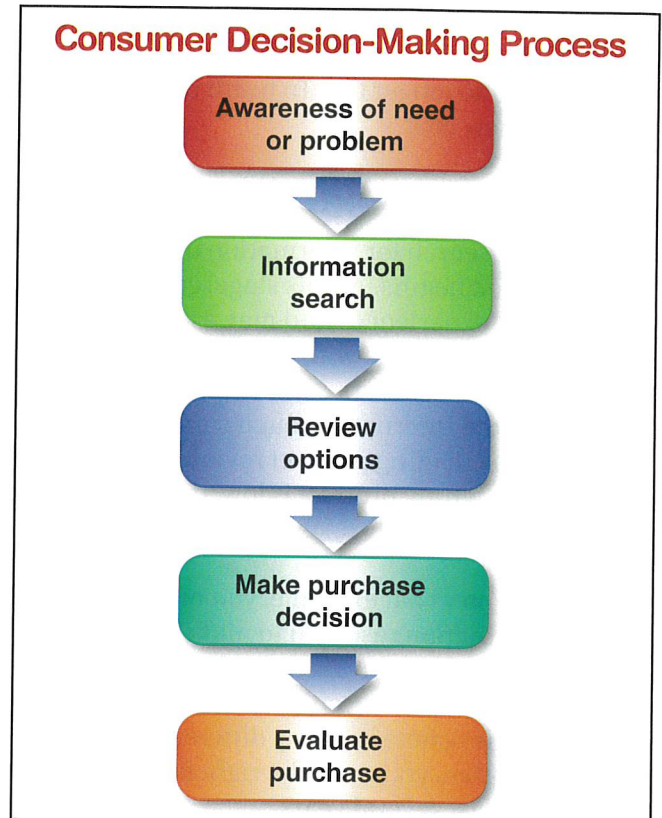
The human mind usually transforms needs into wants. For example, any type of food, including simple bread and water, can satisfy hunger. However, most people turn the need for food to satisfy hunger into the want for a certain food. With so many food choices, hunger can be satisfied in thousands of different ways. In the modern consumer market, many products are available to satisfy a single need.

When there is a choice between products, marketers want to know what motivates consumers to choose one product over another. For example, you may want a car to satisfy the need for transportation to and from work. What motivates you to pick one car over another? In addition to providing basic transportation, a certain make and model may also impress your friends. In this case, purchasing the car that would meet your transportation needs and impress your friends is motivated by rational, emotional, and patronage motives.

Consumer Buying Motives	
Buying Motives	Examples
Emotional motives	Friendship, respect, acceptance, appreciation, love, prestige, thrill seeking, recognition, enjoyment, socialization
Rational motives	Maintain health and well-being, fulfill a need, save money, use a dependable product
Patronage motives	Location, reputation for reliability and quality, image, brand, service

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Figure 10-2 A buying motive is the reason a consumer seeks and buys a good or service.



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Figure 10-3 The consumer decision-making process is a series of steps people take when making buying decisions.

LO 10.1-4 Consumer Decision-Making Process

The **consumer decision-making process** is a series of steps people take when making buying decisions. Typically, this is a five-step process, as shown in Figure 10-3. Depending on the individual consumer and what he or she is buying, the time each of the steps takes can vary. In some cases, one or more steps may even be skipped. However, some form of each step is considered by most consumers before, during, and after a purchase.

Awareness of Need or Problem

The first step in the consumer decision-making process is to define the need to be fulfilled or problem to be addressed. If there were no problems or unanswered questions, a decision would be unnecessary. Consumers first become aware of

a problem when there is a need or want to be satisfied. For example, winter is coming and you realize your old coat no longer fits. To fulfill this need, you must buy a new coat.

Information Search

Next, the search for information on how to fulfill the need begins. At this stage, consumers draw on past experiences and may ask for recommendations from those within their reference groups. Many consumers conduct product research on the Internet, through store advertisements, and by reading product reviews. If the risk of buying the wrong product is low, then the search for information usually takes a short amount of time.

In the winter coat example, you may use every form of information research to make the best coat-purchase decision. This may be because the risk of buying the wrong coat is high: coats are expensive, they come in many different styles, you will wear it often, you want the right brand, and it may need to last several years.

Review Options

After product information is gathered, all the purchase options are reviewed. A number of things are considered in this step. The price, value, brand, features, and benefits of each purchase option are weighed against each other. **Value** is the relative worth of something. Consumers may tie value to price and brand. For example, perhaps you found four options for a new winter coat. When evaluating

each one, you might consider whether it is a good value for the price. You may be willing to spend more on a name brand that your friends also wear. Or, you may prefer certain features, such as a hood, inside pockets, or fleece lining.



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The consumer decision-making process includes reviewing purchase options. *How does the consumer decision-making process influence your personal buying decisions?*



Social Media

SMM Goals

Social-media marketing goals should be established as part of the promotions strategy in the marketing plan. They should be written as SMART goals in order to give direction and be effective. There are specific goals that a business will establish, examples of which are:

- drive sales
- establish brand identity
- generate customer leads
- promote public relations
- research customer needs

By aligning social-media plans with the marketing and business goals, you will be able to focus on the priorities. Selecting one to two manageable goals that can be successfully accomplished is better than taking on multiple goals that can be difficult to reach.

Make the Purchase Decision

Once a product is chosen, the consumer then decides where and when to buy it. Consumers may look for the best price, which determines where the item will be purchased. Or, consumers may decide to postpone the purchase to a later date, perhaps for financial reasons. There may be other external factors that impact where and when purchases are made. For example, if you started looking for a winter coat in the summer, prices may be lower than in the fall. Local stores may not carry the coat you want and you must buy it online. Or, you may choose to wait until the coat goes on sale.

Evaluate the Purchase

After a purchase, consumers compare the recent purchase with earlier ones. Every situation is different, but each consumer has certain expectations of the shopping experience. The recent purchase may match, beat, or fall below those expectations. Consumers may like or dislike the product, store, or service they received. Good business owners and marketers make sure customers are satisfied with a purchase because it ensures repeat business. For example, perhaps the coat you bought was poorly made and the zipper broke after only a few wears. When you returned it to the store, the manager apologized and gave you a new coat of your choosing. In this situation, your evaluation of the store would be positive, but you are unlikely to buy that brand of clothing again.

LO
10.1-5

Consumer Buying Decisions

Some purchases require more research and thought than others. The level of a buying decision varies both with the individual consumer and

what he or she seeks to purchase. Large, expensive products tend to require quite a bit of research and planning. Smaller, less expensive products usually require little research and planning before the purchase.

Some consumers have a more difficult time making decisions than others. Often, these consumers take much longer researching their first purchase of a product. After they become familiar with the product, it becomes easier to make subsequent purchases of it. There are four levels of buying decisions: impulse, routine, limited, and extensive, as shown in Figure 10-4.

Impulse Buying Decisions

A purchase made without any planning or research is called an **impulse buying decision**. For example, you are waiting in the checkout line at a grocery store. A display of key chains, including one with your name on it, is on the counter. You put a key chain in your cart without giving it a second thought. You did not consciously plan to buy it, but the urge to buy a key chain with your name on it suddenly became powerful. You did not use any steps in the decision-making process to buy that product. Marketers often place product displays near checkout counters to encourage impulse purchases.

Routine Buying Decisions

A **routine buying decision** is a purchase made quickly and with little thought. For example, you may not think about the decision to buy shampoo very much. You might go into the store, locate the brand you use, and buy it. Routine buying decisions are made when the consumer has experience with a product or prefers a certain brand. Products purchased routinely include groceries, cosmetics, cleaning products, and other inexpensive items.

Levels of Consumer Buying Decisions

Level	Activity
Impulse	No prior planning; spur of the moment purchase
Routine	Little thought or planning; familiar products purchased often
Limited	Some research and planning; unfamiliar or infrequently purchased products
Extensive	A great deal of research, time, and planning; typically expensive products

Figure 10-4 Some consumer buying decisions involve little planning and no research, while others may involve a great deal of thought and research.

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Self-Confidence

Self-confidence is being certain and secure about one's own abilities and judgment. People with self-confidence believe in their ability to perform or make something positive happen in a situation. These individuals know what they are good at doing and how to best use their abilities to achieve goals.

Sometimes, expensive items are also purchased in a routine way. For example, if you usually buy a specific brand of contact lenses, the buying decision is routine.

Limited Buying Decisions

A **limited buying decision** is one requiring some amount of research and planning. This type of decision is made when buying unfamiliar products or those only bought occasionally. For example, suppose you need to buy a blender and you have never bought one before. It is not an expensive

purchase, but you want to buy the best blender available for the amount of money you have to spend. Therefore, you research blenders on the Internet and read *Consumer Reports* magazine. You list the product options with their features and prices. After that, you choose the best blender for the price and buy it. You just made a limited buying decision.

Extensive Buying Decisions

An **extensive buying decision** involves a great deal of research and planning. It is usually made when buying higher-priced items. For example, imagine you are ready to buy your first car. This purchase will have a major impact on your daily life, safety, and finances. You will analyze your budget to determine how much you can afford to spend. You may have to start planning for this purchase a year or more to save for a down payment. You may conduct Internet research, visit many car dealerships, and test-drive a number of cars. If you decide on a used car, you should plan to have a mechanic inspect the car before buying it. You will also need to research and purchase auto insurance. All of the activities described in buying your first car are examples of an extensive buying decision.

Section 10.1 Review

Check Your Understanding

1. How can Maslow's Hierarchy of Needs be applied to buying behavior?
2. What groups make up a person's social environment?
3. What does *motivate* mean?
4. How do consumers search for information when making a buying decision?
5. Explain why the level of a buying decision varies with both the individual consumer and what he or she seeks to purchase.

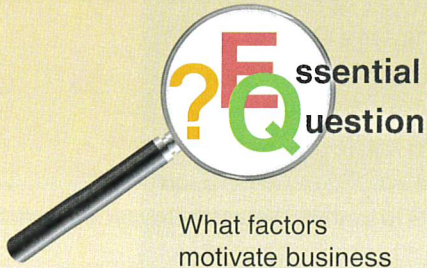
Build Your Vocabulary

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

buying motive
consumer behavior
consumer decision-making process
extensive buying decision
hierarchy of needs
impulse buying decision
limited buying decision
motive

psychological influence
reference group
routine buying decision
self-actualization
situational influence
social environment
value

Section 10.2



What factors motivate business customers to make purchases?

B2B Customers

Learning Objectives

- LO 10.2-1 Identify common variables used to segment businesses in the B2B market.
- LO 10.2-2 Describe common factors that influence business-customer buying.
- LO 10.2-3 Describe levels of buying decisions made by business customers.

Key Terms

producer
reseller
service business
government market
institution

North American Industry
Classification System (NAICS)
internal influence
external influence

LO
10.2-1

Segmenting the B2B Market

Businesses that sell primarily to other businesses are called *business-to-business (B2B)* companies. B2B companies focus on meeting the needs of businesses. Examples include Cisco Systems Inc. technology solutions and Maersk Line shipping. These companies provide products and services to other businesses. There are some companies, such as Staples and FedEx, that sell to both B2C and B2B markets. However, most companies sell to one market or the other. Overall, the needs and buying behaviors of business customers are different from those of consumers. The business-to-business market can be split into five categories: producers, resellers, service businesses, governments, and institutions.

- A **producer** creates goods and services. Producers buy raw materials and equipment, which they use to make products and product components. They are also called *manufacturers*.
- A **reseller** buys finished products to resell to consumers. Retail stores are a common type of

reseller. Both producers and resellers may also buy distribution and warehousing services.

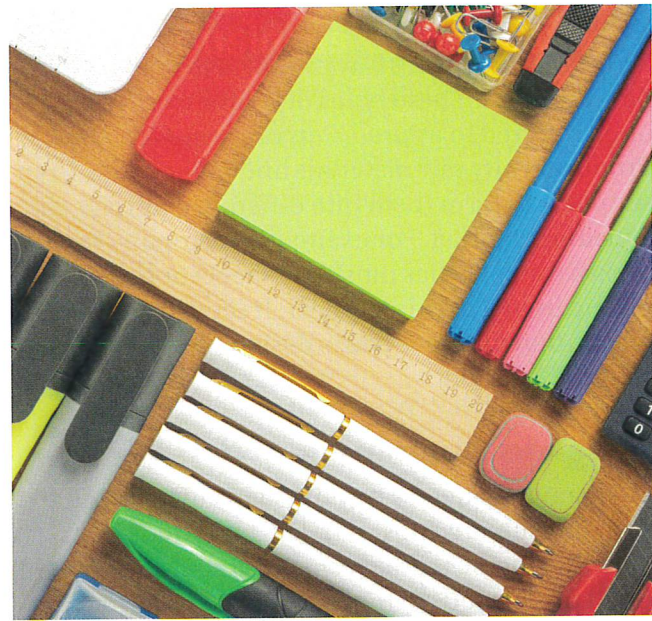
- A **service business** provides services. In the B2B market, services might include leasing companies and law firms. Service businesses may need to buy very specific products to operate their businesses, such as cars, equipment, or tuxedos to rent.
- The **government market** includes national, state, and local governmental offices and agencies. They buy a wide variety of goods, from airplanes to office supplies and computers. Governments also buy services, such as building maintenance services and group medical insurance.
- An **institution** is an established public or private organization. Examples of these include schools, hospitals, museums, and charities, such as United Way and the American Cancer Society. Much like the government, institutions also buy a wide variety of goods and services.

In some ways, targeting business-market segments is similar to targeting consumer-market segments. Variables are used to segment the

need new goods, materials, and services to develop that product.

Situational Influences

Situational influences are influences that come from the environment in which the business exists. These include the economy, political environment, and regulations or laws. Analyzing situational influences is the same as conducting a *PEST analysis*. For example, if the economy is strong, a business might be more likely to expand. An expanding business will buy more goods and services. In a poor economy, sales may decrease, so business purchases will also decrease.



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LO
10.2-3

Business-Customer Buying Decisions

Business customers have very different buying needs and motives than consumers. A typical consumer buys goods or services to use personally and typically in a quantity or size that can be stored in the home. However, a business buys products to manufacture new products, resell, or use for its operations. Businesses usually buy in greater volume than the average consumer. For example, resellers in the food industry may buy very large amounts of tomatoes from farmers to resell to grocery stores and restaurants.

A repeat purchase is a buying decision that requires little research and thought, such as office supplies.

What other examples of repeat purchases can you identify that a business might make?

A B2B sale may take a long time to close and is often based on relationship selling. *Relationship selling* focuses on building long-term relationships with customers. The salesperson may have only a few customers. Like B2C buying, some B2B purchases can be made on the Internet and may be made from international companies.



Case in Point

UPS

The marketing concept plays an important role in every business, especially for businesses that have been around for generations. Satisfying the customer is the number one priority for any successful business.

UPS began as a messenger service in 1907 and is now the largest package delivery company in the world. Countless individuals, businesses, and organizations use UPS to send and receive packages all over the globe. As the global marketplace expands and connects a growing number of buyers and sellers, new delivery service companies have emerged. UPS needed a strategy to keep the company visible in an increasingly competitive market.

In 2015, UPS launched a new marketing campaign that targeted B2B customers. The United Problem Solvers™ campaign promotes the company's expertise in logistics and distribution to solve problems for business customers, from small businesses to large corporations. The campaign communicates the company's ability to help businesses in various industries achieve their goals. UPS offers solutions for supply chains, global shipments and customs, and proactive planning with a network of more than 400,000 UPS employees around the world ready to help solve business problems. The United Problem Solvers™ campaign helped customers understand that UPS can meet their growing needs and allowed the company to remain ahead of its competition.

Businesses have levels of buying decisions similar to the levels of consumer buying decisions previously presented. However, there is generally no impulse buying in the business market. The levels of B2B buying decisions are new purchases, repeat purchases, and modified purchases.

New Purchase

A *new purchase* is a decision to buy a new product that requires a great deal of research and thought. New purchases are challenging, as the business does not have experience in making that particular buying decision. The business will probably create product specifications outlining exactly what the business expects for this new product. This is similar to the extensive buying decisions of consumers.

Repeat Purchase

Many businesses purchase the same items on a regular basis. A *repeat purchase* is a buying

decision that requires little research and thought. For example, a computer manufacturing business continues to renew a long-standing vendor contract for computer parts. Repeat-purchase decisions occur when the buyer is satisfied with the product, vendor, and terms of sale. This is similar to the routine buying decisions of consumers.

Modified Purchase

Sometimes, something occurs to make a buyer less satisfied with a product or vendor he or she has been using. A *modified purchase* is a decision to buy a familiar product that needs some changes or modifications. The current vendor, as well as other vendors, may be given an opportunity to supply the modified product. This is similar to the limited buying decisions of consumers.

Section 10.2 Review

Check Your Understanding

1. The B2B market can be split into five categories. What are they?
2. Identify common variables used to segment businesses in the B2B market.
3. How do business customers use the products they buy?
4. What is relationship selling?
5. Why might a business make a modified purchase?

Build Your Vocabulary

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

external influence
government market
institution

internal influence
North American Industry Classification
System (NAICS)

producer
reseller
service business

Chapter Summary

Section 10.1 B2C Customers

LO 10.1-1 Explain how a hierarchy of needs impacts consumer buying behavior.

Maslow's Hierarchy of Needs states that unsatisfied needs motivate people to act. People tend to fulfill physical needs before those less critical for survival. Maslow's theory is used in marketing to develop products that fulfill certain needs and wants.

LO 10.1-2 Describe common factors that influence consumer buying.

Common factors that influence consumer buying include social environment, situational influences, personal factors, and psychological influences. Family, friends, classmates, other social groups, and culture make up an individual's social environment. Situational influences come from the environment. Personal factors are the qualities that make each person unique. Psychological influences explain why a person has certain needs and wants.

LO 10.1-3 Define categories of consumer buying motives.

A buying motive is the reason a consumer seeks and buys a good or service. Consumer buying motives can be categorized as emotional, rational, and patronage. Emotional buying motives are based on emotions, feelings, and social needs. Rational buying motives follow logical reasoning. Patronage buying motives are based on features of a specific store or product.

LO 10.1-4 Summarize steps in the consumer decision-making process.

The consumer decision-making process is a series of steps followed when making buying decisions. This is a five-step process that includes awareness of a need or problem, an information search, review of the purchase options, make the purchase decision, and evaluate the purchase.

LO 10.1-5 Describe each level of consumer buying decisions.

The four levels of buying decisions are impulse, routine, limited, and extensive. A purchase made without any planning or research is called an impulse buying decision. A routine buying decision is a purchase made quickly and with little thought. A limited buying decision requires some research and planning. An extensive buying decision involves a great deal of research and planning.

Section 10.2 B2B Customers

LO 10.2-1 Identify common variables used to segment businesses in the B2B market.

Common variables used to segment business customers are by industry, business size, and business needs. Businesses are classified by industry using NAICS codes. The size of a business customer may be determined by its annual revenue, number of employees, or number of locations. Business customers vary in the way they use products, such as to make new products, resell to customers, or to operate the business.

LO 10.2-2 Describe common factors that influence business-customer buying.

Influences in B2B buying decisions can be grouped into three categories: internal, external, and situational. Internal influences include the structure, goals, and management team of a company. External influences include business competition, new technology, and product trends. Situational influences come from the environment in which the business exists and may include the economy, political environment, and business regulations or laws.

LO 10.2-3 Describe levels of buying decisions made by business customers.

The levels of B2B buying decisions are new purchases, repeat purchases, and modified purchases. A new purchase requires a great deal of research and thought. Repeat-purchase decisions occur when the buyer

is satisfied with the product, vendor, and terms of sale. A modified purchase involves a familiar product that needs modifications.

Section 10.3 Credit Basics

LO 10.3-1 Explain the role of credit.

Credit is an agreement or contract to receive goods or services before actually paying for them. The debtor-creditor relationship is a legal relationship based on good faith that both parties will uphold their end of the agreement. Consumer credit is credit given to individual consumers by a retail business. Trade credit is granting a line of credit to a business for a short period of time to purchase its goods and services.

LO 10.3-2 Identify the rewards and risks of extending credit.

There are many rewards to a business for extending credit to customers. Offering credit can create a steady income for the business and build customer loyalty. Credit risk is the potential for financial loss due to credit not being repaid. When extending credit to customers, there is always the possibility that some will be unable to pay their debt. Customers that fail to pay bills on time may create a cash-flow problem for the business that extended the credit.

LO 10.3-3 Describe ways to reduce credit risk.

When granting credit to customers, it is important to establish a credit process that reduces risk. Having a credit policy in place can help guide the process of extending credit. Businesses should require customers to complete a credit application. Then their credit history should be reviewed, and credit worthiness evaluated based on the three Cs of credit.

Check Your Marketing IQ

Now that you have completed the chapter, see what you have learned about marketing by taking the chapter posttest. The posttest is available at www.g-wlearning.com/marketing/.

Review Your Knowledge

1. Explain how a hierarchy of needs impacts consumer buying behavior.
2. Describe common factors that influence B2C buying.
3. Define categories of consumer buying motives.
4. Identify the steps in the consumer decision-making process.
5. Describe each level of consumer buying decisions.
6. Describe common factors that influence B2B buying.
7. Describe levels of buying decisions made by B2B customers.
8. Explain the role of credit.
9. Identify the rewards and risks of extending credit.
10. Describe ways to reduce credit risk.

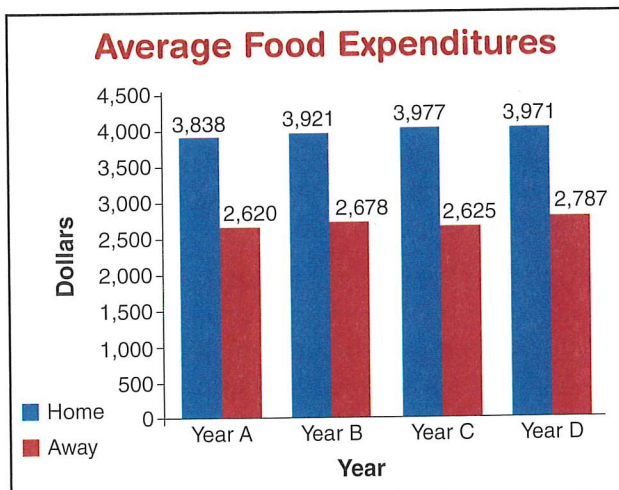
Apply Your Knowledge

1. In an earlier chapter, you identified the product for which you are creating a marketing plan. As a marketing manager, how do you plan to turn customer needs and wants into buying motives for your product?
2. Consider the product you are marketing. How would you define the reference group that influences the majority of your target market?
3. Create a flowchart for the consumer decision-making process that your customers might use. Provide details about how a typical customer in your target market might act for each step.
4. Consider the level of buying decisions that customers will use for the product you are marketing. Explain how you will provide customers with the information they need to make their buying decision.

5. Explain how routine buying decisions by customers influence your marketing plans.
6. The business market can be grouped into five categories: producers, resellers, service businesses, governments, and institutions. Assume your marketing plan includes strategies for selling into the business market. Describe the segment of business into which you will be marketing your product.
7. Assume your company sells in the B2B market. Describe how you would use market segmentation to develop a customer profile. How will segmenting the market contribute to successful marketing?
8. Select one of the US consumer-credit laws described in Figure 10-6 and explain how this law might impact the business for which you are writing a marketing plan.
9. Write a credit policy that could be used to explain the types and purposes of consumer and business credit that would be extended by your company.
10. Do you think offering credit provides enough benefits to both the customer and business to justify the cost? Explain your position.

Apply Your Math Skills

During a recent four-year period, overall consumer spending in the economy increased. The graph shows the average annual



expenditure for food at home versus away from home during this period. Interpret the graph to answer the questions that follow.

1. In what year did consumers spend the most money on food eaten at home?
2. In what year did consumers spend the most money on food eaten away from home?
3. In what year did the largest gap between the home and away amounts occur?

Communication Skills



College and Career Readiness

Reading In order to retain information that you read, it is necessary to focus and read with a purpose. The Employability Skills feature in this chapter discusses self-confidence. Read the feature with the intention of focusing on each word that is written. After you have finished, close the book.

Can you remember what you read?

Writing Create a Venn diagram to show the relationships of new purchases, repeat purchases, and modified purchases. Where do the circles overlap? What do you think this overlap signifies?

Listening Listen to product advertisements on the radio and television as you go about your day. How might the messages you hear influence you to make a buying decision? Analyze the social, situational, personal, and psychological factors that might influence whether you buy these products.

Internet Research

Impulse Buying Conduct an Internet search for the phrase *psychology of impulse buying* and select one or two articles on the topic. Read the articles in detail, making notes as you read. Cite reasons people make impulsive purchases and list possible consequences of impulsive buying behavior.

Consumer Reports Use the Internet to navigate to the website of *Consumer Reports* magazine. Select a product that interests you, such as tablet computers, cars, or hair dryers. Use the information available on the website to research

the product as if you were making a buying decision. How do you think this information would impact the different buying influences and motives of consumers?

NAICS Codes Search the website of the US Census Bureau for information on the North American Industry Classification System. Find the NAICS code that applies to the business for which you are writing a marketing plan. Identify two ways that marketers could use the information in promoting their products or businesses.

Credit Policies Research the topic of *business credit policies* on the Internet. Summarize your findings in a paragraph and describe the precautions a business should take when extending credit to customers.

Teamwork

Working in a team, create a list of ten businesses that sell products to both consumers and businesses. Indicate any differences in price, availability, or other product features that are specific to the B2B or B2C market. What strategies were common for both markets?

Portfolio Development



College and Career Readiness

Academic Work Academic information is important to include in a portfolio in order to show your accomplishments in school. Include items related to your schoolwork that support your portfolio objective. These items might be report cards, honor roll reports, or diplomas

that show programs you completed.

1. Create a Microsoft Word document that lists the items you will be including in this section. Use the heading "Academic Work" on the document along with your name.
2. Scan hard-copy documents related to your schoolwork, such as report cards, to serve as samples. Place each document in an appropriate folder.
3. Place the hard copy documents in the container for future reference.
4. Update your spreadsheet.

UNIT 3

Marketing Information Management

Building the Marketing Plan

No business exists in a vacuum. Competition is everywhere, including online and around the world. Markets and customer preferences change all the time. To compete and be successful, marketing managers must have the most current information about their customers' wants and needs in order to fulfill them. Marketing managers must also know everything about their business competitors. Research is vital to a marketing team to help the business thrive and grow.

Part 1 Research the Competition

Objectives

- Identify and research the main competitors for your business.
- Create a competitive analysis.

Directions

In this activity, you will develop the subsection of Situation Analysis that addresses your competition. Access the *Marketing Dynamics* companion website at www.g-wlearning.com/marketing/. Download the activity files as indicated in the following instructions.

1. **Unit Activity 3-1—Competition Research**

As marketing manager for your company, it is important to recognize the competition. Complete this activity to research your company's competition.

2. **Unit Activity 3-2—Competitive**

Analysis Use this document to create a competitive analysis grid that will be included in the Appendix of your Marketing Plan.

3. Open your saved Marketing Plan document.

4. Locate the Marketing Analysis section, then the Competitive Analysis subsection. Make notes on the research you did for the competition, and refer the reader to the Appendix for the competitive analysis.

5. Save your document.

Part 2 Complete SWOT and PEST Analyses

Objectives

- Assess your company's strengths, weaknesses, opportunities, and threats.
- Create a SWOT analysis for your company.
- Assess the political, economic, social, and technological factors that may impact your company.
- Create a PEST analysis for your company.

Directions

In this activity, you will assess your business as it compares to the competition to continue creating the Situation Analysis. Access the *Marketing Dynamics* companion website at www.g-wlearning.com/marketing/. Download the activity files as indicated in the following instructions.

1. **Unit Activity 3-3—Company**

Assessment Complete research about your company that is necessary to create a SWOT analysis.

2. **Unit Activity 3-4—SWOT Analysis** Use this document to create a SWOT analysis that will be included in the Appendix of your marketing plan. Refer back to the research you completed in Activity 3-3 to complete the analysis.3. **Unit Activity 3-5—Environmental**

Scan Complete research about the environment in which your company is operating that is necessary to create a PEST analysis.

4. **Unit Activity 3-6—PEST Analysis** Use this document to create a PEST analysis that will be included in the Appendix of your marketing plan. Refer back to the research you completed in Unit Activities 2-1 and 3-5 (as well as

optional Unit Activity 2-2, if completed) to complete the analysis.

5. **Unit Activity 3-7—Global Environmental Scan** In the future, your product may be sold internationally. Conduct a global environmental scan to evaluate the political, economic, social, and technological factors that could affect the marketing of your product.
6. Open your saved marketing plan document.
7. Locate the Market Analysis section, and then the Competition Analysis subsection. Make notes on the research you did and refer the reader to the Appendix for the SWOT and PEST analyses.
8. Use the suggestions and questions listed in the marketing plan template to help you generate ideas. Delete the instructions and questions when you are finished recording your responses. Proofread your document and correct any errors in keyboarding, spelling, and grammar.
9. Save your document.

Part 3 Determine the Target Market

Objective

- Identify the target market for your company's products.

Directions

In this activity, you will conduct research to determine who is most likely to purchase your products, known as your target market(s). Access the *Marketing Dynamics* companion website at www.g-wlearning.com/marketing/. Download the activity file as indicated in the following instructions.

1. **Unit Activity 3-8—Target Market Analysis** Based on the products and services of your company, define your target market. Who are the people or businesses most likely to buy from your business?
2. Open your saved marketing plan document.
3. Locate the Marketing Strategies section, then the Target Market subsection. Make notes on the research you completed for the target

market, and refer the reader to the Appendix for the target market analysis.

4. Use the suggestions and questions listed in the marketing plan template to help you generate ideas. Delete the instructions and questions when you are finished recording your responses. Proofread your document and correct any errors in keyboarding, spelling, and grammar.
5. Save your document.

Part 4 Complete a Customer Profile

Objective

- Define a typical customer within your target market to create a customer profile.

Directions

Information about your target market's needs and product preferences is very important to any marketing plan. In this activity, you will create a customer profile representative of the target market for your business. Access the *Marketing Dynamics* companion website at www.g-wlearning.com/marketing/. Download the activity file as indicated in the following instructions.

1. **Unit Activity 3-9—Customer Profile** Use this document to create a customer profile containing as much information as possible about your typical target-market customer, including product preferences.
2. Open your saved marketing plan document.
3. Locate the Marketing Strategies section, then the Target Market subsection. Make notes on the research you completed, and refer the reader to the Appendix for the customer profile.
4. Use the suggestions and questions listed in the marketing plan template to help you generate ideas. Delete the instructions and questions when you are finished recording your responses. Proofread your document and correct any errors in keyboarding, spelling, and grammar.
5. Save your document.