



CHAPTER



CAREERS IN MARKETING

SOUTHWEST AIRLINES

Southwest Airlines began business in 1971 as a small regional company offering flights between three Texas cities. The company's owners wanted to offer low prices and a different customer atmosphere where both employees and passengers enjoy the flight. They worked to find ways to keep costs low yet create a good work environment for employees.

Today Southwest Airlines is the fourth largest U.S. airline and flies to 57 cities in 29 states. It ranks number one in fewest customer complaints and baggage handling.

A Field Marketing Representative is responsible for sales to travel agency and corporate accounts and coordinates point of sale and airport display materials. The Representative needs an Associates' or Bachelors' degree and one or two years of experience in the airline industry or in sales and marketing. Effective organizational and communication skills and the ability to solve complex problems also are essential.

THINK CRITICALLY

1. Why does the airline need to have regular contact with corporate and travel agency accounts?
2. What are some examples of the complex problems that might be faced by the Field Marketing Rep?

THE WORLD OF MARKETING

LESSONS

1.1 MARKETING BASICS

1.2 ECONOMICS AND MARKETING

1.3 MARKETING THEN AND NOW

1.4 MARKETING AND E-COMMERCE

VIDEO

The Chapter 1 video for this module introduces the concepts in this chapter.

PROJECT

The Importance of Marketing

PROJECT OBJECTIVES

- Recognize the role of marketing in our economy
- Understand how marketing meets consumer and business needs
- Consider the variety of marketing activities performed in business
- Identify ethical responsibilities of businesses

GETTING STARTED

Read through the Project Process below. Make a list of any materials and information you will need. Decide how you will get the needed materials or information.

- At the top of a sheet of paper, write a one- or two-sentence definition of “marketing” in your own words.

PROJECT PROCESS

- Part 1 LESSON 1.1** Make a list of all of the words you have identified that relate to marketing. Develop a description of each of the words to help you understand marketing. Compare your list and descriptions with other students.
- Part 2 LESSON 1.2** In a small group, develop a list of reasons why marketing is important to businesses. Develop another list of reasons why marketing is important to consumers. Discuss what happens to businesses and consumers if marketing activities are not performed well.
- Part 3 LESSON 1.3** In a small group, draw a horizontal line across the center of a large sheet of paper. Divide the line into 25-year sections starting with 1900 and ending with 2025. Using the Internet and library references, list important historical events for each 25-year period above the line. List important business and marketing events for each time period below the line. Compare your timeline with those of other groups.
- Part 4 LESSON 1.4** Identify a business involved in e-commerce and find the company’s web site on the Internet. After studying the web site, describe how the Internet is used as a part of the company’s marketing efforts.

CHAPTER REVIEW

Project Wrap-up As a class, discuss how marketing has changed over the years and why marketing is important to both businesses and consumers.

LESSON 1.1

MARKETING BASICS

GOALS

DEFINE marketing

DESCRIBE the importance of marketing to businesses, consumers, and society



MARKETING IN YOUR LIFE

Marketing activities are a part of your life almost every day. Businesses offer a variety of products and services to meet your wants and needs. Trucks, airplanes, and ships move products all around the world so they are available for you to buy. Companies advertise those products and services to encourage you to buy. They also may offer you the opportunity to pay for purchases with a checking account or credit card. These are all examples of marketing activities. Without effective marketing, you would not have access to most of the products and services you use every day.

ON THE SCENE

As a part of a career report, Darlene must identify an area of business with careers that interest her. She has heard that marketing provides many job opportunities. However, when she thinks of marketing careers, she has images of retail clerks and automobile salespeople. She thinks the first career is low paying and the second has a poor reputation among consumers. She also thinks that both require long hours of work each week. Do you think Darlene's image of those careers is accurate? Why or why not? What other marketing careers could you suggest to Darlene?



WHAT IS MARKETING?

According to the American Marketing Association, *marketing* is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives. This definition is long and complex because of the many different types of marketing activities and the variety of businesses and other organizations that use marketing. A simpler definition of marketing describes its importance to businesses and consumers. **Marketing** develops and maintains satisfying exchange relationships between businesses and consumers.

THE ELEMENTS OF EXCHANGE

An **exchange** means that two people or organizations are involved in a transaction. Each has something the other wants, and they must agree on the value of the items they have to exchange. For the transaction to be successful, each of the participants must be satisfied with what they receive as a result of the exchange.

In marketing, a business offers a product or service for sale to consumers. Consumers have money to spend to purchase things they want or need. If the business and consumer can agree on a price, the consumer pays the company and receives the product or service from the company in exchange. The company is satisfied if it makes a profit. Consumers are satisfied if the product or service meets their needs. Many exchanges of products and services every day result in satisfaction for the business and the customer. However, some do not. One of the goals of marketing is to improve the exchange process so those involved are satisfied.

MARKETING FUNCTIONS

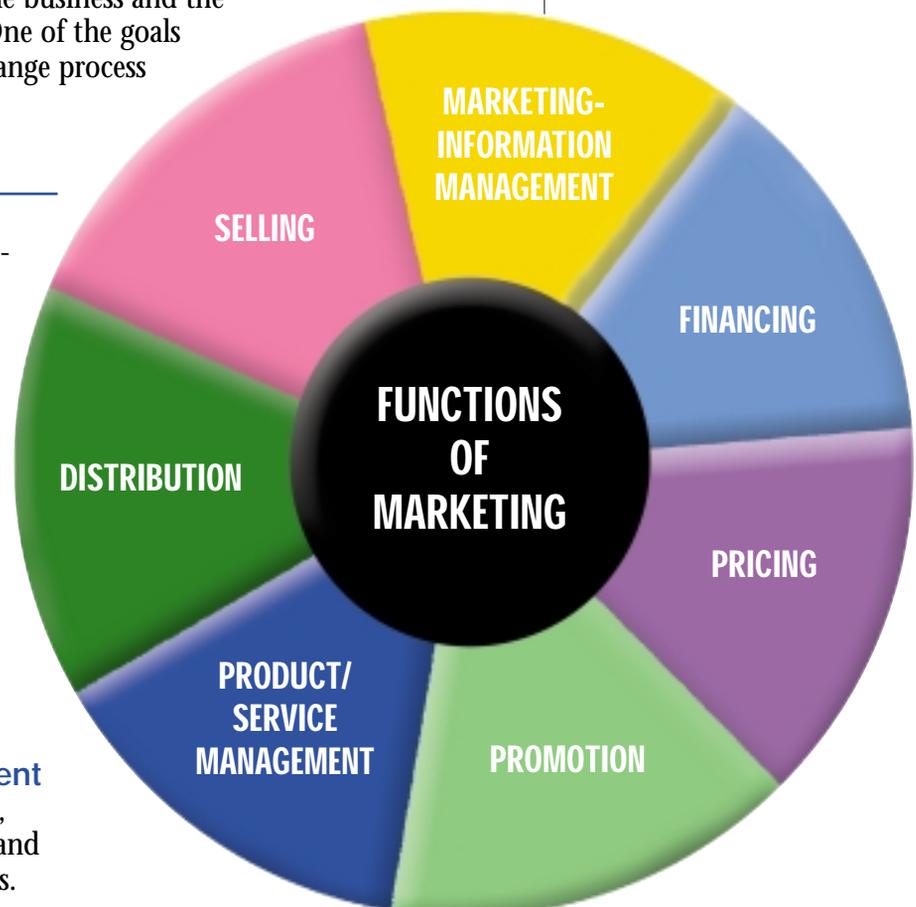
Marketing involves many activities. The activities are performed as products and services are planned and moved from producers to consumers. The performance of the marketing activities is the responsibility of marketers. Marketing activities can be grouped into seven functions as shown at the right. Each of these functions occurs every time a product or service is developed and sold. Marketing is a complex part of business and is very important to the success of businesses and to the satisfaction of customers.

Product/Service Management

Designing, developing, maintaining, improving, and acquiring products and services so they meet customer needs.



Every business is involved in marketing activities in some way. However, more than four million U.S. companies have marketing as their primary responsibility.





Working in small groups, list the seven marketing functions. Using career resources, identify marketing jobs that relate to each of the functions. Share your lists with other groups.

Distribution Determining the best methods and procedures to be used so customers are able to locate, obtain, and use the products and services of an organization.

Selling Communicating directly with prospective customers to assess and satisfy their needs.

Marketing-Information Management Obtaining, managing, and using market information to improve business decision making and the performance of marketing activities.

Financing Budgeting for marketing activities, obtaining the necessary financing, and providing financial assistance to customers to assist them with purchasing the organization's products and services

Pricing Establishing and communicating the value of products and services to prospective customers.

Promotion Communicating information about products and services to prospective customers through advertising and other promotional methods to encourage them to buy.



What is a simple definition of marketing that emphasizes the needs of those involved?

MEETING BUSINESS AND CONSUMER NEEDS

The economic system of the United States is often referred to as a free enterprise system or market economy. That means that people are free to start a business and offer products and services for sale in competition with many other businesses. Individuals start businesses to do work they enjoy and to make a profit.

Individual consumers are free to spend their resources to purchase the products and services they want. They have many choices of products and services and the business they want to purchase from. Consumers generally will make the choices that provide the greatest value for the money they are spending.

MARKETING AND BUSINESSES

Marketing is an important part of business. Some people think that if a business offers a good product, marketing is not necessary. However, if customers do not know about the product, do not know where to purchase it, are unable to get to the place where it is sold, cannot afford the price of the product, or do not think the product is a good value, they will not purchase it. Marketing is required to provide a variety of activities or services so the customer will be able to purchase the product.

Marketing cannot be successful if the product is not what the customer wants or is a poor quality product. While customers may be encouraged to



buy a product through advertising, selling, or a low price, they also must see the product as satisfying a need. If customers decide to buy the product and it does not work the way they were led to believe, is of poor quality, or has a defect, they will likely return the product for a refund. If customers do not return a product that was not satisfying, they are unlikely to buy the same product again.

Marketing activities help businesses provide the right products to the consumers who want and need them. Marketing makes the products available where and when customers want them and helps to make the products affordable. It provides the information consumers need to make the best choices.

MARKETING AND CONSUMERS

Think about a product you plan to buy sometime this week. You need to decide where to buy the product. If the location is convenient, it won't take much time to get to and from the store, and transportation will not be an issue. You usually select

a store because you know it carries the items you need. The business has an adequate supply of the product as well as related items. The prices are clearly marked and affordable. If you need information to help with your decision, you will obtain it through advertising, information on the package, or assistance from a store employee. The store allows you to pay for your purchases with cash, check, credit, or debit card. Each of the



activities described is an example of marketing. Consumers benefit from marketing because the activities make it easier to obtain the products and services they need.

Marketing benefits consumers in another way that may not be as obvious. Because marketing is continually determining what consumers like and dislike and what needs are not satisfied, improvements are made to products and services and new products are developed. As a result of marketing activities, more products are available to meet customers' needs. When large volumes of a product are produced and sold, the cost of production and marketing of each product actually declines. In many cases, marketing actually results in lower prices to the consumer. You can probably identify many examples of products where prices have declined by 50 percent or more from the time the product was first introduced.

BUSINESS MATH CONNECTION

The following table shows the price of the least expensive personal computer configured for business use over a three-year period in an office supply store. Find the percentage difference between the Year 1 price and the Year 2 price.

Year	Processor/Hard Drive	Price
1	500 mhz/2 GB	\$1800
2	733 mhz/10 GB	\$1240
3	866 mhz/20 GB	\$834

SOLUTION

Calculate the amount the computer price decreased from Year 1 to Year 2.

$$\begin{aligned} \text{Year 1 price} - \text{Year 2 price} &= \text{Price decrease} \\ \$1800 - \$1240 &= \$560 \end{aligned}$$

Then calculate the percentage the Year 2 price is of the Year 1 price.

$$\begin{aligned} \text{Year 2 price} \div \text{Year 1 price} &= \text{Percentage difference} \\ \$1240 \div \$1800 &= 0.688, \text{ or } 68.8\% \end{aligned}$$

MARKETING AND SOCIETY

In addition to benefits to both businesses and consumers, marketing has positive effects on society as well. Marketing helps to identify and develop new and better products and services. Many of those products and services are beneficial to society in general. For example, more efficient automobiles use less gasoline and cause less pollution. Biodegradable products reduce the growing need for landfill space. Products like airbags and motorcycle helmets reduce the number and severity of injuries from accidents.

Marketing improves the standard of living. The standard of living is based on the products and services available to consumers, the amount of resources consumers have to obtain the products and services, and the quality of life for consumers. Countries that have well-developed marketing systems are able to make more and better products available to consumers. Those countries also have more jobs for their citizens and higher wage scales.

Marketing has been particularly effective in improving international trade. International trade contributes many benefits to the participating countries and their consumers. Think of the number of products you buy that were produced in another country. Just as the United States is a large consumer of foreign products, many businesses in the U.S. sell products internationally.



CHECKPOINT

Identify a benefit marketing provides to businesses, to consumers, and to society.



THINK CRITICALLY

1. Why does marketing give you access to most of the products and services you use every day?

2. Which of the marketing functions do you think consumers are most familiar with? Least familiar with? Why?

3. Why is marketing necessary even if a company produces a good product that consumers want to purchase?

4. How can marketing result in a lower price for products?

MAKING CONNECTIONS

5. **COMMUNICATION** Consumers need to know what products are available, where the product can be purchased, the price of the product, and the benefits the product will provide. Using newspapers, magazines, or other media, locate advertisements that provide each of the types of information listed for a product. Prepare your answer in a spreadsheet format.
6. **BUSINESS MATH** Using the information in the Business Math Connection on the previous page, find the percentage difference between the Year 2 price and the Year 3 price.

7. **SCIENCE** Using the Internet, research a product that helps reduce pollution and protect the natural environment. Find out the company that developed it and when it was first produced and marketed.

8. **PSYCHOLOGY** Consumers often have preferences for certain brands. Write down your favorite brand for each of the following: shoes, computer, soft drink, restaurant, blue jeans, automobile, and college. Compare your answers with other students. Discuss why you prefer the brands you listed.



LESSON 1.2

ECONOMICS AND MARKETING**GOALS**

DISCUSS the role of supply and demand in marketing

IDENTIFY the four types of economic utility

**ECONOMICS IS IMPORTANT**

Effective marketing is based on economic principles. Marketers need to understand the relationship of supply and demand in order to develop satisfying exchanges with consumers.

THE LAW OF SUPPLY

One of the most important reasons for businesses to operate in a market economy is to make a profit. Businesses try to offer products and services that have a good chance of making a large profit. Business managers carefully consider both the costs of producing and marketing products and the prices they will be able to charge for those products. That analysis helps in determining the most profitable products or services to offer.

Economics predicts how the quantity of products and services produced will change at various prices. As the price of a product increases, producers

ON THE SCENE

Fredrico has just received his tax refund and is deciding how to use it. He has several uses in mind. He can make a down payment on a car, take a one-week vacation to an ocean resort, or save the money to help pay his college tuition next year. How would you help Fredrico decide on the use of his tax refund to make the purchase that will give him the greatest satisfaction?



will be willing to manufacture a larger quantity of the product. At lower prices, fewer products will be manufactured. This relationship between price and production decisions is known as the **law of supply**: Whenever possible, producers use their resources to provide products and services that receive the highest prices in order to increase profits.

THE LAW OF DEMAND

Economics also predicts how much consumers are willing to pay for various quantities of products or services. As the price of a product decreases, consumers will purchase a larger quantity. When the price of a product is increased, less will be demanded. This relationship between price and purchase decisions is known as the **law of demand**. Consumers want to get the maximum value for the money they spend on the products and services they purchase.

BALANCING SUPPLY AND DEMAND

In a market economy, businesses and consumers make decisions about what to produce and what to purchase independently. When the purchase decisions of many consumers of the same product are combined, they determine the quantity of the product that will be purchased and the price consumers prefer to pay. When the decisions of all the suppliers of the same product or service are combined, they determine the amount of the product that will be available for sale and the price suppliers would like to receive. If fewer products are available than consumers want to buy, the price will usually increase. If more products are available than demanded by consumers, businesses will have to reduce the price they charge. If the quantity demanded matches the quantity supplied, both consumers and suppliers will be satisfied.



In small groups, identify products that have a very high price because of a limited supply. Then identify products with low prices because of a large supply. Discuss how the prices affect consumer perceptions of the products.

CHECKPOINT

When are supply and demand balanced in a market economy?

ECONOMIC UTILITY

Most people have many more products and services they would like to buy than they are able to afford. They have to make choices among the products and services they want. People attempt to purchase those that provide the greatest amount of satisfaction for the money they are able or willing to spend. You may have to choose between attending a concert and renting a movie. Your family may decide to drive to a vacation site rather than fly to save money.

An economic concept helps you predict how people will choose among available products and service. **Economic utility** is the amount of satisfaction a consumer receives from the consumption of a particular product or service. Products that provide great satisfaction have higher economic utility than those consumers find less satisfying.

Businesspeople can use the concept of economic utility to increase the likelihood that consumers will buy their products or services. There are four primary ways businesses can increase the economic utility of a product or service. Those ways are changes in form, time, place, and possession.

FORM UTILITY

The physical product provided or the service offered by a business is the primary way that consumer needs are satisfied. *Form utility* results from actual changes in the product. The construction of a product, the features provided, or the quantity in which the product is sold may make it more useable for consumers.

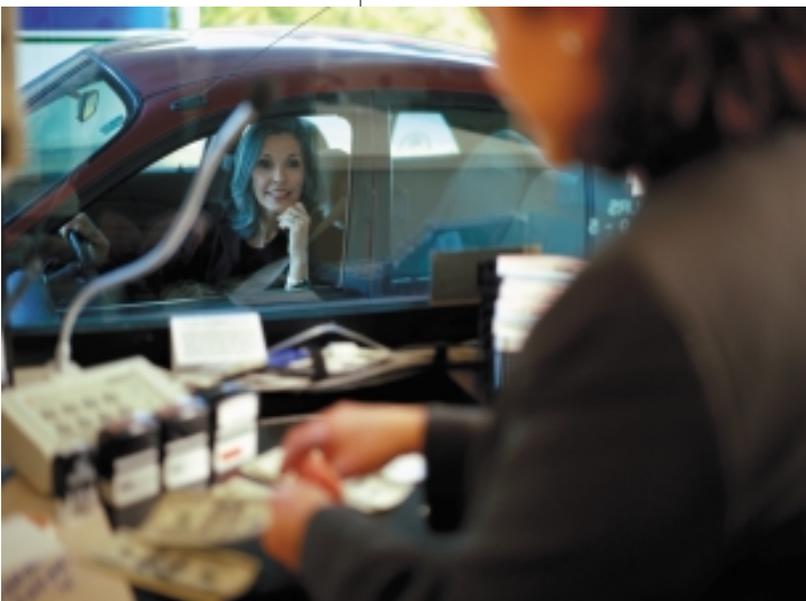
TIME UTILITY

A product should be available when consumers are able to obtain or use the product. *Time utility* results from making the product or service available when the customer wants it. Examples of time utility include

- A bank stays open in the evening and on Saturday mornings
- A theater schedules a show in the early afternoon or late in the evening
- An auto dealership opens its service department on weekends
- A physician's office schedules physical examinations just before an athletic season.

PLACE UTILITY

Just as some consumers are concerned about when a product is available, others may want to purchase or consume the product at a particular place. Making products and services available where the consumer wants them is *place utility*.





Convenience stores are successful because they are located in neighborhoods close to where consumers live. Automatic teller machines (ATMs) and drive-in windows have made banking easier because they are located in supermarkets, airports, and even on street corners. Businesses that provide mailing, photocopying, and facsimile services are becoming very popular, but they must be located conveniently to small businesses and individual consumers who need them.

POSSESSION UTILITY

Possession utility is more difficult to understand than the other three types. A product may be in the form a consumer wants and be available at the right time in the right place, yet the consumer still may not be able to purchase the product because they do not have the amount of money needed. Possession utility makes products and services more affordable. It is usually not possible for a business to decrease the price just so a product can be sold. It does not want to sell products at a loss. Yet there are other ways besides cutting the price to make a product more affordable.

Offering credit allows people to purchase things for which they do not have enough cash at the time. In a similar way, many retail businesses offer layaway services where a person can pay a small amount of the purchase price over several months and own the product after full payment is made.

Few people want to spend money to purchase a movie just so they can watch it more than once. Video stores are very successful because they rent movies rather than sell them. Automobile dealerships lease new automobiles so customers can drive new cars without having to make a huge down payment. All of these examples show how businesses can offer alternative ways for consumers to afford purchases.



Select a familiar product. Assume you are responsible for marketing this product. Prepare a one-page sales letter about the product. In the letter, identify how each of the economic utilities is provided to meet consumer needs. Read your letter in class.

CHECKPOINT

What are the four types of economic utility?

THINK CRITICALLY

1. Why is an understanding of supply and demand important for marketers?

2. Identify a product or service where it appears the quantity supplied by business and the quantity demanded by consumers is not balanced?

3. How do consumers make decisions when they have more products and services they want to purchase than they can afford?

4. Think of a product or service you purchase regularly. How can the business selling this product or service increase its economic utility?



MAKING CONNECTIONS

5. **TECHNOLOGY** Changes in technology are ways that businesses are able to provide increased consumer satisfaction and sell additional products. Use the Internet to research examples of technological improvements being planned by businesses. Report your findings to the class and discuss with them whether the new technology appears to meet a consumer need.



6. **FINANCE** Select three products that are sold in several businesses in your community. Develop a computer spreadsheet in which you list the names of businesses that sell the product. Determine the price charged by each business for the products and list the prices in your spreadsheet next to the business name. Use the spreadsheet to prepare a list of the highest prices and the lowest prices for all of the products. Calculate the total amount a consumer would have to pay for the highest priced list and the lowest priced list.



LESSON 1.3

MARKETING THEN AND NOW



GOALS

DESCRIBE historical changes in marketing

IDENTIFY the elements of the marketing concept

THE CHANGING VIEW OF MARKETING

The term *marketing* describes a number of different activities. Marketing is essential not only to the success of manufacturers and retailers, but also to government agencies, hospitals, law offices, schools, and churches. Successful businesses develop an approach to marketing planning so customers will be satisfied with the products and services they purchase.

Marketing was not always an important part of business. Businesses' use of marketing changed quite a bit during the twentieth century. It shifted from a focus on production, to an emphasis on promotion and selling, and finally to an increase in marketing activities provided.

ON THE SCENE

Shaye walked into the Tech Boutique to purchase a new case for her cellular telephone. At first the salesperson couldn't find any cases for the model of phone Shaye owned even though she had purchased it only three months earlier at the same store. Finally he found a choice of two cases in a catalog and said he could have one available in four to seven days. However both were constructed of vinyl and Shaye wanted a leather case. Even though Shaye liked her phone, what do you think her feelings are now about Tech Boutique? If you were Shaye, what would you tell others about your experience?



CULTURAL MISTAKES

Understanding customers is particularly important in international marketing. When Coca Cola introduced its soft drink in China, the first brand name translated into Chinese as “bite the wax tadpole.” The Chinese characters were immediately changed to a more appropriate meaning, “happiness in the mouth,” which created a much better image.

Betty Crocker cake mixes failed when introduced in Japan. With a bit more study of consumers there, General Mills would have learned that many Japanese homes do not have ovens. The company then developed the mixes so they could be baked in rice cookers. Again the product failed because Japanese housewives thought the rice would have a bad flavor if the cooker was used to bake a cake.

THINK CRITICALLY How can companies avoid these types of marketing mistakes if they want to sell their products in other countries?

FOCUS ON PRODUCTION

In the early 1900s businesses focused on producing products that customers needed and were able to afford. Major efforts that could be considered marketing were directed at getting the products to customers. There were not many choices of transportation methods, and roads and highways were not well developed. The primary way to sell more products was to be able to deliver them to a larger number of customers.

As consumers increased their standards of living and had more money to spend, the demand for newer and better products increased. Demand was usually greater than the available supply of products. Businesspeople concentrated on production and seldom had to worry a great deal about marketing. Customers often were eager to buy new products and would seek out the manufacturer when they heard of a product they wanted.

EMPHASIS ON PROMOTION AND SELLING

Over time companies adopted more efficient production processes such as the assembly line. They could produce a larger quantity of products. Railroad and highway systems expanded to improve transportation across the country. The result was more competition among producers and manufacturers, and more choices of products and services for consumers. Businesses had to compete with each other to get customers to buy their products. Businesses began to give more attention to basic marketing activities, such as advertising and selling, to convince customers that their products were superior to those of competitors.

INCREASE IN MARKETING ACTIVITIES

While promotion made people more aware of a company's products, it did little to actually meet customer needs. Businesses began to use a variety of marketing activities to encourage customers to buy their brand. Products were sold through more locations to make them more accessible. More effi-



cient transportation methods such as express delivery and distribution centers moved products more quickly to consumers. To encourage customers to buy their products rather than competitors' brands, companies offered credit and discounted prices and added services and guarantees. The result was more attention to marketing but higher costs and lower profits for companies.

CHECKPOINT

Name three historical approaches to marketing businesses used in the twentieth century.

THE MARKETING CONCEPT

As it became more and more difficult and expensive for businesses to sell their products, some business people began to realize an important fact. Businesses could no longer be successful by just producing more products, increasing the amount of advertising and selling efforts, or expanding individual marketing services.

The most successful businesses were the ones that considered customers' needs and worked to satisfy those needs as they produced and marketed their products and services. That philosophy of business is known as the marketing concept. The **marketing concept** is using the needs of customers as the primary focus during the planning, production, distribution, and promotion of a product or service.

To use the marketing concept, businesses must be able to

- Identify what will satisfy customers' needs
- Develop and market products or services that customers consider to be better than other choices
- Operate profitably

TO USE OR NOT TO USE

Businesses that do not understand the marketing concept assume they know what the customer wants. They produce the product and then use marketing activities to convince customers to purchase from them. If the products go unsold, they will increase advertising, offer discounts or sales where prices are cut, or use other gimmicks to convince customers to buy.



Working in small groups, identify several companies that appear to use the marketing concept and several that do not. Discuss what the companies that use the marketing concept do that is different from the companies that do not use the concept.

The extra expenses of marketing products that customers may not have a strong interest in buying can lead to reductions in profit or even losses for the business. Additionally, after purchasing the product, the customer may decide it is not what was wanted and return the product to the business. Even if they don't return the product, they will be unhappy with both the product and the company that sold it and will not likely buy from the company again.

However, you can identify many companies that understand and use the marketing concept. A bank adds extra hours to serve customers who work late or offers online banking services to Internet-savvy customers. A community center develops special programs for days that schools are not in session so students have activities to occupy their time and parents don't have to worry about what to do with their children during the work day. Colleges offer elective courses in cooperation with high schools to allow students to earn college credit prior to graduation.



In each case the services are important to the customer and can be offered profitably by the business. The result is satisfying exchange relationships and customers who return to the company time after time.

CHECKPOINT

What is meant by the marketing concept?



THINK CRITICALLY

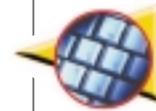
1. Why did businesses not have to concentrate on marketing in the early part of the twentieth century?

2. Why might too much emphasis on promotion and selling result in dissatisfied customers?

3. How does the use of the marketing concept result in greater customer satisfaction than traditional approaches to marketing?

MAKE CONNECTIONS

4. **HISTORY** Use the library to gather information on a U.S. business that was successful in the early 1900s. Prepare a two-page report on the company. In the report, be sure to explain what made the company successful.
5. **SOCIAL STUDIES** Many products first developed in the United States have become very popular in other countries while others are not well accepted. In small groups, develop a list of products that seem to be accepted in other countries and those that are not well accepted. Use newspapers, magazines and the Internet to gather information to help you develop the lists. Review the two lists and determine factors that might affect the acceptance of products in other countries. Identify which of the factors seem to be most related to marketing. Give group presentations of your findings to the class.
6. **RESEARCH** Identify a product that is commonly purchased and used by students. Survey 10 students asking each to identify the reasons they buy or do not buy the product. Use a spreadsheet program to summarize your findings.



LESSON 1.4

MARKETING AND E-COMMERCE

GOALS

DESCRIBE the growth of Internet use by consumers and businesses

IDENTIFY ways that marketing activities are completed on the Web

Photodisc:

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Buying on the Internet

BUSINESS ON THE WEB

The Internet is the new home for many businesses involved in e-commerce. **E-commerce** (electronic commerce) is the exchange of goods, services, information, or other business through electronic means. It includes the use of the Internet to buy and sell products as well as to exchange business-related information, such as transmitting purchase orders electronically or advertising online. E-commerce is now a multibillion-dollar part of the economy. It won't be long before most companies and consumers will use the Internet regularly as a business tool.

ON THE SCENE

Jackson enjoyed photography. He especially liked to take pictures of the unique landscapes he saw as he traveled. He had pictures of beach and mountain scenes, farms, and city life. At the request of his friends he developed and framed many of his favorites. They purchased the pictures he could use the Internet to sell more of his framed photographs. He had a to hang on the walls of their homes and apartments. Jackson wondered if friend who could design a web page and he could covert his photos into digital images so Internet customers could view them online. Do you think Jackson could have a successful Internet business? What steps would you advise Jackson to take to start the business?



GROWTH OF THE INTERNET

Following the introduction of the World Wide Web in the late 1960s, access to the Internet has grown to an estimated 500,000,000 people around the world. Almost 50 million homes in the U.S. had access to the Internet in 2000, up from just 13 million in 1995. The U.S. leads the world in Internet use, with approximately 40 percent of all users.

Business use of the Internet is increasing rapidly as well. According to the U.S. Department of Commerce, in 1998 U.S. Internet sales to consumers totaled \$8 billion. If that seems like a very large figure, compare it to the business-to-business Internet sales in the same year. Business-to-business (B2B) sales totaled \$45 billion. Still, there is a great deal of room for growth in the Internet sale of products and services. The total sales to consumers represent less than 1 percent of all consumer purchases. Internet sales worldwide are expected to reach two trillion dollars by 2005 with nearly 200 million regular Internet customers.

CHOOSING TO USE THE INTERNET

The ways businesses use the Internet vary. Companies that carry out most of their business activities through the Internet are referred to as **dot.com** businesses. The name “dot.com” comes from the end of a commercial business’s web address, or

.com. Businesses that complete most of their business activities in traditional ways are referred to as **bricks and mortar** businesses. The name “bricks and mortar” suggests that the company uses stores and factories as the locations to conduct business. Most businesses today have chosen to use the Internet as a small part of their operations. They want to take it slow and make sure they are well prepared for the new business methods.



did you KNOW?

The greatest employment area for Internet jobs is marketing. Following are some categories with the percent of jobs that are Internet.

Manufacturing	17%
Accounting	12%
Marketing	33%
Information	
Technology	28%
Management	10%

CHECKPOINT

What is the difference between a dot.com and a bricks and mortar business?

E-MARKETING

E-commerce is still a new method of conducting business for both companies and consumers. Most people do not currently use the Internet to purchase products. In fact, only 2 percent of Internet users say they go online with the specific intention of making a purchase. More than 80 percent say their primary reason for going online is communication. If they are interested in purchasing a specific product, consumers are more likely to use the Internet to gather information and to compare alternatives. Then many will go to a local business to make the purchase.

SUCCESS WITH E-COMMERCE

The primary reasons consumers report that they do not shop online are security concerns, difficulty in making purchases using the Internet, and a belief that they will receive poor customer service if they have problems with the order or the product. Businesses need to reassure customers that their shopping experience will be positive and trouble-free.

Online shoppers often are very loyal to specific businesses and brands. They usually prefer to shop at the same businesses and buy the same brands they have traditionally purchased. However, they will switch to other businesses and brands if the online shopping experience is not satisfactory.

Reasons Customers Use an Internet Business	Reasons Customers Do Not Use an Internet Business
An understandable, easy-to-use web site	Slow response time in providing information or processing orders
Familiar businesses and brand names	A web site that is slow or often does not work
Useful and accurate information	Out-of-date or limited information
Assurance of security	Poor customer service

EFFECTIVE INTERNET MARKETING

E-commerce has demonstrated the importance of the marketing concept to successful businesses. Many dot.com companies have failed because they could not meet customer needs profitably. They thought that merely creating an attractive web site and providing information about their company, products, and services would result in sales and profits.

When information about a company's products and services can be viewed by people in many locations, it is especially important for the business to identify its customers and understand their needs and wants. The business must be able to offer the products and services that customers want, but also must be able to distribute them effectively, make purchases affordable and easy for the customers to order and make payments, and provide information in the form of descriptions and pictures to answer important customer questions. Several marketing functions are particularly important in e-commerce.

Marketing-Information Management The Internet has improved the ability of businesses to gather information on current and prospective customers. Information requests, purchases, and product registrations allow companies to collect important information about the customer, including



address, telephone number, and even an e-mail address. Information can be obtained on where customers purchase their products, reasons for purchasing the product, and whether the customer owns or plans to purchase related products. The information can improve the company's ability to provide improved products for their customers in the future.

Information about competitors is easier to obtain using the Internet. Businesses put a great deal of information about their products and operations on the Web. It is relatively easy to learn about competitors' products, prices, credit terms, distribution policies, and the types of customer services offered.

Distribution Companies that have integrated product purchasing into their web sites make it possible for customers to order products online. Online shopping carts have been designed to make it easy to complete an order, make immediate payment using a credit card, and submit the order securely to the company.

The Internet does not necessarily improve the physical handling and distribution of products. Many products need to be shipped to the customer by truck, airplane, railroad, or ship. However, many services and some products actually can move from producer to consumer online. In some cases, the use of the Internet makes it easier and much less expensive to distribute products. Customers can download software from a company's web site rather than purchasing a CD or diskettes. Taxpayers can go online to access forms and instructions from government web sites. Newspapers and magazines have created online editions of their publications. Airlines and travel agencies have developed e-tickets so paper tickets are no longer needed for travel. Publishers have created electronic books (e-books) that can be downloaded and read on specially designed computer viewers.

Future technologies will likely make it possible for even more products and services to be distributed using computers and the Internet. As customers get more familiar and comfortable with the Internet, they will purchase more and more products online.

Promotion The purpose of promotion as a marketing activity is to communicate information in order to encourage customers to purchase the business's products and services. Because consumers use the Internet for communications, promotion is an effective use of the Internet by businesses.

Both bricks and mortar and dot.com businesses can benefit from using the Internet for promotion. Online advertising by bricks and mortar businesses allows prospective customers to easily gather information and make purchase decisions before visiting the store. Dot.com businesses can use advertising to encourage customers to make online purchases rather than going to a traditional business.

The Internet also offers other ways to reach prospective customers and promote products. Four primary methods include online advertisements, web site sponsorship, priority placement in web browsers and comparison shopping services, and providing consumer information web sites.

Photodisc:

AA025316 (CD # DT10053)

Downloading from the Internet

TECH TALK

ONLINE OR IN-STORE Many experienced retailers have developed web sites to serve Internet shoppers. They also offer kiosks to extend the advantages of computer shopping to their in-store consumers. Kiosks are computer terminals set up in stores that allow customers to browse for products online. Kiosks often are very visible and attractively designed with computers and keyboards. They may be built into displays or placed in a comfortable seating area. Some kiosks have touch screens with easy-to-follow on-screen instructions. In-store kiosks achieve some amazing results. As a part of a major store redesign program, Kmart installed 3,500 kiosks nationwide connected to their BlueLight.com web site. Within five months, they found that 20 percent of the Internet business was coming from inside Kmart stores. Barnes and Noble has seen book sales jump dramatically as a result of giving customers in-store access to computer terminals.

THINK CRITICALLY What are some advantages of using kiosks for traditional bricks and mortar retailers.

Just as with other types of advertising, companies compete on the Web for the attention of Internet users. They try to place their advertisements on pages that prospective customers are most likely to visit. They also use creative advertising designs. Varied sizes, colors, and placements of advertisements encourage Internet users to stop and read the company's information.

An effective way to build recognition of a company's name and products with customers who are likely to purchase those products is to sponsor a related informational web site. The sponsor's name is included on the web site so visitors see the name each time they access the site.

Businesses have developed many other ways to communicate with Internet users to promote their products and services. The business can use e-mail to send special offers, new product information, or other communications to customers. You may have seen online coupons that are similar to the coupons you receive in the mail or that are printed in newspapers and magazines. They are used either by printing and mailing the coupon with an order or by entering a special code on the order form when purchasing online.

Internet promotions are used to encourage consumers to request free samples, send for detailed product information, or visit a local store where the company's products are sold. Advanced technology allows businesses provide three-dimensional views of their products online for detailed examination by the customer.

CHECKPOINT

Name three marketing functions that are important in e-commerce.



THINK CRITICALLY

1. Why does e-commerce currently account for such a small percentage of all consumer purchases?

2. Why have a few dot.com businesses been successful while many have not?

3. Name several reasons customers choose to make purchases online.

4. What are the types of ways that the Internet is used for communication by consumers? By businesses?

MAKING CONNECTIONS

5. **TECHNOLOGY** Security is an important issue for consumers before they will make purchases using the Internet. Visit several business sites on the Internet. Identify the ways that the business provides security for customer orders and how it tries to assure customers about that security. Discuss your findings with other class members.
6. **GOVERNMENT** For many years, the federal government did not allow state and local governments to collect sales tax on Internet purchases made by customers from other states. This was done to encourage the growth of Internet sales. Bricks and mortar businesses considered that policy to be unfair, because they must collect the sales tax. Form teams and debate whether Internet sales should be subject to the same taxes as sales made by other businesses.
7. **COMMUNICATION** Advertisements on the Internet appear in various sizes and shapes with color, graphics, and even movement. Advertisements must attract the attention of Internet users and provide information that will encourage the consumer to purchase the company's product or service. Use the Internet to identify one advertisement you think is effective and one that you think is ineffective. Make copies of the advertisements using a computer graphics or presentation program. Present the advertisements to other students and explain why you think each is effective or ineffective.



REVIEW

CHAPTER SUMMARY

LESSON 1.1 Marketing Basics

- A. Marketing is successful when customer needs are satisfied and when a business makes a profit.
- B. In a market economy, consumers have many choices of products and services and the businesses to purchase from. Consumers generally make the choices that provide the greatest value for the money they are spending.

LESSON 1.2 Economics and Marketing

- A. Effective marketing is based on economic principles. Marketers need to understand the relationship of supply and demand in order to develop satisfying exchanges with consumers.
- B. If products provide great satisfaction, they have higher economic utility. Businesspeople can use the concept of economic utility to increase the likelihood that consumers will buy their products or services.

LESSON 1.3 Marketing Then and Now

- A. The ways businesses use marketing changed a great deal during the twentieth century. Marketing is more complex and important to businesses than in the past.
- B. The most successful businesses are those that work to satisfy customers' needs as they produce and market their products and services.

LESSON 1.4 Marketing and E-Commerce

- A. E-commerce is now a multibillion-dollar part of our economy. While currently less than one percent of all business sales are completed using the Internet, that figure is growing rapidly.
- B. In order to be successful on the Internet, businesses need to reassure customers that the shopping experience will be positive and trouble-free.

VOCABULARY BUILDER

Choose the term that best fits the definition. Write the letter of the answer in the space provided. Some terms may not be used.

- | | |
|---|----------------------|
| _____ 1. Developing and maintaining satisfying exchange relationships between businesses and consumers | a. bricks and mortar |
| _____ 2. When two people or organizations are involved in a transaction | b. dot.com |
| _____ 3. The relationship between price and production decisions | c. e-commerce |
| _____ 4. The relationship between price and purchase decisions | d. economic utility |
| _____ 5. The amount of satisfaction a consumer receives from the consumption of a particular product or service | e. exchange |
| _____ 6. Using the needs of customers as the primary focus during the planning, production, distribution, and promotion of a product or service | f. law of demand |
| _____ 7. The exchange of goods, services, information, or other business through electronic means | g. law of supply |
| _____ 8. A company that does almost all of its business activities through the Internet | h. marketing |
| _____ 9. Businesses that complete most of their business activities in | i. marketing concept |

CHAPTER 1



REVIEW CONCEPTS

10. Why do businesses and consumers participate in exchanges?

11. What are the seven functions of marketing?

12. Why is it important to have a balance of supply and demand for a product?

13. What are the four types of economic utility?

14. Why types of marketing activities were used by businesses in the early part of the twentieth century?

15. What three activities must be performed by businesses if they want to use the marketing concept successfully?

16. What are the primary reasons that consumers do not use the Internet to make purchases?

17. What types of products can be distributed using the Internet?

REVIEW

THINK CRITICALLY

18. Why is the satisfaction of customers and businesses an important part of marketing?

19. What will be the result if a business does not understand the laws of supply and demand when determining how many products to produce and what prices to charge?

20. Why do you think that some businesses do not understand and use the marketing concept?

21. What types of businesses do you think will be most successful in using the Internet? What types will be least successful?



APPLY WHAT YOU LEARNED

22. **BUSINESS MATH** In 2000, a University of Texas study reported that 3,088,000 people were employed in Internet-related jobs. Calculate the total number of people employed in Internet jobs for each category below. Using spreadsheet software, prepare a table and pie chart of your findings.

Job Category	Percent Internet	Number of Jobs
Manufacturing	17%	_____
Accounting	12%	_____
Marketing	33%	_____
Information Technology	28%	_____
Management	10%	_____

CHAPTER 1



MAKE CONNECTIONS

23. **PROBLEM SOLVING** Retail businesses often sell the same or very similar products, so customers often shop to find the lowest price and then buy the product from that business. It appears that the only way competitors can attract customers back to their stores is to lower the prices they charge. What is likely to happen to the businesses and their products if the only way they can compete is to lower the prices of products? Are there ways that retail stores can attract customers other than lowering prices? Under what circumstances do you think customers will pay more than they would have to pay for the same product in another store? Write a one- or two-page report that includes the answers to these questions.

24. **ETHICS** A toy manufacturer produced a large number of small children's toys that were to be given away by a fast-food chain with the purchase of any menu item. However, the toy was found to be unsafe for children under five years of age, and the federal government ordered the company not to distribute the product. It is possible that the toys could be distributed in other countries that do not have the same safety laws as the U.S. By selling the toys in another company at a very low price, the producer could recover some of the \$3 million dollars already spent to manufacture the toys. Identify the ethical dilemma faced by the company's manager. Present your recommendations for solving this dilemma in class.

25. **CAREERS** Careers in marketing require different levels of education and experience and have quite different duties. Find several marketing careers that match your interests and abilities. Make a list of the seven marketing functions identified in Lesson 1.1. Using career information you find in your school's library, career center, or the Internet, identify one job that relates to each of the functions. Identify the marketing function, the job title, the level of education required, and the expected salary range for each job.

