HOW MARKETING DISCOVERS AND SATISFIES CONSUMER NEEDS

LO2

The importance of discovering and satisfying consumer needs in order to develop and offer successful products is so critical to understanding marketing that we look at each of these two steps in detail next. Let's start by asking you to analyze the three products below.

For these three products, identify (1) what benefits the product provides buyers and (2) what factors or "showstoppers" might doom the product in the marketplace. Answers are discussed in the text.

Vanilla-mint-flavored toothpaste in an aerosol container

A flying car—available in 2013!

A mid-calorie diet cola

To access this QR code link, see the instructions on page xi of the preface.

QR 1–1
Terrafugia Transition Video

Discovering Consumer Needs

The first objective in marketing is discovering the needs of prospective customers. But these prospective customers may not always know or be able to describe what they need and want. When Apple built its first Apple II personal computer and started a new industry, consumers didn't really know what the benefits would be. So they had to be educated about how to use personal computers. In contrast, Bell, a U.S. bicycle helmet maker, listened to its customers, collected hundreds of their ideas, and put several into its new products.[6] This is where effective marketing research, the topic of Chapter 7, can help.

The Challenge: Meeting Consumer Needs with New Products

New-product experts generally estimate that up to 94 percent of the more than 40,000 new consumable products (food, beverage, health, beauty, and other household and pet products) introduced in the United States annually "don't succeed in the long run."[7] Robert M. McMath, who has studied more than 110,000 of these new-product launches, has two key suggestions: (1) focus on what the customer benefit is, and (2) learn from the past.[8]

The solution to preventing product failures seems embarrassingly obvious. First, find out what consumers need and want. Second, produce what they need and want, and don't produce what they don't need and want. The three products shown above illustrate just how difficult it is to achieve new-product success, a topic covered in more detail in Chapter 9.

Without reading further, think about the potential benefits to customers and possible "showstoppers"—factors that might doom the product—for each of the three products pictured. Some of the products may come out of your past, and others may be on your horizon. Here's a quick analysis of the three products:

- *Dr. Care Toothpaste.* After extensive research, Dr. Care family toothpaste in its aerosol container was introduced more than two decades ago. The vanilla-mint-flavored product's benefits were advertised as being easy to use and sanitary. Pretend for a minute that you are five years old and left alone in the bathroom to brush your teeth using your Dr. Care toothpaste. Hmm! Apparently, surprised parents were not enthusiastic about the bathroom wall paintings sprayed by their future Rembrandts—a showstopper that doomed this creative product.[9]

- *Terrafugia Transition.* In 2013, Terrafugia plans to introduce the Transition®, the world's first combination personal airplane and car. The Transition's flexibility allows it to land at most of the 5,200 general aviation airports in the United States. As a car, it can fold its wings, making it drivable on a roadway—from highways to residential streets! The Transition comes with a safety parachute and has a 23-gallon tank that can be filled at most gasoline stations. The proposed cost? About $279,000; you can reserve one for just a $10,000 deposit (see question 1, Figure 1–1). Potential showstoppers: The price and a potential buyer's concern that a vehicle bumped in a fender bender on a road might not be something to fly around in.[10]

QR 1–2
Pepsi Next Ad

- *Pepsi Next.* In early 2012, PepsiCo launched a new cola brand—Pepsi Next. It is "tastefully" sweetened with a combination of high fructose corn sugar and three artificial sweeteners, resulting in a soft drink that has 60 calories—60 percent less than regular Pepsi-Cola. Pepsi Next will battle for market share in the mid-calorie segment of soft drinkers who want both taste and low calories. Pepsi's taste tests for Pepsi Next, conducted in 2011, exceeded the firm's expectations. A potential showstopper: In the past, mid-calorie soft drinks Pepsi XL (1995), Pepsi Edge (2004), and Coca-Cola C2 (2004) all failed as "transition" sodas from regular to diet. Will Pepsi Next be next? As always, you'll be the judge![11]

Firms spend billions of dollars annually on marketing and technical research that significantly reduces, but doesn't eliminate, new-product failure. So meeting the changing needs of consumers is a continuing challenge for firms around the world.

Studying late at night for an exam and being hungry, you decide to microwave a bag of Hot Pockets Snackers bite-sized sandwiches. Is this a need or want? The text discusses the role of marketing in influencing decisions like this.

Consumer Needs and Consumer Wants Should marketing try to satisfy consumer needs or consumer wants? Marketing tries to do both. Heated debates rage over this question, fueled by the definitions of needs and wants and the amount of freedom given to prospective customers to make their own buying decisions.

A *need* occurs when a person feels deprived of basic necessities such as food, clothing, and shelter. A *want* is a need that is shaped by a person's knowledge, culture, and personality. So if you feel hungry, you have developed a basic need and desire to eat something. Let's say you then want to eat an apple or a microwave snack because, based on your past experience, you know these will satisfy your hunger need. Effective marketing, in the form of creating an awareness of good products at convenient locations, can clearly shape a person's wants.

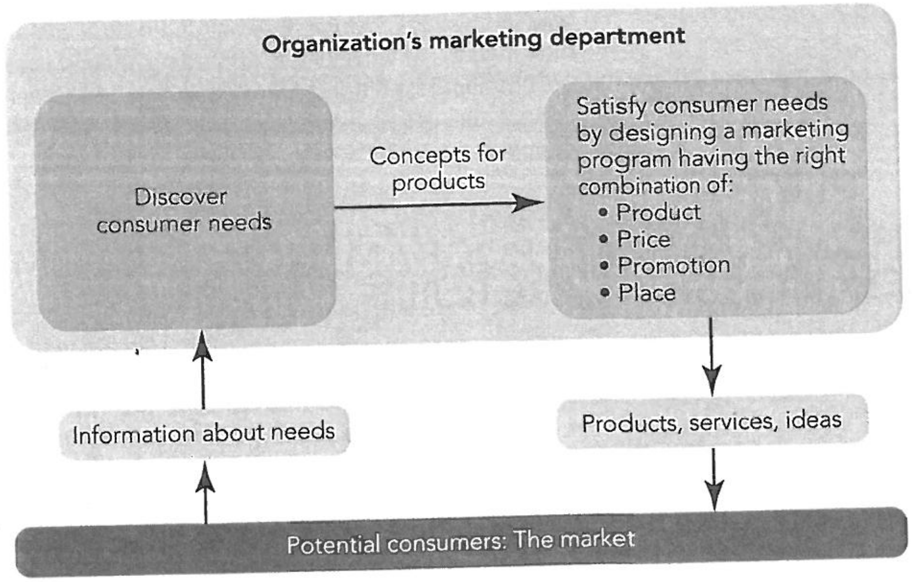
Certainly, marketing tries to influence what we buy. A question then arises: At what point do we want government and society to step in to protect consumers? Most consumers would say they want government to protect us from harmful drugs and unsafe cars but not from candy bars and soft drinks. To protect college students, should government restrict their use of credit cards?[12] Such questions have no clear-cut answers, which is why legal and social issues are central to marketing. Because even psychologists and economists still debate the exact meanings of *need* and *want*, we shall use the terms interchangeably throughout the book.

As shown in the left side of Figure 1–3, discovering needs involves looking carefully at prospective customers, whether they are children buying M&Ms candy, college students buying highlighters, or firms buying Xerox color copiers. A principal activity of a firm's marketing department is to scrutinize its consumers to understand what they need and want and the forces that shape those needs and wants.

market
People with both the desire and the ability to buy a specific offering.

What a Market Is Potential consumers make up a **market**, which is people with both the desire and the ability to buy a specific offering. All markets ultimately are people. Even when we say a firm bought a Xerox copier, we mean one or several people in the firm decided to buy it. People who are aware of their unmet needs may have the desire to buy the product, but that alone isn't sufficient. People must also have the ability to buy, such as the authority, time, and money. People may even "buy" an idea that results in an action, such as having their blood pressure checked annually or turning down their thermostat to save energy.

FIGURE 1–3
Marketing seeks first to discover consumer needs through extensive research. It then seeks to satisfy those needs by successfully implementing a marketing program possessing the right combination of the marketing mix—the four Ps.



Satisfying Consumer Needs

target market
One or more specific groups of potential consumers toward which an organization directs its marketing program.

Marketing doesn't stop with the discovery of consumer needs. Because the organization obviously can't satisfy all consumer needs, it must concentrate its efforts on certain needs of a specific group of potential consumers. This is the **target market**—one or more specific groups of potential consumers toward which an organization directs its marketing program.

LO3

The Four Ps: Controllable Marketing Mix Factors Having selected its target market consumers, the firm must take steps to satisfy their needs, as shown in the right side of Figure 1–3. Someone in the organization's marketing department, often the marketing manager, must develop a complete marketing program to reach consumers by using a combination of four tools, often called "the four Ps"—a useful shorthand reference to them first published by Professor E. Jerome McCarthy:[13]

- *Product.* A good, service, or idea to satisfy the consumer's needs.
- *Price.* What is exchanged for the product.
- *Promotion.* A means of communication between the seller and buyer.
- *Place.* A means of getting the product to the consumer.

marketing mix
The controllable factors—product, price, promotion, and place—that the marketing manager can use to solve a marketing problem.

customer value proposition
A cluster of benefits that an organization promises customers to satisfy their needs.

environmental forces
The uncontrollable social, economic, technological, competitive, and regulatory forces that affect the results of a marketing decision.

We'll define each of the four Ps more carefully later in the book, but for now it's important to remember that they are the elements of the **marketing mix**. These four elements are the controllable factors—product, price, promotion, and place—that can be used by the marketing manager to solve a marketing problem. For example, when a company puts a product on sale, it is changing one element of the marketing mix—namely, the price. The marketing mix elements are called *controllable factors* because they are under the control of the marketing department in an organization.

Designing an effective marketing mix also conveys to potential buyers a clear **customer value proposition**, which is a cluster of benefits that an organization promises customers to satisfy their needs. For example, Walmart's customer value proposition can be described as "everyday low prices for a broad range of products that are always in stock in convenient locations." Michelin's customer value proposition can be summed up as "providing safety-conscious parents greater security in tires at a premium price."[14]

The Uncontrollable, Environmental Forces While marketers can control their marketing mix factors, there are forces that are mostly beyond their control (see Figure 1–2). These are the **environmental forces** in a marketing decision, those involving social, economic, technological, competitive, and regulatory forces. Examples are what consumers themselves want and need, changing technology, the state of the economy in terms of whether it is expanding or contracting, actions that competitors take, and government restrictions. Covered in detail in Chapter 3, these five forces may serve as accelerators or brakes on marketing, sometimes expanding an organization's marketing opportunities while at other times restricting them.

THE MARKETING PROGRAM: HOW CUSTOMER RELATIONSHIPS ARE BUILT

LO4

An organization's marketing program connects it with its customers. To clarify this link, we will first discuss the critically important concepts of customer value, customer relationships, and relationship marketing. Then we will illustrate these concepts using 3M's marketing program for its new Post-it® products for students.

Customer Value and Customer Relationships

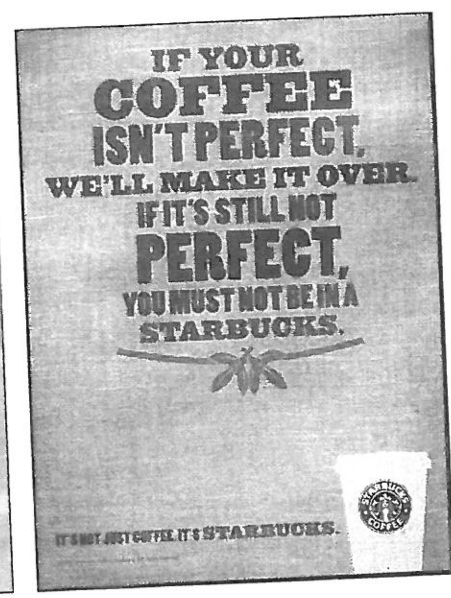
Intense competition in today's fast-paced domestic and global markets has caused massive restructuring of many American industries and businesses. American managers are seeking ways to achieve success in this new, more intense level of global competition.

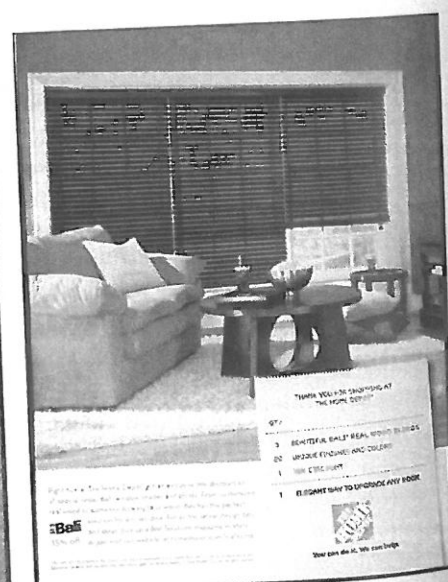
This has prompted many successful U.S. firms to focus on "customer value." That firms gain loyal customers by providing unique value is the essence of successful marketing. What is new, however, is a more careful attempt at understanding how a firm's customers perceive value and then actually creating and delivering that value.[15] For our purposes, **customer value** is the unique combination of benefits received by targeted buyers that includes quality, convenience, on-time delivery, and both before-sale and after-sale service at a specific price. Loyal, satisfied customers are likely to repurchase more over time.[16] Firms now actually try to place a dollar value on the purchases of loyal, satisfied customers during their lifetimes. For example, loyal Kleenex customers average 6.7 boxes a year, about $994 over 60 years in today's dollars (see question 2, Figure 1–1).[17]

customer value
Buyers' benefits, including quality, convenience, on-time delivery, and before- and after-sale service at a specific price.

Research suggests that firms cannot succeed by being all things to all people. Instead, firms must find ways to build long-term customer relationships to provide unique value that they alone can deliver to targeted markets. Many successful firms have chosen to deliver outstanding customer value with one of three value strategies: best price, best product, or best service.[18]

Southwest Airlines, Starbucks, and Home Depot provide customer value using three very different approaches. For their strategies, see the text.





Companies such as Walmart, Southwest Airlines, and Costco have all been successful offering consumers the best price. Other companies, such as Starbucks, Nike, and Johnson & Johnson, claim to provide the best products on the market. Finally, companies such as Marriott, Lands' End, and Home Depot deliver value by providing exceptional service.

Relationship Marketing and the Marketing Program

A firm achieves meaningful customer relationships by creating connections with its customers through careful coordination of the product, its price, the way it's promoted, and how it's placed.

Relationship Marketing: Easy to Understand, Hard to Do The hallmark of developing and maintaining effective customer relationships is today called **relationship marketing**, which links the organization to its individual customers, employees, suppliers, and other partners for their mutual long-term benefit. In terms of selling a product, relationship marketing involves a personal, ongoing relationship between the organization and its individual customers that begins before and continues after the sale.[19]

relationship marketing
Linking the organization to its individual customers, employees, suppliers, and other partners for their mutual long-term benefit.

Huge manufacturers find this rigorous standard of relationship marketing difficult to achieve. Today's information technology, along with cutting-edge manufacturing and marketing processes, has led to tailoring products or services to the tastes of individual customers in high volumes at a relatively low cost. So you can place an Internet order for all the components of an Apple iMac and have it delivered in four or five days—in a configuration tailored to your unique wants. But with today's Internet purchases, you will probably have difficulty achieving the same personal, tender-loving care connection that you once had with your neighborhood computer store, bookstore, or other local retailer.[20]

The Marketing Program

Effective relationship marketing strategies help marketing managers discover what prospective customers need. They must translate this information into some concepts for products the firm might develop (see Figure 1–3). These concepts must then be converted into a tangible **marketing program**—a plan that integrates the marketing mix to provide a good, service, or idea to prospective buyers. These prospects then react to the offering favorably (by buying) or unfavorably (by not buying), and the process is repeated. As shown in Figure 1–3, in an effective organization this process is continuous: Consumer needs trigger product concepts that are translated into actual products that stimulate further discovery of consumer needs.

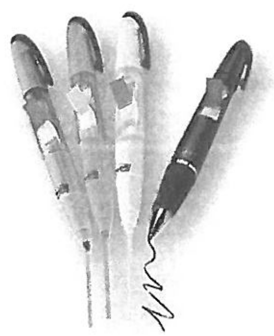
marketing program
A plan that integrates the marketing mix to provide a good, service, or idea to prospective buyers.

learning review

4. An organization can't satisfy the needs of all consumers, so it must focus on one or more subgroups, which are its ________________.
5. What are the four marketing mix elements that make up the organization's marketing program?
6. What are environmental forces?

3M's Strategy and Marketing Program to Help Students Study

To see some specifics of an actual marketing program, let's return to our earlier example of 3M inventor David Windorski and his search for a way to combine felt-tip highlighters and 3M's Post-it® Notes or Post-it® Flags to help college students in their studying.



3M's initial product line of Post-it® Flag Highlighters and Post-it® Flag Pens includes variations in color and line widths.

Moving from Ideas to a Marketable Highlighter Product After working on 15 or 20 wood and clay models, Windorski concluded he had to build a highlighter product that would dispense Post-it® Flags because the Post-it® Notes were simply too large to put inside the barrel of a highlighter.

Hundreds of the initial highlighter prototypes with Post-it® Flags inside were produced and given to students—and also office workers—to get their reactions. This research showed users wanted a convenient, reliable cover to protect the Post-it® Flags in the highlighter. So Windorski's rotating cover for the Post-it® Flags was born.

Adding the Post-it® Flag Pen Most of David Windorski's initial design energies under 3M's 15 Percent Rule had gone into his Post-it® Flag Highlighter research and development. But Windorski also considered other related products. Many people in offices need immediate access to Post-it® Flags while writing with pens. Students are a potential market for this product, too, but probably a smaller market segment than office workers.

A Marketing Program for the Post-it® Flag Highlighter and Pen After several years of research, development, and production engineering, 3M introduced its new products. Figure 1–4 outlines the strategies for each of the four marketing mix elements in 3M's program to market its Post-it® Flag Highlighters and Post-it® Flag Pens. Although similar, we can compare the marketing program for each of the two products:

- *Post-it® Flag Highlighter.* The target market is mainly college students, so 3M's initial challenge was to build student awareness of a product that they didn't know existed. The company used a mix of print ads in college newspapers and a

FIGURE 1–4
Marketing programs for the launch of two Post-it® brand products targeted at two customer market segments.

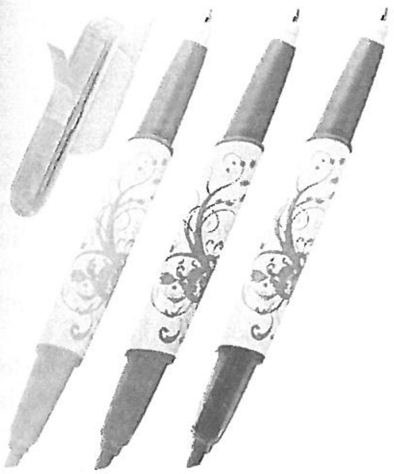
MARKETING MIX ELEMENT	MARKETING PROGRAM ACTIVITY TO REACH: COLLEGE STUDENT SEGMENT	OFFICE WORKER SEGMENT	RATIONALE FOR MARKETING PROGRAM ACTIVITY
Product strategy	Offer Post-it® Flag Highlighter to help college students in their studying	Offer Post-it® Flag Pen to help office workers in their day-to-day work activities	Listen carefully to the needs and wants of potential customer segments to use 3M technology to introduce a useful, innovative product
Price strategy	Seek retail price of about \$3.99 to \$4.99 for a single Post-it® Flag Highlighter or \$5.99 to \$7.99 for a three-pack	Seek retail price of about \$3.99 to \$4.99 for a single Post-it® Flag Pen; wholesale prices are less	Set prices that provide genuine value to the customer segment being targeted
Promotion strategy	Run limited promotion with a TV ad and some ads in college newspapers and then rely on student word-of-mouth messages	Run limited promotion among distributors to get them to stock the product	Increase awareness among potential users who have never heard of this new, innovative 3M product
Place strategy	Distribute Post-it® Flag Highlighters through college bookstores, office supply stores, and mass merchandisers	Distribute Post-it® Flag Pens through office wholesalers and retailers and mass merchandisers	Make it easy for prospective buyers to buy at convenient retail outlets (both products) or to get at work (Post-it® Flag Pens only)

QR 1–3
3M Flag Highlighters Ad

TV ad and then relied on word-of-mouth advertising—students telling their friends how great the product is. Gaining distribution in college bookstores and having attractive packaging was also critical. Plus, 3M charged a price to distributors that it hoped would give a reasonable bookstore price to students and an acceptable profit to distributors and 3M.

- *Post-it® Flag Pen.* The primary target market is people working in offices. But some students are potential customers, so 3M gained distribution in some college bookstores of Post-it® Flag Pens, too. But the Post-it® Flag Pens are mainly business products—bought by the purchasing department in an organization and stocked as office supplies for employees to use. So the marketing program in Figure 1–4 reflects the different distribution or "place" strategies for the two products.

How well did these new 3M products do in the marketplace? They have done so well that 3M bestowed a prestigious award on David Windorski and his team. In what must be considered any inventor's dream come true, Oprah Winfrey flew David Windorski to Chicago to appear on her TV show and thank him in person. She told Windorski and her audience that the Post-it® Flag Highlighter is changing the way she does things at home and at work—especially in going through potential books she might recommend for her book club. "David, I know you never thought this would happen when you were in your 3M lab . . . but I want you to take a bow before America for the invention of this . . . (highlighter). It's the most incredible invention," she said.[21]



Welcome to the third generation of Post-it® Flag Highlighters: the 3-in-1 Post-it® Flag Pen and Highlighter. The cap contains the Post-it® flags.

Extending the Product Line The success of these two products has also led Windorski to design a second generation of Post-it® Flag Highlighters and Pens *without* the rotating cover to make it easier to insert replacement flags. The new tapered design is also easier for students to hold and use.

The success of the second generation of Post-it® Flag Highlighters, in turn, has spawned a family of related products. One is a line of Post-it® Flag Pens with yellow, pink, or blue inks, available individually or in a three-pack.

Is it too much trouble when you're studying to grab for a 3M Post-it® Flag, then a highlighter, and then your pen? You're in luck! New to the family of 3M products is the latest generation of David Windorski's innovations: A 3-in-1 combination that has a highlighter on one end, a pen on the other, and 3M Post-it® Flags on top, as shown in the photo.

HOW MARKETING BECAME SO IMPORTANT

LO5

To understand why marketing is a driving force in the modern global economy, let us look at (1) the evolution of the market orientation, (2) ethics and social responsibility in marketing, and (3) the breadth and depth of marketing activities.

Evolution of the Market Orientation

Many American manufacturers have experienced four distinct stages in the life of their firms.[22] The first stage, the *production era,* covers the early years of the United States up until the 1920s. Goods were scarce and buyers were willing to accept virtually any goods that were available and make do with them.[23] In the *sales era* from the 1920s to the 1960s, manufacturers found they could produce more goods than buyers could consume. Competition grew. Firms hired more salespeople to find new buyers. This sales era continued into the 1960s for many American firms.

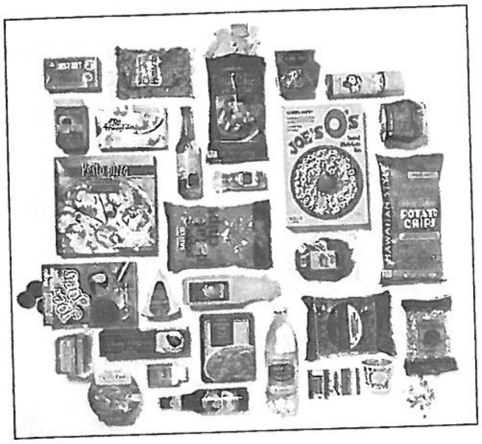
marketing concept
The idea that an organization should strive to satisfy the needs of consumers while also trying to achieve the organization's goals.

Starting in the late 1950s, marketing became the motivating force among many American firms and the *marketing concept era* dawned. The **marketing concept** is the idea that an organization should (1) strive to satisfy the needs of consumers (2) while also trying to achieve the organization's goals. General Electric probably launched the marketing concept and its focus on consumers when its 1952 annual report stated: "The concept introduces . . . marketing . . . at the beginning rather than the end of the production cycle and integrates marketing into each phase of the business."[24]

Firms such as General Electric, Facebook, and Marriott have achieved great success by putting huge effort into implementing the marketing concept, giving their firms what has been called a *market orientation.* An organization that has a **market orientation** focuses its efforts on (1) continuously collecting information about customers' needs, (2) sharing this information across departments, and (3) using it to create customer value.[25] The result is today's *customer relationship era*, in which firms seek continuously to satisfy the high expectations of customers.

market orientation
Focusing organizational efforts to collect and use information about customers' needs to create customer value.

This focus on customers has led to *customer relationship management (CRM)*, the process of identifying prospective buyers, understanding them intimately, and developing favorable long-term perceptions of the organization and its offerings so that buyers will choose them in the marketplace.[26] This requires the commitment of managers and employees throughout the organization.[27]



Fortune magazine recently named Trader Joe's its "hottest retailer." This reflects the company's focus on providing a great customer experience—from the low prices on its own brands (shown here) to an employee walking a customer personally to the roasted chestnuts rather than just saying "aisle five."

The foundation of customer relationship management is really *customer experience*, which is the internal response that customers have to all aspects of an organization and its offering. This internal response includes both the direct and indirect contacts of the customer with the company. Direct contacts include the customer's contacts with the seller through buying, using, and obtaining service. Indirect contacts most often involve unplanned "touches" with the company through word-of-mouth comments from other customers, reviewers, and news reports.

In terms of outstanding customer experience, Trader Joe's is high on the list and was named "America's hottest retailer" by *Fortune* magazine in 2010.[28] What makes the customer experience and loyalty of shoppers at Trader Joe's unique? The reasons include:

- Setting low prices, made possible by offering its own brands rather than well-known national ones.
- Offering unusual, affordable products not available from other retailers, like Thai lime-and-chili cashews.
- Providing rare employee "engagement" to help customers, like actually walking them to where the roasted chestnuts are—rather than saying "aisle five."

This commitment to providing a *real* customer experience, rather than just paying lip service to it, is what gives Trader Joe's its *Fortune* rating.[29]

Ethics and Social Responsibility: Balancing Interests of Groups

Today, the standards of marketing practice have shifted from an emphasis on producers' interests to consumers' interests. Organizations increasingly consider the social and environmental consequences of their actions for all parties.

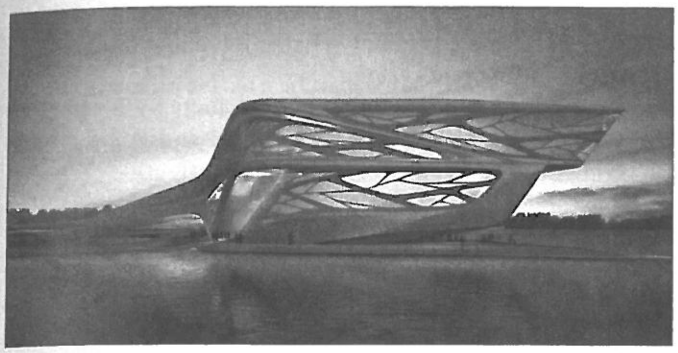
Ethics Many marketing issues are not specifically addressed by existing laws and regulations. Should information about a firm's customers be sold to other organizations? Should consumers be on their own to assess the safety of a product? These questions raise difficult ethical issues. Many companies, industries, and professional associations have developed codes of ethics to assist managers.

Social Responsibility While many ethical issues involve only the buyer and seller, others involve society as a whole. A manufacturer dumping toxic wastes into streams has an impact on the environment and society. This example illustrates the issue of social responsibility, the idea that individuals and organizations are accountable to a larger society. The well-being of society at large should be recognized in an

societal marketing concept
The view that organizations should satisfy the needs of consumers in a way that also provides for society's well-being.

organization's marketing decisions. In fact, some marketing experts stress the **societal marketing concept**, the view that an organization should discover and satisfy the needs of its consumers in a way that also provides for society's well-being.[30] For example, Scotchbrite® Never Rust™ soap pads from 3M—which are made from recycled plastic bottles—are more expensive than competitors' products (SOS and Brillo) but superior because they don't rust or scratch (see question 3, Figure 1–1).

The Breadth and Depth of Marketing



Strategies in marketing art museums include planning new "satellite" museums like this one for the Louvre in Abu Dhabi.

Marketing today affects every person and organization. To understand this, let's analyze (1) who markets, (2) what is marketed, (3) who buys and uses what is marketed, (4) who benefits from these marketing activities, and (5) how they benefit.

Who Markets? Every organization markets. It's obvious that business firms involved in manufacturing (Heinz), retailing (Trader Joe's), and providing services (Marriott) market their offerings. And nonprofit organizations such as your local hospital, your college, places (cities, states, countries), and even special causes (Race for the Cure) also engage in marketing. Finally, individuals such as political candidates often use marketing to gain voter attention and preference.[31]

What Is Marketed? Goods, services, and ideas are marketed. *Goods* are physical objects, such as toothpaste, cameras, or computers, that satisfy consumer needs. *Services* are intangible items such as airline trips, financial advice, or art museums. *Ideas* are thoughts about concepts, actions, or causes.

product
A good, service, or idea consisting of a bundle of tangible and intangible attributes that satisfies consumers' needs and is received in exchange for money or something else of value.

In this book, goods, services, and ideas are all considered "products" that are marketed. So a **product** is a good, service, or idea consisting of a bundle of tangible and intangible attributes that satisfies consumers' needs and is received in exchange for money or something else of value.

Services like those offered by art museums, hospitals, and sports teams are relying more heavily on effective marketing. For example, financial pressures have caused art museums to innovate to market their unique services—the viewing of artworks by visitors—to increase revenues. This often involves levels of rare creativity unthinkable several decades ago.

QR 1–4
Hermitage
Tour Video

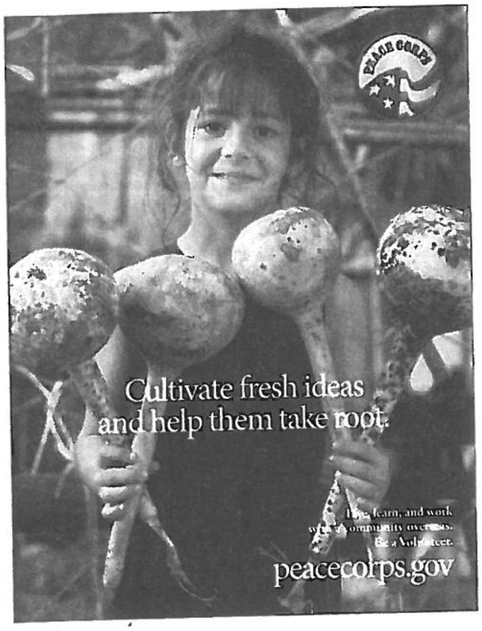
This creativity ranges from establishing a global brand identity by launching overseas museums to offering sit-at-home video tours. France's Louvre, home to the *Mona Lisa* painting, is developing a new satellite museum in Abu Dhabi housed in an architecturally space-age building.[32] Russia's world-class 1,000-room State Hermitage Museum wanted to find a way to market itself to potential first-time visitors. So it partnered with IBM to let you take a "virtual tour" of its exhibits while watching on your iPad and relaxing. To be a "virtual tourist," go to www.hermitagemuseum.org and click on the "Virtual Visit" link.

Ideas are most often marketed by nonprofit organizations or the government. So the Nature Conservancy markets the cause of protecting the environment. Charities market the idea that it's worthwhile for you to donate your time or money. And state governments in Arizona and Florida market taking a warm, sunny winter vacation in their states.

ultimate consumers
The people who use the products and services purchased for a household.

organizational buyers
Manufacturers, wholesalers, retailers, and government agencies that buy products and services for their own use or for resale.

Who Buys and Uses What Is Marketed? Both individuals and organizations buy and use goods and services that are marketed. **Ultimate consumers** are the people—whether 80 years or eight months old—who use the products and services purchased for a household. In contrast, **organizational buyers** are those manufacturers, wholesalers, retailers, and government agencies that buy products and services for their



Effective marketing can benefit society like marketing the idea of volunteering for the Peace Corps.

own use or for resale. Although the terms *consumers, buyers,* and *customers* are sometimes used for both ultimate consumers and organizations, there is no consistency on this. In this book you will be able to tell from the example whether the buyers are ultimate consumers, organizations, or both.

Who Benefits? In our free-enterprise society there are three specific groups that benefit from effective marketing: consumers who buy, organizations that sell, and society as a whole. True competition between products and services in the marketplace ensures that consumers can find value from the best products, the lowest prices, or exceptional service. Providing choices leads to the consumer satisfaction and quality of life that we expect from our economic system.

Organizations that provide need-satisfying products with effective marketing programs—for example, Target, IBM, and Avon—have blossomed. But competition creates problems for ineffective competitors, such as eToys and hundreds of other dot-com businesses that failed a decade ago.

Finally, effective marketing benefits society.[33] It enhances competition, which both improves the quality of products and services and lowers their prices. This makes countries more competitive in world markets and provides jobs and a higher standard of living for their citizens.

utility
The benefits or customer value received by users of the product.

How Do Consumers Benefit? Marketing creates **utility**, the benefits or customer value received by users of the product. This utility is the result of the marketing exchange process and the way society benefits from marketing. There are four different utilities: form, place, time, and possession. The production of the product or service constitutes *form utility. Place utility* means having the offering available where consumers need it, whereas *time utility* means having it available when needed. *Possession utility* is the value of making an item easy to purchase through the provision of credit cards or financial arrangements. Marketing creates its utilities by bridging space (place utility) and hours (time utility) to provide products (form utility) for consumers to own and use (possession utility).

learning review

7. What are the two key characteristics of the marketing concept?
8. What is the difference between ultimate consumers and organizational buyers?

LEARNING OBJECTIVES REVIEW

LO1 *Define marketing and identify the diverse factors influencing marketing activities.*
Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. This definition relates to two primary goals of marketing: (*a*) discovering the needs of prospective customers and (*b*) satisfying them. Achieving these two goals also involves the four marketing mix factors largely controlled by the organization and the five environmental forces that are generally outside its control.

LO2 *Explain how marketing discovers and satisfies consumer needs.*
The first objective in marketing is discovering the needs and wants of consumers who are prospective buyers and customers. This is not easy because consumers may not always know or be able to describe what they need and want. A need occurs when a person feels deprived of basic necessities such as food, clothing, and shelter. A want is a need that is shaped by a person's knowledge, culture, and personality. Effective marketing can clearly shape a person's wants and tries to influence what he or she buys. The second objective in marketing is satisfying the needs of targeted consumers. Because an organization obviously can't satisfy all consumer needs, it must concentrate its efforts on certain needs of a specific group of potential consumers or target market—one or more specific groups of potential consumers toward which an organization directs its marketing program. Having selected its target market consumers, the organization then takes action to satisfy their needs by developing a unique marketing program to reach them.