Chapter 13
Marketing in Today’s World

Section 13.2
Market Research and Product Development

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

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

Key Concepts
- Market Research
- The Seven Steps of Product Development

Key Term
- market research: the gathering and analysis of information on the size, location, and makeup of a market
- marketing concept: determining the wants and needs of customers and providing them more efficiently than competitors

- demographics: facts about the population, including age, gender, location, and income
- target marketing: focusing on the people most likely to buy a company’s goods and services
**Key Term**

**Market Segmentation**
the division of a market for a product into groups of customers who have the same needs and traits

test-market
offering a product in a limited market for a limited time

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**Market Research**

Market research helps businesses make decisions.

**Key Term**

market research
the gathering and analysis of information on the size, location, and makeup of a market

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**Market Research**

A marketing concept helps companies to produce and market products and services that attract customers.

**Key Term**

marketing concept
determining the wants and needs of customers and providing them more efficiently and effectively than competitors

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**Information About Consumers**

Marketers analyze and label their markets by demographics.

**Key Term**

demographics
facts about the population, including age, gender, location, and income

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**Graphic Organizer**

Sources of Demographic Information
- Surveys
- Sales Figures
- The Census
- Databases

**Information About Consumers**

After studying a market, marketers use target marketing.

**Key Term**
target marketing
focusing on the people most likely to buy a company’s goods and services
Information About Consumers

Once marketers know the demographics of a market, they can use **market segmentation** in their target marketing.

**Key Term**
- **market segmentation**: the division of a market for a product into groups of customers who have the same needs and traits.

Conducting Market Research

**Figure 12.1** The Seven Steps of Product Development

New products energize the marketplace.

Companies take seven steps in developing a new product.

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**Section 13.2** Market Research and Product Development

**The Seven Steps of Product Development**

1. **Step 1: Generate Ideas**
   - Workers often get together for brainstorming.
   - People from a company’s development department, the marketing research staff, and even outside market researchers may be involved.

2. **Step 2: Screen Ideas**
   - After a list of ideas for a new product is completed, the team must evaluate each idea.
   - **How do these ideas fit the company’s mission and strategy?**
   - **Does the new product compete with one of the company’s existing products?**
   - **If the product’s concept seems risky, should the company ask consumers about the creative concept?**
Step 3: Develop a Business Plan

The business plan provides a look at the market, including estimated sales, costs, profit potential, market trends, and competing products.

Step 5: Test-Market the Product

Marketers need to test-market a product after the product is fully developed.

**Key Term**

**test-market** offering a product in a limited market for a limited time

Step 5: Test-Market the Product

The goal of test-marketing is to collect customers’ responses to see if the product is likely to be a success.

Step 6: Introduce the Product

A publicity campaign introduces the product. The costs of launching a new product are often high.

Step 6: Introduce the Product

The company has a short time in the market before competitors start developing similar products.

Step 7: Evaluate Customer Acceptance

Once the product is introduced, marketers track customers and their responses to it.
The Functions of Marketing

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

1. Who are our best customers?
2. What new products are they buying?
3. How often do customers buy the new product?

Product Failures

Not all products that are test-marketed succeed. After Ford\textsuperscript{®} introduced the Edsel in 1958, the car failed to meet sales expectations. Marketing experts say Ford did not understand U.S. consumers.

1. What are some tools used by market researchers?
   - surveys, sales figures for existing products, databases, and the census

2. What are the seven steps of product development?
   - generate ideas, screen ideas, develop a business plan, develop the product, test-market the product, introduce the product, and evaluate acceptance

3. How can a company know if its new product is succeeding?
   - Companies can evaluate success by tracking customer responses.