

**CHAPTER
10**

Understanding the Customer

Part 1: Content Review

Matching

Write the letter for the correct term for each definition on the line provided.

- | | |
|---|--|
| <p>_____ 1. Behavior and actions taken by people to satisfy their needs and wants, including what they buy.</p> <p>_____ 2. Influence that comes from within a person and explains why a person has certain needs and wants.</p> <p>_____ 3. Order in which certain needs are satisfied before others.</p> <p>_____ 4. Expression of a person's true self through reaching personal goals and helping others.</p> <p>_____ 5. Internal push that causes a person to act.</p> <p>_____ 6. Reason a consumer seeks and buys a product or service.</p> <p>_____ 7. Numerical system used to classify businesses and collect economic statistics.</p> <p>_____ 8. Includes national, state, and local governmental offices and agencies that buy a wide variety of goods.</p> <p>_____ 9. Motivator or change factor from outside the business.</p> <p>_____ 10. Type of business that provides services.</p> | <p>Terms</p> <p>A. buying motive</p> <p>B. consumer behavior</p> <p>C. external influence</p> <p>D. government market</p> <p>E. hierarchy of needs</p> <p>F. motive</p> <p>G. North American Industry Classification System (NAICS)</p> <p>H. psychological influence</p> <p>I. self-actualization</p> <p>J. service business</p> |
|---|--|

Completion

Fill in the blanks with the term that best completes each sentence.

Terms

- | | | |
|----------------------------------|-------------------------|-------------------------|
| consumer decision-making process | internal influence | routine buying decision |
| extensive buying decision | limited buying decision | situational influence |
| institution | producer | value |
| | reference group | |

1. A(n) _____ is a specific group of people that influences our attitudes, beliefs, and behavior.
2. The _____ is a series of steps people take when making buying decisions.
3. The relative worth of something is its _____.
4. A purchase made quickly and with little thought is a(n) _____.

5. A(n) _____ is making a purchase that requires some amount of research and planning.
6. Making a purchase that involves a great deal of research and planning is a(n) _____.
7. An organization, such as a public or private nonprofit, is a(n) _____.
8. A(n) _____ buy raw materials and equipment which they use to make products and product components.
9. A buying influence from the environment is a(n) _____.
10. A motivator or change factor that comes from within the business itself is a(n) _____.

True or False

Decide whether each statement is true or false. If the statement is true, write *True* on the line provided. If the statement is false, write *False* and rewrite the statement to make it true.

1. The debtor-creditor relationship is a legal relationship existing between two parties.

2. According to Maslow, the strongest need is for safety.

3. There are not many rewards to a business for extending credit to customers.

4. Research shows people will often spend more money when using a credit card than if they are paying with cash.

5. Having a credit policy in place can help guide the process of extending credit.

6. When extending credit, the cash flow of the business does not need to be monitored.

7. Credit reports are issued by credit bureaus.

Name _____

8. The creditworthiness of an applicant is evaluated based on the two Cs of credit: character and capacity.

9. A purchase made with planning and research is an impulse buying decision.

10. The purpose of an aging report is to indicate which receivables are more urgent to collect because they have been past due for a shorter period of time.

Part 2: Concept Review

Maslow's Hierarchy of Needs

Many promotional slogans appeal directly to the different needs that were identified by Maslow in his Hierarchy of Needs theory. Read the list of promotional slogans that follows. Then, match each slogan to one of Maslow's needs listed in the questions that follow. Write the slogan and the name of company that uses it in the space provided.

Promotional Slogan

- "A diamond is forever."
- "A mind is a terrible thing to waste."
- "Advanced medicine for pain"
- "Because I'm worth it."
- "Drivers wanted."
- "Four doors never felt so secure."
- "Got milk?"
- "It's everywhere you want to be."
- "Just do it."
- "M'm! M'm! Good!"
- "This is no place for germs."
- "Unlike any other"
- "What's in your wallet?"
- "When you care enough to send the very best"
- "You're in good hands with Allstate."

Company and Product

- DeBeers diamonds
- United Negro College Fund
- Advil pain reliever
- L'Oréal cosmetics
- Volkswagen automobiles
- Volvo automobiles
- California Milk Processor Board
- VISA credit cards
- Nike athletic wear
- Campbell's Soup foods
- Lysol cleaning products
- Mercedes-Benz automobiles
- Capital One credit cards
- Hallmark greeting cards
- Allstate Insurance products

Physical Needs

1. Pain relief: _____
2. Thirst: _____
3. Hunger: _____

Safety Needs

4. Safety from accidents: _____
5. Safety from financial disaster: _____
6. Safety from germs and disease: _____

Acceptance Needs

7. Affection: _____
8. Belonging: _____
9. Fitting in: _____

Esteem Needs

10. Prestige: _____
11. Quality: _____
12. Self-image: _____

Self-Actualization Needs

13. Adventure: _____
14. Aspirations: _____
15. Knowledge: _____

Business Buying Influences

Influences on business buying decisions include internal, external, and situational influences. Read the scenarios that follow. Then, using complete sentences, answer the questions that follow to determine the influences on the buying decisions.

1. The president of a printing firm decided the company should purchase a costly new press that can also be programmed to make a variety of folds, such as alternating, diagonal, and accordion folds. Last year, the company had only two orders for these folds. However, the president does not want to turn away business or outsource any order, so the buyer must get bids for a new press. Which type of influence has affected this business decision? Explain your reasoning.

Name _____

- 2. A natural disaster, such as an earthquake or hurricane, can lead to expansion for some businesses. Companies that offer cleaning, construction, insurance, landscaping services, and general household goods can make a profit when there is an increased need for their products. A disaster clean-up company expanded its business operations following a violent hurricane season. Which type of influence has affected this business decision? Explain your reasoning.

- 3. Travel on Two is a manufacturer of scooters, bicycles, and mopeds. The outside marketing firm hired by the company noticed a revival in popularity of the Vespa, a comfortable Italian motor scooter. The marketers urged the company to launch its own version of this vintage vehicle. The company moved forward with manufacturing its own version of the Vespa. Which type of influence has affected this business decision? Explain your reasoning.

- 4. Luxurious Landscapes primarily markets its services to hotels, office buildings, and other large properties. Luxurious Landscapes is proud of the variety of colorful and unique plants it uses in its landscaping projects. Recently, one of the project managers approached the owner of the company with a presentation about how using local native plants in landscaping projects can have a positive impact on the environment. The presentation was persuasive, and the owner transitioned the business model to focus on offering the best and most beautiful native plants in its landscaping. Which type of influence has affected this business decision? Explain your reasoning.

- 5. Porter's is a seafood restaurant that offers a fun, casual dining experience for its customers. It was ranked as the most popular restaurant in town several years in a row. This year, a new seafood restaurant opened across town. The new restaurant features an open-air patio for outdoor dining. For the first time in years, Porter's experienced a sales decrease during the summer months. Porter's decided to build a new patio dining area to help it compete with the new restaurant. Which type of influence has affected this business decision? Explain your reasoning.

Part 3: Marketing Math

Estimating

Estimating is a useful skill for both consumers and marketers. It can give a person an idea of the total cost of several items when a calculator is not available. It can also be used to check calculations performed on a calculator. The estimate can help determine whether the answer is close or where a decimal point should go. Estimating and rounding go hand-in-hand. When estimating for addition, follow these steps.

1. Round each number to its largest place value.
2. Add the rounded numbers.

The following table shows two examples of estimating.

Example 1		Example 2	
Actual	Estimate	Actual	Estimate
3,465	3,000	23,456,790	20,000,000
2,891	3,000	67,922,563	70,000,000
6,782	7,000	81,103,528	80,000,000
1,935	2,000	77,834,652	80,000,000
8,324	8,000	34,291,298	30,000,000
Total	Total	Total	Total
23,397	23,000	284,608,831	280,000,000
Difference: 397		Difference: 4,608,831	
Percent error: 1.7%		Percent error: 1.6%	

How close are the estimates to the actual answers? To find the difference between the estimated actual totals, divide the difference between the two by the actual total. The result is the *percentage of error*.

In the first example, the actual total of 23,397 minus the estimated total of 23,000 is 397. The difference of 397 is then divided by the actual total of 23,397. The answer is 0.016967987, which rounds to 0.017, or 1.7 percent. A 1.7 percent of error is fairly low. The percent of error in example 2 is 1.6 percent.

In these examples, the value of the estimates is that they let you know the place value of your answer. This information is useful when the answer is one or more place values higher than the numbers that were added, as in both examples.

For the following addition problems, first estimate each number to the highest place value and total the estimated numbers. Then, total the actual numbers and find the difference. Finally, calculate the percent of error for each problem.

Name _____

Problem 1	
Actual	Estimate
27	
82	
49	
63	
91	
Total	Total
Difference:	
Percent error:	

Problem 2	
Actual	Estimate
674	
381	
926	
774	
829	
Total	Total
Difference:	
Percent error:	

Problem 3	
Actual	Estimate
1,477	
6,381	
9,243	
7,815	
6,224	
Total	Total
Difference:	
Percent error:	

Problem 4	
Actual	Estimate
27,843	
89,762	
96,724	
75,128	
63,139	
Total	Total
Difference:	
Percent error:	

Problem 5	
Actual	Estimate
104,673	
871,025	
624,643	
286,927	
452,871	
Total	Total
Difference:	
Percent error:	

Problem 6	
Actual	Estimate
1,674,285	
5,782,921	
3,241,638	
9,163,429	
6,803,114	
Total	Total
Difference:	
Percent error:	

Problem 7	
Actual	Estimate
29,842,214	
87,633,906	
53,192,041	
24,737,892	
92,822,755	
Total	Total
Difference:	
Percent error:	

Problem 8	
Actual	Estimate
253,671,704	
372,317,704	
326,984,368	
994,672,981	
864,355,584	
Total	Total
Difference:	
Percent error:	

Problem 9	
Actual	Estimate
4,453,974,624	
8,906,837,697	
7,631,504,465	
4,972,753,812	
3,148,613,537	
Total	Total
Difference:	
Percent error:	

Problem 10	
Actual	Estimate
57,876,298,041,737	
984,317,981,211	
2,763,428,006	
48,627,912	
6,482,938,544	
Total	Total
Difference:	
Percent error:	

Part 4: Be Your Own Leader

Business Leaders

Read about the following business leaders. Then, using complete sentences, answer the questions that follow.

Zhang Xin, CEO of SOHO China

As of 2017, SOHO China is the largest commercial real-estate developer in Beijing. Born to educated parents that were sent to be “reeducated” in rural China, Zhang Xin grew up poor. So poor, in fact, that at one time she slept on her mother’s desk with a dictionary as her pillow. As a teen, she worked 12-hour days in a sweatshop. However, once she had saved enough money, she bought a one-way ticket to London. That is where her business story begins. Xin learned the English language and earned a master’s degree in economic development. She went to work for Goldman Sachs on Wall Street in New York City. By 1994, however, she wanted to return home because the Chinese economy was

Name _____

changing. Xin met her husband in China and together they built SOHO China, which is worth over \$15 billion today. Zhang Xin and her company launched a foundation that donated \$100 million to education.

Daniel Ek, Founder of Spotify

Ek is a Swedish entrepreneur who developed the music-streaming service Spotify. Since its launch in 2008, it has achieved tremendous growth. In fact, *Billboard Magazine* said its impact in the United States “has been nothing short of transformative: in 2016, streaming accounted for 51 percent of music consumption in the United States, and Spotify dominated the category.” How did Ek do it? In the beginning, he focused Spotify on the music market in his home country of Sweden. Ek worked directly with music labels to forge deals that allowed for users to stream continuously, rather than purchase individual songs. He also created a company culture that reflected the music industry by hiring dozens of musicians. Ek and his company focused on providing a great listening experience for Spotify users.

Anne Mulcahy, CEO of Xerox

Mulcahy was selected to be the CEO of Xerox in the midst of a company financial crisis that could have forced it into bankruptcy. She refused to put the company into bankruptcy and took bold moves to change the company. She reduced the workforce, flew across the country to meet with current and former customers, and eventually turned the company back into a profitable global leader. Mulcahy not only turned the company around, she reinvented it. Her advice is, “Focus on client service instead of financial engineering.”

Jeff Bezos, Founder and CEO of Amazon.com

Bezos founded Amazon.com in 1994 and began operating the company out of his garage. Since then, the company has become a leading online retailer. If you ever made a purchase at Amazon.com and returned to the site to shop again, you may have noticed that Amazon.com made product recommendations for you. Amazon.com uses *predictive analytics* software to monitor your search history and buying habits and find products that match them. Bezos used the concept to revolutionize online shopping, making Amazon.com one of the fastest-growing companies of the 21st century.

- 1. Which of these business leaders do you want to learn more about?

- 2. Why did you select the person you used as your answer in question 1?

- 3. What leadership traits can help a person find business success?

4. Do you think leadership involves taking risks? Explain why or why not.

5. How can you apply what you learned about this individual to your own development as a leader?
