

# 3-3

## Getting More for Your Money

### GOALS

- Describe strategies used by businesses to sell goods and services, both in meeting and in creating demand.
- Discuss strategies consumers can use before, during, and after a purchase.

### KEY TERMS

- branding strategy, p. 94
- discount pricing, p. 94
- advertising, p. 94
- target audience, p. 94
- banner ads, p. 95
- pop-up ads, p. 95
- direct advertising, p. 95
- customer loyalty program, p. 96
- transit advertising, p. 96
- comparison shopping, p. 98

## What Are Selling Strategies?

Business owners take the risk of bringing products and services to the market. To stay in business, they must sell those products and services to customers and make a profit. Sellers must consider ways to meet demand as well as ways to create more demand for their products and services.

### MEETING DEMAND

Sellers use many strategies to promote products and services that customers buy to meet their needs and wants. Strategies may include having a convenient store location and convenient payment options, offering good customer service, and providing the right product at the right time and at the right price.

#### Convenience

One strategy businesses use to promote sales is to make shopping convenient and pleasant for customers. A store location that is easy for customers to find and near other businesses makes shopping there convenient. Providing a clean, comfortable, and safe place to buy goods and services makes the shopping experience pleasant.

As another convenience, many businesses offer customers a wide range of payment options. Customers may pay using cash, checks, debit cards, and credit cards.

#### Customer Service

Businesses depend on their employees to provide good customer service as a way to promote sales. Good customer service includes a warm, friendly greeting and prompt and courteous help when it is needed. A good customer service experience increases the chances that shoppers will return to the store to buy again. Satisfied customers also tell others about their experience. This word-of-mouth promotion is good for sales.



*What makes a buyer become a loyal, repeat customer?*

Poor customer service may keep shoppers from returning to buy again. Even if prices are low or the store is in a convenient location, shoppers may not return if they have had a bad experience. Dissatisfied customers will also tell others about their experience. This message can be very harmful to future sales.

### The Right Product and Price

Businesses try to make available to customers the types of products they need or want. Some businesses may try to meet customers' basic needs by selling food or clothing. Other businesses may try to appeal to a customer's need to save time by selling appliances such as washing machines, microwaves, or power tools. Customers who desire to feel or look young may shop at businesses that sell cosmetics, fitness equipment, or vitamin supplements.

Many consumers only want to buy brand-name products that are well known and dependable. Stores that use a **branding strategy** carry certain brands to attract customers who are loyal to those brands. Making the right products available to customers increases the chances of success for a business.

In addition to offering the right product to customers, businesses must charge the right price. Many businesses offer discount pricing. With **discount pricing**, a business offers the lowest everyday price possible. Because the business's prices are generally lower than those offered by competitors, it may need to cut costs by selling slightly lower-quality products, hiring fewer salespeople, and providing a less-appealing atmosphere or a less-convenient location. But customers who are very price sensitive will shop at the business to get the lower prices.

**branding strategy** carrying well-known brand names to attract customers who are loyal to those brands

**discount pricing** offering the lowest everyday price possible

## CREATING DEMAND

To sell goods, businesses may need to create or stimulate demand.

**Advertising** is informing consumers about products and encouraging them to buy. **Advertisements, or ads for short**, come in many different forms, but they all have the same **purpose—to attract customers**. Ads are created for a **target audience**, which is a specific group of people who are likely to buy the product.

**advertising** informing consumers about products and encouraging them to buy

**target audience** a specific group of people who are likely to buy a product

### Newspaper and Magazine Advertising

Placing ads in newspapers and magazines is a popular way to reach large numbers of people. The ad may promote a product or a company. It may be a short one-color ad or a full-page color ad showing many products. Typically, ads include special prices or other incentives to get customers into the store.

### Television and Radio Advertising

Television ads are very expensive, but they can reach millions of people. They are written to appeal to a target audience who is likely to be watching a specific program. For example, some groups watch news programs. Others are sure to tune in for sporting events. Companies design ads that will appeal to these target audiences. They run the ads on certain shows and at specific times.

Radio advertising attracts audiences with special interests. Radio programs range widely in content. News programs, talk shows, religious

messages, and many types of music can be found on the airwaves. Radio ads often involve appeals to emotions. They may use slogans or have catchy tunes. As with TV ads, radio ads target groups of people who are likely to be listening to a particular program.

## Internet Advertising

The Internet is a popular place to shop. Many types of advertising can be found on the Internet. **Banner ads** span the top, bottom, or sides of a web page. They have bold statements or pictures that grab the user's attention and invite them to click on a link for more information. **Pop-up ads** open new windows and "pop" onto the screen in front of the web page the user is viewing. The user must click "No" or a similar command to close them. Overuse of such ads on a site can be annoying, so advertisers should use them with caution. Some people buy special software to block pop-up ads.

Many online retailers customize ads to shoppers who have visited their site. The user logs in and does some shopping, while the site tracks the products clicked and web pages visited. The tracking is often done through the use of *cookies*, which are files created by the website that store information about the web visitor on his or her computer. Most cookies are harmless. They enable the website to recognize the shopper in the future. They may also contain information about products the user viewed or bought in the past. Using this information, the website may customize ads displayed on the web page or suggest additional items that would compliment a product in the visitor's shopping cart. Some online sellers share customer data with other websites. Shoppers may get e-mails, pop-ups, or other ads from online sellers they have never visited.

Some sellers send *electronic ads* in the form of e-mails to encourage customers to buy. These ads feature pictures and prices of products, special sales events, and discounts. As a customer, you can sign up to receive them and are usually able to opt out or unsubscribe if desired.

## Billboards, Signs, Circulars, and Brochures

Some businesses direct their advertising to the masses instead of a specifically targeted audience. These businesses consider all of the consumers in a general area as potential customers. Billboards and signs may be posted along highways or at store entrances. Circulars and brochures may be delivered by U.S. mail to every home within the business's zip code.

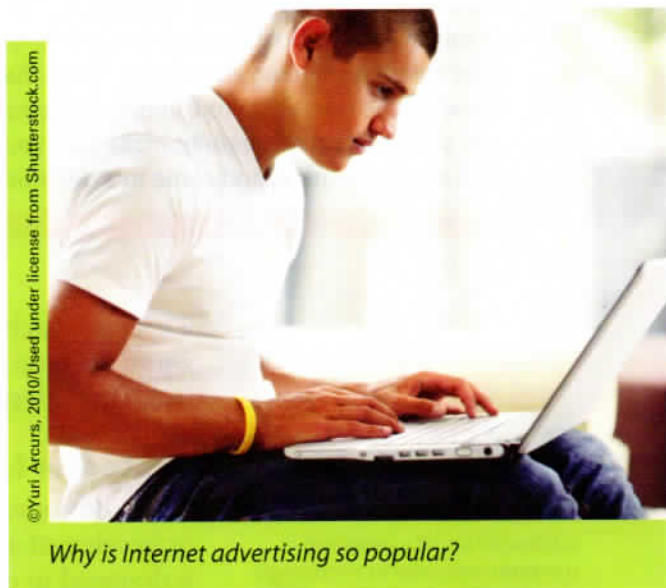
## Direct Advertising

**Direct advertising** distributes information about a product directly to consumers. It involves actions such as sending free samples or coupons in the mail and giving out samples in a store, allowing the customer to try the product.

One form of direct advertising is *direct sales*. A salesperson goes door-to-door to give customers a catalog or to show them a product. Another method is holding a party to sell products to a group of friends.

**banner ads** Internet ads that span the top, bottom, or sides of a web page

**pop-up ads** Internet ads that open a new window that pops onto the screen in front of the web page being viewed



**direct advertising** distribution of product information directly to consumers



# Building Communications Skills

## CREATIVE LISTENING

Creative listening is a skill used to solve problems. With *creative listening*, a person searches through information and forms questions to ask. The listener evaluates what was heard and makes a decision or choice. Creative listening is a highly active process that involves logic as well as listening.

For example, suppose you are listening to a debate about a new law that has been proposed. One side is listing its positive features and all the reasons why you should vote in favor of it. The other side is explaining all the bad things that will happen if the law is enacted. In order for you to decide, you must listen carefully, make sure you have accurate information, and come to a decision that

will be your vote. Creative listening requires that you understand who is proposing the law and what that group has to gain. You also need to know who is opposing the law and what that group has to lose. By practicing creative listening, you can reach an informed decision.

### Try It Out

Listen to a commercial on a television program. List what you learned from the ad and the information you gained. List the questions you still have after viewing the ad. Are you convinced that the ad has given you the full and accurate information you need to make an informed buying decision?

This approach takes the product directly to the consumer, using a person-to-person approach. *Telemarketing* is another form of direct selling in which salespeople call consumers to market a product or service.

### Customer Loyalty Programs

Many businesses today, from grocery stores to airline carriers, have one form or another of a customer loyalty program. A **customer loyalty program** is designed to encourage a customer's repeat business by providing special discounts and other incentives. For example, a *rewards feature* in a customer loyalty program may give customers cash back for repeat purchases. Or it may provide free services, coupons, gift cards, or other forms of payback.

### Other Types of Advertising

There are many other forms of advertising. Some are subtle and indirect, such as placing coupons in entertainment books. Others are upfront and bold, such as costumed characters waving signs to promote a business. **Transit advertising** consists of print ads or signs on public transportation, such as buses or subways. Telephone directories contain ads similar to newspaper ads. Whatever method is used, advertising must catch the consumers' attention and generate interest in the product or service.

**customer loyalty program** a program designed to encourage a customer's repeat business by providing discounts and other incentives

**transit advertising** print ads or signs appearing on public transportation

## CHECKPOINT ▶▶▶

How do businesses meet consumer demand? How do they create demand?

## What Are Consumer Buying Strategies?

Sellers have strategies to encourage you to buy. As a consumer, you should have strategies to help you maximize your purchasing power. Some ideas to help you in your role as consumer are given in the following sections.

### BEFORE YOU SHOP

Before going to the store, prepare a shopping list of the things you need. Base your list on well-thought-out ideas, such as a menu plan. Decide ahead of time what you will buy and approximately how much you will spend. Also, plan how you will pay for the items. Planning ahead will help you avoid overspending or buying items you do not need.

For major purchases, you may deal with a salesperson who is paid on commission. Because the salesperson's commission is based on total sales, he or she may encourage you to spend more than you intend. Plan your strategy ahead of time. Prepare questions to ask. Do not allow a salesperson to convince you to spend more than you planned. The key to effective planning is knowing what you want to buy and how much you want to spend.

### WHILE YOU SHOP

While at the store, stick to your list and avoid impulse buying. Check prices to make sure you are getting the best deal. Do not shop when you are experiencing an extreme emotional state. Being hungry, sad, angry, frustrated, or even especially happy can affect your state of mind and your choices.

If you have made a decision about how much you will spend for an item, stick with it. Do not make on-the-spot decisions or allow yourself to be pressured into buying something that you may regret later. If necessary, take someone with you to give you support. Do not select last-minute purchases at the checkout line. These items are often high-priced, low-value merchandise. Also, do not buy something just because it's on sale.

Shop when you are most alert. Find times when you can get good customer service. This often means early or late, rather than rush times. You'll have a better experience, get answers if you need them, and avoid the frustration of long waits. And remember the following rule of thumb: When in doubt, don't! Postponing a decision is often your best decision. Many people change their minds after a "cooling off" period of 24 hours.

### AFTER YOU BUY

Keep the receipts and warranties for all items purchased. Remove a product carefully from its packaging. If there is a box or bag, keep it until you are sure that you have all the pieces for the product and that it works properly. If you need to return an item, be sure all the pieces are back in the package.

Evaluate your purchase. Are you satisfied with the product? Is it what you had intended to buy? Are you satisfied with the service you were given? Answering these questions will help you make better decisions in the future.

Also think about the buying experience itself. Become a loyal customer to businesses that have met your needs and served you well. Tell others about your good experiences. On the other hand, when you are treated unfairly, take your business elsewhere.

## ONLINE SHOPPING

With online shopping, consumers have the convenience of buying products without leaving their home. Many successful businesses have a retail website. These sites provide an alternate location for consumers to buy goods and services. The total amount paid for goods, however, may be slightly higher because of *shipping costs*. Some businesses may not keep all types or models of their products in their stores. They may offer additional products or more sizes and colors online. Some businesses do not have a store that consumers can visit and sell online only.

Retail websites typically provide full descriptions of products, including pictures. Shoppers need a computer with enough speed and memory to open web pages to view products. Shoppers can save items to a virtual shopping cart and checkout at the time of selection or at a later time.

Online shoppers need to be certain they are shopping at a secure website that will protect their identity and credit card numbers. Read the website's privacy and security policies. Before completing the checkout process, be sure an "s" appears in the website's address (https). The "s" means secure. Print and keep confirmation numbers and e-mails regarding your order. Know the shipping and return policies.

## COMPARISON SHOPPING

Whether shopping in person or online, an important buying strategy is to compare prices. **Comparison shopping** is the process of checking prices among several sellers to make sure you are getting the best price for what you buy. You can shop at several stores to compare prices, brands, quality, services offered, and so forth. Many people use the Internet for comparison shopping, where they can learn about product prices and features in the convenience of their home without feeling pressured to buy.

**comparison shopping** the process of checking prices among several sellers to make sure you are getting the best price for what you buy

### NETBookmark

Edmunds.com is a website that allows shoppers to quickly compare prices and features of similar vehicles. Access [www.cengage.com/school/pfinance/pfl](http://www.cengage.com/school/pfinance/pfl) and click on the link for Chapter 3. Look up a vehicle that interests you and add as many options as you like. What is the invoice price? Now select a vehicle that Edmunds cites as a competing model and compare its features and prices. What do you think is the most valuable information offered on the Edmunds site?

[www.cengage.com/school/pfinance/pfl](http://www.cengage.com/school/pfinance/pfl)

### CHECKPOINT ▶▶▶

Why is comparison shopping important?