

Marketing Essentials

■ **Chapter 1** *Marketing Is All Around Us*

Section 1.2 Economic Utilities

SECTION 1.2

Economic Utilities

What You'll Learn

- = The benefits of marketing
- = The meaning of economic utility
- = The five economic utilities and how to distinguish the four that are related to marketing

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Economic Utilities

Why It's Important

By understanding the benefits of marketing, you will see how the functions of marketing add value to products. You will also see how marketing activities lead to lower prices and new and improved products.

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Economic Utilities

Key Terms

- = utility
- = form utility
- = place utility
- = time utility
- = possession utility
- = information utility

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Economic Utilities

Economic Benefits of Marketing

Bridges the gap between you and the maker or seller of an item.

Makes buying easy for customers.

Creates new and improved products at lower prices.

Economic Utilities

Economic utilities reflect the value that producers and marketers add to raw materials when they make them into products and offer them for sale to the public.

- = Form utility
- = Place utility
- = Time utility
- = Possession utility
- = Information utility

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Form Utility

Changing raw materials or putting parts together to make them more useful.

- = **Example:** The parts of a lounge chair—the wood frame, the fabric, the glue and nails, and the reclining mechanism—are less useful by themselves. Putting them together adds form utility.

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Place Utility

Having a product where customers can buy it.

= **Example:** Selling directly to the customer through catalogs.

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Time Utility

Having a product available at a time convenient for customers.

- = **Example:** Retailers offer large supplies of backpacks in the late summer, near the beginning of the school year.

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Possession Utility

Exchange of a product for some monetary value.

- = **Example:** Taking credit cards and checks rather than just cash enables customers to buy products.

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Information Utility

Providing information so the customer is comfortable buying.

- = **Example:** Salespeople explain features of products.
- = **Example:** Packaging explains qualities and uses.
- = **Example:** Advertising informs consumers about products.

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Lower Prices

When demand is high, manufacturers can make products in larger quantities, which reduces the unit cost of each product.

= **Example:** When fixed costs are \$20,000:

| <u>Quantity Produced</u> | <u>Fixed Cost Per Unit</u> |
|--------------------------|----------------------------|
| 10,000 | \$2.00 |
| 200,000 | 10¢ |

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New and Improved Products

As businesses continue to look for opportunities to better satisfy customers' wants and needs, the result is a larger variety of goods and services.

- = Example:** Personal computers have become smaller, more powerful, and less expensive through competition between makers.

1.2 ASSESSMENT

Reviewing Key Terms and Concepts

- 1.** What is meant by the economic concept of utility?
- 2.** Which economic utility is not classified as a marketing utility? Why?
- 3.** Besides added value, what are two other benefits of marketing?

1.2 ASSESSMENT

Thinking Critically

How would you explain the following statement?

Marketing is more than just promotion.

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End of Section 1.2