MRKT

Midterm

Chapter 1

1. How do suppliers help companies like Walmart maintain consistently low prices?

Walmart has been able to maintain its promise of providing low prices to its customers only because of its suppliers who provide merchandise at low costs. Walmart has developed and managed relationships with its suppliers.

2. What should sellers consider if they wish to avoid marketing myopia?

Sellers should consider the particular benefits and experiences desired by their customers, and not just pay attention to the specific products they offer.

3. Briefly compare and contrast the concepts of needs, wants, and demands and provide examples to illustrate your answer. How do these three concepts relate to marketing practices?

Needs are basic human requirements, such as food, clothing, and safety. Wants arise when needs are shaped by culture and individual preferences, like wanting a Big Mac for food. Demands are wants backed by purchasing power. For instance, someone who wants a Big Mac and can afford it will demand it. In marketing, understanding these distinctions helps companies tailor their offerings to satisfy customers' wants and demands effectively.

4. You are a manufacturer of tents, sleeping bags, and outdoor cooking equipment. How might you go about creating brand experiences for your customers?

Such manufacturers should focus on the benefits enjoyed through the use of their products, such as arrangements to visit great outdoor locations, chances for customers to enjoy time with their families, and relive their memories of camping trips.

5. Explain how and why marketers go beyond selling a product or service to create brand experiences.

Sellers are most effective when they focus more on the benefits and experiences produced by their products and services than on the specific products and services themselves. Smart marketers focus on creating a brand experience, incorporating several products and services for their customers. By doing so, marketers hope to increase customer satisfaction. Satisfied customers buy again and tell others about their good experiences.

6. Company X, a manufacturer of office supplies, follows the selling concept. Explain how the firm may lose sight of customer relationships with this marketing orientation.

The selling concept of Company X focuses on selling its office supplies rather than making what the market wants; such a strategy creates sales transactions but not long-term customer relationships. The company would most likely have a faulty assumption that customers who are persuaded to buy the product will like it or that they will buy the product again later even if they weren't really initially satisfied. Company X will not foster customer loyalty with this approach.

7. Explain why electronics and pharmaceuticals manufacturers use customer-driving marketing.

In such industries, consumers do not know exactly what new products are available; therefore, consumers rely on such firms to tell them what they need. Customer-driving marketing focuses on understanding customer needs even better than customers themselves do and creating products and services that meet both existing and latent needs, now and in the future.

8. Compare the selling and marketing concepts, listing the key components of each philosophy.

The selling concept takes an inside-out approach, focusing on aggressive sales tactics to push products buyers don't typically consider, like insurance, prioritizing short-term sales over customer relationships. In contrast, the marketing concept adopts an outside-in approach, identifying and satisfying customer needs better than competitors, emphasizing long-term customer satisfaction as the path to profits.

9. Briefly explain the societal marketing concept. Give an example of an organization that has effectively used the societal marketing concept.

The societal marketing concept emphasizes balancing company profits, consumer needs, and society's well-being. It advocates for sustainable, responsible marketing that benefits both present and future generations. Jeni's Splendid Ice Creams exemplifies this by ethically sourcing ingredients and minimizing environmental impact while supporting local communities.

10. Explain what marketers can expect from individuals in the customer relationship group classified as "butterflies."

"Butterflies" are profitable but not loyal. Marketers should enjoy this type of customer "for the moment" because they soon flutter off. Marketers should create profitable and satisfying transactions with "butterflies," then cease investing in them until the next time around. Marketers can expect transactions with butterflies when conditions are optimal, but they should not expect butterflies to become loyal customers.

11. Describe and compare the four types of customers classified by their potential profitability to an organization. Explain how an organization should manage each type of customer.

The four customer types are strangers, butterflies, true friends, and barnacles. Strangers have low profitability and loyalty, so companies shouldn't invest in them. Barnacles are loyal but unprofitable; companies can try to increase their profitability or stop serving them. Butterflies are profitable but not loyal, so companies should focus on short-term gains without expecting long-term relationships. True friends are both loyal and profitable, and companies should invest in delighting them and turning them into brand advocates.

12. Explain how storing customer information in a database might better prepare carmaker Kia in customer relationship management.

Managing detailed information about customers may allow Kia to design new models based on customer demographics and desires for specific features. These "touch points" can be the key to long-term customer loyalty.

13. Alex works in the marketing department of an international company. How can Alex use modern technologies to conduct market research and better serve his company's customers?

Alex could use the company's Web site and social media sites to monitor online discussions of the company's products and services. He could track customer-generated review systems or online data services to learn more about the needs and wants of his customers. Alex could create a customer database for the company to target individual customers with tailored offers.

14. How can a marketer increase its "share of customer"?

The marketer can offer greater variety to customers; in addition, the marketer can train employees to cross-sell and up-sell in order to market more products and services to existing customers.

15. Define customer relationship management and explain its associated tools and levels of relationships.

Customer relationship management (CRM) is the process of building and maintaining profitable customer relationships by delivering superior value and satisfaction. Companies with low-margin customers focus on basic relationships using advertising and public relations, while those with high-margin customers build full partnerships. Tools like frequency marketing programs and club memberships help strengthen customer bonds by offering rewards and exclusive benefits.

16. Explain why the aim of customer relationship management is to create not just customer satisfaction, but also customer delight.

Customer relationship management aims to create customer delight, not just satisfaction, to build strong loyalty. Delighted customers are more loyal, make repeat purchases, and become "customer evangelists," promoting the brand. Companies achieve this by exceeding promises and fostering emotional connections with key customers, leading to better performance.

17. Define customer equity and explain how a company can increase it.

Customer equity is the sum of the lifetime values of all of the company's current and potential customers. It's a measure of the future value of the company's customer base. Clearly, the more loyal the firm's profitable customers, the higher its customer equity. Customer equity may be a better measure of a firm's performance than current sales or market share. To increase customer equity, companies should work to delight their customers and establish full relationships with their most profitable customers.

18. Explain how the growth of digital technology has transformed the way in which companies conduct business today.

At the most basic level, marketers set up company and brand Web sites that provide information and promote the company's products. Many of these sites also serve as online brand communities, where customers can congregate and exchange brand-related interests and information. Beyond brand Web sites, most companies are also integrating social and mobile media into their marketing mixes.

19. How are local retailers affected by global competition?

A local retailer might have global suppliers and customers. The retailer's goods may come from abroad, or components of those goods may be produced or assembled abroad. In addition, a local retailer may also sell goods over the Internet to international customers.

20. Discuss the challenges and advantages of new communication technologies for marketers as they work to build relationships with their customers.

New communication technologies like social media, websites, and online communities allow marketers to build two-way, interactive relationships with customers, creating deeper engagement and brand loyalty. However, these tools also empower consumers with greater control and influence over brand perceptions, allowing them to share both positive and negative experiences widely. This presents both opportunities for connection and challenges in managing brand reputation.

Chapter 2

1. How does strategic planning benefit companies?

Strategic planning sets the stage for all other planning in the firm. The strategic plan involves adapting the firm to take advantage of opportunities in its constantly changing environment.

2. Why should mission statements be market oriented instead of product or technology oriented?

Mission statements should be market oriented and defined in terms of satisfying basic customer needs. Products and technologies eventually become outdated, but basic market needs may last forever.

3. Define strategic planning. Discuss the steps involved.

Strategic planning is the process of aligning an organization's goals and capabilities with its marketing opportunities. It begins with defining the company's mission, setting objectives, and deciding on a portfolio of businesses and products to focus on. Each business or product then creates detailed plans, including marketing strategies, to support the overall company goals.

4. What is a strategic business unit (SBU)?

An SBU can be a company division, a product line within a division, or sometimes a single product or brand.

5. What are stars according to the BCG growth-share matrix?

Stars are high-growth, high-share businesses or products. They often need heavy investments to finance their rapid growth.

6. What type of strategy should a company use to manage its cash cows?

Since cash cows are low-growth, high-share businesses or products, and require less investment, a company should finance other SBUs with the help of cash cows.

7. Define market penetration.

Market penetration refers to company growth by increasing sales of current products to current market segments without changing the product.

8. What is a business portfolio? What are the steps involved in business portfolio planning?

A business portfolio is the collection of businesses and products that make up a company. Business portfolio planning involves two steps. First, the company must analyze its current business portfolio and determine which businesses should receive more, less, or no investment. Second, it must shape the future portfolio by developing strategies for growth and downsizing.

9. What is a growth-share matrix? Discuss the BCG growth-share matrix.

The growth-share matrix is a portfolio-planning tool that evaluates a company's Strategic Business Units (SBUs) based on market growth rate and relative market share. In the BCG matrix, SBUs are classified into four categories: 1) Stars: high-growth, high-share units needing heavy investment but becoming cash cows as growth slows; 2) Cash cows: low-growth, high-share units generating steady cash; 3) Question marks: low-share units in high-growth markets, requiring significant investment with uncertain potential; 4) Dogs: low-growth, low-share units with limited future prospects.

10. What are some of the problems associated with matrix approaches?

The BCG and other formal methods revolutionized strategic planning. However, such centralized approaches have limitations: They can be difficult, time-consuming, and costly to implement. Management may find it difficult to define SBUs and measure market share and growth. In addition, these approaches focus on classifying current businesses but provide little advice for future planning.

11. What factors determine the success of a company's value chain?

A company's value chain is only as strong as its weakest link. Success depends on how well each department performs its work of adding customer value and on how the company coordinates the activities of various departments.

12. What are the various components of the value delivery network of a company?

The value delivery network is made up of the company, its suppliers, its distributors, and, ultimately, its customers who partner with each other to improve the performance of the entire system.

13. What is a value delivery network?

A value delivery network refers to the network of a company, its suppliers, its distributors, and, ultimately, its customers who partner with each other to improve the performance of the entire system. More companies today are partnering with other members of the supply chain—suppliers, distributors, and, ultimately, customers—to improve the performance of the customer value delivery network. Competition no longer takes place only between individual competitors. Rather, it takes place between the entire value delivery networks created by these competitors.

14. What are the components of a company's marketing mix?

A company designs an integrated marketing mix made up of factors under its control—product, price, place, and promotion (the four Ps).

15. What does a market segment consist of?

A market segment consists of consumers who respond in a similar way to a given set of marketing efforts.

16. What does market targeting involve?

Market targeting involves evaluating each market segment's attractiveness and selecting one or more segments to enter.

17. What is a marketing strategy? How do marketing strategies help firms?

A marketing strategy is the plan a company uses to create customer value and build profitable relationships. It involves deciding which customers to target (segmentation and targeting) and how to meet their needs (differentiation and positioning). The company then develops a marketing mix (product, price, place, promotion) to serve selected segments. Marketing strategies help firms by guiding analysis, planning, and adapting to market changes.

18. Distinguish between market segmentation and market targeting.

The process of dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviors, and who might require separate products or marketing programs, is called market segmentation. On the other hand, market targeting involves evaluating each market segment's attractiveness and selecting one or more segments to enter. A company should target segments in which it can profitably generate the greatest customer value and sustain it over time.

19. What is SWOT analysis?

SWOT analysis is an overall evaluation of the company's strengths (S), weaknesses (W), opportunities (O), and threats (T).

20. What is the main purpose of the executive summary in a marketing plan?

The executive summary presents a brief summary of the main goals and recommendations of the plan for management review, helping top management find the plan's major points quickly.

21. What is the difference between marketing planning and marketing implementation?

Whereas marketing planning addresses the what and why of marketing activities, implementation addresses the who, where, when, and how.

22. Define marketing planning. What are the contents of a marketing plan?

Marketing planning involves choosing marketing strategies that will help the company attain its overall strategic objectives. A detailed marketing plan is needed for each business, product, or brand. The major contents of a marketing plan are: 1. Executive summary 2. Current marketing situation 3. Threats and opportunities analysis 4. Objectives and issues 5. Marketing strategy 6. Action programs 7. Budgets 8. Controls

23. Describe the most common forms of marketing organizations.

1. Functional Organization - Different marketing activities are managed by specialists (e.g., sales, advertising, research).

2. Geographic Organization - Sales and marketing teams are assigned to specific regions or countries, reducing travel costs and allowing for better customer relationships.

3. Product Management Organization - A product manager oversees the strategy and marketing for a specific product or brand.

4. Market or Customer Management Organization - Focuses on selling one product line to various markets with different needs.

Large companies often use a combination of these structures to effectively manage diverse products and markets.

24. What does marketing ROI measure?

Marketing ROI measures the profits generated by investments in marketing activities.
AACSB: Written and oral communication

25. How do marketers measure return on marketing investment? Why is this figure difficult to assess?

Marketers measure return on marketing investment (ROI) by calculating the net return from marketing activities divided by the costs of those activities. However, assessing marketing ROI is challenging because there is no consistent definition, and factors like advertising and brand impact are hard to quantify in dollar terms. Marketers increasingly use customer-centered metrics such as customer acquisition, retention, lifetime value, and customer equity to evaluate both current and future marketing performance linked to stronger customer relationships.

Chapter 3

1. How have large retailers such as Walmart changed the dynamics of partnering with resellers?

Selecting and partnering with resellers is not easy. No longer do manufacturers have many small, independent resellers from which to choose. They now face large and growing reseller organizations, such as Walmart, Target, Home Depot, Costco, and Best Buy. These organizations frequently have enough power to dictate terms or even shut smaller manufacturers out of large markets.

2. Who are the major players in a company's microenvironment? Explain the role that each actor plays.

1. The Company - Various departments (top management, finance, R&D, etc.) shape the internal environment. Top management sets the mission and strategies, while marketing managers implement these plans.

2. Suppliers - They provide essential resources needed to produce goods and services, forming a crucial link in the value delivery network.

3. Marketing Intermediaries - These entities (resellers, distribution firms, marketing agencies, and financial intermediaries) help promote, sell, and distribute products to customers.

4. Competitors - Companies must deliver greater value and satisfaction than competitors to succeed, requiring marketers to understand and respond to competitive dynamics.

5. Publics - Groups with an interest in or influence on the organization, such as media, government, and community organizations.

6. Customers - The most critical actors, as the entire value delivery network aims to serve and build strong relationships with target customers.

3. What are marketing intermediaries and what are the various types?

Marketing intermediaries assist companies in promoting, selling, and distributing products to final buyers. Types include:

1. Resellers - Wholesalers and retailers who buy and resell goods.

2. Physical distribution firms - Help move and store products.

3. Marketing services agencies - Advertising, media, and consulting firms that help target and promote products.

4. Financial intermediaries - Banks, credit companies, and insurers that finance transactions and manage risks.

4. What is a "public" in terms of the marketing environment? In a short essay, briefly describe the different types of publics that marketers must consider and explain how marketing might communicate with these publics.

In marketing, a public is any group that has an interest or impact on an organization's ability to achieve its goals. There are seven key types of publics:

1. Financial - Influences the company's ability to secure funding.

2. Media - Shares news and opinions.

3. Government - Ensures compliance with laws, such as product safety and advertising regulations.

4. Citizen-action - Includes consumer and activist groups that may challenge the company's decisions.

5. Local - Involves residents and community organizations, often addressed through corporate social responsibility efforts.

6. General public - Public perception affects company reputation and sales.

7. Internal - Employees and management, kept informed and motivated via internal communication.

Marketers develop strategies to engage with these publics to maintain positive relationships.

5. What are two potential drawbacks of creating separate products and marketing programs for each generation?

Some experts warn that marketers need to be careful about turning off one generation each time they craft a product or message that appeals effectively to another. Others caution that each generation spans decades of time and many socioeconomic levels.

6. Briefly explain why, until 2008, Americans amassed record amounts of debt and why the free-spending trend has ended.

Americans spent freely, fueled by income growth, a boom in the stock market and rapid increases in home values. Americans bought and bought, seemingly without caution, amassing record levels of debt. However, the free spending and high expectations of those days were dashed by the Great Recession of 2008/2009.

7. Why do marketers find baby boomers attractive?

Today's baby boomers account for about 26 percent of the U.S. population but control an estimated 70 percent of the nation's disposable income.

8. How can marketers reach the Millennials effectively?

Millenials engage with brands in an entirely new way, such as with mobile or social media. More than sales pitches from marketers, Millennials seek opportunities to shape their own brand experiences and share them with others. Many brands are now fielding specific products and marketing campaigns aimed at Millennial needs and lifestyles.

9. How can marketers reach the Generation Zers effectively?

The social media will play a crucial marketing role as the kids and tweens grow into teens. Today's kids are notoriously hard to pin down. The key is to engage these young consumers and let them help to define their brand experiences. Says one expert, "They love sensory overload— bright colors, music videos, a variety of merchandise, the tumult of all that."

10. What structure can an American family have now, as the traditional family has changed?

The traditional household consists of a husband, wife, and children (and sometimes grandparents). Yet couples without children, single parents, and nonfamily households are groups growing more quickly than traditional households.

11. Why do population shifts interest marketers?

Population shifts interest marketers because people in different regions buy differently. For example, in the United States, people in the Midwest buy more winter clothing than people in the Southeast.

12. In terms of ethnic and racial makeup, why is the United States today more accurately characterized as a "salad bowl" than a "melting pot"?

The United States has often been called a melting pot, where diverse groups from many nations and cultures have melted into a single, more homogeneous whole. Instead, the United States seems to have become more of a "salad bowl" in which various groups have mixed together but have maintained their diversity by retaining and valuing important ethnic and cultural differences.

13. What is demography? Why is the demographic environment of major interest to marketers? Discuss the changing age structure of the U.S. population.

Demography is the study of human populations, including size, age, gender, location, and other factors. Marketers focus on the demographic environment because it shapes market opportunities. Key demographic trends, like age structure, are crucial for understanding markets.

The U.S. population is divided into several generational groups. Baby Boomers (born 1946-1964) are a powerful consumer force. Generation X (born 1965-1980) is smaller, values experiences over materialism, and is skeptical of traditional marketing. Millennials (born 1977-2000) are tech-savvy and prefer engaging with brands digitally. Generation Z, the youngest group, is highly connected and influences significant spending.

14. Explain the impact of the baby boomers, Generation Xers, Millennials, and Generation Zers on today's marketing strategies.

Baby Boomers, making up 26% of the U.S. population and controlling 70% of disposable income, are a key market for financial services, housing, travel, and health products. Generation X is more cautious and less materialistic, so marketers must use a more targeted approach. Millennials, highly comfortable with digital technology, prefer interactive brand engagement through social media and mobile platforms. Generation Z, born after 2000, is tech-fluent, highly mobile, and influences significant spending. Marketers must segment these groups by lifestyle and values, rather than solely by age, to effectively reach them.

15. How can marketers benefit from developing solutions to environmental problems, such as pollution and raw material shortages?

Marketers who help develop solutions to problems facing the natural environment can gain the advantage of becoming market leaders, as increasingly strict environmental regulations can be expected in the United States and elsewhere. Environmentally responsible actions will help a company's public image; the actions will also help in creating a more sustainable market.

16. What are the major trends in today's natural environment? How do these trends affect companies?

The natural environment shows three major trends: shortages of certain raw materials, higher pollution levels, and more government intervention in natural resource management. Environmental concerns create marketing opportunities for alert companies. As concern about global warming and other environmental issues continues to grow, more and more consumers are demanding environmentally responsible products. Companies who pay heed to these demands will benefit, as environmentally responsible actions are linked with good business.

17. Why is the technological environment such a dramatic force in today's market?

The technological environment is a powerful force shaping markets today, offering advancements like antibiotics, smartphones, and the Internet while also introducing risks like nuclear weapons. New technologies create opportunities but also replace older ones, as seen with digital downloads hurting the CD industry. Companies that fail to adapt risk becoming obsolete and missing new market opportunities, making it essential for marketers to stay updated on technological changes.

18. Explain the controversy surrounding cause-related marketing.

Critics worry that cause-related marketing is more a strategy for selling than a strategy for giving—that "cause-related" marketing is really "cause-exploitative" marketing. Companies may walk a fine line between increased sales and an improved image yet face charges of exploitation, even though business and charity don't have to be mutually exclusive.

19. Why is government regulation necessary to protect consumers from unfair business practices?

Government regulation is necessary to protect consumers from unfair business practices because some firms, if left alone, would make shoddy products, invade consumer privacy, mislead consumers in their advertising, and deceive consumers through their packaging and pricing. Rules defining and regulating unfair business practices are enforced by various agencies.

20. How do socially responsible firms positively impact consumers and the environment?

Enlightened companies encourage their managers to look beyond what the regulatory system allows and simply "do the right thing." These socially responsible firms actively seek out ways to protect the long-run interests of their consumers and the environment.

21. What is the difference between core beliefs and secondary beliefs? Give an example of each.

Core beliefs and values are passed on from parents to children and are reinforced by schools, churches, business, and government. On the other hand, secondary beliefs and values are more open to change. For example, believing in marriage is a core belief; believing that people should get married early in life is a secondary belief.

22. What are the different ways in which the major cultural values of a society are expressed?

The major cultural values of a society are expressed in people's views of themselves and others, as well as in their views of organizations, society, nature, and the universe.

23. Why is it important for marketers to understand cultural swings?

Marketers want to predict cultural shifts to spot new opportunities or threats. The major cultural values of a society are expressed in people's views of themselves and others, as well as in their views of organizations, society, nature, and the universe.

24. Discuss why business legislation is enacted. Provide examples.

Business legislation is enacted to protect companies from unfair competition, safeguard consumers, and ensure businesses consider societal interests. Laws like the Sherman Antitrust Act prevent monopolies, while consumer protection laws, such as the Fair Packaging and Labeling Act, guard against deceptive practices. Additionally, regulations like the National Environmental Policy Act require businesses to address social and environmental impacts.

25. What is cause-related marketing? Illustrate with examples.

Cause-related marketing links a company's products to charitable causes, helping both the business and society. It allows companies to "do well by doing good." For example, P&G's Tide Loads of Hope offers free laundry services to families in disaster areas, while its Duracell Power Relief Trailer provides free batteries and charging stations. This strategy enhances corporate image and fulfills social responsibility.

26. How do people's views of nature affect marketers?

Attitudes toward nature vary—some feel ruled by it, others seek to master it. While technology has led to greater control over nature, there's growing recognition of its fragility. This has spurred demand for natural, organic products, fuel-efficient cars, and alternative medicine. The U.S. organic food market now generates $45 billion annually, with projections to reach $200 billion by 2019.

27. In reacting to the marketing environment, what strategies do firms adopt in order to shift from a reactive to a more proactive stance?

Rather than assuming that strategic options are bounded by the current environment, firms keen on adopting a proactive stance toward the marketing environment develop strategies to change the environment.

Chapter 4

1. What do marketers gain from gathering and analyzing information about customers and the needs and motivations of those customers?

Marketers gather and analyze customer information to gain insights into needs and motivations, enabling them to create value and build strong relationships. These insights, sourced from marketing research, social media, and big data, help companies understand customer preferences and develop a competitive advantage. This knowledge allows firms to tailor their offerings to deliver greater value to customers.

2. What is the function of a marketing information system (MIS)?

A marketing information system (MIS) involves people and procedures that assess, develop, and utilize information to generate actionable customer and market insights. It begins by interacting with users (like marketing managers) to assess needs, then gathers data from internal databases, intelligence, and research. Finally, the MIS helps users analyze and apply this information for insights, decision-making, and managing customer relationships.

3. Briefly explain the functions of a customer insights team.

Customer insights groups collect customer and market information from a wide variety of sources, ranging from traditional marketing research studies to mingling with and observing consumers to monitoring consumer online conversations about the company and its products.

4. Marketers can obtain information from internal data and from competitive marketing intelligence. Compare and contrast the two sources of information.

Internal data consists of consumer and market information collected from within the company, such as sales, production reports, and customer behavior data, making it a cost-effective and easily accessible resource. In contrast, competitive marketing intelligence involves systematically gathering publicly available information about consumers, competitors, and market trends to support strategic decision-making. This can include observing consumers, analyzing competitors, researching online, and monitoring industry buzz. Together, these sources provide insights that help companies understand their environment and anticipate opportunities and threats.

5. What is the most important characteristic of a good MIS?

A good MIS balances the information users would like to have against what they really need and what is feasible to offer

6. What are the steps of the marketing research process? How do companies conduct research?

The marketing research process has four steps: defining the problem and research objectives, developing the plan, implementing the research plan, and interpreting and reporting findings. Large companies often have in-house research teams or hire outside specialists to tackle specific marketing challenges. Smaller companies might also rely on external specialists or buy pre-collected data from outside firms to support decision-making.

7. Briefly compare the different types of research approaches for gathering primary data.

Primary data can be gathered through observation, surveys, and experiments. Observational research involves watching people, actions, or situations, providing insights that people may not share in surveys or experiments. Survey research, the most common method, is flexible and effective for gathering descriptive data on knowledge, attitudes, preferences, or behaviors, using methods like phone, mail, in-person, or online surveys. Experimental research is ideal for understanding cause-and-effect, involving controlled experiments with matched groups to assess the impact of different treatments.

8. Identify three ways that companies can collect secondary data.

Companies can buy secondary data from outside suppliers such as Nielsen and U.S. Yankelovich MONITOR. Also, companies can use commercial online databases such as Dialog and ProQuest for a fee. Companies can use Internet search engines to locate relevant secondary information sources.

9. Describe the major contact methods used to collect information from respondents in market research.

Information can be collected through mail, telephone, personal interviews, or online. ail surveys allow for large amounts of information at a low cost and often yield honest answers due to anonymity. telephone interviews are faster, more flexible, and enable follow-up questions, yielding higher response rates. Personal interviews can be individual (one-on-one in homes or malls) or group-based, where 6 to 10 people discuss topics with a moderator. Online methods include web or mobile surveys, online panels, focus groups, and experiments, providing flexible and immediate feedback through digital platforms.

10. Describe the three decisions involved in designing a sample.

Designing the sample requires three decisions. First, who is to be studied (what sampling unit)? The answer to this question is not always obvious. Second, how many people should be included (what sample size)? Large samples give more reliable results than small samples. However, larger samples usually cost more, and it is not necessary to sample the entire target market or even a large portion to get reliable results. Finally, how should the people in the sample be chosen (what sampling procedure)?

11. Compare and contrast closed-ended questions and open-ended questions for gathering data.

Closed-ended questions include all the possible answers, and subjects make choices among them. Examples include multiple-choice questions and scale questions. Open-ended questions allow respondents to answer in their own words. Open-ended questions are especially useful in exploratory research, when the researcher is trying to find out what people think but is not measuring how many people think in a certain way. Closed-ended questions, on the other hand, provide answers that are easier to interpret and tabulate

12. Briefly explain why marketers need marketing research in addition to competitive marketing intelligence.

In addition to marketing intelligence information about general consumer, competitor, and marketplace happenings, marketers often need formal studies that provide customer and market insights for specific marketing situations and decisions. Marketing research gives marketers insights into customer motivations, purchase behavior, and satisfaction

13. What type of research would be the most useful to determine if a 20-percent decrease in price for a high-end sedan would result in an increase in purchases sufficient to offset the reduced price? Why?

Causal research would be the most useful in this instance because the objective of causal research is to test hypotheses about cause-and-effect relationships.

14. Why is it important for managers to define the problem and establish research objectives?

The statement of the problem and research objectives guides the entire research process. The manager and the researcher should put the statement in writing to be certain that they agree on the purpose and expected results of the research.

15. How do primary data differ from secondary data?

Primary data consist of information collected for the specific purpose at hand. Secondary data, on the other hand, consist of information that already exists somewhere, having been collected for another purpose.

16. List two benefits of using secondary data.

Secondary data can usually be obtained more quickly and at a lower cost than primary data. Also, secondary sources can sometimes provide data an individual company cannot collect on its own—information that either is not directly available or would be too expensive to collect.

17. What is observational research and when is it used?

Observational research involves gathering primary data by observing relevant people, actions, and situations. Researchers often observe consumer behavior to glean customer insights they can't obtain by simply asking customers questions.

18. What are some of the limitations of observational research?

Some things simply cannot be observed, such as attitudes, motives, or private behavior. Long-term or infrequent behavior is also difficult to observe. Finally, observations can be very difficult to interpret. Because of these limitations, researchers often use observation along with other data collection methods.

19. What is experimental research and when is it used?

Experimental research is best suited for gathering causal information. Experiments involve selecting matched groups of subjects, giving them different treatments, controlling unrelated factors, and checking for differences in group responses. Thus, experimental research tries to explain cause-and-effect relationships

20. How can researchers and managers arrive at the best interpretation of research findings?

Findings can be interpreted in different ways, and discussions between researchers and managers will help point to the best interpretations. Thus, managers and researchers must work together closely when interpreting research results, and both must share responsibility for the research process and resulting decisions

21. How can a company manage information on specific customers more effectively?

Companies use customer relationship management (CRM) to manage detailed information on individual customers and optimize customer touch points to build loyalty. CRM systems integrate data from sales, service, and marketing to give a 360-degree view of customer relationships. CRM analysts use tools and processes to uncover patterns in big data, gaining insights that help strengthen customer relationships and assess marketing effectiveness.

22. What is the most common CRM mistake?

The most common CRM mistake is to view CRM as technology processes only. Companies can't improve customer relationships by simply installing some new software. Instead, marketers should start with the fundamentals of managing customer relationships and then employ high-tech data and analytics solutions. They should focus on the customer relationship, the central aspect of CRM.

23. Discuss how small businesses and not-for-profit organizations can obtain market insights economically.

Small businesses and not-for-profits can gain valuable insights through observation, informal surveys, and small convenience samples. They can also benefit from resources provided by associations, local media, and government agencies, and gather information online by researching competitors and customer sites. Secondary data, observation, and simple surveys are effective low-cost methods, but even informal research should be carefully planned to minimize biases and ensure useful results.

24. Explain the common problems that international marketing researchers encounter.

International marketing researchers face several challenges, including diverse markets with varying economic development, cultures, and buying patterns. Good secondary data is often scarce in foreign markets, forcing researchers to collect their own primary data. Choosing representative samples and contacting participants can be difficult, while cultural and language differences may complicate data interpretation and analysis. Additionally, differing consumer attitudes across countries can hinder data collection efforts.

25. Why do some consumers resent marketing research?

Some consumers resent marketing research because they dislike being interrupted by researchers and mistrust the intentions behind data collection. They worry that marketers are building extensive databases of personal information, using sophisticated techniques to probe their feelings, or tracking their online behavior to manipulate their purchasing decisions.

Chapter 5

1. What role do the four Ps play in consumer behavior?

The four Ps are the marketing stimuli that affect buyer behavior: marketers use product, price, place, and promotion to attract the targeted consumers.

2. Give an example of a cultural shift that may impact the marketing of products or services.

A cultural shift towards greater concern about health and fitness has led to increased marketing of gym equipment and wellness products, reflecting consumers' desire for healthier lifestyles.

3. Why might the Hispanic American market be a viable targeted group for a new marketer of products?

Hispanic Americans are a large, fast-growing U.S. subculture and they tend to favor companies who show special interest in them. A new marketer of products can capitalize on these attributes.

4. In what way might a marketer rely on opinion leaders?

Opinion leaders can influence other larger groups of consumers to be attracted to a marketer's products.

5. How does marketing through online social networks differ from more traditional marketing?

Marketers hope to use social networks to interact with consumers and become a part of their everyday lives instead of relying on one-way commercial messages that play a significant role in traditional marketing.

6. Explain why typical husband-dominant or wife-dominant products of the 1970s may no longer be regarded as typical.

Buying roles change with evolving consumer lifestyles. Changes in the traditional family structure, such as more women holding jobs outside the home and more single-parent households, have changed the traditional buying roles over time.

7. Define brand personality.

A brand personality is the specific mix of human traits that may be attributed to a particular brand.

8. Explain why selective attention is not controllable by a marketer.

A marketer cannot guarantee that a consumer will pay attention to or remember a specific ad. Selective attention plays a significant role because it is impossible for individuals to pay attention to the thousands of marketing stimuli they experience each day.

9. Explain how selective distortion is somewhat controllable by a marketer.

Selective distortion describes the tendency of people to interpret information in a way that will support what they already believe. People also will forget much of what they learn. They tend to retain information that supports their attitudes and beliefs. Marketers can attempt to understand consumers' mindsets and how these will affect perceptions of advertisements.

10. Explain how selective retention affects what consumers remember about marketing messages.

Due to selective retention, consumers are more likely to remember positive messages about the brands they already favor and more likely to forget positive messages about the competing brands.

11. Cultural factors exert a broad and deep influence on consumer behavior. The marketer needs to understand the role played by the buyer's culture, subculture, and social class. Distinguish between culture, subculture, and social class.

Culture is the fundamental influence on a person's wants and behavior. It encompasses smaller subcultures, which are groups of people with shared values based on common experiences, including nationalities, religions, and geographic regions. Social class, on the other hand, consists of society's ordered divisions where members share similar values and behaviors, determined by factors like occupation, income, education, and wealth.

12. Many subcultures make up important market segments. Examples of three such important subculture groups include Hispanic Americans, African Americans, and Asian Americans. Describe the general shopping-related characteristics of each of these groups.

Hispanic American consumers are family-oriented and often shop together, with older, first-generation individuals displaying strong brand loyalty toward companies that engage with them. African American consumers tend to be price-conscious and prioritize quality and selection. Asian American consumers represent the most affluent demographic and are the second fastest-growing subculture, known for their brand consciousness and fierce loyalty.

13. A consumer's behavior is influenced by social factors, such as the consumer's small groups, family, and social roles and status. Explain the differences among these social factors.

Social factors influencing consumer behavior include small groups, family, and social roles and status. Small groups directly impact buying decisions, with reference groups shaping attitudes and behaviors, while aspirational groups are those individuals wish to join. Opinion leaders within these groups influence others through their expertise. Family, as the closest social unit, significantly affects purchasing decisions, leading marketers to focus on evolving family roles. An individual's position in a group is defined by their role—expected activities—and status, which reflects the esteem associated with that role. Consumers often choose products that align with their roles and status.

14. Explain the change in buying roles of husbands and wives due to an evolving consumer lifestyle in the United States. Additionally, describe the effect of this change on marketers.

In the U.S., traditional buying roles of husbands and wives are changing. While women were once the primary shoppers for household items, more women now work outside the home, leading to men taking on shopping responsibilities. A survey found that 41% of men aged 18 to 64 consider themselves primary grocery shoppers, and women influence 80% of new car purchases and account for 60% of technology purchases. This shift requires marketers to adapt their strategies, targeting both genders in industries that were previously gender-specific, such as groceries, personal care, cars, and electronics.

15. People's distinct individual personalities influence their buying behavior. Personality is usually described in terms of traits. What are these traits, and how do they affect the way people purchase items? Give at least one example.

Personality is characterized by traits like self-confidence, dominance, sociability, autonomy, defensiveness, adaptability, and aggressiveness, which influence buying behavior. Consumers tend to select brands that reflect their own personalities. For example, a sophisticated individual may prefer a luxury brand like BMW, while someone with a rugged personality might gravitate towards a durable product like a Jeep.

16. Explain Maslow's hierarchy of needs.

Maslow's hierarchy of needs posits that unfulfilled needs motivate individuals, arranged in a hierarchy from basic to higher-level needs: physiological, safety, social, self-esteem, and self-actualization. Individuals must satisfy lower-level needs, like safety, before they can focus on higher-level needs such as esteem and self-actualization.

17. Explain the role of marketers in the information search step of the buyer decision process. Give an example of how the marketer might execute this role.

The role of marketers in the information search step of the buyer decision process is to make the required information about their product easily accessible to the consumer. Students' examples will vary.

18. Why should marketers set up systems that encourage customers to complain about products?

Most customers never share their complaints with marketers; without this information, it is difficult for a company to identify how it can improve.

19. Compare and contrast the four types of buying decision behavior exhibited by consumers.

Consumers exhibit four types of buying decision behavior based on their level of involvement and perceived differences among choices.

1. Complex buying behavior - occurs when consumers are highly involved in a purchase and see significant differences between options. They thoroughly research and analyze their choices.

2. Dissonance-reducing behavior - happens when consumers are highly involved but perceive few differences among options. They spend less time on product attributes, often making decisions based on price or convenience.

3. Habitual buying behavior - occurs with low involvement and little perceived difference between brands, leading consumers to buy familiar brands out of habit.

4. Variety-seeking behavior - also involves low involvement but some perceived differences, prompting consumers to switch brands frequently with minimal evaluation.

20. Describe some important strategies for a marketer of a high-involvement product.

Marketers of high-involvement products should focus on understanding their customers' information-gathering and evaluation behaviors. This includes educating customers about product attributes and differentiating brand features. Utilizing long copy in print media can help satisfy customers' information needs. Additionally, motivating salespeople to influence customer choices is crucial. To reduce postpurchase dissonance, after-sale communications should reassure customers and reinforce their purchase decision.

21. Listing them in the proper order, what are the stages in the buyer decision process? Describe each.

1. Need Recognition - Consumers become aware of a new problem or need.

2. Information Search - Consumers seek information about products to address that need.

3. Alternative Evaluation - Consumers compare and contrast options using the gathered information, which can involve either logical analysis or intuitive decision-making.

4. Purchase Decision - Consumers decide to buy the product.

5. Postpurchase Behavior - This stage reflects any gap between the consumer's expectations and the product's perceived performance.

22. What strategy should a marketer use upon learning that consumers are not buying a product because they do not perceive a need for it?

Marketing might launch an advertising campaign that shows customers how the product can solve their existing problems and meet their existing needs.

23. What are the differences between innovators, early adopters, and early mainstream adopters?

Innovators are more willing to take on risk; early adopters are opinion leaders in their communities and adopt new ideas early but carefully. Early mainstream adopters are deliberate; although they rarely are leaders, they adopt new ideas before the average person.

24. Identify and describe the stages in the adoption process.

In the awareness stage, consumers become aware of the new product but lack information about it. Then, consumers seek information about the new product in the interest stage. In the evaluation stage, consumers consider whether trying the new product makes sense. Consumers try the product on a limited basis in the trial stage. Finally, consumers decide to make full use of the product in the adoption stage.

25. Identify product characteristics that influence the rate of adoption. Explain how each characteristic affects the rate of adoption.

The five product characteristics influencing the rate of adoption are:

1. Relative Advantage - The more an innovation is perceived as better than existing products, the quicker it will be adopted.

2. Compatibility - Innovations that align with consumers' values and experiences are adopted faster.

3. Complexity - The simpler the product, the faster the adoption; more complexity slows adoption.

4. Divisibility - Products that can be tried on a small scale are adopted more quickly.

5. Communicability - Innovations with results that can be easily shared or observed lead to faster adoption.

Chapter 6

1. Distinguish between business markets and consumer markets.

1. Buyer Size - Business markets have fewer but larger buyers.

2. Demand Type - Business demand is derived, more inelastic, and fluctuates more than consumer demand.

3. Buying Process - The business buying decision involves more professional buyers and is typically more complex and formalized.

4. Interdependence - Business buyers and sellers are often more dependent on each other.

2. Describe the major types of buying situations.

There are three major types of buying situations:

1. Straight Rebuy - The buyer reorders a product without modifications, typically handled routinely by the purchasing department. Suppliers work to maintain quality to keep the business.

2. Modified Rebuy - The buyer seeks to change product specifications, prices, or suppliers. In this situation, current suppliers may feel pressured to improve their offers, while new suppliers see an opportunity to present better deals.

3. New Task - This occurs when a company buys a product or service for the first time. The buyer faces more complex decisions, often involving more participants and greater efforts to gather information. This situation presents the greatest opportunity for marketers to influence the buying process.

3. Explain the advantages of systems selling.

Many business buyers prefer systems selling, where they purchase a complete solution from a single seller rather than combining products from multiple suppliers. This approach simplifies the buying process and often leads to better integration and support. Companies that offer comprehensive solutions are more likely to win and retain accounts, making systems selling a key strategy in business marketing.

4. Define buying center. Describe the major roles played by members of an organization in the purchase decision process.

The buying center is the decision-making unit within an organization involved in the purchase process. It includes individuals and units playing specific roles:

1. Users - Those who will use the product or service, often initiating the buying proposal and defining specifications.

2. Influencers - Individuals who help define specifications and provide information for evaluating options, with technical personnel being key influencers.

3. Buyers - Those with formal authority to select suppliers and negotiate terms. They may shape product specifications but primarily focus on vendor selection.

4. Deciders - Individuals with the power to approve final suppliers; in routine purchases, buyers often fulfill this role.

5. Gatekeepers - People controlling the flow of information to others, such as purchasing agents and technical staff who may restrict access to users or deciders.

5. Discuss the major influences on business buyers.

1. Economic Environment - Current and expected conditions, including primary demand levels, economic outlook, and interest rates, significantly impact buying decisions.

2. Supply of Materials - Companies are increasingly willing to hold larger inventories of scarce materials to ensure adequate supply.

3. Technological, Political, and Competitive Developments - Changes in these areas can affect purchasing behavior and strategies.

4. Cultural and Customary Factors - In international markets, culture and customs can greatly influence buyer reactions to marketing approaches.

5. Organizational Factors - Each buying organization has unique objectives, strategies, and procedures that the marketer must understand.

6. Interpersonal Factors - The dynamics within the buying center, where participants influence each other, also play a crucial role, although assessing these interpersonal factors can be challenging.

6. "The buying center concept presents a major marketing challenge." What does a business marketer need to learn in order to deal with the challenge effectively?

The buying center concept poses a significant marketing challenge because it is not a fixed unit; instead, it consists of various roles taken on by different individuals for each purchase. The size and composition of the buying center can change based on the product and buying situation. To navigate this effectively, business marketers need to understand who is involved in the decision-making process, the influence each participant has, and the evaluation criteria they use.

7. Briefly describe the eight steps in the business buying process.

1. Problem Recognition - The process begins when a company identifies a problem or need that requires a product or service.

2. General Needs Description - The buyer outlines the general characteristics and quantity of the needed item, often collaborating with others for complex items.

3. Product Specifications - The organization develops detailed technical specifications, sometimes with input from a value analysis team to explore cost reduction.

4. Supplier Search - The buyer searches for qualified suppliers using trade directories, computer searches, or recommendations.

5. Proposal Solicitation - Qualified suppliers are invited to submit proposals, which may include detailed written responses for complex or costly items.

6. Supplier Selection - The buying center evaluates suppliers based on attributes like quality, reputation, delivery, and price.

7. Order Routine Specification - The buyer prepares the final order with chosen suppliers, detailing specifications, quantities, delivery times, and policies.

8. Performance Review - The buyer assesses supplier performance and user satisfaction, leading to decisions about future arrangements.

8. What is e-procurement? Briefly describe its major advantages.

E-procurement refers to purchasing through electronic connections between buyers and sellers, typically online. Its major advantages include:

- Access to New Suppliers - Buyers can connect with a wider range of suppliers.
- Cost Reduction - E-procurement lowers purchasing costs.
- Faster Processing - It accelerates order processing and delivery.
- Enhanced Marketing Connections - Business marketers can share information and provide support online, strengthening customer relationships.
- Increased Focus on Strategy - It reduces administrative tasks, allowing purchasing personnel to concentrate on strategic issues like sourcing better suppliers and collaborating on cost reduction and product development.

9. What are the major characteristics of institutional markets?

The institutional market includes schools, hospitals, prisons, and other organizations that provide goods and services to their patrons. Key characteristics include:

- Size - Institutional markets can be quite large.
- Budget Constraints - Many institutions operate on low budgets.
- Captive Patrons - Institutions serve customers who have limited choices.
- Buying Objectives - Unlike typical profit-driven entities, institutions often prioritize vendors who meet specific standards in addition to offering low prices, focusing on quality and compliance over cost alone.

10. What are the major characteristics of government markets?

Government markets present significant opportunities for businesses of all sizes, as government organizations are major purchasers of goods and services. Key characteristics include:

- Bidding Process - Suppliers typically must submit bids, with contracts usually awarded to the lowest bidder.
- Quality Considerations - In some cases, governments may consider a supplier's quality or reputation when awarding contracts.
- Negotiated Contracts - For complex projects with high R&D costs and low competition, governments may opt for negotiated contracts.
- Preference for Domestic Suppliers - Government organizations often favor domestic over foreign suppliers.

11. Explain the concept of derived demand.

Derived demand refers to business demand that ultimately comes from (derives from) the demand for consumer goods.

12. Why is demand in the business market mostly inelastic?

The total demand for many business products is not much affected by price changes, especially in the short run. A drop in the price of leather will not cause shoe manufacturers to buy much more leather unless it results in lower shoe prices that, in turn, increase consumer demand for shoes.

13. Why is the business buying process more formalized than the consumer buying process?

Large business purchases usually call for detailed product specifications, written purchase orders, careful supplier searches, and formal approval.

14. What is supplier development?

Supplier development refers to systematic development of networks of supplier partners to ensure an appropriate and dependable supply of products and materials for use in making products or reselling them to others.

15. How do influencers contribute to the purchase decision process?

Influencers often help define specifications and also provide information for evaluating alternatives. Technical personnel are particularly important influencers.

16. What is the primary function of gatekeepers in an organization?

Gatekeepers control the flow of information to others. For example, purchasing agents often have authority to prevent salespersons from seeing users or deciders.

17. What happens in a modified rebuy?

In a modified rebuy, the buyer wants to modify product specifications, prices, terms, or suppliers. The "in" suppliers may become nervous and feel pressured to put their best foot forward to protect an account. "Out" suppliers may see the modified rebuy situation as an opportunity to make a better offer and gain new business.

18. What functions do buyers serve in a buying center?

Buyers have formal authority to select the supplier and arrange terms of purchase. Buyers may help shape product specifications, but their major role is in selecting vendors and negotiating. In more complex purchases, buyers might include high-level officers participating in the negotiations.

19. How do interpersonal factors influence the business buying process?

The buying center usually includes many participants who influence each other, so interpersonal factors also influence the business buying process.

20. Why is it difficult to assess interpersonal factors that influence the business buying process?

Interpersonal factors such as who is liked, who controls rewards and punishments, and who has special relationships with other important participants are often very subtle and not obvious to the external observer. Therefore, a business marketer is likely to find it difficult to assess interpersonal factors in the business buying process.

21. How does the buying process typically begin?

The buying process begins when someone in the company recognizes a problem or need that can be met by acquiring a specific product or service.

22. What does the proposal solicitation stage of the business buying process involve?

In the proposal solicitation stage of the business buying process, the buyer invites qualified suppliers to submit proposals. In response, some suppliers will refer the buyer to their Web sites or promotional materials or send a salesperson to call on the prospect.

23. What is product value analysis?

Product value analysis is an approach to cost reduction in which components are studied carefully to determine if they can be redesigned, standardized, or made by less costly methods of production.

24. Describe the advantage of selecting multiple sources of supplies.

Many buyers prefer multiple sources of supplies to avoid being totally dependent on one supplier and to allow comparisons of prices and performance of several suppliers over time.

25. What are the noneconomic criteria that influence government buying?

Government buyers are asked to favor depressed business firms and areas; small business firms; minority-owned firms; and business firms that avoid race, gender, and age discrimination.

Chapter 7

1. Explain the four major steps in designing a customer-driven marketing strategy.

1. Market Segmentation - Dividing a market into distinct groups with unique needs or behaviors.

2. Market Targeting - Evaluating and selecting the most attractive segments to enter.

3. Differentiation - Creating a unique offering that delivers superior value.

4. Market Positioning - Ensuring the offering occupies a distinct, desirable place in consumers' minds.

2. Briefly describe geographic segmentation.

Geographic segmentation calls for dividing the market into different geographical units, such as nations, regions, states, counties, cities, or even neighborhoods. A company may decide to operate in one or a few geographical areas or operate in all areas but pay attention to geographical differences in needs and wants.

3. Why are demographic factors the most popular bases for segmenting customer groups?

One reason is that consumer needs, wants, and usage rates often vary closely with demographic variables. Another is that demographic variables are easier to measure than most other types of variables. Even when marketers first define segments using other bases, such as benefits sought or behavior, they must know a segment's demographic characteristics to assess the size of the target market and reach it efficiently.

4. Why must marketers guard against stereotypes when using age and life-cycle segmentation?

This is primarily because age is often a poor predictor of a person's life cycle, health, work or family status, needs, and buying power.

5. Define psychographic segmentation.

Psychographic segmentation divides buyers into different segments based on social class, lifestyle, or personality characteristics. People in the same demographic group can have very different psychographic characteristics.

6. Briefly describe occasion segmentation.

Occasion segmentation refers to dividing the market into segments according to occasions when buyers get the idea to buy, actually make their purchase, or use the purchased item.

7. How does loyalty status enhance a company's understanding of its consumers?

A company can learn a lot by analyzing loyalty patterns in its market. It should start by studying its own loyal customers. In contrast, by studying its less-loyal buyers, a company can detect which brands are most competitive with its own. By looking at customers who are shifting away from its brand, the company can learn about its marketing weaknesses and take actions to correct them.

8. List three variables that are used in segmenting business markets.

Business marketers use many variables to segment their markets, such as customer operating characteristics, purchasing approaches, situational factors, and personal characteristics.

9. Explain the different segmentation variables used in segmenting consumer markets.

1. Geographic Segmentation - Dividing the market by location, such as regions, cities, or neighborhoods.

2. Demographic Segmentation - Based on factors like age, income, gender, occupation, education, and ethnicity.

3. Psychographic Segmentation - Dividing based on social class, lifestyle, or personality.

4. Behavioral Segmentation - Based on consumers' knowledge, attitudes, usage, or responses to a product.

10. Describe how marketers use multiple segmentation bases to their advantage.

Marketers rarely limit their segmenting analysis to only one or a few variables. Instead, they use multiple segmentation bases in an effort to identify smaller, better-defined target groups of consumers who share likes, dislikes, lifestyles, and purchase behaviors. Companies often begin by segmenting their markets using a single base, and then expand using other bases.

11. Why do companies opt for market segmentation?

Buyers in any market differ in their wants, resources, locations, buying attitudes, and buying practices. Through market segmentation, companies divide large, heterogeneous markets into smaller segments that can be reached more efficiently and effectively with products and services that match their unique needs.

12. Why do international markets need to be segmented?

Different countries, even those that are close together, can vary greatly in their economic, cultural, and political makeup. Thus, just as they do within their domestic markets, international firms need to group their world markets into segments with distinct buying needs and behaviors.

13. What are the primary requirements for effective market segmentation?

1. Measurable - Size, purchasing power, and profiles can be measured.

2. Accessible - Segments can be reached and served effectively.

3. Substantial - Segments are large or profitable enough to pursue.

4. Differentiable - Segments are distinct and respond differently to marketing efforts.

5. Actionable - Programs can be designed to attract and serve the segments.

14. What are the major structural factors affecting long-run segment attractiveness?

The number and strength of competitors, substitute products, the relative power of buyers, and the presence of powerful suppliers impact segment attractiveness.

15. What does a company focus on when using an undifferentiated marketing strategy?

A company using an undifferentiated marketing strategy focuses on what is common in the needs of consumers rather than on what is different. It designs a product and a marketing program that will appeal to the largest number of buyers.

16. What does a company focus on when using a concentrated marketing strategy?

When using a concentrated marketing (or niche marketing) strategy, instead of going after a small share of a large market, a company goes after a large share of one or a few smaller segments or niches.

17. Briefly explain mass customization.

Mass customization is the process by which firms interact one-to-one with masses of customers to design products and services tailor-made to individual needs.

18. List some important factors that companies need to consider when choosing a market targeting strategy.

The availability of resources, the degree of product variability, market variability, and competitors' marketing strategies are some important factors that companies need to consider when choosing a market-targeting strategy.

19. How do companies identify attractive market segments? How do they choose a target marketing strategy?

To identify attractive market segments, companies evaluate factors like size, growth, structural attractiveness, and alignment with company resources and objectives. They then choose a target marketing strategy:

1. Undifferentiated marketing - targets broadly with one product for all consumers.

2. Differentiated marketing - offers tailored products for multiple segments.

3. Concentrated marketing - focuses on one or a few segments.

4. Micromarketing - customizes products and marketing for specific individuals or locations. The strategy depends on resources, product characteristics, market conditions, and competition.

20. Distinguish between undifferentiated and differentiated marketing strategies.

Undifferentiated (mass) marketing refers to a market-coverage strategy in which a firm decides to ignore market segment differences and go after the whole market with one offer. On the other hand, differentiated (segmented) marketing refers to a market-coverage strategy in which a firm decides to target several market segments and designs separate offers for each.

21. Briefly explain local and individual marketing.

Local marketing tailors' brands and promotions to the needs of local customer groups, such as cities or neighborhoods. Advances in technology have led to mobile, location-based marketing targeting consumers on the go. Individual marketing (or one-to-one marketing) goes further by customizing products and marketing for individual customers. This is made possible through databases, flexible manufacturing, and interactive media, enabling mass customization.

22. Briefly describe competitive advantage.

Competitive advantage refers to an advantage over competitors gained by offering greater customer value, either by having lower prices or providing more benefits that justify higher prices.

23. How do firms practicing channel differentiation gain competitive advantage?

Firms that practice channel differentiation gain competitive advantage through the way they design their channel's coverage, expertise, and performance.

24. What is product position? What functions do perceptual positioning maps serve?

Product position refers to how consumers perceive a product in relation to competing products based on key attributes. Marketers aim to influence this perception to gain a competitive advantage. Perceptual positioning maps help marketers visualize consumer perceptions of their brand and competitors on key dimensions, aiding in the development of effective positioning and differentiation strategies.

Chapter 8

1. Give examples of pure tangible goods.

Examples of pure tangible goods include soap, toothpaste, and salt, which are physical products with no accompanying services.

2. What is a product?

Anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need is known as a product.

3. How do consumers perceive products?

Consumers see products as complex bundles of benefits that satisfy their needs.

4. Name some common convenience products.

Common convenience products include laundry detergent, candy, magazines, and fast food.

5. Give three examples of shopping products.

Three examples of shopping products are clothing, used cars, and furniture.

6. How are specialty products distributed?

Specialty products are distributed through only one or a few exclusive outlets per market area. Special effort is required to purchase these products.

7. Explain the difference between a consumer product and an industrial product. Include an example.

The distinction between a consumer product and an industrial product is based on the purpose for which the product is purchased. If a consumer buys a lawn mower for use around home, the lawn mower is a consumer product. If the same consumer buys the same lawn mower for use in a landscaping business, the lawn mower is an industrial product.

8. Products and services fall into two broad classes based on the types of consumers that use them. Name these two broad classes and describe how they are different from each other.

The two broad classes are consumer products and industrial products. Consumer products are bought by final consumers for personal use, classified by shopping habits (e.g., convenience, shopping, specialty, and unsought products). Industrial products are purchased for further processing or business use, including materials and parts, capital items, and supplies.

9. How does branding help buyers?

Branding helps buyers in many ways. Brand names help consumers identify products that might benefit them. Brands also say something about product quality and consistency—buyers who always buy the same brand know that they will get the same features, benefits, and quality each time they buy.

10. When does product line stretching occur?

Product line stretching occurs when a company lengthens its product line beyond its current range.

11. Define consistency of the product mix.

The consistency of the product mix refers to how closely related the various product lines are in end use, production requirements, distribution channels, or some other way.

12. Name and describe the principal decisions companies make regarding their individual products and services.

Individual product decisions include: 1) Product attributes (quality, features, design), 2) Branding (brand name and strategy), 3) Packaging (including labels), 4) Labeling (identifying and promoting the product), and 5) Product support services (enhancing customer satisfaction and protecting against competitors).

13. Describe the principal functions of packaging.

Packaging involves designing and producing the container or wrapper for a product. Traditionally, the primary function of the package was to hold and protect the product. In recent times, however, packaging has become an important marketing tool as well. Increased competition and clutter on retail store shelves means that packages must now perform many sales tasks—from attracting buyers, to communicating brand positioning, to closing the sale.

14. Briefly describe the history of legal concerns about packaging and labels.

Legal concerns about packaging and labels began with the Federal Trade Commission Act of 1914, which prohibited false or misleading labels. The Fair Packaging and Labeling Act of 1966 set mandatory labeling requirements, and the Nutritional Labeling and Education Act of 1990 required detailed nutritional information on food products. Recent FDA actions regulate health-related terms like "low fat" and "organic."

15. What are the different dimensions of a company's product mix? Briefly describe each dimension.

A company's product mix has four dimensions:

1. Width - The number of product lines.

2. Length - The total number of items within the product lines.

3. Depth - The number of versions offered for each product.

4. Consistency - The degree to which the product lines are related in use, production, or distribution.

16. As competition and costs increase, and as productivity and quality decrease, what are the three major marketing tasks facing service companies in contemporary times?

Today, as competition and costs increase, and as productivity and quality decrease, more service marketing sophistication is needed. Service companies face three major marketing tasks: They want to increase their service differentiation, service quality, and service productivity.

17. Define interactive marketing. Why is it considered an important skill for service marketers?

Interactive marketing means that service quality depends heavily on the quality of the buyer-seller interaction during the service encounter. In product marketing, product quality often depends little on how the product is obtained. But in services marketing, service quality depends on both the service deliverer and the quality of delivery. Service marketers, therefore, have to master interactive marketing skills.

18. What are the key service characteristics a company must consider when designing marketing programs? Briefly describe each characteristic.

When designing marketing programs, companies must consider four key service characteristics:

1. Intangibility - Services can't be experienced before purchase.

2. Inseparability - Services are linked to their providers.

3. Variability - Service quality varies based on who, when, and how it's provided.

4. Perishability - Services cannot be stored for future use.

19. Distinguish between the service profit chain and internal marketing.

The service profit chain connects service firm profits to employee and customer satisfaction through five links: internal service quality, satisfied employees, greater service value, loyal customers, and profits. Internal marketing focuses on motivating and orienting customer-contact employees and support staff to work as a team for customer satisfaction. It must come before external marketing.

20. How can service providers use a differentiated offer, delivery, and image to avoid competing solely on price?

A service offer can include innovative features that set a company's offers apart from competitors' offers. Service companies can differentiate their service delivery by having more able and reliable customer-contact people, developing a superior physical environment in which the service product is delivered, or designing a superior delivery process. Services can also be differentiated through symbols and branding, by creating an image that sets a company's services apart from that of its competitors.

21. Briefly explain the concept of brand equity.

Brand equity is the differential effect that knowing the brand name has on customer response to the product and its marketing. It's a measure of the brand's ability to capture consumer preference and loyalty. A brand has positive brand equity when consumers react more favorably to it than to a generic or unbranded version of the same product. It has negative brand equity if consumers react less favorably than to an unbranded version.

22. What is a private brand?

A brand created and owned by a reseller of a product or service is known as a private brand or store brand.

23. What are the different brand sponsorship options available to manufacturers?

A manufacturer has four sponsorship options. The product may be launched as a national brand (or manufacturer's brand), as when Samsung and Kellogg sell their output under their own brand names (the Samsung Galaxy tablet or Kellogg's Frosted Flakes). Or the manufacturer may sell to resellers who give the product a private brand (also called a store brand or distributor brand). Although most manufacturers create their own brand names, others market licensed brands. Finally, two companies can join forces and co-brand a product

24. A company has four choices when it comes to developing brands. Describe them.

1. Line extensions - Adding new forms, colors, or flavors to an existing product category under the current brand name.

2. Brand extensions - Using an existing brand name for a new or modified product in a different category.

3. Multibranding - Introducing multiple brands within the same category.

4. New brands - Creating an entirely new brand name, especially when the existing brand is weakening or entering a new category.

Chapter 9

1. Explain common reasons for the failure of new products. What must be the goals for a company to create successful new products?

New products often fail due to overestimating market size, poor design, incorrect positioning, high pricing, inadequate advertising, or high development costs. Sometimes, ideas are pushed through despite poor research, or competitors respond aggressively. To create successful products, companies should understand customers, markets, and competitors and focus on delivering superior customer value.

2. What elements may help to create a product image?

A product image is the way consumers perceive an actual or potential product. Any number of product attributes, as well as packaging and intended use, create product image; the promotional campaign also affects product image.

3. How might a firm benefit from implementing an "intrapreneurial" program?

Many companies have developed successful internal social networks and intrapreneurial programs that encourage employees to develop new product ideas. For example, Twitter hosts periodic "hackathons," which actively promotes internal innovation through experimentation around the company.

4. Why are competitors considered a good external idea source?

Marketers can pay particular attention to competitors' ads to get clues about their new products. They buy competing new products, take them apart to see how they work, analyze their sales, and decide whether they should bring out a new product of their own.

5. The potential sales, costs, and profit projections are being determined for a new product idea at Art for Kids. Which of the following stages of the new product development process does this illustrate?

The projections for potential sales, costs, and profits occur in the business analysis stage of the new product development process.

6. What factors are assessed in test marketing?

Test marketing lets a company assess customer response to its product and the effectiveness of its positioning strategy, advertising, distribution, pricing, branding, and packaging.

7. A marketer has selected a single city in which to conduct a test market. What can be concluded from this choice of a single-city test market?

The marketer may be confident that consumers in that city are representative of the overall market.

8. A marketer has chosen a multiple-city test market. What can be concluded from this choice of a multiple-city test market?

The marketer likely understands that the product being tested will be perceived differently in different geographic regions.

9. Differentiate between controlled test markets and simulated test markets.

In controlled test markets, new products and tactics are tested among controlled panels of shoppers and stores. Using simulated test markets, researchers measure consumer responses to new products and marketing tactics in laboratory stores or virtual online shopping environments. Both controlled test markets and simulated test markets reduce the costs of test marketing and speed up the process.

10. Why might individual departments prefer sequential product development?

This process allows each individual department to work with a new idea, completing its stage of development before passing the product on to the next department and stage; other departments are less likely to interfere.

11. Briefly describe the steps in the new product development process.

The new product development process begins with idea generation from internal or external sources, followed by idea screening. Chosen ideas then move to concept development and testing. A marketing strategy is created, and a business analysis is conducted to assess sales, costs, and profits. Next, a prototype is developed, followed by test marketing in real-world settings. Finally, the product is either launched in the commercialization stage or shelved, based on testing outcomes.

12. Identify the major sources of external new product ideas and explain why these sources offer advantages over internal sources.

The major external sources of new product ideas include customers, suppliers and distributors, competitors, and research firms. These sources are close to the market and tend to reflect current tastes and preferences. Firms can better match their product offerings to customer needs and wants.

13. Differentiate between a product idea, a product concept, and a product image.

A product idea is an idea for a product that a company can imagine itself offering to the market. A product concept takes the idea several steps further, with a detailed version of the idea stated in meaningful consumer terms. Finally, a product image is the way consumers perceive an actual or potential product.

14. Explain concept testing.

Concept testing calls for testing new product concepts with groups of target consumers. The concepts may be presented to consumers physically or symbolically. A more concrete and physical presentation, however, will increase the reliability of the concept test. After being exposed to the concept, consumers are asked questions about it; their answers reveal to the marketer whether the concept needs to be altered in any way.

15. Define commercialization. Explain two important decisions the company must make during this stage.

Introducing a new product into the market is called commercialization. The company launching a new product must first decide on introduction timing. Next, the company must decide where to launch the new product–in a single location, a region, the national market, or the international market. Confidence, capital, and capacity are required to launch new products on a large-scale basis. Hence, many firms plan a market rollout over time.

16. What are the two advantages of an innovation management system for developing new products? Provide four strategies for a company to use to establish a successful system.

An innovation management system has two main advantages: it fosters an innovation-oriented culture by showing management's support and encouragement, and it generates a higher volume of new product ideas. To establish an effective system, companies can:

1. Appoint a senior innovation manager
2. form a cross-functional innovation committee
3. set up a website for idea contributions
4. create recognition programs to reward top ideas.

17. Explain how the PLC applies differently to a product class than to a product form.

Product classes have longer life cycles, while product forms tend to have the standard PLC shape.

18. Why are ad expenditures high for products in the introduction stage of the PLC?

Consumers have very little awareness about such products; promotional spending can enhance customer awareness.

19. Why do ad expenditures remain high in the growth stage of the PLC?

Though sales are increasing for such products, competition becomes fierce as competitors attempt to enter the market; therefore, ad expenses remain high in an effort to offset competitive threats.

20. Marketers can prolong the lives of many products in the maturity or decline stages of the PLC, sometimes even moving these products back into the growth stage. How is this undertaken?

Marketers can change any element of the marketing mix, find new users and new market segments for its brands, change characteristics such as quality, features, style, packaging, or technology platforms, and so on.

21. Each product will have a life cycle, although its exact shape and length is not known in advance. Briefly explain each phase of the product life cycle.

1. Product Development - The company develops a new product idea, incurring costs while sales are zero.

2. Introduction - Sales grow slowly as the product is launched; profits are absent due to high introduction costs.

3. Growth - Rapid market acceptance occurs, leading to increasing sales and profits.

4. Maturity - Sales growth slows as the product reaches market saturation; profits may decline due to increased marketing expenses to fend off competition.

5. Decline - Sales and profits drop. Companies may try to revitalize the product, maintain it, or discontinue it altogether.

22. Explain why the PLC can be applied to more than just brands.

The product life cycle (PLC) applies not only to brands but also to new products, services, product classes, and product forms. It is relevant for styles, fashions, and fads as well. The PLC framework helps describe product and market dynamics and informs marketing strategies for each stage. However, managers may struggle to use the PLC to accurately forecast performance or develop universal marketing strategies.

23. Why has the cost of product liability insurance risen so dramatically?

The cost of product liability insurance has risen dramatically due to the increased number of lawsuits from consumers injured by defective products. Even though manufacturers are found at fault only occasionally, damage awards can reach tens or hundreds of millions of dollars, leading to significant increases in insurance premiums and challenges for some industries.

24. Describe three public policy issues or regulations that marketers should carefully consider as they make decisions about adding or dropping products.

1. Antitrust Regulations - The government may block acquisitions that could reduce competition.

2. Legal Obligations - Dropping products requires awareness of obligations to suppliers, dealers, and customers connected to the product.

3. Compliance with Laws - Companies must adhere to patent laws, ensuring new products are not illegally similar to existing ones, and comply with safety regulations, such as the Federal Food, Drug, and Cosmetic Act and the Consumer Product Safety Act, to protect consumers from harmful products.

Chapter 10

1. List some important characteristics of price.

Price is the only element in the marketing mix that produces revenue; all other elements represent costs. Price is also one of the most flexible marketing mix elements. Unlike product features and channel commitments, prices can be changed quickly.

2. Why is price considered one of the most flexible elements of the marketing mix?

Unlike product features and channel commitments, prices can be changed quickly.

3. Define price. Discuss its importance.

Price is the amount charged for a product or service, reflecting all values customers forgo to obtain it. While nonprice factors have become more important, price remains essential for a firm's market share and profitability. It is the only marketing mix element that generates revenue and can be adjusted quickly. Effective pricing poses challenges for many marketing executives, but it is a crucial strategic tool for creating customer value. Even minor price improvements can lead to significant profitability increases, highlighting its role in building customer relationships and enhancing overall value propositions.

4. Explain the concept of the price floor.

Price floor represents the price below which there is no profit.

5. Explain the concept of the price ceiling.

Price ceiling represents the price above which there is no demand.

6. Briefly describe the process of value-based pricing.

The company first assesses customer needs and value perceptions. It then sets its target price based on customer perceptions of value. The targeted value and price drive decisions about what costs can be incurred and the resulting product design. As a result, pricing begins with analyzing consumer needs and value perceptions, and the price is set to match perceived value.

7. What is good-value pricing?

Good-value pricing refers to offering just the right combination of quality and good service at a fair price.

8. What is high-low pricing?

High-low pricing involves charging higher prices on an everyday basis but running frequent promotions to lower prices temporarily on selected items.

9. Define total costs.

Total costs are the sum of the fixed and variable costs for any given level of production.

10. Explain the significance of a downward-sloping experience curve.

If a downward-sloping experience curve exists, this is highly significant for the company. Not only will the company's unit production cost fall, but it will fall faster if the company makes and sells more during a given time period.

11. A marketer's fixed costs are $400,000. The variable cost is $16 per unit, and the price of the product is $24 per unit. If the company wants to make a profit, how many units must it sell and at what price?

If the company wants to make a profit, it must sell more than 50,000 units at $24 each.

12. A marketer's fixed costs are $400,000, the variable cost is $16 per unit, and the price of the product is $24 per unit. What is the company's break even point in dollar sales?

The break-even point in dollar sales is $1,200,000.

13. What is competition-based pricing?

Competition-based pricing refers to setting prices based on competitors' strategies, prices, costs, and market offerings.

14. Distinguish between value-based pricing and cost-based pricing.

Customer value-based pricing sets prices based on buyers' perceptions of value, integrating price with the overall marketing mix before finalizing the marketing program. In contrast, cost-based pricing is product-driven, where a company designs a product, calculates production costs, and sets a price that covers those costs plus a target profit. In this approach, marketing must then persuade buyers that the product's value justifies its price.

15. Explain break-even pricing.

Break-even pricing (target return pricing) refers to setting price to break even on the costs of making and marketing a product, or setting price to make a target return. Target return pricing uses the concept of a break even chart, which shows the total cost and total revenue expected at different sales volume levels.

16. Who typically sets prices in large and small companies?

In small companies, prices are often set by top management rather than by the marketing or sales departments. In large companies, pricing is typically handled by divisional or product managers.

17. What is a pure monopoly?

In a pure monopoly, the market is dominated by one seller. The seller may be a government monopoly, a private regulated monopoly, or a private unregulated monopoly. Pricing is handled differently in each case.

18. What are the different internal factors that affect a firm's pricing decisions?

In addition to customer perceptions, costs, and competitor strategies, internal factors affecting a firm's pricing decisions include its overall marketing strategy, objectives, and marketing mix. Price is one element of this broader strategy. Companies with well-defined target markets and positioning will find pricing easier, with some positioning products based on price while others emphasize non-price factors to establish their value proposition.

19. Compare and contrast pure competition and oligopolistic competition.

In pure competition, many buyers and sellers trade a uniform commodity, like wheat or copper, with no single participant significantly affecting market prices. Marketing strategies play a minimal role, so sellers focus less on marketing efforts. In contrast, oligopolistic competition features a few large sellers who closely monitor and respond to each other's pricing and marketing strategies, making marketing a more significant factor in their operations.

20. Briefly discuss monopolistic competition.

Monopolistic competition features many buyers and sellers trading at a range of prices due to product differentiation. Each firm is less influenced by competitors' pricing strategies than in oligopolistic markets. Sellers focus on creating unique offerings for various customer segments and utilize branding, advertising, and personal selling alongside pricing to differentiate their products.

21. What is a demand curve? Explain its importance in the context of pricing decisions.

A demand curve illustrates the quantity of units the market will purchase over a given time at various prices. It shows the inverse relationship between price and demand, indicating that higher prices typically lead to lower demand. Understanding this curve is essential for effective pricing decisions, as it helps companies estimate demand at different price points. In monopolistic markets, the demand curve reflects total market demand, while in competitive markets, it varies depending on competitors' pricing strategies.

22. Explain price elasticity. What determines the elasticity of demand?

Price elasticity measures how sensitive demand is to changes in price. If demand changes little with price adjustments, it is considered inelastic; if demand changes significantly, it is elastic. Sellers often lower prices for elastic products to increase total revenue, provided the additional costs of production do not outweigh the extra revenue. However, companies aim to avoid pricing that commodifies their products. Factors like deregulation and online price comparisons have heightened consumer price sensitivity, leading some products to be perceived as commodities.

23. Briefly describe how economic conditions impact a firm's pricing strategies.

Economic conditions significantly influence a firm's pricing strategies. Factors like economic booms or recessions, inflation, and interest rates affect consumer spending, perceptions of price and value, and production costs. Following the Great Recession of 2008-2009, consumers have become more value-conscious, prompting many marketers to adopt value-for-money pricing strategies. In response to economic pressures, companies often cut prices and offer discounts to boost short-term sales. However, these price reductions can lead to lower profit margins, damage brand perception, and make it challenging to raise prices when the economy recovers.

24. "Beyond the market and the economy, the company must consider several other factors in its external environment when setting prices." Explain this statement.

When setting prices, a company must consider various external factors beyond just the market and economy. It is essential to understand how prices will affect other parties, such as resellers, ensuring they can achieve fair profits and are motivated to support and sell the product effectively. Additionally, government regulations and social concerns can influence pricing decisions. Companies may need to balance short-term sales, market share, and profit goals with broader societal considerations.

Chapter 11

1. Differentiate between market-skimming and market-penetration pricing strategies. Explain the conditions within which they are effective.

Market-skimming pricing - involves entering the market with high initial prices to "skim" revenue layers from buyers willing to pay more. This strategy works best when the product's quality and image justify the high price, production costs remain manageable at lower volumes, and competitors are unlikely to undercut prices.

Market-penetration pricing - sets a low initial price to attract a large customer base quickly and gain market share. It is effective in price-sensitive markets where low prices can drive demand, production costs decrease with volume, and low prices deter competitors from entering the market.

2. For what types of products might marketers use market-skimming pricing?

Market-skimming pricing works when the product's quality and image support the higher price. For example, companies selling high-tech electronics may use market-skimming pricing successfully.

3. Why might marketers use market-penetration pricing?

Marketers use such pricing when attempting to attract a large number of buyers quickly and win a large market share; such pricing may be common when competition for products is high.

4. Sensenig Propeller manufactures replica antique wooden airplane propellers. In the process of production, the company generates a great deal of scrap hardwood. How can using by product pricing benefit the company?

Using by-product pricing, Sensenig can seek a market for the hardwood and should accept any price that covers more than the cost of storing and delivering the by-products. This practice allows Sensenig to reduce the main product's price to make it more competitive. Sensenig might even find that the by-products themselves are profitable.

5. Explain product line pricing.

With product line pricing, management must decide on the price steps to set between the various products in a line. The price steps should take into account cost differences between the products in a line, customer evaluations of different product features, and competitors' prices. The seller's task is to establish perceived quality differences that support the price differences between various price points.

6. What should the price steps of product line pricing take into account?

The price steps should take into account cost differences between products in the line. More importantly, they should account for differences in customer perceptions of the value of different features.

7. Give two examples of products for which marketers might use optional-product pricing.

Student answers will vary. Such products may include refrigerators with icemakers and cars with options such as stereos, GPS, and cruise control.

8. Give two examples of products for which captive product pricing might be used.

Student answers will vary. Examples of captive products are razor blade cartridges, video games, printer cartridges, and e-books.

9. Give two examples of by-product pricing.

Student answers will vary. Examples include selling scrap metal after producing metal clamps, selling wood chips after milling lumber, or selling donut holes after producing donuts.

10. Give two examples of product bundle pricing.

Student answers will vary. Examples include vacation packages that include airfare, hotel charges, and tourist charges, or value meals in the fast-food industry.

11. Why do businesses use cash discounts when they are in essence losing some money on the sale?

Such discounts are customary in many industries in order to reward a customer who pays bills promptly. The practice encourages customers to pay early, giving the firm quicker and more reliable access to cash. A cash discount can also help to build customer loyalty to the firm.

12. Differentiate between dynamic and fixed pricing.

Fixed pricing involves setting one price for all customers, a concept that became popular with the growth of large-scale retailing in the late 19th century and remains common today. In contrast, dynamic pricing adjusts prices based on market conditions and individual customer needs, allowing flexibility to respond to demand and potentially benefit customers.

13. Explain the factors involved in setting international pricing.

When setting international prices, companies often adjust for local market conditions rather than using a uniform price. Key factors include economic conditions, competitive landscapes, local laws and regulations, and the structure of retail and wholesale systems. Additionally, consumer perceptions and preferences vary across countries, affecting pricing strategies. Costs, such as operations, product modifications, shipping, tariffs, and currency fluctuations, can lead to price escalation and must be accounted for.

14. List four types of discounts.

Four types of discounts are cash discount, quantity discount, functional or trade discount, and seasonal discount.

15. List four types of segmented pricing.

Four types of segmented pricing are customer-segment pricing, product form pricing, location-based pricing, and time-based pricing.

16. Explain the psychology behind a price of $9.99 instead of $10.00.

Consumers typically see a product that is priced at $9.99 as in the $9 range instead of as $10. The price appears to be cheaper at a subconscious level.

17. Casual Comfort sells its catalog items using FOB-origin pricing. Who pays the freight charges?

The customer pays for the freight.

18. Discuss the conditions under which a company might consider using price cuts or price increases.

A company may consider price cuts when facing excess capacity, losing market share amid strong price competition, or aiming to dominate the market with lower costs. Price increases, on the other hand, may be prompted by cost inflation, which squeezes profit margins, or by excess demand when supply falls short of customer needs.

19. When are competitors most likely to react to price changes? How can a firm anticipate the likely reactions of its competitors?

Competitors are most likely to react to price changes when there are few firms, products are similar, and buyers are well-informed. If a firm faces a predictable competitor, reactions to price changes are easier to anticipate. However, if a competitor responds differently to each change based on current self-interest, the firm must analyze what drives the competitor's interests at that time.

20. How might a consumer view a price cut?

Price cuts have both advantages and disadvantages. A consumer might believe that he or she is getting a good deal on a quality product, or a consumer might believe that the quality of the product has been reduced.

21. In what way does the government regulate pricing?

Key federal laws regulating pricing include the Sherman, Clayton, and Robinson-Patman Acts, designed to prevent monopolies and unfair trade practices. While these laws apply to interstate commerce, many states have similar regulations for local businesses, covering issues like pricing within and across channel levels.

22. Compare the practices of price fixing and predatory pricing. Explain why each is prohibited by law.

Price fixing involves companies colluding to set the same price for similar products, undermining free-market competition. Predatory pricing, in contrast, occurs when a company sells below cost to harm or eliminate competitors. Both practices are illegal because they restrict fair competition.

23. Why is predatory pricing considered illegal?

Predatory pricing works against the principles of a free-enterprise system; predatory pricing allows marketers to sell below cost with the intention of punishing competitors.

24. Why is identifying predatory pricing difficult?

Selling below cost to unload excess inventory is not considered predatory; selling below cost to drive out competitors is illegal. Thus, a given action may or may not be predatory depending on intent, and intent can be very difficult to determine or prove.

25. What is deceptive pricing?

Deceptive pricing occurs when a seller states prices or price savings that mislead consumers or are actually not available to consumers.