FEB final

BARRINGER

Chapter 11

1. market segmentation - The first step in selecting a target market is to study the industry in which the firm intends to compete and determine the different potential target markets in that industry.

2. selecting a target market and position strategy - Segment the market, Select a target market, Create a unique positioning strategy.

3. Segmentation - trying to decide which product category she is the most interested in competing in.

4. niche market - a place within a market segment that represents a narrower group of customers with similar interests.

5. product attribute map - illustrates a firm's positioning strategy relative to its major rivals.

6. tagline - catchy phrase that's used consistently in a company's literature, advertisements, and even invoices and thus becomes associated with a company to reinforce its position in the market.

7. firm's target market - limited group of individuals or businesses that it goes after or tries to appeal to.

8. brand - set of attributes-positive or negative-that people associate with a company, it can be one of a company's most valuable assets (NOT a written warranty)(NOT Most experts recommend a heavy reliance on advertising in building a firm's brand).

9. Some companies monitor the integrity of their brands through a program of brand management.

10. Creating buzz - creating awareness and a sense of anticipation about a company and its offerings.

11. Brand equity - denotes the set of assets and liabilities that are linked to a brand and enable it to raise a firm's valuation.

12. brand can increase the market value - 50; 75.

13. marketing mix - The 4Ps of marketing, product, price, promotion, and place (NOT Passion).

14. Firm's formation - the good or service it offers to its target market.

15. Product – something that takes on a physical form.

Service – an activity or benefit that is intangible.

16. Cobranding – when two companies form a partnership to combine their brands.

17. Reference account - early user of a firm's product who is willing to give a testimonial regarding his or her experience with the product.

18. Price - amount of money consumers pay to buy a product, produces revenue.

19. Cost-based pricing - the list price of an item is determined by adding a markup percentage to a product's cost.

20. Value-based pricing - list price is determined by estimating what consumers are willing to pay for a product and then backing off a bit to provide a cushion.

21. price-quality attribution - because it was the most expensive, it must be the best.

22. Promotion - activities the firm takes to communicate the merits of its product to its target market.

23. Johnson's three most damaging marketing-related mistakes were - Fair and Square Pricing, no testing of ideas in advance, and a total misread of JCPenney's brand.

24. AdWords - allows advertisers to buy keywords on the Google Home Page.

25. public relations - Efforts to establish and maintain a company's image with the public.

26. Trade - manufacturers gather to display their products and to see what their competitors are up to.

27. Airbnb generated buzz - blogs.

28. Guerilla marketing - low-budget approach to marketing that relies on ingenuity, cleverness, and surprise rather than traditional techniques.

29. Distribution channel - a route a product takes from the place it is made to the customer who is the end user.

30. Sales process - depicts the steps it goes through to identify prospects and close sales. (NOT depicts the steps it goes through to identify its target market)

32. prospect for sales leads – first step in sales process.

33. follow-up – final step in sales process.

34. What is the purpose of market segmentation? How are markets typically segmented? Can a company segment its market on more than one dimension?

Market segmentation involves studying an industry to identify potential niche markets. This process is crucial as new firms often target one segment initially due to limited resources. Segmentation can occur by geography, demographics, psychographics, behavior, or product type. Firms may use multiple dimensions to identify a specific market they can uniquely serve. For instance, GreatCall likely segmented the cell phone market by age and benefits sought for older users.

35. What is a tagline? Provide an example of a popular tagline, and discuss why you think it has been effective?

Companies often craft taglines to solidify their market position—a phrase consistently used across their materials, ads, and promotions. Take Nike's "Just do it," implying action over persuasion, appealing to both young athletes and older individuals. This tagline, coupled with their strategy, allowed Nike to diversify from running shoes to a broader range of athletic products for all ages.

36. What is a brand? How does a new firm develop a brand?

A brand encompasses the traits—positive or negative—that people link to a company. These attributes can be trustworthiness or unreliability. Customer loyalty, a key asset, stems from this association. For a new firm, creating a meaningful presence in customers' lives is crucial. Brands are constructed through techniques like advertising, PR, sponsorships, and consistent performance.

37. Describe the concept of guerrilla marketing. Why is guerrilla marketing particularly suitable for entrepreneurial firms?

Guerrilla marketing thrives on creativity and surprise rather than traditional methods, making it a low-budget yet impactful approach. It's perfect for entrepreneurial ventures that rely on ingenuity and passion. Companies leverage entertaining and engaging tactics to raise awareness about their offerings in unconventional ways.

38. What is an exclusive distribution agreement? Why do firms enter into exclusive distribution agreements with other firms?

Exclusive distribution agreements grant specific retailers sole rights to sell a company's products, motivating them to focus on selling without direct competition. For instance, if Nokia gives AT&T exclusive rights to sell a new phone, AT&T is incentivized to promote it vigorously compared to if multiple companies had access to the same phone.

Chapter 10

1. raising capital haphazardly – lack experience in this area.

2. burn rate - The company is spending about $25,000 per month and expects to maintain that level of spending until it reaches profitability.

3. cash flow challenges - inventory must be purchased, employees must be trained and paid, and advertising must be paid for before cash is generated from sales.

4. capital investments - buying real estate, building facilities, and purchasing equipment often exceeds the firm's ability to provide funds for those needs on its own.

5. lengthy product development cycles - some products are under development for years before they generate earnings.

6. startup weekend is a not-for-profit organization - creates a context in which small groups of people can start a business in 54 hours (usually over a weekend).

7. the founders of the firm – the seed money that gets a company off the ground.

8. sweat equity - The time and effort that entrepreneurs put into their venture, that can't be easily measured from a financial point of view.

9. The three common sources of "personal" financing for a startup firm are personal funds, friends and family, and bootstrapping.

10. Equity investors typically have a 3 to 5 year investment horizon.

11. Liquidity event - Converts some or all of a company's stock to cash.

12. places a startup in the strongest position to apply for equity funding - Unique business idea, high growth, niche market, proven management.

13. three most common forms of equity funding - initial public offerings, business angels, venture capitalists.

14. unique value provided by business angels – they are willing to make relatively small investments.

15. Venture capital firms are limited partnerships of money managers who raise money in "funds" to invest in startups and growing firms.

16. In 2013, venture capital firms funded just over 4,000 deals.

17. Follow-on funding - Once a venture capitalist makes an investment in a firm, subsequent investments are made in rounds.

18. An important part of obtaining venture capital funding is going through due diligence.

19. Seed funding - the stage of funding that occurs when an investment is made very early in a venture's life to fund the development of a prototype and feasibility analysis.

20. Initial public offering - The first sale of stock by a firm to the public.

21. DrawQuest failed, because founders - never figured out the business side of the venture.

22. Investment bank - institution, such as Credit Suisse First Boston, that acts as an underwriter or agent for a firm engaged in an initial public offering.

23. Commercial banks - have not been a good source of funds for startup firms.

24. two major advantages of getting a loan versus investment capital - no ownership in the firm is surrendered and interest payments are tax deductible.

25. 7(A) Guaranty Program - The most notable SBA program available to small businesses.

26. Factoring - financial transaction whereby a business sells its accounts receivable to a third party at a discount in exchange for cash.

27. Reward-based – Kickstarter and Indiegogo.

28. Crowdfunding sites – rewards-based; equity-based.

29. Equity-based - FundersClub and Crowdfunder.com.

30. Lease -

- written agreement in which the owner of a piece of property allows an individual or business to use the property for a specified period of time in exchange for payments.
- advantage - it enables a company to acquire the use of assets with little or no down payment.

31. SBIR -

- competitive grant program that provides over $2.5 billion per year to small businesses for early-state and development projects.
- Phase I - "phase" of the SBIR Program is a six-month feasibility study in which the recipient must demonstrate the technical feasibility of the proposed innovation.
- a three-phase program.

32. The main difference between the SBIR and the STTR programs is that the STTR program requires the participation of researchers working at universities or other research institutions.

33. Innovation - the most compelling partnerships are those that help entrepreneurial firms focus on what they do best.

Incorrect Statements

- In 2013 and 2014, Brooks and Chen attempted to raise money for angel investors but were unable to convince any angels to invest.
- Source of equity funding – government grants.
- Equity investors fund the majority of the plans they consider.
- The number of angel investors has decreased dramatically over the past decade.
- Granting agencies are very visible and well-known, so it's normally not hard to find one.

Open questions:

1. Why do most firms need funding? Provide a brief explanation of each reason.

The three reasons that most new firms need to raise money during their early life are cash flow challenges, capital investments, and lengthy product development cycles. As a business grows, it needs more cash to serve customers, buy equipment, and hire staff before generating extra income. Getting funds becomes crucial for bigger investments like property, construction, and long product development cycles.

2. What is meant by the term "bootstrapping"? Provide several examples of the ways that entrepreneurs bootstrap to raise money or cut costs?

Bootstrapping is the use of creativity, ingenuity, and any means possible to obtain resources other than borrowing money or raising capital from traditional sources. There are many ways entrepreneurs bootstrap to raise money or cut costs. Some of the more common examples include:

• Buy used instead of new equipment

• Coordinate purchases with other businesses

• Lease equipment rather than buying

• Obtain payments in advance from customers

• Minimize personal expenses

• Buy items cheaply, but prudently, through discount outlets or online auctions such as eBay

• Share office space or employees with other businesses

• Hire interns

3. What is an elevator speech? How did it get its name?

An elevator speech is a brief, carefully constructed statement that outlines the merits of a business opportunity. It's called an elevator speech because, like a chance encounter in an elevator with an investor, entrepreneurs have only a few minutes to pitch their business idea or opportunity.

4. What is the difference between equity funding and debt financing? What are the most common sources of equity funding and debt financing?

Equity funding means exchanging partial ownership in a firm, usually in the form of stock, for funding. Angel investors, private placement, venture capital, and initial public offering are the most common sources of equity funding. Debt financing is getting a loan. The most common sources of debt financing are commercial banks and the Small Business Administration through its SBA 7(A) Guaranty Loan Program.

5. What is a business angel? Describe the prototypical business angel. How much money do business angels typically invest in a single company?

Business angels are individuals who invest their personal capital directly in startups. The prototypical business angel is about 50 years old, has high income and wealth, is well educated, has succeeded as an entrepreneur, and is interested in the startup process. These investors generally invest between $10,000 and $500,000 in a single company. Business angels are hard to find. They are typically located through referrals, by someone like an attorney or an accountant.

Chapter 9

1. overcome the liabilities of newness by considering - joining a startup accelerator.

2. new venture team - group of founders, key employees, and advisers that move a new venture from an idea to a fully functioning firm.

3. prior entrepreneurial experience is one of the most consistent predictors of future entrepreneurial performance.

4. Deever failed - it lacked a cofounder who loved the business side of running a startup.

5. networking - The process of building and maintaining relationships with people whose interests are similar or whose relationship could bring advantages to the firm.

6. Intern - person who works for a business as an apprentice or trainee for the purpose of obtaining actual experience.

7. Freelancer - person who is in business for themselves, works on their own time with their own tools and equipment, and performs services for a number of different clients.

8. Board of directors - firm will be incorporated, it is legally required to have it.

9. A board of directors is typically made up of both inside and outside directors.

10. Inside director - person who is also an officer of the firm.

11. Outside director - someone who is not employed by the firm.

12. board of directors' three formal responsibilities - appoint the officers of the firm, declare dividends, and oversee the affairs of the corporation.

13. aboard of directors most useful role - provide guidance and support to the firm's managers.

14. Signaling - high quality appointment will send an important message to her potential business partners and clientele.

15. Founding teams that have worked together before, as opposed to teams that are working together for the first time, have an edge.

16. Advisory board - panel of experts who are asked by a firm's managers to provide counsel and advice on an ongoing basis.

17. most boards of advisers have between 5 and 15 members.

18. An advisory board can be established for general purposes or can be set up to address a specific need.

19. Business mentor - individual who gives professional or expert advice, on a volunteer or fee basis.

20. Consultants fall into two categories-paid consultants and consultants who are made available for free or at a reduced rate through a nonprofit or government agency.

Incorrect statements

- D) The idea for Next Big Sound was created at a Startup Weekend event in San Francisco.
- B) Suppliers and vendors
- E) It is generally believed that new ventures started by an individual have an advantage over new ventures started by a team.
- B) Teams that are working together for the first time have an advantage over teams that have worked together before.
- A) There is no relationship between a founding team's size and its effectiveness.
- C) Founders with experience in the same industry as their new ventures will typically have "blinders" on and are typically not as effective as founders new to the industry.
- D) Prior experience working in a government or university position
- A) Hiring consultants from a major consulting firm (e.g., Bain & Company or McKinsey & Company)
- A) If a new venture organizes as a corporation, it is not legally required to have a board of directors, but it is strongly recommended.
- A) Homogeneous set of experiences and talents
- B) Unknown in their field
- C) Similar to a board of directors, an advisory board has legal responsibility for the firm in certain areas.

- A) If a firm has a board of directors, it is not permitted to have an advisory board.
- E) Help manage the day-to-day activities of the firm.
- Similar to a board of directors, an advisory board possesses legal responsibility for the firm.
- The fact that a corporation has a board of directors precludes it from having a board of advisors
- More people are willing to serve on a company's board of directors than board of advisors.
- SCORE is a for-profit organization that provides consulting services to small businesses.

Open questions:

1. Describe the term "liability of newness" and suggest several ways that a new venture can overcome this handicap.

The term "liability of newness" refers to the fact that companies often falter because the people who start them aren't able to adjust quickly enough to their new roles and because the firms lack "track records" with outside buyers and suppliers. Building a skilled team helps businesses tackle these challenges. Convincing top-notch individuals to join as advisors or directors boosts credibility, opening doors with employees, suppliers, customers, and investors.

2. Are more firms started by individuals or founding teams? What are the advantages to founding a firm as a team rather than as an individual?

Studies show that more than one individual starts 50 to 70 percent of all new firms. Startups led by teams are often favored over individual ventures due to the diverse talents, resources, ideas, and networks they bring. Cofounders providing psychological support also play a crucial role in a startup's success.

3. What is the difference between a heterogeneous and a homogeneous founding team? Which type of team has the advantage?

Heterogeneous founding teams are diverse in terms of their abilities and experiences. Homogeneous founding teams are very similar on the same dimensions. Heterogeneous teams typically have the advantage. Diverse teams with varied perspectives on technology, hiring, and decisions tend to excel. These differences spark debates, constructive conflict, and prevent rushed decisions without considering alternative viewpoints.

4. What is a skills profile and what is it used for?

A skills profile is a chart that depicts the most important skills that are needed in a new venture. The idea is to see whether the skills that are needed to launch a firm are adequately covered by the members of the new venture team, or whether skills gaps exist that need to be filled.

5. What is SCORE? What is its role in helping a firm fill out its new venture team?

SCORE is a nonprofit organization that provides free consulting services to small businesses. SCORE currently has over 11,000 volunteers who are typically retired business owners and who counsel in areas as diverse as finance, operations, and sales. SCORE helps a business fill out its new venture team by providing important advice and direction in areas that the new venture cannot provide for itself.

BOVEE

Chapter 9

1. Interconnected element – organizational department.

2. A circular view includes feedback, unlike a line view.

3. Organizations can promote systems thinking by showing people how they contribute to the overall goal.

4. leverage point - The point in a system where a small correction could improve performance.

5. one of the most important managerial skills – view the business from a systems perspective.

6. systems utilize other firms for significant functions of the process.

7. managers can Solve problems instead of moving them to another subsystem to benefit from systems thinking.

8. for managers to avoid or eliminate reoccurring mistakes in the system they use mistakes as an opportunity to learn.

9. Feedback is the information from the output applied back to the input.

10. Outsourcing -

- contracting out certain business functions or operations to other companies.
- Advantage - Companies can concentrate on core competencies.
- Risk – control.

11. Offshoring -

- transferring a part or all of a business function to a facility in another country.
- Advantage - U.S. firms can charge lower prices through offshoring.
- Disadvantage - Customer responsiveness may suffer due to offshoring.

12. Near-shoring strategy - Establishing production facilities in or near a market.

13. Supply chain –

- coordinates the flow of goods and materials.
- Supply chain management refers to the business procedures, policies, and computer systems that convert supply chain into a cohesive system.

14. Inventory control -

- determining the right quantities of supplies and products to have on hand and tracking where those items are.
- Main objective - balancing supply and storage costs.

15. Procurement - acquisition of the raw materials, parts, components, supplies, and finished products required to produce goods and services.

16. Lead time - period of time between placing an order for supplies and receiving the material.

17. radio frequency identification (RFID) - attaches small antenna tags to products or shipping containers to help the company track where needed materials are in its supply chain.

18. Goal of purchasing - To ensure the company has what it needs, when they need it, at the lowest possible cost.

19. material requirements planning (MRP) - helps a manufacturer get the correct materials where they are needed, when they are needed.

20. Facility layout - arrangement of production work centers and other elements needed to process goods and services.

21. Capacity planning – establishing the overall level of resources needed to meet customer demand.

22. Production forecasts – estimates of future demand for a company's products.

23. Master production schedule - tool used by manufacturing facilities to coordinate production of all the goods the company makes.

24. Gantt chart - shows the progress of all the tasks needed tocomplete a project.

25. Critical path - sequence of activities that take the longest time from start to finish in a PERT diagram.

26. Productivity - efficiency with which an organization can convert inputs to outputs.

27. Better inventory management – main purpose of just-in-time systems.

28. Scheduling involves determining how long each operation takes and deciding which tasks are done in which order.

29. Perishable -

- services that are consumed at the same time they are produced and cannot exist before or after that time.
- Change in the issue - The internet has removed location constraints.

30. Scalability -

- potential to increase production by expanding or replicating its initial production capacity.
- Limited - When a business is built around the reputation of a single person.

31. Quality - degree to which a product or process meets reasonable or agreed-upon expectations.

32. Customer involvement - one of the biggest differences in quality for goods and services delivery.

33. With a service, quality sometimes cannot be judged until after the service has been performed creating a variable in Quality of performance.

34. Statistical process control - use of random sampling and tools, such as control charts, to monitor the production process.

35. Kaizen – continuous quality improvements.

36. Six Sigma -

- rigorous quality management program that strives to eliminate deviations between the actual and desired performance of a business system and reduce defects to 3.4 per 1 million opportunities.
- Define the problem - first step in the five-step process that is the heart of Six Sigma's quality management efforts.

37. ISO 9000 -

- globally recognized family of standards for quality management systems.
- http://www.mangago.me/ Certificate indicates - company's internal processes meet accepted standards.

38. One of the most important tools in utilizing statistical process control is the control chart to plot data and identify performance outside the normal range.

Open questions

1. Explain how systems are found in a company.

A system is an interconnected and coordinated set of elements and processes that converts inputs into desired outputs. A company comprises multiple systems across functions like operations, engineering, marketing, and accounting, forming the company's overall system. Each of these individual systems can also be thought of as a subsystem of the overall business.

2. What seven steps can a manager use to ensure a system works at peak performance level?

First, ensure everyone understands the company's goals.

Second, grasp how systems function and interact before making changes.

Third, understand problems thoroughly before attempting solutions.

Fourth, evaluate potential impacts of proposed solutions.

Fifth, focus on solving problems rather than shifting them.

Sixth, recognize and utilize feedback within the system.

Seventh, use mistakes as learning opportunities to improve systems.

3. Explain the essential purpose of a business and how value chain can support that purpose.

Businesses aim to add value by converting lower-value inputs into higher-value outputs. This involves a unique value chain for each industry and company, encompassing processes from transforming raw materials to making the final products available to the ultimate customer.

4. Explain the concept of value webs.

Businesses are shifting from linear value chains to dynamic value webs—networks of suppliers and outsourcing partners. These webs adapt to a company's changing needs, allowing for virtual or unstructured organizational structures.

5. Why is the offshoring debate an excellent example of conflicting priorities in the stakeholder model?

The offshoring debate highlights conflicting priorities in the stakeholder model because while it can increase profits, open new markets, and enhance global competitiveness, it also risks job losses in the home country, affecting local employees and potentially reducing responsiveness to domestic customers.

6. A country can protect its domestic industries by levying tariffs against imported goods. The tariff makes the imported goods more expensive. It has been suggested that the United States establish a tariff against imported labor as well. A company that offshores jobs in pursuit of lower labor costs would have to pay a tariff or tax that would make that labor more expensive, which may discourage further offshoring. Do you think this tax or tariff would be a good idea? Why or why not? Do you think it would serve its intended purpose of slowing down offshoring?

Offshoring will often increase the productivity and effectiveness of organizations. At the same time, many believe that it takes away jobs from the United States. Implementing a tariff on imported labor might discourage offshoring by raising costs for companies seeking cheaper overseas labor. While it aims to protect local jobs, it could trigger trade disruptions and higher costs for consumers. Striking a balance between safeguarding domestic employment and global economic collaboration could offer more lasting benefits.

7. Explain the various ways in which supply chain management (SCM) can have a profound strategic impact on companies and the broader economy.

Managing risks: SCM helps companies handle diverse risks in their supply chains, spanning cost, availability, and health and safety concerns.

Managing relationships: SCM coordinates supply chain relationships, allowing managers to prioritize crucial company-to-company connections.

Managing trade-offs: SCM aids managers in balancing conflicting interests within the company arising from trade-offs in the supply chain.

Promoting sustainability: Supply chains significantly impact resource usage, waste, and the environment. SCM is actively working on creating greener supply chains to address this impact.

8. Compare and contrast materials requirement planning (MRP) and enterprise resource planning (ERP).

Material Requirements Planning (MRP) focuses on getting necessary materials to manufacturers efficiently, minimizing excess stock through software-driven calculations. It's widely used in both large and small manufacturing firms.

Enterprise Resource Planning (ERP) expands this concept to manage the entire organization, integrating modules across functional areas like manufacturing, sales, and human resources. Some companies use global ERP systems to centralize operations worldwide.

9. What is production and operations management?

production and operations management, operations management, refers to overseeing all the activities involved in producing goods and services. Operations managers are responsible for a wide range of strategies and decisions, from high-level design of the production system to forecasting and scheduling.

10. Explain production and why it is one of the most vital responsibilities of operations management.

Production is a critical aspect of operations management, focusing on efficiently converting inputs to outputs. Operations managers prioritize productivity—getting more output from fewer inputs—as it significantly impacts a company's competitiveness and profitability. Higher productivity leads to an advantage over competitors by utilizing fewer resources. Additionally, it aligns with sustainability efforts by minimizing waste and energy usage, showcasing how productivity and sustainability often go hand in hand.

11. Describe lean systems and just-in-time (JIT) inventory systems.

Lean systems aim to boost productivity by minimizing waste and delays, often inspired by the Toyota Production System. Central to this approach is Just-in-Time (JIT) inventory management, delivering goods precisely when needed rather than stockpiling them. This minimizes waste, ensures smooth production flow, and enhances efficiency.

12. Compare and contrast mass production, customized production, and mass customization.

Customized production - creation of a unique good or service for each customer.

Mass production - creation of identical goods or services in large quantities.

Mass customization - part of the product is mass-produced and the remaining features are customized.

13. Compare and contrast the production of goods and services.

Perishability - Services are consumed as they're produced, without the ability to store them, leading to potential sales loss if unavailable when needed.

Location constraints - Services must be available where customers are, unlike goods that can be shipped anywhere.

Scalability challenges - Service production relies on specific skills and human resources, limiting scalability compared to incorporating technology in goods production.

Performance variability - Services are subjectively judged, emphasizing the quality of experience rather than just objective results.

Customer involvement - Customers participate in service delivery, impacting its quality and delivery, unlike in goods manufacturing where they're typically not involved.

14. Compare and contrast quality control and quality assurance.

Quality control - measuring quality against established standards after the good or service has been produced and weeding out any defective products.

Quality assurance - comprehensive approach of companywide policies, practices, and procedures to ensure that every product meets quality standards.

Quality assurance is more proactive than quality control.

Chapter 13

1. a good

- Pair of shoes.
- Product is predominantly tangible.

2. expense items - inexpensive products that organizations generally use.

3. capital items - expensive organizational products with a long useful life.

4. introduction - Research and development is carried out.

5. growth – after introductory stage.

6. maturity stage - a stage where firms have to win sales away from others.

7. Product life cycle refers to the four stages through which a product progresses.

8. Idea generation - Crowdsourcing would be used.

9. Trend watcher - People who monitor social media to spot shifts in consumer tastes.

10. Feasibility studies - helps an organization define product features and workability.

11. Prototype - preproduction samples of products.

12. Test marketing - product is sold on a limited basis to gauge its market appeal.

13. Idea screening – feasibility study is the most useful.

14. Concept testing - Some products are reviewed by consumers before being marketed to the general public.

15. Scalability - company identifies the resources required to conduct large scale manufacturing.

16. Product launch – final stage of development, ready for distribution.

17. Commercialization refers to the large-scale production and distribution of products that have survived the testing process.

18. people are familiar with the brand - product has good brand awareness.

19. Brand preference – people will purchase the product if it is available.

20. Brand insistence -

- buyers will not accept a substitute for the product.
- Strongest level of brand loyalty.

21. Logo - graphical representation of a brand.

22. Trademarks - brands that have been given legal protection so that their owners have exclusive rights to their use.

23. License - agreement to produce and market another company's product in exchange for a royalty or fee.

24. Packaging - decisions about which items to include as part of a product offering, and in which quantities to offer them.

25. Brand equity - brand name can become an organization's most valuable asset.

26. Product expansion - creating variations of an existing product.

27. Brand extension - using the brand of existing products on new products in the hopes that the reputation of the existing product will help sales of the new product.

28. Family branding - Using a brand name on a variety of related products.

29. Brand managers - The management of individual products or groups of products for a large manufacturing company.

30. A product mix -

- includes several versions of each product in the product line is a deep product mix.
- includes all products from a single manufacturer, whereas product line contains a group of similar products from the manufacturer.

31. economies of scale - providing fewer products and selling more of each of those products can lower production costs.

32. Online retailing - best way for manufacturers of specialized or low-volume products to reach customers.

33. product cannibalization – brand extension risk.

34. tariffs and trade barriers - When extending a product to an overseas market, what type of governmental influences.

35. Product mix is a complete list of all products that a company offers for sale.

36. Fixed cost – cost of building plants.

37. Variable cost - unit-based incentives.

38. Marketing objectives - determining price, increased market share, sales, and profit.

39. Price discrimination - Offering attractive discounts to some customers but not others.

40. Market demand - Price elasticity, or how buyers view price fluctuation.

41. Competition - increased use of social commerce websites and internet access, when buyers don't see much difference among available products.

50. Break-even point refers to the sales volume at a given price that will cover all of a company's costs.

51. Optimal pricing (algorithmic) - computer-based pricing method that creates a demand curve for every product to help managers select a price that meets specific marketing objectives.

52. Skim pricing -

- charging a high price for a new product during the introductory stage and lowering the price later.
- used during the introductory stage of a product.

53. Penetration pricing doesn't work if the company can't sustain the low price levels profitably.

54. Freemium pricing - a hybrid pricing strategy (Free+Premium) of offering some products for free while charging for others or offering a product for free to some customers while charging others for it.

55. Dynamic pricing - continually adjusting prices to reflect changes in supply and demand.

Open questions:

1. Compare and contrast convenience products, shopping products, and specialty products.

convenience products - everyday individual goods and services that people buy frequently without much conscious planning.

Shopping products - fairly important individual goods and services that people buy less frequently.

specialty products - particular brands that the buyer especially wants and will seek out.

2. Describe how products are classified according to their intended use.

Raw Materials: Iron ore, crude petroleum, etc., used in final product production.

Components: Like semiconductors, integrated into final products.

Supplies: Daily operation items such as pencils or light bulbs.

Installations: Major capital projects like factories or power plants.

Equipment: Desks, computers, factory robots.

Business Services: Ranging from landscaping to management consulting and auditing.

3. Explain how a business analysis is carried out.

After passing the screening stage, a product idea undergoes business analysis. This involves reviewing sales, costs, and profit projections to align with company goals. Estimating production costs helps calculate potential profits, determining if the product aligns with objectives before proceeding to prototype development.

4. Explain how a firm conducts test marketing for a new product.

Test marketing involves introducing the product in selected markets to gauge consumer reactions before a full launch. It provides valuable marketing experience and allows for feedback collection before a widespread release. For instance, TV shows may be tested regionally to assess viewer appeal. Similarly, early product releases gather customer feedback, as seen with software beta versions. However, due to costs and time involved, not all companies opt for test marketing with every new product.

5. What are national brands, private brands, and generic products?

National brands, like Tide and Pampers from companies like Procter & Gamble, are promoted by the manufacturer. Private brands, owned by wholesalers or retailers, have gained acceptance despite past quality concerns. Generic products, offered by retailers, come in plain packaging with only the product name, serving as alternatives to branded items.

6. Compare and contrast co-branding and licensing.

Co-branding involves two companies merging their names for a single product, leveraging each other's brand recognition. Licensing involves selling rights to well-known brand names or symbols. For instance, movies often engage in licensing deals with consumer products companies.

7. Explain the significance of labeling.

Labeling, a crucial part of packaging, identifies brands and communicates various information like promotions, safety, and nutrition. Regulated by federal laws, labels on items like foods, drugs, and cosmetics disclose crucial details for informed consumer decisions.

8. Discuss product strategies when entering international markets.

Entering international markets involves product adaptation. Companies must choose products for specific countries, considering factors like government type, trade barriers, culture, preferences, and business practices. They then decide whether to standardize the product or customize it to fit local markets, which may involve changes in name, packaging, components, size, or functions.

9. What is a product line?

A product line consists of similar products from one manufacturer. Companies face decisions about the number of offerings in a line. Too many variations can be costly and confusing for buyers and the supply chain.

10. Explain the concept of price elasticity.

Price elasticity is a measure of the sensitivity of demand to changes in price. Some products are less affected by price changes, while others are highly responsive. Brand-loyal customers are less price-sensitive, remaining loyal despite price increases. Price elasticity gauges this responsiveness of demand to price alterations.

11. Explain cost structure and break-even analysis.

Cost structure denotes a company's spending on product creation and marketing, involving fixed and variable costs.

Break-even analysis calculates the minimum sales required to cover costs and avoid losses. It helps assess profitability and guide pricing strategies by determining the sales volume needed to cover fixed and variable costs.

12. Compare and contrast cost-based pricing and value-based pricing.

Cost-based pricing starts with production costs and adds a markup, but it overlooks customer demand and competition, leading to potentially mismatched prices.

Value-based pricing, conversely, hinges on a product's perceived value, setting prices based on customer perceptions. This method starts with a target price and then determines a cost structure to meet profit margins.

13. Explain loss-leader pricing.

Loss-leader pricing refers to selling one product at a loss as a way to entice customers to consider other products. For instance, grocery stores can use milk and other staples as loss leaders to encourage shoppers to visit. Loss-leader pricing attracts the customer to the shop rather than producing sales by itself.

14. Compare and contrast auctions and participative pricing.

Auctions involve buyers bidding competitively on prices set by sellers, like eBay. Participative pricing lets customers pay what they believe a product is worth, often resulting in payments higher than standard prices. Unlike auctions, it doesn't involve competitive bidding.

Chapter 14

1. Social communication model - an approach to communication based on interactive social media and conversational communication styles.

2. The social model of costumer communication:

Conventional Promotion: "We Talk, You Listen"	**The Social Model: "Let's Have a Conversation"**
Tendencies	**Tendencies**
Publication, broadcast	Conversation
Lecture	Discussion
Intrusion	Permission
Undirectional	Bidirectional, multidirectional
One to many; mass audience	One to one; many to many
Control	Influence
Low message frequency	High message frequency
Few channels	Many channels
Information hoarding	Information sharing
Static	Dynamic
Hierarchical	Egalitarian
Structured	Amorphous
Isolated	Collaborative
Planned	Reactive
Resistive	Responsive

3. Establishing Clear Communication Goals:

- Generating awareness
- Providing information and creating positive emotional connections
- Building preference
- Stimulating action
- Reminding past customers

4. Customer Communication: Challenges, Strategies, and Issues.

- Establish clear communication goals
- Define compelling messages to help achieve those goals
- Outline a cost-effective media mix to engage target audiences

5. Core message - the single most important idea an advertiser hopes to convey to the target audience about its products or the company.

6. The AIDA model of persuasive communication:

Attention	Interest	Desire	Action
Catch the audience's eyes and ears, then get people to pay attention to your message amid all the other messages clamoring for their attention.	Provide concise points that "pay off" the promise you made to get their attention as you build a case that you can meet their individual needs.	Move prospects from "I'm interested" to "I want this" by continuing to show how your solution will benefit them and by removing any doubts.	Motivate them to take action, whether that is seeking more information, making a decision in your favor, or making a purchase.

7. Communication mix - a blend of communication vehicles— advertising, direct marketing, personal selling, sales promotion, social media, and public relations— that a company uses to reach current and potential customers.

8. message integration in customer communication:

- Integrated message transmission – advertising, direct marketing, personal selling, sales promotion, social media, public relations.
- Integrated message reception – friends, social networks, peer group, family, colleagues, social media contacts, celebrities, competing marketers, news media, personal experience.

9. Inbound marketing - strategy that attracts customers by offering value-added information related to the subjects they are already engaged in and the products that already interest them.

10. Content marketing - The tactic of offering helpful, value-added content to potential customers.

11. Communication laws and ethics:

- Marketing and sales messages must be truthful and non-deceptive.
- You must back up your claims with evidence.
- “Bait and switch” advertising is illegal.
- Marketing messages and websites aimed at children are subject to special rules.

12. Advertising - the delivery of announcements and promotional messages via time or space purchased in various media.

13. Advertising appeal - a creative tactic designed to capture the audience’s attention and promote preference for the product or company being advertised. (Logic, emotion, humor, celebrity, sex, music, scarcity).

14. Advertising media - communication channels, such as newspapers, radio, television, and the World Wide Web.

15. Product Placemat - the paid display or use of products in television shows, movies, and video games.

16. Digital advertising – display, search, video, native, video games, mobile.

17. Direct response marketing - direct communication with potential customers other than personal sales contacts designed to stimulate a measurable response; also known as direct marketing.

18. Sales promotion - a wide range of events and activities designed to promote a brand or stimulate interest in a product.

19. Experiential Marketing - special events that emphasize fun, discovery, or community involvement.

20. trade allowances - discounts or other financial considerations offered by producers to wholesalers and retailers.

21. Brand communities - formal or informal groups of people united by their interest in and ownership of particular products.

22. Social customer care - the use of social media to listen for complaints or frustrations, to respond to customers who ask for help, and to share useful information with their brand communities.

23. Public relations - non-sales communication that businesses have with their various audiences (including both communication with the general public and press relations).(Public relations, press conference, press release).

24. Press conference - an in-person or online gathering of media representatives at which companies announce new information (also called a news conference).

25. Press release - a brief statement or video program released to the press announcing new products, management changes, sales performance, and other potential news items. (also called a news release).

26. The role of intermediaries:

- Marketing intermediaries - businesspeople and organizations that assist in moving and marketing goods and services between producers and consumers.
- Distribution channel - an organized network of intermediaries that work together to move goods from producer to customer or to facilitate the delivery of services.

27. Distribution decisions:

- Distribution strategy - a firm's overall plan for moving products through intermediaries and on to final customers.
- Intensive distribution - a market coverage strategy that tries to place a product in as many outlets as possible.
- Exclusive distribution - a market coverage strategy that gives intermediaries exclusive rights to sell a product in a specific geographic area.
- Selective distribution - a market coverage strategy that uses a limited number of carefully chosen outlets to distribute products.

28. Augmented writing - systems that provide real-time advice about the effectiveness of written language.

29. Automated writing - the use of AI to produce finished or near-finished writing

Open questions:

1. Compare and contrast wholesalers, retailers and merchant wholesalers.

Wholesalers - intermediaries that sell products to other intermediaries for resale or to organizations for internal use.

Retailers - intermediaries that sell goods and services to individuals for their own personal use.

Merchant wholesalers - independent wholesalers that take legal title to goods they distribute.

2. Compare and contrast omnichannel retailing with retail theater.

Omnichannel retailing - strategy in which a company builds an integrated online and offline presence so that consumers have a seamless experience throughout the buying process.

Retail theater - tactics designed to engage retail consumers in ways that foster store loyalty, keep shoppers in stores longer, and encourage repeat business.

3. Discuss integrated marketing communications.

Integrated Marketing Communications (IMC) strategy of coordinating and integrating communication and promotion efforts with customers to ensure greater efficiency and effectiveness. Yet, customers empowered by social media receive diverse messages. Companies strive for unified outgoing messages, but customers absorb various incoming ones, making consistency a challenge.

4. Compare and contrast advertising based on logical appeal with that based on emotional appeal.

Logical appeals in business-to-business advertising focus on rational concerns like profitability and quality. However, emotional aspects matter too as managers stake their reputations on major purchases. In consumer ads, emotions sway decisions more than facts. While positive emotions sell gifts, fear-based appeals must be used cautiously to avoid audience backlash. For instance, promoting safety for loved ones emotionally appeals to consumers, while in business, logic sells by emphasizing benefits like reduced inventory loss and better insurance deals.

5. Compare and contrast the advantages and disadvantages of newspapers as advertising media, with that of television.

Newspaper:

- Advantages - extensive market coverage, low cost, short lead time for placing ads, good local market coverage, geographic selectivity, and credibility.
- Disadvantages - poor graphic quality, short life span, and declining readership in many markets.

Television:

- Advantages - great impact, broad reach, appealing to senses of sight, sound, and motion, creative opportunities for demonstration, high attention, and entertainment carryover.
- Disadvantages - high cost for production and air time, less audience selectivity, long preparation time, commercial clutter, short life for message, vulnerability to being skipped or muted, and losing ground to new media options.

6. Discuss the advantages of using direct response online as a marketing technique.

Websites and apps transcend static ads, becoming personalized communication channels. Sweetwater Sound customizes messages based on customer history and interests, suggesting complementary products at the point of purchase, enhancing individualized buying experiences.

7. Compare and contrast personal selling with consultative selling.

Personal selling - One-on-one interaction between a salesperson and a prospective buyer.

Consultative selling - an approach in which a salesperson acts as a consultant and advisor to help customers find the best solutions to their personal or business needs.

8. What are the seven general steps in personal selling?

1. Prospecting - finding and qualifying potential customers; usually involves generating sales leads, identifying prospects, and qualifying prospects.

2. Preparing – getting ready for the sales call; researching the customer in more depth, establishing objectives, and preparing a presentation.

3. Approaching the prospect – taking steps to make a good first impression; crafting the right appearance, maintaining professional behavior, and preparing an engaging introduction.

4. Aligning with customer needs – listening to the prospect describe what is needed and proposing a solution to meet those needs.

5. Handling objections – addressing any concerns the prospect might arise; exploring the deeper reasons that might be behind the expressed objections.

6. Closing - the point at which a sale is completed, asking the prospect to choose the solution being offered.

7. Following up – checking in with the customer after the sale to make sure the solution is working out as expected and to keep building a long-term relationship.

9. Compare and contrast coupons with rebates.

Coupons and rebates drive consumer sales. Coupons, although widely distributed, are redeemed minimally, while mobile and social platforms are reshaping this landscape. Rebates, offering partial price reimbursement, can boost sales but erode per-unit profits and might delay purchases when used frequently in an industry.

10. Compare and contrast trade promotions with consumer promotions.

Consumer promotions – encourage costumers to try or engage with brands:

- Rebates - partial reimbursement of price, offered as a purchase incentive.
- Point-of-purchase (POP) display - advertising or other display materials set up at retail locations to promote products to potential customers as they are making their purchase decision.

Trade promotions - sales-promotion efforts aimed at inducing distributors or retailers to push a producer’s products.

11. Compare and contrast word of mouth marketing and conversation marketing.

Word of mouth - communication among customers and other parties, transmitting information about companies and products through online or offline personal conversations.

Conversation marketing - an approach to customer communication in which companies initiate and facilitate conversations in a networked community of potential buyers and other interested parties.