

MRKT Final

Chapter 12

1. Provide an example of a company that has used an imaginative distribution system to gain a competitive advantage.

Amazon.com forever changed the face of retailing and became the Walmart of the Internet by selling anything and everything without using physical stores.

2. Why is the term value delivery network a more relevant expression to use than the terms supply chain or demand chain?

The term "value delivery network" is more relevant than "supply chain" or "demand chain" because it emphasizes collaboration among the company, suppliers, distributors, and customers to enhance the entire system's performance. Unlike the "supply chain," which focuses on production inputs, or the "demand chain," which focuses on responding to customer needs, the value delivery network reflects the dynamic, interconnected nature of modern business operations.

3. How do intermediaries add value to a marketing system?

Intermediaries add value by reducing work for producers and consumers, matching supply with demand, and transforming large producer quantities into smaller, consumer-friendly assortments. They bridge time, place, and possession gaps, ensuring goods and services reach consumers efficiently.

4. What are the key functions that members of the marketing channel perform?

Marketing channel members complete transactions by distributing information, promoting, contacting buyers, matching offers to needs, and negotiating terms. They also fulfill transactions through distribution, financing, and risk management.

5. What is horizontal conflict? Illustrate your answer with an example.

Horizontal conflict is conflict that occurs among firms at the same level of the channel. For example, Chevrolet would experience horizontal conflict if two of its dealers in the same area complain that each is being undercut by the other.

6. What is vertical conflict? Illustrate your answer with an example.

Vertical conflict occurs between different levels of the same channel; an example would be conflict created between a manufacturer and its dealers when it decides to open an online e-commerce Web site for the same product.

7. What is a conventional distribution channel?

A conventional distribution channel consists of one or more independent producers, wholesalers, and retailers. Each is a separate business seeking to maximize its own profits, perhaps even at the expense of the system as a whole.

8. Explain power in a vertical marketing system.

A vertical marketing system (VMS) consists of producers, wholesalers, and retailers acting as a unified system. One channel member owns the others, has contracts with them, or wields so much power that they must all cooperate.

9. How can a firm benefit from involvement in a contractual VMS?

A contractual VMS consists of independent firms at different levels of production and distribution that join together through contracts to obtain more economies or sales impact than each could achieve alone.

10. How can a firm benefit from participating in a horizontal marketing system?

Two or more companies at one level join together to follow a new marketing opportunity; by working together, companies can combine their financial, production, or marketing resources to accomplish more than any one company could alone.

11. Give an example of a multichannel distribution system.

John Deere sells its familiar green and yellow lawn and garden tractors, mowers, and outdoor power products to consumers and commercial users through several channels, including John Deere retailers, Lowe's home improvement stores, and online.

12. Compare a conventional distribution channel with a vertical marketing system (VMS).

A conventional distribution channel consists of independent producers, wholesalers, and retailers, each aiming to maximize their own profits, often causing conflict and lack of control. In contrast, a vertical marketing system (VMS) unifies these members through ownership, contracts, or power, promoting cooperation to achieve shared goals.

13. What are the advantages of multichannel distribution systems?

Multichannel distribution systems exist when a single firm sets up two or more marketing channels to reach one or more customer segments. Such a system offers advantages to

firms facing large and complex markets. It allows the firms to expand sales and market coverage. It allows firms to tailor their products and services to the specific needs of diverse customer segments. Larger bottom-line profits may result.

14. How have changes in technology and the growth of online marketing affected the design of marketing channels?

Technology and online marketing have led to disintermediation, where producers cut out or replace traditional intermediaries with new models. For example, airlines now sell directly to consumers, bypassing retailers, while online marketers compete with brick-and-mortar stores.

15. Describe the types of products that are intensively distributed and provide examples.

Convenience products and common raw materials must be available where and when consumers want them; examples include chewing gum, soft drinks, and toothpaste.

16. Describe the types of products that are exclusively distributed and provide examples.

Exclusive distribution is often used for luxury brands, such as expensive automobiles and prestige clothing.

17. Describe the types of products that are selectively distributed and provide examples.

In selective distribution, more than one, but fewer than all, of the intermediaries who are willing to carry a company's products are used. Products include appliances and some branded clothing.

18. Compare the three distribution strategies that producers use, providing examples of products for each type of distribution.

Intensive distribution aims to place products in as many outlets as possible, such as toothpaste or soft drinks.

Selective distribution involves selling through a limited number of intermediaries, like name-brand jeans or computers.

Exclusive distribution focuses on a few dealers, typically for high-end products, like luxury cars.

19. What factors should a firm consider when selecting intermediaries?

A company may want to evaluate each intermediary's years in business, other lines carried, growth and profit records, cooperativeness, and reputation.

20. When would an exclusive dealing contract be legally problematic?

An exclusive dealing contract may become a legal issue if one party has not voluntarily agreed to the contract or if the arrangement substantially lessens competition or tends to create a monopoly.

21. Explain how companies select, motivate, and evaluate intermediaries or channel members.

Companies select intermediaries by evaluating their qualifications and fit with channel objectives, considering economic, control, and adaptive criteria. After selection, they motivate intermediaries by fostering long-term partnerships and working collaboratively. Companies also evaluate performance regularly, rewarding top performers and addressing underperforming ones.

22. Evaluate how public policy affects distribution decisions.

Public policy allows companies to design channels freely, provided they don't reduce competition or create monopolies. Issues like exclusive territorial agreements and dealer selection must comply with legal standards, and producers need valid reasons to terminate dealer relationships.

23. How can a company benefit through a just-in-time logistics system?

With just-in-time logistics systems, producers and retailers carry only small inventories of parts or merchandise, often only enough for a few days of operations. This creates substantial savings in inventory carrying and handling costs.

24. What does the concept of integrated logistics management advocate?

Integrated logistics management emphasizes teamwork within the company and across channel partners to improve customer service and reduce distribution costs, ensuring the entire distribution network operates efficiently.

25. Why are companies increasingly turning to third-party logistics providers (3PLs)?

Companies use third-party logistics providers (3PLs) to streamline supply chains, reduce costs, and deliver products faster and more reliably. Outsourcing logistics allows companies to focus on their core business while 3PLs handle complex logistics, especially for global market expansion.

Chapter 13

1. Retail stores can be classified in terms of several characteristics. Name four of them.

Retail stores can be classified based on the amount of service they offer, the breadth and depth of their product lines, the relative prices they charge, and how they are organized.

2. Compare and contrast specialty stores and convenience stores.

Specialty stores carry narrow product lines with deep assortments within those lines.

Convenience stores are small stores that carry a limited line of high-turnover convenience goods. The majority of their revenues come from sales of gasoline, cigarettes, and beverages.

3. Describe the differences between discount stores and off-price retailers.

A **discount store** buys at regular wholesale prices but sells standard merchandise at lower prices by accepting lower margins and selling higher volume. **Off-price retailers** buy at less-than-regular wholesale prices and charge consumers less than retail.

4. What types of products do specialty stores carry? Give an example of a specialty store.

Specialty stores carry narrow product lines with deep assortments within those lines. The increasing use of market segmentation, market targeting, and product specialization has resulted in a greater need for stores that focus on specific products and segments. Some examples of specialty stores are Tiffany and REI.

5. How have department stores responded to increased competition by specialty stores and lower-priced discounters?

Many department stores have added promotional pricing to meet the threat; in addition, they have stepped up the use of store brands and single-brand "designer shops" to compete with specialty stores. Department stores are also trying mail order, telephone, and Web selling.

6. What is a category killer? Provide an example and a description of a category killer.

A category killer is a giant specialty store that carries a very deep assortment of a particular line. They feature stores the size of airplane hangars that carry a very deep assortment of a particular line. Category killers are found in a wide range of categories, including electronics, home-improvement products, books, baby gear, toys, linens and towels, party goods, sporting goods, and even pet supplies.

7. How can discount stores sell merchandise at lower prices?

Discount stores sell merchandise at lower prices by accepting lower margins and selling higher volumes.

8. What are the different types of off-price retailers?

Independents - Independently owned or part of larger corporations.

Factory outlets - Owned by manufacturers, selling surplus, discontinued, or irregular goods.

Warehouse clubs - Sell discounted brand-name items to members who pay annual fees.

9. How does a retailer cooperative function?

A retailer cooperative is a group of retailers that come together to set up a jointly owned, central wholesale operation, and conduct joint merchandising and promotion efforts. Through a retailer cooperative, independents can match the buying and promotion economies of corporate chains.

10. Describe the levels of service that retailers can offer. Provide an example of each type of retailer.

Retailers offer three levels of service:

Self-service - Customers locate, compare, and select items independently, common in discount stores like Target or supermarkets.

Limited-service - Provide some assistance for shopping goods requiring more information, like Sears or JCPenney.

Full-service - Offer help throughout the shopping process, typical for specialty goods at stores like Nordstrom or Neiman Marcus.

11. Identify and describe the different types of retailers, based on their product lines. Provide an example of each type of retailer.

Specialty stores - Narrow product lines with deep assortments (e.g., Sephora, REI).

Department stores - Wide product lines with separate departments (e.g., Macy's, Neiman Marcus).

Supermarkets - Large, self-service grocery and household goods (e.g., Safeway, Kroger).

Convenience stores - Small, long-hour stores with limited high-turnover goods (e.g., 7-Eleven, Circle K).

Superstores - Larger than supermarkets, offering diverse food and nonfood items (e.g., Walmart, Target).

Category killers - Giant specialty stores with deep assortments (e.g., Best Buy, Home Depot).

Service retailers - Focus on services instead of goods (e.g., Holiday Inn, Southwest Airlines).

12. Describe the different types of off-price retailers. Provide examples of each type.

Discount stores - Sell standard items at lower prices through high volume (e.g., Walmart, Target).

Independent off-price retailers - Independently owned or part of larger corporations (e.g., TJ Maxx, Marshalls).

Factory outlets - Manufacturer-owned, selling surplus or irregular goods (e.g., J. Crew, Gap).

Warehouse clubs - Sell discounted goods to members paying annual fees (e.g., Costco, Sam's Club).

13. Although many retail stores are independently owned, others band together under some form of corporate or contractual organization. Describe the four kinds of corporate or contractual organizations.

Corporate chains - Multiple outlets under common ownership, benefiting from bulk buying and centralized management (e.g., Macy's, Target).

Voluntary chains - Wholesaler-sponsored groups of independent retailers for group buying and merchandising (e.g., Independent Grocers Alliance).

Retailer cooperatives - Independent retailers join to create a central wholesale operation and conduct joint promotions (e.g., Ace Hardware).

Franchises - Businesses operate under a franchisor's brand, product, or method (e.g., McDonald's, Subway).

14. Describe the differences between chain stores and franchises.

Chain stores are commonly owned outlets that benefit from bulk purchasing and shared resources for pricing, promotion, and inventory management. **Franchises** are independently owned businesses operating under a contract with a franchisor, using its brand, product, or business model.

15. Explain how Whole Foods is able to compete against Walmart.

Walmart owns the low-price position, so other grocery chains such as Whole Foods must position themselves differently. Rather than try to compete directly with Walmart, Whole Foods is positioned away from Walmart. It targets a smaller group of upscale customers and offers them organic, gourmet foods in a cheerful, aesthetically pleasing environment.

16. What attracts shoppers to a power center?

Power centers are unenclosed shopping centers that consist of a long strip of retail stores, each store with its own entrance with parking directly in front for shoppers who wish to visit only one store. A power center offers convenience and variety for shoppers.

17. Explain how Whole Foods is able to compete against Walmart.

Walmart owns the low-price position, so other grocery chains such as Whole Foods must position themselves differently. Rather than try to compete directly with Walmart, Whole Foods is positioned away from Walmart. It targets a smaller group of upscale customers and offers them organic, gourmet foods in a cheerful, aesthetically pleasing environment.

18. What elements comprise a store's atmosphere?

A store's atmosphere includes the sights, sounds, and smells that customers typically associate with the store.

19. How do the practices of high-low pricing and everyday low pricing differ?

With high-low pricing, a retailer charges higher prices on an everyday basis but also has frequent sales and other price promotions; with everyday low pricing, a retailer for the most part avoids sales and instead delivers constant, everyday low prices.

20. How have shopping centers changed in the past few decades?

Central business districts dominated retail until the 1950s but lost popularity as people moved to the suburbs due to traffic, parking, and crime issues. Cities have tried to revive downtown shopping areas with limited success. Today, shopping centers are planned and managed retail clusters, typically located outside central business districts.

21. The three types of shopping centers are regional shopping centers, community shopping centers, and neighborhood shopping centers/strip malls. Describe how they are different from each other.

Regional shopping centers are the largest, with 40 to over 200 stores, attracting customers from a wide area. Community shopping centers are smaller, with 15 to 40 stores, including a department store, supermarket, and specialty stores. Neighborhood shopping

centers/strip malls are the smallest, with 5 to 15 stores, offering convenience with a supermarket, discount store, and service stores.

22. What are pop-up stores? Provide an example to illustrate your answer.

Many retailers are now experimenting with limited-time pop-up stores that let them promote their brands to seasonal shoppers and create buzz in busy areas. During the last holiday season, for instance, Toys"R"Us set up approximately 150 temporary pop-up toy boutiques, many located in malls that formerly housed recently bankrupt KB Toys stores.

23. What constitutes retail convergence?

Retail convergence is the coming together of shoppers, goods, and prices. Customers of all income levels are shopping at the same stores, often for the same goods. Distinctions such as discount store, specialty store, and department store are losing significance.

24. Describe how nonstore retailing has grown in the past decade.

Nonstore retailing has grown significantly in the past decade, with more consumers shopping via mail-order, TV, phone, and especially online. Improved websites, mobile apps, and search engines have boosted online sales, which now include both traditional retailers and online-only ones like Amazon and eBay. While nonstore retail sales remain a small percentage, they are growing much faster than overall retail sales, especially with multichannel retailers offering both in-store and online options.

25. Why would a producer use wholesalers rather than sell directly to retailers or consumers?

Producers use wholesalers because they perform essential functions more efficiently, such as selling, bulk breaking, warehousing, transportation, and financing. This allows producers to focus on product creation while wholesalers handle tasks like promotion and market information.

26. How do merchant wholesalers and agents/brokers differ?

Merchant wholesalers "take title to" (or own) what they sell; agents/brokers merely serve as liaisons, bringing buyers and sellers together.

27. How can wholesalers improve their use of promotions?

Many wholesalers do not view promotion as a team effort to sell, build, and service major accounts; to address this issue, wholesalers should adopt some of the promotion

techniques used by retailers, such as developing an overall promotion strategy and making greater use of supplier promotion materials and programs.

28. Explain the marketing decisions faced by wholesalers.

Wholesalers face marketing decisions related to segmentation, targeting, differentiation, promotion, and the marketing mix. They must adapt services to customer needs, decide on product assortments, pricing, promotion, and distribution. As customers seek lower prices, wholesalers may reduce margins and negotiate special price breaks. While promotion is often underdeveloped, wholesalers are increasingly using digital and social media. Location, both physical and online, is also crucial for success.

29. Explain how wholesalers have been able to use technology to cut costs.

Wholesalers use technology like automated warehouses and information systems to cut costs. Orders are processed directly from retailers' systems, speeding up delivery. Automated warehouses improve efficiency, and technology aids in accounting, billing, inventory control, and forecasting, helping reduce ordering, shipping, and inventory holding costs.

Chapter 14

1. A company's marketing communications mix—also called its promotion mix—blends five different components. List and define these components.

1. **Advertising** - Paid, nonpersonal promotion of ideas, goods, or services by an identified sponsor.
2. **Sales Promotion** - Short-term incentives to boost product sales or purchases.
3. **Public Relations** - Building positive relationships with the public through favorable publicity and reputation management.
4. **Personal Selling** - Direct interaction by the sales force to close sales and build customer relationships.
5. **Direct Marketing** - Direct, targeted communication with consumers to prompt immediate responses and foster long-term relationships.

2. Why should a company be concerned about integrating communications from different sources within the company?

Customers won't separate conflicting or varying messages from different sources within a company, so failing to integrate communications could lead to blurred consumer brand perceptions.

3. How do integrated marketing communications build brand identity?

IMC builds brand identity and strong customer relationships by tying together all of the company's messages and images.

4. Why are profound changes in marketing communications creating both exciting and scary times for marketing communicators?

Profound changes in marketing communications create exciting yet challenging times for marketers. Mass markets have fragmented, consumers are better informed, and technological advancements have transformed communication. This shift demands a new model that focuses on personalized messages for smaller segments, moving beyond traditional mass marketing. While this can be daunting, it offers great opportunities to connect with new customers and strengthen existing relationships.

5. Explain the concept of integrated marketing communications (IMC).

Integrated Marketing Communications (IMC) ensures a consistent and positive message across all customer touchpoints. It aligns all marketing channels—such as TV, print, email, PR, social media, and mobile marketing—to deliver a unified brand message and image.

6. What are the four major communication functions?

1. **Encoding** - Converting thoughts into symbols.
2. **Decoding** - Interpreting the sender's symbols.
3. **Response** - The receiver's reaction to the message.
4. **Feedback** - The receiver's response sent back to the sender.

7. Why is the consumer's field of experience important to a marketer?

The marketing communicator must understand the consumer's field of experience to create promotional messages that will be decoded as the sender intends them to be understood.

8. In the communication process, what is noise and what is its significance?

Noise is the unplanned static or distortion during the communication process, which results in the receiver getting a different message than the one the sender sent. Due to the noise, the consumer can get distracted and might miss the key point.

9. Describe the three types of appeals that marketers use.

Rational appeals relate to the consumer's self-interest; emotional appeals attempt to stir up either positive or negative emotions; moral appeals are directed to the consumer's sense of what is "right" and "proper."

10. What role does message format play in print advertisements?

In a print ad, for example, the headline, copy, illustrations, and color are critical. To attract attention, the advertiser may use novelty, contrasts, or eye-catching headlines.

11. Why do marketers value opinion leaders?

Opinion leaders are people whose opinions are sought by others. Marketers rely on opinion leaders to positively influence the spread of product or service acceptance through a market.

12. Explain how the message source affects consumers' perceptions of the message.

The message source will affect how the consumer perceives the message. For example, highly credible sources—such as certain newspapers or professionals such as doctors and dentists—will be more persuasive. In some cases, the use of celebrity testimonials works well to persuade consumers to make the purchase.

13. The background for the QuickRelief allergy medication ad appearing in the magazine Better Homes and Gardens shows green grass and lovely flowers. The headline states "QuickRelief is 54% more effective than the leading prescription." At the bottom of the ad, in small print, is an explanation of how the effectiveness of QuickRelief was determined. The ad also shows a package of QuickRelief so consumers can easily recognize it at the store. Identify the different components of the communication model for this advertisement.

In this advertisement, the **sender** is the marketers of QuickRelief, who **encode** their message into the ad's images and text. The **medium** is the page in Better Homes and Gardens. The **receiver** is anyone reading the magazine, who may or may not interpret the message as intended. **Noise** can interfere at any stage of this process.

14. Outline the steps in developing effective marketing communications.

1. **Identify the target audience** and its characteristics.
2. **Define communication objectives**, such as creating awareness or driving purchases.
3. **Construct a message** with effective content and structure.

4. **Select media** for personal and nonpersonal communication.
5. **Choose credible sources** to deliver the message.
6. **Collect feedback** by assessing audience awareness, trial, and satisfaction.

15. Describe the six buyer-readiness stages along with the marketing strategies used at each stage.

1. **Awareness** - Use teaser ads to spark curiosity.
2. **Knowledge** - Inform buyers about product features and quality.
3. **Liking** - Foster positive feelings about the product.
4. **Preference** - Highlight advantages to build preference.
5. **Conviction** - Strengthen belief that the product is the best choice.
6. **Purchase** - Encourage action with incentives like premiums or rebates.

16. Discuss sales promotion.

Sales promotion uses tools like coupons, contests, and discounts to attract attention, incentivize purchases, and boost sales. It encourages quick responses, saying, "Buy it now," unlike advertising's "Buy our product." However, its effects are often short-lived and less effective than advertising or personal selling for building long-term brand loyalty.

17. Describe the significance of public relations as a promotion tool.

Public relations is a credible promotion tool, as news stories, features, and events feel more authentic than ads. It reaches buyers who avoid salespeople and advertisements by presenting messages as "news." PR can also dramatize a company or product. Though often underused, a well-planned PR campaign, combined with other promotion tools, can be both effective and cost-efficient.

18. Discuss direct marketing.

Direct marketing, including direct mail, online, mobile, and social media, has four key traits. It is **less public**, targeting specific individuals; **immediate and customized**, with tailored messages prepared quickly; and **interactive**, enabling dialogue and adaptable messages. These traits make it ideal for targeted marketing and building one-on-one customer relationships.

19. When is it advisable to predominantly use sales promotions in a promotion mix?

Sales promotions are used to invite and reward quick response. Sales promotions are short-lived; therefore, sales promotions are used when the marketer intends to make a

quick, dramatic impact on an intended audience with the use of coupons, samples, contest, etc.

20. Marketers can choose from two basic promotion mix strategies—push promotion or pull promotion. Compare these two strategies.

Pull strategy - The producer targets consumers directly to create demand, prompting channel members to stock the product.

Push strategy - The producer targets channel members, encouraging them to carry and promote the product to consumers.

21. What is the FTC three-day cooling off rule? What purpose does the rule serve?

The three-day cooling-off rule gives special protection to customers who are not seeking products. Under this rule, customers who agree in their own homes to buy something costing more than \$25 have 72 hours in which to cancel a contract or return merchandise and get their money back, no questions asked.

22. Discuss the percentage-of-sales method used for setting the total budget for advertising.

The percentage-of-sales method sets the promotion budget as a percentage of current or forecasted sales. It's simple and helps link promotion spending to sales and profit per unit. However, it assumes sales drive promotion, not vice versa, and bases budgets on available funds rather than opportunities. This approach may limit spending needed to boost declining sales and lacks a clear rationale for choosing the percentage, often relying on past practices or competitor actions.

23. Discuss the affordable method of setting the total budget for advertising.

The affordable method sets the promotion budget based on what a company believes it can afford, often used by small businesses. Starting with revenues, firms deduct expenses and allocate the leftover to advertising. However, this method ignores the impact of promotion on sales, often relegating it to a low priority. It results in uncertain budgets, hindering long-term planning, and typically leads to underspending rather than overspending.

24. What is personal selling? What are the advantages and disadvantages of a firm using personal selling to promote a product or service?

Personal selling is highly effective at certain buying stages, especially in building preferences, convictions, and actions. It involves personal interaction, allowing quick adjustments to customer needs and fostering relationships, from professional to personal. A good salesperson focuses on solving customer problems, building long-term trust. Buyers often feel compelled to engage, even if politely declining. However, personal selling requires a long-term commitment and is the most expensive promotion tool, costing over \$600 per sales call on average.

25. Discuss the advantages and disadvantages of advertising.

Advertising reaches large, dispersed audiences at a low cost per exposure, allows message repetition, and enhances the seller's legitimacy and popularity. It is expressive, using visuals, sound, and color to dramatize products. However, advertising is impersonal, lacks direct persuasiveness, and is limited to one-way communication, with audiences often feeling no obligation to respond. Additionally, it can be very costly.

Chapter 15

1. Marketing management must make four important decisions when developing an advertising program. Briefly describe these four decisions.

1. **Set advertising objectives** - Define whether to inform, persuade, or remind.
2. **Determine the budget** - Based on the product's life cycle stage.
3. **Develop a strategy** - Make message and media decisions.
4. **Evaluate effectiveness** - Assess the campaign's impact.

2. What is an advertising objective? What are the three primary types of advertising objectives?

An advertising objective is a specific communication task to be accomplished with a specific target audience during a specific period of time. Advertising objectives can be classified by primary purpose—whether the aim is to inform, persuade, or remind.

3. Describe the main objectives of informative advertising.

1. Communicating customer value
2. Building a brand and company image
3. Telling the market about a new product
4. Explaining how a product works
5. Suggesting new uses for a product
6. Informing the market of a price change
7. Describing available services and support

8. Correcting false impressions

4. Describe the three characteristics that advertising appeals should have?

Meaningful appeals point out benefits that make the product more desirable or interesting to consumers. **Believable appeals** lead consumers to believe that the product or service will deliver the promised benefits. Finally, **distinctive appeals** should tell how the product is better than the competing brands.

5. When would a marketer most likely use a comparative ad?

Comparative ads are a type of persuasive ad in which a company directly or indirectly compares its brand with one or more other brands. This type of ad is used as competition increases within a category.

6. Describe the main objectives of reminder advertising.

The main objectives of reminder advertising are: -Maintaining customer relationships - Reminding consumers that the product may be needed soon -Reminding consumers where to buy the product -Keeping the brand in a customer's mind during off-seasons.

7. How has clutter in television and other advertising media created an increasingly hostile advertising environment?

The majority of Americans believe there are too many television commercials, and they are faced with almost 20 minutes of commercials for each hour of prime-time television; viewers are increasingly using technologies to skip past commercials.

8. Discuss the concepts of advertainment and branded entertainment.

Advertising and entertainment merge through **advertainment** or **branded entertainment**. **Advertainment** creates ads that are so entertaining or useful that people want to watch them. **Branded entertainment** integrates the brand into other entertainment, often through product placements, embedding brands as props in programming.

9. Give an example of a slice-of-life message execution style.

Slice-of-life examples show one or more typical people using a product in a normal setting. A McDonald's ad featuring a family eating burgers and fries on a family outing is a slice-of-life message execution.

10. How does a personality symbol impact a brand?

A personality symbol is a character that represents the product and with whom the consumer can relate; the personality symbol helps a consumer connect with the product.

11. Give an example of testimonial evidence and explain the importance of the source.

Testimonial evidence features a highly believable or likable source endorsing the product. Nike uses Maria Sharapova to endorse its sports equipment and apparel.

12. Why is reach an important measure for a marketer?

Reach is a measurement of the percentage of people in the target market who are exposed to the ad campaign during a given period of time.

13. Explain why an ad might need to be modified from one country to the next.

Differences in culture, demographics, and economic conditions will impact how effective or acceptable an advertisement will be in other countries. In addition, changes in the use of language and imagery may be required to be appropriate to the foreign culture. Also, countries have varying laws regulating advertising.

14. Describe any three message execution styles.

1. **Slice of life** - shows one or more typical people using the product in a normal setting.
2. **Lifestyle** - shows how a product fits in with a particular lifestyle.
3. **Fantasy** - creates a fantasy around the product or its use.
4. **Mood or image** - builds a mood or image around the product or service.
5. **Musical** - shows people or cartoon characters singing about the product.
6. **Personality symbol** - creates a character to represent the product.
7. **Technical expertise** - depicts the company's expertise in making the product or delivering the service.
8. **Scientific evidence** - presents survey or scientific evidence that the brand is better than other brands.
9. **Testimonial evidence/endorsement** - features a highly believable or likable source endorsing the product.

15. How are companies taking advantage of interactive technologies to tap consumers for message ideas and actual ads? What are the benefits and disadvantages of consumer-generated advertising?

Companies leverage interactive technologies like YouTube, social media, and ad contests to tap consumers for ad ideas. Brands like Coca-Cola and Frito-Lay have used consumer-generated ads in promotions. This approach provides fresh perspectives, insights, and is cost-effective. However, it limits control over content, risking conflicting or negative brand messages.

16. Describe the four major steps in media selection.

1. **Set objectives** - Determine reach, frequency, and impact of the ad.
2. **Choose media types** - Select from TV, print, radio, online, or newer digital media.
3. **Identify media vehicles** - Pick specific channels within the chosen media type.
4. **Plan media timing** - Decide the ad schedule over the year.

17. List any four major media types and identify some of the strengths and weaknesses of each of them. Four major media types and their strengths and weaknesses:

1. **Television**

- **Strengths** - Broad reach, sensory appeal, low cost per exposure.
- **Weaknesses** - High total costs, high clutter.

2. **Newspapers**

- **Strengths** - Timely, local coverage, high credibility.
- **Weaknesses** - Short life, poor reproduction quality.

3. **Direct Mail**

- **Strengths** - Flexible, personalized.
- **Weaknesses** - High cost per exposure, "junk mail" perception.

4. **Internet**

- **Strengths** - High selectivity, low cost, interactive.
- **Weaknesses** - Audience controls exposure, potentially low impact.

18. Advertisers should regularly evaluate two types of advertising results: the communication effects and the sales and profit effects. How are these two results measured?

Communication effects - Measure if the ad effectively conveys its message. Pre-testing involves showing the ad to consumers to gauge recall or attitude changes. Post-testing assesses recall, awareness, knowledge, or preference after the ad runs.

Sales and profit effects - Harder to measure due to multiple influencing factors. Methods include comparing past sales and profits to advertising expenditures or running experiments by varying ad spend or content across markets and analyzing the impact on sales and profits.

19. Explain how seasonality impacts media timing.

Seasonality influences media timing, as advertisers adjust schedules to match or counter seasonal sales patterns. Many firms, like Mars with M&M's, use seasonal ads for holidays and events. Others, like P&G with NyQuil, focus solely on peak seasons, such as the cold and flu season. Most firms incorporate seasonal advertising to align with consumer demand.

20. Discuss the advantages of using the services of an advertising agency.

Advertising agencies offer specialized expertise, fresh perspectives, and extensive experience from working with diverse clients. Even companies with strong in-house teams use agencies for their resources and ability to manage all aspects of campaigns, from strategy to ad creation, placement, and evaluation.

21. Describe the significance of public relations as a mass-promotion tool.

Public relations are used to promote products, people, places, ideas, activities, organizations, and even nations. Companies use PR to build good relations with consumers, investors, the media, and their communities. Trade associations have used PR to rebuild interest in commodities, such as eggs, apples, potatoes, milk, and even onions.

22. Explain why a public relations campaign can be a more cost-effective option for corporations than an advertising campaign.

Public relations can have a strong impact on public awareness at a much lower cost than advertising can. The company does not pay for the space or time in the media. Rather, it pays for staff to develop and circulate information and to manage events. If the company develops an interesting story or event, it could be picked up by several different media, having the same effect as advertising that would cost millions of dollars. And it would have more credibility than advertising.

23. Describe public relations and any three of its main functions.

Public relations build good relations with the public through favorable publicity, enhancing corporate image, and managing negative stories or events.

1. **Product publicity** - Promoting specific products.
2. **Public affairs** - Maintaining relationships with local or national communities.
3. **Press relations** - Sharing newsworthy information to gain media attention.

24. Public relations specialists use several tools. Identify three of these tools and describe how they can help a company communicate with the public.

1. **News and events** - Creating or leveraging favorable news, press tours, and special events like grand openings or multimedia presentations to generate publicity.

2. **Speeches and written materials** - Executives' talks and materials like annual reports, brochures, and newsletters to build the company's image.
3. **Corporate identity** - Using logos, uniforms, and branded vehicles to create a recognizable and memorable identity.

These tools help build goodwill, promote products, and enhance corporate reputation.

Chapter 16

1. What is personal selling?

Personal presentations by the firm's sales force for the purpose of making sales and building customer relationships is known as personal selling.

2. Describe the nature of personal selling and the role of the sales force.

Personal selling is the interpersonal aspect of the promotion mix, focusing on building long-term customer relationships. Salespeople listen to customer needs, address problems, and foster mutual gain. Acting as a critical link, they represent the company to customers and customers to the company, ensuring satisfaction and profitability.

3. What is the role of a salesperson in a territorial sales force structure?

In the territorial sales force structure, each salesperson is assigned to an exclusive geographic area and sells the company's full line of products or services to all customers in that territory.

4. Under what conditions is a company most likely to use a product sales force structure?

If a company has numerous and complex products, it can adopt a product sales force structure, in which the sales force specializes along product lines.

5. Why and how do companies use workload approach?

Many companies use some form of workload approach to set sales force size. Using this approach, a company first groups accounts into different classes according to size, account status, or other factors related to the amount of effort required to maintain the account. It then determines the number of salespeople needed to call on each class of accounts the desired number of times.

6. Distinguish between an outside sales force and an inside sales force.

Outside sales force consists of salespeople who travel to call on customers in the field.

Inside sales force consists of salespeople who conduct business from their offices via telephone, the Internet, or visits from prospective buyers.

7. What is the goal of training salespeople?

The goal of training salespeople is to equip them with the knowledge and skills needed to build strong customer relationships. This includes understanding customer needs, buying motives, and habits, as well as learning effective selling techniques and the selling process. Additionally, training helps salespeople understand and identify with the company's objectives, organization, and products, while also providing insights into competitor strategies to better position the company in the market.

8. What does a call plan show?

The weekly, monthly, or annual call plan shows which customers and prospects to call on and which activities to carry out.

9. Why have firms adopted sales force automation systems?

Many firms have adopted sales force automation systems to help their salespeople better manage their time, improve customer service, lower sales costs, and increase sales performance.

10. Why is a firm's organizational climate an important part of building a successful sales staff?

Organizational climate describes the feeling that salespeople have about their opportunities, value, and rewards for a good performance. Some companies treat salespeople as if they are not very important, so performance suffers accordingly. Other companies treat their salespeople as valued contributors and allow virtually unlimited opportunity for income and promotion. Not surprisingly, these companies enjoy higher sales force performance and less turnover.

11. Discuss the differences between the three major sales force structures. What are the potential benefits of each structure?

Territorial - Assigns salespeople to specific geographic areas, promoting job clarity, accountability, and strong local relationships.

Product - Organizes salespeople by product lines, enhancing their product expertise.

Customer - Aligns salespeople with specific customer or industry segments, fostering closer relationships with key customers.

12. Why are more companies using team selling? What are its pros and cons?

Companies use team selling to handle large, complex accounts, where teams can uncover solutions and opportunities beyond the scope of an individual salesperson. It aligns with customers' team-based purchasing processes and leverages strategic account teams led by senior managers to meet diverse customer needs.

Pros - Provides expertise, handles complex needs, and matches team-based customer buying.

Cons - Competitive salespeople may resist collaboration, teams can overwhelm customers used to one-on-one interactions, and it complicates evaluating and compensating individual contributions.

13. How do successful companies recruit and train their salespeople? What does an effective training program teach salespeople?

Successful companies recruit salespeople by analyzing the sales role and identifying traits of successful candidates. Recruitment sources include referrals, employment agencies, online platforms, college placement services, and attracting proven salespeople from competitors for immediate productivity.

Training for new salespeople can last weeks to over a year, followed by ongoing training through seminars, meetings, and e-learning. Effective programs teach salespeople about the company's objectives, organization, products, and competitor strategies, ensuring they are well-prepared to represent the company effectively.

14. Describe some of the methods used to supervise salespeople and help them work more efficiently.

To supervise salespeople and improve efficiency, companies help them prioritize tasks, target customers, and manage time effectively. Tools include call plans, time-and-duty analysis, and simplified administrative duties. Sales force automation systems and technologies like laptops, smartphones, and CRM software enable better customer profiling, forecasting, scheduling, and account management. These methods enhance time management, customer service, and sales performance while reducing costs. Technology has revolutionized how salespeople work and engage customers.

15. Explain the methods of evaluating the performance of a sales force. Why is the evaluation of a company's sales force considered necessary?

Sales force performance is evaluated through sales reports, call and expense reports, sales and profit data, personal observation, customer surveys, and peer feedback.

Management assesses how well salespeople plan and execute their work, providing clear standards, feedback, and motivation. Evaluating the entire sales force ensures it meets customer relationship, sales, and profit goals, aligns with the company, and delivers a good return on sales investment.

16. Describe social selling and what changes it is bringing to the selling process.

Social selling leverages online, mobile, and social media to engage customers, build relationships, and boost sales performance. Digital tools help salespeople identify prospects, engage customers, and create value while saving time and travel costs.

Though the fundamentals of selling remain, social selling has transformed the process. Customers now conduct much of the buying process independently, especially early stages, using online resources. In response, salespeople adapt by engaging customers earlier via social media, forums, and online communities. They use digital tools to monitor customer preferences, spot trends, and maintain engagement throughout the buying process.

17. How do salespeople qualify prospects?

Prospects can be qualified by looking at their financial ability, volume of business, special needs, location, and possibilities for growth.

18. Why should a salesperson set call objectives?

The salesperson should set call objectives, which may be to qualify the prospect, gather information, or make an immediate sale. This prepares the salesperson for the approach stage of the selling process.

19. Briefly describe the presentation stage of the selling process.

During the presentation step of the selling process, the salesperson tells the "value story" to the buyer, showing how the company's offer solves the customer's problems.

20. What are the different steps in the selling process? Briefly describe each step.

Prospecting - Identifying qualified potential customers.

Preapproach - Researching prospects' needs and buying styles.

Approach - Meeting the customer and making a strong first impression.

Presentation - Sharing the "value story" to show how the offer solves problems.

Handling objections - Addressing and overcoming customer concerns.

Closing - Asking for the order and finalizing the sale.

Follow-up - Ensuring satisfaction and fostering repeat business post-sale.

21. What is the follow-up step of the selling process? Why is it important?

The **follow-up step** ensures customer satisfaction and repeat business. After closing, the salesperson finalizes details like delivery and purchase terms, then follows up after the order is received to address issues, ensure proper installation or service, and reassure the buyer, reducing post-sale concerns.

22. How are the personal selling process and customer relationship management interrelated? What are the primary requirements of value selling?

The **personal selling process and customer relationship** management are interrelated as both focus on building and maintaining profitable long-term relationships, not just closing one-time sales. Successful sales rely on **value selling**—demonstrating and delivering superior customer value while ensuring a fair return for both the customer and the company. Salespeople must avoid relying on price cuts and instead focus on listening to customers, understanding their needs, and aligning the company's efforts to foster lasting relationships based on value.

23. How can sales promotion be accomplished through samples?

Sampling can be a powerful promotional tool. Some samples are free; for others, the company charges a small amount to offset its cost. The sample might be sent by mail, handed out in a store or at a kiosk, attached to another product, or featured in an ad or an e-mail. Samples are sometimes combined into sample packs, which can then be used to promote other products and services.

24. Briefly explain the major sales promotion tools.

Consumer promotions - Tools like samples, coupons, premiums, contests, and event sponsorships to engage consumers.

Trade promotions - Incentives like discounts, allowances, and free goods to encourage retailers and wholesalers to stock and promote products.

Business promotions - Tools to generate leads, stimulate purchases, reward customers, and motivate salespeople, often using similar methods as consumer or trade promotions.

Chapter 17

1. How does direct marketing give buyers access to more comparative information about companies, products, and competitors?

Catalogs and Web sites, both forms of direct marketing, can provide extensive product information and helpful product reviews. Customers can easily research companies, products, and competitors by comparing information in catalogs or on various Web sites.

2. How does online marketing provide flexibility for sellers?

Online marketing allows the marketer to make ongoing adjustments to its prices and programs or make immediate, timely, and personal announcements and offers. Online catalogs, if used, can be adjusted daily or even hourly if needed.

3. Explain the major benefits of direct marketing for customers and for sellers.

Direct marketing benefits customers by being convenient, private, and easy to use, offering quick access to products and information globally. It's immediate and interactive. For sellers, it helps build strong customer relationships, enables targeted and personalized offers, and provides a cost-effective way to reach specific markets.

4. Identify the traditional direct marketing tools and differentiate them from the digital direct marketing tools. What is their importance?

Traditional direct marketing tools include face-to-face selling, direct mail, catalogs, telemarketing, direct-response TV, and kiosks. Digital tools, such as online marketing (websites, ads, email, videos, blogs), social media, and mobile marketing, have become prominent. Both traditional and digital tools are essential and should be integrated into a cohesive marketing program.

5. Provide two reasons why companies are shifting more of their marketing dollars to online advertising.

As consumers spend more and more time online, companies are shifting more of their marketing dollars to online advertising to build brand sales or attract visitors to their Internet, mobile, and social media sites. The main forms of online advertising are display ads and search-related ads.

6. Describe the largest form of online advertising.

The largest form of online advertising is search-related ads, or contextual advertising. Text- and image-based ads and links appear atop or alongside search engine results on sites such as Google, Yahoo!, and Bing. A search advertiser buys search terms from the search site and pays only if consumers click through to its site.

7. Explain the goal of viral marketing.

Viral marketing is the digital version of word-of-mouth marketing. Viral marketing involves creating videos, ads, or other marketing content that are so infectious that customers will want to pass them along to their friends.

8. Explain how a company benefits from monitoring the blogosphere.

They can offer a fresh, original, personal, and cheap way to enter into consumer online and social media conversations. Beyond their own brand blogs, many marketers use third-party blogs to help get their messages out. Marketers can use insights from consumer online conversations to improve their marketing programs.

9. Identify the major advantage of the following forms of digital and social media marketing: Web sites, viral marketing, e-mail, blogs, social media, and mobile ads and apps.

Websites engage customers, driving purchases or fostering brand relationships. Viral marketing is cost-effective as customers share messages. Email delivers personalized, targeted messages to build relationships. Blogs provide a fresh, personal, and low-cost way to join consumer conversations. Social media is targeted and personal, while mobile ads and apps offer convenience for purchases and information access.

10. Compare and contrast the purpose and content of a branded community Web site to that of a marketing Web site.

Branded community websites focus on engaging consumers and building relationships through brand content like videos, blogs, and activities, without directly selling products. Marketing websites, on the other hand, aim to drive interactions that lead to purchases, allowing customers to research and buy specific items.

11. What are the characteristics of a successful Web site?

A successful website attracts visitors through promotion and engaging, valuable content that keeps them returning. It must be easy to use, visually appealing, and above all, useful. Effective sites offer deep information, interactive tools, relevant links, changing promotions, and entertaining features that balance substance with excitement.

12. What are the strengths and weaknesses of e-mail marketing?

Email marketing is highly effective, with 91% of U.S. consumers using email daily and 65% opened on mobile devices. It delivers a high ROI through low-cost, targeted, personalized,

and engaging messages. However, spam—70% of global email—causes frustration, making it essential for marketers to add value without being intrusive.

13. Describe how marketers can engage in social media.

Marketers can engage in social media in two ways: They can use existing social media or they can set up their own. Using existing social media seems easiest, but many companies have also created their own online brand communities.

14. Explain integrated social media marketing.

Companies that use social media successfully are integrating a broad range of diverse media to create brand-related social sharing, engagement, and customer community. They design full-scale social media efforts that blend with and support other elements of a brand's marketing strategy and tactics.

15. Describe two ways that marketers can participate in online social networks. What are the challenges and advantages of these approaches?

Marketers can engage in social media by using existing platforms or creating their own brand communities. Existing social media, including niche networks, are great for targeting specific interests, while brand communities foster deeper customer engagement. Social media is targeted, personal, interactive, timely, and cost-effective, with strong engagement and sharing potential. However, challenges include difficulty measuring results and navigating user-controlled platforms. Success requires providing consistent, engaging content to become a valued part of users' online experiences.

16. Explain the strengths of mobile marketing from the marketer's point of view.

Mobile marketing allows companies to stimulate immediate buying, simplify shopping, and enrich the brand experience. It provides targeted information and incentives at critical moments of interest or decision-making. Rich-media ads enhance engagement and impact, offering information, entertainment, and "anytime, anywhere" accessibility.

17. Why are people that are reached by direct mail better prospects for a company than those reached by mass media such as television or magazines?

Unlike mass media, direct mail allows for high target-market selectivity, so only consumers who are likely to become customers can be contacted; in addition, direct mail can be personalized for each individual, which helps to build customer relationships.

18. Why are printed catalogs still thriving in the face of the growing popularity of Web-based catalogs?

Printed catalogs are more effective at creating an emotional connection with customers and continue to be one of the best ways to drive online sales.

19. Explain how the creation of the National Do Not Call Registry may have helped telemarketers more than it hurt them.

Rather than making unwanted calls, many of these marketers are developing "opt-in" calling systems, in which they provide useful information and offers to customers who have invited the company to contact them by phone or e-mail. The opt-in model provides better returns for marketers than the formerly invasive one.

20. Why is the use of direct-response television growing in popularity?

Direct-response TV (DRTV) marketing, including TV ads and infomercials, is growing due to its ability to drive significant sales. Interactive TV (iTV) enhances this by allowing viewers to engage with ads via smart TVs, phones, or tablets, making purchases or accessing more information. These interactive campaigns also extend to online, mobile, and social media platforms, increasing their reach and effectiveness.

21. Provide an example of how a marketer uses kiosk marketing.

Students' answers will vary. Many airlines and hotels use kiosks as self-service check-in devices; many retail stores offer in-store ordering kiosks.

22. How can firms that use new direct marketing technologies avoid backlash from consumers who view such marketing as an invasion of privacy?

Marketers should always target their direct marketing offers carefully and bring real value to customers through direct marketing. Firms can opt for database marketing so that consumers receive offers that closely match their interests. Using sophisticated computer technologies, direct marketers can mine these databases to "microtarget" their selling efforts. Most marketers have become highly skilled at collecting and analyzing detailed consumer information.

23. How has the direct marketing industry taken steps to address privacy and security concerns?

The direct marketing industry addresses privacy and security by using nonprofit organizations to audit and approve practices that meet standards. The Direct Marketing Association's Privacy Promise requires members to notify customers when personal data

is shared, honor opt-out requests, and comply with the DMA's Preference Service to remove consumers from unwanted solicitations.

24. Identify the major advantage of the following traditional forms of direct marketing: telephone, direct mail, catalog, direct-response television, and kiosk.

Telephone marketing offers convenience and detailed product information. Direct mail allows for selectivity and personalization. Paper catalogs create emotional connections, and online catalogs enable real-time merchandising. Direct-response TV provides live demonstrations without salespeople. Kiosk marketing places information and ordering machines in convenient locations.

25. How has the implementation of the National Do Not Call Registry changed telephone marketing?

The National Do Not Call Registry, created in 2003, bans most business telemarketing calls to registered numbers, reducing unsolicited calls significantly. While outbound telemarketing has decreased, inbound consumer calls and outbound business-to-business calls remain strong. Telemarketers are shifting to "opt-in" systems, focusing on existing customer relationships and offering useful information to those who have agreed to be contacted.

26. Internet marketing practices have raised a number of ethical and legal questions. Why is invasion of privacy perhaps the number one online marketing concern?

Web site activities provide extensive personal information. This may leave consumers open to information abuse if companies make unauthorized use of the information in marketing their products or exchanging databases with other companies. Critics worry that through database marketing, marketers know too much about consumers' lives and may not use that information responsibly, taking unfair advantage of consumers.

Chapter 18

1. Discuss the steps in analyzing competitors.

Creating competitive advantage begins with competitor analysis. First, the company's competitors must be identified. The next step is assessing competitors' objectives, strategies, strengths, weaknesses, and reaction patterns. Based on this information, the company can select which competitors to attack or avoid.

2. Discuss the different levels at which competitors can be identified.

Competitors can be identified at different levels. At the narrowest, they are defined as companies offering similar products or services to the same customers at similar prices. Broader definitions include all firms making the same product, all companies providing similar services, and all companies competing for the same consumer dollars.

3. Explain how the United States Postal Service has "competitor myopia."

The U.S. Postal Service loses billions of dollars every year, but direct competitors such as FedEx and UPS aren't the problem. Instead, indirect competition from the Internet has hurt the U.S. Postal Service's revenue, as more people e-mail and make online transactions rather than mail transactions.

4. Give examples of competitor objectives and discuss the importance of knowing a competitor's mix of objectives.

Each competitor has a mix of objectives. The company wants to know the relative importance that a competitor places on current profitability, market share growth, cash flow, technological leadership, service leadership, and other goals. Knowing a competitor's mix of objectives reveals whether the competitor is satisfied with its current situation and how it might react to different competitive actions.

5. Describe a strategic group. Name a few companies that belong to the same strategic group, and discuss why they are in the same group.

A strategic group is a group of firms in an industry following the same or a similar strategy in a given target market. General Electric and Whirlpool belong to the same strategic group because each produces a full line of medium-price appliances supported by good service.

6. How can companies learn about their competitors' strengths and weaknesses?

Companies normally learn about their competitors' strengths and weaknesses through secondary data, personal experience, and word of mouth. They can also conduct primary marketing research with customers, suppliers, and dealers, or they can benchmark themselves against other firms.

7. What is the purpose of benchmarking?

A company uses benchmarking to identify best practices and find ways to improve its own product quality and performance.

8. Discuss why a company really needs and benefits from competitors.

The existence of competitors results in several strategic benefits. Competitors may share the costs of market and product development and help to legitimize new technologies.

They may serve less-attractive segments or lead to more product differentiation. Finally, competitors may help increase total demand.

9. Discuss the need to understand competitors as well as customers through competitor analysis.

To prepare an effective marketing strategy, a company must understand its competitors as well as its customers. This requires continuous competitor analysis, which involves identifying major competitors, gathering information on their objectives, strategies, strengths, weaknesses, and reaction patterns. With this knowledge, the company can develop competitive strategies that position it effectively against competitors and provide a strong competitive advantage. Continuous collection, interpretation, and distribution of competitive intelligence is essential for marketing managers to make informed decisions.

10. Although competition is most intense within a strategic group, explain why there is also rivalry among groups. Give examples.

Competition is most intense within a strategic group, but rivalry also exists among groups due to overlapping customer segments, similar product quality perceptions, and strategic expansion into new market segments. For example, major appliance manufacturers target the apartment and homebuilders segment, and brands like GE and Whirlpool compete in similar market segments.

11. Marketing managers need a deep understanding of a given competitor's mentality if they want to anticipate how the competitor will act or react. Discuss the different ways competitors act or react. Why do they do so? Use examples to support your thoughts.

Competitors react differently based on their customer loyalty, financial resources, and reaction to specific moves. Some may not react quickly, while others are swift and fierce, like Procter & Gamble with new detergent entries. The nature of competition varies by industry—some are relatively harmonious, while others are highly competitive. Understanding these reactions helps companies strategically plan to attack or defend their market position.

12. An industry often contains "good" competitors and "bad" competitors. Define each term and discuss scenarios with both "good" and "bad" competitors. How might "good" competitors choose to react to "bad" competition?

Good competitors follow industry rules, while bad competitors break them, taking risks and competing unfairly. For example, Yahoo! Music Unlimited views other digital music

services as good competitors, but sees Apple's iTunes as a bad competitor due to its closed system. A company might choose to support good competitors and target bad competitors strategically.

13. Discuss the functions and goals of a competitive intelligence system.

The competitive intelligence system identifies the types of competitive information needed, collects data from various sources, checks for validity, interprets, and organizes it. It then sends relevant information to decision makers through phone calls, emails, and reports, providing timely intelligence about competitors, their strengths, weaknesses, and responses to company moves.

14. Michael Porter suggested four basic competitive positioning strategies that companies can follow, three winning strategies and one losing one. Name and describe these four different strategies.

Overall cost leadership is when the company works hard to achieve the lowest production and distribution costs. Differentiation is when the company concentrates on creating a highly differentiated product line and marketing program so that it comes across as the class leader in the industry. Focus is when the company puts its efforts on serving a few market segments well rather than going after the whole market. Middle-of-the-roaders are firms that do not pursue a clear strategy. These firms do the worst.

15. Name the three value disciplines.

Research indicates that companies can pursue leadership positions by delivering superior value to their customers. There are three possible value disciplines that marketers can follow: operational excellence, customer intimacy, or product leadership.

16. Explain how a market follower can gain advantage from a market leader.

The market leader often bears the huge expenses of developing new products and markets, expanding distribution, and educating the market. By contrast, the market follower can learn from the leader's experience. It can copy or improve on the leader's products and programs, usually with much less investment.

17. Why is niching profitable?

The main reason a market nicher can succeed is that it ends up knowing the target customer group so well that it meets the group's needs better than other firms that casually sell to that niche. As a result, the nicher can charge a substantial markup over

costs because of the added value. Whereas the mass marketer achieves high volume, the nicher achieves high margins.

18. Discuss formal and informal marketing strategies and give examples of companies that follow these strategies.

Many large firms develop formal competitive marketing strategies, while others, like Harley-Davidson, Virgin Atlantic Airways, and BMW's MINI unit, succeed through informal and adaptive strategies. These companies often operate with limited resources, live close to their customers, and create satisfying solutions to customer needs through buyer's clubs, buzz marketing, and customer loyalty.

19. Discuss customer intimacy. Why is it important? Provide an example of a company that successfully abides by this value discipline.

Customer intimacy involves precisely segmenting markets and tailoring products or services to match exactly the needs of targeted customers. It focuses on building close relationships and detailed customer knowledge. Customer-intimate companies, like Nordstrom, Lexus, American Express, and Ritz-Carlton, prioritize long-term loyalty and customer lifetime value by responding quickly to customer needs.

20. Compare and contrast the four competitive positions that are often used to describe market structures.

The four competitive positions—market leader, challenger, follower, and nicher—describe different strategies companies use in a market.

- **Market leader:** Focuses on expanding the total market, protecting its market share, and gaining more market share.
- **Market challenger:** Tries to expand its market share aggressively by attacking the leader or other competitors with various strategies.
- **Market follower:** Prefers not to disrupt the market, using its strengths to grow without taking excessive risks.
- **Market nicher:** Specializes in specific customer needs or geographic areas, often unnoticed by larger firms.

Each strategy reflects different goals and approaches in the competitive landscape.

21. Discuss two ways a market challenger can best attack the chosen competitor and achieve its strategic objectives. Explain when a challenger should use these attacks and provide examples of companies that have used these methods.

A market challenger can use two main attack strategies to achieve its objectives:

- **Full frontal attack:** This involves matching the competitor's product, advertising, price, and distribution efforts. It directly targets the competitor's strengths. A frontal attack is risky if the challenger has fewer resources, as the larger competitor may respond with counterattacks.
- **Indirect attack:** This involves targeting the competitor's weaknesses or gaps in its market coverage. It can use tactics that the competitor may struggle to respond to, such as focusing on a specific niche or underserved segment. Red Bull is an example of a successful indirect attack.

By choosing the right strategy based on the competitor's weaknesses and the challenger's strengths, companies can effectively achieve their strategic objectives.

22. What is the primary focus of a competitor-centered company?

A competitor-centered company spends most of its time tracking competitors' moves and market shares and tries to find strategies to counter them.

23. What is the primary focus of a customer-centered company?

A customer-centered company focuses more on customer developments in designing its strategies. By watching customer needs evolve, a customer-centered company can decide what customer groups and what emerging needs are the most important to serve.

24. Discuss the four evolving company orientations. Which orientation is considered most successful and why?

Product oriented: Focus on the product rather than customer needs or competition.

Customer oriented: Begin to pay attention to customers.

Competitor oriented: Start to focus on monitoring competitors.

Market oriented: Balance attention between customers and competitors, focusing on delivering more customer value than competitors. This orientation is considered most successful because it leads to innovative ways to build profitable relationships with customers.