Marketing Quiz 3

Marketing Management I (Concordia University)

Q1. Please describe the three levels of product. P. 223& following Fig. 7.1

Core Customer Value: This level addresses the question of what is the buyer really buying? When designing products, marketers must first define the core, problem-solving benefits, services, or experiences that consumers seek.

Actual Product: Product planners must turn the core benefit into an actual product. They need to develop product and service features, a design, a quality level, a brand name, and packaging.

Augmentated Product: Product planners must build an augmented product around the core benefit and actual product by offering additional consumer services and benefits.

Q2. Please present 4 types of consumer products and the marketing considerations associated with each of them p. 224 Table 7.1

Convenience products

Customer buying behavior: Frequent purchase, little planning, little comparison or shopping effort, low customer involvement.

Price: Low price

Distribution: Widespread distribution, convenient locations

Promotion: Mass promotion by the producer

Examples: Toothpaste, laundry detergent, magazines

Shopping products

Customer buying behavior: Less frequent purchase, much planning and shopping effort, comparison of brands on price, quality, and style.

Price: Higher price

Distribution: Selective distribution in fewer outlets

Promotion: Advertising and personal selling by both the producer and resellers

Examples: Major appliances, televisions, furniture, and clothing

Specialty products

Customer buying behavior: Strong brand preference and loyalty, special purchase effort, little comparison of brands, low price sensitivity.

Price: Highest price

Distribution: Exclusive distribution in only one or few outlets per market area

Promotion: More carefully targeted promotion by both the producer and the resellers

Examples: Luxury goods, such as Rolex watches or fine crystal

Unsought products

Customer buying behavior: Little product awareness or knowledge (or if aware, little or even negative interest)

Price: Varies

Distribution: Varies

Promotion: Aggressive advertising and personal selling by the producer and resellers

Examples: Life insurance and Red Cross blood donations

Q3. Please present and explain with examples the 4 service characteristics. P.236 Fi. 7.3

Service Intangibility: Services cannot be seen, tasted, felt, heard, or smelled before purchase. In order to draw a conclusion, people look for signals on whether the service provided will be good or not. Examples: cosmetic surgery, airline service

Service Inseparability: Services cannot be separated from their providers, whether the services are provided by people or machines. Customers also play an active role in the delivery of the services.

Service Variability: Quality of services depends on who provides them and when, where, and how. Mariott hotels have a reputation for providing good service, regardless, the quality of services still depends on who is providing it. One employee may be very cheerful and effective whereas another one may be very grumpy and slow.

Service Perishability: Services cannot be stored for later sale or use. The perishability of a service is not a problem when demand is steady. However, when demand fluctuates, service firms often have difficult problems. Examples, during rush hours, restaurant will hire part time employees to help, or hotels will lower their prices during off-season to attract more guests.

Q4. A company has 4 choices when developing brands, what are those choices? And why would a company develop that choice? Put examples. P.249 Brand development

Line Extension: Occur when a company extends existing brand names to new forms, colors, sizes, ingredients, or flavor of an existing product category. Example: KFC offers a multitude of choices when it comes to their menu that they extended over the years beyond their original “finger lickin good” chicken recipe.

Brand Extension: Occurs when the is an extension of a current brand name to new or modified products in a new category. Nikes core product is shoes but now they sell clothing and basketballs and sunglasses.

Multibrands: Companies often market different brands in a given product category. Example: PepsiCo markets at least eight brands of carbonated soft drinks, three brands of sports and energy drinks, five brans of bottled water teas and coffees., etc

New brands: A company might feel like its existing brand is waning, so a new brand name is needed. Toyota created the separate Lexus brand aimed at luxury car consumers.

Q5. What area the 7 major stages in new product development. Use examples. P.262 Fig. 8.1

1. **Idea Generation:** Systemic search for new product ideas. Sources of new products include external and internal sources such as customers, competitors, market, suppliers, and others. Internal: R&D and external: a company buys the product of a competitor, takes it apart and decides whether to launch a similar product of their own.

2. **Idea Screening:** First idea reducing stage which helps spot good ideas and drop poor one asap. The company only wants to go with profitable products. Screening process called R-W-W (real-win-worth doing)

3. **Concept development and testing**: The idea must then be developed in a product concept which is the detailed version of the idea stated in meaningful consumer terms using concept development and concept testing.

4. **Marketing strategy development**: Designing an initial marketing strategy for introducing the product into the market. This consist of three parts: first one describes the target market, the planned value proposition and the sales, market-share, and profit goals for the first few years.

5. **Business analysis:** This involves a review of the sales, costs, and profit projections for a new product to find out whether they satisfy the company's objectives. If the do, the product can move to the product development stage.

6. **Product development**: R&D or engineering develops the product concept into a physical product. They hope to build a product that will excite consumers, and, in this process, they will also involve actual customers to test the product.

7. **Test marketing**: The stage where the product and its proposed marketing program are tested in realistic market settings. Taco bell spent 3 years before launching their Doritos Locos Tacos, now the most successful product in the company history. Starbucks spent 20 developing Starbucks and several months testing it in shops in Chicago and Seattle before launching nationwide.

8. **Commercialization**: Introducing the product into the market, using the right and strategic “when” and “where” to launch the product.

Q6. The product life cycle has 5 distinct stages. Please explain the stages and the associated marketing activities of each one. P. 272 and following Fig. 8.2 p. 273 with examples.

1. Product Development begins when the company finds and develops a new product idea. During product development, sales are zero, and the company’s investment cost mount.

2. Introduction is a period of slow sales growth as the product is introduced in the market. Profits are nonexistent in this stage because of the heavy expenses of products introduction.

3. Growth is a period of rapid market acceptance and increasing profits.

4. Maturity is a period of slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profit level off or decline because of increased marketing outlays to defend the product against competition.

5. Decline is the period when sales fall off and profits drop.

Give examples of fashion or Fads.

Q7. Please compare and explain the difference between cost-based pricing and value pricing P.292 Fig.9.2

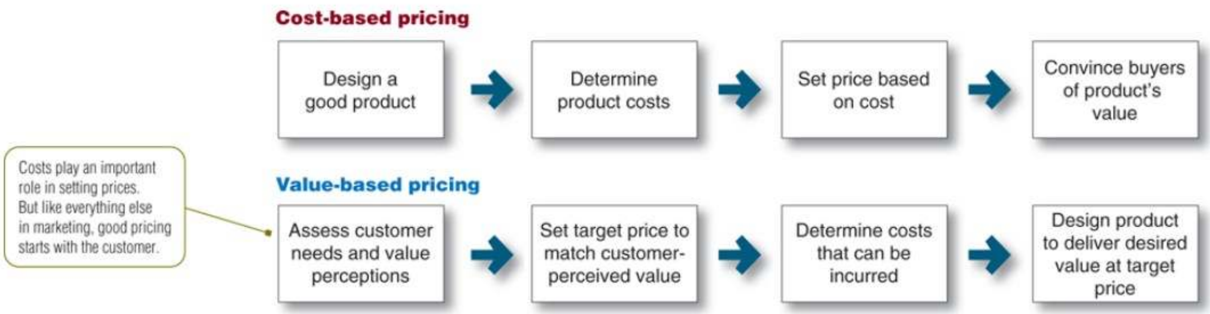
Cost-based pricing:

Design a good product, determine product costs, set price based on cost, convince buyers of products value.

Value-based pricing:

Access customer needs and value perceptions, set target price to match customer-perceived value, determine costs that can be incurred, design product to deliver desired value at target price.

Figure 9.2 Value-Based Pricing versus Cost-Based Pricing



Q8. Describe the major strategies and criteria for pricing new products. P.303 and following

Market skimming pricing: Setting a high price for a new product to skim maximum revenues layer by layer from the segments willing to pay the high price; the company makes fewer but more profitable sales. (Apple)

Market penetration pricing: Setting a low price for a new product in order to attract a large number of buyers and a large market share. (Costco and Surfboard)

Q9. Explain how companies find a set of prices that maximizes the profits from a total product mix. P.304 Table 9.1

Table 9.1 **Product Mix Pricing**

Pricing Situation	Description
Product line pricing	Setting prices across an entire product line
Optional-product pricing	Pricing optional or accessory products sold with the main product
Captive-product pricing	Pricing products that must be used with the main product
By-product pricing	Pricing low-value by-products to get rid of or make money on them
Product bundle pricing	Pricing bundles of products sold together

The company will obviously choose the most profitable one amongst them all.