

## **MKTG 300 Principles of Marketing**

### **Exam 1 Review Sheet**

The first midterm will consist of multiple choice questions. Anything covered in the assigned readings or discussed in class is fair game for the exam. This includes the case (MicroFridge) and marketing math portion too. This review sheet is not meant to introduce new material, but note that anything here is also fair game for the exam.

This document is intended to help you think about some of the important concepts covered in class. It is not necessarily comprehensive. The document lists some key topics you'll want to know in order to do well on the exam.

**\* A note on some types of questions not to expect:** To the extent possible, I do not plan on asking you “simple memorization of trivial names” questions. I won’t be asking you to memorize and produce specific real-world examples. For example, I won’t ask you to name a company that appeared to act unethically due to over-ambitious goals.

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#### **Key Questions/Concepts to Consider**

##### **What is Marketing?**

##### **Ethics (Session 2)**

- A skilled marketer can use the tools of marketing to get people to do what they would not otherwise have done (e.g., spend two months salary on diamond engagement rings). But at the same time, marketing practitioners have an obligation to use their tools responsibly
- There are opportunities for unethical decisions exist throughout The Big Picture framework (p. 14-18)
- What are some consequences of unethical marketing?  
e.g., Consequences of an Inappropriate Target (p. 16)/ Consequences of Deceptive Advertising
- We observe a range of practices in the marketplace. We have anecdotal evidence that highly unethical practices are punished in the marketplace. Some evidence that highly ethical practices are rewarded.
- Example of good ethics—Dove: Their campaign addressed the low self-esteem females often felt in response to how women were typically (and unrealistically) presented in advertising. Dove’s sales and market share have jumped accordingly.

##### **Business Objective (Session 3)**

- What is brand? What is branding? Know umbrella branding, distinct branding, and hybrid branding
- Why can’t Nike add Nike Chicken to its product line? (Flexibility issue of umbrella branding)
- Why would Unilever not want you to connect the dots between their products (i.e., distinct branding)?
- What kind of branding strategy would a pharmaceutical company prefer (p. 36; product risk)?
- Be aware that a company can pursue multiple branding strategies. BMW incorporates most of its vehicles under its umbrella brand, but manages Mini Cooper as a distinct brand. Although Mini Cooper is a distinct brand from BMW’s perspective, note that Mini Cooper itself is an umbrella brand (p. 34-35).

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- **Core Competence** is a **skill** that leads to a sustainable competitive advantage and requires significant resource investment (p. 40).
- Keep in mind the distinction between **core competence** and **strategic asset**, and which leads to which (p.41).
- If Apple stopped airing commercials tomorrow, what effect would that have on short-run profits? On long-run profits (Slide 16)?
- How we define our core business influences who we need to consider as competitors. If Coke is in the **soda** business, their chief competitor is Pepsi. If Coke is in the **refreshment** business, their chief competitor is tap water (p. 47).
- What is marketing myopia (Slide 18)?
- Note the distinction between selling and marketing (Slide 20).
- Know the attributes of beneficial goals (p. 50-51).
- What can the gorilla / basketball video teach us about goals (Monkey Business Illusion; Slide 24)?

## Marketing Objective (Session 4)

- Current customers are often identified based on RFM criteria. The criteria differ by industry. If Joe last purchased a Lexus five years ago, Lexus might consider Joe to be a current customer. If Joe last ate at McDonalds five years ago, McDonalds would not consider Joe to be a current customer (p. 71; Slide 6).
- Customers' behavior and purchase data can't tell how loyal the customers are. Better to combine with attitudinal data/brand relationship (p. 74; Purchase of books example; Slide 7).
- Who are barnacles? What are two different types of barnacles (with low size/share of wallet) (Slide 8)?
- Note that if a company is new, a Retention marketing objective is not an option (there is no one to retain). New companies will therefore pursue an Acquisition marketing objective. BUT, just because a company is pursuing an Acquisition marketing objective, that doesn't mean it's new. It could be. But it could also be a well-established company trying to grow the category or trying to earn share from an even larger competitor in a different category.
- Understand the pros and cons of acquisition vs. retention (Slide 13)
- The challenge of acquisition is overcoming existing brand loyalty, which is reinforced through retention activities (Slide 15)
- How are retention-focus ads and acquisition-focus ads different in general? (cf. alien test) (Slides 14, 16)
- **Heart loyalty** can be thought of as **emotional attachment**. Emotional attachment is distinct from a **favorable attitude**. For example, favorable attitudes can be developed without interaction with the product. Emotional attachment requires interaction with the product (Slide 22).
- Emotional attachment can also be distinguished from **satisfaction**. Satisfaction is more episode-specific. I can have a nice cup of Jello pudding and be satisfied. However, it would take years of satisfying pudding episodes before I become emotionally attached and be loyal to the Jello brand (Slide 22).
- Different types of loyalty differ in magnitude and type of involvement (p. 75-78) and their pros and cons (Slides 22-24).
- Understand the tricky relationship between loyalty and profitability (Slide 27-28).
  - Which of the two MO could be an indicator of **long-term viability** of a firm? <Retention>
  - What is acquisition bias?

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### Source of Volume (Session 5)

- Be very comfortable with the distinction between **main** and **dynamic variables** (Slide 5; p. 111-112, p. 149).
- When category leaders stimulate demand for the category, competitors enjoy free-rider benefits, and new competitors may be attracted to the category. Still, it's generally better than the alternative of earning share from a smaller competitor (p. 113).
- You can stimulate demand by acquiring new users, but also by firing your base up (Slide 8-10; p. 108-109)
  - New volume (same users, increased volume) and new value (same users, higher price paid)
- Earning share strategy might involve emphasizing dynamic benefit by comparing with the category leader (while reassuring the main benefit) or even incentivizing switching of consumers (Slide 12-14; p. 114-115)
  - Key questions to ask here would be from whom we intend to earn share, and how we are different.
  - Attempts to earn share can create ambiguity about category membership. In such cases, it's important to reassure on the main variable, to more clearly establish your category membership.
- Need to consider competitive response or competitive retaliation (Slide 15-16; p. 115)
  - Pepsi challenged Coke with taste testing: Why is the Pepsi Challenge such an alien environment?
  - Understand the notion of placebo effects and how they can influence the consumption experience.
- If a commercial repeats a product name repeatedly to raise awareness (e.g., HeadOn), we can confidently infer that the company's **marketing objective** is **acquisition**. However, based on this information alone, we can't confidently infer the company's **source of volume**. We'd need to know more about the commercial (e.g., are they also saying that their product is better than someone else's?).
- Keep in mind that ads can't always tell us everything. One commercial might clearly indicate the company's marketing objective. Another might clearly indicate the company's source of volume. If we're lucky, the commercial tells us both. But sometimes we can look at an ad and infer nothing about the company's strategy. This could be because there's no clear strategy to speak of, or that the company is pursuing multiple objectives (cf. outcome bias) (Slides 7-8 for session 6)

### Marketing Math and MicroFridge (Session 6-7)

- Break Even Analyses—know how to do it (e.g., in-class exercises and practice questions uploaded on BeachBoard) and know what the components mean (e.g., unit margin/contribution)
- What is the initial Big Picture for Microfridge? What is wrong with this picture? Who was Microfridge trying to **earn share** from?
- What you would recommend as the revised Big Picture for Microfridge depends on the primary benefit of a Microfridge to the different group of customers? (We came up with at least 3 possibilities)
  - One option sought to **stimulate demand** among students (a need for **convenience**)
  - Another option sought to **stimulate demand** among college administrators (a need for **safety**)
  - A third option sought to **stimulate demand** among hotel managers (a need for **space efficiency**).
- We can distinguish which segment is the most promising and decide on options to use intermediaries.
  - Possible consumers (understand pros and cons): College students (pull) vs. Hotels (disintermediate)
  - The break even analysis in the Microfridge was to help you realize that if they sell at an assumed price of \$300, they need to reach a really large student body (Remember, how we showed in class

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that as selling price increased, breakeven quantity decreased rapidly). As a new company, it obviously did not have the resources to address such fragmented student populations at various universities who were unclear about the benefits of Microfridge.

- B2B2B2B reveals how many I can sell (Components of B2B2B2B analysis = the 4B's; p. 118 -126)

**Good luck!**