

# [Adms 2200 mid-term exam prep essay](https://assignbuster.com/adms-2200-mid-term-exam-prep-essay/)

Marketing: the process of planning and executing of a product, its pricing, its promotion, and its distribution. In addition marketing attempts to manage customer relationships in ways that benefit the organization and its stakeholders. Marketing creates UTILITY (want-satisfying power of a good or service) through the exchange process. Time Utility – Availability of goods and services when people want them. Place Utility – Availability of goods and services at convenient locations. Ownership Utility – Ability to transfer title to goods and services from marketer to buyer.

Form Utility – Conversion of raw materials and components into finished goods and services. Four eras in the history of marketing: Production (prior to 1920s) – a product will sell itself Sales (prior to 1950s) – creative promotion will overcome consumers resistance and convince them to buy Marketing (Since 1950s) – The consumer rules! Find a need and fill it. Relationship (Since 1990s) – Focuses on building long-term, value-added relationships overtime with customers and suppliers. Marketing Myopia – the failure to recognize the scope of a company’s business.

To avoid marketing myopia a firm must find innovative ways to reach new markets with existing goods and services. The five categories of non-traditional marketing are: Person – promotes a person Place – promotes a geographical area Cause – promotes a social issue, cause, or idea Event – promotes an event Organization – promotes an organization (not business) that seeks to influence others to accept their goals. (United Way, Red Cross, Amnesty International) Creativity – the production of original ideas Critical Thinking – the process of determining the authenticity, accuracy, and worth of information, knowledge, claims, or arguments.

Creativity and Critical Thinking are important to marketers because they generate new ideas and then use discipline to analyze the best course of action. Interactive Marketing: Buyer-seller communications in which the customer controls the amount and type of information received from a marketer through such channels as the Internet, CD-ROMs, interactive toll-free telephone numbers, and virtual reality kiosks. Interactive Marketing technologies create direct communication with customers, allow larger exchanges, and put the customer in control.

Technology can lead to new or improved goods and services, offer better customer service, and reduce prices. It can also address social concerns. Marketers need to monitor the technological environment in order to stay current with and possibly a head of competitors. If Marketers do not monitor the technological environment they may wind up with obsolete offerings. One-to-One Marketing: Customized marketing program designed to build long-term relationships with individual customers. Identifies a firms best customers and increases their loyalty.

Relationship Marketing: Development and maintenance of long-term cost-effective relationships with individual customers, suppliers, employees, and other partners for mutual benefit. Relationship Marketing gives companies a competitive edge as it rewards customers through the use of loyalty ladders, which aid in generating repeat sales and long-term relationships. Integrated Marketing: Coordination of all promotional activities to produce a unified, customer-focused promotional message. Strategic Alliance: A strategic alliance is a partnership formed between two organizations to create a competitive advantage.

Eight Universal Marketing Functions Exchange functions: Buying: Ensuring product offerings are available in sufficient quantities to meet customer demands Selling: Using advertising, personal selling, and sales promotion to match products to customer needs. Physical functions Transporting: Moving products from their point of production to locations convenient for purchasers Storage: Warehousing products until needed for sale. Facilitating functions: Standardization & Grading: Ensuring product offerings meet quality and quantity controls of size, weight, and other variables.

Financing: Providing credit for channel members (wholesalers and retailers) and consumers Securing Marketing Information: Collecting information about consumers, competitors, and channel members for use in making marketing decisions. Risk Taking: Dealing with uncertainty about future customer purchases Ethics: Ethics are moral standards of behaviour expected by a society. Marketing Ethics: The Marketers standards of conduct and moral values. The 5 areas of ethical concerns for Marketers are: Marketing Research – ex: Gathering marketing information in exchange for money or free offers.

Product Strategy – ex: Product quality, planned obsolescence, packaging. Distribution – ex: Determining the appropriate degree of control over a channel. Promotion – ex: Gifts and Bribes Pricing – Most unethical pricing behaviours are also illegal. Social Responsibility: involves marketing philosophies, policies, procedures, and actions whose primary objective is the enhancement of society. The 4 levels of Social Responsibility are: Economic – Be Profitable; the foundation upon which all others rest Legal – Obey The Law; Play by the rules of the game Ethical – Be Ethical; Obligation to do what is right, just, and fair.

Philanthropic – Be a Good Corporate Citizen; Contribute resources to the community, improve quality of life. Planning: The process of anticipating future events and conditions and determining the best way to achieve organizational objectives. Marketing Planning: Implementing planning activities devoted to achieving marketing objectives. In the final step of the marketing planning process, managers monitor performance to ensure that objectives are being achieved. Marketing Plans differ at different managerial levels within the organization Top Managers: Focus their planning activities on long-range strategic issues.

Middle- Level Managers: Focus on operational planning, which includes creating and implementing tactical plans for their own units. Supervisors: Focus on developing specific programs to meet the goals in their areas of responsibility. Strategic Planning: Process of determining an organization’s primary objectives and adopting courses of action that will achieve those objectives. Eastman Kodak’s strategic plans include focusing on the company’s core strength in digital imaging. Tactical Planning: Process that guides the implementation of activities specified in the strategic plan.

Eastman Kodak’s tactical plans include developing the first Wi-Fi camera and the first dual-lens digital camera. Input: It is important to get input from a variety of sources – other employees, suppliers, or customers – when planning. Involving other people in planning can also turn them into advocates for the plan. Mission: The essential purpose that differentiates one company from others. The mission statement specifies the organizations overall goals (objectives) and operational scope and provides general guidelines for future management actions.

The difference between an organizations mission and its objectives is that a mission is the essential purpose that differentiates the company from others. While it’s objectives guide development of supporting marketing objectives and plans. Porters Five Forces Threats of potential new entrants: this increases competition in a market Bargaining power of buyers: this can depress price. Bargaining power of suppliers: this can increase cost or reduce selection. Threat of substitute products: this can lure customers to other products Rivalry among competitors: this can bring about price wars or divert companies from their main goals.

First Mover Strategy: Theory advocating that the company that is first to offer a product in a marketplace will be the long-term market winner. The BENEFITS of a FIRST MOVER strategy include being able to capture the greatest market share and develop long-term relationships with customers. The DISADVANTAGES of a FIRST MOVER strategy include the possibility that companies that follow can learn from mistakes by first movers. Second Mover Strategy: Theory that advocates observing closely the innovations of first movers and then introducing new products that improve on the original offering to gain advantage in the marketplace.

SWOT Analysis is a method of studying organizational resources and capabilities to assess the firms Strengths and Weaknesses and scanning its environment to identify Opportunities and Threats. The SWOT Analysis helps planners compare internal organizational Strengths and Weaknesses with external Opportunities and Threats. Analyze STRENGTHS & WEAKNESSES to identify OPPORTUNITIES & THREATS Strategic Window: Defines the limited periods during which the key requirements of a market and the particular competencies of a firm best fit together.

The basic elements of a marketing strategy are: Target Market: A target market is the specific segment of consumers most likely to purchase a particular product. Marketing Mix Variables Product Price Promotion Distribution Marketing Environment: a framework for all marketing activity consists of 5 dimensions. Competitive: How do supplies currently reach the market? Political-Legal: Do any legal restrictions complicate entering the market? Economic: What is the state of the nation’s economic health? Technological: To what degree are technological innovations used by consumers in the market?

Social-Cultural: How do cultural factors affect business business opportunities? Technological developments force businesses to adapt and as a result affect the marketing environment. Strategic Business Units are key business units within diversified firms. Each SBU has its own managers, resources, objectives, and competitors. The BCG Matrix is a marketing planning tool that classifies a firms SBU or products according to industry growth rates and market shares relative to competing products. The findings are placed into four categories Stars: Generate considerable income; Strategy: Invest more funds for future growth.

Cash Cows: Generate strong cash flow; Strategy: Milk profits to finance growth of stars and questions marks. Question Marks: Have potential to become stars or cash cows. Strategy: Either invest more funds for growth or consider de-investing Dogs: Generate little profits Strategy: Consider withdrawing Environmental Scanning: The process of collecting information about the external marketing environment to identify and interpret potential trends. Environment Scanning contributes to environmental management by providing current information about the five different environments so marketers can predict and influence changes.

Marketing Environment: a framework for all marketing activity consists of 5 dimensions. Competitive: How do supplies currently reach the market? Political-Legal: Do any legal restrictions complicate entering the market? Economic: What is the state of the nation’s economic health? Technological: To what degree are technological innovations used by consumers in the market? Social-Cultural: How do cultural factors affect business business opportunities? Technological developments force businesses to adapt and as a result affect the marketing environment.

Direct Competition: Competition among companies in the same industry (auto manufacturers, gas stations, etc…) Indirect Competition: Competition among substitutable goods and services (Pizza with fried chicken, or tacos, etc…) Time-Based Competition: The strategy of developing and distributing goods and services more quickly than the competition. Competition Act: The most comprehensive legislation in Canada, designed to help both consumers and businesses by promoting a healthy competitive environment. The purpose of the Competition Act is to foster competition and protect consumers.

The four stages of the Business Cycle are: Prosperity: Recession: Depression: Recovery: Inflation: The devaluation of money by reducing what it can buy through persistent price increase. Inflation may restrict purchasing, particularly of good and services, that are not considered necessary. Discretionary Income: The amount of money people have to spend after paying for necessities such as food, clothing, and housing. Income influences consumer buying power as the more discretionary income a household has, the more goods and services can be purchased.

Consumerism: A social force within the environment that aids and protects the buyer by exerting legal, moral, and economic pressures on business and government. John F. Kennedys – 4 Consumer Rights: The right to choose freely – Free Choice The right to be informed – Information The right to be heard – Free Speech The right to be safe. – Safe Green Marketing: The production, promotion, and reclamation of environmentally sensitive products. This marketing effort is in response to the growing concerns of consumers about ecological issues, and offers consumers high-quality products without health risks or damage to the environment.

Marketers who engage in green marketing may find themselves in a booming industry such as organic foods. Customer Behaviour: A broad term that covers both individual consumers who buy goods and services for their own use and organization buyers who purchase business products. Consumer Behaviour: The mental and physical activities of individuals who actually use the purchased goods and services. Understanding the behaviour of consumers is important to marketers since it allows them to offer the right products to consumers who want them.

Kurt Lewin proposed that behaviour is the function of the interactions of personal influences and pressures exerted by outside environment forces. Interpersonal Determinant: External factors that influence buying decisions. The Interpersonal Determinants of consumer behaviour are Cultural: Values, beliefs, preferences, and tastes handed down from one generation to the next. Social: Family influences: Personal Determinant: Internal factors that influence buying decisions. The Personal Determinants of consumer behaviour are: Needs: An imbalance between a consumer’s actual and desired states.

Perceptions: The meaning that a person attributes to incoming stimuli gathered through the five senses – sight, hearing, touch, taste, and smell. Attitudes: A person’s enduring favourable or unfavourable evaluations, emotional feelings, or action tendencies toward some object or idea. Learning: An immediate or expected change in behaviour as a result of experience. Self-Concept Theory: A person’s multifaceted picture of himself or herself, composed of the: Real-Self, Self-Image, Looking-Glass Self, and Ideal Self.

Perception is the meaning that a person attributes to incoming stimuli. Learning refers to immediate or expected changes in behaviour as a result of experience. Maslow’s Hierarchy of Needs: Physiological Needs: Safety Needs: Social Needs: Esteem Needs: Self-Actualization: Microculture: A group within a culture that has its own distinct mode of behaviour. Subcultures can differ by: Ethnicity or Nationality Age of Gender Religion Social class or Profession Asch Phenomenon: A study of the impact groups and group norms have on individual behaviour.

Named after S. E. Asch, who through his research first documented characteristics of individual behaviour. High-Involvement Purchase Decision: A buying decision that evokes high levels of potential social or economic consequences. Ex: selecting an internet service provider, computer, apartment, and / or cell phone. Extended Problem Solving requires a considerable amount of a consumer’s time and effort. Low-Involvement Purchase Decision: A routine purchase that poses little risk to the consumer, either socially or economically.

Ex: purchasing a newspaper, a litre of milk, shampoo, or popcorn. Limited Problem Solving requires a moderate amount of a consumer’s time and effort. Consumers complete a step-by-step process when making purchase decisions. The steps in the consumer decision process are: Problem or Opportunity Recognition: Consumer becomes aware of a significant discrepancy between the existing situation and the desired situation that motivates the individual to achieve the desired state of affairs. Search: The consumer gathers information about the attainment of a desired state of affairs.

Alternative Evaluation: To consumer develops a set of evaluative criteria to guide the selection that is based upon either objective facts or subjective impressions. Purchase Decision: The consumer has evaluated each alternative in the evoked set based on his or her personal set of evaluative criteria and narrowed the alternatives down to one. Purchase Act: The consumer attains the desired state of affairs. Post-Purchase Evaluation: The buyer feels either satisfaction at the removal of the discrepancy between the existing and desired state of affairs or dissatisfaction with the purchase.

The organization buying process contains more steps than the consumer buying process because business purchasing introduces new complexities that do not affect consumers. In addition to product-specific factors such as Purchase Price, Installation, Operating and Maintenance Costs, and Vendor Service a company must consider three other major factors that influence purchase decision: Broader Environmental Organizational Interpersonal Influences. The steps in organization buying are: 1) 2) 3) 4) 5) 6) 7) 8)

Anticipate or Recognize a problem/need/opportunity and a general solution. Determine characteristics and Quantity of needed good or service. Describe characteristics and Quantity of needed good or service Search for and qualify potential sources Acquire and Analyze Proposals Evaluate Proposals and Select Supplier Select and Order Routing Obtain feedback and evaluate performance. The four classifications of business buying are: 1) Straight rebuying: Recurring purchase decision in which a customer repurchases a good or service that has performed satisfactorily in the past. ) Modified rebuying: Purchase decision in which a purchaser is willing to reevaluate available options for repurchasing a good or service. 3) New-task buying: First-time or unique purchase situation that requires considerable effort by the decision makers. 4) Reciprocity: Policy to extend purchasing preference to suppliers that are also customers. Evoked Set: The number of alternatives that a consumer actually considers in making a purchase decision. Evaluative Criteria: The feature that a consumer considers in choosing among alternatives.

Cognitive Dissonance: Post-Purchase anxiety that results from an imbalance among an individual’s knowledge, beliefs, and attitudes after an action or decision is taken. Routinized Response Behaviour: The repeated purchase of the same brand or limited group of products. Business-to-Business (B2B) Marketing: Organization sales and purchases of goods and services to support production of other goods and services for daily company operation, or for resale. Commercial Market: Individuals and firms that acquire products to be used, directly or indirectly, to produce other goods and services.

Business markets can be segmented by: Demographics: ex: gender, age, income, occupation, household, and family life cyle. Customer Type End-Use Application Purchasing Situation NAICS (North-American-Industry-Classification-System): A unified system for Canada, Mexico, and the United States to classify customers and ease trade. The Canadian Business Market is more Geographically Concentrated than the customer market. Geographic Segmentation is important to B2B as it allows industries to locate in particular areas to be close to customers.

Firms may choose to locate sales offices and distribution centres in those areas to provide more attentive service. Marketers usually use geographic segmentation when regional preferences exist and when demand for categories of goods and services varies according to geographic region. For example, consumers who live in cold climates eat more soup than those who live in warm climates. Buyer-Seller relationships are important in B2B marketing as they are often more complex relationship, and require superior communication among the organizations personnel.

Satisfying one major customer may mean the difference of millions of dollars to a firm. Global Sourcing: Purchasing goods and services from suppliers worldwide. Two potential benefits of outsourcing: 1) Allows firms to concentrate their resources on their core business 2) Allows access to specialized talent or expertise that does not exist within the firm. Two potential problems of outsourcing: 1) Many companies discover that their cost savings are less than vendors sometimes promise. ) Companies that sign multi-year contract may find that their savings drop after a year or two. International Buying Centres pose several problems. In addition to cultural differences in decision-making methods, some foreign companies lack staff personnel, so in less developed countries, line managers may make most purchase decisions. A buying centre in a foreign company often includes more participants than Canadian companies involve. Also, international buy centres can change in response to political and economic trends.

Advantages and Disadvantages of multiple sourcing: Advantage: Spreading orders ensures against shortages if one vendor cannot deliver on schedule. Disadvantage: Dealing with many sellers can be counterproductive and take too much time. The major categories of Demand are: Derived Demand: Demand for a resource that results from demand for the goods and services that are produced by that resource. Volatile Demand: Changes in demand that are disproportionate to normal trends. Joint Demand: Demand for a product that depends on the demand for another product used in combination with it.

Complementary Products Inelastic Demand: Demand that, throughout an industry, will not change significantly due to a price change. IF the price rises for products with inelastic demands, consumers have a low willingness to shop elsewhere. Inventory Adjustment: Just-In-Time inventory policies (JIT & JIT II). JIT II leads suppliers to place representatives at the customer’s facility to work as part of an integrated, on-site customer-supplier team. Suppliers plan and order in consultation with the customer.

This streamlining of the inventory process improves control of the flow of goods. Value Analysis: Systematic study of the components of a purchase to determine the most cost-effective approach. Vendor Analysis: Assessment of supplier performance in areas such as price, back orders, timely delivery, and attention to special requests. The difference between Value and Vendor Analysis is that Value Analysis examines each component of a purchase in an attempt to either delete the item or replace it with a more ost effective substitute. Vendor Analysis carries out an ongoing evaluation of a supplier’s performance in categories such as price, EDI capability, back orders, delivery times, liability insurance, and attention to special requests. There are five buying centre roles: Users: Those who use the product Gatekeepers: Those who control the flow of information Influencers: Those who provide technical information or specifications Deciders: Those who actually choose the product Buyers: Those who have the formal authority to purchase.

Importing: Purchasing foreign goods, services, and raw materials. Exporting: Marketing domestically produced goods and services abroad. The largest category of exports from Canada is machinery and industrial products. Global marketers must be able to adapt their goods and services to local preferences. Three criteria that determine a nation’s prospects as a host for international business expansion are: A nation’s size Per-Capita Income Stage of economic development Two categories of trade barriers are: Tariffs: are taxes levied against imported goods.

Revenue Tariffs: Designed to raise funds for the importing government Protective Tariffs: Designed to raise the retail price of an imported product. Administrative (Non-Tariffs): Administrative barriers are more subtle than tariffs and take a variety of forms such as Exchange Controls / Custom barriers Import Quotas Embargos / Unnecessarily restrictive standards for imports Export Subsidies Countries frequently use non-tariff barriers to boost exports and control the flow of imported products.

GATT (General Agreement on Tariffs and Trade): International trade accord that has helped reduce world tariffs. WTO (World Trade Organization): Oversees GATT agreements and mediates disputes. It also continues efforts to reduce trade barriers around the world NAFTA (North American Free Trade Accord): Accord removing trade barriers among Canada, Mexico, and the United States. EU (European Union): Customs union that is moving in the direction of an economic union by adopting a common currency, removing trade restrictions, and permitting free flow of goods and workers throughout the member nations.

The European Union seeks to remove all barriers to free trade among its members and strengthen its position in the world as an economic and political power. The three basic strategies for entering international markets are: Importing and Exporting Contractual Agreements International Direct Investment. Franchise: Contractual arrangement in which a wholesaler or retailer agrees to meet the operating requirements of a manufacturer or other franchiser.

International Direct Investment: Direct investment in foreign firms, production, and marketing facilities. Multinational Corporation: A firm with significant operations and marketing activities outside the home country. Two ways in which Multinational Corporations have changed since the 1960s is: They are no longer exclusively North American-based They no longer think of their foreign operation as mere outsourcing appendages.

Global Marketing Strategy: Standardized marketing mix with minimal modification that a firm uses in all its domestic and foreign markets. Multi-Domestic Marketing Strategy: Application of market segmentation to foreign markets by tailoring the firm’s marketing mix to match specific target markets in each nation. Global Marketing Strategy differs from Multi-Domestic Marketing in that global marketing strategy defines a marketing mix and implements it with minimal modifications in all foreign markets.

Where as a Multi-Domestic Marketing Strategy requires that firms customize their marketing decisions to reach individual marketplaces. The five strategies for selecting the most appropriate product and promotion strategy for a specific international market are: Straight Extension: One Product / One Message Promotion Adaption: Product Adaption: Dual Adaption: Product Invention: Countertrade: Form of exporting whereby goods and services are bartered rather than sold for cash.

Canada is an inviting target because: – It offers access to the North American Markets – Has high levels of discretionary income – Has understanding buyers and markets – Has a generally favourable attitude towards foreign investment – Has a relatively well-controlled economy Auto-Manufacturing is important to Canada because it accounts for 15 percent of Canada’s total manufacturing production. It is especially important within Ontario as it accounts for $100 billion of output or a third of manufacturing in the province.

The different classifications of marketing research suppliers: Syndicated Services: Organizations that regularly provide a standardized set of data to all customers. Full-Service Research Suppliers: Organizations that contract with clients to conduct complete marketing research projects. Limited-Service: A marketing research firm that specializes in selected activities like: field or telephone interviews, data-processing, focus groups. Research methods can be used to measure customer satisfaction: Feedback from existing customers Collect feedback about customer defections Online polls and surveys.

The marketing research process can be divided into six specific steps: Defining Problems Conducting Exploratory Research: An informal investigation seeking to discover the cause of a problem by discussing it with informed internal and external sources. Formulating Hypotheses: A tentative explanation for some specific event – a statement about the relationship among variables that carries a clear implication for testing this relationship. Creating a Research Design: A series of decisions that, taken together, comprise a master plan or model for conducting marketing research.

Collecting Data: Marketing researches gather two kinds of data: secondary data and primary data. Primary data is original and secondary data has been previously published. Interpreting and Presenting the Research Information: Reports are presented orally or in written fashion and designed to minimize such misinterpretations as differing backgrounds, levels of knowledge, and experience. Internal sources of Secondary Data include: Sales Records Product Evaluation Sales Force Reports Records of Marketing Costs Organizations can also serve as sources of international secondary marketing data: Industry Canada U. S.

Departments of Commerce Three principal methods of primary data collection are: Observation Survey & Interviews Experiments Face-to-Face interviewing remains the most common method for conducting primary research outside North America. Interpretive Research: Observes a customer or group of customers in their natural settings and then interprets their behaviour based on an understanding of social and cultural characteristics of that setting. Sampling: The process of selecting representative survey respondents or research participants from the total universe of possible participants. Samples can be classified as ither probability samples or nonprobability samples. Probability Sample: Sample that gives every member of the population a chance of being selected. Probability Samples include: simple random samples, stratified samples, and cluster samples. Non-Probability Sample: Sample that involves personal judgement somewhere in the selection process. Non-Probability Samples include: simple random samples, stratified samples, and cluster samples. Marketing Information System (MIS): Planned, computer-based system designed to provide managers with a continuous flow of information relevant to their specific decisions and areas of responsibility.

Marketing Decision Support System (MDSS): Consists of computer software that helps users quickly obtain information and apply that information in a way that supports marketing decisions. An MDSS can create simulations or models to illustrate the likely results of changes in marketing strategies or marketing conditions. A Marketing Information System (MIS) is a planned, computer based system designed to provide managers with a continuous flow of information relevant to their specific decision-making needs and areas of responsibility.

A Marketing Decision Support System (MDSS) is a marketing information system component that links a decision maker with relevant databases and analysis tools to help answer “ what-if” questions. Data Mining: Process of searching through customer databases to detect patterns that guide marketing decision making. Focuses on identifying relationships that are not obvious to marketers. As a result it can help create customer profiles, pinpoint reasons for customer loyalty or the lack thereof, analyze the potential returns on changes in pricing or promotion, and forecast sales.

Feature Article – MidTerm Exam Review

Business Intelligence: Process of gathering information and analyzing it to improve business strategy, tactics, and daily operations. Competitive Intelligence: Aims to uncover the specific advantages a competitor has using a variety of primary and secondary data. Information can be about new-product launches, new features in existing goods or services, or new marketing or promotional strategies. Amongst the sources used are: published sources, interviews, observations by salespeople and suppliers in the industry, government agencies, public filings such as patent applications, and other secondary methods including the internet.

Jury of Executive Opinion: Combines and Averages the outlooks of top executives from areas such as marketing, finance, production, and purchasing. Delphi Technique: Qualitative sales forecasting method that gathers and redistributes several rounds of anonymous forecasts until the participants reach a consensus. The Delphi Technique solicits opinions from several people within the firm but also includes input from experts outside the firm such as academic researches.

Exponential Smoothing Technique: Quantitative forecasting technique that assigns weights to historical sales data, giving the greatest weight to the most recent data. Exponential Smoothing weighs each year’s sales data, giving greater weight to results from the most recent years. Consumer Products: Products bought by ultimate consumers for personal use. Business Product: Goods and services purchased for use either directly or indirectly in the production of other goods and services for resale. Market Segmentation: The process of dividing a total market into several homogenous groups.

The role of market segmentation is to identify the factors that affect purchase decisions and then group consumers according to the presence or absence of these factors. The four criteria for effective segmentation are as follows: 1. The market segment must present measurable purchasing power and size 2. Marketers must find a way to promote effectively and to serve the market segment. 3. Marketers must identify segments that are sufficiently large to give them good profit potential 4. The firm must aim for segments that match its marketing capabilities.

Demographic Segmentation: Division of an overall market into homogenous groups based on variables such as gender, age, income, occupation, education, sexual orientation, household size, and stage in the family life cycle. Also called socioeconomic segmentation. The major categories of demographic segmentation are: Gender Age Ethnic Group Family Life Cycle Household Type Income Expenditure Patterns Psychographic Segmentation: Divides a population into groups that have similar psychological characteristics, values, and lifestyles.

VALS (Values and Lifestyles): Segmentation system that divides consumers into eight psychographic categories: Actualizers Fulfilleds Believers Achievers Strivers: The largest segment, value professional and material goals more than the other groups. Experiences Makers Strugglers Roper identified six psychographic consumer segments that exist in all 35 nations, although to varying degrees: Strivers: The largest segment, value professional and material goals more than the other groups Devouts: Value duty and tradition Altruists: Emphasize social issues and societal well-being Intimates: Value family and personal relationships.

Fun Seekers: Focus on personal enjoyment and pleasurable experiences Creatives: The smallest group. This group seeks education, technology, and knowledge. Product Related Segmentation: Dividing a consumer population into homogenous groups based on characteristics of their relationships to the product. The three approaches are: Segmenting by benefits sought Segmenting by Usage Rates Segment by Brand Loyalty. The 80/20 Principle: The 80/20 principle states that a big percentage (80 percent) of a product’s revenues comes from a relatively small number (20 percent) of loyal customers.

The four stages of the process of market segmentation are: Developing user profiles: Lifestyle patterns, attitudes toward product attributes and brands, product-use habits, geographic locations, and demographic characteristics Forecasting the overall market potential: Defines a preliminary go or no-go decision based on sales potential. It can help a firm avoid a disastrous move or point out opportunities. Estimating market share: Selecting specific market segmentation. Undifferentiated Marketing: Market strategy that focuses on producing a single product and marketing it to all customers.

Also called Mass Marketing Differentiated Marketing: Market strategy that focus on producing several products and pricing, promoting, and distributing them with different marketing mixes designed to satisfy smaller segments. Concentrated Marketing (Niche Marketing): Focusing marketing efforts on satisfying a single market segment. Allows a firm to focus on a single market segment, which is especially appealing to smaller firms and those that offer highly specialized goods and services. Micromarketing: Involves targeting potential customers at a very basic level, such as by postal code, specific occupation, lifestyle, or individual household.

Frequency Marketing: Frequent buyer or user marketing programs that reward customers with cash, rebates, merchandise, or other premiums Affinity Marketing: Market effort sponsored by an organization that solicits responses from individuals who share common interests and activites. The four determinants of a market-specific strategy are: Company resources Product homogeneity Stage in the product life cycle Competitors’ strategies Positioning: Placing a product at a certain point or location within a market in the minds of prospective buyers so that marketers can create messages that distinguish their offering from those of competitors.

Positioning Map: Graphic illustration that shows differences in consumers’ perceptions of competing products. Reposition: Marketing strategy to change the position of its product in consumers’ minds relative to the positions of competing products. Engel’s Law: Three general statements based on Engel’s studies of the impact of household income changes on consumer spending behaviour: As household income increases: 1. A smaller percentage of expenditures go for food As household income increases: 2.

The percentage spent on housing and household operations and clothing remains constant. As household income increases: 3. The percentage spent on other items (such as recreation and education) increases. Transaction Based Marketing: Buyers and seller exchanges characterized by limited communication and little or no ongoing relationships between the parties. Relationship Marketing: Development and maintenance of long-term cost-effective relationships with individual customers, suppliers, employees, and other partners for mutual benefit.

Four basic elements of relationship marketing are: Database Technology Database Marketing Monitoring Relationships Customer Relationship Management (CRM): The combination of strategies and technologies that empowers relationship programs, reorienting the entire organization to a concentrated focus on satisfying customers. Internal Marketing: Managerial actions that help all members of the organization understand and accept their respective roles in implementing a marketing strategy. The three levels of the marketing relationship: 1.

Focus on price 2. Social interaction 3. Interdependent partnership The third level (Interdependent Partnership) is the most complex because the strength of commitment between the parties grows. Three steps to measure customer satisfaction: Understanding Customer needs Customer Feedback Ongoing Measurement. CRM (Customer Relationship Management): The combination of strategies and technologies that empowers relationship programs, reorienting the entire organization to a concentrate focus on satisfying customers.

The two major types of CRM systems: Purchased Customized Two steps a marketer can take to rejuvenate a lost relationship: Change the product mix: Change some of their processes: Customer complaints are essential to evaluating customer relationship programs because they give the organization information about customer priorities so that managers can make changes to their systems if necessary and set appropriate, measurable goals for relationship programs.

The four key types of business marketing partnerships are: Buyer: A firm purchases goods and services from one or more providers Seller: Set-up long-term exchanges of goods and services in return for cash or other consideration. Internal: Relationship involving customers within an organization Lateral: Strategic relationships that extend to eternal entities but involve no direct buy-seller interactions.

Cobranding: Cooperative arrangement in which two or more businesses team up to closely link their names on a single product Comarketing: Cooperative arrangement in which two businesses jointly market each other’s products. The difference between cobranding and comarketing is that cobranding joins two strong brand names, perhaps owned by two different companies, to sell a product. Whereas, in comarketing, two organizations join to sell their products in an allied marketing campaign.

Four technologies businesses can use to improve buyer-seller relationships in B2B markets are: Electronic Data interchanges: Allows firms to reduce costs and improve efficiency and competitiveness Web Services: Provide a way for companies to communicate even if they are not running the same or compatible software, hardware, databases, or network platforms. Vendor-Managed Inventory (VMI) is a system in which sellers can automatically restock to previously requested levels. CPFaR (Collaborative Planning, Forecasting, and Replenishment): This approach bases plans and forecasts on collaborative seller-vendor efforts.

Supply Chain Management: Control of the activities of purchasing, processing, and delivery through which raw materials are transformed into product and made available to final consumers. Managing the supply chain provides increased innovation, decreased costs, conflict resolution, and improved communications. Lifetime Value of a Customer: Revenues and intangible benefits that a customer brings to an organization (the seller) over an average lifetime, minus the investment the organization has made to attract (acquire) and keep (market and service) the customer.