

Short Answer (4 to 5 sentences)

1. Describe the difference between a market and an industry.

The difference between market and industry is market is made up of consumers and industry is made up of suppliers. The book defines a market as consisting of individuals or organizations who have the resources to engage in a transaction for the purpose of buying an item or service to gain benefits that will satisfy a certain want or need. On the other hand a industry is defined as a group of firms that offer similar products or products or services that are close substitutes for each other. Therefore, there's a market for people who need a phone, and the tech industry would provide that product.

2. What are the six major categories of the macroenvironment? Provide some examples for some of these.

The six major categories of the macroenvironmental are the demographic environment, the sociocultural environment, the economic environment, the regulatory environment, the technological environment, and the natural environment. The sociocultural environment includes factors such as values, attitudes, and behavior of individuals and groups in a society. The economic environment changes with interest rates, income, government policy, and tax rates. The regulatory environment is affected by legal and political trends which vary in different countries and regions.

3. There are five major forces that determine industry attractiveness (Porter's Five Competitive Forces). Briefly define each one.

Porters five forces that determine industry attractiveness are threat of new entrants, bargaining power of suppliers, rivalry among existing competitors, bargaining power of buyers, threat of substitute products. How easily new entrants can enter an industry determine how attractive that industry is because new entrants need to gain market share, which ultimately takes away from the existing competitors. One way to deter new entrants to an industry is to establish barriers to entry. Bargaining power of suppliers can have a huge effect on a firm's profits. Suppliers bargaining power is much higher in industries with limited number of suppliers. In these industries suppliers control the price and can make it difficult for firms to switch to different suppliers. The same is true for bargaining power of buyers. When there's a limited number of suppliers buyers bargaining power is decreased. Next, the greater the rivalry between competitors the less attractive an industry is. Finally, products that can be easily substituted for another product make an industry less attractive.

4. Briefly define the following forecasting methods: statistical methods, surveys/focus groups, and market tests. Provide a brief example/scenario where one of these three would be effective.

The statistical method of forecasting uses history as well as statistical techniques to forecast the future. A scenario where this method would be effective is when there is a lot of history to base the forecast on. So, if a firm wants to predict the sales of a product that they have been selling for several years this would be a good statistical method to use.

Surveys are another method of forecasting. Surveys of buyer's intentions are conducted by showing customers a potential product and asking them how likely they are to buy it. Surveys of salesforce opinion are conducted by asking sales personnel how many of a product they believe they will sell. Surveys can be effective when firms are launching new products.

Market tests are used to test how profitable a product will be in either controlled environments or live test markets. This is what chick-fil-a did when they wanted to release their mac and cheese. Before releasing it at all their stores they tested it at a few of their stores.

5. The text describes several 'cautions and caveats' in forecasting. Explain any two of these.

The first forecasting cautions the text warns about is psychological biases. Psychological biases occur when forecasters are overly optimistic about a product or venture launch. Dan Lovella and Daniel Kahneman call this the planning fallacy, which is a tendency to make delusional optimistic forecast. A potential error that is common to occur in forecast is anchoring bias. This happens when forecast is inappropriately anchored in recent historical figures although market conditions have drastically changed.

6. Define customer relationship management, or CRM.

CRM is used by companies to gain happier, higher volume, more loyal customers. Internal records systems, marketing databases, competitive intelligence systems, and systems to organize client contact. Modern technology has made many of the systems used in CRM cost effective.

7. Briefly describe the three important steps in the market segmentation process. How can we segment markets?

Identify a homogenous segment that differs from other segments is the first step in the market segmentation process. In this step you should identify one or more groups of prospective buyers and separate them based on their wants, needs, or response to the four p's. The next step is to specify criteria that define the segment. In this step you should segment the market clearly enough that members can be easily identified by marketers. Determine market size and potential is the final step. This step measures the size of each market to help determine which markets should be pursued.

8. What is the five-step process for choosing attractive market segments?

The first step in choosing an attractive market is to choose criteria to measure market attractiveness and competitive position. The second step is to weight market attractiveness and competitive position factors to reflect their relative importance. Next, assess the current position of each potential target market on each factor. Then, project the future position of each market based on expected environmental customer and competitive trends. Finally evaluate implications of possible future changes for business strategies and resource requirements.

9. Compare and contrast a niche-market strategy vs a mass-market strategy vs a growth-market strategy.

The niche market strategy focuses on segments that are not large but consist of customers seeking a specialty product or service. This is the opposite of a mass market strategy. In a mass market strategy firms create a product that appeals to a large number of customers in many segments. While in the growth market strategy firms sell identical products to everybody. Although all these strategies are very different, they can be very effective.

10. Define brand positioning.

Since customers in different market segments have different wants and needs it's important for marketers to position their brands in a way to take advantage of this. Brand positioning allows marketers to better position specific products and services to cater to the demands of customers in one or more market segments. Brand positioning is when businesses make distinctions between their brands and competing brands that consumers find significant. While the differences are often physical, they also can be perceptual or ideally both.

11. Compare / contrast physical and perceptual positioning analyses. Exhibit 7.2 might assist.

The first difference between physical and perceptual brand positioning is that physical positioning has a more technical orientation while perceptual positioning has a consumer orientation.

12. List the seven steps in the brand positioning process.

The seven steps in the brand positioning process are:

Identify relevant set of competitive products serving a target market.

Identify the set of determinant attributes that define the "product space" in which positions of current offerings are located.

Collect information from a sample of customers and potential customers about perceptions of each product on the determinant attributes.

Determine brand's current location (positioning) in the product space and intensity thereof.

Determine customers' most preferred combination of determinant attributes.

Examine the fit between preferences of market segments and current position of brands.

Write positioning statement or value proposition to guide development and implementation of marketing strategy.

13. What is the outcome of effective positioning?

Marketers refer to the value created by establishing customer preference for one's brand by the term brand equity. Brand equity reflects how customers feel, think, and behave toward the brand and has an impact on the market pricing and profits the brand can make as well as the market value of the business that owns the brand. Brand equity is the outcome when businesses effectively position their brand, by making distinctions between their brands and competing brands that consumers find significant.

