

Short Answers

- 1.) Markets and industry may have a lot in common, yet they have different levels of interest. When defining a market, it is composed of individuals or organizations that are willing to buy a good or service to obtain benefits that will satisfy a particular need, having the resources to engage in such a transaction. An example of this market would be college students who are looking for lunch while only having a few minutes to buy a snack between classes. An industry consists of a group of firms that offer a product or class of products that are similar and, thus, operate as obstacles for each other. Distribution channels for these include the supermarket industry, food service industry, coin-operated vending industry, etc. What stands out about these industries is that they differ and offer varying bundles of benefits to hungry students.
- 2.) The six major examples of macroenvironment include demographic, sociocultural, economic, regulatory, technological and natural arenas. Strategically thinking, demography is destiny as all kinds of things are governed to a significant extent by demographic changes. Another example would be the aging population, as Exhibit 4.3 in the textbook shows the projected increase in the portion of the population aged over 60 in several of the world's most developed countries. In this case, the chart shows that in Italy, nearly half the population will be over 60 by the year 2040, according to current projections.
- 3.) When it comes to The Five competitive forces, the goal is to collectively determine an industry's long-term attractiveness through rivalry among present competitors, threat of new entrants into the industry, the bargaining power of suppliers, the bargaining power of buyers, and the threat of substitute products, which is shown in Exhibit 4.9. This mix of forces explains why some industries are consistently more profitable than others and provides further insights into which resources are required and which strategies should be adopted to be successful. In the corporate world, rivalry primarily occurs among firms that produce products being close substitutes for each other, especially when one competitor acts to improve its standing or protect its position. Therefore, firms are mutually dependent, meaning that the actions of one firm affects its rivals and vice versa.
- 4.) According to the textbook, statistical methods use past historical data and various statistical methods and techniques (e.g. multiple regression and time series analysis) to forecast the future based off of extrapolation of the past. However, this method is

typically not useful for ACG or other entrepreneurs or new product managers charged with forecasting sales for a new product or new business, as it turns out there is no history in their venture on which to base a statistical forecast. The textbook states that in established firms, for established products, statistical methods are extremely useful. Another common way to forecast sales or estimate market potential is to conduct surveys/focus groups. These methods can be done with various kinds of respondents. Especially in today's social media/ internet age, these kinds of methods are increasingly performed online. Thus, consumers can be asked how likely they are to buy a prototype or sample of a product, which can be turned into the creation of a survey regarding buyers' intentions. Lastly, market tests of various kinds are among the six commonly used forecasting methods. Used largely for new consumer products, market tests such as experimental test markets may be done under controlled experimental conditions in research laboratories or in live test markets with real advertising and promotion and distribution in stores.

- 5.) When it comes to cautions and caveats in forecasting, several sources of potential error in forecast should be recognized as they are subject to anchoring bias, where forecasts tend to be inappropriately anchored, even if market conditions have markedly changed. Additionally, capacity constraints tend to be misinterpreted as forecasts, e.g. someone planning to open a car wash that can process one car every seven minutes would probably be a miss in assuming sufficient demand to actually run at that rate all the time.
- 6.) According to the textbook, marketing is rapidly becoming a game where information, rather than raw marketing muscle, wins the race for competitive advantage. The book lists four commonly used market knowledge systems on which companies rely to keep pace with daily developments: internal records regarding marketing performance (in terms of sales and the effectiveness and efficiency of marketing programs), marketing databases, competitive intelligence systems, and systems to organize client contact. When applied together, these systems lie at the heart of the systematic practice of customer relationship management (CRM). It has been proven that effective use of CRM is likely to result in happier, higher-volume, more loyal customers.
- 7.) When defining market segmentation, it is the process by which a market is divided into distinct subsets of customers with similar needs and characteristics that lead them to respond in similar ways to a particular product offering and marketing program. Target marketing requires evaluating the relative attractiveness of various segments in terms of market potential, growth rate, competitive intensity, and other factors, along with the firm's mission and capabilities to deliver what each segment wants, in order to choose which segments it will serve.
- 8.) There are three important steps in the market segmentation process:
 - Identify a homogeneous segment that differs from other segments
 - Specify criteria that define the segment

- Determine segment size and potential

9.) The Niche-Market Strategy is a strategy involving serving one or more segments that, while not the largest, consist of a sufficient number of customers seeking somewhat-specialized benefits from a good or service, (e.g. Dinaz's Fitness Studios and Under Armour) When it comes to Mass-Market Strategy, it revolves around a business that can pursue a mass-market in two ways: It can ignore any segment differences and design a single-product-and-marketing program appealing to the largest number of consumers. The book states that the primary goal of this strategy is to capture sufficient volume to gain economies of scale as well as cost advantage. Businesses pursuing a growth-market strategy tend to target one or more fast-growth segments, even if these segments may not currently be very large. According to the textbook, a growth-market strategy is often favored by smaller companies to avoid direct confrontations with larger firms while building volume and share. It goes without saying that most venture capital firms invest only in firms pursuing growth-market strategies as doing so is the only way they can earn 30-60 percent annual rates of return on investment that they seek for portfolio companies.

10.) Brand positioning refers to both the place a brand occupies in customers' minds relative to their needs and competing brands and to the marketer's decision making intended to create such a position. Thus, positioning comprises both competitive and customer considerations. Brand positioning is basically concerned with differentiation and considered a strategic one with implications not only for how the firm's goods and services should be designed, but also for developing the other elements of the marketing mix.

11.) Physical Positioning

- Technical orientation
- Physical characteristics
- Objective measures
- Data readily available
- Physical brand properties
- Large number of dimensions
- Represents impact of product specs
- Direct R&D implications

Perceptual Positioning

- Consumer orientation
- Perceptual attributes
- Perceptual measures
- Need for marketing research
- Perceptual brand positions and positioning intensities

- Limited number of dimensions
- Represents impact of product specs and communication
- R&D implications need to be interpreted

12.)

1. Identify a relevant set of competitive products serving a target market.
2. Identify the set of determinant attributes that define the “product space” in which positions of current offerings are located.
3. Collect information from a sample of customers and potential customers about perceptions of each product on the determinant attributes.
4. Determine a brand’s location in the product space and intensity thereof.
5. Determine customers’ most preferred combination of determinant attributes.
6. Examine the fit between preferences of market segments and current position of brands.
7. Write a positioning statement or value proposition to guide development and implementation of marketing strategies.

13.) Identifying the outcome of effective positioning, brand equity is the term marketers use to describe when it comes to the value created by establishing customer preference for one’s brand. According to the textbook, it reflects how consumers feel, think and act towards the brand, having implications for its prices and profits the brand can achieve in the marketplace and for the market capitalization of the company owning the brand. Above all, when companies create differences that are considered meaningful between their brands and other brands, brand equity can be the result including effective positioning decisions that lead to effective marketing programs are critical to this process.