#### Review for MGT 345 Exam 1

(Chapters 1, 2, 3, 4, 6, 8)

#### Chapter 1

#### 1 Define the term "marketing"

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

#### 2 Describe four marketing management philosophies

The role of marketing and the character of marketing activities within an organization are strongly influenced by its philosophy and orientation. A production-oriented organization focuses on the internal capabilities of the firm rather than on the desires and needs of the marketplace. A sales orientation is based on the beliefs that people will buy more products if aggressive sales techniques are used and that high sales volumes produce high profits. A market-oriented organization focuses on satisfying customer wants and needs while meeting organizational objectives. A societal marketing orientation goes beyond a market orientation to include the preservation or enhancement of individuals’ and society’s long-term best interests.

#### 3 Discuss the differences between sales and market orientations

First, sales-oriented firms focus on their own needs; market-oriented firms focus on customers’ needs and preferences. Second, sales-oriented companies consider themselves to be deliverers of goods and services, whereas market-oriented companies view themselves as satisfiers of customers. Third, sales-oriented firms direct their products to everyone; market-oriented firms aim at specific segments of the population. Fourth, although the primary goal of both types of firms is profit, sales-oriented businesses pursue maximum sales volume through intensive promotion, whereas market-oriented businesses pursue customer satisfaction through coordinated activities.

#### 4 Describe several reasons for studying marketing

First, marketing affects the allocation of goods and services that influence a nation’s economy and standard of living. Second, an understanding of marketing is crucial to understanding most businesses. Third, career opportunities in marketing are diverse, profitable, and expected to increase significantly during the coming decade. Fourth, understanding marketing makes consumers more informed.

#### Chapter 2

#### 1 Understand the importance of strategic marketing and know a basic outline for a marketing plan

Strategic marketing planning is the basis for all marketing strategies and decisions By specifying objectives and defining the actions required to attain them, a marketing plan provides the basis on which actual and expected performance can be compared. Although there is no set formula or a single correct outline, a marketing plan should include elements such as stating the business mission, setting objectives, performing a situation analysis of internal and external environmental forces, selecting target market(s), delineating a marketing mix (product, place, promotion, and price), and establishing ways to implement, evaluate, and control the plan. Although there is no set formula or a single correct outline, a marketing plan should include basic elements such as stating the business mission, setting objectives, performing a situation analysis of internal and external environmental forces, selecting target market(s), delineating a marketing mix (product, place, promotion, and price), and establishing ways to implement, evaluate, and control the plan.

#### 2 Develop an appropriate business mission statement

The firm’s mission statement establishes boundaries for all subsequent decisions, objectives, and strategies. A mission statement should focus on the market or markets the organization is attempting to serve rather than on the good or service offered.

#### 3 Explain the components of a situation analysis

In the situation (or SWOT) analysis, the firm should identify its internal strengths (S) and weaknesses (W) and also examine external opportunities (O) and threats (T). When examining external opportunities and threats, marketing managers must analyze aspects of the marketing environment in a process called environmental scanning. The six most-often-studied macroenvironmental forces are social, demographic, economic, technological, political and legal, and competitive.

#### 4 Describe the criteria for stating good marketing objectives

Objectives should be realistic, measurable, time specific, consistent, and indicate the priorities of the organization. Good marketing objectives: (1) communicate marketing management philosophy; (2) provide management direction; (3) motivate employees; (4) force executives to think clearly; (5) allow for better evaluation of results.

**5 Identify sources of competitive advantage**

There are three types of competitive advantages: cost, product/service differentiation, and niche strategies. Sources of cost competitive advantages include experience curves, efficient labor, no-frills goods and services, government subsidies, product design, reengineering, product innovations, and new methods of service delivery. A product/service differentiation competitive advantage exists when a firm provides something unique that is valuable to buyers beyond just low price. Niche competitive advantages come from targeting unique segments with specific needs and wants. The goal of all these sources of competitive advantage is to be sustainable.

#### 6 Identify strategic alternatives

The strategic opportunity matrix can be used to help management develop strategic alternatives. The four options are market penetration, product development, market development, and diversification. In selecting a strategic alternative, managers may use a portfolio matrix, which classifies strategic business units as stars, cash cows, problem children, and dogs, depending on their present or projected growth and market share.

#### 7 Discuss target market strategies

Targeting markets begins with a market opportunity analysis (MOA), which describes and estimates the size and sales potential of market segments that are of interest to the firm. In addition, an assessment of key competitors in these market segments is performed. After the market segments are described, one or more may be targeted by the firm. The three strategies for selecting target markets are appealing to the entire market with one marketing mix, concentrating on one segment, or appealing to multiple market segments using multiple marketing mixes.

#### 8 Describe the elements of the marketing mix

The marketing mix (or four Ps) is a blend of product, place, promotion, and pricing strategies designed to produce mutually satisfying exchanges with a target market. The starting point of the marketing mix is the product offering—tangible goods, ideas, or services. Place (distribution) strategies are concerned with making products available when and where customers want them. Promotion includes advertising, public relations, sales promotion, and personal selling. Price is what a buyer must give up to obtain a product and is often the easiest to change of the four marketing mix elements.

#### Explain why implementation, evaluation, and control of the marketing plan are necessary

Before a marketing plan can work, it must be implemented; that is, people must perform the actions in the plan. The plan should also be evaluated to see if it has achieved its objectives. Poor implementation can be a major factor in a plan’s failure. Control provides the mechanisms for evaluating marketing results in light of the plan’s objectives and for correcting actions that do not help the organization reach those objectives within budget guidelines.

#### 10 Identify several techniques that help make strategic planning effective

First, management must realize that strategic planning is an ongoing process and not a once-a-year exercise. Second, good strategic planning involves a high level of creativity. The last requirement is top management’s support and cooperation.

#### Chapter 3

#### 1 Explain the concept of ethical behavior

Ethical decision making is approached in three basic ways. The first approach examines the consequences of decisions. The second approach relies on rules and laws to guide decision making. The third approach is based on a theory of moral development that places individuals or groups in one of three developmental stages: preconventional morality, conventional morality, or postconventional morality.

#### 2 Describe ethical behavior in business

Business ethics may be viewed as a subset of the values of society as a whole. The ethical conduct of businesspeople is shaped by societal elements, including family, education, religion, and social movements. As members of society, businesspeople are morally obligated to consider the ethical implications of their decisions.

Many companies develop a code of ethics to help their employees make ethical decisions. A code of ethics can help employees identify acceptable business practices, be an effective internal control on behavior, help employees avoid confusion when determining whether decisions are ethical, and facilitate discussion about what is right and wrong.

#### 3 Discuss corporate social responsibility

Responsibility in business refers to a firm’s concern for the way its decisions affect society. Social responsibility has four components: economic, legal, ethical, and philanthropic. These are intertwined, yet the most fundamental is earning a profit. If a firm does not earn a profit, the other three responsibilities are moot. Most businesspeople believe they should do more than pursue profits. Although a company must consider its economic needs first, it must also operate within the law, do what is ethical and fair, and be a good corporate citizen. The concept of sustainability is that socially responsible companies will outperform their peers by focusing on the world’s social problems and viewing them as an opportunity to earn profits and help the world at the same time. Social responsibility is growing, but it can be costly and the benefits are not always immediate. However, ignoring social responsibility can be even more expensive if customers perceive they are being taken advantage of. One branch of social responsibility is green marketing, which aids the environment and often the bottom line of a business.

**Chapter 4**

**1 Discuss the external environment of marketing and explain how it affects a firm**

The external marketing environment consists of social, demographic, economic, technological, political and legal, and competitive variables. Marketers generally cannot control the elements of the external environment. Instead, they must understand how the external environment is changing and the impact of that change on the target market. Then marketing managers can create a marketing mix to effectively meet the needs of target customers.

#### 2 Describe the social factors that affect marketing

Within the external environment, social factors are perhaps the most difficult for marketers to anticipate. Several major social trends are currently shaping marketing strategies. First, people of all ages have a broader range of interests, defying traditional consumer profiles. Second, changing gender roles are bringing more women into the workforce and increasing the number of men who shop. Third, a greater number of dual-career families has created demand for time-saving goods and services.

#### 3 Explain the importance to marketing managers of current demographic trends

Today, several basic demographic patterns are influencing marketing mixes. Because the U.S. population is growing at a slower rate, marketers can no longer rely on profits from generally expanding markets. Marketers are also faced with increasingly experienced consumers among the younger generations such as tweens and teens. And because the population is also growing older, marketers are offering more products that appeal to middle-aged and elderly markets.

#### 4 Explain the importance to marketing managers of multiculturalism and growing ethnic markets

Multiculturalism occurs when all major ethnic groups in an area are roughly equally represented. Growing multiculturalism makes the marketer’s task more challenging. Hispanics are the fastest-growing segment of the population, followed by African Americans. Many companies are now creating departments and product lines to effectively target multicultural market segments. Companies have quickly found that ethnic markets are not homogeneous.

#### 5 Identify consumer and marketer reactions to the state of the economy

The 2007–2009 recession has drastically reduced the spending power of many people. During a time of inflation, marketers generally attempt to maintain level pricing to avoid losing customer brand loyalty. During times of recession, many marketers maintain or reduce prices to counter the effects of decreased demand; they also concentrate on increasing production efficiency and improving customer service.

#### 6 Identify the impact of technology on a firm

Monitoring new technology is essential to keeping up with competitors in today’s marketing environment. The United States excels in basic research and, in recent years, has dramatically improved its track record in applied research. Innovation is increasingly becoming a global process. Without innovation, U.S. companies can’t compete in global markets.

#### 7 Discuss the political and legal environment of marketing

All marketing activities are subject to state and federal laws and the rulings of regulatory agencies. Marketers are responsible for remaining aware of and abiding by such regulations. Some key federal laws that affect marketing are the Sherman Act, Clayton Act, Federal Trade Commission Act, Robinson-Patman Act, Wheeler-Lea Amendments to the FTC Act, Lanham Act, Celler-Kefauver Antimerger Act, and Hart-Scott-Rodino Act. Many laws, including privacy laws, have been passed to protect the consumer as well. The Consumer Product Safety Commission, the Federal Trade Commission, and the Food and Drug Administration are the three federal agencies most involved in regulating marketing activities.

#### 8 Explain the basics of foreign and domestic competition

The competitive environment encompasses the number of competitors a firm must face, the relative size of the competitors, and the degree of interdependence within the industry.

**Chapter 6**

#### 1 Explain why marketing managers should understand consumer behavior

An understanding of consumer behavior reduces marketing managers’ uncertainty when they are defining a target market and design a marketing mix.

#### 2 Analyze the components of the consumer decision-making process

The consumer decision-making process begins with need recognition, when stimuli trigger awareness of an unfulfilled want. If additional information is required to make a purchase decision, the consumer may engage in an internal or external information search. The consumer then evaluates the additional information and establishes purchase guidelines. Finally, a purchase decision is made.

#### 3 Explain the consumer's postpurchase evaluation process

Consumer postpurchase evaluation is influenced by prepurchase expectations, the prepurchase information search, and the consumer’s general level of self-confidence. When a purchase creates cognitive dissonance, consumers tend to react by seeking positive reinforcement for the purchase decision, avoiding negative information about the purchase decision, or revoking the purchase decision by returning the product.

#### 4 Identify the types of consumer buying decisions and discuss the significance of consumer involvement

Consumer decision making falls into three broad categories: routine response behavior, limited decision making, and extensive decision making. High-involvement decisions usually include an extensive information search and a thorough evaluation of alternatives. In contrast, low-involvement decisions are characterized by brand loyalty and a lack of personal identification with the product. The main factors affecting the level of consumer involvement are previous experience, interest, perceived risk of negative consequences (financial, social, and psychological), situation, and social visibility.

#### 5 Identify and understand the cultural factors that affect consumer buying decisions

Cultural influences on consumer buying decisions include culture and values, subculture, and social class. Culture is the essential character of a society that distinguishes it from other cultural groups. The underlying elements of every culture are the values, language, myths, customs, rituals, laws, and the artifacts, or products, that are transmitted from one generation to the next. The most defining element of a culture is its values. A culture can be divided into subcultures on the basis of demographic characteristics, geographic regions, national and ethnic background, political beliefs, and religious beliefs.

#### 6 Identify and understand the social factors that affect consumer buying decisions

Social factors include such external influences as reference groups, opinion leaders, and family. Consumers seek out others’ opinions for guidance on new products or services and products with image-related attributes or because attribute information is lacking or uninformative. Consumers may use products or brands to identify with or become a member of a reference group, or to follow an opinion leader. Family members also influence purchase decisions; children tend to shop in similar patterns as their parents.

#### 7 Identify and understand the individual factors that affect consumer buying decisions

Individual factors that affect consumer buying decisions include gender; age and family life-cycle stage; and personality, self-concept, and lifestyle. Beyond obvious physiological differences, men and women differ in their social and economic roles, and that affects consumer buying decisions. How old a consumer is generally indicates what products he or she may be interested in purchasing. Marketers often define their target markets in terms of consumers’ life-cycle stage, following changes in consumers’ attitudes and behavioral tendencies as they mature. Finally, certain products and brands reflect consumers’ personality, self-concept, and lifestyle.

#### 8 Identify and understand the psychological factors that affect consumer buying decisions

Psychological factors include perception, motivation, learning, values, beliefs, and attitudes. These factors allow consumers to interact with the world around them, recognize their feelings, gather and analyze information, formulate thoughts and opinions, and take action. Perception allows consumers to recognize their consumption problems. Motivation is what drives consumers to take action to satisfy specific consumption needs. Almost all consumer behavior results from learning, which is the process that creates changes in behavior through experience. Consumers with similar beliefs and attitudes tend to react alike to marketing-related inducements.

**Chapter 8**

#### 1 Describe the characteristics of markets and market segments

A market is composed of individuals or organizations with the ability and willingness to make purchases to fulfill their needs or wants. A market segment is a group of individuals or organizations with similar product needs as a result of one or more common characteristics.

#### 2 Explain the importance of market segmentation

Before the 1960s, few businesses targeted specific market segments. Today, segmentation is a crucial marketing strategy for nearly all successful organizations. Market segmentation enables marketers to tailor marketing mixes to meet the needs of particular population segments. Segmentation helps marketers identify consumer needs and preferences, areas of declining demand, and new marketing opportunities.

#### 3 Discuss criteria for successful market segmentation

Successful market segmentation depends on four basic criteria: 1) a market segment must be substantial and have enough potential customers to be viable, 2) a market segment must be identifiable and measurable, 3) members of a market segment must be accessible to marketing efforts, and 4) a market segment must respond to particular marketing efforts in a way that distinguishes it from other segments.

#### 4 Describe the bases commonly used to segment consumer markets

Five bases are commonly used for segmenting consumer markets. Geographic segmentation is based on region, size, density, and climate characteristics. Demographic segmentation is based on age, gender, income level, ethnicity, and family life cycle characteristics. Psychographic segmentation includes personality, motives, and lifestyle characteristics. Benefits sought is a type of segmentation that identifies customers according to the benefits they seek in a product. Finally, usage segmentation divides a market by the amount of product purchased or consumed.

#### 5 Describe the bases for segmenting business markets

Business markets can be segmented on two general bases. First, businesses segment markets based on company characteristics, such as customers’ geographic location, type of company, company size, and product use. Second, companies may segment customers based on the buying processes those customers use.

#### 6 List the steps involved in segmenting markets

Six steps are involved when segmenting markets: 1) selecting a market or product category for study; 2) choosing a basis or bases for segmenting the market; 3) selecting segmentation descriptors; 4) profiling and evaluating segments; 5) selecting target markets; and 6) designing, implementing, and maintaining appropriate marketing mixes.

#### 7 Discuss alternative strategies for selecting target markets

Marketers select target markets using three different strategies: undifferentiated targeting, concentrated targeting, and multisegment targeting. An undifferentiated targeting strategy assumes that all members of a market have similar needs that can be met with a single marketing mix. A concentrated targeting strategy focuses all marketing efforts on a single market segment. Multisegment targeting is a strategy that uses two or more marketing mixes to target two or more market segments.

#### 8 Explain one-to-one marketing

One-to-one marketing is an individualized marketing method that utilizes customer information to build long-term, personalized, and profitable relationships with each customer. Successful one-to-one marketing comes from understanding customers and collaborating with them, rather than using them as targets for generic messages. Database technology makes it possible for companies to interact with customers on a personal, one-to-one basis.

#### 9 Explain how and why firms implement positioning strategies and how product differentiation plays a role

Positioning is used to influence consumer perceptions of a particular brand, product line, or organization in relation to competitors. The term *position* refers to the place that the offering occupies in consumers’ minds. To establish a unique position, many firms use product differentiation, emphasizing the real or perceived differences between competing offerings. Products may be differentiated on the basis of attribute, price and quality, use or application, product user, product class, or competitor.

**In addition to the material in the text, we also discussed additional topics in class. These include**

1. Define what we mean by business and describe the objective of business.
2. Explain some of the reasons why marketers engage in unethical behaviors in business.
3. Explain some of the ways organizations can reduce the chance of ethical mistakes in their organization.