Marketing Exam Study Guide

1. **4Ps AND THEIR IMPORTANCE**

The marketing mix: set of variables that a marketer can exercise control over in creating an offering for exchange.

1) It comprises of two parts: the product marketing mix, which is used for tangible goods, and the service marketing mix, which is used for intangible goods.
2) Product marketing mix, which consists of the 4ps: Product, price, place and promotions.

Product: good, service or idea offered for exchange. Is a bundle of attributes (features & functions of a product) that when exchanged have value for customers

- Without product, no other variable in the marketing mix can be decided. Pricing, place, and promotion comes after the product.

Price: amount of money a business demands in exchange for its offerings

Place: Place refers to the distribution channel of a product.

Promotion: marketing activities that make potential customers, partners and society aware of and attracted to the business' offering

- Advertising
- Sales promotion
- Product trials
- Personal selling

Importance:

1) STP process (segmentation, targeting, positioning)

- 4ps help select the most profitable target market for the product or service
- Help position it in the consumer's mind
    - Prestige products: high prices → Chanel and Ferrari
    - Affordable product: low prices → Costco and Aldi

2) Role in understanding competitor (to establish differentiation)

- Know the 4ps of competitor allows for differentiation and competitive advantage
    - "Differentiate or Die" is a famous marketing motto
- Help understand the strategy of the competitor
    - Monitoring:
        - New features, improved design, new packaging they add in their product
        - The price changes
        - Promotional strategies such as ads, public relations tactics
    - To see how the company can differentiate and position themselves more favorably than their competitors in the consumer's eye

3) Role in understanding macro and micro forces

Micro: (customers, partners and competitors)

1) Customers:
    a. Create a product that satisfy the customers needs and wants
    b. Need different product for different things (convenience, shopping, specialty, unsought)
    c. (place objectives) Different products are distributed differently: Intensively distributed, selectively, and exclusively
    d. Understand that customers view price differently: some associate high price with high quality, others see low prices as greater value
    e. Promotion: different type of customers need different promotional tactics

i. children: McDonalds use happy meals with toys
ii. women: use elegant music and celebrity endorser

2) Competitors
   a. As stated before, 4ps help understand strategy of competitor and how they can differentiate themselves from the competitors

Macro: (PESTELD)

1) Understand that *__Political and Legal__* factors such as laws, diplomatic environment and policies determine what products they can sell, how and where they distribute their product, and how they can promote it
   a. Example: the products have to follow consumer safety policies, international trade laws effect the distribution process
2) Understand *__economic factors__* effect the buying power of individuals. Rate of the currency, inflation and employment levels effect how much money a consumer has and how they choose to spend it
3) Understand that *__sociocultural and demographic factors__* help understand the needs and want of customers and the products that can satisfy them

2. PLACE (DISTRIBUTION)

Marketing intermediaries: individuals or organizations that act in the distribution chain between producer and end user

a. Retailers: business or person who sells goods directly to consumer
b. Industrial buyers: like retailers, but for B2B
c. Wholesalers: buys in bulk and sells to resellers, rather than to consumer
d. Agents: marketing intermediaries that represent buyers or sellers in negotiation with other parties in the marketing channel
e. Brokers: same like agents, but on a short-term or one-off basis

Effective intermediaries achieve:

a. Time utility: making products at a time consumers want to purchase them
b. Place utility: making products available in locations that customer wants them
c. Form utility: customizing product to fit consumer's needs
d. Exchange efficiencies: making transactions as simple and cheap as possible by managing it efficiently

Distribution channel: group of individuals and organizations directing products from producers to end-users

<u>Types of distribution:</u>

a. Intensive: via every suitable intermediary (ex: convenience products)
b. Selective distribution: through more than one intermediary (ex: shopping products)
c. Exclusive distribution: through single intermediary for any given geographic region (ex: specialty products)

Consumer product distribution channels:

- Main intermediaries are agents, wholesalers and retailers

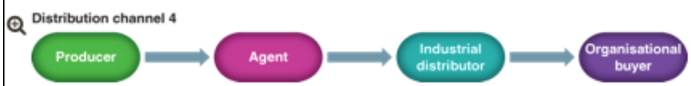
	**Producer deals directly with consumer** Ex: Dell and Apple, sell their computers and other goods directly to consumers via their websites; Domino's pizza, which make and sells pizza at its retail outlets; Salons, which like many services, produces and delivers services at the same time Offers customization (ex: Apple can choose to add more memory in computer)

	**Producer provide product to retailers to sell to consumers** Ex: Dell and Apple also use this strategy (ex: Apple iBox); Byron Bay Cookie sells products to outlets such as McCafe, Coles and Woolworth's; Airlines and hotels can use this strategy if consumer books using online services like hotelclub.com Receive more personal service, include having the ability to examine the goods before purchasing
	**Produces sell to wholesalers who sell to retailers then to consumers** Good choice for goods sold in high volumes through numerous retailers Ex: grocery items and mass-marketing clothing Advantage for producer: dealing with larger volumes to fewer buyers Advantage for retailer: ability to buy different lines from one source (wholesaler) rather than having to deal with many producers Customers have same experience as Channel 2, because they deal with retailers
	**Producers to agent to wholesaler to retailer to consumer** Common choice for exports where the complexities of dealing with different legal and cultural factors require a skilled agent dealing with intermediaries in a foreign market
	**Producer to agent to consumer** Commonly used in financial services Ex: mortgage brokers deal directly with consumers and the banks and other financial institutions that offer loans

Business product distribution channels:

- Main intermediaries are gents and industrial distributors

	**Producer deals directly with organizational buyer** Majority of the B2B product transaction → business buyers are usually buying products that are crucial to their own business so they want to deal directly with producer to be sure of direct access to information and assistance →Can be customized

	Ex: designer furniture manufacture would want a foam factory to provide foam cushions in the exact sizes to match their chairs
	**Producer deals with industrial distributor who sells to organizational buyer** Industrial distributor play roughly the same role as retailers in Consumer product distribution They purchase commonly used goods such as office supplies from producers and sell to organizational buyer Ex: Staples is an industrial distributor that provides stationery and office products to organizations
	**Producer to agent to organizational buyer** An agent in B2B is an intermediary who plays matchmaker between producers and organizational buyers and is paid a commission on sales they bring to producer
	**Producers to agent to industrial distributor to organizational buyer** Combines channels 2 and 3. The agent takes a commission on sales it secures with industrial distributors (channel 3) → then industrial distributor sells to organizational buyers (channel 2)

3. **MICRO-ENVIRONMENAL FACTORS:** Factors close to a business that have a direct impact on its business operations. Cannot be directly controlled by organization.

1) **Customer:** As all businesses need customers, they should be centered around customers.
   - Must understand current and future wants of target market
     - What customer's value now
     - Identify changes in customer preference
     - Able to influence customer preference
     - Anticipate changing needs and wants
     - Respond to changes

2) **Employee:**
   a. Skilled staff is essential, especially in service industries
   b. Training and developing employees → increases their skills → competitive advantage

3) **Partner:** Marketers must understand their partners, their partner's processes and how partnership is beneficial to each other.
   - **Retailers:** business from which customers purchase goods and services
   - **Wholesaler:** intermediary acting between producer and retailers
   - **Supplier:** provide resources organization needs to make product
   - **Advertising agencies**

4) **Competitors:** The name of the game in marketing is differentiation.
   a. Must achieve differentiation from competitors
   b. Understand competitors market mix, sales volume, sales trend, market share

i. **<u>Types of competition:</u>**

1. <u>Pure competition:</u> numerous competitors offer undifferentiated/standardized products. No buyer or seller can exercise market power
    a. Ex: agricultural products is the closest approximation, but in reality pure competition DOES NOT EXIST
2. <u>Monopolistic competition:</u> numerous competitors offer similar products → competitors have to differentiate product from others
    a. Ex: most products in the supermarket, like shampoo
3. <u>Oligopoly:</u> a mal number of competitors offer similar, somewhat differentiated, products → significant barriers to new entry to the market
    a. Ex: in Australia: banks, telecommunication, airlines
4. <u>Monopoly:</u> only one supplier → new entry is almost impossible
    a. Ex: many government services, like establishment of roads and rail
5. <u>Monopsony</u>: only one buyer
    a. Ex: warheads and nukes