

## **Marketing 360 Proficiency Exam Study Guide**

AMA definition of Marketing - an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

Marketing seeks to discover the needs and wants of prospective customers and to satisfy them. The key to achieving these two objectives is the idea of exchange, which is the trade of things of value between buyer and seller so that each is better off after the trade.

Utility - the benefits or customer value received by users of the product. There are four kinds of utilities: form, place, time and possession.

Form utility - the value to consumers that comes from the production or alteration of a good or services.

Place utility - the value to consumers of having a good or service available where needed.

Time utility - the value to consumers of having a good or service available when needed.

Possession utility - the value to consumers of making an item easy to purchase so consumers can use it.

### ***The Evolution of the Market Orientation:***

Production Era - the central notion was that products would sell themselves.

Sales Era - competition grew from the production era and salespeople were hired to sell products.

Marketing Concept Era - the idea that an organization should strive to satisfy the needs of consumers while also trying to achieve the organization's goals.

Customer Era - efforts are focused on continuously collecting information about customers' needs, sharing this information across departments, and using it to create customer value.

Market - people with both the desire and the ability to buy a specific product.

Marketing mix - product, price, promotion, place. Also known as the Four P's. These are the controllable factors for a manager.

The three basic ideas in the "marketing concept" are customer orientation, total company effort, and profit.

Market penetration - a marketing strategy of increasing sales of present products in existing markets.

Market development - a marketing strategy of selling existing products to new markets.

Product development - a marketing strategy of selling new products to existing markets.

Diversification - a marketing strategy of developing new products and selling them in new markets.

Target market - one or more specific groups of potential consumers toward which an organization directs its marketing program.

Market segmentation - aggregating prospective buyers into groups or segments that have common needs and will respond similarly to a marketing action.

The five major environmental factors in marketing: social, technological, economic, competitive, and regulatory.

Lanham Act - 1946, provides for registration of a company's trademarks.

Sherman Antitrust Act -1890, forbids contracts, combinations, or conspiracies in restraint of trade and actual monopolies or attempts to monopolize any part of trade or commerce.

Robinson-Patman Act - 1936, makes it unlawful to discriminate in prices charged to different purchasers of the same product, where the effect may substantially lessen competition or help to create a monopoly.

Exclusive dealing - an arrangement a manufacturer makes with a reseller to handle only its products and not those of competitors.

Requirement contracts - require a buyer to purchase all or part of its needs for a product from one seller for a period of time.

Exclusive territorial distributorships - when a manufacturer grants a distributor the sole rights to sell a product in a specific geographical area.

Tying arrangement - a seller requires the purchaser of one product to also buy another item in the line.

Federal Trade Commission - concerned with the deceptive or misleading advertising and unfair business practices and has the power to issue cease and desist orders and order corrective advertising.

Discretionary income - the money that remains after paying for taxes and necessities.

Consumer Bill of Rights - the right to safety, to be informed, to choose, and to be heard.

Purchase decision process:

1. problem recognition
2. information search
3. alternative evaluation

4. purchase decision
5. postpurchase behavior

Problem recognition - perceiving a difference between a person's ideal and actual situation big enough to trigger a decision.

Information search - seeking out a solution to your problem or need. It suggests criteria to use for the purchase, yields brand names that might meet the criteria, and develops consumer value perceptions.

Alternative evaluation - evaluating all possible options in your consideration set (the group of brands that a consumer would consider acceptable from among all the brands in the product class of which he or she is aware)

Purchase decision - must decide from whom to buy and when to buy.

Postpurchase behavior (evaluation) - after buying a product, the consumer compares it with his or her expectations and is either satisfied or dissatisfied.

Situational influences - have an impact on your purchase decision: the purchase task, social surroundings, physical surroundings, temporal effects, and antecedent states.

Involvement - the personal, social, and economic significance of the purchase to the customer.

Motivation - the energizing force that stimulates behavior to satisfy a need.

Personality - refers to a person's consistent behaviors or responses to recurring situations.

Self-concept - the way people see themselves and the way they believe others to see them.

Perception - the process by which an individual selects, organizes and interprets information to create a meaningful picture of the world.

Hierarchy of needs: physiological, safety, social, personal.

Selective exposure - when consumers pay attention to messages that are consistent with their attitudes and beliefs and ignore messages that are inconsistent.

Selective perception - a filtering of exposure, comprehension, and retention.

Subliminal perception - seeing or hearing messages without being aware of them.

Lifestyle - a mode of living that is identified by how people spend their time and resources, what they consider important in their environment, and what they think of themselves and the world around them.

Family life cycle - concept that describes the distinct phases that a family progresses through from formation to retirement, each phase bringing with it identifiable purchasing behaviors.

Social class - the relatively permanent, homogeneous divisions in a society into which people sharing similar values, interests, and behavior can be grouped.

Derived demand - the demand for industrial products and services is driven by, or derived from, demand for consumer products and services.

Reciprocity - an industrial buying practice in which two organizations agree to purchase each other's products and services.

Buying center - share common goals, risks, and knowledge important to a purchase decision.

Make-buy decision - an evaluation of whether components and assemblies will be purchased from outside suppliers or built by the company itself.

Value analysis - a systematic appraisal of the design, quality, and performance of a product to reduce purchasing costs.

New buy - completely new purchase.

Straight rebuy - routine reorder.

### ***People in the Buying Center:***

Users - the people in the organization who actually use the product or service, such as a secretary who will use a new word processor.

Influences - affect the buying decision, usually by helping define the specifications for what is bought.

Buyers - have formal authority and responsibility to select the supplier and negotiate the terms of the contract.

Deciders - have the formal or informal power to select or approve the supplier that receives the contract.

Gatekeepers - control the flow of information in the buying center.

Tariff - a tax imposed by a government on goods entering its border.

Quota - a restriction placed on the amount of a product allowed to enter or leave a country.

Strategic alliances - agreements among two or more independent firms to cooperate for the purpose of achieving common goals such as a competitive advantage or customer value creation.

Back translation - a translated word or phrase is retranslated into the original language by a different interpreter to catch errors.

Exporting - producing goods in one country and selling them in another country.

Licensing - a company offers the right to a trademark, patent, trade secret, or similarly valued items of intellectual property in return for a royalty or a fee.

Joint venture - when a foreign company and a local firm invest together to create a local business.

Direct investment - a domestic firm actually investing in and owning a foreign subsidiary or division. This is the highest level of commitment a company can make when entering a global market.

Dumping - when a firm sells a product in a foreign country below its domestic price or below its actual cost.

Global approach - an international marketing strategy that assumes that the way a product is used and the needs it satisfies are universal.

Marketing research - the process of defining a marketing problem and opportunity, systematically collecting and analyzing information, and recommending actions.

Constraints - the restrictions placed on potential solutions to a problem.

Sampling - selecting representative elements from a population.

Target market targeting - aggregating prospective buyers into groups that have common needs and will respond similarly to a marketing action.

Product positioning - refers to the place an offering occupies in consumers' minds on important attributes relative to competitive products.

Product repositioning - changing the place an offering occupies in a consumer's mind relative to competitive products.

Perceptual map - a means of displaying or graphing in two dimensions the location of products or brands in the minds of consumers to enable a manager to see how consumers perceive competing products or brands relative to its own and then take marketing actions.

The 80/20 Rule - Eighty percent of a firm's sales are obtained from twenty percent of its customers.

Relationship marketing - an organizations' effort to develop a long-term, cost-effective link with individual customers for mutual benefit.

Direct forecast - involves estimating the value to be forecast without any intervening steps.

Lost-horse forecast - involves making a forecast using the last known value and modifying it according to positive or negative factors expected in the near future.

Survey of buyers' intentions forecast - involves asking prospective customers if they are likely to buy the product during some future time period.

Salesforce survey forecast - involves asking the firm's salespeople to estimate sales during a coming period.

Company sales potential - the expected level of sales that business firm can reasonably achieve, given a particular level and type of marketing effort and a particular set of environmental conditions.

Secondary data - facts and figures that have already been recorded before the project at hand. Can be broken into internal secondary data(exist inside the business) and external secondary data(published data from outside of the organization).

Primary data - facts and figures that are newly collected for the project.

Panel - sample of consumers or stores from which researchers take a series of measurements.

Experiment - involves obtaining data by manipulating factors under tightly controlled conditions to test cause and effect.

Observational data - facts and figures obtained by watching, either mechanically or in person, how people actually behave.

Line - a group of closely related product items that are considered to be a unit because of marketing, technical, or end-use considerations.

Convenience good - items that the consumer purchases frequently, conveniently, and with minimum shopping effort.

Shopping goods - items for which a consumer compares several alternatives on criteria, such as price, quality, or style.

Specialty goods - items that a consumer makes a special effort to search out and buy.

Unsought goods - items that a consumer either does not know about or knows about but does not initially want.

Buyer's Product Adoption Process: Adoption, Trial, Interest, Evaluation

Supplies - similar to consumer convenience goods and consist of products such as stationary, paper clips, and brooms.

Industrial services - intangible activities to assist the industrial buyer.

Accessory equipment - includes tools and office equipment and is usually purchased in small-order sizes by buyers.

Continuous innovation - no new behaviors must be learned

Dynamically continuous innovation - only minor changes in behavior are required for use.

Discontinuous innovation - involves making the consumer learn entirely new consumption patterns in order to use the product.

Market testing - the stage of the new product process that involves exposing actual products to prospective consumers under realistic purchase conditions to see if they will buy.

Product life cycle - describes the stages a new product goes through in the marketplace: introduction, growth, maturity, and decline.

Introduction stage - occurs when a product is first introduced to its intended target market.

Growth stage - characterized by rapid increases in sales. This is the stage in which competitors appear.

Maturity stage - characterized by a slowing of total industry sales or product class revenue. Marginal competitors begin to leave the market.

Decline stage - when sales and profits begin to drop.

Deletion - dropping the product from the company's product line.

Harvesting - when a company retains the product but reduces marketing costs.

Line extensions - the practice of using current brand name to enter a new market segment in its product class.

Subbranding - combines a corporate or family brand with a new brand.

Brand extension - the practice of using a current brand name to enter a completely different product class.

Private branding - manufactures products but sells them under the brand name of a wholesaler or retailer.

Family branding - when a company uses one name for all its products in a product class, when the company's trade name is used.

Brand name - any word, device, or combination of these used to distinguish a seller's goods or services.

Trade name - a commercial, legal name under which a company does business.

Trademark - identifies that a firm has legally registered its brand name or trade name so the firm has its exclusive use, thereby preventing others from using it.

Commercialization - the stage of the new-product process that involves positioning and launching a new product in full-scale production and sales.

Mixed branding - where a firm markets products under its own name and that of a reseller because the segment attracted to the reseller is different from its own market.

Penetration pricing - setting a low initial price on a new product to appeal immediately to the mass market.

Skimming pricing - setting the highest initial price that customers really desiring the product are willing to pay.

Odd-even pricing - setting prices a few dollars or cents under an even number.

Individual branding - a manufacturer's branding strategy in which a distinct name is given to each of its products.

Loss-leader pricing - using this method of pricing, many retailers deliberately sell below their normal prices to attract and induce additional store traffic.

Bundle pricing - the marketing of two or more products in a single package price.

Yield management pricing - the charging of different prices to maximize revenue for a set amount of capacity at any given time.

Price lining pricing - a line of products at a number of different specific pricing points.

Prestige pricing - involves setting a high price so that quality or status conscious consumers will be attracted to the product and buy it.

Standard markup pricing - adding a fixed percentage to cost of all items in a specific product class.

Elastic demand - exists when a 1 percent decrease in price produces more than a 1 percent increase in quantity demand, thereby actually increasing sales revenue.

Inelastic demand - exists when a 1 percent decrease in price produces less than a 1 percent increase in quantity demand, thereby actually decreasing sales revenue.

Marginal cost - the change in total cost that results from producing and marketing one additional unit of a product.

Administering prices - when firms consciously set their own prices.

Marketing channel - consists of individuals and firms involved in the process of making a product or service available for use or consumption by consumers or industrial users.

Direct channel - a producer and ultimate consumers deal directly with each other.

Indirect channel - intermediaries are inserted between the producer and consumers and perform numerous channel functions.

Industrial distributor - performs a variety of marketing channel functions, including selling, stocking, and delivering a full product assortment and financing.

Direct marketing channels - allow customers to buy products by interacting with various advertising media without a face-to-face meeting with a salesperson.

Dual distribution - an arrangement whereby a firm reaches different buyers by employing two or more different types of channels for the same basic product.

Strategic channel alliances - whereby one firm's marketing channel is used to sell another firm's products.

Rack jobber - furnish the racks or shelves that display merchandise in retail stores, perform all channel functions, and sell on consignment to retailers.

Cash and carry wholesalers - take title to merchandise but sell only to buyers who call on them, pay cash for merchandise, and furnish their own transportation for merchandise.

Drop shippers/desk jobbers - wholesalers that own the merchandise they sell but do not physically handle, stock, or deliver it.

Merchant wholesaler - independently owned firms that take title to the merchandise they handle.

The three basic functions performed by intermediaries are transactional functions, logistical functions, and facilitating functions.

Contractual management system - professionally managed and centrally coordinated marketing channels designed to achieve channel economies and maximum marketing impact.

Wheel of retailing - describes how new forms of retail outlets enter the market.

Logistics - involves those activities that focus on getting the right amount of the right products to the right places at the right time at the lowest possible cost.

Logistics management - the practice of organizing the cost-effective flow of raw materials, in-process inventory, finished goods, and related information from point of origin to point of consumption to satisfy customer requirements.

Just-in-time concept - an inventory supply system that operates with very low inventories and requires fast, on-time delivery.

Supply chain - a sequence of firms that perform activities required to create and deliver a good or service to consumers or industrial users.

Supply chain management - the integration and organization of information and logistics activities across firms in a supply chain for the purpose of creating and delivering goods and services that provide value to consumers.

Cross-docking - a practice that involves uploading products from suppliers, sorting products for individual stores, and quickly reloading products on trucks, which will deliver the products to specific stores.

Extranet - an internet/web-based network that permits secure business to business communication between a manufacturer and its suppliers, distributors, and sometimes other partners.

Total logistics cost - includes expenses associated with transportation, materials handling and warehousing, inventory, stockouts, order processing, and return goods handling.

Depth of product line - means that the store carries a large assortment of each item.

Breadth of product line - refers to the variety of different items a store carries.

Limited-line stores - stores that carry a considerable assortment of a related line items.

Single-line stores - stores that carry tremendous depth in one primary line of merchandise.

Both limited-line and single-line stores are often referred to as specialty outlets.

Scrambled merchandising - offering several unrelated product lines in a single store.

Promotional Mix - advertising, personal selling, sales promotion, public relations, and direct marketing.

Advertising - any paid form of nonpersonal communication about an organization, good, service, or idea by an identified sponsor.

Personal selling - the two-way flow of communication between a buyer and seller, designed to influence a person's or group's purchase decision.

Public relations - a form of communication management that seeks to influence the feelings, opinions, or beliefs held by customers, prospective customers, stockholders, suppliers, employees, and other publics about a company and its products or services.

Sales promotion - a short-term inducement of value offered to arouse interest in buying a good or service.

Direct marketing - uses direct communication with consumers to generate a response in the form of an order, a request for further information, or a visit to a retail outlet.

Noise - extraneous factors that can work against effective communication by distorting a message or the feedback received.

Encoding - the process of having the sender transform an idea into a set of symbols.

Decoding - the reverse, or the process of having the receiver take a set of symbols, the message, and transform them back to an idea.

Response - the impact the message had on the receiver's knowledge, attitudes, or behaviors.

Feedback - the sender's interpretation of the response and indicates whether the message was decoded and understood as intended.

Push strategy - directing the promotional mix to channel members to gain their cooperation in ordering and stocking the product.

Pull strategy - directing promotional mix at ultimate consumers to encourage them to ask the retailer for a product.

Premiums - consists of merchandise offered free or at a significant savings over its retail price.

Deals - short term price reductions.

Contests - consumers apply their skill or analytical or creative thinking to try to win a prize.

Continuity program - a sales promotion tool used to encourage and reward repeat purchases by acknowledging each purchase made by a consumer and offering a premium as purchases accumulate.

### ***Product advertisements:***

--Pioneering advertisements - tell people what a product is, what it can do, and where it can be found.

--Competitive - advertising that promotes a specific brand's features.

--Reminder - used to reinforce previous knowledge of a product

Institutional advertisements - to build goodwill or an image for an organization rather than promote a specific good or service.

Forms of media: Television, Radio, Magazines(most detailed), Newspapers, Yellow Pages, Internet, Billboards

### ***Hierarchy of effects - Awareness, Interest, Evaluation, Trial, Adoption.***

Awareness - the consumer's ability to recognize and remember the product or brand name.

Interest - an increase in the consumer's desire to learn about some of the features of the product or brand.

Evaluation - The consumer's appraisal of the product or brand on important attributes.

Trial - The consumer's actual first purchase and use of the product or brand.

Adoption - through a favorable experience on the first trial, the consumer's repeated purchase and use the product or brand.

Integrated marketing communications - the concept of designing marketing communications programs that coordinate all promotional activities to provide a consistent message across all audiences.

Rating - the percentage of households in a market that are tuned in to a particular television show or radio station.

Personal selling process - Prospecting, preapproach, approach, presentation, close, follow-up.

Order taker - processes routine orders and reorders for products that were already sold by the company. The primary responsibility of order takers is to preserve an ongoing relationship with existing customers and maintain sales.

Order getter - sells in a conventional sense and identifies prospective customers, provides customers with information, persuades customers to buy, closes sales, and follows up on customers' use of product or service.

Sales engineer - salesperson who specializes in identifying, analyzing, and solving customer problems and brings know-how and technical expertise to the selling situation but often does not actually sell products and services.

Missionary salespeople - do not directly solicit orders but rather concentrate on performing promotional activities and introducing new products.

***Developing an advertising program:***

1. Identify the target audience
2. Specifying advertising objectives
3. Setting the advertising budget
4. Designing the advertisement
5. Creating the actual message.
6. Selecting the right media.

Reach - the number of different people or households exposed to an advertisement.

Frequency - the average number of times a person in the target audience is exposed to a message or advertisement.

For a message to be communicated effectively, the sender and receiver must have a mutually shared field of experience.

Publicity tools - methods of obtaining nonpersonal presentation of an organization, good, or service without a direct cost.

Objective and task budgeting most closely relates to the marketing concept.

A common practice in evaluating a salesperson is for sales management to compare the salesperson's performance with the performance of other salespersons operating under similar selling conditions, or to compare selling expenses with sales by various member of the sales force.

The need-satisfaction presentation is a selling format that emphasizes probing and listening by salespeople to identify what prospective buyers are interested in, want, and need.

Stimulus-response presentation - assumes that given the appropriate stimulus by a salesperson, the prospect will buy.

Formula selling presentation - based on the view that a presentation consists of information that must be provided in an accurate, thorough, and step by step manner.