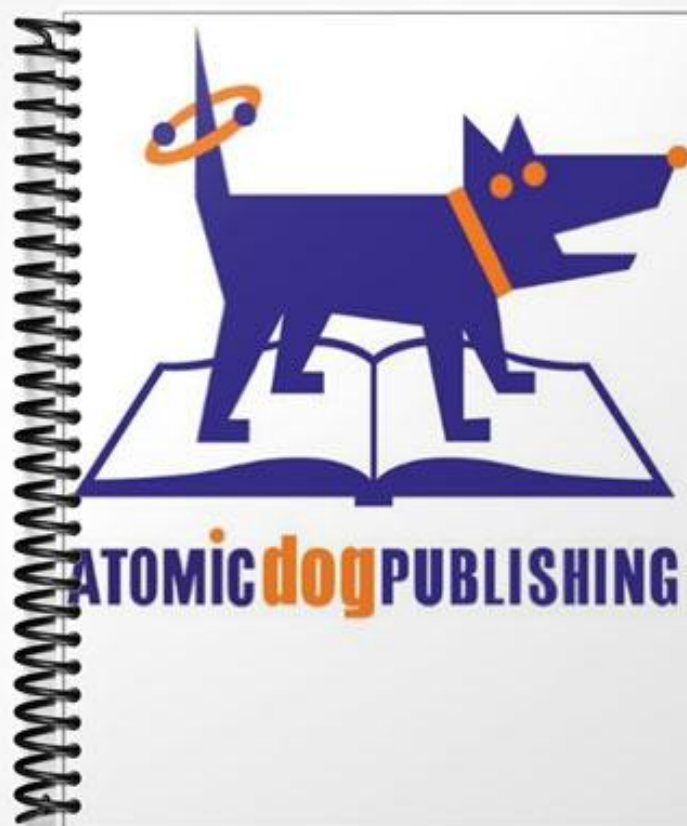


# SOLUTIONS MANUAL



## CHAPTER 2

### THE ENVIRONMENT IN WHICH MARKETING OPERATES

#### MAJOR PERIODICALS

*American Economic Review*

<http://www.aeaweb.org/aer/>

*Conference Board Review Magazine, The*

[http://www.conference-board.org/publications/atb/current\\_issue.cfm](http://www.conference-board.org/publications/atb/current_issue.cfm)

*Journal of Macromarketing*

<http://intl-jmk.sagepub.com/>

*Journal of Marketing*

<http://www.marketingpower.com/AboutAMA/Pages/AMA%20Publications/AMA%20Journals/Journal%20of%20Marketing/JournalofMarketing.aspx>

*Journal of Public Policy and Marketing*

<http://www.marketingpower.com/AboutAMA/Pages/AMA%20Publications/AMA%20Journals/Journal%20of%20Public%20Policy%20Marketing/JournalofPublicPolicyMarketing.aspx>

*Journal of Small Business Management*

<http://www.blackwellpublishing.com/journal.asp?ref=0047-2778>

#### ANSWERS TO TEXT QUESTIONS

#### REVIEW QUESTIONS

1. Explain the five elements of the environment within which marketing operates.

Marketing is a broad, complex field of study. It operates in an environment with controllable and uncontrollable elements. Controllable elements are those directed by the organization. Uncontrollable elements are outside factors that affect the ability of the organization to carry out its marketing program. The macroenvironment consists of the

broad demographic, societal, economic, political, technological, and other forces that an organization faces. The microenvironment refers to the forces that have a direct impact on its ability to serve customers, including distribution intermediaries, consumer markets, and the capabilities of the organization itself.

2. In the environment of marketing, what are the two major types of controllable factors for a company. How do they differ?

The two types of controllable factors for a company consist of factors directed by top management (line of business, overall objectives, the role of marketing, the role of other business functions, and corporate culture) marketing and factors controlled by marketing (selection of a target market, marketing objectives, marketing organization, marketing mix, and performance assessment).

3. What criteria would you use to assess the role of marketing in a company?

The importance of marketing can be established by the following criteria:

- Marketing personnel are given authority to make appropriate decisions.
- The rank of the top marketing employee is equal to that of other areas (such as finance and production)
- Sufficient resources are provided for marketing research, advertising, new product planning and all other marketing functions.

4. Why should a firm select a target market before developing a specific marketing mix?

A target market, the particular group(s) of customers that a firm wishes to serve, should be chosen first because it impacts on all other facets of marketing. Product, distribution, promotion, and price decisions used in developing the marketing mix are made with the selected target market in mind.

5. What is the most important marketing objective for an organization? Why?

A differential advantage in marketing is most crucial to a company. A differential advantage is made up of the features unique to the company's marketing program that sets it apart from other firms. This differential advantage gives consumers reason to patronize one particular organization over its competitors.

6. Describe the four components of the marketing mix.

The four components of the marketing mix are:

- Product—Product decisions involve determining what goods, services, and/or ideas to market, the level of quality that will be offered, the packaging that will be used, the features and benefits that will be offered, and the level and timing of research.

## Section 1: Information Sources and Answers to Text Questions

- Promotion—Promotion decisions involve determining the promotional mix (the combination of advertising, sales promotion, personal selling, and public relations) that will be used, the amount of money that will be budgeted for promotion, the choice of media, the type and format of messages, and the timing of ads throughout the year.
  - Distribution—Distribution decisions involve determining whether to sell through intermediaries or directly to consumers, how many outlets to sell through (exclusive, intensive or selective distribution), whether to dominate or cooperate with channel members, what suppliers to use, and what purchasing terms to negotiate, and whether to use single or multiple channels. They also include identifying competitors.
  - Price—Price decisions involve determining the overall level of prices, the range of prices to be offered, the relationship between price and quality, the emphasis that will be placed on price, how to react to competitors' prices, when to advertise prices, when to change prices, how prices are computed, and what billing terms to employ.
7. What is the intent of each of these categories of federal legislation?
- a. Antitrust, discriminatory pricing, and unfair trade practices.
  - b. Deregulation.
  - c. Consumer protection.
- a. These laws are intended to protect smaller firms from anticompetitive actions by larger firms. Companies are prohibited from using marketing practices that unfairly hurt competitors.
  - b. These laws deregulate various industries to create a more competitive marketplace, and allow companies more flexibility in enacting marketing mixes.
  - c. These laws aim to help consumers deal with deceptive and unsafe company practices. Consumer rights are guarded.
8. Why is technology an important uncontrollable factor for many companies?

Many firms depend on others to develop and perfect new technology. Only then can they use the new technology in products. The rate of technology change as well as the acceptance of new technology is uncontrollable to these firms.

### DISCUSSION QUESTIONS

1. How does a firm's corporate culture influence the performance of its personnel? Relate your answer to a national pharmacy chain.

A corporate culture consists of the shared values, norms, and practices communicated to and followed by those working for a firm. A firm's culture can be described in terms of its

customer-service orientation (high-level versus satisfactory), time orientation (short-run versus long-run); the flexibility of the job environment (can an employee deviate from the rules to satisfy a customer?); the level of risk/innovation pursued (what types of technology are used?); the use of a centralized/decentralized management structure, level of interpersonal contact (do managers interact with lower-level workers?); and the use of promotions from within (are managers personnel with significant experience in the firm?).

2. What are the differential advantages for each of these? Explain your answers.
  - a. National Football League ([www.nfl.com](http://www.nfl.com)).
  - b. Wii game system ([www.wii.com](http://www.wii.com)).
  - c. Visa Student Card (<http://www.usa.visa.com/personal/student/index.jsp>)
    - a. The National Football League’s differential advantages include 32 teams located in major cities throughout the U.S., broad radio, television, newspaper and Web coverage, a widespread audience, and revenues from sales of NFL gear and tailgating equipment.
    - b. Wii has wide variety of games and features, broad distribution, first mover advantage, upscale image.
    - c. Visa Student Card features a wide choice of cards, offers consumers access to special discounts, a series of financial tools, limited liability for fraudulent card usage, a “verified by Visa” program, and worldwide acceptance by a wide variety of merchants.
  
- 3 Distinguish between the marketing mixes used by Saturn ([www.saturn.com](http://www.saturn.com)) and Pontiac ([www.pontiac.com](http://www.pontiac.com)), two car lines of General Motors.

|              | <u>Saturn</u>   | <u>Pontiac</u>   |
|--------------|---|--|
| Product      | Status-oriented, well-constructed   | Functional-oriented, well-constructed  |
| Distribution | Authorized dealers  | Authorized dealers   |
| Promotion    | Emphasis on quality, and status. Positioning of car with lower-cost Japanese imports as well as U.S. brands | Emphasis on value and quality, positioning of car with lower-models of Ford and Chrysler |
| Price        | No negotiation with dealer’s salespeople  | Negotiation with dealer’s salespeople  |

4. Deregulation represents both opportunities and potential problems for companies. Offer several examples of both for the airline industry.

Section 1: Information Sources and Answers to Text Questions

Opportunities

Increased flexibility in pricing  
New markets  
Emphasis on marketing prowess  
Mergers with related firms  
Incentives offered by states  
Ability to be more agile

Potential problems

Intense competition in pricing  
Potential price wars  
Undifferentiated goods/services  
Unprepared management  
Inadequate environmental scanning  
Increased competition from firms in other industries