

1. Members within conventional marketing channels (suppliers, buyers, and intermediaries) often have conflicting objectives? How can a vertical marketing system be used to overcome these problems? Discuss some of the more important factors you would consider in making a choice about the most appropriate channel design.

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- Outline some of the factors that lead to channel conflict
 - i. Agency (opportunism arising from asymmetric information)
 - ii. Management need for control
 - iii. Ability to perform key channel functions (e.g., research, promotion, contact, matching, negotiation, physical distribution, finance, risk taking)
 - iv. Distinguish between vertical and horizontal conflict
- Review the various forms of vertical marketing system (VMS) and the advantages and disadvantages of each
 - i. Corporate VMS
 - ii. Contractual VMS
 - iii. Administered VMS
- Factors affecting design of channels should be discussed according to the need to minimize channel conflict noted above and to maintain a consistent product position.

Some examples might include (but are not limited to)

 - i. Assuming more responsibility for channel functions which are closely aligned with the firm's capabilities
 - ii. Maintaining the most selective distribution channel that is possible (given obvious product-related and market-related constraints) in order to maximize control
 - iii. Consider balancing heavy consumer promotion with promotion to channel members to increase the likelihood of cooperation

2. Discuss the factors that lead to faster consumer adoption of a product innovation. Explain how the management of price, the distribution channel, and marketing communications can contribute to faster consumer adoption of innovation.

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- Review the factors affecting the consumer adoption/diffusion of innovations
 - i. Relative advantage
 - ii. Compatibility
 - iii. Complexity
 - iv. Divisibility
 - v. Communicability

- How does price affect diffusion/adoption?

Some examples include (but not limited to):

 - i. Penetration pricing can communicate *relative advantage* in the absence of a high degree of differentiation (i.e., similar benefit at a reduced price).
 - ii. *Communicability* (for prestige products) would be enhanced by skim pricing, particularly for products which are difficult to evaluate based on core product attributes (e.g., professional services, high tech products). Price acts as a signaling mechanism
 - iii. *Divisibility* is enhanced by pricing structures that allow the product to be tried on a limited basis (e.g., rental with purchase option). Divisibility might also be enhanced by price bundling which allows consumers to access the new product through the purchase of an existing product.

- How does the distribution channels affect diffusion/adoption?

Some examples include (but not limited to):

 - i. The sales function within channel partners will play an important role in communicating the *relative advantage* of the product and also helping to match the consumer (based on articulated values) with a *compatible* version of the product.
 - ii. *Divisibility* is enhanced by the merchandising and display of products at point of sale as well as a returns policy (i.e., allows consumers to try the product without risk). Divisibility is also enhanced by channel members' willingness to break bulk.
 - iii. *Complexity* is reduced by the ability to train customers in how to use the product at point of sale or through sales support provided by channel members.

- How does marketing communication affect diffusion/adoption?

Some examples include (but not limited to):

- i. *Communicability* may be more clearly demonstrated in a personal selling situation, where product attributes are easy to explain and the salesperson can help the consumer in their trial of the product (e.g., its easier to communicate the benefits of a brand of golf club when being sold by a golf professional than in a 30 second TV ad)
- ii. *Compatibility* might be greater in a personal selling situation or through customized web based content. Such communications can be matched to suit values/beliefs of individuals.
- iii. *Relative advantage* might be more clearly communicated in a comparative advertising format
- iv. *Divisibility* might be enhanced through the use of sales promotion (where a limited quantity of the product is packaged/bundled with a compatible product)

3. How do consumers evaluate service quality and what tools does the service marketer have to influence quality perceptions? Is it reasonable to suggest that consumers will change the way they evaluate service quality over the product life cycle? Explain.

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- Outline the means by which consumers evaluate service quality
 - i. Define and distinguish between technical and functional quality
 - ii. Augment this discussion by drawing upon the SERVQUAL dimensions (technical = reliability, responsiveness, functional = assurance, empathy, tangibles)

- Outline the elements of the marketing mix, taking time to emphasise the additional elements of the marketing mix for service products. Apply your understanding of these elements to the service and discuss how they are likely to influence consumer perceptions
 - Some examples include but are not limited to
 - i. *Physical evidence* (e.g., the service environment) provides a tangible representation of service likely to be received, which will be particularly important for credence services (e.g., legal, medical, consulting).
 - ii. A transparent *process* might help build customer perceptions of technical quality (e.g. McDonalds kitchens, which are open for customers to see, assures of food's freshness and cleanliness).
 - iii. *People* involved in delivering the service have a large role to play in building customer perceptions of empathy and assurance.

- Discuss some examples of how the importance of technical and functional service quality will change given increases in consumer expertise (a natural consequence of maturing markets) and increasing competitiveness
 - Some examples might include (but are not limited to)
 - i. As consumers become more expert within a product market, they will increasingly be able to assess *technical* quality. This has implications for the process improvements in the service (i.e., reliability and responsiveness)
 - ii. As markets mature, and the number of competitors providing parity services increase, customer-keeping differentiation is more difficult to achieve. *Physical evidence* may become more important (i.e., slightly wider seats on a plane, gold/platinum cards signaling status, cleaner offices).
 - iii. In mature markets, the relationship with the service provider (i.e. *people*) may increase in importance. In other words, consumers will differentiate between competitive alternatives on the basis of the relationship they have established with service staff (e.g., bank tellers, hairdressers)

4. Given what you know about consumer decision-making processes, explain how marketers can employ different communications *tools* (e.g., advertising, sales promotion, personal selling) and different communication *content* (e.g., what is said in the message) to best effect. How is this likely to change as the product life cycle progresses from introduction to maturity?

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- Outline of Consumer decision-making process
 - i. External influences (e.g., allude to purchase situation, marketing mix, consumer environment)
 - ii. Describe processes of need recognition – prepurchase search – alternative evaluation
 - iii. Post decision behaviour (e.g., postpurchase evaluation)

- Describe tools of marketing communications
 - i. Advertising
 - ii. Sales Promotion
 - iii. Personal selling
 - iv. Publicity

- Discuss each tool in terms of their capacity and then link with relevant stages of the consumer decision-making process.
 - Some examples might include (but are not limited to):
 - i. Publicity and mass media advertising are best suited to getting customer attention which is particularly important at the need recognition stage of the purchase process
 - ii. Personal selling is most relevant for providing rich information to aid in the evaluation of alternative products and encouraging conviction toward purchase (i.e., post decision response)
 - iii. Sales promotion is most relevant for encouraging immediate purchase action. It is a key element of a consumers purchase situation and is compatible with products purchased routinely.

- Discuss advertising content in terms of transformational/informational advertising distinction and the elaboration likelihood model before applying to the consumer decision making process
 - Some examples might include (but are not limited to)
 - i. Use high imagery (peripheral content) to arouse consumer interest in a product (i.e., need recognition)
 - ii. The use of transformational/peripheral content within institutional style advertising to reinforce a brand's position within consumers' evoked sets (aids in alternative evaluation)
 - iii. Use of informational ads in a comparative format to assist evaluation of alternatives and help define consumers' evoked set
 - iv. Use of attractive endorsers (transformational/peripheral content) communicate need for group membership