**Answer of Principles of Marketing- Summer Semester Final-22**

**Answer to the question n. 1**

1. **The types of buying decision behaviour with appropriate example:**

Understanding consumer buying behaviour is crucial for successful marketing. Consumer buying behaviour is defined as the buying behaviour of final consumers, individuals and households who purchase goods and services for personal consumption (Kotler, Brown, Adam and Armstrong, 2001: 858). Consumer buying behaviour can be classified into four groups: complex, variety-seeking, dissonance-reducing and habitual buying behaviour. These buying decision behaviours vary in terms of the involvement levels and the perceived differences between brands (Lawson, Tidwell, Rainbird, Louden and Bitta, 1997: 523). According to Mitchell (2002: 71), one of the core functions of marketing is to connect buyers and sellers as efficiently and effectively as possible. Therefore, it is imperative for marketers to acquire a profound and comprehensive understanding of consumer buying behaviours.

Types of Buying Decision Behaviour:

The relationship between different types of consumer buying behaviour with the level of consumer involvement and the degrees of differences between brands. The level of involvement in a purchasing a product is related to the importance of the purchase, the risks involved and the type of cognitive processing that is generated (East, 1997: 19).

Complex buying behaviour:

Complex buying behaviour is personalised by high levels of consumer involvement in a purchase and significant perceived differences among brands (Kotler, et al., 2001: 211). Consumers usually apply complex buying behaviour when the intended purchases are expensive, infrequent and risky (Rowley, 1997: 88). Purchase decisions are more intricate compared to other products that are less costly (Chao and Gupta, 1995: 48). According to Adcock (1993: 54), buyers undertaking complex buying behaviour are likely to go through each stage of the decision making process. They will usually spend time inquiring about the product, evaluating alternative brands and comparing options before finally making the purchase. For example, a person who wishes to buy a car would be very involved in deciding what car to purchase. He or she will engage in an extensive information search, such as by visiting different car dealers, surfing the Internet and so on, to evaluate and compare the numerous types of models available in the market and also to scout for the best deals. They may take weeks or months to make a decision. A car is an expensive asset and will usually be used for a long time. As a result, consumers undergo complex buying decision behaviour to ensure that they will not regret their investment in future.

Dissonance-reducing buying behaviour:

Dissonance-reducing buying behaviour encompasses high involvement in purchase decisions but little dissimilarity between brands (Adcock, 1993: 57). Purchases are usually expensive, infrequent and risky (Kotler, et al., 2001: 211). The buying decision is often made from only a small range of products. Considering the product’s brand name is not the main priority in the purchase decision, consumers will make their choice by evaluating and comparing the products based on their price, quality, performance and the consumer’s individual preferences ( Kennedy and Kiel, 2000: 84). For example, when purchasing a lawn mower, consumers may face a high involvement decision because a lawn mower is rather costly. However, the lawn mower brand names will not be of much concern to consumers. Buyers will still look around and compare different lawn mowers based on their extrinsic features, and purchases are normally made within a shorter period of time as opposed to complex buying behaviour (Kotler, et al., 2001: 212). After making a purchase, the consumer may encounter postpurchase dissonance, also known as after-sales discomfort, resulting from discrepencies between the consumer’s decision and the consumer’s prior evaluation (Lawson, et al.,1997: 447). For instance, the buyer may discover undesirable traits or hear negative comments about the lawn mower and thus regret his or her purchase. To minimise such dissonance, marketers have introduced certain features to satisfy customers, such as warranties and after-sales services (Lawson, et al.,1997: 637).

Variety-seeking buying behaviour:

Variety-seeking buying behaviour can be defined as consumer buying behaviour in situations concerning low consumer involvement but with significant perceived differences in brands (Kotler, et al., 2001: 212). These purchases are made simply because the of the consumer’s desire for novelty (Lawson, et al., 1997: 525). In other words, consumer may deviate from their normal brand purchase because they feel like trying something different for a change. Consumers who practice variety-seeking buying behaviour buy for the sake of diversifying and not as a result of dissatisfaction with the product (Adcock, 1993: 57). To further illustrate the point, a consumer who regularly buys Kellog’s Corn Flakes, whom one day opts to purchase Nestle’s Honey Stars for a change, is engaging in variety-seeking buying behaviour. The consumer may be just bored of Kellog’s Corn Flakes for awhile after consuming them every morning and would like to try out a different cereal, not because he or she is discontented with Kellog’s Corn Flakes. Marketers have developed strategies to reduce this consumer behaviour, which will be discussed in the later sections of this report.

Habitual buying behaviour:

Consumers perform habitual buying behaviour when buying frequently purchased products that are relatively of low cost and that involves very little risk and decision effort (Kennedy and Kiel, 2000: 84). There is low consumer involvement and few differences between brands in this buying behaviour (Rowley, 1997: 89). These products are purchased almost automatically out of habit rather than brand loyalty by consumers( http://www.bbci.freeserve.co.uk/SAGEPROJECT/UnderstandingConsumerBehaviour.asp). This normally applies to grocery products. For instance, people do not generally spend much time or mental effort selecting a packet of sugar or a bar of soap. They do not really pay attention to the brand names of these products. Unlike complex buying behaviour, consumers who purchase the same product regularly, do not go through all the steps in the decision making process (Kotler, et al., 2001: 212). They need not undertake an information search or evaluate and compare the different products in the market. Instead, they receive information through repetitive advertisements on the television or newspapers and this forms brand familiarity. Consumers are not inclined to a product, rather, they select the particular brand out of familiarity (Kotler, et al., 2001: 212). They would just recognise their need and immediately make a purchase decision. They may not even bother to make a postpurchase evaluation (Rowley, 1997: 89).

Development a more effective and efficient marketing strategy:

Consumer buying behaviour is an integral part of marketing. Attaining a deeper comprehension of the different types of consumer buying behaviour would be a boon for marketers as it would assist them in developing a more sophisticated marketing strategy, thus allowing the organisation to compete more efficiently and effectively than it’s competitors (Mitchell, 2002: 74). By analysing the type of buying behaviour that relates to the organisation’s products, marketers are able perform effective segmentation, which may lead to a more efficient targeting of resources (Rowley, 1997: 89). For example, for products that are susceptible to complex buying behaviours such as automobiles and computers, marketers tend to concentrate on promoting them on the basis of the features and the benefits a consumer may gain from the products (Adcock, 1993: 56)..

Most car catalogues will show pictures of the engine and highlight the details of the technical features of the vehicle. For products that are more prone to dissonance-reducing and habitual buying behaviours, marketers will advertise substantially to ensure that their products will be considered by as many people as possible (Adcock, 1993: 57) and also to familiarise consumers with their products (East, 1997: 19). Providing another example, marketers will try to encourage habitual buying behaviour for products that are more inclined to variety-seeking buying behaviours among consumers by extensive advertising and dominating shelf space. In contrast, marketers may also try to encourage variety-seeking buying behaviour by offering promotions and free samples (Kotler, et al., 2001: 212). They do so to induce new customers to purchase their products. To summarise the point, a clear understanding of the types of buying behaviours can help marketers to construct relevant marketing strategies to market the particular product so as to increase the product’s sales.

Form a healthy relationship between buyers and sellers:

As mentioned earlier, one of the core functions of marketing is to connect buyers and sellers as efficiently and effectively as possible (Mitchell, 2002: 71). The marketing concept stresses that organisations should create a marketing mix that will satisfy their customers better than their competitors. To do so, marketers must examine the major influences that determine what, where, when and how consumers make purchasing decisions. According to Wilson (1998: 785), marketers who understand the types of buying behaviour that are related to their product will be able to come up with marketing techniques that will provide customer satisfaction and at the same time, establish brand loyalty among it’s customers. Marketers should always remind themselves that satisfied consumers would have a very positive impact on the organisation’s success. Therefore, it is essential for marketers to understand and evaluate the different types of consumer buying behaviour.

The four types of buying behaviour mentioned earlier basically summarises how and why consumers make their purchase decisions. However, one has to keep in mind that the purchase of a particular product does not always derive the same type of decision making behaviour (East, 1997: 19). For example, an affluent businessman who enjoys collecting cars may not undergo complex buying behaviour as opposed to an average earning salesman who is buying a car for transportation purposes. In conclusion, understanding consumer buying behaviour can assist marketers in constructing a more efficient and effective marketing strategy allowing them to form a tighter relationship with their customers. Hence, it is vital for marketers to understand the four different types of buying behaviour that relates to their product.

Understanding the buying behaviour of customers can help you better [understand their needs](https://neostrom.in/difference-between-needs-wants-and-demands/) and make them aware of the benefits that your product or service has to offer. A lot of people go into buying decisions on emotion rather than on facts. They may buy the first thing that they see, even if it is not really what they need. A way to handle this is to use both information and emotion.

Types of Buying Behaviour Chart are as follows-

Complex buying behaviour

Complex buying behaviour is a type of consumer behaviour where the consumer makes a large number of choices and evaluations before purchasing an item. It can be considered as a process that includes several cognitive, affective, and behavioural stages that the buyer goes through before making a purchase decision. The stages include Awareness, search and evaluation, decision making, and purchase. In this technique, you involve the consumer in every stage of the buying process from discovery to finalization. The goal is to help consumers make their purchasing decisions more aware through exploring various options that could work for them even though they don’t do it consciously.

Some examples of complex buying behaviours are:

Buying a house – [You have to decide whether you want to buy a house or not](https://www.nytimes.com/2017/01/06/opinion/the-home-buying-decision.html" \t "https://neostrom.in/types-of-buying-behaviour/_blank), and if so, which type of house you want to buy. There are many options available such as finding the right location for your home, finding the right amount of land that will suit your needs, deciding on what type of flooring material you want in your home, figuring out how much it will cost for renovations (which might vary depending on the type of renovation), and more.

Buying an expensive car – Choosing between cars like Audi S4 or BMW M5 is not easy at all because they are both very expensive cars with high-performance capabilities. The deciding factor would be if one has more features than the other or better performance capabilities.

Dissonance Reducing Buying Behaviour

In this situation, the involvement of buyers will be very high but the perceived differences between the brands will be very low. Dissonance is the discrepancy between what you want and what you actually do. It is a type of consumer behaviour in which the consumer feels more satisfied with the purchase they have made after comparing it to what they originally intended to buy.

After the purchase, the consumer may feel post-purchase dissonance. Post-purchase dissonance is the feeling of dissatisfaction with a product or service after the purchase. It is often caused by the customer not understanding what they are getting for their money, or if it’s worth it in general. The company that offers the product or service may also be at fault because they may have not provided enough information to help consumers make an informed decision. Finally, there are some factors that contribute to post-purchase dissonances like bad customer service, unclear terms and conditions, false advertising claims, and no recourse when these things happen.

An example of this buying behaviour is when people buy products that they can use as gifts for other people. This way, the buyer doesn’t have to deal with the guilt associated with not giving someone a gift or even feeling obligated to buy them something.

Habitual Buying Behaviour

Habitual buying behaviour is a pattern of buying that repeats itself over time. It is the pattern of spending that people find themselves drawn to and which they can’t seem to break from. It has been shown that there are three main types of habitual buyers:

The “New Purchase” Type – This type of buyer is constantly looking for new things and willing to try anything once. They tend to be impulsive, not rational or reflective in their decision-making process, and have little patience for researching different options.

The “Relative Value” Type – This type of buyer is always searching for the best deal possible on items they already know they like. They’re interested in saving money, but not as much as the New Purchase Type would be. They’re more cautious than the New Purchase Type because they don’t want to waste money on something that isn’t worth it or doesn’t work out in the long run.

The “Compensatory Action” Type – This type of buyer often buys what’s missing from their life so they feel better about themselves and their situation. They buy things like food when they’re hungry, entertainment when they’re bored, drugs when they need them, etc., because these purchases help them cope with emotions or change moods rather than actually feeling better about themselves after making a purchase like those made by the Relative Value Type might do.

Some examples of habitual buying behaviour include:

When it comes to food, we tend to buy the same items and eat them on a regular basis.

When it comes to clothes, we often go for the same brand and color.

When it comes to gifts, we may buy something that is similar or identical year after year.

Variety Seeking Buying Behaviour:

Variety-seeking buying behaviour is a type of consumer behaviour in which consumers tend to buy more items when they see a wider variety of products. It is characterized by low involvement and [low brand loyalty](https://neostrom.in/customer-relationship-groups/) from from the consumer. The idea behind this behavioural approach is that consumers want to buy different products or services on different occasions with each purchase being relatively small. This approach does not focus on price alone but also considers other factors such as product attributes, convenience, location, etc. This makes it easy for consumers to choose which product they want without feeling pressured into purchasing more than one item at a time.

Many food manufacturers thrive off of this type of consumer behaviour to help them make more profitable commercial decisions because the manufacture only needs to choose between a large or small variety and each product can be priced at different levels. This leads to increased sales and profits for the business because it means that the customers are willing to pay more for different products. An example of variety-seeking buying behaviour is when a person buys something online and then chooses the one that is the best fit for them.

1. **Suppose a seller of smartphone and going to sell a smartphone of samsung brand, explanation the three levels of product:**

The core product is defined as the benefit that the product brings to the customer. The actual product refers to the tangible object and relates to the physical quality and the design. The augmented product consists of the measures taken to help the consumer put the actual product to use.

A particular product has 5 levels (core benefit, generic product, expected level, augmented product, potential product). When a buyer buys a product, he buys a package, not only the tangible product. With a soap, you purchase, for example, the soap itself, an image, and a number of interrelated satisfactions.

The levels of product include the core customer value, the actual product and the augmented product. What you buy is a complex bundle of benefits that aim to satisfy your needs. This also means that when marketers develop products, they first must identify the core customer value.

Sales professionals use product levels to assess and assign how exactly a product can meet the customers' various demands, needs, and wants. Businesses can accomplish this by adjusting and adding products that appeal to clients at multiple value levels and categories.

The first level (at the center of the model) is the core need or benefit that the product is trying to meet or deliver. The best way to think about this is from a consumer's perspective.

Levels of Service Product: Consumer Benefit, Service Concept and...

The Consumer Benefit Concept: This terminology is used by Bateson. ...

The Service Concept: The service concept is the core of the service offering. ...

The Service offer.

A product description is the marketing copy that explains what a product is and why it's worth purchasing. The purpose of a product description is to supply customers with important information about the features and benefits of the product so they're compelled to buy.

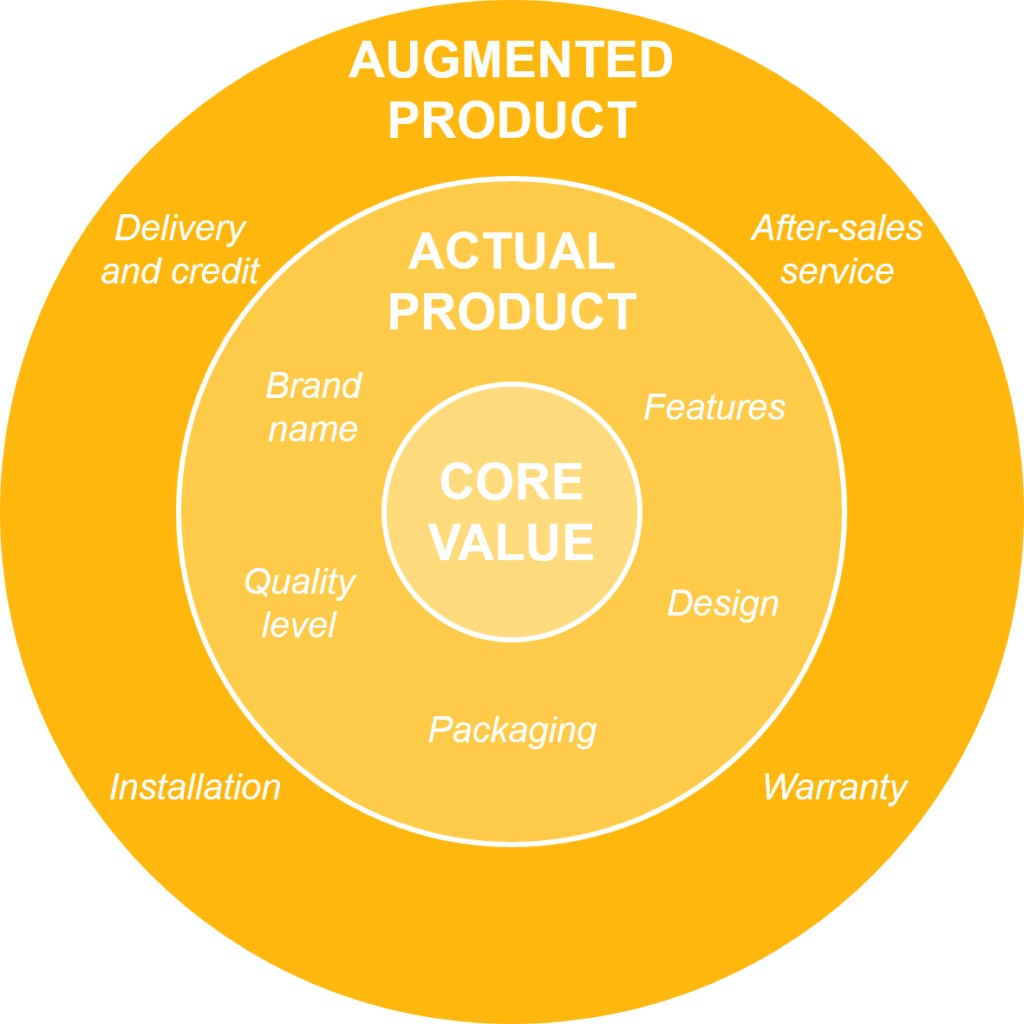
A product is the item offered for sale. A product can be a service or an item. It can be physical or in virtual or cyber form. Every product is made at a cost and each is sold at a price. The price that can be charged depends on the market, the quality, the marketing and the segment that is targeted.

They have analyzed the level in two terms of two components: (1) the core service or the substantive service which represents the core benefit. (2) The secondary service or the peripheral service which represents both the tangible and the augmented levels of the product.

Levels of Service Product: Consumer Benefit, Service Concept and Offer! Central to any definition of a service product, from a marketing viewpoint, is the linkage that must be established between the service products from the consumers' or users' viewpoint. Thank you mark me as brainliest.

Three Levels of Product:

A product is more than what you see, touch and feel. A product is actually a multi-layer concept. Even if they are not always obvious, the three levels of products are nearly always present: the Core Value, the Actual Product and the Augmented Product. Each level adds more customer value to the total product.

[](https://marketing-insider.eu/wp-content/uploads/2022/01/Three-Levels-of-Product-Core-Value-Actual-Product-and-Augmented-Product.png)Three Levels of Product – Core Value, Actual Product and Augmented Product

When I think of a product, I nearly always envision the “actual product”. Let’s start with an example. Sticking with the car example, I probably think of the car itself. I think of the brand, the features, the design, the performance, and so on. A different person might think of other aspects first – maybe the quality level or the sound of the engine. In nearly all cases, however, consumers would think of the actual product first because it is the most visible and obvious layer of the three levels of product.

The Core Customer Value – The Inner Layer:

The first and most basic level is called the core customer value, or core benefit. Although it is the first and inner layer, it is not the easiest to think of. As in the car example, would rather think of the obvious features than of the underlying core value.

In order to identify the core customer value of a product, you need to answer a simple question: What is the buyer really buying? In other words, what is the customer really looking for? In most cases, the core value is the basic need that is satisfied by the product. This basic need differs depending on the person and the specific demand. For a car, the basic need might be the transportation from A to B. I might also be the status symbol. It might be the option to participate in car races. For a smartphone, the core value might be communication. But it might also be freedom and on-the-go connectivity. Also here, it might be the status symbol.

As you can see, the core customer value can be many things – it is the underlying need and the reason why the product is bought in the first place. It is the core problem solved by the product. In contrast, all later levels of the product add detail and potentially additional reasons for buying this specific version of the product. They are basically “add-ons”.

When a marketer designs a product in the [new product development process](https://marketing-insider.eu/new-product-development-process/), the core problem should always be the starting point. What does the consumer really seek? What are problems that are not ideally solved by existing products? Thereby, ideas for new products are generated that solve problems in better ways than existing products.

It is important to note that products are rarely marketed by their core value. The reason is that the core value in most cases does not really offer competitive advantage. Usually, there are several alternatives available that satisfy the most basic need – either competing products or substitutes. Imagine if a car would be advertised by its ability to offer transportation. Quite a ridiculous thought. As many alternative products offer this core value, the differentiation usually happens at later stages – at the actual product or augmented product level. For instance, the specific car might be differentiated by its powerful engine and the interior quality.

The Actual Product – the Middle and Most Obvious Layer:

The second level of product is the actual product. Marketers should turn the core benefit they identified into an actual product. This involves developing product features, design, a quality level, a brand name and even a packaging. The actual product offers the best and easiest options for differentiation. Alternative products that offer the same core benefits can be set apart by different features, designs, qualities etc.

The smartphone or the car you buy are actual products. You buy the phone, the packaging, the functionality and so on.  You buy the car, the powerful engine, the sporty exhaust and so further. All these factors at the middle level of product relate to the core customer value. This reveals that the levels of product build up on each other. The smartphone’s name, parts, styling, features, packaging and other attributes all have been carefully combined to deliver the core customer value of staying connected.

As the examples show, different aspects of the actual product may appeal to different customers. This is also the main reason why most products can be purchased in a number of different versions. For instance, you can choose different colors and engines for a car, and different memory sizes for a smartphone.

The Augmented Product – The Outer Layer:

A product is completed by the last layer – the augmented product. While the actual product offers most differentiation potential, the augmented product adds further options to differentiate. It is usually built around the core value and the actual product. It simply offers additional consumer services and benefits.

Let’s consider an example. If buying a tablet device, getting more than the core customer value (e.g., communication), and also more than the actual product (brand, design, features, etc.). You also get the augmented product, which turns the product into a complete solution to connectivity problems as defined by the core customer value. This complete solution might take the form of a warranty, after-sale service, product support, instructions on how to use the device and so further.

Closing Words:

As we have learned, a product is more than what actually see when buy it. Three levels of product are involved in any purchase. The levels of product include the core customer value, the actual product and the augmented product. What buy is a complex bundle of benefits that aim to satisfy needs. This also means that when marketers develop products, they first must identify the core customer value. What is the problem the product will solve? Then, they must design the actual product and in addition find ways to augment it in order to create customer value and the most satisfying experience.

Samsung’s Innovation Strategy in Smart Phones market:

The Smart Phones Market has been fast evolving in terms of innovation. Samsung’s ‘Fast Follower’ innovative strategy as proved to be successful so far. However, even with higher sales in smart phones as compared to its competitor and market leader, apple, Samsung is now competing mainly on sales rather than innovation. In this study, we considered factors of innovation such as: innovative Strategy, Resources for innovation, Innovation Capabilities and Processes to analysis Samsung’s current situation.

The study then looks at Samsung’s opportunity to gain Smart Phones Market innovative leadership based on the 5G emerging technology. The same factors of innovation are analyzed based on existing gaps to suggest ways in which Samsung can leverage its domination in the mobile industry patents as well as the resources for innovation to gain competitive advantage and set market standards with 5G technologies.

The evolution of mobile phone technology begun in 1983 when Motorola first introduced their commercial cellular portable phones, the Motorola DynaTAC phone. [1] Mobile phones evolved over decades from chunky designs to sleek and light weight, and from keypad to touch screen. Either Apple or Samsung did not first introduce the idea of smartphone. Back in 1994, IBM launched their cellular phone/PDA (Personal Digital Assistance), Simon. The claim was that Simon is the first smartphone which had a touch LCD screen option, and also users could use wireless fax, paging and e-mails which are similar to smartphones nowadays. [2] The following picture shows the first commercial mobile phone from Motorola and first smartphone, Simon from IBM.

Figure 1: a) DynaTAC phone from Motorola (1984), b) Simon from IBM (1994), c) SH-100 from Samsung (1988)

The big players who dominate market share nowadays were obviously not the one who developed the technology. Samsung first entered the cellphone market in 1988 with their first analog phone, SH-100.

Unfortunately, their first model only sold about 100-200 units. [4] Samsung mobile started picking sales in 2002 when the model known as pebble-like design sold 10 million units. After that, Samsung’s sales continued to grow until 2012 when Samsung became the world largest market share in unit shipped surpassing Nokia, one of the big competitors in mobile phone market. [5] As is evident in Figure 2 which shows the mobile phone market share in 2012.

Figure 2: Worldwide Mobile Phone Market Share by Vendor in 2012

Background: Before Samsung established their company in mobile phone industry, the founder, Lee-Byung-Chull started the business as a small export company within Korea in 1938 and was originally called Samsung

Sanhoe. Then, in late 1960s, Samsung decided to join the electronic industry. [6] After that, the company became a pioneer in digital era from 2000-2010, which was also the time of revolutionary change. Samsung responded well to this need in technology with competitive products and price. Nowadays, Samsung does not only have businesses in electronic. Samsung expansion can be seen in other industries such as information, healthcare and biotech, environment energy, and convenience and comfort. [7]

Mission & Vision: The company mission is “To enrich people’s lives and social responsibilities, to contribute to sustainable future innovative technologies, product, and the aspiration for the design inspiration for the future society. “ This mission is related to their vision that is “Inspired the World, Create the Future.” It is the company’s

belief that aligning their business with the company’s vision and mission can help Samsung survive in the market, maintain the market share, and become a top five brands of the world by 2020. [7]

Business Culture: Company culture is very important in terms of innovation driver because it helps shape up the productive community within the organization. Moreover, business culture is also powerful to the company because it creates a behavior pattern inside the companies. [8] Samsung has a strong culture in their organization because in order to become an innovative company and world leader, their employees need to have the same understanding about their business and also business direction. Some of the business cultures that make Samsung a pioneer in the technology era are:

- The company has their own institution, Changjo Kwan to shape their employees’

understanding about their business.

- Only the CEO who has the power to control the company’s direction.

- Becoming the supplier before going into business.

- Creating costly barriers by investing massive money in plants and technology to limit the

competition.

- Trying everything to capture various market types by producing at different sizes,

specifications, and models and selling at different prices. These business cultures not only make Samsung a market leader, but they also teach lessons in struggle and success. One of the lessons thought is that after the company’s world tour, Lee-Byung-Chull noticed that their product sales had not met the expectation because the sale representative did not pay attention to their brand. Thus, the founder, Lee, called all his executives and had a meeting in Frankfurt, Germany. This meeting became the most importing event in Samsung business because the principal book of the New Management had occurred during the meeting as known as “The Frankfurt Declaration of 1993.” After establishing the company’s New Management book, Lee traveled throughout the world to give a

lecture to his employees, which had a central slogan, that, “Fostering the individual “and “Change begins with me.” Moreover, Quality Management becomes the most important idea for their production part because one of the stories shows that Samsung’s executives would not be reluctant to burn all phones they thought were not good enough to commercialize. 1.4 IM Division.

In 2012, Samsung Electronics launched an exhaustive program of organizational reform. As a top priority of the organizational reform, Samsung refined management structures in each business area to optimize capabilities throughout the entire company. Samsung’s new organizational structure reflects the company’s refocused emphasis on three key business sectors: Consumer Electronics (CE), IT & Mobile Communications (IM), and Device Solutions (DS). CE division includes visual display business (UHD, Smart TV, AV system), digital appliances business

(refrigerator, washer, air conditioner), printing solutions business (printer), health & medical equipment business (digital X-ray, ultra sound diagnostics). IM division is mainly divided into 3 business area such as mobile communication business (smart phone, tablet pc, computer), network business (3G, LTE network infrastructure system), digital imaging business (digital camera). DS division takes charge of semiconductor business (memory, system LSI) including LED business. [10]

Samsung Organization Chart:This study focuses more in the IT & Mobile Communication (IM) because this is a very important division that is evolving very fast with many innovations in only the past decade. Also, the IM division produces huge revenue for Samsung that translate in being a market leader. Additionally, the smartphone market has a stronger growth over the past few years after Apple came to the market in 2007. Both

Samsung and Apple together accounted almost half of the market share in the third quarter of 2013. Below is the IM contribution in revenue to Samsung. [11] Figure 4: Samsung Revenue by Segment [12] Another point that make IM division more interesting is that in this division Samsung’ success has been built on ‘fast follower’ strategy for design and manufacturing. The idea of fast follower is not try to be a technology leader, or come up with radical innovation product, but to be ready to change

when the market demands.As mentioned earlier, Samsung will learn the business from others before starting to compete in that area. They also create huge barriers to protect their business. Even after they become the market leader, Samsung is continually learning from their competitors to improve their product and technology. Moreover, Samsung will produce their product quicker and with more variety in terms of design, features and prices to capture the market demand faster and better than their competition.

In the beginning of feature phone business, Samsung used to follow the low-end market leader, which was Nokia. Samsung tried to keep the trend by differentiating its products with design, function, and feature. In 20120, Samsung exceeded Nokia to become a market leader while Nokia struggled to convert their portfolio to smartphone market. Samsung did not only follow the market leader. The company also looked at market environment and other competitors. Thus, while Nokia had a problem, Samsung started to catch up in another areas such as the smartphone market.

Worldwide Smartphone Sales to End Users Literature Review: About how Samsung manages innovation, several studies have been published. Song and et al [15] have explored the trajectory events in innovation of Galaxy of Samsung and iPhone of Apple. They measured the degree of innovativeness of products and services, and figured out trajectory of innovation of iPhone is steeper than that of Galaxy; the innovativeness of both are the same; product innovation is as effective as service innovation. Also they discussed that Apple has taken ‘technology innovation’ strategy while Samsung follows ‘marketing innovation’ strategy meaning Apple has few model of iPhone and makes its own operating systems as well as hardware when as Samsung offers a wide range of prices and specifications in various smart phones. Cho and et al [16] discuss that companies like Samsung must change their innovation strategy to get ready for ‘smart era’ when high speed mobile telecommunication is available. They focused on operating systems, device, and telecommunication services by applying a dynamic network model. They revealed companies need to establish industrial platforms to have high productive and healthy ecosystem. Hong [17] has introduced five modes for combinative innovation. The modes are dynamic combination

mode, open combination mode, vertical combination mode, functional combination mode, and multiple

combination mode. At the end, based on analyzing Samsung’s case, he concluded dynamic and functional

modes are more important for architectural innovation. In another research, Xie and Liang [18] have

applied Enterprise Innovation Index framework for four companies: Samsung, Apple, Xiaomi, and Nokia,

and generated a scorecard. They have shown that each company is leader in different segments in terms of

innovation. Samsung is leader in ‘mass market’, Apple in ‘high-end’, and Xiaomi in ‘middle-end’.

Emerald Publishing has published a view point article [19] discussing how Samsung has been ahead in

innovation by 2006.

Methodology:

As mentioned before, the main purpose of this research is realizing how Samsung can change its

innovation strategy from ‘fast follower’ to ‘leadership’ for the next era of communication systems, 5G

technology. To do so, ‘gap analysis’ is considered as the main method to analyze Samsung’s current

situation and Samsung’s ideal situation, be leader in 5G era. To organize the data and analyses, a simple

model [20] illustrated in Error! Reference source not found., is applied. The model contains four

components involved in innovation strategy:

- Strategy: it comprises current accepted strategy including ‘targets’, existing innovation efforts,

end the environment where the strategy must be implemented.

- Resource: refers to all available preferential and secured assets of a firm to be innovative.

- Capabilities: guide and enable the resources to be assessed, configured and reconfigured.

- Processes: means all innovation processes used to have the outcomes.

Based on the model, innovation strategy means how a company develops and deploys the resources,

capabilities, and processes to meet the corporate objectives.

Model of Innovation Strategy:

Innovation,

Strategy,

Innovation,

Process,

Innovative,

Capabilities,

Resources for

Innovation.

To realize Samsung’s future innovation strategy to transit from ‘follower’ to be ‘leadership’ in 5g

technologies era, in the next sections, the gap analyses are fulfilled for strategy, resources, capabilities,

and processes.

Innovation Strategy Analysis

Innovative Strategy

Samsung’s IM division is part of its DMC, Digital Media and Communications unit. This division

contains various products such as the 3G phone and smart phone, telecommunications systems, printers

and computers.

Recent and continuing economic recession has forced the global IT industry to undergo major change. As

consequences, Samsung is strengthening its soft power capacity by merging with promising new

businesses and proactively nurturing new businesses to become the new leader of the IT industry. This is

a move in a positive direction by Samsung as the company has already established its excellence in

hardware manufacturing.

Samsung’s need to continually innovate in the IM division is often seen in the risk the company takes by

launching products which have an initial luke-warm to not so good reviews in the technical world. An

example of such innovativeness is the phablet Galaxy Note. This product can be seen as a mutation

between a smartphone and a tablet but not quite either one. At the 2012 product launch, the phablet sold

more than 10million units making it one of the most successful smartphone launches in history. [22] That

success was followed by the Galaxy Note II, which sold 5 million units at its fall 2012 launch.

Samsung’s strategic management revolves around creativity, partnership and talent. The same strategy is

applied throughout all the company’s divisions including the smart phones devices. Samsung opts to

diversify its portfolio in order to keep innovating and creating products that reflects customers’ needs.

Samsung is what is referred to as a market reader. Samsung’s has established itself as the fast follower to

apple when mobile devices are concerned. Samsung waits for the market to be established and go for it

Aggressively.

Samsung wants to inspire the world and create a sustainable environment for a better future. The

company listens to its customers and one thing that is loud coming from customers is the concern for the

environment. Samsung’s innovation strategy for the future includes creating the Eco-Management 2013

plan. This plan is to reduce greenhouse gas emissions from manufacturing facilities by 50% and reduce

indirect greenhouse gas emissions from all products by 84 million tons over 5 years. [23]

9

Samsung’s executive vice president Kim Hyun-suk stated that the company‘s intent is not to drive the

market, but to get ideas from the market. The statement may sounds like the company does not innovate.

Far from the statement being real. Samsung is a huge risk taker even when choosing to let the market lead

the company. Products such as the Galaxy camera and Galaxy note which created two new products

categories; the connected camera and the phablet. [24] The company strategic vision also involves hiring

the best talent available. The company employs great people who have passion for excellence and an

unfaltering commitment to develop the best products and services on the market. The company belief is

that change is constant and innovation is critical to a company’s survival. Long term success in the future

consists in anticipating market needs and demands. [25] According to Forbes, what makes Samsung such

an innovative company is the use of the TRIZ also known as TRIPS method for patent strategies. The

method is employed to obtain competitive patent strategies, strengthening your own patent and

development of other patent claims. [26] Another strategy Samsung uses in the smart phones is based on

securing patents through partnership. Samsung allies itself with the best players in the market. Partners

in cross license partnerships including such well-established and renowned companies such as Toshiba,

Qualcomm, Kodak, IBM and Microsoft.

Innovative Capabilities

The competitive Supply chain

Samsung is unusual among mobile manufacturers in that it tends to use its own hardware components to

produce its handsets, rather than sourcing them from third parties, as it actually has the resources to

achieve this. Approximately 70% of the major components used in Samsung Electronics smartphones

come from in-house production. Samsung is so much more than a smartphone-maker. It is a

conglomerate, a manufacturer, and the world's largest chip-maker. It makes many of the components that

go into its smartphones giving it a cost advantage and allowing it to be much more flexible in terms of

what it produces and when. This table from JP Morgan makes it clear how much Samsung produces on its

own. [28] The company’s supply chain is a combination of outsourcing and in-house production – a

major difference from its main competitor, Apple which relies entirely on contract manufacturers.

Samsung has indicated its approach as a competitive advantage for the company. Samsung manufactures

more than 90% of our products internally and only relies on contractors for peripheral products such as

components, feature phones and handset cases.

Samsung believes this approach allows it to adapt quickly to changing market conditions. Industry

analysts cite Samsung’s vertical integration as a competitive advantage for the company. It designs and

manufactures four of the most valuable components in handsets: application processors, DRAM, NAND

flash and displays – which together constitute about two-thirds of a phone’s bill of materials. [29] Apple,

on the other hand, though it has a diverse, well-managed, and futuristic supply chain, relies on external

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partners, which can lead to delays and difficulties.

The rigid relationship with mobile carrier from feature phone

Samsung also has a huge advantage in distribution. Especially, Samsung already had relationships with

wireless carriers. It’s exceedingly hard to get your product in people’s hands without the help of carriers.

They become your marketing assistant, your sales force, and your customer-support division. Samsung

already had relationships with more than 500 carriers around the world. It says that Going from feature

phones to smartphones was a flip of the switch for them.

Leadership of Top management:

There was ordered from top management in March 2010 to develop the smart phone to compete with I-

phone. Samsung concentrated on their all resource to release the Galaxy S with same day of I-Phone 4.

They hired s/w experts by 2 times comparing last year and the R&D investment used to develop the

Galaxy S.

Forecasting the market transforming:

The company moved aggressively into smartphones, throwing away the lower-margin feature phones to

which other manufacturers (such as Nokia) held on to support their business. “Samsung could see that this

is where the market was heading”

Vertical integration:

Another major part of the success of Samsung can be explained through their vertical integration.

Samsung possesses the capability to manufacture most products in-house, which enables them to react to

market changes with more speed than other manufacturers. For instance Samsung fabricates their own

LCD-screens, has its own memory-plants and semi-conductor plants and fabricates its own camera-

sensors.

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sensors.

Resources for Innovation

Operations of Overseas Research Centers:

Samsung is innovating all around the globe with various R&D, Research Centers and partnerships labs.

These resources allow the company to maintain is fast follower track and keep introducing new and

revolutionary products to customers in a fast and effective manner. [31]

Participation in global consortiums:

With such innovative ideas as the Car connectivity Consortium, Samsung is partnered with automotive

companies such as Daimler, GM, Honda, Hyundai, Toyota, and VW to drive "global innovation for in-

vehicle connectivity, “This alliance provides Samsung customers with in-vehicle connectivity solutions in

standards such as Terminal Mode, NFC and more. People want to use their smartphones everywhere

including in their cars. Samsung expects that the smartphone will be the dominant hub for in-vehicle

infotainment and connectivity.

Mobile Technology Patents:

In the mobile market, patents are used for competitive advantage. Samsung is well known as a giant in

the mobile phones market thanks to its well established innovative reputation. This is greatly due to the

number of mobile patents the company holds in comparison the other big names in the market. Samsung

has held on to its dominance in the number of patents since 2012 and the prediction is that the company

will remain as near the top if not even the top company in mobile patents even with the rise of patents

outputs coming out of competitors from China.

It has service dealers who handle the key accounts for it. It also sells the products through large retailers. Consumers can browse through products in the showrooms and choose their items of choice.

Samsung's marketing strategy focuses on developing new innovative products that are supported by strong branding and promotional campaigns.

It is one of the best companies in the world. They are especially known for their amazing Android phones. Stable software, Durability, Good camera, Quality, and reliability are the main plus point for Samsung.

One way Samsung can reach new audiences is by paying the sites to place adverts on the site in order to target new users. This makes the line between microblogging and plain advertising blurry however. Microblogging is one the main ways Samsung uses Social media to reach their audience.

Factors that are playing a key positive role in the success of Samsung Electronics are the following.

Variety of products.

Latest technology use.

Biggest technology Supplier in the world.

**Answer to the question n. 2**

**Pricing strategy may prefer to skim maximum revenue:**

A price maximization strategy aims to make pricing decisions that generate the greatest revenue for the company. Calculating the fixed and variable costs a business will incur, and then figuring out how to minimize these costs, aids in arriving at a profit-maximizing output.

Skim pricing, also known as price skimming, is a pricing strategy that sets new product prices high and subsequently lowers them as competitors enter the market. Skim pricing is the opposite of penetration pricing, which prices newly launched products low to build a big customer base at the outset.

Setting a high price for a new product in order to skim maximum revenues layer by layer from the segments willing to pay the high price is called Market Skimming pricing.

Electronic products – take the Apple iPhone, for example – often utilize a price skimming strategy during the initial launch period. Then, after competitors launch rival products, i.e., the Samsung Galaxy, the price of the product drops so that the product retains a competitive advantage.

Price skimming is often used when a new type of product enters the market. The goal is to gather as much revenue as possible while consumer demand is high and competition has not entered the market.

Price skimming examples are mostly seen among tech giants, like Apple, Samsung, Sony, and other companies that develop new technologies that they know are high in demand.

The automobile will justify a price skimming strategy because the manufacturer will need to recoup research and development costs, and it will take several years for the competition to catch up.

Price skimming can also be considered price discrimination, which is the strategy of selling the same product at different prices to different groups of consumers. In some cases, this strategy is against the law, but the actual conditions that define illegal price discrimination are shady, to say the least.

Value pricing is perhaps the most important pricing strategy of all. This takes into account how beneficial, high-quality, and important your customers believe your products or services to be.

Consider these seven common strategies that many new businesses use to attract customers.

Price skimming. ...

Market penetration pricing. ...

Premium pricing. ...

Economy pricing. ...

Bundle pricing. ...

Value-based pricing. ...

Dynamic pricing.

There are really three options to consider: skim, penetration, or neutral. The key here is that prices should be established at the customer segment level to reflect value differences by customer segment and maximize profit. Prices are based on three dimensions that are cost, demand, and competition. The organization can use any of the dimensions or combination of dimensions to set the price of a product.

A price maximization strategy aims to make pricing decisions that generate the greatest revenue for the company. Calculating the fixed and variable costs a business will incur, and then figuring out how to minimize these costs, aids in arriving at a profit-maximizing output.

There are four main outside considerations I keep in mind when setting my prices:

Market Share. Sometimes to maximize your long-term profits, you need to sacrifice your short-term income in exchange for more market share. ...

Lifetime Value. Make sure you know your average customer's lifetime value. ...

Competition. ...

Brand Image.

Cost plus pricing is the simplest method of determining price, and embodies the basic idea behind doing business. You make something, sell it for more than you spent making it (because you've added value by providing the product), and buy something nice with the difference.

Price skimming, also known as skim pricing, is a pricing strategy in which a firm charges a high initial price and then gradually lowers the price to attract more price-sensitive customers. The pricing strategy is usually used by a [first mover](https://corporatefinanceinstitute.com/resources/knowledge/strategy/first-mover-advantage/) who faces little to no competition. Price skimming is not a viable long-term pricing strategy, as competitors eventually launch rival products and put pricing pressure on the first company.

Price skimming is used to maximize profits when a new product or service is deployed. Therefore, the pricing strategy is largely effective with a breakthrough product, where the firm is the first to enter the marketplace. In such a strategy, the goal is to generate the maximum profit in the shortest time possible, rather than to generate maximum sales. This enables a firm to quickly recover its [sunk costs](https://corporatefinanceinstitute.com/resources/knowledge/economics/sunk-cost/) before increased competition and pricing pressure arise.

Consider the diffusion of innovation, a theory that explains the rate at which a product spreads throughout a [social system](http://www.nyu.edu/classes/jackson/analysis.of.inequality/" \t "https://corporatefinanceinstitute.com/resources/knowledge/strategy/price-skimming/_blank). Innovators are those who want to be the first to get a new product or service. They are risk-takers and price insensitive. A price skimming strategy tries to get the highest possible profit from innovators and early adopters. As the demand from these two consumer segments fills up, the price of the product is reduced, to target more price-sensitive customers such as early majorities and late majorities.

A pricing approach in which the producer sets a high introductory price to attract buyers with a strong desire for the product and the resources to buy it, and then gradually reduces the price to attract the next and subsequent layers of the market.

A price skimming strategy tries to get the highest possible profit from innovators and early adopters. As the demand from these two consumer segments fills up, the price of the product is reduced, to target more price-sensitive customers such as early majorities and late majorities.

**Answer to the question n. 3**

**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. ( Approved 2017)

It is, in short, an action taken to bring attention to a business' offerings; they can be physical goods for sale or services offered. Common examples of marketing at work include television commercials, billboards on the side of the road, and magazine advertisements.

There are four original principles of marketing referred to as 4Ps or 4P marketing Matrix that companies use for their marketing strategy. These four basic marketing principles Product, Price, Place, and Promotion are interconnected and work together; hence, they are also known as Marketing

Key characteristics of a great marketing and sales relationship include:

Shared Vision For The Company. ...

Mutual Understanding & Respect. ...

Win-Win Attitude. ...

Shared Standards When It Comes To Lead Quality. ...

Communication. ...

Spend Time Together. ...

Give Credit Where It's Due.

Marketing is Goal Oriented: The ultimate goal of marketing is to generate profits through the satisfaction of the customer. Marketing is a continuous process: marketing is not an isolated, static process but is a complex, continuous and interrelated process. It involves continuous planning, implementation and control.

A marketing plan is the advertising strategy that a business will implement to sell its product or service. The marketing plan will help determine who the target market is, how best to reach them, at what price point the product or service should be sold, and how the company will measure its efforts.

We can all agree: The best marketing educates people, helps them make informed decisions about their purchases, and ultimately drives their buying behavior.

If looking for the overall most effective marketing strategy for small business, content marketing is the winner. Content marketing encompasses blogs, videos, social media posts, podcasts, webinars, and more – basically, any type of content can distribute online falls into this category.

The Benefits of Marketing Your Business

Growing your sales. When you employ good marketing tactics, you will make more sales. ...

Using and managing your reputation. ...

Audience marketing benefits. ...

You earn trust. ...

Knowing what works. ...

Learning the marketplace.

Scope of Marketing – Goods, Services, Persons, Experiences, Events, Places, Organizations as a Brand, Information, Ownership of Property and Ideas. Marketing is pervasive in scope; any type of entity which is of value to a market segment can be marketed.

Marketing drives a consumer economy, promoting goods and services and targeting consumers most likely to become buyers. Higher sales for a business that employs successful marketing strategies translate into expansion, job creation, higher tax revenue for governments and, eventually, overall economic growth.

Types of Companies That Need Digital Marketing Services

Ecommerce. Ecommerce businesses sell goods online and are therefore heavily reliant on website traffic. ...

Auto Dealerships. ...

Restaurants & Bars. ...

Hotels/Hospitality. ...

Law Firms. ...

Medical/Healthcare. ...

Contractors/Construction Companies. ...

Moving Companies.

Brand marketing is the process of establishing and growing a relationship between a brand and consumers. Rather than highlighting an individual product or service, brand marketing promotes the entirety of the brand, using the products and services as proof points that support the brand's promise.

Five examples of marketing:

Get on the Phone and Cold Call. Whether they call current customers or members of the general public, companies often simply call people up on the phone and offer them services. ...

Send a Punchy Newsletter. ...

Search Engine Marketing. ...

Meeting Customers at Trade Shows. ...

Product Placement in Entertainment.

A well-defined marketing strategy leads to an increase in the business sales and marketing. This directly impacts the revenue generated as the more you reach out to people, the more they reach out to your business or brand. Of course, the marketing of a business is directly related to the sales it generates.

In marketing, a product is an object, or system, or service made available for consumer use as of the consumer demand; it is anything that can be offered to a market to satisfy the desire or need of a customer.

Like many professions, digital marketing requires both a core set of hard skills (which can be relatively straightforward to learn) and a longer list of career attributes that might take years to master.

Services marketing is a form of marketing businesses that provide a service to their customers use to increase brand awareness and sales. Unlike product marketing, services marketing focuses on advertising intangible transactions that provide value to customers.

The Marketing and Advertising Industry Sector comprises companies providing advertising, marketing or public relations services. The Industry Sector is a classification that describes the activity of an entity within the economy.

The “father of digital marketing,” Philip Kotler, is often referred to as such. He is an American professor who is credited with founding marketing as an academic discipline and has produced over 60 marketing books.

Philip Kotler is widely acknowledged as the father of modern marketing and with 57 books to his name it's not hard to understand why he is such an authority.

The importance of marketing for your business is that it makes the customers aware of your products or services, engages them, and helps them make the buying decision. Furthermore, a marketing plan, a part of your business plan helps in creating and maintaining demand, relevance, reputation, competition, etc.

**The business buying process:**

The process of business buying is an important concept for daily operations. When a business has a problem, they often need to purchase something from another business to solve it. By better understanding the process of business buying, businesses can make better decisions and save money. In this guide, we discuss the business buying process, identify its benefits and provide tips for implementing an effective process.

The process of business buying is the steps a business goes through to complete a purchase from another business. Businesses need all sorts of things to operate, much of which they cannot produce for themselves. Therefore, they must work with other businesses to supply what they need.

For example, a business may need a safe way to store all its business data. One option is to work with a cloud-based storage provider, which would store the business's information online for a monthly fee. The business does not have its own cloud storage system, so they would purchase this service from another business.

The business-to-business buying process is similar to that of customers buying from a business, but with one key difference. In B2B buying, the business doing the buying typically goes through a more thorough research and approval process. There are more people involved when a business buys something from another business, as the needs of a business are often larger and more complex.

Related: [What is the Difference Between B2C and B2B?](https://www.indeed.com/career-advice/career-development/b2b-vs-b2c" \t "https://www.indeed.com/career-advice/career-development/_blank)

Process for business-to-business buying

The process for one business buying something from another typically goes through the following phases:

Recognizing there is a problem

Someone within your business first recognizes that there is a problem and that buying something is the solution. For example, your business might need digital products throughout the office or software to communicate remotely. These types of problems require that you work with another business to solve the issue. A problem such as employee errors or poor communication, however, may require internal workflow adjustments rather than making a purchase.

Defining the problem

Before you purchase something to solve your business's problem, define exactly what the problem is. For example, if your business needs touch-screen tablets for its associates, decide exactly which type of touch-screen tablet you need and how many of them. The exact nature of your issue plays a role in determining which business will be your supplier. A business that needs 120 touch-screen tablets may work with a different supplier than a business that needs eight touch-screen tablets.

Researching solutions

You may not know exactly what you need to solve your problem. Conduct some preliminary research into businesses that could provide a solution for you. Collect information such as the businesses' names, how to contact them, the solutions they provide, their costs and how long it would take to deliver your order. The purpose of this step is to see your options and learn which type of solutions exist for your problem.

Requesting a quote

In some cases, you may need to request a quote from a supplier. Contact the supplier and let them know exactly what it is you are looking for. With this information, the supplier can provide you with a cost and delivery time estimate. If your research revealed multiple potential suppliers, gather quotes from all of them.

Comparing providers

Use the research you gathered about different solution suppliers to find your best option by comparing them against one another. Create a list of the benefits and drawbacks of each supplier. Consider factors such as the cost, the delivery time, extra fees and the reputation of the supplier when making your decision.

Completing the purchase

Choose the best supplier from your list and submit a purchase order. Completing the purchase order often requires approval from the appropriate person or department within your business, along with both businesses signing a contract. All stakeholders must agree to the terms of the purchase, such as cost and delivery times, and sign off on them.

Upon delivery of the products or service, your business should conduct a thorough review to ensure quality. If there is an issue with the order, it's important to alert the supplier right away so that they can resolve the issue.

Evaluating the process

Set up a regular inspection of your business's purchase process. There are three things to specifically analyze. First, analyze the process itself. Look for better ways to compare suppliers or request quotes from potential suppliers.

Second, evaluate your business's needs. As your needs change over time, you may require a different supplier for recurring orders. Even if a supplier provides high-quality service or products, they may no longer be the right fit for your new problems.

Lastly, analyze the supplier. Ensure they continue to provide high-quality service and reasonable costs. If your supplier regularly delivers products late or continues to raise their prices, it may be helpful to consider other options.

The best way to discover problems within your business is by involving as many people as possible. Foster a workplace environment that encourages feedback from everyone regarding problems they notice in their workday. You may learn of a problem that you never considered by simply bringing more voices into the conversation. At the same time, if your employees have potential solutions to these problems, listen to these as well. They may know of a more affordable supplier or have another solution that can improve spending or workplace efficiency.

The steps a consumer commonly takes when making a buying decision is known in marketing as the buying process. Get an overview of the buying process and its stages, then learn how marketers try to influence those stages.

Most business customers use one or more of the following methods: description, inspection, sampling, and negotiation. Standardized products may be purchased on the basis of a description of desired characteristics.

A business buyer can be an individual, a group of individuals, an institutional investor, a company in your industry or a related industry, or even a competitor. They each have different characteristics, desires, processes, and financing capabilities.