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Answer to the Question No 1

Brand Equity:

Brand equity refers to a value premium that a company generates from a product with a recognizable name when compared to a generic equivalent. Companies can create brand equity for their products by making them memorable, easily recognizable, and superior in quality and reliability. Mass marketing campaigns also help to create brand equity.

When a company has positive brand equity, customers willingly pay a high price for its products, even though they could get the same thing from a competitor for less. Customers, in effect, pay a price premium to do business with a firm they know and admire. Because the company with brand equity does not incur a higher expense than its competitors to produce the product and bring it to market, the difference in price goes to their margin. The firm's brand equity enables it to make a bigger profit on each sale.

Factors That Affect Pricing Policy:

As an owner my firm has to look at a myriad of other factors before setting its prices. Those factors include –

- The offering's costs
- The demand
- The customers whose needs it is designed to meet,
- The external environment—such as the competition, the economy
- Government regulations
- Other aspects of the marketing mix, such as the nature of the offering
- The current stage of its product life cycle, and its promotion and distribution.

If my company plans to sell its products or services in international markets, research on the factors for each market must be analyzed before setting prices. My company must understand buyers, competitors, the economic conditions, and political regulations in other markets before we can compete successfully. Next we look at each of the factors and what they entail.

As an owner I need to consider three important factors before setting up the pricing policy. Three important factors are whether the buyers perceive the product offers value, how many buyers there are, and how sensitive they are to changes in price. In addition to gathering data on the size of markets, my company must try to determine how price sensitive customers are. Will customers buy the product, given its price? Or will they believe the value is not equal to the cost and choose an alternative or decide they can do without the product or service? Equally important is how much buyers are willing to pay for the offering. Figuring out how consumers will respond to prices involves judgment as well as research.

- ***Price elasticity***, or people's sensitivity to price changes, affects the demand for products.
  Price elasticity = percentage change in quantity demanded ÷ percentage change in price.
  When consumers are very sensitive to the price change of a product—that is, they buy more of it at low prices and less of it at high prices—the demand for it is price elastic. The number of competing products and substitutes available affects the elasticity of demand.
- ***Competitors***
  How competitors price and sell their products will have a tremendous effect on a firm's pricing decisions. Because my company want to establish and maintain loyal customers, we will match our competitors' prices.
- ***The Economy and Government Laws and Regulations***
  The economy also has a tremendous effect on pricing decisions. When the economy is weak and many people are unemployed, companies often lower their prices. In international markets, currency exchange rates also affect pricing decisions. Pricing decisions are affected by federal and state regulations. Regulations are designed to protect consumers, promote competition, and encourage ethical and fair behavior by businesses.
- ***Product Costs***
  The costs of the product, its inputs, including the amount spent on product development, testing, and packaging required have to be taken into account when a pricing decision is made. So do the costs related to promotion and distribution.

Answer to the Question No 2

A business buying process gives me the opportunity to examine my company's specific needs in detail and select products and vendors that are most effective for your situation. By following a business purchasing process, I will not only complete my purchase but also examine the results so I can know what may work better for future purchases.

The 8 steps of the business purchasing process are:

- identifying the business need;
- determining a budget;
- selecting a purchasing team;
- defining specifications;
- searching for options;
- evaluating options;
- making the purchase; and
- re-evaluating the purchase.

Identify the business need

Purchasing is an important aspect of running a business, so it's imperative that businesses make decisions to buy products and services that will enhance their operations in some way. Before making a purchase decision, I must identify a true need of my company. For example, purchasing new software may improve inventory management, or adding a printer might increase productivity.

Determine a budget

Whether it's small or large, a budget can help keep businesses from overspending and seemingly underspending on purchases they need to make for their operations. A budget will provide our purchasing team with a guideline they can use as they research vendors and products, and weigh purchasing possibilities.

Select a purchasing team

We will select individuals of our staff to research options for the purchase our company wants to make. It helps to use individuals who are on the front lines and involved with the item we plan to purchase. These individuals understand the processes behind the item being purchased and are likely most familiar with the features and benefits that can add value to our organization.

Define specifications

We will work with the purchasing team to develop a clear picture of the specifications for the product or service your company is planning to buy. If we are purchasing a printer for a real estate office, the specifications might include a machine that prints in color, is under 24 inches in size, prints on glossy and photo paper, has 64 MB of memory and wireless connectivity, prints up to 17 pages per minute and works with Mac- or Windows-based operating systems. These details can help our purchasing team identify items that fulfill our company's needs immediately versus researching options that don't fit the overall needs.

Search for options

We will use the product specifications to search for viable options. Find vendors and suppliers who offer the product we are in search of. We will take into account vendors we have worked with in the past, those who have sales or offer discounts.

Evaluate our options

We will narrow our search and identify the best options for our business. Work with the purchasing team to identify the pros and cons of each option. Consider costs, features, maintenance, delivery times, payment options, customer service and vendor reputation.

Make the purchase

We will determine how our company plans to pay for the purchase and identify the purchasing team member to sign off on the purchase. We will contact the vendor who provides the product we want to buy and make our purchase.

Re-evaluate the purchase

It's important to follow up on purchases to determine whether or not the purchase is working for our team. We will get feedback on the purchase so that we can know if changes need to be made to the specifications if the product or software must be updated in the future.

Answer to the Question No 3

Segmenting, at its most basic, is the separation of a group of customers with different needs into subgroups of customers with similar needs and preferences. By doing this, a company can better tailor and target its products and services to meet each segment's needs.

A useful segmentation should include these six characteristics:

1) **Identifiable :** You should be able to identify customers in each segment and measure their characteristics, like demographics or usage behavior.

2) **Substantial :** It's usually not cost-effective to target small segments; a segment, therefore, must be large enough to be potentially profitable.

3) **Accessible :** It sounds obvious, but your company should be able to reach its segments via communication and distribution channels. When it comes to young people, for example, your company should have access to Twitter and Tumblr and know how to use them authentically or, as Clearblue smartly did, reach out to celebrities with active Twitter presences to do some of your marketing for you.

4) **Stable:** In order for a marketing effort to be successful, a segment should be stable enough for a long enough period of time to be marketed to strategically. For example, lifestyle is often used as a way to segment. But research has found that, internationally, lifestyle is dynamic and constantly evolving. Thus, segmenting based on that variable globally might not be wise.

5) Differentiable: The people (or organizations, in B2B marketing) in a segment should have similar needs that are clearly different from the needs of other people in other segments.

6) Actionable: You have to be able to provide products or services to your segments. Eg: One U.S. insurance company, for example, spent a lot of time and money identifying a segment, only to discover that it couldn't find any customers for its insurance product in that segment, nor was the organization able to design any actions to target them.

Now you can start breaking down segments by who buys, what they buy, and why they buy (or use or view, etc.) it.

Answer to the Question No 4

A) Buying Situation:

A buying situation relates to the circumstances surrounding a purchase that can be defined by the quality of information and experience that the buyer has concerning the products and vendors available, as well as the effort it will take to make the purchase decision. In general, there are three major types of buying situations.

- The new task is a business buying situation in which the buyer purchases a product or service for the first time.
- The modified rebuy is defined as a business buying situation in which the buyer wants to modify product specifications, prices, terms, or suppliers.
- Straight rebuy is a buying situation in which the buyer routinely reorders something without any modifications.

B) Point of parity vs point of difference:

Points of parity are the bare minimum for competitive businesses. If you want to be competitive, your company needs to have all the points of parity covered. Points of difference, also known as points of differentiation or POD, is what you need to determine once the points of parity have been covered.

For the most effective marketing, businesses have to convey both points of parity and points of difference. POP tells your target market your product or service meets their basic needs. POD tells consumers why your product or service is the best option over competitors that also have the essentials covered.

Points of parity should be mentioned, but your points of difference should be the core message. Consumers just need to know you can meet the points of parity that they are familiar with. If that seems like all your company has to offer, then there's no reason for the consumer to choose you over the competition.

C) Opinion Leaders:

Opinion leaders are the people who were once called "industry insiders" or "decision-makers." They have established authority in a given area, market, or industry. Some may make a career out of influencing their audience on everything from industry trends to current events and consumer behavior. Others may simply be active and trusted in a given community, whether that community corresponds to a physical area, industry, or online community.

Social media has expanded the definition of what an opinion leader is by facilitating the rise of internet influencers. This set of opinion leaders may or may not have professional experience in a given industry. Instead of industry expertise, these opinion leaders build a following by developing a branded online persona that takes advantage of social networks and social media trends.

Eg: A verified Twitter user with a large following is likely to be considered an opinion leader. Likewise, a YouTuber with consistently high view rates for their videos will likely have an audience they can exert influence on. These influencers often have a connection with their audiences that feels personal to followers. This creates a high level of trust that is hard to achieve through traditional advertising channels.

D) Business Market vs Consumer Market:

Business markets refer to organizations, businesses or entities that acquire products and services for use in the production of other services and products. On the other hand, consumer markets refer to markets whereby businesses or producers sell their products or services directly to the final consumers.

- **Demand**

  While business markets have inelastic demand, consumer markets have an elastic demand.
- **Number of buyers**

Business markets have fewer buyers who often buy in large quantities. On the other hand, consumer markets have many buyers who purchase in small quantities.

- **Buying process**
  While business markets have formalized buying processes whereby the purchasing process involves following the organization's protocol and the complete chain of command, consumer markets do not have formalized buying processes.
- **Decision making**
  Since business markets entail many products, decision making before purchases are made is slow. On the other hand, the decision making in consumer markets is fast since impulse buying is rampant.
- **Investments**
  While business markets invest heavily in capital equipment, consumer markets invest heavily in marketing and promotion activities.
- **Market segmentation**
  Business markets segment their businesses based on the industry, ownership, level of technology and end market reached. On the other hand, consumer markets segment their businesses based on demographic, behavioristic, psychographic and geographic characteristics.