

Business Finance.

MARKETING.

1. Discuss the value of monitoring market share compared to using absolute measure of performanc.
 - Industrial concentration. By definition, the combined market share of all competing firms (= 100%) will be dispersed over fewer firms in a more concentrated industry than in a less concentrated industry. Therefore, a positive relationship would exist between market share and industry concentration. Meanwhile, the relationship between market structure and profit performance can be addressed in reference to the structure-conduct performance (SCP) paradigm (Bain 1951, 1956), which posits that industry structure variables (e.g., concentration) influence the firm's strategy (conduct) to eventually affect its performance. Embedded in the SCP perspective is the view that the firm attempts to control the output in the market by Therefore, more concentrated industries are expected to be more profitable.
 - Market growth rate. High-growth markets are generally viewed as relatively more attractive by businesses because of the high margins and growing demand that characterize them. Consequently, it would be expected that most firms would show a propensity to exit low- or moderate-growth markets and enter highgrowth markets. Therefore, everything else being equal, the combined market share of all competing firms (= 100%) in relatively high-growth markets will be dispersed over a larger number of firms in such a way that market growth rate and market share would be inversely related.
 - Product line breadth. A broad product line can lower the risk of market share erosion when consumers engage in variety-seeking behavior (i.e., variety-seeking could occur within the firm's offerings) and/or when consumers are deal-prone (i.e., by ensuring that one of the firm's offerings is on deal). A broad product line can also minimize market share erosion by acting as an entry barrier, i.e., closing alternative product forms, sizes, etc., as entry points and preempting competition by occupying more shelfspace (Rao and Rutenberg 1979).
 - Product customization. A priori, it is difficult to predict whether producing customized goods (versus standardized goods) will lead to more or fewer sales for the business. On one hand, customized products could satisfy the heterogeneous needs of buyers better than standardized goods, thereby leading to more sales. On the other hand, customized products can be more expensive to produce because they eschew economies in production, and these higher costs may lead to higher prices, fewer sales, and lower market share. The effect of producing customized products on profits is also equivocal. For example, product differentiation taken to the extreme achieves the objective of moving away from price competition and aids in commanding a price premium.
 - Advertising and sales force expenditures. Expenditures on advertising and sales staffs are shown to affect sales and market share positively, especially when the quality of marketing effort is held constant. Economies of scale associated with larger amounts of marketing effort and economies of scope resulting from sharing marketing resources with other businesses in the firm's portfolio may also have a favorable effect on the positive relationship between marketing communication effort and market share. However, the effect of marketing expenditures on profit could be positive or negative. All else being equal, lowering marketing expenditures per unit of good sold (1) lowers the per-unit costs of selling and (2) increases profit margins to ultimately increase ROI and ROS. But marketing expenditures and profits would not exhibit a relationship when the increased sales from spending more on marketing efforts just offset the reduction in profit margins that occur when marketing efforts are increased..
2. Discuss the scope of an organization's marketing audit and elements of that audit.



Marketing auditing procedures

- **Setting the Objective and Scope**
Meeting between the company officer(s) and a potential auditor to explore the nature of the marketing operations.
- **Gathering the Data**
Detailed plan as to who is to be interviewed, the questions to be asked and place of contact has to be carefully prepared.
- **Preparing and Presenting the Report**
Marketing auditor prepares notes for a visual and verbal presentation.

Elements of the marketing audit

- I. **Marketing Environment Audit**
Its the large-scale forces and factors influencing the company's future and markets, customers, competitors, distributors, dealers, suppliers, and marketing facilitators.
- II. **Marketing Strategy Audit**
Marketing auditor proceeds to consider whether the company's marketing strategy is well-postured in the light of the opportunities and problems facing the company.
Marketing Organization Audit
Marketing audit would have to cover the question of the effectiveness of the marketing and sales organization.
Marketing Systems Audit
Marketing audit turns to examine the various systems being used by marketing management to gather information plan and control marketing operation.
Marketing Productivity Audit.
Marketing audit also includes an effort to examine key accounting data to determine where the company is making its real profits.
Marketing Function Audit
The auditor might spot, e.g, sales force problems that go very deep. Other cases, the issue becomes one of notifying management of the desirability of one or more marketing function audits if managements agrees.

