

Chapter 2—Strategic Planning for Competitive Advantage

TRUE/FALSE

1. The manufacturer of Macho brand martial arts products was implementing a strategic plan when it sponsored a local karate tournament for teenagers.

ANS: F

Such a short-range decision is typically a tactical plan or operating decision, not a strategic plan.

PTS: 1 REF: 35 OBJ: 02-1 TYPE: App

TOP: AACSB Reflective Thinking | TB&E Model Strategy

2. The marketing plan is a written document that acts as a guidebook of marketing activities for a marketing manager.

ANS: T PTS: 1 REF: 36 OBJ: 02-1 TYPE: Def

TOP: AACSB Reflective Thinking | TB&E Model Marketing Plan

3. A firm's mission statement should answer the question, "What products do we produce best?"

ANS: F

Mission statements should not focus on specific product offerings but on the market or markets served.

PTS: 1 REF: 37 OBJ: 02-2 TYPE: Comp

TOP: AACSB Reflective Thinking | TB&E Model Strategy

4. A production costs analysis could be a part of a company's SWOT analysis.

ANS: T PTS: 1 REF: 38 OBJ: 02-3 TYPE: Comp

TOP: AACSB Reflective Thinking | TB&E Model Strategy

5. Environmental scanning entails the collection and analysis of information about factors that may affect the organization as well as the identification of market opportunities and threats.

ANS: T PTS: 1 REF: 39 OBJ: 02-3 TYPE: Def

TOP: AACSB Reflective Thinking | TB&E Model Strategy

6. To be useful, marketing objectives should meet four criteria: realistic, measurable, time-specific, and based on sales.

ANS: F

The four criteria for useful marketing objectives are: realistic, measurable, time-specific, and compared to a benchmark. They do not have to be based on sales.

PTS: 1 REF: 39 OBJ: 02-4 TYPE: Comp

TOP: AACSB Reflective Thinking | TB&E Model Strategy

7. The company's objective is to increase sales next year. This is an example of a well-stated objective.

ANS: F

This objective is not specific or compared to a benchmark.

PTS: 1 REF: 39 OBJ: 02-4 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

8. A competitive advantage is some unique aspect of a firm's offering, or of the firm itself, that causes target customers to patronize the firm rather than its competition.

ANS: T PTS: 1 REF: 40 OBJ: 02-5 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

9. Developing a cost competitive advantage can enable a firm to deliver superior customer value.

ANS: T PTS: 1 REF: 41 OBJ: 02-5 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

10. As marketers gain more experience in marketing a product, costs tend to decrease, which is an example of the maturity effect.

ANS: F

This is an example of the experience curve effect, which means costs decline at a predictable rate as experience with a product increases.

PTS: 1 REF: 41 OBJ: 02-5 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Product

11. Niche competitive advantages are quite common.

ANS: T

The text lists several examples of how companies have created niche competitive advantages.

PTS: 1 REF: 42 OBJ: 02-5 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

12. Berkshire Hathaway Inc., a large property insurance company, owns a large chain of jewelry stores and has recently purchased Russell Corporation, a manufacturer of sporting goods. Berkshire Hathaway uses a market penetration strategy.

ANS: F

Berkshire Hathaway uses a diversification strategy.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

13. When the Internet auction company eBay opened a version of the company called eBayfrance for the French market, that was an example of market penetration.

ANS: F

Market penetration is the strategy of selling more to the existing customers. This is an example of a market development strategy, which is attracting new customers to existing products.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

14. A market penetration strategy entails the creation of new products for current customers.

ANS: F

This is an example of product development strategy. A market penetration strategy is one that tries to increase market share among existing customers.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

15. The Home Depot's purchase of Hughes Supply Company allows it to better meet the needs of its current business customers. This is an example of product development.

ANS: T PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

16. When a florist shop begins to sell burial caskets to its customers, it is engaged in product development.

ANS: T
Product development is the offering of new products to current markets.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

17. A diversification strategy entails increasing sales by introducing new products into new markets.

ANS: T PTS: 1 REF: 44 OBJ: 02-6 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

18. A portfolio matrix is a tool for allocating resources among products or strategic business units on the basis of relative market share and degree of innovation.

ANS: F
A portfolio matrix is based on relative market share and market growth rate.

PTS: 1 REF: 45 OBJ: 02-6 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

19. Marketing strategy involves the activities of selecting and describing one or more target markets and developing and maintaining a marketing mix that will produce mutually satisfying exchanges with target markets.

ANS: T PTS: 1 REF: 46 OBJ: 02-7 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

20. The development of a target market strategy begins with a marketing audit.

ANS: F
The development of a target market strategy begins with a market opportunity analysis (MOA).

PTS: 1 REF: 46 OBJ: 02-7 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

21. The four Ps of the marketing mix are product, planning, promotion, and price.

ANS: F

The four Ps are product, place, promotion, and price

PTS: 1 REF: 47 OBJ: 02-8 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

22. Typically, the development of the marketing mix starts with determining the promotion for a product.

ANS: F
The development of the marketing mix begins with the product.

PTS: 1 REF: 47 OBJ: 02-8 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Product

23. A marketing audit helps management allocate marketing resources efficiently.

ANS: T PTS: 1 REF: 50 OBJ: 02-9 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Marketing Plan

24. Strategic planning is most effective when managers view it as an annual exercise.

ANS: F
Strategic planning requires creativity and an ongoing commitment, not just going through the motions once a year.

PTS: 1 REF: 50 OBJ: 02-10 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

25. The most critical element for successful strategic planning is top management's support and participation.

ANS: T PTS: 1 REF: 51 OBJ: 02-10 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

MULTIPLE CHOICE

1. _____ is the managerial process of creating and maintaining a fit between the organization's objectives and resources and evolving market opportunities.
- Tactical management
 - The market audit
 - Functional planning
 - Environmental scanning
 - Strategic planning

ANS: E PTS: 1 REF: 35 OBJ: 02-1 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

2. Strategic plans require:
- long-term resource commitments
 - a change in organizational structure
 - the addition of new personnel
 - new product development
 - changes in prices

ANS: A

The goal of strategic planning is long-run profitability and growth. Thus, strategic decisions require long-term commitments of resources.

PTS: 1 REF: 35 OBJ: 02-1 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

3. With hospitals nationwide facing budget cuts and slimmer profit margins, Dekalb County's Medical Center decided to cash in on one of the most consistently profitable services--delivering babies. It initiated a three-year project to build a \$55 million state-of-the-art women's center with 18 labor and delivery suites. When the hospital decided to commit its resources to obstetrics, it was engaging in:
- benchmarking
 - alternative problem solving
 - strategic planning
 - portfolio evaluation
 - tactical control

ANS: C

Strategic planning provides a long-term vision and thus guides long-term commitment of resources.

PTS: 1 REF: 35 OBJ: 02-1 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

4. Since gas prices have soared and consumers have cut back on their spending on new trucks and SUVs Ford Motor Corporation is transforming several of its plants to create small cars. Ford has engaged in:
- benchmarking
 - tactical resource realignment
 - alternative selection
 - portfolio evaluation
 - strategic planning

ANS: E

Strategic planning provides a long-term vision and thus guides long-term commitment of resources.

PTS: 1 REF: 35 OBJ: 02-1 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

5. Heinz has announced that they plan to grow the company through an accelerated push into emerging markets such as China, Indonesia, and India in the next ten years. This is an example of:
- tactical objectifying
 - contingency plan
 - strategic planning
 - marketing implementation
 - horizon planning

ANS: C

Strategic planning is the managerial process of creating and maintaining a fit between the organization's objectives and evolving market opportunities.

PTS: 1 REF: 35 OBJ: 02-1 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

6. _____ is the process of anticipating events and determining strategies to achieve organizational objectives.
- Planning
 - Portfolio evaluation

- c. Forecasting
- d. Implementation
- e. Evaluation

ANS: A PTS: 1 REF: 36 OBJ: 02-1 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Marketing Plan

7. A written document that acts as a guidebook of marketing activities for the marketing manager is known as the _____.
- a. strategy document
 - b. marketing plan
 - c. vision statement
 - d. mission statement
 - e. strategic plan

ANS: B

The marketing plan is a written document that acts as a guidebook of marketing activities for the marketing manager.

PTS: 1 REF: 36 OBJ: 02-1 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Marketing Plan

8. Earl is starting a new bank. Before their opening day Earl had a meeting with all employees. He discussed their mission, defined objectives for the bank for the coming years and shared who their target market is. He talked about their product offerings and where their future branches would be located. Earl is sharing the bank's _____.
- a. reengineering
 - b. hierarchical restructuring
 - c. financial analysis
 - d. marketing plan
 - e. strategic contingency planning

ANS: D

See Exhibit 2.1. All the listed activities are part of the marketing planning process.

PTS: 1 REF: 36 OBJ: 02-1 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Marketing Plan

9. Marketing plans should be written to do all of the following EXCEPT:
- a. compare actual and expected performance
 - b. provide clearly stated activities
 - c. create common goals for employees to work toward
 - d. allow managers to enter the marketplace with an awareness of possibilities and problems
 - e. control the elements of the external marketing environment

ANS: E

Marketing environment variables cannot be controlled.

PTS: 1 REF: 36 OBJ: 02-1 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Marketing Plan

10. All of the following are elements of the marketing plan EXCEPT:
- a. business mission statement
 - b. situation analysis
 - c. target market strategy

- d. marketing mix
- e. portfolio analysis

ANS: E
See Exhibit 2.1.

PTS: 1 REF: 36 OBJ: 02-1 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Marketing Plan

11. A statement of the firm's business based on a careful analysis of benefits sought by present and potential customers and an analysis of existing and anticipated environmental conditions is known as a(n):
- a. business audit
 - b. marketing plan
 - c. mission statement
 - d. environmental focus
 - e. portfolio matrix

ANS: C
This is the definition of a mission statement, which answers the question, "What business are we in?"

PTS: 1 REF: 37 OBJ: 02-2 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

12. The _____ answers the question, "What business are we in, and where are we going?"
- a. mission statement
 - b. financial statement
 - c. situation analysis
 - d. market strategy
 - e. strategic plan

ANS: A
A mission statement is a statement of the firm's business based on a careful analysis of benefits sought by present and potential customers and on analysis of existing and anticipated environmental conditions.

PTS: 1 REF: 37 OBJ: 02-2 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

13. PepsiCo's annual report has the following statement: "Our business is to increase the value of our shareholder's investment. We do this through sales growth, cost controls and wise investment of resources. We believe our commercial success depends upon offering quality and value to our consumers and customers; providing products that are safe, wholesome, economically efficient and environmentally sound; and providing a fair return to our investors while adhering to the highest standards of integrity." This statement is an example of PepsiCo's:
- a. marketing mix strategy
 - b. quantifiable goal
 - c. mission statement
 - d. statement of economic potential
 - e. market segmentation strategy

ANS: C
A mission statement answers the question, "What business are we in?"

PTS: 1 REF: 37 OBJ: 02-2 TYPE: App

TOP: AACSB Reflective Thinking | TB&E Model Strategy

14. The focus of an organization's mission statement should be on:
- the products it wishes to sell
 - the market it wishes to serve
 - its social responsibilities
 - the desires of government regulators
 - technologies it understands well

ANS: B

A mission statement should focus on the market or markets the organization is attempting to serve rather than on the good or service offered. The choice of the market to serve determines the product and technology decisions.

PTS: 1 REF: 37 OBJ: 02-2 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

15. _____ occurs when a business is defined in terms of goods and services rather than by the benefits customers seek from it.
- Synergy
 - Tunnel vision
 - Narrowcasting
 - Unempowerment
 - Marketing myopia

ANS: E PTS: 1 REF: 37 OBJ: 02-2 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Product

16. By defining its business as "printing books" instead of "empowering imaginations," a children's book publishing company would more than likely experience:
- market synergy
 - product entropy
 - market harvesting
 - nonspecific strategic planning
 - marketing myopia

ANS: E

Publishing books focuses on one product rather than a broad range of opportunities as found in "empowering imaginations."

PTS: 1 REF: 37 OBJ: 02-2 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

17. Subgroups of a single business or a collection of related businesses within a larger organization are referred to as:
- strategic marketing organizations
 - strategic subgroups
 - market segments
 - business segments
 - strategic business units

ANS: E

A strategic business unit (SBU) is a subgroup of a single business or a collection of related businesses within the larger organization.

PTS: 1 REF: 38 OBJ: 02-2 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

18. A popular technique for managing a large organization with different technologies and markets is to divide it into:
- strategic business units
 - different technologies
 - strategic target markets
 - design matrices
 - tactical segments

ANS: A

A strategic business unit (SBU) is a subgroup of a single business or a collection of related businesses within the larger organization.

PTS: 1 REF: 38 OBJ: 02-2 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

19. The acronym SBU refers to:
- stock in business units
 - strategic business unit
 - standard business utilization
 - strategic barter units
 - samples by units

ANS: B

SBU refers to strategic business unit, which is a subgroup of a single business or a collection of related businesses within the larger organization.

PTS: 1 REF: 38 OBJ: 02-2 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

20. An SBU:
- competes with the same companies as the other SBUs in the parent organization
 - shares the same mission with all the other SBUs in the parent organization
 - controls its business independent of other SBUs in the organization
 - usually benefits from the combined corporate raw materials purchases
 - still has strategic planning performed back at corporate headquarters

ANS: C

SBUs have separate business functions from one another and have their own mission statements, markets, and planning.

PTS: 1 REF: 38 OBJ: 02-2 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

21. Yildiz Holding of Turkey purchased Godiva Chocolates from Campbell's Soup Company. Campbell's sold one of its:
- strategic business units (SBUs)
 - strategic alliances
 - action programs
 - transactional units
 - synergistic divisions

ANS: A

An SBU is a subgroup of a single business or a collection of related businesses within the larger organization.

PTS: 1 REF: 38 OBJ: 02-2 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

22. Until spun off in 2007, Kraft was part of Altria Group, Inc. Kraft had its own management team, mission statement, and target markets different from Altria Group, Inc. Kraft was a _____ of Altria Group, Inc.
- product market niche
 - diversified division
 - heterogeneous element
 - strategic alliance
 - strategic business unit

ANS: E

An SBU usually has its own mission statement, target markets, and separate functional departments.

PTS: 1 REF: 38 OBJ: 02-2 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

23. Chrysler has a financial unit that is responsible for vehicle leases to consumers. It has a distinct mission, control over its resources, and plans independent of the other divisions of Chrysler. This financial unit is an example of a(n):
- organizational level
 - SWOT
 - secure business unit
 - business sales unit
 - strategic business unit

ANS: E

An SBU is a subgroup of a single business or collection of related businesses within a larger organization.

PTS: 1 REF: 38 OBJ: 02-3 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

24. A _____ is a study conducted by an organization to identify its internal strengths and weaknesses and also examine external opportunities and threats.
- situation analysis
 - marketing audit
 - trend analysis
 - strategic alternative selection
 - competitive advantage audit

ANS: A

A situation analysis is sometimes referred to as a SWOT analysis and involves identifying internal strengths (S) and weaknesses (W) and also examine external opportunities (O) and threats (T).

PTS: 1 REF: 38 OBJ: 02-3 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

25. The SWOT acronym refers to a firm's analysis of its:
- sales, width of product mix, observations, and technology
 - situations, wealth, organizational strengths, and target markets
 - strengths, weaknesses, opportunities, and threats

- d. service levels, willingness to spend, organizational culture, and total revenues
- e. strategies, willingness to change, objectives, and trends

ANS: C

SWOT stands for strengths, weaknesses, opportunities, and threats.

PTS: 1 REF: 38 OBJ: 02-3 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

26. Tub King is a small company that refinishes antique claw foot bathtubs, antique sinks, and provides training for bathtub refinishing. The company's management is currently conducting a formal study of its current strengths and weaknesses by looking at the company's profit and sales histories and searching for opportunities and threats by studying consumer trends. Tub King is conducting a(n):
- a. marketing audit
 - b. SWOT analysis
 - c. environmental scan
 - d. market differentiation scan
 - e. strategic window search

ANS: B

A SWOT analysis attempts to ascertain the present situation.

PTS: 1 REF: 38 OBJ: 02-3 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

27. Briggs and Stratton is a Southeastern company that makes small engines. The company is looking at customer trends, its competitors, and the economy to see if there are any threats or opportunities on the horizon. It has also examined its production policies and sales histories to determine its strengths and weaknesses. Briggs & Stratton is conducting a(n):
- a. environmental test
 - b. market audit
 - c. trend analysis
 - d. situation analysis
 - e. competitive advantage search

ANS: D

A situation analysis identifies internal strengths (S) and weaknesses (W) and also examines external opportunities (O) and threats (T).

PTS: 1 REF: 38 OBJ: 02-3 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

28. Coca-Cola drink vending machines are found all over the world. The newest machines have an interactive screen that runs advertisements and allows users to obtain free photos of themselves and ringtones after they have bought a drink. The reason for the introduction of this new style vending machine is to "allow the company to interact more directly with its customers." According to a SWOT analysis, the technology used by these machines is an example of a(n):
- a. strength because it is part of Coke's external environment
 - b. advantage because it is part of Coke's marketing environment
 - c. weakness because Coke cannot control technology
 - d. opportunity because it is part of Coke's external environment
 - e. benefit because Coke has the resources to make use of the new technology

ANS: D

Technological advances represent an external opportunity.

PTS: 1 REF: 38 OBJ: 02-3 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

29. Smucker's purchased Folgers Coffee in 2008. The option to buy Folgers represented a(n) _____ to Smucker's.
- opportunity
 - strength
 - weakness
 - threat
 - burden

ANS: A

An opportunity is a favorable option external to the organization.

PTS: 1 REF: 38 OBJ: 02-3 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

30. Coca-Cola drink vending machines are found all over the world. The newest machines have an interactive screen that runs advertisements and allows users to obtain free photos of themselves and ringtones after they have bought a drink. Critics of these new vending machines are concerned that entertaining technology is being used to market sugary products. In terms of a SWOT analysis, this concern would be an example of a(n):
- weakness
 - strength
 - advantage
 - opportunity
 - threat

ANS: E

A threat is an external condition that may lessen the success of the strategy.

PTS: 1 REF: 38 OBJ: 02-3 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

31. _____ is defined as the collection and interpretation of information about forces, events, and relationships that may affect the organization.
- Market sampling
 - An internal audit
 - Opportunity analysis
 - Environmental scanning
 - Stakeholder analysis

ANS: D

Environmental scanning helps identify market opportunities and threats and provides guidelines for the design of marketing strategy.

PTS: 1 REF: 39 OBJ: 02-3 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Research

32. A _____ is defined as a statement of what is to be accomplished through marketing activities.
- mission statement
 - business plan
 - marketing objective
 - goal-driven directive

e. marketing criteria

ANS: C

This is the definition of a marketing objective.

PTS: 1 REF: 39 OBJ: 02-4 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

33. All of the following are characteristics of a good objective EXCEPT:
- profitable
 - realistic
 - measurable
 - time-specific
 - consistent

ANS: A

Good objectives are not necessarily stated in terms of profit.

PTS: 1 REF: 39 OBJ: 02-4 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

34. Of the following, what is the most useful objective for Purina cat food?
- To increase sales of Purina brand cat food by 15 percent over 2010 sales of \$300 million.
 - To increase sales of Purina brand cat food between January 1, 2010 and December 31, 2010.
 - To increase sales of Purina brand cat food from \$300 million to \$345 million.
 - To increase sales of Purina Brand cat food.
 - To increase sales of Purina pet food.

ANS: A

Marketing objectives should be realistic, measurable, time specific and compared to a benchmark.

PTS: 1 REF: 39 OBJ: 02-4 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

35. All of the following are functions served by objectives EXCEPT:
- communicate philosophies and provide direction
 - motivate employees
 - clarify executives' thinking
 - form the basis for control
 - guarantee market performance

ANS: E

Objectives serve four functions: communicate, motivate, clarify, and aid in the control function.

PTS: 1 REF: 40 OBJ: 02-4 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

36. The set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition is known as a(n):
- environmental advantage
 - experience curve
 - competitive advantage
 - market segment
 - strategic business unit

ANS: C

A competitive advantage is a set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition.

PTS: 1 REF: 40 OBJ: 02-5 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

37. As a customer entered the Hornady store, which sells muzzle loading rifles, a salesperson approached her and said, "Hornady lead round balls are the musket balls you ought to buy. They are the most uniform in size and shape, and they are made of pure lead. Our shot is used by the Muzzle Loading World Champion." The salesperson was describing Hornady's:
- competitive advantage
 - strategic strength
 - tactical opportunity
 - opportunity mission
 - quality objective

ANS: A

A competitive advantage is a set of unique features of a company and its product that are perceived by the target market as significant and superior to the competition.

PTS: 1 REF: 40 OBJ: 02-5 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

38. Land O'Lakes makes a light butter with Canola oil that has sixty percent less cholesterol and fifty percent less fat and calories than butter. This marketing gives the product a ____.
- strategic edge
 - competitive advantage
 - tactical strength
 - marketing mix
 - mission statement

ANS: B

A competitive advantage is set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition.

PTS: 1 REF: 40 OBJ: 02-5 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

39. Each labor and delivery room at Dekalb County's new Medical Center has hardwood floors, soft lighting, and mission-style furniture. The facility also features a stone fireplace in the lobby, a bistro-style restaurant, and VIP suites for discerning mothers-to-be. This unique design and furnishings give the Medical Center a:
- profit-enhanced advantage
 - competitive advantage
 - quality objectivity
 - strategic strength
 - tactical opportunity

ANS: B

A competitive advantage is a set of unique features of a company and its product that are perceived by the target market as significant and superior to the competition.

PTS: 1 REF: 40 OBJ: 02-5 TYPE: App

TOP: AACSB Reflective Thinking | TB&E Model Strategy

40. Which of the following is NOT a type of competitive advantage?
- management structure
 - cost
 - product/service differentiation
 - niche strategies
 - all of these choices are types of competitive advantages

ANS: A

The three types of competitive advantage are cost, product/service differentiation, and niche strategies.

PTS: 1 REF: 40 OBJ: 02-5 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

41. All of the following are sources of a cost competitive advantage EXCEPT:
- reengineering
 - experience curves
 - break-even analyses
 - efficient labor
 - production innovations

ANS: C

Costs can be reduced in a variety of ways, such as experience curves, efficient labor, no-frills goods and services, government subsidies, product design, reengineering, production innovations, and new methods of service delivery.

PTS: 1 REF: 40-41 OBJ: 02-5 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

42. _____ show costs declining at a predictable rate as experience with a product increases.
- Liquidity growth curves
 - EOQ graphs
 - Breakeven analyses
 - Experience curves
 - Supply/demand curves

ANS: D

Experience curves tell us that costs decline at a predictable rate as experience with a product increases.

PTS: 1 REF: 41 OBJ: 02-5 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

43. WalMart realizes a _____ using its relationships with suppliers to give customers low prices and good customer service.
- brand name strategy
 - niche competitive advantage
 - cost competitive advantage
 - marketing competitive advantage
 - synergistic competitive advantage

ANS: C

A cost competitive advantage means being the low-cost competitor in an industry while maintaining satisfactory profit margins.

PTS: 1 REF: 40 OBJ: 02-5 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

44. Aldi is a no-frills grocery chain. It sells grocery staples right out of crates and boxes with emphasis on low-priced, private-label brands. Aldi stores are typically about one-third the size of the traditional supermarket. By controlling expenses, Aldi enables its customers to save 30 to 50 percent compared to Kroger customers. The chain targets bargain hunters who are willing to rent a cart and bag their own groceries. Aldi has a(n)
- market-homogeneous focus
 - cost competitive advantage
 - product aggregation strategy
 - revenue-based competitive advantage
 - profit-enhanced advantage

ANS: B

A competitive advantage is a set of unique features of a company and its product that are perceived by the target market as significant and superior to the competition.

PTS: 1 REF: 40-41 OBJ: 02-5 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

45. Jiffy Mixes do not do any type of traditional advertising or use fancy packaging in marketing their products. They store their own wheat and make their own flour and their little blue boxes, too. Jiffy is an example of a low cost strategy based on:
- efficient labor
 - no-frills goods and services
 - government subsidies
 - product design
 - reengineering

ANS: B

No-frills goods and services offers low costs to the consumer because they do not do much marketing.

PTS: 1 REF: 41 OBJ: 02-5 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

46. Zipcar is a car rental service found in many metropolitan areas. It targets people who take mass transit or carpool to work but who occasionally need a car to run errands, visit the doctor, or check on a sick child. Zipcar is one of a few companies currently providing cars that can be rented by the hour. Zipcar has created a(n) _____ advantage.
- reengineering
 - experience curve
 - service differentiation competitive
 - alternative market
 - sustainable competitive

ANS: C

A service differentiation competitive advantage exists when a firm provides something unique that is valuable to buyers beyond simply offering a low price.

PTS: 1 REF: 41 OBJ: 02-5 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

47. Everyone knows the brand name Kleenex. Kleenex is what many consumers think of when they think of tissues. This widely recognized brand name is a source of:

- a. a product differentiation competitive advantage
- b. a cost advantage
- c. market augmentation
- d. a niche competitive advantage
- e. none of these things

ANS: A

Brand names differentiate products from competitive offerings and can provide competitive advantage.

PTS: 1 REF: 41-42 OBJ: 02-5 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

48. Arizona Tea is marketed by Vultaggio & Sons. Vultaggio & Sons took a basic drink and put it into unusual bottles with elaborate designs. The wide-mouthed, long-necked bottles are now considered to be trendsetters in the new age beverage industry, and customers often buy the tea just for the bottle. The success of Arizona Tea is based on:
- a. supply-demand curves
 - b. reengineering
 - c. a product differentiation competitive advantage
 - d. a cost competitive advantage
 - e. a heterogeneous marketing strategy

ANS: C

A product differentiation competitive advantage exists when a firm provides something unique that is valuable to buyers beyond simply offering a low price.

PTS: 1 REF: 41 OBJ: 02-5 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

49. Yuengling is the oldest brewery in the United States. It was founded in 1827 in a time when small breweries dotted the nation. The brewery only sells in a ten state area on the eastern seaboard. For over 170 years, this strategy has given the brewery a:
- a. brand name strategy
 - b. niche competitive advantage
 - c. price differentiation advantage
 - d. marketing competitive advantage
 - e. sustainable competitive advantage

ANS: B

A niche competitive advantage is achieved when a firm seeks to target and effectively serve a small segment of the market.

PTS: 1 REF: 42 OBJ: 02-5 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

50. Fujisawa is Japan's seventh-largest pharmaceutical company. It sells drugs for organ transplant patients to increase the probability the new organ will operate efficiently and not be rejected. Currently, the only products Fujisawa makes are these organ transplant drugs, which it sells worldwide. Its patents protect it from competitors. Fujisawa has a:
- a. brand name advantage
 - b. niche competitive advantage
 - c. cost competitive advantage
 - d. marketing competitive advantage
 - e. complete competitive advantage

ANS: B

A niche competitive advantage is the advantage achieved when a firm seeks to target and effectively serve a small segment of the market, in this case people who need organ transplant drugs.

PTS: 1 REF: 42 OBJ: 02-5 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

51. Technol Medical Products makes specialty face masks to shield health-care workers from infection. Because it focuses on this narrow market, it is able to outsell its primary competitors--3M and Johnson & Johnson. Technol Medical Products has a(n):
- aggregated positioning strategy
 - demarketing focus
 - heterogeneous target marketing strategy
 - cost competitive advantage
 - niche competitive advantage

ANS: E

A niche competitive advantage is the advantage achieved when a firm seeks to target and effectively serve a small segment of the market.

PTS: 1 REF: 42 OBJ: 02-5 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

52. An advantage that cannot be copied by the competition is called a(n) _____ competitive advantage.
- sustainable
 - monopolistic
 - primary
 - unique
 - dominant

ANS: A

A sustainable competitive advantage is an advantage that cannot be copied by the competition.

PTS: 1 REF: 42 OBJ: 02-5 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

53. Patents on prescription medications give pharmaceutical companies that own the patents a(n) _____ for 17 years until the patent expires.
- targeted market position
 - sustainable competitive advantage
 - strategic focus
 - situational strength
 - opportunistic privilege

ANS: B

A sustainable competitive advantage is one that cannot be copied by the competition, in this case at least until the patent expires.

PTS: 1 REF: 42 OBJ: 02-5 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

54. iTunes has a(n) _____ as they have exclusive agreements with some of the most sought after music corporations that other digital music stores do not have.
- targeted market position
 - sustainable competitive advantage

- c. strategic focus
- d. situational strength
- e. opportunistic privilege

ANS: B

A sustainable competitive advantage is one that cannot be copied by the competition.

PTS: 1 REF: 42 OBJ: 02-5 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

55. Which of the following is a type of strategic alternative that matches products and markets?
- a. vertical integration
 - b. product penetration
 - c. divestment
 - d. horizontal integration
 - e. market penetration

ANS: E PTS: 1 REF: 40 OBJ: 02-6 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

56. All of the following are strategic alternatives that match products with markets EXCEPT:
- a. product development
 - b. market penetration
 - c. product penetration
 - d. diversification
 - e. market development

ANS: C

The four strategic alternatives that match products with markets are market penetration, market development, product development, and diversification.

PTS: 1 REF: 43-44 OBJ: 02-6 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

57. _____ is a strategy of increasing market share for present products in existing markets.
- a. Market penetration
 - b. Product development
 - c. Market development
 - d. Diversification
 - e. Product penetration

ANS: A PTS: 1 REF: 44 OBJ: 02-6 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

58. Market penetration occurs when:
- a. a supermarket adds a new store
 - b. a U.S.-based company begins to sell its products in China
 - c. Motown records sells DVDs to Wal-Mart
 - d. Yoplait yogurt sends coupons to its existing customers
 - e. 3M distributes breathe-right nasal strips in Europe

ANS: D

Market penetration is the marketing of the same product to current customers.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App

TOP: AACSB Reflective Thinking | TB&E Model Strategy

59. Kraft foods created a magazine full of recipes and coupons for customers as well as a web site with product and recipe information. The goal was to get current customers to purchase more of Kraft's products. These activities are representative of a _____ strategy.
- diversification
 - product development
 - market development
 - market penetration
 - product penetration

ANS: D

Selling more of the same product to existing markets is market penetration.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

60. _____ is a strategy that attempts to attract new customers to existing products.
- Product development
 - Market development
 - Market penetration
 - Product penetration
 - Diversification

ANS: B

A market development strategy entails attracting new customers to existing products.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

61. In order to expand its sales into the U.S. market, BRL, an Australia-based winemaker, agreed to a merger with a U.S.-based wine distribution company. According to Ansoff's Strategic Opportunity Matrix, BRL would be implementing a _____ strategy.
- diversification
 - market development
 - product development
 - divestment
 - product penetration

ANS: B

Market development refers to the attracting of new markets (U.S. consumers) to existing products.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

62. Yard Whimzees, a Statesboro, Georgia sign business, began by making wooden signs for residential use to announce births, anniversaries and such. They then turned to the business market making signs for businesses. Creating signs for a new market is an implementation of a _____ strategy.
- market development
 - market penetration
 - product penetration
 - product development
 - diversification

ANS: A

Yard Whimzees used the same product (signs) for a new market (businesses), which is characteristic of a market development strategy.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

63. Pajamagrams was only marketing pajamas to women. Now they offer pajamas for men and kids. This is an example of a _____ strategy.
- market development
 - product development
 - market penetration
 - product penetration
 - divestment

ANS: A

Market development finds new uses for a product to stimulate sales among new customers.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

64. LVMH, a maker of luxury-goods, has expanded its products offerings into China, Russia, India and the Middle East. This exemplifies a _____ strategy.
- market development
 - product development
 - market penetration
 - diversification
 - product expansion

ANS: A

Market development is the introduction and sale of present products to new markets.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

65. _____ is a strategy that creates new products for present markets.
- Product penetration
 - Market penetration
 - Product development
 - Market development
 - Diversification

ANS: C

A product development strategy entails the creation of new products for current customers.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

66. Kraft introduced Philadelphia Ready-to-eat Cheesecake Filling for those who do not have time to make cheesecake in the traditional manner. This is an example of a _____ strategy.
- diversification
 - market development
 - product development
 - divestment
 - product penetration

ANS: C

A product development strategy entails the creation of a new product for existing markets.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

67. The marketing of organic cotton tees for Life is Good's existing customers would be an example of a _____ strategy.
- market development
 - product development
 - market penetration
 - product penetration
 - diversification

ANS: B

Product development is the introduction of new products to existing customers.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

68. Clay Market began as a retailer of terra cotta pots and garden figures imported from Turkey and Mexico. It has since added Turkish rugs and fabrics, leather trimmed purses, and a line of women's clothes for its customers. These activities are indicative of a _____ strategy.
- vertical integration
 - market penetration
 - diversification
 - product development
 - market development

ANS: D

Product development stimulates new sales to existing markets. Since the question states the items are for the firm's customers, they are aimed at existing markets (buyers).

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

69. The Hallmark Company was inspired by the popularity of Jan Karon's best-selling novels about Mitford, a fictional town in the mountains of North Carolina, to develop a new line of products for Hallmark Gold Crown Stores nationwide. Hallmark created hundreds of Mitford-inspired products that authentically bring "the little town with the big heart" into tangible reality. The products include greeting cards, partyware and gift wrap, mugs, and puzzles for Hallmark's existing customers. Hallmark used a _____ strategy.
- market development
 - market penetration
 - product penetration
 - product development
 - diversification

ANS: D

Hallmark created new Mitford-based items for its regular customers.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

70. _____ is the strategy of increasing sales by introducing new products into new markets.

- a. Product penetration
- b. Product development
- c. Market penetration
- d. Market development
- e. Diversification

ANS: E

This is the definition of the diversification strategic alternative.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

71. Orange growers in Florida have lost millions of dollars due to hurricanes. As a result, some growers have decided to bulldoze their orange groves and put in freshwater lakes for raising shrimp, a product that has a strong popularity and is more weather-resistant. Former orange growers who are now raising shrimp are pursuing a _____ strategy.
- a. market penetration
 - b. product development
 - c. diversification
 - d. market development
 - e. product penetration

ANS: C

Diversification is defined as selling a new product to a new market.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

72. The company that manufactures Molson beer, which is typically consumed by males, launched an alcoholic lemonade beverage to attract more females. This launch of a new product to attract a new market for Molson's products is an illustration of a _____ strategy.
- a. market development
 - b. market penetration
 - c. product penetration
 - d. product development
 - e. diversification

ANS: E

Diversification is a strategy of increasing sales by introducing new products into new markets.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

73. For most American consumers, the brand name Benetton brings to mind a retail-clothing store that carries many products that bear the Benetton brand. But Edizione Holding, which also owns a chain of restaurants, several toll roads in Italy, and a telecommunications company, holds the Benetton Group. The list of the company's holdings indicates that the company's managers believe in growth through:
- a. market penetration
 - b. diversification
 - c. product development
 - d. market development
 - e. market integration

ANS: B

Diversification is defined as strategy of increasing sales by selling new products to a new market.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

74. Pure Digital Technologies created the Flip, which is a digital camera that is priced around \$150. It filled a gap between expensive digital cameras and web cams. The flip plugs straight into your computer and the video can easily be viewed and shared instantly. Creating a new product for a new market is called _____.
- divestment
 - segment development
 - target marketing
 - diversification
 - directed growth

ANS: D

Diversification is creating a new product for a new market.

PTS: 1 REF: 44 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

75. The _____ is a tool for allocating resources among products or strategic business units on the basis of relative market share and market growth rate.
- market audit
 - portfolio matrix
 - experience matrix
 - market development analysis
 - market opportunity analysis

ANS: B

The portfolio matrix classifies each SBU by its present or forecast growth and market share and is a tool for allocating resources.

PTS: 1 REF: 45 OBJ: 02-6 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy

76. All of the following are categories used in the Boston Consulting Group's portfolio matrix EXCEPT:
- cash cows
 - stars
 - problem children
 - meat eaters
 - dogs

ANS: D

The four categories of the Boston Consulting Group portfolio matrix are stars, cash cows, problem children (or question marks), and dogs.

PTS: 1 REF: 44-45 OBJ: 02-6 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

77. Which of the following category in the Boston Consulting Group's portfolio matrix is a market leader and growing fast?
- star
 - meteor
 - cash cow
 - shiner

e. top dog

ANS: A

A star is a fast-growing market leader.

PTS: 1 REF: 45 OBJ: 02-6 TYPE: Def

TOP: AACSB Reflective Thinking | TB&E Model Strategy

78. Russell Athleticwear, which is part of Berkshire Hathaway, Inc., is a market leader in the sports apparel industry, an industry that is growing rapidly. Russell Athleticwear is an example of a(n) _____ according to the portfolio matrix.
- a. star
 - b. question mark
 - c. problem child
 - d. exclamation point
 - e. widow

ANS: A

A star has a large market share in a rapidly growing industry.

PTS: 1 REF: 45 OBJ: 02-6 TYPE: App

TOP: AACSB Reflective Thinking | TB&E Model Strategy

79. A business unit that usually generates more than it needs to maintain its market share is called a(n) _____ in a portfolio matrix.
- a. star
 - b. cash cow
 - c. problem child
 - d. dog
 - e. independent

ANS: B

A cash cow is in a low-growth market but the product has a dominant market share, so it generates more cash than it needs to maintain its market share.

PTS: 1 REF: 45 OBJ: 02-6 TYPE: Def

TOP: AACSB Reflective Thinking | TB&E Model Strategy

80. Tide laundry detergent is the market leader, but overall industry growth is low in this market. Tide would be classified as a _____ in a portfolio matrix.
- a. star
 - b. cash cow
 - c. problem child
 - d. question mark
 - e. dog

ANS: B

Cash cows generate more cash than they need to maintain its market share and are characterized as a product with a dominant market share in a low-growth market.

PTS: 1 REF: 45 OBJ: 02-6 TYPE: App

TOP: AACSB Reflective Thinking | TB&E Model Strategy

81. Which of the following represents a business unit that shows rapid growth but poor profit margins?
- a. star

- b. cash cow
- c. problem child
- d. loss leader
- e. dog

ANS: C

A problem child, also called a question mark, has a low market share in a high-growth industry.

PTS: 1 REF: 45 OBJ: 02-6 TYPE: Def

TOP: AACSB Reflective Thinking | TB&E Model Strategy

82. Before Heinz sold its 9-Lives brand cat food unit, the company identified the product as having a low market share in a high-growth market. The portfolio matrix would classify 9-Lives as a(n):
- a. star
 - b. exclamation point
 - c. problem child
 - d. cash cow
 - e. widow

ANS: C

A problem child, also called a question mark, shows rapid growth but has poor profit margins.

PTS: 1 REF: 45 OBJ: 02-6 TYPE: App

TOP: AACSB Reflective Thinking | TB&E Model Strategy

83. John R. Harland Company is best known for printing checks. Its Financial Solutions division develops software for mortgage companies and is currently producing much less than the desired level of profitability in a high-growth industry. According to the portfolio matrix, Harland would label its Financial Solutions division as a(n):
- a. widow
 - b. exclamation point
 - c. problem child
 - d. star
 - e. dog

ANS: C

A problem child, also called a question mark, has a low market share in a rapidly growing industry.

PTS: 1 REF: 45 OBJ: 02-6 TYPE: App

TOP: AACSB Reflective Thinking | TB&E Model Strategy

84. In the portfolio matrix, a business unit that has low growth potential and a small market share is called a(n):
- a. widow
 - b. problem child
 - c. cash cow
 - d. dog
 - e. bust

ANS: D

A dog has low growth potential and a small market share.

PTS: 1 REF: 45 OBJ: 02-6 TYPE: Def

TOP: AACSB Reflective Thinking | TB&E Model Strategy

85. All of the following are basic strategies resulting from a portfolio analysis EXCEPT:
- harvest
 - build
 - hold
 - divest
 - milk

ANS: E

The four strategies are build, hold, harvest, and divest.

PTS: 1 REF: 46 OBJ: 02-6 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

86. John R. Harland Company is best known for printing checks. Its Financial Solutions division develops software for mortgage companies, which is a growing industry. This division is currently not producing at the desired level of profitability, but Harland plans to turn the division into a success by acquiring other companies that develop similar software. Harland would be engaging in a _____ strategy.
- harvesting
 - diversification
 - divesting
 - holding
 - building

ANS: E

If an organization has an SBU that it believes has potential to be a star, building would be an appropriate strategy.

PTS: 1 REF: 46 OBJ: 02-6 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy

87. A(n) _____ describes and estimates the size and sales potential of market segments of interest to the firm and assesses key competitors in these market segments.
- marketing orientation
 - environmental scan
 - marketing mix audit
 - target market strategy
 - market opportunity analysis

ANS: E PTS: 1 REF: 46 OBJ: 02-7 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Research

88. Heinz is introducing four hundred new products in the next two years. To know which markets to reach they should first perform a _____.
- market diversification analysis
 - market audit
 - social audit
 - market opportunity analysis
 - niche analysis

ANS: D

An market opportunity analysis (MOA) is the description and estimation of the size and sales potential of market segments that are of interest to the firm.

PTS: 1 REF: 46 OBJ: 02-7 TYPE: App

TOP: AACSB Reflective Thinking | TB&E Model Research

89. The _____ is the unique blend of product, distribution, promotion, and pricing strategies designed to produce mutually satisfying exchanges with a target market.
- internal environmental mix
 - marketing mix
 - product mix
 - product line
 - market portfolio

ANS: B

The marketing mix is made up of the four Ps: product, price, place, and promotion.

PTS: 1 REF: 47 OBJ: 02-8 TYPE: Def

TOP: AACSB Reflective Thinking | TB&E Model Strategy

90. Ocean Spray's development of Craisins sweetened dried cranberries to compete against raisins most directly affected the _____ element of the company's marketing mix.
- place
 - production
 - product
 - distribution
 - target market

ANS: C PTS: 1 REF: 47 OBJ: 02-8 TYPE: App

TOP: AACSB Reflective Thinking | TB&E Model Product

91. Apple Inc. is now offering the iPhone 3G for half its original price. This new strategy reflects a change in the _____ element of its marketing mix.
- price
 - production
 - product
 - distribution
 - target market

ANS: A PTS: 1 REF: 47 OBJ: 02-8 TYPE: App

TOP: AACSB Reflective Thinking | TB&E Model Pricing

92. The starting point of any firm's marketing mix is the:
- analysis of what production equipment is available and owned by the company
 - design of the promotion campaign to be used for the product
 - selection of the places through which the good or service will be sold
 - determination of the product's price, enabling future revenues and budgets to be estimated
 - development of the good or service to be sold

ANS: E

The product is the starting point for any marketing mix. Without it, pricing, distribution, and promotion are irrelevant. The production capacity can be changed to fit the proposed product.

PTS: 1 REF: 47 OBJ: 02-8 TYPE: Comp

TOP: AACSB Reflective Thinking | TB&E Model Strategy

93. Lands End guarantees their products for as long as you own them. They would seem most concerned with which element of the marketing mix?
- price

- b. distribution
- c. personalization
- d. promotion
- e. product

ANS: E

The product element of the marketing mix includes guarantees and quality.

PTS: 1 REF: 47 OBJ: 02-8 TYPE: App

TOP: AACSB Reflective Thinking | TB&E Model Product

94. Golden Valley Microwave Foods, Inc. is the manufacturer of ACT II popcorn. In its early years, the company had trouble financing the development and marketing of products for the microwave, so it chose to participate in a financial arrangement in which it agreed that it would not sell ACT II popcorn in supermarkets or grocery stores. Which element of the marketing mix was most influenced by this arrangement?
- a. product
 - b. place
 - c. price
 - d. public relations
 - e. promotion

ANS: B

Where a product is sold is part of the place (distribution) element of its marketing mix.

PTS: 1 REF: 48 OBJ: 02-8 TYPE: App

TOP: AACSB Reflective Thinking | TB&E Model Distribution

95. Making sure products are available when and where customers want them is the job of which element of the marketing mix?
- a. advertising strategies
 - b. production strategies
 - c. product strategies
 - d. promotion strategies
 - e. distribution strategies

ANS: E

Distribution strategies make products available when and where customers want them.

PTS: 1 REF: 48 OBJ: 02-8 TYPE: Def

TOP: AACSB Reflective Thinking | TB&E Model Distribution

96. InBev bought Anheuser Busch. How will this purchase affect InBev's marketing mix?
- a. It will only affect the product element of InBev's marketing mix.
 - b. It will only affect InBev's four Ps--not its marketing mix.
 - c. It will affect all of InBev's marketing mix elements, either directly or indirectly.
 - d. It will not affect the promotion or distribution elements of the InBev marketing mix.
 - e. It will have no affect on InBev's marketing mix.

ANS: C

The purchase will directly change the company's product mix and indirectly affect its promotion, pricing, and distribution elements.

PTS: 1 REF: 48 OBJ: 02-8 TYPE: Comp

TOP: AACSB Reflective Thinking | TB&E Model Strategy

97. SoBe nutritional beverages uses twin lizards on every bottle of its products and in all of its promotion efforts. It even has its own Team Lizard made up of skateboarders, mountain bike riders, and inline skaters that it sponsors. The lizard is used to remind consumers of the product and its benefits. To which of the four Ps does this represent?
- promotion
 - price
 - publicity
 - place
 - product

ANS: A

Promotion covers a wide range of communication vehicles.

PTS: 1 REF: 48 OBJ: 02-8 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Promotion

98. Which of the marketing mix elements is the most flexible?
- product
 - promotion
 - publicity
 - place
 - pricing

ANS: E

The only element that is often subject to quick and easy change is price.

PTS: 1 REF: 48 OBJ: 02-8 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Pricing

99. Apple's iPhone can only be purchased through AT&T cell phone distributors and the Apple retail store. This limitation on the _____ element of its marketing mix supports the product's competitive advantage.
- planning
 - product
 - promotion
 - distribution
 - production

ANS: D

Distribution strategies make products available when and where customers want them.

PTS: 1 REF: 48 OBJ: 02-8 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Distribution

100. There is an overabundance of apartments in Atlanta. Post Properties, the owner of many of the metropolitan area's largest apartment complexes, has reduced its rent so it can fill vacant apartments. Which marketing mix element did Post Properties change to create more demand for its apartments?
- production
 - personnel
 - distribution
 - product
 - price

ANS: E

The firm tried to increase demand by altering its pricing strategies. This is often the only element of the marketing mix that is capable of quick and easy change.

PTS: 1 REF: 48 OBJ: 02-8 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Pricing

101. _____ is the process that turns marketing plans into action assignments and ensures these assignments are executed in a way that accomplishes the plan's objectives.
- Mechanistic control
 - Strategic analysis
 - Implementation
 - Strategic planning
 - Strategic design

ANS: C PTS: 1 REF: 48 OBJ: 02-9 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Marketing Plan

102. General Motors Corporation has a goal of launching an electric vehicle soon. The car has been in test drives and they are in the process of working out any bugs that may occur. GM is in the process of working toward mass production of the vehicle. They are in what stage of the marketing plan?
- product planning
 - mechanistic organization
 - synergistic control
 - strategic diversification
 - implementation

ANS: E
GM is turning their marketing plan into action.

PTS: 1 REF: 48 OBJ: 02-9 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Marketing Plan

103. Compass is a United Kingdom-based catering company that has developed a marketing plan designed to make it the largest caterer in China within the next two decades. As part of its marketing _____, it has already begun serving meals on trains that run between Shanghai and Beijing.
- policy
 - implementation
 - evaluation
 - control
 - strategy

ANS: B
Implementation is the process that turns marketing plans into action assignments.

PTS: 1 REF: 48 OBJ: 02-9 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Marketing Plan

104. _____ is the process of gauging the extent to which marketing objectives have been achieved during a specified time period.
- Implementation
 - Control
 - Heuristic measurement
 - Evaluation
 - Mechanistic compliance

ANS: D

After a marketing plan is implemented, it should be evaluated, which means gauging the extent to which marketing objectives have been achieved during the specific time period.

PTS: 1 REF: 49 OBJ: 02-9 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Marketing Plan

105. _____ provides the mechanism for evaluating marketing results in light of the marketing plan's goals and for correcting actions that do not help the marketing organization reach these objectives within the budget guidelines.
- Control
 - Implementation
 - Reengineering
 - Planning
 - Budgeting

ANS: A

This is the definition control.

PTS: 1 REF: 49 OBJ: 02-9 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Marketing Plan

106. An international company that needs to develop a way to compare its actual marketing results with planned results must engage in:
- external market research
 - implementation
 - comparative analyses
 - planning
 - control

ANS: E

Control involves that mechanism for evaluating results and correcting actions in the planning and implementation phases.

PTS: 1 REF: 49 OBJ: 02-9 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Marketing Plan

107. All of the following are common reasons why companies fail to achieve a marketing objective EXCEPT:
- unrealistic marketing objectives
 - poor implementation
 - plan not formalized
 - inappropriate marketing strategy
 - changes in the environment after the objective was specified and the strategy implemented

ANS: C

Even a formalized plan can fail.

PTS: 1 REF: 49 OBJ: 02-9 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

108. A marketing audit is a(n):
- thorough, systematic, periodic evaluation of the objectives, strategies, structure, and performance of the marketing organization
 - financial examination of the firm's marketing performance

- c. financial examination of the firm's accounting records performed by outside consultants
- d. evaluation of the effectiveness of advertising
- e. evaluation of pricing strategies across all the relevant competitors in an industry

ANS: A

A marketing audit is a thorough, systematic, periodic evaluation of the objectives, strategies, structure, and performance of the marketing organization.

PTS: 1 REF: 50 OBJ: 02-9 TYPE: Def
TOP: AACSB Reflective Thinking | TB&E Model Strategy | TB&E Model Research

109. Le Feast is a catering company that has developed a marketing plan designed to make it the largest caterer in the country within the next two decades. Which of the following will be useful to the company to evaluate how successful its efforts have been at the end of the first decade?
- a. SWOT analysis
 - b. environmental scan
 - c. competitive analysis
 - d. marketing audit
 - e. comprehensive sales analysis

ANS: D

A market audit is a thorough, systematic, periodic evaluation of the objectives, strategies, structure, and performance of a marketing organization.

PTS: 1 REF: 50 OBJ: 02-9 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy | TB&E Model Research

110. A planning manager visiting a company's health and beauty aids division discovers the division has no effective method for allocating resources, nor for evaluating actual results against planned results. His suggestion to the division would likely be to prepare a:
- a. marketing audit
 - b. contingency plan
 - c. service audit
 - d. market share analysis
 - e. series of tactical evaluations

ANS: A

A marketing audit is a thorough, systematic, periodic evaluation of the objectives, strategies, structure, and performance of the marketing organization. A marketing audit will evaluate the past, present, and future performance of all aspects of the marketing department.

PTS: 1 REF: 50 OBJ: 02-9 TYPE: App
TOP: AACSB Reflective Thinking | TB&E Model Strategy | TB&E Model Research

111. Which of the following statements about marketing audits is true?
- a. Marketing audits only need to be performed once.
 - b. The main purpose of the marketing audit is to develop a full profile of a company's marketing effort.
 - c. Marketing audits are only necessary after a major crisis.
 - d. Marketing audits simply examine the external environment in which a company operates.
 - e. The marketing audit should only be performed by outside accounting firms.

ANS: B

Marketing audits should be performed periodically by an inside or outside party who is independent enough to have top management's confidence and to be objective. Marketing audits examine all facets of an organization's internal and external marketing environments.

PTS: 1 REF: 50 OBJ: 02-9 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy | TB&E Model Research

112. What is the most critical element in successful strategic planning?
- creativity
 - top management support and participation
 - continual attention
 - the use of a BCG portfolio matrix
 - a stringent and narrow mission statement

ANS: B

Effective strategic planning requires continual attention, creativity, and management commitment--the latter being the most critical.

PTS: 1 REF: 50-51 OBJ: 02-10 TYPE: Comp
TOP: AACSB Reflective Thinking | TB&E Model Strategy

NARRBEGIN: DeFeet International

DeFeet International

DeFeet International started as a cyclist sock company. The founder, Shane Cooper, said that the existing socks for cyclists were just not of great quality so he made socks for his cycling team by knitting them inside out. The socks were of special materials aimed at giving the cyclist the most comfortable fit. These socks were not the traditional white socks but bright, bold, and flashy colored socks with cool graphics. These high tech socks were priced around \$10 a pair. Their web site says "DeFeet is Made for Driven Soles." Soon cycling elites like Lance Armstrong and Greg LeMond were sporting the DeFeet brand. The company branched into running, hiking and snow gear. Their products include socks, armskins, calfskins, boxer briefs, gloves, and shirts for the serious athlete. They also have a custom department where socks, armskins, and gloves can be customized with any motif including sponsor types of logos like Michelin, Pabst Blue Ribbon, or BP. Even kids can enjoy DeFeet's high quality socks. DeFeet's products can be found in retailers across the world, in more than twenty countries, like Israel, Australia, Belgium and the United States. More than two-dozen online retailers also carry their products.

NARREND

113. Refer to DeFeet. If you were to define DeFeet's mission which would be most appropriate?
- DeFeet makes socks.
 - DeFeet makes clothes for athletes.
 - DeFeet creates high-tech products for the serious athlete.
 - DeFeet provides the highest quality apparel for customers who demand the best.
 - DeFeet covers the world.

ANS: D

The mission statement should not be so broad as answer "e" as "covers" could be blankets or car covers. Yet answer a, b, and c would limit DeFeet business to socks, clothes and athletic products. From the discussion above we know that their products are made for kids, corporate sponsors, and athletes so answer D would be the best choice.

PTS: 1 REF: 37 OBJ: 02-1
TOP: AACSB Reflective Thinking | TB&E Model Strategy

114. Refer to DeFeet. What kind of competitive advantage would you say DeFeet has?
- Low cost
 - Niche
 - Product/service differentiation
 - Product Development
 - Diversification

ANS: C

A product/service differentiation competitive advantage exists when a firm provides something unique that is valuable to buyers beyond simply offering a low price. DeFeet has high-tech apparel for a variety of target groups and is not a low cost provider so answer C would be the best choice.

PTS: 1 REF: 41 OBJ: 02-5
TOP: AACSB Reflective Thinking | TB&E Model Strategy

115. Refer to DeFeet. DeFeet branched from making socks for cyclists to making apparel for skiing, hiking, corporate sponsors, and kids. This is an example of which of Ansoff's strategic alternatives?
- Market penetration
 - Market development
 - Product development
 - Diversification
 - Concentration

ANS: D

DeFeet made new products for different markets.

PTS: 1 REF: 44 OBJ: 02-6
TOP: AACSB Reflective Thinking | TB&E Model Strategy

116. Refer to DeFeet. What is DeFeet's most likely target market strategy?
- Appeal to the entire market
 - Concentrate on one segment of the market
 - Appeal to multiple segments
 - Appeal to athletes
 - Appeal to the world

ANS: C

DeFeet makes products for various target groups; cyclists, runners, hikers, athletic women & men, and corporate sponsors so their appeal would be to multiple segments.

PTS: 1 REF: 46 OBJ: 02-7
TOP: AACSB Reflective Thinking | TB&E Model Strategy

117. Refer to DeFeet. DeFeet's _____ is high-tech apparel, the packaging it comes in, the brand name, company image and value.
- product
 - place
 - price
 - promotion
 - position

ANS: A

Product is the physical unit, the warranty, the service, brand name, company image, value, and many other factors.

PTS: 1 REF: 47 OBJ: 02-8
TOP: AACSB Reflective Thinking | TB&E Model Product

118. Refer to DeFeet. DeFeet's _____ includes retailers and online retailers throughout the world.
- product strategy
 - place strategy
 - price strategy
 - promotion strategy
 - positioning strategy

ANS: B

In this example place is the physical distribution of DeFeet's product.

PTS: 1 REF: 48 OBJ: 02-8
TOP: AACSB Reflective Thinking | TB&E Model Distribution

119. Refer to DeFeet. DeFeet's _____ is what its customers give up to obtain their apparel.
- product strategy
 - place strategy
 - price strategy
 - promotion strategy
 - positioning strategy

ANS: C

Price is what buyers give up to obtain a product.

PTS: 1 REF: 48 OBJ: 02-8
TOP: AACSB Reflective Thinking | TB&E Model Pricing

120. Refer to DeFeet. DeFeet's _____ includes advertising, public relations, sales promotions, and personal selling.
- product
 - place
 - price
 - promotion
 - position

ANS: D

Promotion includes advertising, public relations, sales promotions, and personal selling.

PTS: 1 REF: 48 OBJ: 02-8
TOP: AACSB Reflective Thinking | TB&E Model Promotion

NARRBEGIN: Novartis

Novartis

Novartis, a Swiss drug maker, is planning to purchase a majority stake in Zhejiang Tianyuan Bio-Pharmaceutical Company, a Chinese vaccine maker. Novartis has agreed to pay \$125 million for the company that holds a 3% share of China's \$1 billion vaccines market. The market for vaccines is growing 20% or more in developing nations of Asia, Africa, and Australasia. In the past, vaccine use has been limited to basic shots against diseases such as polio, tuberculosis, and measles, but as the economies of these countries grow, government and private healthcare spending focuses on preventing diseases such as hepatitis B, cholera and rotavirus, tetanus, and others. Some critics are against the acquisition, claiming that prices will increase. Novartis claims it is not interested in raising prices but rather to expand Tianyuan's product offerings.

NARREND

121. Refer to Novartis. Novartis is creating and maintaining a fit between its objectives and resources and evolving market opportunities in developing countries. Novartis is engaging in:
- strategic planning
 - selective assessment
 - functional planning
 - environment scanning
 - decision analysis

ANS: A

Strategic planning is the managerial process of creating and maintaining a fit between the organization's objectives and resources and evolving market opportunities.

PTS: 1 REF: 35 OBJ: 02-1
TOP: AACSB Reflective Thinking | TB&E Model Strategy

122. Refer to Novartis. Novartis assessed the opportunity presented by the growing potential markets in developing countries and determined it was consistent with its internal quality production processes and extensive R&D capabilities. This assessment process in which Novartis learned this about the environment is called a(n):
- market audit
 - situation analysis
 - primary analysis
 - profit and loss assessment
 - strategic window search

ANS: B

When a company pursues a study to ascertain its current status and capabilities and its future expectations, it is conducting a situation analysis.

PTS: 1 REF: 38 OBJ: 02-3
TOP: AACSB Reflective Thinking | TB&E Model Strategy

123. Refer to Novartis. If Novartis goes through with the purchase of Tianyuan, it will become a subgroup of its overall pharmaceutical business and organization. Tianyuan will then be considered a(n) _____ of Novartis.
- stock keeping unit (SKU)
 - portfolio element
 - strategic business unit (SBU)
 - market segment
 - business segment

ANS: C

A strategic business unit (SBU) is a subgroup of a single business or a collection of related businesses within the larger organization.

PTS: 1 REF: 38 OBJ: 02-2
TOP: AACSB Reflective Thinking | TB&E Model Strategy

124. Refer to Novartis. By acquiring Tianyuan, Novartis will be offering vaccines, which is a product that it currently offers in its existing markets, to new markets for the company. This is an example of which strategic alternative?
- strategic window
 - market penetration
 - product development
 - diversification
 - market development

ANS: E

Market development entails marketing current products to new target markets.

PTS: 1 REF: 44 OBJ: 02-6
TOP: AACSB Reflective Thinking | TB&E Model Strategy

125. Refer to Novartis. Tianyuan has a relatively small market share of a high-growth market in China. How would this company be classified in Novartis' portfolio matrix?
- problem child
 - star
 - cash cow
 - dog
 - emergent

ANS: A

A problem child, also called a question mark, has a low market share in a high-growth industry.

PTS: 1 REF: 45 OBJ: 02-6
TOP: AACSB Reflective Thinking | TB&E Model Strategy

126. Refer to Novartis. One thing Novartis plans to do is increase sales to governments and to the United Nations agencies because these are the typical buyers of vaccines to distribute in poor countries. Thus, the company is willing to give up short-term profits to increase market share for this company. In terms of the Boston Consulting Group's portfolio matrix, which basic strategy will Novartis be implementing?
- hold
 - harvest
 - divest
 - build
 - divert

ANS: D

If an organization has an SBU that it believes has the potential to be a star (probably a problem child at present), building would be an appropriate goal.

PTS: 1 REF: 46 OBJ: 02-6
TOP: AACSB Communication | TB&E Model Strategy

NARRBEGIN: Delta Faucet
Delta Faucet Company

TOP: AACSB Reflective Thinking | TB&E Model Strategy

130. Refer to Delta Faucet Company. The reputation the Delta faucet has for its quality, durability, and dependability among builders is an example of a(n):
- tactical threat
 - competitive advantage
 - experience curve
 - economy of scale
 - market differentiator

ANS: B

A competitive advantage is the set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition.

PTS: 1 REF: 40 OBJ: 02-5
TOP: AACSB Reflective Thinking | TB&E Model Strategy

131. Refer to Delta Faucet Company. Since Delta was already marketing to homeowners (although not very successfully), its development of new styles of faucets to appeal to this underserved market would be an example of a _____ strategy.
- market penetration
 - product diversification
 - market development
 - product development
 - product penetration

ANS: D

A product development strategy entails the creation of new products for current customers.

PTS: 1 REF: 44 OBJ: 02-6
TOP: AACSB Reflective Thinking | TB&E Model Strategy

132. Refer to Delta Faucet Company. While new home construction is not growing as rapidly as it once did, the number of homeowners who are remodeling bathrooms and kitchens is growing. According to the portfolio matrix, Masco would consider Delta a(n):
- question mark
 - exclamation point
 - star
 - cash cow
 - problem child

ANS: D

A cash cow is an SBU that usually generates more cash than it needs to maintain its market share.

PTS: 1 REF: 45 OBJ: 02-6
TOP: AACSB Reflective Thinking | TB&E Model Strategy

133. Refer to Delta Faucet Company. Delta's decision to make more stylish faucets represents a change in the _____ element of its marketing mix.
- product
 - promotion
 - place
 - production
 - distribution

ANS: A

The product includes not only the physical unit but also its package, warranty, after-sale service, brand name, company image, value, and many other factors.

PTS: 1 REF: 47 OBJ: 02-8
TOP: AACSB Reflective Thinking | TB&E Model Product

134. Refer to Delta Faucet Company. Delta's development of a new slogan represents a change in the _____ element of its marketing mix.
- product
 - promotion
 - place
 - production
 - distribution

ANS: B

Promotion includes advertising, public relations, sales promotion, and personal selling.

PTS: 1 REF: 48 OBJ: 02-8
TOP: AACSB Reflective Thinking | TB&E Model Promotion

ESSAY

1. What is the difference between planning, strategic planning, and marketing planning?

ANS:

Planning is the process of anticipating future events and determining strategies to achieve organizational objectives in the future.

Strategic planning is the managerial process of creating and maintaining a fit between the organization's objectives and resources and the evolving market opportunities. The goal of strategic planning is long-run profitability and growth. Thus, strategic decisions require long-term commitments of resources.

Marketing planning involves designing activities relating to marketing objectives and the changing marketing environment. Marketing planning is the basis for all marketing strategies and decisions. Issues such as product lines, distribution channels, marketing communications, and pricing are all delineated in the marketing plan.

PTS: 1 REF: 35-36 OBJ: 02-1
TOP: AACSB Communication | TB&E Model Strategy | TB&E Model Marketing Plan

2. What is marketing myopia? If a movie theater company had a myopic orientation, how might it state its business purpose? If the movie theater company avoided a myopic orientation, how would its business purpose change?

ANS:

Defining a business in terms of goods and services rather than in terms of the benefits customers seek is called marketing myopia, which implies a narrow, short-term orientation. This orientation can threaten the survival of an organization.

If a movie theater had a myopic orientation, it might state its business as "selling tickets to movies." A better business statement for the theater would be "to provide convenient entertainment."

PTS: 1 REF: 37 OBJ: 02-2
TOP: AACSB Communication | TB&E Model Strategy

3. What is an SBU? If properly created, what characteristics should an SBU have?

ANS:

SBU is an acronym for strategic business unit. A popular technique for managing large, heterogeneous organizations is to divide the firm into strategic business units.

When properly created, an SBU will have the following characteristics:

- A distinct mission and a specific target market
- Control over its own resources
- Its own competitors
- A single business or collection of related businesses
- Plans independent of other businesses of the total organization
- Its own basic business functions

PTS: 1 REF: 38 OBJ: 02-2
TOP: AACSB Communication | TB&E Model Strategy

4. What is a SWOT analysis? How does it relate to strategic planning?

ANS:

The SWOT acronym represents the four components of a situation analysis, the second step in strategic business planning. SWOT stands for strengths, weaknesses, opportunities, and threats. Strengths and weaknesses are internal components of the organization that should be analyzed, while opportunities and threats are characteristics of the external environment that should be analyzed. With the SWOT analysis, the company is determining its present status, its current capabilities, and its future expectations.

PTS: 1 REF: 38 OBJ: 02-3
TOP: AACSB Communication | TB&E Model Strategy

5. What is a marketing objective? Name three criteria for good marketing objectives. Use the criteria to write an objective for a business with which you are familiar.

ANS:

A marketing objective is a statement of what is to be accomplished through marketing activities.

For marketing objectives to be realized, they must meet several criteria. They must be:

- realistic - managers should develop objectives that have a chance of being met
- measurable - managers need to be able to quantitatively measure whether or not an objective has been met
- time-specific - by what time should the objective be met?
- compared to a benchmark - it is important to know the baseline against which the objective will be measured

The example objective should fulfill the above criteria and be stated in terms of actions expected by the target consumers.

PTS: 1 REF: 39 OBJ: 02-4
TOP: AACSB Communication | TB&E Model Strategy

6. What is environmental scanning? Name four environmental forces that affect marketing decision-making.

ANS:

Environmental scanning is the collection and interpretation of information about external forces, events, and relationships that may affect the future of the organization. It helps identify market opportunities and threats and provides guidelines for the design of marketing strategy.

Important forces include:

- social forces
- demographic forces
- economic forces
- technological forces
- political and legal forces
- competitive forces

PTS: 1 REF: 39 OBJ: 02-3
TOP: AACSB Communication | TB&E Model Research

7. Stump's Hot Olives are manufactured by a family business in Wisconsin and are sold in Midwestern grocery stores, through mail order, and to a few local restaurants. The company has been in operation since 1998 and relies on labor from family and friends to produce and package olives in attractive, reusable glass containers. They use store demonstrations to introduce their spicy olives to new customers. Discuss how this company can establish or maintain at least one of the three types of competitive advantage.

ANS:

Student answers to this question will vary, but they should discuss one of the three types of competitive advantage: cost, product/service differentiation, and niche strategies. Their answers could include a cost competitive advantage, which can be achieved through no-frills goods and customer service, efficient labor, production innovations (such as new products not currently on the market), and the experience curve. A product differentiation competitive advantage might be achieved by the use of the value impression (this possibility is implied in the description of the containers). The company might also try selling an augmented product-offering by bundling pickles and pepper products with its olives. The niche competitive advantage may be appropriate for this company. Some students may suggest targeting gourmets or some other single market.

PTS: 1 REF: 40-42 OBJ: 02-5
TOP: AACSB Communication | TB&E Model Strategy

8. What is a competitive advantage? What makes a competitive advantage sustainable?

ANS:

A competitive advantage is the unique set of features of a company and its products that are perceived by the target market as significant and superior to the competition.

A sustainable competitive advantage is one that cannot be copied by the competition. Without this, a competitive advantage could be easily copied and the advantage lost.

PTS: 1 REF: 40 | 42 OBJ: 02-5
TOP: AACSB Communication | TB&E Model Strategy

9. Name and describe the four strategic alternatives in Ansoff's strategic opportunity matrix, which matches products with markets. For each of the four strategic alternatives, give a specific example of a firm following that strategy.

ANS:

MARKET PENETRATION - increase market share among existing customers. Kraft Foods using heavy promotional expenditures in the form of aggressive advertising and cents-off coupons for Maxwell House coffee.

MARKET DEVELOPMENT - attracting new customers to existing products. McDonald's opening restaurants in Russia, China, and Italy; colleges and universities expanding to executive development and continuing education.

PRODUCT DEVELOPMENT - creating new products for current customers. Brooks Brothers has introduced a line of poplin suits with polyester fibers that move moisture away from the body.

DIVERSIFICATION - introducing new products into new markets. LTV entering the monorail business; Sony's acquisition of Columbia Pictures; Coca-Cola manufacturing water treatment equipment.

PTS: 1 REF: 43-44 OBJ: 02-6
TOP: AACSB Communication | TB&E Model Strategy

10. List the four basic strategies used once an organization has identified its SBUs in terms of the portfolio matrix. Describe when each is used.

ANS:

The four basic strategies are (1) **Build** is used when an organization has identified an SBU it believes has the potential to be a star. Most likely the SBU has been identified as a problem child. (2) **Hold** is used when the SBU has been identified as a very successful cash cow. (3) **Harvest** is used with all SBU classifications except stars. The basic goal with this strategy is to increase short-term cash return. (4) **Divest** means to get rid of SBUs with low market share. Divestment strategy may be used with either dogs or problem children (also called question marks).

PTS: 1 REF: 46 OBJ: 02-6
TOP: AACSB Communication | TB&E Model Strategy

11. An essential part of marketing strategy is target market strategy. Selection of target market(s) drives marketing objectives and selection of the marketing mix (the four Ps). What are the three general strategies for selecting target markets?

ANS:

The strategies are to:

- appeal to the entire market with a single marketing mix
- concentrate on only one segment of the market
- appeal to multiple market segments using multiple marketing mixes

PTS: 1 REF: 46 OBJ: 02-7
TOP: AACSB Communication | TB&E Model Strategy

12. The marketing mix refers to a unique blend of marketing variables known as the four Ps. Name and briefly describe each of the 4 Ps.

ANS:

PRODUCT. The firm's product offerings are the heart of the marketing mix. The Product P includes product development, production assistance, packaging, warranties, servicing, branding, company image, and other components in addition to the physical unit.

PLACE (or DISTRIBUTION). Distribution strategies make products available when and where customers want them. Products move through a channel of distribution that may include wholesalers and retailers. Physical distribution (stocking and transportation logistics) is also part of the Place P.

PROMOTION. Promotion includes personal selling, advertising, sales promotion, and public relations. Promotion serves to inform, educate, persuade, and remind target markets about product benefits.

PRICE. Price strategies are an important competitive weapon. Pricing is an important component of the marketing mix because it is flexible and allows revenue to be estimated and measured.

PTS: 1 REF: 47-48 OBJ: 02-8
TOP: AACSB Communication | TB&E Model Strategy

13. Perhaps the broadest control device available to marketing management is the marketing audit. Describe this tool and its characteristics.

ANS:

A marketing audit is a thorough, systematic, periodic evaluation of the objectives, strategies, structure, and performance of the marketing organization. It incorporates both financial and nonfinancial reporting, is mainly futuristic in nature, and is largely strategy-oriented. The marketing audit is designed to aid management in allocating marketing resources efficiently. The marketing audit looks to the future allocation of marketing resources. All companies should use the audit system to uncover potential weaknesses and identify cost-cutting opportunities. The marketing audit should be comprehensive, systematic, independently conducted, and run periodically.

PTS: 1 REF: 50 OBJ: 02-9
TOP: AACSB Communication | TB&E Model Research

14. The Heritage Bank is unaware of all the many tools available that will let marketers examine a firm's processes and identify potential areas for improvement. This firm wants to examine all of its goals, strategies and structure, to ensure it's on the right track and doing things well. The Heritage Bank has hired you as an outside consultant to recommend a plan of action. What do you suggest and why?

ANS:

The broadest control device available to marketing management is the marketing audit. A marketing audit is a thorough, systematic, periodic evaluation of the goals, strategies, structure, and performance of the marketing organization. This would address all of the issues this firm wants more information about.

PTS: 1 REF: 50 OBJ: 02-9
TOP: AACSB Communication | TB&E Model Strategy

15. Name and describe the three requirements for effective strategic planning.

ANS:

CONTINUAL PROCESS. Strategic planning should be an ongoing process because the environment is continually changing and the firm's resources and capabilities are continually evolving.

CREATIVITY. Sound planning is based on creativity. Existing assumptions about the firm and the environment should be challenged, and new rules of the game should be established. Developing unique and visionary strategies that defy conventional wisdom also prevents managers from locking into static and predictable options.

MANAGEMENT COMMITMENT. Perhaps the most critical element of successful strategic planning is top management's support and participation. Without the involvement of top management, no strategic plan can be effectively implemented.

PTS: 1 REF: 50 OBJ: 02-10

TOP: AACSB Communication | TB&E Model Strategy