

Chapter 02 Elements of Marketing Strategy and Planning

True / False Questions

1. Differentiation is the backbone of developing a marketing strategy.
True False
2. The benefits of a product or service must include all types of utility.
True False
3. Starbucks is known to have shops located across the street from each other. It appears that the coffee shop chain is offering place utility.
True False
4. Samsung's first value proposition when the brand was launched in the United States was price and functionality.
True False
5. The value proposition should drive customer loyalty.
True False
6. Firms should not be concerned that satisfied customers will switch to another brand.
True False
7. The two parts of the value equation are benefits and cost.
True False

8. Outbound logistics refer the distribution of products.

True False

9. As long as all activities in the value chain are working well, managers do not need to be concerned with aligning the activities.

True False

10. The last step in the value chain is margin.

True False

11. (Little m) marketing serves as the driver of business strategy.

True False

12. Of According to the BCG matrix, a business that is classified as a *star* has high growth and low market share.

True False

13. Linda imports fine art paintings and photographs that she sells to hotels. When the dollar is weak against foreign currencies, she struggles to cover her costs. Business has increased 400% in the last five years. With additional resources, she believes she can expand into the profitable hospital and nursing home markets. According to the BGC matrix, Linda's business is a *dog*.

True False

14. The GE Business Screen portfolio model evaluates businesses on the dimensions of market attractiveness and market share.

True False

15. The GE Business Screen model assesses the firm's ability to compete. Business Position looks at factors like government regulations, sensitivity to economic trends and size of the market.

True False

16. A mission statement does not include a discussion of the firm's strategic vision.

True False

17. Objectives are measurable; goals are broad statement of generally desired accomplishments in support of the firm's mission statement.

True False

18. The Sarbanes-Oxley Act of 2002 established specific procedures to ensure ethical conduct at the highest levels of the company, including the Board of Directors.

True False

19. Strategy has two key phases: planning and execution.

True False

20. Companies in some business cultures based outside the U.S. seem to have less pressure to achieve high levels of growth.

True False

21. The first step of marketing planning is the establishment of goals and objectives.

True False

22. Market development strategies allow for the firm to introduce existing products to new customers, often including international markets.

True False

23. Market penetration strategies allow for the firm to invest additional resources to have existing customers consume new products.

True False

Multiple Choice Questions

24. Value may be defined as the ratio of bundled benefits received to the cost incurred by the customer to receive those benefits. _____ is **not** thought of as one of the costs.

- A. Monetary cost
- B. Time to shop
- C. Convenience
- D. Poor service quality
- E. Skill or expertise

25. Form utility is _____.

- A. Marketing's task in creating an offering that has value
- B. Production's task in creating an offering that has value
- C. The firm's task in deciding where to distribute the product
- D. A and B
- E. A and C

26. Martha purchases books, music and videos at a large bookstore chain. Although the store nearest to her house is less than five miles away, the location where she shops most frequently is 120 miles north of her home. It is a good place to take a break when she drives 270 miles to visit her parents once a month. The store that is further away from her home offers _____ utility.

- A. Time
- B. Form
- C. Ownership and form
- D. Form and time
- E. Place

27. Enrico pays a market rate to take his young children to daycare that is run by his employer. It is open until 9:00 p.m., a time by which everyone leaves. This service offered by his company offers _____ utility.

- A. Time
- B. Form
- C. Place
- D. Form and ownership
- E. A and C

28. Shabreka likes to shop in a designer boutique located in a city 30 miles from her home. This store offers _____ utility.

- A. Time and place
- B. Form
- C. Ownership
- D. Form and ownership
- E. Place

29. José's and Maria's son Jorge is a talented swimmer. The pool where he takes swimming lessons is 45 miles from their home in suburban Atlanta. _____ utility is **not** part of the round trip they make six days a week.

- A. Form
- B. Time and place
- C. Ownership
- D. Form and ownership
- E. Place

30. The concept of the value chain was created by _____.

- A. Fred Wiserma
- B. Michael Porter
- C. Jim Collins
- D. Peter Drucker
- E. The Boston Consulting Group

31. _____ is **not** one of the five primary activities in the value chain.

- A. Inbound logistics
- B. Operations
- C. Human resource management
- D. Outbound logistics
- E. Marketing and sales

32. A window manufacturer has trouble getting raw materials for production. The problem occurs in the _____ activity of the value chain.

- A. Inbound logistics
- B. Operations
- C. Outbound logistics
- D. Marketing and sales
- E. Service

33. Jack attributes the success of his pre-owned automobile business to the clear low-key messages created by a small advertising agency. Lately a new media buyer at the agency has changed the key radio stations where Jack's Autos ads are played and his sales are slipping. The problem occurs in the _____ activity of the value chain.

- A. Inbound logistics
- B. Operations
- C. Outbound logistics
- D. Marketing and sales
- E. Service

34. Dave is a close-up magician who is famous for his card tricks. He creates and sells DVDs of his magic tricks. Lately he has been having trouble getting the DVDs produced in a timely manner. The problem occurs in the _____ activity of the value chain.

- A. Inbound logistics
- B. Operations
- C. Outbound logistics
- D. Marketing and sales
- E. Service

35. Miriam and Gregory are partners in a manufacturing firm that supplies over 1,500 companies. Recently, employees have been complaining that they were not told of changes in health insurance coverage and premiums. They attribute this to a problem with _____.

- A. Firm infrastructure
- B. Human resources management
- C. Technology development
- D. Inbound logistics
- E. Procurement

36. Mammoth Foods, a major agricultural corporation, recently purchased MJS Organic Foods Co. MJS was established six years ago and has become a major supplier to restaurants in the northeastern United States. The organic herbs, vegetables, and fruit market is expected to have a double-digit growth rate over the next decade. Most like, MJS would be classified as a _____ under the Boston Consulting Group model.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

37. Ajax Corp. has a subsidiary, Ajax TV Products, which makes cable television converter boxes. This division has provided the parent company with a steady revenue stream for over thirty years. It is expected to continue its contribution to revenue as more consumers adopt its newest product, digital video recorders. Ajax TV Products most likely would be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

38. JBW Recording Company plans to close down a division that makes classical music cassette tapes. The demand for this type of recording has dwindled to the point that the cassette division is barely at break even in terms of revenue. Mostly likely the cassette division would be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

39. Lately the demand for building materials has dropped due to the slow down in new housing construction. Wood-O Corp. is thinking of closing its fine wood division that produces mahogany and cherry lumber for building cabinets and other applications. Most likely the fine wood division would be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

40. Hot and Cold Corp. makes disposable coffee and soft drink cups for use in fast food restaurants, hospitals, convenience stores and the like. The company is working on a new product that will biodegrade within five years of being put in a landfill. This promising new product line would most likely be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

41. The Green Scene Co., a struggling start-up firm, has a environmentally friendly pesticide that is approved for use by commercial organic farmers. The pesticide is made from all natural ingredients and has great potential. A small investment firm has injected cash in Green Scene. Mostly likely the investment firm views Green Scene as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

42. Round & Round, a maker of bicycle tires, has faced stiff competition from imported bicycle tires. In one product line, tires for wheelbarrows and other carts, it faces almost no competition in the U.S. Round & Round thinks of the cart tires as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

43. Mega Corp. is interested in buying MD Softworks, a medical software firm. Two software engineers started the company and they have made risky financial decisions. Mega Corp. believes that with proper management the software firm will become an industry leader. Mostly likely the software firm would be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

44. The business position dimension of the GE Business Screen include all **but** _____.

- A. Organization
- B. Growth
- C. Patents
- D. Profitability
- E. Marketing

45. The firm's _____ articulates an organization's purpose, or reason for existence. It should define the unique purpose that sets it apart from competitors and identifies the scope of the company's operations, products, and markets.

- A. Mission statement
- B. Goals
- C. Objectives
- D. Vision
- E. Value proposition

46. _____ is not considered a goal.

- A. To deliver the best customer service
- B. To practice responsible financial management
- C. To increase revenue by 15 to 20% in each of the next five years
- D. To hire the best people
- E. To minimize waste

47. _____ is not considered an objective.

- A. To improve customer satisfaction ratings to 95%
- B. To increase ROI by 20%
- C. To be the leader in our field
- D. To reduce cost of scrap material to less than 1% of total manufacturing cost
- E. To get five new distributors

48. Growth, stability, and retrenchment refer to a firm's position relating to its _____.

- A. Specific strategy
- B. Generic strategy
- C. Future strategy
- D. Marketing strategy
- E. Corporate strategy

49. Hernandez Brothers manufactures trailers that are used by lawn service companies. The company was started in Texas by their father but has expanded in the last 12 years to include 26 sales and service centers throughout the southeast. Mostly likely, the company is using a generic strategy based on _____.

- A. Retrenchment
- B. Stability
- C. Market development
- D. Growth/Concentration via vertical integration
- E. Growth/Concentration based on horizontal integration

50. Irma's Cupcakes, a family-owned chain of bakeries, is primarily located in malls. The bakery shops had rapid growth in its first seven years. Now the family has decided that adding more shops would make it impossible for them to monitor operations. Most likely the family is pursuing a generic strategy of _____.

- A. Retrenchment
- B. Stability
- C. Diversification via concentric means
- D. Growth/Concentration via vertical integration
- E. Growth/Concentration based on horizontal integration

51. Really Big Financial Co. has been forced to sell its under performing mortgage division so that senior management can focus on the relatively profitable sector of private banking. Most likely the company is pursuing a generic business strategy of _____.

- A. Retrenchment
- B. Stability
- C. Diversification via concentric means
- D. Growth/Concentration via vertical integration
- E. Growth/Concentration based on horizontal integration

52. The airline industry must comply with regulations set by the Federal Aviation Administration and the National Safety Board. A discussion of this would be included in the _____ part of a marketing plan.

- A. Socio-cultural/Demographic
- B. Firm structure and systems
- C. Political, legal and ethical
- D. Firm resources
- E. Threat of new entrants

53. FRAGmasters Computer Games is creating a marketing plan. Managers are concerned with current distribution. An examination of this issue would be in the _____ section of the marketing plan.

- A. Firm structure and systems
- B. Technological
- C. Firm resources
- D. Segmentation strategies
- E. Supply chain strategies

54. Some large retailers require suppliers to ship products that have Radio Frequency Identification (RFID) labels to facilitate the tracking of products. Other firms may be considering to implement this cost-saving tactic. Most likely a description of this would be in the _____ part of a marketing plan.

- A. Economic situation
- B. Natural factors
- C. Technological factors
- D. Bargaining power of suppliers
- E. Marketing capabilities

55. According to the 2000 U.S. Census, Hispanic Americans outnumber African-Americans. Most likely an examination of this issue would be in the _____ section of the marketing plan.

- A. Natural factors
- B. Legal issues
- C. Economic trends
- D. Socio-cultural/Demographic
- E. Threat of new entrants

56. The price of a barrel of oil has varied dramatically in the last few years. When the price of oil is high, automobile drivers look to find ways to drive less. An examination of this issue would be in the _____ section of the marketing plan.

- A. Bargaining powers of buyers
- B. Bargaining power of suppliers
- C. Threat of new entrants
- D. Threat of substitute products
- E. Rivalry among existing firms

57. One competitive force not addressed directly by Michael Porter is _____.

- A. Power of competitive forces
- B. Power of substitute forces
- C. Power of other stakeholders
- D. Power of suppliers
- E. Power of potential entrants

58. In the section of a marketing plan devoted to firm resources, one expects to find an examination of a firm's functional/operational level of resources and capabilities and how they impact the firm's ability to develop and execute market-driven strategies. These capabilities would include all but _____.

- A. Information systems
- B. Marketing
- C. Financial
- D. Transportation systems across the country
- E. Human capabilities

59. A SWOT analysis should not _____.

- A. Analyze the competition
- B. Look at internal strengths
- C. Include factors from the Situation Analysis
- D. Identify natural factors
- E. Suggest solutions to problems

60. The best place in a SWOT analysis to list the competitive trends is _____.

- A. External opportunities
- B. External threats
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

61. The best place in a SWOT analysis to identify problems with hurricanes, earthquakes, major snowfalls and other natural phenomena is _____.

- A. External opportunities
- B. External threats
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

62. The best place in a SWOT analysis to identify rising interest rates and availability of credit is _____.

- A. External opportunities
- B. External threats
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

63. The best place in a SWOT analysis to identify a reduced marketing budget is in _____.

- A. External opportunities
- B. External threats
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

64. The best place in a SWOT analysis to identify the possibility of acquiring a competitor is in _____.

- A. External opportunities
- B. External threats
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

65. The best place in a SWOT analysis to the threat of substitute products is in _____.

- A. External opportunities
- B. External threats
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

66. Phat Sultz, a manufacturer of male clothing, finds that the informal atmosphere that was created by the three founders is no longer manageable now that the firm has more than 300 employees. Managers have determined a need for a human resources department. An examination of this issue would be found in the _____ part of the situation analysis.

- A. Firm structure
- B. Firm culture
- C. Firm leadership
- D. Firm resources
- E. Firm history

67. Goals and objectives should be set _____.

- A. At the beginning of marketing planning
- B. At the end of the situation analysis
- C. After marketing strategies are fixed
- D. After completion of all market research, situation analysis, and competitor analysis
- E. None of the above

68. Beach Bums, a maker of swim suits, has contract manufacturing overseas. The firm is concerned that tariffs may be increased. An examination of this issue would take place in the _____ of the situation analysis.

- A. Economic situation
- B. Natural factors
- C. Competitive situation
- D. Political, legal, and ethical factors
- E. Logistic situation

69. Roberta, the marketing manager at New Home Builders Corp., is crafting a SWOT analysis. She should include the downturn in the U.S. economy and tightening of the credit markets in the _____ section.

- A. Strengths
- B. Threats
- C. Opportunities
- D. Strategic
- E. Weaknesses

70. Roberta has many items to include in the SWOT analysis for New Home Builders Corp. An examination of competitors that have gone bankrupt would be included in the _____ section.

- A. Strengths
- B. Threats
- C. Opportunities
- D. Strategy
- E. Weaknesses

71. Roberta's company, New Home Builders Corp., is a specialist in designing one-story homes that have wide hallways and walk-in showers that could accommodate the need to use a wheelchair or walker, and other amenities that allow couples to remain in their homes as they age. The company's strong value proposition has allowed it to maintain steady market share in a weak housing market. A discussion of this relative advantage would be included in the _____ section of the SWOT.

- A. Strengths
- B. Threats
- C. Opportunities
- D. Strategy
- E. Weaknesses

72. Open Sesame is a chain of Thai restaurants located in the western United States. The marketing manager has discovered that there is a growing demand for Spanish food and that Latino Americans spend more money on food away from home than other ethnic groups. This information would be included in the _____ part of the SWOT analysis.

- A. Strengths
- B. Threats
- C. Opportunities
- D. Strategic
- E. Weaknesses

73. The U.S. dollar has strengthened against the Euro and the Yen. A discussion of this would be included in the _____ section of the SWOT.

- A. Strengths
- B. Threats
- C. Opportunities
- D. Strategic
- E. Weaknesses

74. The marketing manager at MWJ Architects, a firm that specializes in the designing of baseball parks, discovers a glitch in the software that the firm uses and that some of its most recent projects will come in over budget. A discussion of this would be included in the _____ section of the SWOT.

- A. Strengths
- B. Threats
- C. Opportunities
- D. Strategic
- E. Weaknesses

75. Rush Express, a North American delivery service, wants to expand service into South America. This is classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

76. Call Company, has 12 call centers worldwide. The firm is considering the purchase of a software firm that serves the oil and gas industry. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

77. A former professional football player invested in a seafood restaurant chain when he played ball. Now that he is retired from the NFL, he and his partners want to start a chain of organic fast-casual restaurants in their region of 6 million households. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

78. Bliss Massage Therapy Center maintains a database of over 700 clients and sends each one a special discount offer in the month of his or her birthday. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

79. Vinny, the marketing manager for Bass Line Audio Systems, wants the company to offer an MP3 player, a product the company doesn't have. He thinks that the firm has many brand loyal customers who would buy it. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

80. Great Skate skateboarding parks' marketing team wants to stay open until 3:00 a.m. The parks currently close at midnight. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

81. Jane, marketing manager at Oh, Baby!, a professional preschool center, thinks the firm should start an after school program to retain its current clients when children get old enough to go to school. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

82. Aaron's boss wants him to travel to Canada to investigate opening retail stores in Montreal and Ottawa. The firm operates under the name of Bob's Bargain Basement. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

83. The process of measuring marketing results and adjusting the marketing plan as needed is called _____.

- A. Marketing control
- B. Marketing metrics
- C. Marketing management
- D. Marketing strategy
- E. Marketing planning

84. When Progressive and GEICO insurance companies wanted to gain market share, they increased spending on _____.

- A. Promotions
- B. Personal selling
- C. Direct selling
- D. Advertising
- E. Publicity and Public Relations

85. Every marketing plan includes an implementation element. These are sometime called _____.

- A. Strategic plans
- B. Marketing programs
- C. Value propositions
- D. Action plans
- E. Marketing channels

86. Implementation elements should include _____.

- A. Timing
- B. A way to measure results
- C. The identity of the responsible person
- D. The identification of resources needed
- E. All of the above

87. One part of a marketing plan should identify what to do if things go wrong. This is called _____.

- A. Contingency planning
- B. Strategic planning
- C. Marketing metrics
- D. Action plans
- E. Marketing programs

88. Contingency plans should include _____.

- A. Best case scenarios
- B. Worst case scenarios
- C. Expected case scenarios
- D. A and B only
- E. A, B, and C

89. Marketing plans are _____.

- A. A means of gathering input from stakeholders throughout the firm
- B. Essential for the firm's success
- C. A rallying point for creativity
- D. Well articulated
- E. Any of the above

90. Scott is a plumbing fixture manufacturer's representative. He sells to wholesalers, homebuilders, and retailers. His marketing plan calls for going to four trade shows a year. He recently found out that there would be a new Home Show aimed at consumers in his territory and he wants to attend. His boss says "Go for it!" The boss is reflecting the concept of _____ in successful marketing planning.

- A. Stay flexible
- B. Utilize input, but don't become paralyzed by information and analysis
- C. Don't underestimate the implementation part of the plan
- D. Stay strategic but also stay on top of tactical
- E. Give yourself and your people room to fail and try again

91. Mary's firm has delayed making a decision on acquiring a new product line. Her staff has analyzed and tweaked numbers for three months. Most likely, the staff needs to be reminded to _____.

- A. Stay flexible
- B. Utilize input, but don't become paralyzed by information and analysis
- C. Don't underestimate the implementation part of the plan
- D. Stay strategic but also stay on top of tactical
- E. Give yourself and your people room to fail and try again

92. Tyler's event planning company hired a new marketing assistant. He says he is a "big picture person", not a detail-oriented person. Most likely, Tyler is about to find out that the new assistant needs to be coached to _____.

- A. Stay flexible
- B. Utilize input, but don't become paralyzed by information and analysis
- C. Not underestimate the implementation part of the plan
- D. Stay strategic but also stay on top of tactical
- E. Give yourself and your people room to fail and try again

93. Samantha has worked for MJS Marketing for five years and expected a promotion next month. However, the new product launch that she organized did not go as smoothly as expected. This was the first time the company had hired an outside firm for promotions and Sam is worried that will reflect poorly on her. Sam's terrific boss will most likely remind her that she should _____.

- A. Stay flexible
- B. Utilize input, but don't become paralyzed by information and analysis
- C. Don't underestimate the implementation part of the plan
- D. Stay strategic but also stay on top of tactical
- E. Give yourself and your people room to fail and try again

Short Answer Questions

94. Define value proposition.

95. Define value chain.

96. What are the four types of utility?

97. What is meant by market-driven strategic planning?

98. Describe the relationship between customer loyalty and satisfaction.

99. Describe the concept of the value chain. Who created the idea?

100. What are the five primary activities of the value chain?

101. What are the support activities of the value chain?

102. Your cousin has founded a computer repair service, FRAGMasters. He wants your help in understanding marketing. How do you explain the difference between strategy and tactics?

103. How does a weak link in the value chain undermine the entire value proposition?

104. In looking at the Boston Consulting Group Model and the GE Business Screen, which is the more realistic? Why?

105. You are a member of a corporation tasked with developing your firm's vision statement. What does your group need to consider?

106. What is the difference between goals and objectives?

107. What are the three generic business strategies?

108. Identify Porter's three primary categories of competitive strategy.

109. How do core competencies differ from distinctive competencies?

110. What are the various issues that would be included in the Natural Environmental factors of a marketing plan?

111. Compare and contrast the bargaining power of suppliers with the bargaining power of buyers.

112. Describe the sections of a SWOT analysis.

113. Identify and describe Ansoff's Product-Market Matrix.

Essay Questions

114. Describe how GE has used market-driven strategic planning.

115. Amanda Whittlesley, the new CEO of the Too Big Corporation, wants to use the BCG model to analyze the corporation. You are to oversee the project that must be completed in the next 60 days. Amanda has called a meeting for corporate executives and the presidents of the eleven strategic business units. Your task at the meeting is to explain the BCG model and how you will implement it. What will you say? Include any weaknesses of the BDG model.

116. Really Smart Consulting Partners uses the GE Business Screen when analyzing business for clients. Tyrone, a senior partner, has prepared a report telling a client to sell a strategic business unit. How does the report justify the recommendation to sell? What kind of analysis would you expect to be presented?

117. Describe how GE holds each individual SBU accountable for its functional level plans.

118. In the vast majority of companies the conflicting demands of securing sensitive information and open disclosure of business procedures exist relatively harmoniously. However, occasionally the system fails and the result is scandal and even criminal activity. Hewlett-Packard (HP), one of the leading global technology companies, recently found itself involved in a scandal that led to the dismissal of two members of its Board of Directors and the firing of several employees. Describe how HP came to be in this position. Do you think the people involved were unethical by nature?

119. This chapter discusses the Boston Consulting Group Growth-Share Matrix and Generic Business Strategies. How do these models relate? Which growth strategy would you recommend for companies or SBUs in each of the four cells of the BCG model?

120. Marta, a partner of Apex Corp., a business solutions consulting firm, has a client who is creating its first marketing plan. The client needs a marketing plan template. What standard items would be included that Marta would give her client?

121. Describe the factors included in the external environmental analysis.

122. Describe the major factors in the competitive environmental factors.

123. What are the major categories for the internal environmental analysis? What is included in each area?

Chapter 02 Elements of Marketing Strategy and Planning **Answer Key**

True / False Questions

1. (p. 29) Differentiation is the backbone of developing a marketing strategy.

TRUE

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: Easy

Learning Objective: Conditions needed for marketing planning

2. (p. 30) The benefits of a product or service must include all types of utility.

TRUE

AACSB Standard: reflective thinking

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Conditions needed for marketing planning

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3. (p. 30) Starbucks is known to have shops located across the street from each other. It appears that the coffee shop chain is offering place utility.

TRUE

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: Easy

Learning Objective: Concept of value; elements and role of value chain

4. (p. 30-31) Samsung's first value proposition when the brand was launched in the United States was price and functionality.

TRUE

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: Easy

Learning Objective: Concept of value; elements and role of value chain

5. (p. 30) The value proposition should drive customer loyalty.

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Learning Objective: Concept of value; elements and role of value chain

6. (p. 31) Firms should not be concerned that satisfied customers will switch to another brand.

FALSE

AACSB Standard: reflective thinking

Bloom's Taxonomy: comprehension

Difficulty: Easy

Learning Objective: Concept of value; elements and role of value chain

7. (p. 31) The two parts of the value equation are benefits and cost.

TRUE

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: Easy

Learning Objective: Concept of value; elements and role of value chain

8. (p. 32) Outbound logistics refer the distribution of products.

TRUE

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: Easy

Learning Objective: Conditions needed for marketing planning

9. (p. 32) As long as all activities in the value chain are working well, managers do not need to be concerned with aligning the activities.

FALSE

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

10. (p. 33) The last step in the value chain is margin.

TRUE

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

11. (p. 33) (Little m) marketing serves as the driver of business strategy.

FALSE

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: Easy

Learning Objective: Conditions needed for marketing planning

12. (p. 35) Of According to the BCG matrix, a business that is classified as a *star* has high growth and low market share.

FALSE

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Conditions needed for marketing planning

13. (p. 35-36) Linda imports fine art paintings and photographs that she sells to hotels. When the dollar is weak against foreign currencies, she struggles to cover her costs. Business has increased 400% in the last five years. With additional resources, she believes she can expand into the profitable hospital and nursing home markets. According to the BGC matrix, Linda's business is a *dog*.

FALSE

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Conditions needed for marketing planning

14. (p. 37) The GE Business Screen portfolio model evaluates businesses on the dimensions of market attractiveness and market share.

FALSE

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Conditions needed for marketing planning

15. (p. 37) The GE Business Screen model assesses the firm's ability to compete. Business Position looks at factors like government regulations, sensitivity to economic trends and size of the market.

FALSE

*AACSB Standard: Communication
Bloom's Taxonomy: knowledge
Difficulty: moderate
Learning Objective: Conditions needed for marketing planning*

16. (p. 37) A mission statement does not include a discussion of the firm's strategic vision.

FALSE

*AACSB Standard: Communication
Bloom's Taxonomy: knowledge
Difficulty: Easy
Learning Objective: Conditions needed for marketing planning*

17. (p. 38) Objectives are measurable; goals are broad statement of generally desired accomplishments in support of the firm's mission statement.

TRUE

*AACSB Standard: Communication
Bloom's Taxonomy: knowledge
Difficulty: difficult
Learning Objective: Conditions needed for marketing planning*

18. (p. 39) The Sarbanes-Oxley Act of 2002 established specific procedures to ensure ethical conduct at the highest levels of the company, including the Board of Directors.

TRUE

*AACSB Standard: Communication
Bloom's Taxonomy: comprehension
Difficulty: moderate
Learning Objective: Concept of value; elements and role of value chain*

19. (p. 40) Strategy has two key phases: planning and execution.

TRUE

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: Easy

Learning Objective: Identify various types of organizational strategies

20. (p. 40) Companies in some business cultures based outside the U.S. seem to have less pressure to achieve high levels of growth.

TRUE

AACSB Standard: Multicultural/diversity understanding

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Identify various types of organizational strategies

21. (p. 40-41) The first step of marketing planning is the establishment of goals and objectives.

FALSE

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Identify various types of organizational strategies

22. (p. 47) Market development strategies allow for the firm to introduce existing products to new customers, often including international markets.

TRUE

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Identify various types of organizational strategies

23. (p. 47) Market penetration strategies allow for the firm to invest additional resources to have existing customers consume new products.

FALSE

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: Easy

Learning Objective: Identify various types of organizational strategies

Multiple Choice Questions

24. (p. 30) Value may be defined as the ratio of bundled benefits received to the cost incurred by the customer to receive those benefits. _____ is **not** thought of as one of the costs.

A. Monetary cost

B. Time to shop

C. Convenience

D. Poor service quality

E. Skill or expertise

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

25. (p. 30) Form utility is _____.

A. Marketing's task in creating an offering that has value

B. Production's task in creating an offering that has value

C. The firm's task in deciding where to distribute the product

D. A and B

E. A and C

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: difficult

Learning Objective: Concept of value; elements and role of value chain

26. (p. 31) Martha purchases books, music and videos at a large bookstore chain. Although the store nearest to her house is less than five miles away, the location where she shops most frequently is 120 miles north of her home. It is a good place to take a break when she drives 270 miles to visit her parents once a month. The store that is further away from her home offers _____ utility.

- A. Time
- B. Form
- C. Ownership and form
- D. Form and time
- E.** Place

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

27. (p. 30) Enrico pays a market rate to take his young children to daycare that is run by his employer. It is open until 9:00 p.m., a time by which everyone leaves. This service offered by his company offers _____ utility.

- A. Time
- B. Form
- C. Place
- D. Form and ownership
- E.** A and C

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

28. (p. 30) Shabreka likes to shop in a designer boutique located in a city 30 miles from her home. This store offers _____ utility.

- A. Time and place
- B. Form
- C. Ownership
- D. Form and ownership**
- E. Place

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: most difficult

Learning Objective: Concept of value; elements and role of value chain

29. (p. 30) José's and Maria's son Jorge is a talented swimmer. The pool where he takes swimming lessons is 45 miles from their home in suburban Atlanta. _____ utility is **not** part of the round trip they make six days a week.

- A. Form
- B. Time and place**
- C. Ownership
- D. Form and ownership
- E. Place

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

30. (p. 31) The concept of the value chain was created by _____.

- A. Fred Wiserna
- B. Michael Porter**
- C. Jim Collins
- D. Peter Drucker
- E. The Boston Consulting Group

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

31. (p. 31-32) _____ is **not** one of the five primary activities in the value chain.

- A. Inbound logistics
- B. Operations
- C. Human resource management**
- D. Outbound logistics
- E. Marketing and sales

AACSB Standard: reflective thinking

Bloom's Taxonomy: knowledge

Difficulty: Easy

Learning Objective: Concept of value; elements and role of value chain

32. (p. 31) A window manufacturer has trouble getting raw materials for production. The problem occurs in the _____ activity of the value chain.

- A. Inbound logistics**
- B. Operations
- C. Outbound logistics
- D. Marketing and sales
- E. Service

AACSB Standard: reflective thinking

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

33. (p. 32) Jack attributes the success of his pre-owned automobile business to the clear low-key messages created by a small advertising agency. Lately a new media buyer at the agency has changed the key radio stations where Jack's Autos ads are played and his sales are slipping. The problem occurs in the _____ activity of the value chain.

- A. Inbound logistics
- B. Operations
- C. Outbound logistics
- D. Marketing and sales**
- E. Service

AACSB Standard: analytic

Bloom's Taxonomy: comprehension

Difficulty: Easy

Learning Objective: Concept of value; elements and role of value chain

34. (p. 31) Dave is a close-up magician who is famous for his card tricks. He creates and sells DVDs of his magic tricks. Lately he has been having trouble getting the DVDs produced in a timely manner. The problem occurs in the _____ activity of the value chain.

- A. Inbound logistics
- B. Operations**
- C. Outbound logistics
- D. Marketing and sales
- E. Service

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: Easy

Learning Objective: Concept of value; elements and role of value chain

35. (p. 32) Miriam and Gregory are partners in a manufacturing firm that supplies over 1,500 companies. Recently, employees have been complaining that they were not told of changes in health insurance coverage and premiums. They attribute this to a problem with _____.

- A. Firm infrastructure
- B. Human resources management**
- C. Technology development
- D. Inbound logistics
- E. Procurement

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

36. (p. 35-36) Mammoth Foods, a major agricultural corporation, recently purchased MJS Organic Foods Co. MJS was established six years ago and has become a major supplier to restaurants in the northeastern United States. The organic herbs, vegetables, and fruit market is expected to have a double-digit growth rate over the next decade. Most like, MJS would be classified as a _____ under the Boston Consulting Group model.

- A.** Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

AACSB Standard: analytic

Bloom's Taxonomy: comprehension

Difficulty: Easy

Learning Objective: Concept of value; elements and role of value chain

37. (p. 35-36) Ajax Corp. has a subsidiary, Ajax TV Products, which makes cable television converter boxes. This division has provided the parent company with a steady revenue stream for over thirty years. It is expected to continue its contribution to revenue as more consumers adopt its newest product, digital video recorders. Ajax TV Products most likely would be classified as a _____.

- A. Star
- B.** Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

38. (p. 35-36) JBW Recording Company plans to close down a division that makes classical music cassette tapes. The demand for this type of recording has dwindled to the point that the cassette division is barely at break even in terms of revenue. Mostly likely the cassette division would be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D.** Problem Child
- E. Top Gun

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

39. (p. 35-36) Lately the demand for building materials has dropped due to the slow down in new housing construction. Wood-O Corp. is thinking of closing its fine wood division that produces mahogany and cherry lumber for building cabinets and other applications. Most likely the fine wood division would be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D.** Problem Child
- E. Top Gun

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

40. (p. 35-36) Hot and Cold Corp. makes disposable coffee and soft drink cups for use in fast food restaurants, hospitals, convenience stores and the like. The company is working on a new product that will biodegrade within five years of being put in a landfill. This promising new product line would most likely be classified as a _____.

- A.** Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

41. (p. 35-36) The Green Scene Co., a struggling start-up firm, has an environmentally friendly pesticide that is approved for use by commercial organic farmers. The pesticide is made from all natural ingredients and has great potential. A small investment firm has injected cash in Green Scene. Mostly likely the investment firm views Green Scene as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D.** Problem Child
- E. Top Gun

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

42. (p. 35-36) Round & Round, a maker of bicycle tires, has faced stiff competition from imported bicycle tires. In one product line, tires for wheelbarrows and other carts, it faces almost no competition in the U.S. Round & Round thinks of the cart tires as a _____.

- A. Star
- B. Cash cow**
- C. Dog
- D. Problem Child
- E. Top Gun

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

43. (p. 35-36) Mega Corp. is interested in buying MD Softworks, a medical software firm. Two software engineers started the company and they have made risky financial decisions. Mega Corp. believes that with proper management the software firm will become an industry leader. Mostly likely the software firm would be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child**
- E. Top Gun

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

44. (p. 36) The business position dimension of the GE Business Screen include all **but** _____.

- A. Organization
- B. Growth
- C. Patents
- D. Profitability**
- E. Marketing

AACSB Standard: reflective thinking

Bloom's Taxonomy: knowledge

Difficulty: most difficult

Learning Objective: Concept of value; elements and role of value chain

45. (p. 37) The firm's _____ articulates an organization's purpose, or reason for existence. It should define the unique purpose that sets it apart from competitors and identifies the scope of the company's operations, products, and markets.

- A.** Mission statement
- B. Goals
- C. Objectives
- D. Vision
- E. Value proposition

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: Easy

Learning Objective: Concept of value; elements and role of value chain

46. (p. 38) _____ is not considered a goal.

- A. To deliver the best customer service
- B. To practice responsible financial management
- C.** To increase revenue by 15 to 20% in each of the next five years
- D. To hire the best people
- E. To minimize waste

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: difficult

Learning Objective: Concept of value; elements and role of value chain

47. (p. 38) _____ is not considered an objective.

- A. To improve customer satisfaction ratings to 95%
- B. To increase ROI by 20%
- C.** To be the leader in our field
- D. To reduce cost of scrap material to less than 1% of total manufacturing cost
- E. To get five new distributors

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: difficult

Learning Objective: Concept of value; elements and role of value chain

48. (p. 38) Growth, stability, and retrenchment refer to a firm's position relating to its _____.

- A. Specific strategy
- B. Generic strategy**
- C. Future strategy
- D. Marketing strategy
- E. Corporate strategy

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Identify various types of organizational strategies

49. (p. 40) Hernandez Brothers manufactures trailers that are used by lawn service companies. The company was started in Texas by their father but has expanded in the last 12 years to include 26 sales and service centers throughout the southeast. Mostly likely, the company is using a generic strategy based on _____.

- A. Retrenchment
- B. Stability
- C. Market development
- D. Growth/Concentration via vertical integration
- E. Growth/Concentration based on horizontal integration**

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Identify various types of organizational strategies

50. (p. 40) Irma's Cupcakes, a family-owned chain of bakeries, is primarily located in malls. The bakery shops had rapid growth in its first seven years. Now the family has decided that adding more shops would make it impossible for them to monitor operations. Most likely the family is pursuing a generic strategy of _____.

- A. Retrenchment
- B. Stability**
- C. Diversification via concentric means
- D. Growth/Concentration via vertical integration
- E. Growth/Concentration based on horizontal integration

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Identify various types of organizational strategies

51. (p. 40) Really Big Financial Co. has been forced to sell its under performing mortgage division so that senior management can focus on the relatively profitable sector of private banking. Most likely the company is pursuing a generic business strategy of _____.

- A. Retrenchment**
- B. Stability
- C. Diversification via concentric means
- D. Growth/Concentration via vertical integration
- E. Growth/Concentration based on horizontal integration

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Identify various types of organizational strategies

52. (p. 42) The airline industry must comply with regulations set by the Federal Aviation Administration and the National Safety Board. A discussion of this would be included in the _____ part of a marketing plan.

- A. Socio-cultural/Demographic
- B. Firm structure and systems
- C. Political, legal and ethical**
- D. Firm resources
- E. Threat of new entrants

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Identify various types of organizational strategies

53. (p. 45) FRAGmasters Computer Games is creating a marketing plan. Managers are concerned with current distribution. An examination of this issue would be in the _____ section of the marketing plan.

- A. Firm structure and systems
- B. Technological
- C. Firm resources**
- D. Segmentation strategies
- E. Supply chain strategies

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Identify various types of organizational strategies

54. (p. 43) Some large retailers require suppliers to ship products that have Radio Frequency Identification (RFID) labels to facilitate the tracking of products. Other firms may be considering to implement this cost-saving tactic. Most likely a description of this would be in the _____ part of a marketing plan.

- A. Economic situation
- B. Natural factors
- C. Technological factors**
- D. Bargaining power of suppliers
- E. Marketing capabilities

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Conduct a situation analysis

55. (p. 43) According to the 2000 U.S. Census, Hispanic Americans outnumber African-Americans. Most likely an examination of this issue would be in the _____ section of the marketing plan.

- A. Natural factors
- B. Legal issues
- C. Economic trends
- D. Socio-cultural/Demographic**
- E. Threat of new entrants

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Conduct a situation analysis

56. (p. 44) The price of a barrel of oil has varied dramatically in the last few years. When the price of oil is high, automobile drivers look to find ways to drive less. An examination of this issue would be in the _____ section of the marketing plan.

- A. Bargaining powers of buyers
- B. Bargaining power of suppliers
- C. Threat of new entrants
- D. Threat of substitute products
- E. Rivalry among existing firms

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Conduct a situation analysis

57. (p. 45) One competitive force not addressed directly by Michael Porter is _____.

- A. Power of competitive forces
- B. Power of substitute forces
- C. Power of other stakeholders
- D. Power of suppliers
- E. Power of potential entrants

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Conduct a situation analysis

58. (p. 45) In the section of a marketing plan devoted to firm resources, one expects to find an examination of a firm's functional/operational level of resources and capabilities and how they impact the firm's ability to develop and execute market-driven strategies. These capabilities would include all but _____.

- A. Information systems
- B. Marketing
- C. Financial
- D. Transportation systems across the country
- E. Human capabilities

AACSB Standard: analytic

Bloom's Taxonomy: comprehension

Difficulty: moderate

Learning Objective: Marketing planning framework; create a marketing plan

59. (p. 46) A SWOT analysis should not _____.

- A. Analyze the competition
- B. Look at internal strengths
- C. Include factors from the Situation Analysis
- D. Identify natural factors
- E.** Suggest solutions to problems

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: difficult

Learning Objective: Marketing planning framework; create a marketing plan

60. (p. 46) The best place in a SWOT analysis to list the competitive trends is _____.

- A. External opportunities
- B. External threats
- C. Internal opportunities
- D. Internal strengths
- E.** Internal weaknesses

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: difficult

Learning Objective: Marketing planning framework; create a marketing plan

61. (p. 46) The best place in a SWOT analysis to identify problems with hurricanes, earthquakes, major snowfalls and other natural phenomena is _____.

- A. External opportunities
- B.** External threats
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: difficult

Learning Objective: Marketing planning framework; create a marketing plan

62. (p. 46) The best place in a SWOT analysis to identify rising interest rates and availability of credit is _____.

- A. External opportunities
- B. External threats**
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: difficult

Learning Objective: Marketing planning framework; create a marketing plan

63. (p. 46) The best place in a SWOT analysis to identify a reduced marketing budget is in _____.

- A. External opportunities
- B. External threats
- C. Internal opportunities
- D. Internal strengths**
- E. Internal weaknesses

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: difficult

Learning Objective: Marketing planning framework; create a marketing plan

64. (p. 46) The best place in a SWOT analysis to identify the possibility of acquiring a competitor is in _____.

- A. External opportunities
- B. External threats
- C. Internal opportunities
- D. Internal strengths**
- E. Internal weaknesses

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Marketing planning framework; create a marketing plan

65. (p. 46) The best place in a SWOT analysis to the threat of substitute products is in _____.

- A. External opportunities
- B. External threats**
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Marketing planning framework; create a marketing plan

66. (p. 44-45) Phat Suitz, a manufacturer of male clothing, finds that the informal atmosphere that was created by the three founders is no longer manageable now that the firm has more than 300 employees. Managers have determined a need for a human resources department. An examination of this issue would be found in the _____ part of the situation analysis.

- A. Firm structure
- B. Firm culture
- C. Firm leadership
- D. Firm resources**
- E. Firm history

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Conduct a situation analysis

67. (p. 47) Goals and objectives should be set _____.

- A. At the beginning of marketing planning
- B. At the end of the situation analysis
- C. After marketing strategies are fixed
- D. After completion of all market research, situation analysis, and competitor analysis**
- E. None of the above

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Marketing planning framework; create a marketing plan

68. (p. 43-44) Beach Bums, a maker of swim suits, has contract manufacturing overseas. The firm is concerned that tariffs may be increased. An examination of this issue would take place in the _____ of the situation analysis.

- A. Economic situation
- B. Natural factors
- C. Competitive situation
- D. Political, legal, and ethical factors**
- E. Logistic situation

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Conduct a situation analysis

69. (p. 46) Roberta, the marketing manager at New Home Builders Corp., is crafting a SWOT analysis. She should include the downturn in the U.S. economy and tightening of the credit markets in the _____ section.

- A. Strengths
- B. Threats**
- C. Opportunities
- D. Strategic
- E. Weaknesses

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Conduct a situation analysis

70. (p. 46) Roberta has many items to include in the SWOT analysis for New Home Builders Corp. An examination of competitors that have gone bankrupt would be included in the _____ section.

- A. Strengths
- B. Threats
- C. Opportunities**
- D. Strategy
- E. Weaknesses

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Conduct a situation analysis

71. (p. 46) Roberta's company, New Home Builders Corp., is a specialist in designing one-story homes that have wide hallways and walk-in showers that could accommodate the need to use a wheelchair or walker, and other amenities that allow couples to remain in their homes as they age. The company's strong value proposition has allowed it to maintain steady market share in a weak housing market. A discussion of this relative advantage would be included in the _____ section of the SWOT.

- A.** Strengths
- B. Threats
- C. Opportunities
- D. Strategy
- E. Weaknesses

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Conduct a situation analysis

72. (p. 46) Open Sesame is a chain of Thai restaurants located in the western United States. The marketing manager has discovered that there is a growing demand for Spanish food and that Latino Americans spend more money on food away from home than other ethnic groups. This information would be included in the _____ part of the SWOT analysis.

- A. Strengths
- B.** Threats
- C. Opportunities
- D. Strategic
- E. Weaknesses

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Conduct a situation analysis

73. (p. 46) The U.S. dollar has strengthened against the Euro and the Yen. A discussion of this would be included in the ____ section of the SWOT.

- A. Strengths
- B. Threats
- C. Opportunities**
- D. Strategic
- E. Weaknesses

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Conduct a situation analysis

74. (p. 46) The marketing manager at MWJ Architects, a firm that specializes in the designing of baseball parks, discovers a glitch in the software that the firm uses and that some of its most recent projects will come in over budget. A discussion of this would be included in the _____ section of the SWOT.

- A. Strengths
- B. Threats
- C. Opportunities
- D. Strategic
- E. Weaknesses**

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Conduct a situation analysis

75. (p. 47) Rush Express, a North American delivery service, wants to expand service into South America. This is classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development**

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: difficult

Learning Objective: Marketing planning framework; create a marketing plan

76. (p. 47) Call Company, has 12 call centers worldwide. The firm is considering the purchase of a software firm that serves the oil and gas industry. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A.** Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: difficult

Learning Objective: Marketing planning framework; create a marketing plan

77. (p. 47) A former professional football player invested in a seafood restaurant chain when he played ball. Now that he is retired from the NFL, he and his partners want to start a chain of organic fast-casual restaurants in their region of 6 million households. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D.** Product development
- E. Market development

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: difficult

Learning Objective: Marketing planning framework; create a marketing plan

78. (p. 47) Bliss Massage Therapy Center maintains a database of over 700 clients and sends each one a special discount offer in the month of his or her birthday. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration**
- D. Product development
- E. Market development

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: difficult

Learning Objective: Marketing planning framework; create a marketing plan

79. (p. 47) Vinny, the marketing manager for Bass Line Audio Systems, wants the company to offer an MP3 player, a product the company doesn't have. He thinks that the firm has many brand loyal customers who would buy it. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development**
- E. Market development

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: difficult

Learning Objective: Marketing planning framework; create a marketing plan

80. (p. 47) Great Skate skateboarding parks' marketing team wants to stay open until 3:00 a.m. The parks currently close at midnight. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration**
- D. Product development
- E. Market development

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: difficult

Learning Objective: Marketing planning framework; create a marketing plan

81. (p. 47) Jane, marketing manager at Oh, Baby!, a professional preschool center, thinks the firm should start an after school program to retain its current clients when children get old enough to go to school. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development**
- E. Market development

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Marketing planning framework; create a marketing plan

82. (p. 47) Aaron's boss wants him to travel to Canada to investigate opening retail stores in Montreal and Ottawa. The firm operates under the name of Bob's Bargain Basement. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E.** Market development

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Marketing planning framework; create a marketing plan

83. (p. 48) The process of measuring marketing results and adjusting the marketing plan as needed is called _____.

- A.** Marketing control
- B. Marketing metrics
- C. Marketing management
- D. Marketing strategy
- E. Marketing planning

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Marketing planning framework; create a marketing plan

84. (p. 48) When Progressive and GEICO insurance companies wanted to gain market share, they increased spending on _____.

- A. Promotions
- B. Personal selling
- C. Direct selling
- D.** Advertising
- E. Publicity and Public Relations

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Marketing planning framework; create a marketing plan

85. (p. 48) Every marketing plan includes an implementation element. These are sometime called _____.

- A. Strategic plans
- B. Marketing programs
- C. Value propositions
- D. Action plans**
- E. Marketing channels

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Marketing planning framework; create a marketing plan

86. (p. 48) Implementation elements should include _____.

- A. Timing
- B. A way to measure results
- C. The identity of the responsible person
- D. The identification of resources needed
- E. All of the above**

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Marketing planning framework; create a marketing plan

87. (p. 49) One part of a marketing plan should identify what to do if things go wrong. This is called _____.

- A. Contingency planning**
- B. Strategic planning
- C. Marketing metrics
- D. Action plans
- E. Marketing programs

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: Easy

Learning Objective: Marketing planning framework; create a marketing plan

88. (p. 49) Contingency plans should include _____.
- A. Best case scenarios
 - B. Worst case scenarios
 - C. Expected case scenarios
 - D. A and B only
 - E.** A, B, and C

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: Easy

Learning Objective: Marketing planning framework; create a marketing plan

89. (p. 50) Marketing plans are _____.
- A. A means of gathering input from stakeholders throughout the firm
 - B. Essential for the firm's success
 - C. A rallying point for creativity
 - D. Well articulated
 - E.** Any of the above

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: Easy

Learning Objective: Marketing planning framework; create a marketing plan

90. (p. 50) Scott is a plumbing fixture manufacturer's representative. He sells to wholesalers, homebuilders, and retailers. His marketing plan calls for going to four trade shows a year. He recently found out that there would be a new Home Show aimed at consumers in his territory and he wants to attend. His boss says "Go for it!" The boss is reflecting the concept of _____ in successful marketing planning.

- A.** Stay flexible
- B. Utilize input, but don't become paralyzed by information and analysis
- C. Don't underestimate the implementation part of the plan
- D. Stay strategic but also stay on top of tactical
- E. Give yourself and your people room to fail and try again

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Marketing planning framework; create a marketing plan

91. (p. 50) Mary's firm has delayed making a decision on acquiring a new product line. Her staff has analyzed and tweaked numbers for three months. Most likely, the staff needs to be reminded to _____.

- A. Stay flexible
- B. Utilize input, but don't become paralyzed by information and analysis**
- C. Don't underestimate the implementation part of the plan
- D. Stay strategic but also stay on top of tactical
- E. Give yourself and your people room to fail and try again

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Marketing planning framework; create a marketing plan

92. (p. 50) Tyler's event planning company hired a new marketing assistant. He says he is a "big picture person", not a detail-oriented person. Most likely, Tyler is about to find out that the new assistant needs to be coached to _____.

- A. Stay flexible
- B. Utilize input, but don't become paralyzed by information and analysis
- C. Not underestimate the implementation part of the plan
- D. Stay strategic but also stay on top of tactical**
- E. Give yourself and your people room to fail and try again

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Marketing planning framework; create a marketing plan

93. (p. 50) Samantha has worked for MJS Marketing for five years and expected a promotion next month. However, the new product launch that she organized did not go as smoothly as expected. This was the first time the company had hired an outside firm for promotions and Sam is worried that will reflect poorly on her. Sam's terrific boss will most likely remind her that she should _____.

- A. Stay flexible
- B. Utilize input, but don't become paralyzed by information and analysis
- C. Don't underestimate the implementation part of the plan
- D. Stay strategic but also stay on top of tactical
- E. Give yourself and your people room to fail and try again**

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: moderate

Learning Objective: Marketing planning framework; create a marketing plan

Short Answer Questions

94. (p. 30) Define value proposition.

When a firm communicates the **value proposition** of its products to customers, the value message may include the whole bundle of benefits the company promises to deliver, not just the benefits of the product itself.

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Conditions needed for marketing planning

95. (p. 31) Define value chain.

Synthesis of activities involved in designing, producing, marketing, delivering, and supporting its products. The value chain identifies nine relevant strategic activities the organization can engage in that create/impact both sides of the value equation: benefits and costs.

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Conditions needed for marketing planning

96. (p. 30) What are the four types of utility?

Four major kinds of utility exist: form, time, place, and ownership. **Form utility** is created when the firm converts raw materials into finished products that are desired by the market. The other three utilities—**time**, **place**, and **ownership**—are created by marketing.

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Conditions needed for marketing planning

97. (p. 35) What is meant by market-driven strategic planning?

The process at the corporate or SBU level of using resources and functional areas of the firm toward a central purpose around the customer.

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

98. (p. 31) Describe the relationship between customer loyalty and satisfaction.

Customer loyalty almost always is directly related to the various sources of value the customer is presently deriving from the relationship with the company and its brands. Except in situations of monopoly (which creates forced loyalty), loyal customers by definition tend to also experience a high level of satisfaction. However, not all satisfied customers are loyal. If a competitor comes along with a better value proposition, or if a value proposition begins to slip or is not effectively communicated, customers who are presently satisfied become good candidates for switching to another company's products.

AACSB Standard: Communication

Bloom's Taxonomy: comprehension

Difficulty: moderate

Learning Objective: Conditions needed for marketing planning

99. (p. 31) Describe the concept of the value chain. Who created the idea?

Michael Porter created the value chain concept that holds that every organization represents a synthesis of activities involved in designing, producing, marketing, delivering, and supporting its products. The value chain identifies nine relevant strategic activities the organization can engage in that create/impact both sides of the value equation: benefits and costs.

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Conditions needed for marketing planning

100. (p. 31-32) What are the five primary activities of the value chain?

The five *primary activities* in the value chain are:

1. *Inbound logistics*—how the firm goes about sourcing raw materials for production.
2. *Operations*—how the firm converts the raw materials into final products.
3. *Outbound logistics*—how the firm transports and distributes the final products to the marketplace.
4. *Marketing and sales*—how the firm communicates the value proposition to the marketplace.
5. *Service*—how the firm supports customers during and after the sale.

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Conditions needed for marketing planning

101. (p. 32) What are the support activities of the value chain?

1. *Firm infrastructure*—how the firm is set up for doing business; are the internal processes aligned and efficient.
2. *Human resource management*—how the firm ensures it has the right people in place, trains them, and keeps them.
3. *Technology development*—how the firm embraces technology usage for the benefit of customers.
4. *Procurement*—how the firm deals with vendors and quality issues.

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Conditions needed for marketing planning

102. (p. 33) Your cousin has founded a computer repair service, FRAGMasters. He wants your help in understanding marketing. How do you explain the difference between strategy and tactics?

At the strategic level, Marketing (Big M) serves as a core driver of business strategy. That is, an understanding of markets, competitors, and other external forces, coupled with attention to internal capabilities, allows a firm to successfully develop strategies for the future. At the functional or operational level, marketing (little m) represents the specific programs and tactics aimed at customers and other stakeholder groups and includes everything from brand image, to the message salespeople and advertisements deliver, to customer service, to packaging and product features—in fact, all elements of operationalizing the marketing mix and beyond

AACSB Standard: Communication

Bloom's Taxonomy: comprehension

Difficulty: moderate

Learning Objective: Conditions needed for marketing planning

103. (p. 32) How does a weak link in the value chain undermine the entire value proposition?

From a customer's perspective, when the supplier's value chain is working well, all the customer tends to see are the *results* of a well-aligned value chain: quality products, good salespeople, on-time delivery, prompt service after the sale, and so on. However, it takes only one weak link in the value chain and the whole process of cultivating satisfied and loyal customers can be circumvented.

AACSB Standard: analytic

Bloom's Taxonomy: comprehension

Difficulty: moderate

Learning Objective: Conditions needed for marketing planning

104. (p. 35-36) In looking at the Boston Consulting Group Model and the GE Business Screen, which is the more realistic? Why?

The GE Business Screen, is a more realistic and complex portfolio model. It also evaluates the business on two dimensions—market attractiveness and business position, which refers to its ability to compete. The investment decision is again suggested by the position on a matrix. A business that is favorable on both dimensions should usually be a candidate to grow. When both market attractiveness and business position evaluations are unfavorable, the harvest or divest options should be raised. When the matrix position is neither unambiguously positive nor negative, the investment decision will require more analysis.

AACSB Standard: reflective thinking

Bloom's Taxonomy: Analytic

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

105. (p. 37-38) You are a member of a corporation tasked with developing your firm's vision statement. What does your group need to consider?

A **mission statement** articulates an organization's purpose, or reason for existence. A well-conceived mission statement defines the fundamental, unique purpose that sets a company apart from other firms of its type and identifies the scope of a company's operations, products, and markets.

Most mission statements also include a discussion of what the company would like to become in the future—its **strategic vision**.

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

106. (p. 38) What is the difference between goals and objectives?

Goals, general statements of what the firm wishes to accomplish in support of the mission and vision, eventually become refined into specific, measurable, and (hopefully) attainable **objectives** for the firm.

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: Easy

Learning Objective: Concept of value; elements and role of value chain

107. (p. 40) What are the three generic business strategies?

Growth, retrenchment, stability

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: Easy

Learning Objective: Identify various types of organizational strategies

108. (p. 40) Identify Porter's three primary categories of competitive strategy.

Low cost, differentiation, and focus (or niche). Exhibit 2.6 describes each of these, and Exhibit 2.7 illustrates them further within a matrix format.

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Identify various types of organizational strategies

109. (p. 41-42) How do core competencies differ from distinctive competencies?

Porter's overarching premise is that firms must first identify their **core competencies**, or the activities the firm can do exceedingly well. When these core competencies are superior to those of competitors, they are called **distinctive competencies**.

AACSB Standard: Communication

Bloom's Taxonomy: comprehension

Difficulty: moderate

Learning Objective: Identify various types of organizational strategies

110. (p. 43) What are the various issues that would be included in the Natural Environmental factors of a marketing plan?

The natural environment also frequently affects marketing planning. JetBlue's highly publicized winter weather fiasco at JFK airport in 2007 prompted immediate changes in the way the company communicates with its customers. And on a broader scope, the concept of environmentally friendly marketing, or *green marketing*, has been a growing trend in socially responsible companies. *Sustainability*, which refers to business practices that meet humanity's needs without harming future generations, has evolved into a part of the philosophical and strategic core of many firms.

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Conduct a situation analysis

111. (p. 44) Compare and contrast the bargaining power of suppliers with the bargaining power of buyers.

- *Bargaining power of buyers.* To what degree can customers affect prices or product offerings? So far, JetBlue has not been in much head-to-head competition with Southwest, AirTran Airways, Frontier Airlines, or other low-fare carriers in its primary markets. Should this change, passengers will have more power to demand even lower fares and/or additional services from JetBlue.

- *Bargaining power of suppliers.* Suppliers impact the competitive nature of an industry through their ability to raise prices or affect the quality of inbound goods and services. Jet fuel literally fires the airline industry's economic engine. Also, few manufacturers of commercial aircraft still exist. Both of these factors point to a competitive environment with strong supplier power.

AACSB Standard: analytic

Bloom's Taxonomy: comprehension

Difficulty: moderate

Learning Objective: Conduct a situation analysis

112. (p. 46) Describe the sections of a SWOT analysis.

Upon completion of the situation analysis, a convenient way to summarize key findings is into a matrix of strengths, weaknesses, opportunities, and threats—a **SWOT analysis**. Exhibit 2.10 provides a template for a SWOT analysis. Internal analysis reveals strengths and weaknesses, while external analysis points to potential opportunities and threats.

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Conduct a situation analysis

113. (p. 47) Identify and describe Ansoff's Product-Market Matrix.

- **Market penetration strategies** involve investing against existing customers to gain additional usage of existing products.
- **Product development strategies** recognize the opportunity to invest in new products that will increase usage from the current customer base.
- **Market development strategies** allow for expansion of the firm's product line into heretofore untapped markets, often internationally.
- **Diversification strategies** seize on opportunities to serve new markets with new products.

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: difficult

Learning Objective: Marketing planning framework; create a marketing plan

Essay Questions

114. (p. 35) Describe how GE has used market-driven strategic planning.

GE contains numerous SBUs that compete in very different markets, from lighting to jet engines to financial services. CEO Jeff Immelt oversees a **corporate-level strategic plan** to serve as an umbrella plan for the overall direction of the corporation, but the real action in marketing planning at GE is at the individual SBU level. Each GE business has its own **SBU-level strategic plan**, and part of GE's historical leadership culture has been to turn SBU management loose to run their own businesses under their own plans, so long as they meet their performance requirements and contribute satisfactorily to the overall corporate plan.

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

115. (p. 35-36) Amanda Whittlesley, the new CEO of the Too Big Corporation, wants to use the BCG model to analyze the corporation. You are to oversee the project that must be completed in the next 60 days. Amanda has called a meeting for corporate executives and the presidents of the eleven strategic business units. Your task at the meeting is to explain the BCG model and how you will implement it. What will you say? Include any weaknesses of the BDG model.

First the companies must be classified into one of four categories:

- *Stars* (high share, high growth): important to building the future of the business and deserving any needed investment.
- *Cash Cows* (high share, low growth): key sources of internal cash generation for the firm.
- *Dogs* (low share, low growth): potential high cash users and prime candidates for liquidation.
- *Problem Children*, or *Question Marks* (low share, high growth): high cash needs that, if properly nurtured, can convert into stars.

For purposes of strategy development, the BCG matrix approach is seductively simple and has contributed to decision making about internal cash generation and usage across SBUs. It has also morphed in application downward to often be applied to product lines and product groups, which is nominally possible so long as costs and returns can be properly isolated for investment decisions. But by nature of simplicity, BCG ignores other important factors that should go into this decision-making and also ignores the viability of generating cash externally.

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: difficult

Learning Objective: Concept of value; elements and role of value chain

116. (p. 35-37) Really Smart Consulting Partners uses the GE Business Screen when analyzing business for clients. Tyrone, a senior partner, has prepared a report telling a client to sell a strategic business unit. How does the report justify the recommendation to sell? What kind of analysis would you expect to be presented?

It also evaluates the business on two dimensions—market attractiveness and business position, which refers to its ability to compete. The investment decision is again suggested by the position on a matrix. When both market attractiveness and business position evaluations are unfavorable, the harvest or divest options should be raised.

Business Position (high, medium, and low): Assess the firm's ability to compete. Factors include organization, growth, market share by segment, customer loyalty, margins, distribution, technology skills, patents, marketing, and flexibility, among others.

Market Attractiveness (high, medium, and low): For the market, assess size, growth, customer satisfaction levels, competition (quantity, types, effectiveness, commitment), price levels, profitability, technology, governmental regulations, sensitivity to economic trends, among others.

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: difficult

Learning Objective: Concept of value; elements and role of value chain

117. (p. 35) Describe how GE holds each individual SBU accountable for its functional level plans.

A firm's SBU plans all incorporate **functional-level plans** from operations, marketing, finance, and the other operational areas. Just as the individual SBU CEOs are held accountable for their unit's performance to Jeff Immelt within the context of GE's plan, each SBU's chief marketing officer, chief financial officer, and other operational-level executives is held accountable for the performance of his or her portion of the SBU plan to their own business unit CEO. While GE's system certainly may be larger in scope and complexity than many business planning situations, the logic is the same regardless of the type or size of an organization. Hence, the marketing plan is nested within the context of an overall corporate and/or business-level strategic plan.

AACSB Standard: analytic

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Concept of value; elements and role of value chain

118. (p. 39) In the vast majority of companies the conflicting demands of securing sensitive information and open disclosure of business procedures exist relatively harmoniously. However, occasionally the system fails and the result is scandal and even criminal activity. Hewlett-Packard (HP), one of the leading global technology companies, recently found itself involved in a scandal that led to the dismissal of two members of its Board of Directors and the firing of several employees. Describe how HP came to be in this position. Do you think the people involved were unethical by nature?

When the *Wall Street Journal* reported sensitive information about future business plans that were meant to be communicated only inside the company and in internal discussions among the Board of Directors, HP Chairman Patricia Dunn was determined to find out who was leaking the information and started an investigation into the personal and business communications (phones calls, e-mail, etc.) of several board members without their knowledge.

One of the fired HP officers was the ethics chief for the company and also a well-respected attorney. While stopping the leak of sensitive information was a valid goal, poor, even illegal, decisions were made about how to accomplish that goal. At critical decision moments, no one stepped back to reflect and asked important questions like: Does this make sense? Is this activity appropriate or ethical?

HP CEO Mike Hurd, while involved in the scandal, was not directly connected to the illegal activity. He admitted that mistakes were made during the process and the company subsequently instituted a number of changes to its ethics policies and business practices. While HP market performance remained strong, employees reported considerable conflict as the company dealt with changes to ethics procedures and policies. Hurd has admitted scandal has been a distraction for him and the company, and of course negative publicity about a company is never a good thing for customer confidence in its brands. When management get distracted by ethics scandals, the company loses strategic focus and the company's brands could lose market share.

AACSB Standard: reflective thinking

Bloom's Taxonomy: Analysis

Difficulty: difficult

Learning Objective: Concept of value; elements and role of value chain

119. (p. 35-36) This chapter discusses the Boston Consulting Group Growth-Share Matrix and Generic Business Strategies. How do these models relate? Which growth strategy would you recommend for companies or SBUs in each of the four cells of the BCG model?

- **BCG Stars** (high share, high growth): important to building the future of the business and deserving any needed investment. Use a **generic business strategy** of *growth*:

Concentration—via vertical or horizontal integration.

Diversification—via concentric or conglomerate means.

- **BCG Cash Cows** (high share, low growth): key sources of internal cash generation for the firm. Use a **generic business strategy** of *stability*.

The strategy to continue current activities with little significant change in direction may be appropriate for a successful organization operating in a reasonably predictable environment. It can be useful in the short term but potentially dangerous in the long term, especially if the competitive landscape changes.

- **BCG Dogs** (low share, low growth): potential high cash users and prime candidates for liquidation. Use a **generic business strategy** of *retrenchment*. An organization in a weak competitive position in some or all of its product lines, resulting in poor performance and pressure on management to quickly improve, may pursue retrenchment. Essentially, retrenchment involves pulling assets out of underperforming parts of the business and reinvesting in aspects of the business with greater future performance potential.

- **BCG Problem Children**, or Question Marks (low share, high growth): high cash needs that, if properly nurtured, can convert into stars. Use a **generic business strategy** of *retrenchment or growth*.

AACSB Standard: analytic

Bloom's Taxonomy: Application

Difficulty: most difficult

Learning Objective: Concept of value; elements and role of value chain

120. (p. 34) Marta, a partner of Apex Corp., a business solutions consulting firm, has a client who is creating its first marketing plan. The client needs a marketing plan template. What standard items would be included that Marta would give her client?

EXHIBIT 2.2

Condensed Framework for Marketing Planning

- Ensure the marketing plan is connected to the firm's business plan including organizational-level mission, vision, goals, objectives, and strategies.
- Conduct a situation analysis.
 - Macro-level external environment
 - Competitive environment
 - Internal environment
- Perform any needed market research.
- Establish marketing goals and objectives.
- Develop marketing strategies.
 - Product-market combinations
 - Market segmentation, target marketing, positioning
 - Marketing mix strategies:
 - Product/branding strategies
 - Service strategies
 - Pricing strategies
 - Supply chain strategies
 - Integrated marketing communication strategies
- Develop implementation plans.
 - Programs/action plans for each strategy including timetable, assignment of responsibilities, and resources required
 - Forecasting and budgets
 - Metrics for marketing control

AACSB Standard: Communication

Bloom's Taxonomy: Application

Difficulty: difficult

Learning Objective: Concept of value; elements and role of value chain

121. (p. 42-43) Describe the factors included in the external environmental analysis.

1. *Political, legal, and ethical.* All firms operate within certain rules, laws, and norms of operating behavior. For example, JetBlue has myriad regulations administered by the Federal Aviation Administration, the National Transportation Safety Board, and the Transportation Security Administration. In the airline industry, the regulatory environment is a particularly strong external influence on firms' marketing planning.

2. *Sociocultural/demographic.* Trends among consumers and in society as a whole impact marketing planning greatly. Many such trends are demographic in nature, including changing generational preferences and the rising buying power of minority groups domestically and consumers in developing nations in the global marketplace. Speaking of generational preferences, JetBlue jumped on the video game trend among children and teens by providing in-seat games, much to the delight of parents who no longer have to entertain the kids for the duration of the flight.

3. *Technological.* Constantly emerging and evolving technologies impact business in many ways. The goal is to try to understand the future impact of technological change so a firm's products will continue to be fresh and viable. JetBlue ordered a number of new downsized "regional jets," planes that carry about 50 passengers and allow for entry into smaller, underserved markets. The airline is banking on these attractive, comfortable new aircraft to provide a market edge over the competition.

4. *Economic.* The economy plays a role in all marketing planning. Part of a marketing plan is a forecast and accompanying budget, and forecasts are impacted by the degree to which predicted economic conditions actually materialize. Fuel prices are a major economic cost element for any airline. JetBlue was a pioneer in hedging against rising fuel prices—that is, making speculative long-term purchase commitments betting on fuel prices going up.

5. *Natural.* The natural environment also frequently affects marketing planning. JetBlue's highly publicized winter weather fiasco at JFK airport in 2007 prompted immediate changes in the way the company communicates with its customers. And on a broader scope, the concept of environmentally friendly marketing, or *green marketing*, has been a growing trend in socially responsible companies. *Sustainability*, which refers to business practices that meet humanity's needs without harming future generations, has evolved into a part of the philosophical and strategic core of many firms.

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: moderate

Learning Objective: Conduct a situation analysis

122. (p. 44) Describe the major factors in the competitive environmental factors.

- Threat of new entrants. How strong are entry barriers based on capital requirements or other factors? A cornerstone of JetBlue's initial market entry success was the fact that it was exceptionally well-capitalized. Not many new airlines can do that.
- Rivalry among existing firms. How much direct competition is there? How much indirect competition? How strong are the firms in both categories? JetBlue's industry contains a number of firms that are much larger, but based on JetBlue's unique value proposition few of them can deliver the same customer experience that JetBlue can.
- Threat of substitute products. Substitutes appear to be different but actually can satisfy much or all of the same customer need as another product. Will teleconferencing PC-to-PC (using products such as Skype) reach a point in the near future such that business travel is seriously threatened, thus impacting JetBlue and other airlines?
- Bargaining power of buyers. To what degree can customers affect prices or product offerings? So far, JetBlue has not been in much head-to-head competition with Southwest, AirTran Airways, Frontier Airlines, or other low-fare carriers in its primary markets. Should this change, passengers will have more power to demand even lower fares and/or additional services from JetBlue.
- Bargaining power of suppliers. Suppliers impact the competitive nature of an industry through their ability to raise prices or affect the quality of inbound goods and services. Jet fuel literally fires the airline industry's economic engine. Also, few manufacturers of commercial aircraft still exist. Both of these factors point to a competitive environment with strong supplier power.

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: difficult

Learning Objective: Conduct a situation analysis

Chapter 02 - Elements of Marketing Strategy and Planning

123. (p. 44-45) What are the major categories for the internal environmental analysis? What is included in each area?

- Firm structure and systems. To what degree does the present organizational structure facilitate or impede successful market-driven strategic planning? Are the firm's internal systems set up and properly aligned to effectively serve customers? David Neeleman had his organizational chart right on the company Web site and talked openly about being a lean and mean operation. It's hard to find much evidence that JetBlue's structure and systems offer impediments to its marketing planning.
- Firm culture. As discussed previously, successful marketing planning requires a culture that includes customer orientation as a core value. If a firm's culture does not value and support a customer orientation and customer-centric approach to the overall business, marketing planning will likely disappoint. A close review of the communication with customers on JetBlue's Web site provides evidence that customer orientation is a core value at the company.
- Firm leadership. Of course, the CEO must believe in and continuously support (financially and otherwise) the structure, systems, and culture necessary for market-driven strategic planning. JetBlue's employee-friendly—and customer-friendly—approach epitomizes such leadership and commitment.
- Firm resources. Finally, internal analysis involves taking an honest look at all aspects of a firm's functional/operational-level resources and capabilities and how they play into the ability to develop and execute market-driven strategies. Key resources for study are:
 - o Marketing capabilities.
 - o Financial capabilities.
 - o R&D and technological capabilities.
 - o Operations and production capabilities.
 - o Human capabilities.
 - o Information system capabilities.

AACSB Standard: Communication

Bloom's Taxonomy: knowledge

Difficulty: difficult

Learning Objective: Conduct a situation analysis