

Chapter 2
Company and Marketing Strategy:
Partnering to Build Customer Relationships

GENERAL CONTENT: Multiple-Choice Questions

1. Disney has been successful in selecting an overall company strategy for long-run survival and growth called _____.
a. tactical planning
b. strategic planning
c. futuristic planning
d. marketing planning
e. relationship marketing

(Answer: b; p. 34; Easy)

2. When your firm practices developing and maintaining a strategic fit between your organization's goals and capabilities, it is forming a(n) _____.
a. mission statement
b. values statement
c. strategic plan
d. short-term purpose
e. operating plan

(Answer: c; p. 37; Moderate)

3. At the corporate level, a company starts the strategic planning process by defining its overall purpose and _____.
a. mission
b. values
c. vision
d. opinions
e. strengths

(Answer: a; p. 37; Easy)

4. Marketing planning at your firm occurs at what levels?
a. business unit; market
b. business unit; product
c. product; market
d. business unit; product; market
e. business unit; financial unit; market

(Answer: d; p. 37; Easy)

5. A clear mission statement acts as an invisible hand that guides people in the firm. It is a statement of _____.
a. fact
b. values
c. purpose
d. financial goals
e. employee commitment

(Answer: c; p. 37; Easy)

6. What does a market-oriented mission statement define about the business?
a. satisfying basic customer needs
b. satisfying basic supplier needs
c. satisfying basic stockholder needs
d. satisfying basic owner needs
e. satisfying basic partnership needs

(Answer: a; p. 37; Easy)

7. Your text pointed out that mission statements should be both _____ and specific.
a. long term
b. realistic
c. short term
d. value laden
e. unachievable

(Answer: b; p. 38; Moderate)

8. _____ mission statements provide little real guidance or inspiration.
a. Trite
b. Copycat
c. Generic
d. Structured
e. None of the above

(Answer: c; p. 38; Easy)

9. Successful organizations base their missions on their _____.
a. distinctive competencies
b. strategic plans
c. long-term goals
d. values statements
e. value propositions

(Answer: a; p. 38; Moderate)

10. The company's mission needs to be turned into detailed supporting objectives for _____.

- a. success
- b. each level of management
- c. corporate needs
- d. stockholder wealth
- e. customer growth

(Answer: b; p. 38; Easy)

11. A strategic plan has this item or items following its marketing objectives.

- a. budgetary requirements
- b. target market selection
- c. research plans
- d. marketing strategies
- e. marketing mix

(Answer: d; p. 37; Easy)

12. What do we call the collection of businesses and products that make up the company?

- a. investment diversity
- b. needs inventory
- c. business portfolio
- d. departments
- e. none of the above

(Answer: c; p. 39; Moderate)

13. Which of the following does business portfolio analysis entail?

- a. analyzing the current portfolio
- b. deciding which units should receive more or less investment
- c. deciding which units should receive no further investment
- d. deciding which units may require additional attention
- e. all of the above

(Answer: e; p. 39; Challenging)

14. Finding ways in which a company can best use its strengths to take advantage of attractive opportunities in the environment describes _____.

- a. establishing a mission
- b. defining a vision
- c. creating a values statement
- d. strategic planning
- e. devising a value proposition

(Answer: d; p. 39; Moderate)

15. The firm you work for has decided to use the Boston Consulting Group's (BCG's) approach to classify its business units. Upon what is the approach based?
- a. most profitable units
 - b. growth-share matrix
 - c. customer retention
 - d. cost-benefits
 - e. customer satisfaction

(Answer: b; p. 40; Easy)

16. The BCG market growth rate provides a measure of _____.
- a. company strength in the market
 - b. decline of competitors
 - c. market attractiveness
 - d. industry attractiveness
 - e. the unit stock value

(Answer: c; p. 40; Easy)

17. The BCG relative market share serves as a measure of company _____.
- a. strength in the market
 - b. sales
 - c. diversification
 - d. success
 - e. profit

(Answer: a; p. 40; Easy)

18. Now that your employer has classified his SBUs, the next step to take in using the BCG approach is to determine _____.
- a. what role each will play in the future
 - b. the tactical plan
 - c. the three-year budget
 - d. the profit center
 - e. none of the above

(Answer: a; p. 40; Challenging)

19. Which of these is not one of the common strategies of the BCG approach?
- a. build
 - b. hold
 - c. harvest
 - d. diversity
 - e. none of the above

(Answer: d; p. 40; Moderate)

20. A problem with using the BCG matrix centers around the fact that it is _____ oriented instead of _____ oriented.
- a. future; now
 - b. now; future
 - c. financially; customer
 - d. customer; supplier
 - e. now; market

(Answer: b; p. 41; Challenging)

21. According to your text, some companies are using all of the following in their strategic planning except one. Choose it.
- a. customers
 - b. suppliers
 - c. employee teams
 - d. cross-functional teams of managers
 - e. company philosophy

(Answer: c; p. 37; Moderate)

22. A common practice among marketers is to increase sales to current customers without changing their products. What is this practice called?
- a. market skimming
 - b. market penetration
 - c. market development
 - d. product extension
 - e. production extension

(Answer: b; p. 41; Easy)

23. A common practice among marketers is to identify and develop new markets for their existing products. This practice is called _____.
- a. market development
 - b. product development
 - c. market penetration
 - d. market skimming
 - e. dual adaptation

(Answer: a; p. 41; Easy)

24. MegaVitamins Company has decided to pursue a product development strategy whereby it will offer _____ products to _____ markets.
- a. new or modified; new
 - b. current; new
 - c. modified or new; current
 - d. current; current
 - e. consumer; business

(Answer: c; p. 41; Moderate)

25. We may clearly say that strategic planning is _____ to a small company's future.
- a. sometimes important
 - b. sometimes useful
 - c. crucial
 - d. optional
 - e. irrelevant

(Answer: c; p. 37; Easy)

26. A company's strategic plan establishes what kinds of businesses the company will be in and its _____ for each one.
- a. product line
 - b. marketing plan
 - c. management team
 - d. objectives
 - e. promotional campaign

(Answer: d; p. 31; Moderate)

27. Which of the following explain(s) why a firm might want to abandon products?
- a. The market environment might have changed.
 - b. The products may have become less profitable.
 - c. The firm may have grown too fast.
 - d. The firm may have entered areas where it lacks experience.
 - e. All of the above.

(Answer: a; p. 42; Moderate)

28. Marketing plays a key role in a company's strategic planning. Which of the following does marketing provide?
- a. guiding philosophy
 - b. inputs
 - c. strategies
 - d. objectives
 - e. all of the above

(Answer: e; p. 44; Moderate)

29. Partner relationship management with other companies has as its purpose to form an effective _____ that serves the customer.
- a. value chain
 - b. value-delivery network
 - c. channel of distribution
 - d. supply chain
 - e. promotion

(Answer: b; p. 44; Challenging)

30. Pioneer Dried Foods works hard to link each of its company departments to accomplish its goals in what is called a company _____.
a. value chain
b. value-delivery network
c. channel of distribution
d. networking
e. profile

(Answer: a; p. 44; Easy)

31. A company's value chain is successful when each department adds _____ for customers and _____ other departments.
a. satisfaction; coordinates with
b. value; shares budgets with
c. value; coordinates with
d. value; strengthens
e. efficiency; differentiates among

(Answer: c; p. 44; Moderate)

32. Wal-Mart is a good example of partnering with others in _____.
a. the supply chain
b. co-op buying
c. the channel of distribution
d. the company
e. the community

(Answer: d; p. 44; Easy)

33. In practice, a marketing department takes the view of which of the following?
a. other departments
b. owners
c. customers
d. stockholders
e. suppliers

(Answer: c; p. 44; Moderate)

34. Marketers must find ways to get all departments to think in terms of _____.
a. sales
b. customers
c. new markets
d. profits
e. all of the above

(Answer: b; p. 44; Easy)

35. Jack Welch, CEO at General Electric, expresses the message that “If you are not thinking _____, you are not thinking.”
- a. success
 - b. growth
 - c. strategically
 - d. customers
 - e. efficiency

(Answer: d; p. 47; Challenging)

36. McDonald’s partners well with others in its marketing system. What does the “C” stand for in its QSCV standard?
- a. caring
 - b. customer
 - c. cleanliness
 - d. career
 - e. catering

(Answer: c; p. 45; Easy)

37. A major reason that more companies are partnering with other members of the supply chain is to improve the performance of the customer _____.
- a. value-delivery network
 - b. network
 - c. purchasing model
 - d. profile analysis
 - e. feedback

(Answer: a; p. 45; Moderate)

38. In today’s marketplace, competition has shifted away from individual competition between companies to competition among the entire _____.
- a. value-delivery network
 - b. industry
 - c. market
 - d. global market
 - e. all of the above

(Answer: a; p. 45; Challenging)

39. The marketing process identifies the _____ and divides it into smaller _____.
- a. industry; markets
 - b. market; segments
 - c. competition; competitors
 - d. market; market shares
 - e. customer; preferences

(Answer: b; p. 47; Challenging)

40. Island Tours is successful at satisfying its customers because it first sought to understand _____.
a. the market
b. competition
c. customers' needs and wants
d. the marketing concept
e. low prices

(Answer: c; p. 45; Challenging)

41. Your firm is attempting to divide up the total market to determine the best segments it can serve. Which is the correct order of doing so?
a. market segmentation, target marketing, market positioning
b. target marketing, market positioning, market segmentation
c. market positioning, market segmentation, target marketing
d. market segmentation, market positioning, target marketing
e. mass marketing, demographic segmentation, psychographic segmentation

(Answer: a; p. 45; Challenging)

42. Generally speaking, most companies today cannot profitably serve _____.
a. all consumers in a given market
b. all consumers in a given market segment
c. all foreign markets
d. both A and C
e. none of the above

(Answer: a; p. 47; Challenging)

43. A company should target segments in which it can profitably generate the greatest customer _____ and _____ it over time.
a. sales; sustain
b. satisfaction; spread
c. value; sustain
d. sales; keep
e. loyalty; grow

(Answer: c; p. 46; Challenging)

44. Most companies enter a new market by serving _____ segment(s).
a. multiple
b. the most profitable
c. dual
d. a single
e. three or more

(Answer: d; p. 46; Easy)

45. When we practice _____, we arrange for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.
- a. positioning
 - b. market positioning
 - c. target segmenting
 - d. repositioning
 - e. product distribution

(Answer: a; p. 49; Moderate)

46. In positioning its product, a company first identifies possible _____.
- a. customer benefits
 - b. customer satisfaction indexes
 - c. competitive advantages
 - d. competitors' positions
 - e. target markets

(Answer: c; p. 50; Challenging)

47. Once your company has decided on its overall competitive marketing strategy, it is ready to begin planning the details of its _____.
- a. tactical plan
 - b. marketing mix
 - c. promotion campaign
 - d. sales forecast
 - e. strategic plan

(Answer: b; p. 50; Challenging)

48. Choose the item from the following that is not one of the standard four Ps.
- a. product
 - b. place
 - c. positioning
 - d. price
 - e. A and B

(Answer: c; p. 50; Easy)

49. You are excited about studying marketing. You tell your younger brother that product, price, place, and promotion make up the _____.
- a. marketing package
 - b. marketing strategy
 - c. marketing combination
 - d. marketing mix
 - e. marketing value

(Answer: d; p. 46; Moderate)

50. Which of the four Ps describes the goods-and-services combination the company offers to the target market?
- a. price
 - b. promotion
 - c. product
 - d. place
 - e. package

(Answer: c; p. 50; Easy)

51. Banking, airline, and retailing services are properly termed ____.
- a. *service products*
 - b. *products*
 - c. *adjunct products*
 - d. *accessories*
 - e. *service encounters*

(Answer: a; p. 51; Easy)

52. A concern with the four Ps is that it takes the ____ view and not the ____ view.
- a. buyer's; seller's
 - b. broad; narrow
 - c. seller's; buyer's
 - d. traditional; modern
 - e. domestic; global

(Answer: c; p. 51; Challenging)

53. Today the four Ps are compared to the four Cs. Product and price are called ____ and ____ respectively.
- a. convenience; customer solution
 - b. customer cost; convenience
 - c. communication; customer solution
 - d. customer solution; customer cost
 - e. communication; convenience

(Answer: d; p. 51; Moderate)

54. Marketers see themselves as selling products, while customers see themselves as buying ____.
- a. value
 - b. solutions
 - c. bargains
 - d. value or solutions to their problems
 - e. satisfaction

(Answer: d; p. 51; Easy)

55. One of these is not a basic marketing management function. Please choose it.
- a. analysis
 - b. planning
 - c. directing
 - d. implementing
 - e. A and B

(Answer: c; p. 51; Moderate)

56. A thorough market analysis includes all of the following except one. Which one?
- a. company situation
 - b. markets
 - c. company strengths
 - d. past sales records
 - e. all of the above

(Answer: d; p. 50; Easy)

57. Identify the marketing logic whereby the company hopes to achieve its marketing objectives.
- a. marketing plan
 - b. marketing goals
 - c. marketing strategy
 - d. marketing promotion plan
 - e. marketing research analysis

(Answer: c; p. 52; Moderate)

58. A marketing plan begins with an executive summary, which quickly overviews major assessments, goals, and _____.
- a. budgets
 - b. markets
 - c. promotions
 - d. recommendations
 - e. obstacles

(Answer: d; p. 52; Easy)

59. Marketing planning addresses the what and why of marketing activities. Implementation addresses the _____.
- a. who, when, where
 - b. when, where, how
 - c. who, where, when, how
 - d. who, where, when, how much
 - e. why not

(Answer: c; p. 53; Moderate)

60. According to the textbook, your boss refers to _____ when she mentions “doing the right things.”
- a. strategy
 - b. planning
 - c. objectives
 - d. proper execution
 - e. efficiency

(Answer: a; p. 50; Challenging)

61. A brilliant marketing strategy counts for little if the company fails to _____ it properly.
- a. strategically plan
 - b. budget
 - c. implement
 - d. construct
 - e. adopt

(Answer: c; p. 53; Easy)

62. New Health Age has its sales and marketing people assigned to specific countries, regions, and districts. We refer to this organization as _____.
- a. geographic
 - b. product
 - c. functional
 - d. divisional
 - e. psychographic

(Answer: a; p. 54; Easy)

63. This approach allows managers to develop and implement a complete strategy and marketing program for a specific product or brand. What is this approach called?
- a. geographic
 - b. product management
 - c. functional
 - d. divisional
 - e. product use

(Answer: b; p. 54; Easy)

64. Some major firms are moving away from managing only product profitability and moving toward customer equity management. The key here is _____.
- a. managing customer expectations
 - b. managing customer satisfaction
 - c. managing customer profitability
 - d. managing customer needs
 - e. matching products with customer expectations

(Answer: c; p. 53; Challenging)

65. A market management organization is similar to a _____ organization.
- a. product management
 - b. services management
 - c. not-for-profit management
 - d. none of the above
 - e. all of the above

(Answer: a; p. 54; Moderate)

66. Which of the following types of management organization might be best for companies that sell one product line to many different types of markets and customers that have different needs and preferences?
- a. market
 - b. customer
 - c. product
 - d. A or B
 - e. mass market

(Answer: d; p. 54; Challenging)

67. A major tool for strategic control is a _____, which is a comprehensive, systematic, independent, and periodic examination of a company's environment, objectives, strategies, and activities to determine problem areas and opportunities.
- a. marketing analysis
 - b. marketing audit
 - c. marketing plan
 - d. business plan
 - e. marketing mix strategy

(Answer: b; p. 55; Moderate)

68. A marketing audit covers which of the following areas of a business?
- a. marketing department
 - b. sales department
 - c. advertising department
 - d. customer service
 - e. all of the above

(Answer: e; p. 53; Easy)

69. Marketing planning occurs _____.
- a. at the business-unit level
 - b. at the product level
 - c. at the market level
 - d. in an attempt to support company strategic planning
 - e. all of the above

(Answer: e; p. 31; Easy)

70. Firms with well-crafted mission statements have better _____ and _____.
- a. profits; higher employee morale
 - b. market image; customer satisfaction
 - c. organizational performance; financial performance
 - d. strategic plans; market image
 - e. market segments; employee diversity

(Answer: c; p. 35; Easy)

71. Mission statements should be _____.
- a. market oriented
 - b. employee oriented
 - c. technology oriented
 - d. growth oriented
 - e. profit oriented

(Answer: a; p. 37; Easy)

72. Which of the following is NOT true about mission statements?
- a. They should be realistic.
 - b. They should be broad, generic statements.
 - c. They should fit the market environment.
 - d. They should be based on distinctive competencies.
 - e. They should be motivating.

(Answer: b; p. 38; Easy)

73. A business portfolio includes _____.
- a. the collection of businesses that make up the company
 - b. the collection of products that make up the company
 - c. the collection of businesses and products that make up the company
 - d. the company's mission
 - e. core competencies

(Answer: c; p. 39; Moderate)

74. Which SBU produces a lot of cash that the company may use to support other SBUs that need investment?
- a. stars
 - b. cash cows
 - c. question marks
 - d. dogs
 - e. C and D

(Answer: b; p. 40; Easy)

75. Which of the following is NOT a strategy pursued by an SBU?
- a. invest
 - b. build
 - c. hold
 - d. divest
 - e. harvest

(Answer: a; p. 40; Easy)

True/False

76. Perhaps nowhere is the “Disney Magic” more apparent than at the company’s showings of its new movies.

(Answer: False; p. 35; Easy)

77. Disney’s theme parks are highly regarded for outstanding customer service, so much so that major corporations send managers to Disney University to learn.

(Answer: True; p. 36; Moderate)

78. When your organization is involved in the task of selecting an overall company strategy for long-run survival and growth, it is conducting strategic planning.

(Answer: True; p. 37; Easy)

79. A company starts the strategic planning process at the corporate level by defining its values statement and internal strengths.

(Answer: False; p. 37; Easy)

80. ABC Fortunes has just developed a formal statement of its purpose. This firm has put together a mission statement.

(Answer: True; p. 37; Easy)

81. Mission statements should be realistic and general in nature.

(Answer: False; p. 38; Moderate)

82. Mission statements should both fit the market environment and be motivating.

(Answer: True; p. 38; Easy)

83. After creating a mission statement and objectives, a firm should develop a business portfolio.

(Answer: True; p. 39; Challenging)

84. The major activity in strategic planning is strategic business unit planning, whereby management evaluates the products and businesses making up the company.

(Answer: False; p. 39; Challenging)

85. You told your employees that the purpose of strategic planning is to find ways in which your company can best use its strengths to take advantage of attractive opportunities in the environment. Is your statement true or false?
(Answer: True; p. 37; Moderate)
86. One division of your company is a low-growth, high-share business. This unit is referred to as a *star*.
(Answer: False; p. 40; Easy)
87. A disadvantage of the BCG matrix approach is that it is too future oriented rather than current oriented.
(Answer: False; p. 41; Moderate)
88. The major party responsible for achieving profitable growth for a company is top management, especially the CEO.
(Answer: False; p. 41; Moderate)
89. When an organization identifies and develops new markets for its current products and services, it is engaged in market development.
(Answer: True; p. 41; Easy)
90. This strategy calls for offering modified or new products to current markets. We term it *product development*.
(Answer: True; p. 41; Easy)
91. When a firm finds products or businesses that no longer fit its overall strategy, it must carefully prune, harvest, or merge them.
(Answer: False; p. 40; Moderate)
92. Strategic planning is just as crucial to a small company's future as it is to a major corporation's future.
(Answer: True; p. 37; Easy)
93. Your employer suggests that your company strategy should revolve around building profitable relationships with important consumer groups. He is teaching the marketing concept.
(Answer: True; p. 42; Moderate)
94. Each company's department can be thought of as a link in the company's strategic plan.
(Answer: False; p. 44; Easy)
95. Jack Welch, General Electric's former CEO, taught his employees that "Companies can't give job security. Only you yourself can."
(Answer: False; p. 45; Challenging)

96. When your employer looks beyond its own value chain and into the value chain of its suppliers, distributors, and ultimately customers, it is stressing the value-delivery network.
(Answer: True; p. 45; Challenging)
97. In today's marketplace, competition takes place between individual competitors rather than between the entire value-delivery networks created by these competitors.
(Answer: False; p. 45; Moderate)
98. We segment markets to find distinct groups of buyers with different needs, behaviors, or characteristics who might require separate products or marketing programs.
(Answer: True; p. 47; Easy)
99. Correct Fit Clothiers evaluates each market segment's attractiveness and selects one or more segments to enter when considering adding new lines of clothing. Correct Fit is engaged in selective marketing.
(Answer: False; p. 47; Moderate)
100. Market positioning is a strong strategy to develop. The company first identifies possible competitive advantages upon which to build the position.
(Answer: True; p. 50; Moderate)
101. The marketing mix consists of product, price, positioning, and promotion.
(Answer: False; p. 50; Easy)
102. Service firms actually offer service products.
(Answer: True; p. 49; Easy)
103. A marketing analysis includes evaluating the company's situation, markets, environment, strengths and weaknesses, and current and possible marketing actions to determine which opportunities it can best pursue.
(Answer: True; p. 52; Challenging)
104. A firm that organizes by specialist departments is called a divisional organization.
(Answer: False; p. 52; Easy)
105. A marketing audit is actually a thorough examination of a company's performance, problems areas, and opportunities.
(Answer: True; p. 55; Moderate)

Essay

106. What has created Disney's success as a world leader of entertainment? Briefly mention the components of a strategic plan.

Disney has created and fulfilled fantasies for people around the world for generations. The real "Disney Magic" lies in the company's obsessive dedication to its mission to "make people happy" and to "make a dream come true." The strategic plan calls for employees to deliver exceptional customer service. Disney now is much diversified and competes in numerous industries. Disney has developed long-term strategies to meet changing conditions and ensure long-term survival.
(p. 35; Easy)

107. Briefly mention the components of a strategic plan.

A strategic plan consists of a market-oriented mission statement. This plan must also set company objectives and goals. It designates the business portfolio of businesses and products it will pursue. Strategies for growth and downsizing must be put in place. Last but not least, a plan for partnering to build customer relationships must be added.

(p. 37; Moderate)

108. Describe what goes into a market-oriented mission statement.

A market-oriented mission statement should describe the organization's purpose or what it wants to accomplish in the larger environment. It will be both realistic and specific in its scope. Missions should fit the market environment and be motivating.

(p. 37; Easy)

109. Explain the purpose of the Boston Consulting Group approach to business planning, and briefly describe each of the four types of SBUs.

The purpose is to provide a measure of market attractiveness and a measure of company strength in the market. The four types of SBUs are stars, cash cows, questions marks, and dogs.

Stars are high-growth, high-share businesses or products; they often need heavy investment to finance their rapid growth. Cash cows are low-growth, high-share businesses or products; they need less investment and produce a lot of cash to pay bills and support other SBUs. Question marks are low-share business units in high-growth markets; they require a lot of cash to hold their share. Management must decide whether to build them into stars or phase them out. Dogs are low-growth, low-share businesses and products; they may generate enough cash to maintain themselves but do not promise to be large sources of cash.

(p. 40; Challenging)

110. Compare and contrast the following strategies for growth: market penetration, market development, product development, and diversification.

Market penetration consists of increasing sales of existing products in current markets. Market development, on the other hand, seeks to sell existing products in new markets. When neither of the above is effective, marketers seek to develop new or modified products for current markets by practicing product development. A final approach is to start up or buy businesses outside the firm's current products or markets.

(p. 41; Challenging)

111. How do marketers use partner relationship management to their advantage?

They work closely with partners in other company departments to form an effective value chain that serves the customer. They also partner effectively with other companies in the marketing system to form a competitively superior value-delivery network. Each department within a company carries out value-creating activities to design, produce, market, deliver, and support the firm's products and services. Success depends on coordination and quality. These same marketers must look into the value chains of their suppliers, distributors, and ultimately customers to coordinate an effective system.

(p. 42; Moderate)

112. Compare the traditional four Ps to the current four Cs.

Traditionally, the four Ps were created from the marketer's viewpoint. Today, the four Cs are created from the consumer's viewpoint. Product now is viewed as customer solution. Price is really customer cost. Place equates to convenience, and promotion is actually nothing more than communication. Customers buy value and solutions to their problems. Marketers should first think through the four Cs, and then build the four Ps on that platform.

(p. 51; Moderate)

113. Explain the role of the SBU in strategic planning.

The strategic business unit (SBU)—whether a product, product line, department, or an entire division of an organization—is often the profit center of the organization. The SBU, where the “company's bread is buttered,” often determines where in the firm additional resources will be invested and where long-term focus will be.

(p. 39; Easy)

114. Explain the role of the target market as the marketer attempts to build the marketing mix.

Depending on the demographic, psychographic, and/or geographic characteristics of the target market, the marketer will develop the product, set the right price, determine the best way to promote, and select the best place to distribute the product. All four elements, the four Ps, create a “package” that is as attractive as possible to the target market. As characteristics of the target market change, the marketing mix should also be altered.

(p. 50; Moderate)

115. What is a marketing audit? On what elements does the marketing audit focus?

The marketing audit covers all marketing areas—the marketing environment, marketing strategy, marketing organization, marketing systems, marketing mix, and marketing productivity and profitability. Audits are normally conducted by an outside party. Management then decides which actions make sense and how and when to implement them.

(p. 55; Moderate)

APPLICATION CONTENT: Multiple-Choice Questions

116. The company you work for is on the “right track” because its mission statement fits the _____ environment.

- a. economic
- b. political-legal
- c. social-cultural
- d. market
- e. natural

(Answer: d; p. 38; Moderate)

117. Paul Pierce is busy working with other managers evaluating the products and businesses making up their company. Paul is engaged in _____.

- a. strategic business unit analysis
- b. preparing a business portfolio
- c. portfolio analysis
- d. marketing planning
- e. marketing auditing

(Answer: c; p. 39; Moderate)

118. Kimball Gardens is a company that operates as two distinctive businesses—one that sells lawn and garden products and one that markets booklets. Each business is called a _____.
a. separate entity
b. strategic business unit (SBU)
c. profit center
d. division
e. business portfolio

(Answer: b; p. 39; Challenging)

119. Mountain Home Farms is now using the product/market expansion grid. The owners have found it to be quite useful for identifying _____.
a. target markets
b. growth opportunities
c. key customers
d. new products
e. suppliers

(Answer: b; p. 41; Easy)

120. You have been given the assignment to develop new markets for your current products and services. Which of the following might work?
a. reviewing new demographic markets
b. reviewing new geographic markets
c. reviewing current sales records
d. A and B
e. reviewing current customer attitudes

(Answer: d; p. 41; Challenging)

121. Your textbook suggested that Starbucks might consider a _____ strategy. This strategy would allow the company to start up or buy businesses outside of its current products and markets.
a. product development
b. market development
c. market penetration
d. diversification
e. B or D

(Answer: d; p. 41; Easy)

122. Lucy Ortiz has just prepared a PowerPoint presentation of the marketing process to show at a sales meeting. If you look closely, you will see that _____ stand(s) in the center.
- a. sales goals
 - b. customers
 - c. company objectives
 - d. customer retention
 - e. A and C

(Answer: b; p. 47; Moderate)

123. TelStar Plastics is in the process of dividing a market into distinct groups of buyers with different needs, characteristics, or behavior who might require separate products or marketing programs. Which is this firm doing?
- a. market development
 - b. market diversification
 - c. market penetration
 - d. market skimming
 - e. market segmentation

(Answer: e; p. 47; Easy)

124. Paul Pendergraff has discovered a group of potential customers who seem to respond in a similar way to a given set of marketing efforts. Paul has discovered a(n) _____.
- a. target market
 - b. market segment
 - c. market
 - d. gold mine
 - e. undefined niche

(Answer: b; p. 47; Moderate)

125. Paul Pendergraff is evaluating each market segment's attractiveness and is in the process of selecting one or more segments to enter. What is Paul doing?
- a. target marketing
 - b. marketing segmenting
 - c. marketing
 - d. market positioning
 - e. selecting VALS

(Answer: a; p. 47; Easy)

126. Jill Reno has researched new markets and has decided which segments to enter. Next she should decide what _____ her company should occupy in those segments.
- a. position
 - b. place
 - c. rank
 - d. rating
 - e. percentage of space

(Answer: a; p. 49; Easy)

127. Environmental Service Company wants to practice effective positioning. The owners have discovered that it begins with actually _____ the company's marketing offer so that it gives consumers more value.
- a. differentiating
 - b. promoting
 - c. advertising
 - d. selling
 - e. representing

(Answer: a; p. 50; Moderate)

128. Favorite Memories specializes in serving market segments that major competitors overlook and ignore. What strategy does this firm use?
- a. market follower
 - b. marketer challenger
 - c. market seeker
 - d. market nicher
 - e. none of the above

(Answer: d; p. 47; Easy)

129. Emerson Studios, a chain of 25 portrait stores in five states, has organized its marketing organization in which different marketing activities are headed by specialists. What is this organization called?
- a. geographic
 - b. product
 - c. organic
 - d. functional
 - e. market

(Answer: d; p. 53; Moderate)

130. Peter Cramer is involved in evaluating the results of marketing strategies and plans and taking corrective action to ensure that objectives are attained. What do we call Peter's current work?
- a. marketing control
 - b. marketing planning
 - c. strategic planning
 - d. tactical planning
 - e. auditing

(Answer: a; p. 54; Moderate)

131. Juanita Castro is looking at whether her company's strategies are well matched to its opportunities. It seems that Juanita is into ____.
- a. marketing control
 - b. operating control
 - c. strategic control
 - d. loss of control
 - e. marketing auditing

(Answer: c; p. 55; Easy)

132. The pharmaceuticals division of Omni Healthcare holds low market share in a high-growth market. In order to increase market share, managers may decide to ____.
- a. continually add new products in the market
 - b. implement a harvest strategy
 - c. use money from a cash cow to promote the pharmaceuticals division
 - d. divest the SBU
 - e. A or C

(Answer: e; p. 40; Challenging)

133. Acme, Inc., has modified the production processes of its widgets and gadgets in order to tap into the Eastern European market. Acme is likely following a ____ strategy.
- a. market penetration
 - b. market development
 - c. diversification
 - d. A or C
 - e. product development

(Answer: b; p. 39; Challenging)

134. Wal-Mart relies on sound relationships with its low-cost suppliers in order to pass low prices on to consumers. Thus, forming a ____ is crucial to Wal-Mart's success.
- a. value-delivery network
 - b. value chain
 - c. customer relationship management policy
 - d. market concept philosophy
 - e. diversification strategy

(Answer: a; p. 45; Challenging)

135. If managers of Burger World intended to model their marketing strategy on Jollibee's smart niching strategy, which of the following may occur?
- a. A mass marketing strategy may be used.
 - b. The unique tastes of only a small, local target market may be more important than standardized fare.
 - c. Managers may concentrate their limited resources within a small geographic region.
 - d. Managers may work to strongly differentiate the goods-and-services combination from all competitors.
 - e. All of the above, except A
- (Answer: e; p. 48; Challenging)

Short Answer

136. Why should a mission statement be market oriented instead of product or technology oriented?

A market-oriented mission statement defines the business in terms of customer needs; products and technologies become outdated, but basic market needs may last forever.

(p. 37; Moderate)

137. Why should a mission statement be “motivating” instead of stated in terms of sales or profits?

Sales and profits are only a reward for undertaking a useful activity; a company's employees need to feel that their work is significant.

(p. 38; Moderate)

138. What provides the best business portfolio?

The best business portfolio is the one that best fits the company's strengths and weaknesses to environmental opportunities.

(p. 39; Challenging)

139. What is a strategic business unit (SBU)?

An SBU is a key part of a business—whether a product, product line, department, or an entire division—where managers place a major emphasis; an SBU is typically a major profit center with a separate mission.

(p. 39; Easy)

140. Into what BCG quadrant does a high-share, high-growth SBU fall?

It falls into the “star” category.

(p. 40; Easy)

141. What type of strategy might a cash cow follow?

A cash cow will generate cash that could, in turn, be used to finance and/or promote question marks.

(p. 40; Easy)

142. According to the product/market expansion grid, what strategy would Starbucks follow when attempting to increase sales of current products to current customers?

Starbucks would follow a market penetration strategy in this scenario.

(p. 41; Moderate)

143. How might Starbucks implement a market development strategy?

Starbucks might attempt to identify and develop new markets for its current products.

(p. 41; Challenging)

144. According to the product/market expansion grid, what strategy would McDonald’s follow when offering a salad bar option during lunch hours?

In this scenario, McDonald’s would follow a product development strategy.

(p. 48; Moderate)

145. Explain how a company begins the strategic planning process at the corporate level.

At the corporate level, the company starts the strategic planning process by defining its overall purpose and mission; the mission is then turned into detailed supporting objectives.

(p. 37; Challenging)

146. How might the BCG matrix represent a life cycle?

Many SBUs start out as question mark, then move into the star category if they succeed; stars eventually become cash cows, then perhaps, dogs.

(p. 40; Moderate)

147. Into what quadrant of the product/market expansion grid would a “new and improved” product fall?

The “new and improved” product would fall into the product development quadrant.
(p. 41; Moderate)

148. Give two situations in which a company may develop strategies for downsizing its business portfolio.

Such strategies may prevail if a company has grown too fast or has entered areas where it lacks experience, for example.
(p. 42; Challenging)

149. How are partner relationship management and the value chain related?

Marketers must work closely with partners in other company departments to form an effective value chain that serves the customer.
(p. 44; Easy)

150. Explain how a marketer of baking soda may attempt to attract more than one market segment.

Some consumers buy baking soda as a baking ingredient and some consumers buy baking soda to use as a deodorizer, for example. The marketer will focus on both uses in the marketing mix, such as how the product is promoted.
(p. 44; Challenging)

151. Give an example of a product for which segmenting the market would not be useful.

There are numerous examples of such products that can be mass marketed. One example is Tylenol; focusing on demographics or geographics, for example, would not be useful.
(p. 47; Moderate)

152. How might a marketer of pens alter the “product” portion of the marketing mix when targeting female college students versus male college students?

The marketer may use feminine colors and a spiral-flower stripe, for example, when marketing its pens to the females; when targeting males, more neutral colors might be used.
(p. 50; Moderate)

153. What role does the marketing mix play in positioning?

The marketing mix creates a portion of the marketer's image in the marketplace. The marketing mix creates a "package" with which consumers can compare competitors.
(p. 48; Easy)

154. Why is marketing analysis such an important part of marketing management?

This function allows the marketer to analyze environmental opportunities and threats which, in turn, allows the marketer to determine which opportunities to pursue. From this starting point, the market can continue with planning, implementation, and control.
(p. 52; Challenging)

155. Give a situation in which the suggested strategy for a dog might NOT be to divest.

Consider a new technology that is being launched into the market. If managers of the dog are merely waiting to implement that new technology or to somehow incorporate it into the dog, moving the dog into a different BCG quadrant, divesting would not have been practical.
(p. 38; Moderate)

Scenario

Fun-Spot Fun Park began as a small amusement park in 1985. With nothing more than a merry-go-round, a slide, pony rides, and an ice cream stand, Fun-Spot grew into a popular family attraction with 20 rides, a restaurant, and an outdoor performing arts theater.

"My wife, Gail, and I didn't know what we were getting into," commented Ron Hart, the owner. "We just knew that weekenders coming to the lakes in our rural area represented an untapped market."

Today, thousands of visitors flock to Fun-Spot—families, children of all ages, even senior citizens who enjoy strolling through the gardens and arbor.

"There's something here for everyone," Gail Hart said with a smile. "Dozens of companies hold annual company picnics here. We have welcomed class field trips. And we even had one wedding here at the park!"

"Here's the funny thing," Ron chimed in. "We really don't know why we've been so successful! There is nothing else like Fun-Spot Fun Park in the area. We were just lucky."

"I think it's the ambience of the park," Gail added, "that has brought so many visitors. We provide a 'total package' of entertainment. Plus, we try to change our rides and various attractions from time to time."

Ron and Gail Hart admitted that making every visitor happy is a priority. "That has always been our philosophy," they said. "And we've always been able to deliver on that because we've never allowed ourselves to grow too big too quickly."

156. Describe two critical factors impacting the strategic plan at Fun-Spot.

Answers will vary; however, Ron and Gail's continued success will depend on their ability to make visitors as happy as possible and their ability to continue to provide a variety of entertainment options.

(p. 37; Moderate)

157. Would you consider Fun-Spot's mission statement to be market oriented? Explain.

The mission at Fun-Spot is defined in terms of customer needs. Providing the fastest roller coaster, the greatest variety of ice cream flavors, or the scariest spook house is not as important, for example, as providing top-notch customer attention and attractions appealing to a variety of visitors at this small, rural park.

(p. 37; Moderate)

158. At this point, how do Ron and Gail monitor Fun-Spot's business portfolio?

Ron and Gail make a continuous assessment of Fun-Spot's strengths and weaknesses, compared to the opportunities in the environment. If a competitor should appear within a relatively close distance, for example, Ron and Gail will likely have to alter the business portfolio to offset the competition.

(p. 37; Challenging)

159. Into which quadrant of the BCG matrix does Fun-Spot fall? Why?

Fun-Spot Fun Park is a star, currently situated in a high-growth, high-share position.

(p. 40; Easy)

160. How might Ron and Gail implement a market penetration strategy at Fun-Spot?

Ron and Gail would maintain their current entertainment offering and continue to deliver customer attention to their existing customers.

(p. 41; Moderate)

161. In what way do Ron and Gail implement a product development strategy at Fun-Spot?

The owners at Fun-Spot strive to provide new offerings and entertainment options for their visitors.

(p. 41; Moderate)

162. What are three possible emerging conditions that may cause the Harts to develop a downsizing strategy at Fun-Spot?

Over time, less profitable operations might need to be eliminated; for example, children may love pony rides but maintaining the animals in a zoo setting may become costly. An economic recession or a new, close-by competitor may lead to downsizing.

(p. 42; Challenging)

163. Who comprises Fun-Spot's target market?

The target market here includes anyone who desires a relaxing, fun day or evening at a small amusement park. Families with children are likely the primary target market.

(p. 42; Easy)

164. If you had to select a primary market segment that is crucial to the success of Fun-Spot, who would it be? Why?

Answers will vary; however, on a weekly basis, Fun-Spot likely relies on families with children for a steady stream of revenues.

(p. 47; Moderate)

165. What role do service products play at Fun-Spot?

With the exception of meals and refreshments, most of what visitors receive at Fun-Spot is service products.

(p. 51; Easy)