Chapter 2—Strategic Planning for Competitive Advantage

TRUE/FALSE

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

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

   PTS: 1 REF: 25 OBJ: 02-1 TOP: AACSB Reflective Thinking
   KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

2. In theory, an SBU should have its own resources for handling basic business functions.

   ANS: T PTS: 1 REF: 26 OBJ: 02-2
   TOP: AACSB Reflective Thinking KEY: CB&E Model Strategy
   MSC: BLOOMS Level I Knowledge

3. When the Walt Disney Company opened Disneyland Paris for the French market, it was an example of market penetration.

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

   PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking
   KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

   PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking
   KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

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

   ANS: T PTS: 1 REF: 27 OBJ: 02-3
   TOP: AACSB Reflective Thinking KEY: CB&E Model Strategy
   MSC: BLOOMS Level III Application

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

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

   PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking
   KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

ANS: T PTS: 1 REF: 27-28 OBJ: 02-3
TOP: AACSB Reflective Thinking KEY: CB&E Model Strategy
MSC: BLOOMS Level I Knowledge

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

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

PTS: 1 REF: 28 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

9. In the portfolio mix, notebook computers would be an example of a star.

ANS: T
A star is a market leader that is growing fast.

PTS: 1 REF: 28 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

10. The harvest strategy is appropriate for all SBUs except dogs.

ANS: F
The harvest strategy is appropriate for all SBUs except stars.

PTS: 1 REF: 30 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

11. In the General Electric model, SBUs that have low overall attractiveness should be avoided if the organization is not already serving them.

ANS: T PTS: 1 REF: 30 OBJ: 02-3
TOP: AACSB Reflective Thinking KEY: CB&E Model Strategy
MSC: BLOOMS Level II Comprehension

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

ANS: T PTS: 1 REF: 31 OBJ: 02-3
TOP: AACSB Reflective Thinking KEY: CB&E Model Marketing Plan
MSC: BLOOMS Level I Knowledge

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

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

PTS: 1 REF: 32 OBJ: 02-4 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

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

ANS: T PTS: 1 REF: 33 OBJ: 02-5
TOP: AACSB Reflective Thinking KEY: CB&E Model Strategy
MSC: BLOOMS Level IV Analysis

15. Environmental scanning entails the collection and interpretation of information about factors in the external environment that may affect the future of the organization or the implementation of the marketing plan.

ANS: T PTS: 1 REF: 33 OBJ: 02-5
TOP: AACSB Reflective Thinking KEY: CB&E Model Strategy
MSC: BLOOMS Level II Comprehension

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

ANS: T PTS: 1 REF: 34 OBJ: 02-6
TOP: AACSB Reflective Thinking KEY: CB&E Model Strategy
MSC: BLOOMS Level II Comprehension

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

ANS: T PTS: 1 REF: 34 OBJ: 02-6
TOP: AACSB Reflective Thinking KEY: CB&E Model Strategy
MSC: BLOOMS Level VI Evaluation

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

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

PTS: 1 REF: 34 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Product MSC: BLOOMS Level IV Analysis

19. Niche competitive advantages are difficult to develop and consequently are quite rare.

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

PTS: 1 REF: 35 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

20. To be useful, marketing objectives should be realistic, measurable, time specific, and based on sales.

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

PTS: 1 REF: 37 OBJ: 02-7 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

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

ANS: F
This marketing objective is not measurable or compared to a benchmark.

PTS: 1 REF: 37 OBJ: 02-7 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

ANS: T PTS: 1 REF: 38 OBJ: 02-8
TOP: AACSB Reflective Thinking KEY: CB&E Model Strategy
MSC: BLOOMS Level I Knowledge

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

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

PTS: 1 REF: 38 OBJ: 02-8 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

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

ANS: F
The four Ps are product, place, promotion, and price

PTS: 1 REF: 39 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

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

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

PTS: 1 REF: 39 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Product MSC: BLOOMS Level II Comprehension

26. The implementation process can be described as simply “doing what you said you were going to do.”

ANS: T PTS: 1 REF: 42-43 OBJ: 02-10
TOP: AACSB Reflective Thinking KEY: CB&E Model Strategy
MSC: BLOOMS Level II Comprehension

27. Evaluation entails gauging the extent to which marketing objectives have been achieved during the specified time period.

ANS: T PTS: 1 REF: 43 OBJ: 02-10
TOP: AACSB Reflective Thinking KEY: CB&E Model Strategy
MSC: BLOOMS Level I Knowledge

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

ANS: T PTS: 1 REF: 44 OBJ: 02-10
TOP: AACSB Reflective Thinking KEY: CB&E Model Marketing Plan
MSC: BLOOMS Level II Comprehension

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

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

PTS: 1 REF: 45 OBJ: 02-11 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level VI Evaluation

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

ANS: T PTS: 1 REF: 45 OBJ: 02-11
TOP: AACSB Reflective Thinking KEY: CB&E Model Strategy
MSC: BLOOMS Level VI Evaluation

MULTIPLE CHOICE

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

ANS: E PTS: 1 REF: 25 OBJ: 02-1
TOP: AACSB Reflective Thinking KEY: CB&E Model Strategy
MSC: BLOOMS Level I Knowledge

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

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

PTS: 1 REF: 25 OBJ: 02-1 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level VI Evaluation

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

a. benchmarking
b. alternative problem solving
c. strategic planning
d. portfolio evaluation
e. tactical control

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

PTS: 1 REF: 25 OBJ: 02-1 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 25 OBJ: 02-1 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

5. A subgroup of a single business or a collection of related businesses within the larger organization is called a(n):
a. conglomerate
b. joint venture
c. strategic business unit (SBU)
d. oligarchy
e. strategic alliance

ANS: C
This is the definition of an SBU.

PTS: 1 REF: 26 OBJ: 02-2 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

6. When properly created, an SBU has all of the following characteristics EXCEPT:
a. plans independent of the other SBUs in the total organization
b. control over its own resources
c. a distinct mission
d. no competitors
e. a specific target market

ANS: D
When properly created, an SBU has a number of characteristics, including its own competitors.

PTS: 1 REF: 26 OBJ: 02-2 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

7. Yildiz Holding of Turkey purchased Godiva Chocolates from Campbell's Soup Company. Campbell's sold one of its:

a. strategic business units (SBUs)
b. strategic alliances
c. action programs
d. transactional units
e. synergistic divisions

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

PTS: 1 REF: 26 OBJ: 02-2 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

8. Until spun off in 2007, Kraft was part of Altria Group, Inc. Kraft had its own management team, mission statement, and target markets different from Altria Group, Inc. Kraft was a _____ of Altria Group, Inc.
a. joint venture
b. diversified division
c. heterogeneous element
d. strategic alliance
e. strategic business unit

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

PTS: 1 REF: 26 OBJ: 02-2 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

9. General Electric has a financing business called GE Capital, which has its own mission, products, services, and strategic plans separate from the parent organization. GE Capital is an example of a(n):
a. organizational level
b. SWOT
c. secure business unit
d. diversified division
e. strategic business unit

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

PTS: 1 REF: 26 OBJ: 02-2 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

10. Which of the following is a type of strategic alternative that tries to increase market share among existing customers?
a. Vertical integration
b. Product penetration
c. Divestment
d. Horizontal integration
e. Market penetration

ANS: E PTS: 1 REF: 27 OBJ: 02-3
TOP: AACSB Reflective Thinking KEY: CB&E Model Strategy
MSC: BLOOMS Level I Knowledge

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

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

    PTS: 1 REF: 27-28 OBJ: 02-3 TOP: AACSB Reflective Thinking
    KEY: CB&E Model Strategy MSC: BLOOMS Level IV Analysis

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

    ANS: A PTS: 1 REF: 27 OBJ: 02-3
    TOP: AACSB Reflective Thinking KEY: CB&E Model Strategy
    MSC: BLOOMS Level I Knowledge

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

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

    PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking
    KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

    PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking
    KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

15. _____ is a strategy that attempts to attract new customers to existing products.
    a. Product development

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

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

PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

16. In order to expand its sales into the U.S. market, BRL, an Australia-based winemaker, agreed to a merger with a U.S.-based wine distribution company. According to Ansoff's strategic opportunity matrix, BRL would be implementing a _____ strategy.
a. diversification
b. market development
c. product development
d. divestment
e. product penetration

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

PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

18. Years ago, Arm & Hammer baking soda convinced millions of homemakers that their product could be effective in keeping refrigerators smelling fresh. After years of languishing sales, this campaign led to a huge increase in sales of a simple, basic product. This is a classic example of a _____ strategy.
a. market development
b. product development
c. market penetration
d. product penetration
e. divestment

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

PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking

KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

    PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking
    KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

20. _____ is a marketing strategy that creates new products for present markets.
    a. Product penetration
    b. Market penetration
    c. Product development
    d. Market development
    e. Diversification

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

    PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking
    KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

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

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

    PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking
    KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

22. The marketing of organic cotton tees for Life is good’s existing customers would be an example of a _____ strategy.
    a. market development
    b. product development
    c. market penetration
    d. product penetration
    e. diversification

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

    PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking

KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

23. When McDonald's introduced yogurt parfaits, entrée salads, and fruit to offer their current customers more healthy options, the company was engaging in a _____ strategy.
a. vertical integration
b. market penetration
c. diversification
d. product development
e. market development

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

PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

25. _____ is the strategy of increasing sales by introducing new products into new markets.
a. Product penetration
b. Product development
c. Market penetration
d. Market development
e. Diversification

ANS: E
This is the definition of the diversification strategic alternative.

PTS: 1 REF: 27-28 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

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

d. market development
e. product penetration

ANS: C
Diversification is defined as selling a new product to a new market.

PTS: 1 REF: 27-28 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 27-28 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

28. Canon began as a camera-making company but has since become a company that produces a wide range of office equipment in addition to cameras. Canon's managers evidently believe in growth through:
a. market penetration
b. diversification
c. product development
d. market development
e. market integration

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

PTS: 1 REF: 27-28 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

ANS: D
Diversification is creating a new product for a new market.

PTS: 1 REF: 27-28 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 28 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

31. All of the following are categories used in the Boston Consulting Group's portfolio model EXCEPT:
   a. cash cows
   b. stars
   c. problem children
   d. meat eaters
   e. dogs

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

PTS: 1 REF: 28-29 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level IV Analysis

32. Which of the following category in the portfolio model is a market leader and growing fast?
   a. Star
   b. Meteor
   c. Cash cow
   d. Shiner
   e. Top dog

ANS: A
A star is a fast-growing market leader.

PTS: 1 REF: 28 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

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

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

PTS: 1 REF: 28 OBJ: 02-3 TOP: AACSB Reflective Thinking

KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

34. If market share is maintained, stars are likely to grow into:
    a. weak sisters
    b. problem children
    c. cash cows
    d. top dogs
    e. constellations

ANS: C
Cash cows are often former stars that have a dominant market share.

PTS: 1 REF: 28 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level IV Analysis

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

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

PTS: 1 REF: 28 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

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

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

PTS: 1 REF: 28 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

37. Which of the following represents a business unit that shows rapid growth but poor profit margins?
    a. Star
    b. Cash cow
    c. Problem child
    d. Loss leader
    e. Dog

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

PTS: 1 REF: 29 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

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

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

PTS: 1 REF: 29 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

39. In the mid-1980s, the market for teenage clothes was growing quickly, but jeans were out of fashion. Levi's re-launched their jeans, led by advertising for 501s, which had never been a fashionable jean style. Within a few months, sales factors had increased dramatically, turning a ______ into a star.
a. widow
b. cash cow
c. problem child
d. loss leader
e. dog

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

PTS: 1 REF: 29 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 29 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

41. All of the following are basic strategies resulting from classifying the company's SBUs EXCEPT:
a. harvest
b. build
c. hold
d. divest
e. milk

ANS: E
The four strategies are build, hold, harvest, and divest.

PTS: 1 REF: 29-30 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level IV Analysis

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

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

PTS: 1 REF: 29 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

43. Which of the following strategies would be most appropriate for a dog?
a. harvesting
b. diversification
c. divesting
d. holding
e. building

ANS: C
Getting rid of SBUs with low shares of low-growth markets is often appropriate. Problem children and dogs are most suitable for this strategy.

PTS: 1 REF: 30 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 30-31 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Marketing Plan MSC: BLOOMS Level I Knowledge

45. Earl is starting a new bank. Before their opening day Earl had a meeting with all employees. He discussed their mission, defined objectives for the bank for the coming years and shared who their target market is. He talked about their product offerings and where their future branches would be located. Earl is sharing the bank's:

a. reengineering
b. hierarchical restructuring
c. financial analysis
d. marketing plan
e. strategic contingency planning

ANS: D
See Exhibit 2.4. All the listed activities are part of the marketing planning process.

PTS: 1 REF: 31 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Marketing Plan MSC: BLOOMS Level III Application

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

ANS: E
Marketing environment variables cannot be controlled.

PTS: 1 REF: 31-32 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Marketing Plan MSC: BLOOMS Level VI Evaluation

47. All of the following are elements of the marketing plan EXCEPT:
a. business mission statement
b. situation analysis
c. target market strategy
d. marketing mix
e. portfolio analysis

ANS: E
See Exhibit 2.4.

PTS: 1 REF: 31 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Marketing Plan MSC: BLOOMS Level IV Analysis

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

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

PTS: 1 REF: 32 OBJ: 02-4 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

49. The _____ answers the question, "What business are we in?"
a. mission statement

b. financial statement
c. situation analysis
d. market strategy
e. strategic plan

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

PTS: 1 REF: 32 OBJ: 02-4 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

50. The annual report of Albertson's grocery has the following statement: "Guided by relentless focus on our five imperatives, we will constantly strive to implement the critical initiatives required to achieve our vision. In doing this, we will deliver operational excellence in every corner of the Company and meet or exceed our commitments to the many constituencies we serve. All of our long-term strategies and short-term actions will be molded by a set of core values that are shared by each and every associate." This statement is an example of Albertson's:
a. marketing mix strategy
b. quantifiable goal
c. mission statement
d. statement of economic potential
e. market segmentation strategy

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

PTS: 1 REF: 32 OBJ: 02-4 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

51. The focus of an organization's mission statement should be on:
a. the products it wishes to sell
b. the market it wishes to serve
c. its social responsibilities
d. the desires of government regulators
e. technologies it understands well

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

PTS: 1 REF: 32 OBJ: 02-4 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level VI Evaluation

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

ANS: E PTS: 1 REF: 32 OBJ: 02-4

TOP: AACSB Reflective Thinking KEY: CB&E Model Product
MSC: BLOOMS Level II Comprehension

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

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

    PTS: 1 REF: 32 OBJ: 02-4 TOP: AACSB Reflective Thinking
    KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

    PTS: 1 REF: 33 OBJ: 02-5 TOP: AACSB Reflective Thinking
    KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

55. The SWOT acronym refers to a firm's analysis of its:
    a. sales, width of product mix, observations, and technology
    b. situations, wealth, organizational strengths, and target markets
    c. strengths, weaknesses, opportunities, and threats
    d. service levels, willingness to spend, organizational culture, and total revenues
    e. strategies, willingness to change, objectives, and trends

    ANS: C
    SWOT stands for strengths, weaknesses, opportunities, and threats.

    PTS: 1 REF: 33 OBJ: 02-5 TOP: AACSB Reflective Thinking
    KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

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

ANS: B
A SWOT analysis attempts to ascertain the present situation.

PTS: 1 REF: 33 OBJ: 02-5 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 33 OBJ: 02-5 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

ANS: D
Technological advances represent an external opportunity.

PTS: 1 REF: 33 OBJ: 02-5 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

59. In 2011, Diamond Foods, Inc. purchased Pringles from Procter & Gamble. The decision to purchase Pringles represented a(n) _____ to Diamond Foods.
a. opportunity
b. strength
c. weakness
d. threat
e. burden

ANS: A
An opportunity is a favorable option external to the organization.

PTS: 1 REF: 33 OBJ: 02-5 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 33 OBJ: 02-5 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

61. _____ is defined as the collection and interpretation of information about forces, events, and relationships in the external environment that may affect the future of the organization or the implementation of the marketing plan.
a. Market sampling
b. An internal audit
c. Opportunity analysis
d. Environmental scanning
e. Stakeholder analysis

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

PTS: 1 REF: 33 OBJ: 02-5 TOP: AACSB Reflective Thinking
KEY: CB&E Model Research MSC: BLOOMS Level I Knowledge

62. After learning that many of their customers were shopping at a nearby health-food store for free-range chickens and organic produce, IGA grocery stores began stocking more organic items. IGA adjusted its market strategy based on _____
a. market sampling
b. internal audit
c. environmental scanning
d. competitive analysis
e. strategic analysis

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

PTS: 1 REF: 33 OBJ: 02-5 TOP: AACSB Reflective Thinking
KEY: CB&E Model Research MSC: BLOOMS Level III Application

63. Which of the following is NOT a commonly studied macroenvironmental force?
a. Economic
b. Demographic
c. Social
d. Political
e. Ethical

ANS: E
The six most often studied macroenvironmental forces are social, demographic, economic, technological, political, and legal.

PTS: 1 REF: 33 OBJ: 02-5 TOP: AACSB Reflective Thinking
KEY: CB&E Model Research MSC: BLOOMS Level I Knowledge

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

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

PTS: 1 REF: 34 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

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

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

PTS: 1 REF: 34 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

66. BMW offers customers a four-year, 50,000 mile maintenance-cost-free program called “BMW Ultimate Service.” The service includes free replacement of brake pads and rotors, wiper blades, scheduled maintenance, oil changes, and roadside maintenance. This marketing gives BMW a:
a. strategic edge
b. competitive advantage
c. tactical strength
d. marketing mix
e. mission statement

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

PTS: 1 REF: 34 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

   PTS: 1 REF: 34 OBJ: 02-6 TOP: AACSB Reflective Thinking
   KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

68. Which of the following is NOT a type of competitive advantage?
   a. Management structure
   b. Cost
   c. Product/service differentiation
   d. Niche strategies
   e. All of these choices are types of competitive advantages

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

   PTS: 1 REF: 34 OBJ: 02-6 TOP: AACSB Reflective Thinking
   KEY: CB&E Model Strategy MSC: BLOOMS Level IV Analysis

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

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

   PTS: 1 REF: 34-35 OBJ: 02-6 TOP: AACSB Reflective Thinking
   KEY: CB&E Model Strategy MSC: BLOOMS Level IV Analysis

70. _____ show costs declining at a predictable rate as experience with a product increases.
   a. Liquidity growth curves
   b. EOQ graphs
   c. Breakeven analyses
   d. Experience curves
   e. Supply/demand curves

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

PTS: 1 REF: 34 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

71. Walmart realizes a _____ using its relationships with suppliers to give customers low prices and good customer service.
a. brand name strategy
b. niche competitive advantage
c. cost competitive advantage
d. marketing competitive advantage
e. synergistic competitive advantage

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

PTS: 1 REF: 34 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 34 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

73. Jiffy Mixes does not do any type of traditional advertising or use fancy packaging in marketing its products. The company stores its own wheat and makes its own flour and little blue boxes. Jiffy is an example of a low cost strategy based on:
a. efficient labor
b. no-frills goods and services
c. government subsidies
d. product design
e. reengineering

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

PTS: 1 REF: 34 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 35 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

75. Everyone knows the brand name Maytag. Maytag is what many consumers think of when they think of home appliances. This widely recognized brand name is a source of:
a. a product differentiation competitive advantage
b. a cost advantage
c. market augmentation
d. a niche competitive advantage
e. none of these things

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

PTS: 1 REF: 35 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 35 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

77. LaRosa’s is a popular and successful Italian restaurant chain located in the Cincinnati, Ohio area. It is found only in the “tri-state area” of southwestern Ohio, northern Kentucky, and southeastern Indiana. For over 50 years, this strategy has given the restaurant a:
a. brand name strategy
b. niche competitive advantage
c. price differentiation advantage
d. marketing competitive advantage

e. sustainable competitive advantage

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

PTS: 1 REF: 35-36 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 35-36 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 35-36 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

80. An advantage that cannot be copied by the competition is called a(n) _____ competitive advantage.
a. sustainable
b. monopolistic
c. primary
d. unique
e. dominant

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

PTS: 1 REF: 36 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

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

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

   PTS: 1 REF: 36 OBJ: 02-6 TOP: AACSB Reflective Thinking
   KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

82. iTunes has a(n) _____ as it has exclusive agreements with some of the most sought-after music corporations that other digital music stores do not have.
   a. targeted market position
   b. sustainable competitive advantage
   c. strategic focus
   d. situational strength
   e. opportunistic privilege

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

   PTS: 1 REF: 36 OBJ: 02-6 TOP: AACSB Reflective Thinking
   KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

83. A _____ is defined as a statement of what is to be accomplished through marketing activities.
   a. mission statement
   b. business plan
   c. marketing objective
   d. goal-driven directive
   e. marketing criteria

   ANS: C
   This is the definition of a marketing objective.

   PTS: 1 REF: 37 OBJ: 02-7 TOP: AACSB Reflective Thinking
   KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

84. All of the following are characteristics of a good objective EXCEPT:
   a. profitable
   b. realistic
   c. measurable
   d. time-specific
   e. compared to a benchmark

   ANS: A
   Good objectives are not necessarily stated in terms of profit.

   PTS: 1 REF: 37 OBJ: 02-7 TOP: AACSB Reflective Thinking
   KEY: CB&E Model Strategy MSC: BLOOMS Level VI Evaluation

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

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

PTS: 1 REF: 37 OBJ: 02-7 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level VI Evaluation

86. All of the following are functions served by objectives EXCEPT:
    a. communicate philosophies and provide direction
    b. motivate employees
    c. clarify executives' thinking
    d. form the basis for control
    e. guarantee market performance

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

PTS: 1 REF: 37 OBJ: 02-7 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level IV Analysis

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

ANS: E PTS: 1 REF: 38 OBJ: 02-8
TOP: AACSB Reflective Thinking KEY: CB&E Model Research
MSC: BLOOMS Level I Knowledge

88. Heinz is introducing 400 new products in the next two years. To know which markets to reach, Heinz should first perform a:
    a. market diversification analysis
    b. market audit
    c. social audit
    d. market opportunity analysis
    e. niche analysis

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

PTS: 1 REF: 38 OBJ: 02-8 TOP: AACSB Reflective Thinking
KEY: CB&E Model Research MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 39 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

90. Subway's ability to market itself as a "healthy" alternative to traditional fast food offerings most directly affected the _____ element of the company's marketing mix.
a. place
b. production
c. product
d. distribution
e. target market

ANS: C PTS: 1 REF: 39 OBJ: 02-9
TOP: AACSB Reflective Thinking KEY: CB&E Model Product
MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 39 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

92. Lands' End guarantees its products for as long as you own them. The company would seem most concerned with which element of the marketing mix?
a. Price
b. Distribution
c. Personalization
d. Promotion
e. Product

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

PTS: 1 REF: 39 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Product MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 39 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Distribution MSC: BLOOMS Level III Application

94. Making sure products are available when and where customers want them is the job of which element of the marketing mix?
a. Advertising strategies
b. Production strategies
c. Product strategies
d. Promotion strategies
e. Distribution strategies

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

PTS: 1 REF: 39 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Distribution MSC: BLOOMS Level II Comprehension

95. In 2007, Kodak announced that their new line of EasyShare printers would be available only in Best Buy stores for the first three months following the product launch.This limitation on the _____ element of its marketing mix supported the product's competitive advantage.
a. planning
b. product
c. promotion
d. distribution
e. production

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

PTS: 1 REF: 39 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Distribution MSC: BLOOMS Level III Application

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

ANS: C

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

PTS: 1 REF: 39-40 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

97. GEICO Insurance ads often focus on its reptilian mascot, the GEICO Gecko, who is used to remind consumers of the company and its benefits. Which of the four Ps does the GEICO Gecko represent?
a. Promotion
b. Price
c. Publicity
d. Place
e. Product

ANS: A
Promotion covers a wide range of communication vehicles.

PTS: 1 REF: 40 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Promotion MSC: BLOOMS Level III Application

98. Wendy's 99¢ Everyday Value Menu offers several of the chain's most popular menu items for 99 cents each. This new strategy reflects a change in the _____ element of its marketing mix.
a. price
b. production
c. product
d. distribution
e. target market

ANS: A PTS: 1 REF: 40-41 OBJ: 02-9
TOP: AACSB Reflective Thinking KEY: CB&E Model Pricing
MSC: BLOOMS Level III Application

99. Which of the marketing mix elements is often the most flexible?
a. Product
b. Promotion
c. Publicity
d. Place
e. Pricing

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

PTS: 1 REF: 40-41 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Pricing MSC: BLOOMS Level VI Evaluation

100. There is an overabundance of apartments in Atlanta. Post Properties, the owner of many of the metropolitan area's largest apartment complexes, has reduced its rent so it can fill vacant apartments. Which marketing mix element did Post Properties change to create more demand for its apartments?
a. Production
b. Personnel
c. Distribution
d. Product
e. Price

ANS: E

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

PTS: 1 REF: 40-41 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Pricing MSC: BLOOMS Level III Application

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

ANS: C PTS: 1 REF: 42 OBJ: 02-10
TOP: AACSB Reflective Thinking KEY: CB&E Model Marketing Plan
MSC: BLOOMS Level I Knowledge

102. General Motors Corporation has a goal of launching an electric vehicle soon. The car has been in test drives and they are in the process of working out any bugs that may occur. GM is in the process of working toward mass production of the vehicle. They are in what stage of the marketing plan?
a. Product planning
b. Mechanistic organization
c. Synergistic control
d. Strategic diversification
e. Implementation

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

PTS: 1 REF: 42 OBJ: 02-10 TOP: AACSB Reflective Thinking
KEY: CB&E Model Marketing Plan MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 42 OBJ: 02-10 TOP: AACSB Reflective Thinking
KEY: CB&E Model Marketing Plan MSC: BLOOMS Level III Application

104. A(n)_____ is a tightly organized unit under the direction of a manager who, usually, has broad authority to accomplish a single goal or mission.
a. SBU
b. quality control team
c. task force
d. joint venture
e. structural division

ANS: C | PTS: 1 | REF: 42 | OBJ: 02-10
TOP: AACSB Reflective Thinking | KEY: CB&E Model Marketing Plan
MSC: BLOOMS Level I Knowledge

105. _____ is the process of gauging the extent to which marketing objectives have been achieved during a specified time period.
a. Implementation
b. Control
c. Heuristic measurement
d. Evaluation
e. Mechanistic compliance

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

PTS: 1 | REF: 43 | OBJ: 02-10 | TOP: AACSB Reflective Thinking
KEY: CB&E Model Marketing Plan | MSC: BLOOMS Level I Knowledge

106. _____ provides the mechanisms for evaluating marketing results in light of the plan's objectives and for correcting actions that do not help the organization reach these objectives within the budget guidelines.
a. Control
b. Implementation
c. Reengineering
d. Planning
e. Budgeting

ANS: A
This is the definition control.

PTS: 1 | REF: 43 | OBJ: 02-10 | TOP: AACSB Reflective Thinking
KEY: CB&E Model Marketing Plan | MSC: BLOOMS Level I Knowledge

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

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

PTS: 1 | REF: 43 | OBJ: 02-10 | TOP: AACSB Reflective Thinking
KEY: CB&E Model Marketing Plan | MSC: BLOOMS Level II Comprehension

108. All of the following are common reasons why companies fail to achieve a marketing objective EXCEPT:
a. unrealistic marketing objectives
b. poor implementation
c. plan not formalized

d. inappropriate marketing strategy
e. changes in the environment after the objective was specified and the strategy implemented

ANS: C
Even a formalized plan can fail.

PTS: 1 REF: 43 OBJ: 02-10 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level IV Analysis

109. A marketing audit is a(n):
a. thorough, systematic, periodic evaluation of the objectives, strategies, structure, and performance of the marketing organization
b. financial examination of the firm's marketing performance
c. financial examination of the firm's accounting records performed by outside consultants
d. evaluation of the effectiveness of advertising
e. evaluation of pricing strategies across all the relevant competitors in an industry

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

PTS: 1 REF: 44-45 OBJ: 02-10 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy | CB&E Model Research
MSC: BLOOMS Level I Knowledge

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

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

PTS: 1 REF: 44-45 OBJ: 02-10 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy | CB&E Model Research
MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 44-45 OBJ: 02-10 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy | CB&E Model Research
MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 45 OBJ: 02-10 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy | CB&E Model Research
MSC: BLOOMS Level VI Evaluation

113. The final postaudit task is to:
   a. profile existing weaknesses and inhibiting factors within the organization
   b. judge and prioritize recommendations generated by the marketing audit
   c. create an action plan with both short- and long-run proposals for improving overall marketing effectiveness
   d. make someone accountable for implementing recommendations
   e. ensure that the role of the audit has been clearly communicated

ANS: D PTS: 1 REF: 45 OBJ: 02-10
TOP: AACSB Reflective Thinking KEY: CB&E Model Strategy | CB&E Model Research
MSC: BLOOMS Level II Comprehension

114. What is the most critical element in successful strategic planning?
   a. Creativity
   b. Top management support and participation
   c. Continual attention
   d. The use of a BCG portfolio model
   e. A stringent and narrow mission statement

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

PTS: 1 REF: 46 OBJ: 02-11 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level VI Evaluation

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

115. Refer to DeFeet International. DeFeet branched from making socks for cyclists to making apparel for skiing, hiking, corporate sponsors, and kids. This is an example of which of Ansoff's strategic alternatives?

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

ANS: D
DeFeet made new products for different markets.

PTS: 1 REF: 27-28 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

116. Refer to DeFeet International. If you were to define DeFeet's mission which would be most appropriate?

a. DeFeet makes socks.
b. DeFeet makes clothes for athletes.
c. DeFeet creates high-tech products for the serious athlete.
d. DeFeet provides the highest quality apparel for customers who demand the best.
e. DeFeet covers the world.

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

PTS: 1 REF: 32 OBJ: 02-4 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

117. Refer to DeFeet International. What kind of competitive advantage would you say DeFeet has?

a. Low cost
b. Niche
c. Product/service differentiation
d. Product Development
e. Diversification

ANS: C

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

PTS: 1 REF: 35 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

118. Refer to DeFeet International. What is DeFeet's most likely target market strategy?
a. Appeal to the entire market
b. Concentrate on one segment of the market
c. Appeal to multiple segments
d. Appeal to athletes
e. Appeal to the world

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

PTS: 1 REF: 38 OBJ: 02-8 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

119. Refer to DeFeet International. DeFeet's _____ is high-tech apparel, the packaging it comes in, the brand name, company image and value.
a. product
b. place
c. price
d. promotion
e. position

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

PTS: 1 REF: 39 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Product MSC: BLOOMS Level III Application

120. Refer to DeFeet International. DeFeet's _____ includes retailers and online retailers throughout the world.
a. product strategy
b. place strategy
c. price strategy
d. promotion strategy
e. positioning strategy

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

PTS: 1 REF: 39 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Distribution MSC: BLOOMS Level III Application

121. Refer to DeFeet International. DeFeet's _____ includes advertising, public relations, sales promotions, and personal selling.
a. product
b. place
c. price

d. promotion
e. position

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

PTS: 1 REF: 40 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Promotion MSC: BLOOMS Level III Application

122. Refer to DeFeet International. DeFeet's _____ is what its customers give up to obtain their apparel.
a. product strategy
b. place strategy
c. price strategy
d. promotion strategy
e. positioning strategy

ANS: C
Price is what buyers give up to obtain a product.

PTS: 1 REF: 40-41 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Pricing MSC: BLOOMS Level III Application

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

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

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

PTS: 1 REF: 25 OBJ: 02-1 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 26 OBJ: 02-2 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

125. Refer to Novartis. By acquiring Tianyuan, Novartis will be offering vaccines, which is a product that it currently offers in its existing markets, to new markets for the company. This is an example of which strategic alternative?
a. Strategic window
b. Market penetration
c. Product development
d. Diversification
e. Market development

ANS: E
Market development entails marketing current products to new target markets.

PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

126. Refer to Novartis. Tianyuan has a relatively small market share of a high-growth market in China. How would this company be classified in Novartis' portfolio model?
a. Problem child
b. Star
c. Cash cow
d. Dog
e. Emergent

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

PTS: 1 REF: 29 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

127. Refer to Novartis. One thing Novartis plans to do is increase sales to governments and to the United Nations agencies because these are the typical buyers of vaccines to distribute in poor countries. Thus, the company is willing to give up short-term profits to increase market share for this company. In terms of the portfolio model, which basic strategy will Novartis be implementing?
a. Hold
b. Harvest
c. Divest
d. Build
e. Divert

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

PTS: 1 REF: 29 OBJ: 02-3 TOP: AACSB Communication
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 33 OBJ: 02-5 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

Masco is the name of a well-recognized company in the construction industry. It produces cabinetry, furniture, lighting, and plumbing fixtures for the upper-end homeowner and builder. One of the divisions of Masco is the Delta Faucet Company, which is the leader in the faucet industry. Delta Faucet was founded in 1955. Over the decades, it has developed a legacy based on well-crafted, high-quality products. Since the 1970s, Delta has focused its energies on building loyalty with the builder marketplace. Research in 2002 showed that while builders respect the Delta faucet for its quality, durability, and dependability, household consumers were not enamored with Delta products. Due to the number of new magazines and television programs devoted to home style, homeowners wanted faucets that were chic and stylish. This was not the image of the Delta Faucet. To change its image, Delta Faucet began a marketing program in which it committed itself to developing new products to appeal to homeowners. It adopted a new slogan, "Beautifully Engineered."

129. Refer to Delta Faucet Company. The marketing program, which Delta designed to develop new products to appeal to homeowners, is an example of:
a. strategic planning
b. a mission statement
c. mass marketing
d. production-oriented marketing
e. tactical planning

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

PTS: 1 REF: 25 OBJ: 02-1 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

130. Refer to Delta Faucet Company. The Delta Faucet Company is a _____ of Masco.
a. target market
b. transactional division
c. strategic business unit (SBU)
d. share-bearing unit (SBU)
e. situational business usage (SBU)

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

PTS: 1 REF: 26 OBJ: 02-2 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 27 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 28 OBJ: 02-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

133. Refer to Delta Faucet Company. Delta Faucet would most likely have gathered the information about how homeowners perceive its products through the use of a(n):
a. break-even analysis
b. correlation analysis
c. sales potential assessment
d. situation analysis
e. economic forecast

ANS: D
A situation analysis, sometimes referred to as a SWOT analysis, identifies a firm's internal strengths (S) and weaknesses (W) and external opportunities (O) and threats (T).

PTS: 1 REF: 33 OBJ: 02-5 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 34 OBJ: 02-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level III Application

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

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

PTS: 1 REF: 39 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Product MSC: BLOOMS Level III Application

136. Refer to Delta Faucet Company. Delta's development of a new slogan represents a change in the _____ element of its marketing mix.
a. product
b. promotion
c. place
d. production
e. distribution

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

PTS: 1 REF: 40 OBJ: 02-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Promotion MSC: BLOOMS Level III Application

ESSAY

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

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

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

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

PTS: 1 REF: 25, 30-31 OBJ: 02-1 | 02-3 TOP: AACSB Communication
KEY: CB&E Model Strategy | CB&E Model Marketing Plan
MSC: BLOOMS Level V Synthesis

2. If the owners of Jalapeno's Restaurant, a Mexican eatery in St. Louis, open a second restaurant across town, have they created an SBU? Explain your answer.

ANS:
The second restaurant is not an SBU, or strategic business unit. Each SBU has its own rate of return on investment, growth potential and associated risks, and requires its own strategies and funding. This would not be the case for a second restaurant operated under the same name by the same owners.

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

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

These characteristics would not be shared by the second Jalapeno's Restaurant.

PTS: 1 REF: 26 OBJ: 02-2 TOP: AACSB Communication
KEY: CB&E Model Strategy MSC: BLOOMS Level V Synthesis

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

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

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

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

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

PTS: 1 REF: 27-28 OBJ: 02-3 TOP: AACSB Communication
KEY: CB&E Model Strategy MSC: BLOOMS Level V Synthesis

4. List the four basic strategies used once an organization has identified its strategic business units in terms of the portfolio model. Describe when each is used.

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

PTS: 1 REF: 29-30 OBJ: 02-3 TOP: AACSB Communication
KEY: CB&E Model Strategy MSC: BLOOMS Level V Synthesis

5. Identify the dimensions used for selecting strategic alternatives in the General Electric model. What are some attributes of an attractive market in this model?

ANS:
The dimensions used in the GE model are market attractiveness and company strength. Attributes of an attractive market in this model are high profitability, rapid growth, a lack of government regulation, consumer insensitivity to aprice increase, a lack of competition, and availability of technology.

PTS: 1 REF: 30 OBJ: 02-3 TOP: AACSB Communication
KEY: CB&E Model Strategy MSC: BLOOMS Level VI Evaluation

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

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

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

PTS: 1 REF: 32 OBJ: 02-4 TOP: AACSB Communication
KEY: CB&E Model Strategy MSC: BLOOMS Level V Synthesis

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

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

PTS: 1 REF: 33 OBJ: 02-5 TOP: AACSB Communication
KEY: CB&E Model Strategy MSC: BLOOMS Level V Synthesis

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

ANS:

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

Important forces include:

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

PTS: 1 REF: 33 OBJ: 02-5 TOP: AACSB Communication
KEY: CB&E Model Research MSC: BLOOMS Level V Synthesis

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

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

PTS: 1 REF: 34-36 OBJ: 02-6 TOP: AACSB Communication
KEY: CB&E Model Strategy MSC: BLOOMS Level V Synthesis

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

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

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

PTS: 1 REF: 34 | 36 OBJ: 02-6 TOP: AACSB Communication
KEY: CB&E Model Strategy MSC: BLOOMS Level V Synthesis

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

ANS:

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

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

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

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

PTS: 1 REF: 37 OBJ: 02-7 TOP: AACSB Communication
KEY: CB&E Model Strategy MSC: BLOOMS Level V Synthesis

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

ANS:
The strategies are to:

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

PTS: 1 REF: 38 OBJ: 02-8 TOP: AACSB Communication
KEY: CB&E Model Strategy MSC: BLOOMS Level V Synthesis

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

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

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

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

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

PTS: 1 REF: 39-40 OBJ: 02-9 TOP: AACSB Communication
KEY: CB&E Model Strategy MSC: BLOOMS Level V Synthesis

14. Identify four common reasons for failing to achieve a marketing objective.

ANS:
Four common reasons for failing to achieve a marketing objective are unrealistic marketing objectives, inappropriate marketing strategies in the plan, poor implementation, and changes in the environment after the objective was specified and the strategy was implemented.

PTS: 1 REF: 43 OBJ: 02-10 TOP: AACSB Communication
KEY: CB&E Model Strategy | CB&E Model Marketing Plan
MSC: BLOOMS Level VI Evaluation

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

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

PTS: 1 REF: 44-45 OBJ: 02-10 TOP: AACSB Communication
KEY: CB&E Model Research MSC: BLOOMS Level V Synthesis

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

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

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

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

PTS: 1 REF: 45 OBJ: 02-11 TOP: AACSB Communication
KEY: CB&E Model Strategy MSC: BLOOMS Level V Synthesis