

CHAPTER 2: MASTER TEST BANK

DEVELOPING SUCCESSFUL ORGANIZATIONAL AND MARKETING STRATEGIES

Test Item Table by Major Section of the Chapter and Bloom's Level of Learning

Major Section of the Chapter	Bloom's Level of Learning (LL)		
	Level 1 Knowledge (Knows Basic Terms & Facts)	Level 2 Comprehension (Understands Concepts & Principles)	Level 3 Application (Applies Principles)
Chapter Opener: Ben & Jerry's (pp. 24-25)		1, 2, 3, 4, 5, 6, 7, 8	
Today's Organizations (pp. 26-28)	9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 27, 28, 31, 32, 33, 35, 36, 44, 45, 52, 53, 54, 55, 57, 58, 62, 65, 66	21, 22, 29, 30, 34, 37, 38, <u>39</u> , <u>40</u> , <u>41</u> , <u>42</u> , <u>43</u> , 46, 47, 48, 50, 51, 56, 59, 60, 63, 64, 67 361, <u>362</u>, 364	23, <u>24</u> , <u>25</u> , <u>26</u> , 49, 61, 68, 69 363
Strategy in Visionary Organizations (pp. 28-34)	83, 84, 85, 91, 92, 94, 95, 96, 105, 106, 111, 112, 113, 116, 117, 119, 121, 122, 124, 126, 132, 133, 134, 153, 154, 156, 157, 160, 161, 163 376	70, 71, 72, 73, 74, <u>75</u> , <u>76</u> , <u>77</u> , 78, 79, 80, 81, 82, 86, 87, 88, 93, 97, 98, 99, 100, 101, 104, 107, 110, 114, 115, 120, 123, 125, 127, 128, 129, 136, 140, 144, 145, 148, 151, 152, 155, 158, 159, 162, <u>164</u> , <u>165</u> , <u>166</u> , <u>167</u> , <u>168</u> , <u>169</u> , <u>170</u> , <u>171</u> 365, <u>366</u>, 368, 369, 370, 371, <u>373</u>, 374	89, 90, 102, 103, 108, 109, 118, 130, 131, 135, 137, 138, 139, 141, 142, 143, 146, 147, 149, 150 367, <u>372</u>, 375
Setting Strategic Directions (pp. 34-39)	172, 177, 178, 187, 188, 189, 193, 194, 195, 196, 197, 199, 200, 201, 204, 205, 208, 209, 211, 212, 230, 231, 233, 234, 239, 240, 243, 244, 247, 248	173, <u>183</u> , 184, 186, 190, <u>191</u> , 192, 198, 202, 206, 210, 213, 214, <u>216</u> , <u>217</u> , <u>218</u> , <u>219</u> , 220, 228, 229, 232, 235, 236, 241, 249, <u>252</u> , <u>253</u> , <u>255</u> , <u>258</u> , <u>260</u> , <u>263</u> 377, 378, 379, <u>380</u>	174, 175, 176, 179, 180, 181, 182, 185, 203, 207, 215, 221, <u>222</u> , <u>223</u> , <u>224</u> , <u>225</u> , <u>226</u> , <u>227</u> , 237, 238, 242, 245, 246, 250, 251, <u>254</u> , <u>256</u> , <u>257</u> , <u>259</u> , <u>261</u> , <u>262</u>
The Strategic Marketing Process (pp. 39-46)	264, 265, 268, 274, 275, 277, 293, 294, 295, 299, 300, 301, 302, 303, 304, 305, 306, 307, 311, 312, 318, 319, 330, 331, 335, 336, 341, 345, 346	266, 267, 269, 270, 271, 272, 273, 278, 282, 283, 284, <u>289</u> , <u>290</u> , <u>291</u> , <u>292</u> , 296, 298, 308, 309, 310, 313, 314, 315, 316, 317, 320, 321, 322, 323, 324, <u>327</u> , 329, 332, 333, 337, 340, 342, 343, 344, 347, <u>348</u> , <u>349</u> , <u>351</u> , <u>352</u> , 355 381, 382, <u>383</u>, 384, 386, 388, 389, 390, 391, 392, 393	276, 279, 280, 281, <u>285</u> , <u>286</u> , <u>287</u> , <u>288</u> , 297, <u>325</u> , <u>326</u> , 328, 334, 338, 339, <u>350</u> , <u>353</u> , 354, 356 385, 387
Video Case 2: IBM (pp. 48-49)	357	358, 359, 360	

NOTE: **Bold** numbers indicate short essay questions. Underlined numbers indicate visually enhanced questions.

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Test Item Table by Learning Objective and Bloom's Level of Learning

Learning Objective (LO)	Bloom's Level of Learning (LL)		
	Level 1 Knowledge (Knows Basic Terms & Facts)	Level 2 Comprehension (Understands Concepts & Principles)	Level 3 Application (Applies Principles)
LO 2-1 Describe three kinds of organizations and the three levels of strategy in them. (pp. 26-28)	9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 27, 28, 31, 32, 33, 35, 36, 44, 45, 52, 53, 54, 55, 57, 58, 62, 65, 66, 357	21, 22, 29, 30, 34, 37, 38, <u>39</u> , <u>40</u> , <u>41</u> , <u>42</u> , <u>43</u> , 46, 47, 48, 50, 51, 56, 59, 60, 63, 64, 67 361, <u>362</u>, 364	23, <u>24</u> , <u>25</u> , <u>26</u> , 49, 61, 68, 69 363
LO 2-2 Describe core values, mission, organizational culture, business, and goals. (pp. 28-32)	83, 84, 85, 91, 92, 94, 95, 96, 105, 106, 111, 112, 113, 116, 117, 119, 121, 122, 124, 126, 132, 133, 134, 153, 154	1, 2, 3, 4, 5, 6, 7, 8, 70, 71, 72, 73, 74, <u>75</u> , <u>76</u> , <u>77</u> , 78, 79, 80, 81, 82, 86, 87, 88, 93, 97, 98, 99, 100, 101, 104, 107, 110, 114, 115, 120, 123, 125, 127, 128, 129, 136, 140, 144, 145, 148, 151, 152, 155 365, <u>366</u>, 368, 369, 370, <u>373</u>, 374	89, 90, 102, 103, 108, 109, 118, 130, 131, 135, 137, 138, 139, 141, 142, 143, 146, 147, 149, 150 367, 371, <u>372</u>, 375
LO 2-3 Explain why managers use marketing dashboards and marketing metrics. (pp. 32-34)	156, 157, 160, 161, 163 376	158, 159, 162, <u>164</u> , <u>165</u> , <u>166</u> , <u>167</u> , <u>168</u> , <u>169</u> , <u>170</u> , <u>171</u>	
LO 2-4 Discuss how an organization assesses where it is now and where it seeks to be. (pp. 34-39)	172, 177, 178, 187, 188, 189, 193, 194, 195, 196, 197, 199, 200, 201, 204, 205, 208, 209, 211, 212, 230, 231, 233, 234, 239, 240, 243, 244, 247, 248	173, <u>183</u> , 184, 186, 190, <u>191</u> , 192, 198, 202, 206, 210, 213, 214, <u>216</u> , <u>217</u> , <u>218</u> , <u>219</u> , 220, 228, 229, 232, 235, 236, 241, 249, <u>252</u> , <u>253</u> , <u>255</u> , <u>258</u> , <u>260</u> , <u>263</u> , 358 377, 378, 379, <u>380</u>	174, 175, 176, 179, 180, 181, 182, 185, 203, 207, 215, 221, <u>222</u> , <u>223</u> , <u>224</u> , <u>225</u> , <u>226</u> , <u>227</u> , 237, 238, 242, 245, 246, 250, 251, <u>254</u> , <u>256</u> , <u>257</u> , <u>259</u> , <u>261</u> , <u>262</u>
LO 2-5 Explain the three steps of the planning phase of the strategic marketing process. (pp. 39-42)	264, 265, 268, 274, 275, 277, 293, 294, 295, 299, 300, 301, 302, 303, 304, 305, 306, 307	266, 267, 269, 270, 271, 272, 273, 278, 282, 283, 284, <u>289</u> , <u>290</u> , <u>291</u> , <u>292</u> , 296, 298, 308, 309, 310, 359 381, 382, <u>383</u>, 384, 386	276, 279, 280, 281, <u>285</u> , <u>286</u> , <u>287</u> , <u>288</u> , 297 385, 387
LO 2-6 Describe the four components of the implementation phase of the strategic marketing process. (pp. 42-44)	311, 312, 318, 319, 330, 331, 335, 336	313, 314, 315, 316, 317, 320, 321, 322, 323, 324, <u>327</u> , 329, 332, 333, 337, 360 388, 389, 390	<u>325</u> , <u>326</u> , 328, 334, 338, 339
LO 2-7 Discuss how managers identify and act on deviations from plans. (pp. 44-46)	9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 27, 28, 31, 32, 33, 35, 36, 44, 45, 52, 53, 54, 55, 57, 58, 62, 65, 66, 357	21, 22, 29, 30, 34, 37, 38, <u>39</u> , <u>40</u> , <u>41</u> , <u>42</u> , <u>43</u> , 46, 47, 48, 50, 51, 56, 59, 60, 63, 64, 67 361, <u>362</u>, 364	23, <u>24</u> , <u>25</u> , <u>26</u> , 49, 61, 68, 69 363

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DEVELOPING SUCCESSFUL ORGANIZATIONAL AND MARKETING STRATEGIES

MULTIPLE CHOICE QUESTIONS

2-1 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

Ben & Jerry's is founded on and dedicated to a sustainable corporate concept of linked prosperity. Its mission consists of three interrelated parts: Ben & Jerry's product mission is to make, distribute, and sell the finest quality all natural ice cream and euphoric concoctions with

- a. milk obtained exclusively from large nationally certified dairies that use bovine growth hormone.
- b. the intent of making modest profits without sacrificing high product quality standards.
- c. ingredients that are all completely organic and are available only in Vermont to ensure freshness and contribute to the local economy.
- d. a commitment to incorporating wholesome, natural ingredients and promoting business practices that respect the earth and the environment.
- e. ingredients that come exclusively from developed countries promoting Fair Trade practices.

Answer: d **Page(s):** 24-25 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Ben & Jerry's product mission is to make, distribute, and sell the finest quality all natural ice cream and euphoric concoctions with a continued commitment to incorporating wholesome, natural ingredients and promoting business practices that respect the Earth and the Environment.

2-2 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

Ben & Jerry's is founded on and dedicated to a sustainable corporate concept of linked prosperity. Its mission consists of three interrelated parts: Ben & Jerry's social mission is to operate the company in a way that actively recognizes the central role that business plays in society by

- a. promoting the quality concept through its commitment to making the finest ice cream.
- b. giving its stakeholders the greatest possible input into company marketing decisions.
- c. generating enough revenue to be a completely nonprofit organization.
- d. donating 10% of its net profits to local charitable causes and an additional 5% to support producers that practice sustainable farming.
- e. initiating innovative ways to improve the quality of life locally, nationally and internationally.

Answer: e **Page(s):** 24-25 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Ben & Jerry's social mission is to operate the Company in a way that actively recognizes the central role that business plays in society by initiating innovative ways to improve the quality of life locally, nationally and internationally.

2-3 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

Ben & Jerry's is founded on and dedicated to a sustainable corporate concept of linked prosperity. Its mission consists of three interrelated parts: Ben & Jerry's economic mission is to operate the company

- with the goal of generating enough revenue to be a completely nonprofit organization.
- on a sustainable financial basis of profitable growth, increasing value for our stakeholders and expanding opportunities for development and career growth for our employees.
- with the goal of making profits for selected charitable organizations such as Fair Trade.
- with the goal of increasing market share not only in ice cream sales but also in its retail clothing and accessories merchandise lines.
- with the goal of expanding into international markets by developing sustainable dairies for developing nations.

Answer: b **Page(s):** 24-25 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Ben & Jerry's economic mission is to operate the Company on a sustainable financial basis of profitable growth, increasing value for our stakeholders and expanding opportunities for development and career growth for our employees.

2-4 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

In keeping with its business mission, Ben & Jerry's

- created a children's TV program with cat and mouse cartoon characters "Ben" and "Jerry" to teach about the importance of good nutrition and Fair Trade sustainable business practices.
- offered to buy out any failing family-owned ice cream parlor and turn it into a ScoopShop franchise.
- invested in research to create genetically engineered cows that will produce more hypoallergenic milk.
- committed to buying its milk and cream from a dairy cooperative that guarantees the supplies are bovine growth hormone free.
- donated free ice cream coupons to all children who get good grades in school.

Answer: d **Page(s):** 24-25 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Ben & Jerry's buys its milk and cream from one dairy cooperative whose members guarantee the supplies are bovine growth hormone free.

2-5 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

In keeping with its business mission, Ben & Jerry's

- opened new franchises exclusively in pre-built structures in order to save natural resources.
- invested in research to create genetically engineered cows that will produce more hypoallergenic milk.
- believed that "people should get their fair share of the pie" and as a result practices Fair Trade-certified sourcing.
- limited its advertising to online media to prevent paper waste and save the rainforests from deforestation.
- will package its next line of bulk ice cream in glass containers that not only keep the ice cream colder but are recyclable as well.

Answer: c **Page(s):** 24 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Ben & Jerry's believed that "people should get their fair share of the pie" and as a result practice Fair Trade-certified sourcing.

2-6 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

In keeping with its business mission, Ben & Jerry's has

- a. created a children's TV program with cat and mouse cartoon characters "Ben" and "Jerry" to teach them about the importance of good nutrition.
- b. offered to buy out any failing family-owned ice cream parlor and turn it into a ScoopShop franchise.
- c. invested in research to create genetically engineered cows that will produce more hypoallergenic milk.
- d. donated free ice cream coupons to all children who get good grades in school.
- e. become "B-Corp certified" to solve social and environmental problems.

Answer: e **Page(s):** 24 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Ben & Jerry's social mission has earned them "B-Corp" certification. This is a designation from B-Lab, a nonprofit organization whose purpose is to "use the power of business to solve social and environmental problems" in order to positively impact the community and environment within which the organization operates.

2-7 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

In keeping with its business mission, Ben & Jerry's has

- a. developed new nut- and dairy-free alternatives for those with intolerance or allergy issues.
- b. created social entrepreneurship programs to help nonprofit organizations give jobs to at-risk youth.
- c. invested in research to create genetically engineered cows that will produce more hypoallergenic milk.
- d. limited its advertising to nonprint media.
- e. packaged its next line of bulk ice cream in glass containers that not only keep the ice cream colder, but are recyclable as well.

Answer: b **Page(s):** 24 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Ben & Jerry's created PartnerShops, a social entrepreneurship program to enable community-based nonprofit organizations to own and operate ScoopShops that help employ at-risk youth and young adults to better their lives.

2-8 CHAPTER OPENER: BEN & JERRY'S

COMPREHENSION

Which of the following statements regarding Ben & Jerry's is **MOST ACCURATE?**

- a. Ben & Jerry's is owned by Unilever, the market leader in the global ice cream industry.
- b. Ben & Jerry's is a privately owned ice cream producer.
- c. Ben & Jerry's prides itself on offering more ice cream flavors than its competitors.
- d. Ben and Jerry are not real people; the names were a clever reference to Tom and Jerry cartoon characters in order to capitalize on childhood nostalgia.
- e. Ben & Jerry's has only been in business for twenty years and is already the industry leader in premium ice cream.

Answer: a **Page(s):** 24-25 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Today, Ben & Jerry's is owned by Unilever, which is the market leader in the global ice cream industry—one that is expected to reach \$68 billion by 2015.

2-9 ORGANIZATIONS

KNOWLEDGE

A(n) _____ is a legal entity that consists of people who share a common mission.

- a. department
- b. organization
- c. SBU
- d. industry
- e. market

Answer: b **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—organization.

2-10 ORGANIZATIONS

KNOWLEDGE

In marketing, an organization refers to

- a. a legal entity that consists of people who share a common mission.
- b. a group of people united through contractual or corporate ownership.
- c. a legal entity engaged in business activities solely with the intent of making a profit.
- d. a legal entity engaged in business activities solely with the intent of serving its employees without the intent of making a profit.
- e. a privately owned entity that serves its customers to earn a profit so that it can survive.

Answer: a **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—organization.

2-11 OFFERINGS

KNOWLEDGE

A(n) _____ is a product, service, or idea that creates value for both the organization and its customers by satisfying their needs and wants.

- a. organization
- b. business firm
- c. nonprofit
- d. offering
- e. industry

Answer: d **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—offerings.

2-12 OFFERINGS

KNOWLEDGE

In marketing, an offering refers to

- a. the formal designation of a publicly-traded stock for a specific product, service or idea.
- b. a form of currency used by buyer and seller to minimize the tax burden for both parties.
- c. a product, service, or idea that creates value for both the organization and its customers by satisfying their needs and wants.
- d. the manufacturer's suggested retail price of a product or service to the general public or the wholesale price to distributors and retailers.
- e. the service suppliers and distributors provide to help manufacturers bring a product to market.

Answer: c **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—offerings.

2-13 ORGANIZATIONS

KNOWLEDGE

Today's organizations can be divided into two groups, which are

- a. companies and cooperatives.
- b. corporations and interests.
- c. for-profit and nonprofit organizations.
- d. employees and customers.
- e. public and private.

Answer: c **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy
Rationale: Today's organizations can be divided into two groups, which are for-profit and nonprofit organizations.

2-14 FOR-PROFIT ORGANIZATIONS

KNOWLEDGE

A(n) _____ is a privately owned organization that serves its customers to earn a profit so that it can survive.

- a. agency
- b. for-profit organization
- c. institution
- d. nonprofit organization
- e. entity

Answer: b **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—for-profit organization.

2-15 FOR-PROFIT ORGANIZATIONS

KNOWLEDGE

A for-profit organization refers to

- a. a subsidiary, division, or unit of an organization that markets a set of related offerings to a clearly defined group of customers.
- b. a legal entity engaged in business activities solely with the intent of serving its employees without the intent of making a profit.
- c. a privately owned organization that serves its customers to earn a profit so that it can survive.
- d. a group of people united through contractual or corporate ownership.
- e. a publicly owned organization that serves the general population.

Answer: c **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—for-profit organization.

2-16 PROFIT

KNOWLEDGE

_____ is(are) the reward to a business firm for the risk it undertakes in marketing its offerings.

- a. Shareholders' equity
- b. Profit
- c. Assets
- d. Contribution margin
- e. Goodwill

Answer: b **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—profit.

2-17 PROFIT

KNOWLEDGE

Profit refers to

- a. the point at which a company's assets equal its liabilities plus shareholder equity.
- b. the difference between the list and final price of a product or service.
- c. the money earned when the economic order quantity is minimized.
- d. the money left over after a business firm's total expenses are subtracted from its total revenues.
- e. the total amount of revenue accrued through product sales or service distribution.

Answer: d **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—profit.

2-18 NONPROFIT ORGANIZATIONS

KNOWLEDGE

A nonprofit organization is

- a. a nongovernmental organization that serves its customers but does not have profit as an organizational goal.
- b. a legal entity engaged in business activities solely with the intent of serving its employees without the intent of making a profit.
- c. a publicly owned organization that serves the general population.
- d. a group of people united through contractual or corporate ownership.
- e. a privately owned organization that serves its customers to earn a profit so that it can survive.

Answer: a **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—nonprofit organization.

2-19 NONPROFIT ORGANIZATIONS

KNOWLEDGE

A _____ is a nongovernmental organization that serves its customers but does not have profit as an organizational goal.

- a. business firm
- b. subchapter S corporation
- c. service agency
- d. cooperative
- e. nonprofit organization

Answer: e **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—nonprofit organization.

2-20 NONPROFIT ORGANIZATIONS

KNOWLEDGE

A nongovernmental organization that serves its customers but does not have profit as an organizational goal is referred to as a

- a. business firm.
- b. nonprofit organization.
- c. subchapter S corporation.
- d. cooperative.
- e. social service agency.

Answer: b **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—nonprofit organization.

2-21 NONPROFIT ORGANIZATIONS

COMPREHENSION

Social entrepreneurs like Teach for America and SightLife are usually structured as _____ rather than business firms.

- a. business agencies
- b. nonprofit organizations
- c. subchapter S corporations
- d. cooperatives
- e. social service agencies

Answer: b **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium
Rationale: Social entrepreneurs, like Teach For America, SightLife, and Hand in Hand International, seek to solve the practical needs of society and are usually structured as nonprofit organizations.

2-22 NONPROFIT ORGANIZATIONS

COMPREHENSION

Which statement best describes the most significant difference between a for-profit organization or a business firm and a nonprofit organization?

- a. Business firms operate with larger budgets than nonprofits.
- b. Nonprofit organizations do not carry on economic activities while business firms do.
- c. Nonprofit organizations are concerned with social issues and business firms are not.
- d. Both serve customers, but business firms seek a profit while nonprofit organizations do not.
- e. Nonprofit organizations are publicly owned and business firms are privately owned.

Answer: d **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium

Rationale: A business firm is a privately owned organization that serves its customers in order to earn a profit so that it can survive. A nonprofit organization is a nongovernmental organization that serves its customers but does not have profit as an organizational goal.

2-23 NONPROFIT ORGANIZATIONS

APPLICATION

An example of a nonprofit organization is

- a. the Food and Drug Administration.
- b. CVS Pharmacies.
- c. the medical technology company Medtronic, Inc.
- d. the pharmaceutical company Pfizer, Inc.
- e. the American Red Cross.

Answer: e **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Hard

Rationale: Only the American Red Cross is a nongovernmental, nonprofit organization that serves its customers but does not have profit as an organizational goal.



Cree LED Light Bulb Photo

2-24 ORGANIZATIONS

APPLICATION

Cree markets LED (light-emitting diode) light bulbs (see the photo above) that replaces the traditional incandescent bulb. The Cree LED 60w bulb is 84 percent more energy efficient, lasts for 25,000 hours, and initially sold for about \$12 at Home Depot. Cree is an example of a(n)

- a. cooperative
- b. industry
- c. nonprofit organization
- d. business firm
- e. public firm

Answer: d **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Hard

Rationale: Today's organizations can be divided into two groups, which are for-profit organization or business firms and nonprofit organizations. Cree is a for-profit organization because it is a privately owned organization that serves its customers in order to earn a profit so that it can survive.



Nest Learning Thermostat Photo

2-25 ORGANIZATIONS

APPLICATION

Nest markets the Learning Thermostat (see the photo above) that “learns” home to optimize your home’s heat and air conditioning. The Learning Thermostat, which can be controlled remotely by a smartphone to change the temperature, currently sells for \$250. Nest is an example of a(n) _____.

- a. cooperative
- b. business firm
- c. industry
- d. nonprofit organization
- e. public firm

Answer: b **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Hard

Rationale: Today's organizations can be divided into two groups, which are for-profit organization or business firms and nonprofit organizations. Nest is a for-profit organization because it is a privately owned organization that serves its customers in order to earn a profit so that it can survive.



SightLife Logo

2-26 ORGANIZATIONS

APPLICATION

SightLife (see the logo above) creates eye banks throughout the world. Its goal is to find cornea donors prepare their tissues for surgery. SightLife is an example of a(n) _____.

- a. cooperative
- b. business firm
- c. industry
- d. public firm
- e. nonprofit organization

Answer: e **Page(s):** 26-27 **LO:** 2-1 **AACSB:** Analytic **QD:** Hard

Rationale: Today's organizations can be divided into two groups, which are for-profit organization or business firms and nonprofit organizations. SightLife is a nonprofit, nongovernmental organization that serves its customers but does not have profit as an organizational goal. Instead, its goals may be operational efficiency or client satisfaction.

2-27 MAKING RESPONSIBLE DECISIONS

KNOWLEDGE

_____ applies innovative approaches to organize, create, and manage a venture to solve the practical needs of society and is usually structured as a nonprofit organization.

- a. Corporate welfare
- b. A social entrepreneur
- c. Sustainable development
- d. Cause marketing
- e. Societal capitalism

Answer: b **Page(s):** 26-27 **LO:** 2-1 **AACSB:** Ethics **QD:** Easy

Rationale: This is the application of a social entrepreneur in the textbook.

2-28 MAKING RESPONSIBLE DECISIONS

KNOWLEDGE

Social entrepreneurs are usually structured as _____.

- a. business firms
- b. subchapter S corporations
- c. nonprofit organizations
- d. governmental agencies
- e. 501 (c) 3 for profit organizations

Answer: c **Page(s):** 26-27 **LO:** 2-1 **AACSB:** Ethics **QD:** Easy
Rationale: Social entrepreneurs are usually structured as nonprofit organizations.

2-29 MAKING RESPONSIBLE DECISIONS

COMPREHENSION

Teach for America works to solve which societal problem?

- a. It provides new college graduates as teachers in urban and rural public schools in the U.S.
- b. It works to end corneal blindness worldwide by finding cornea donors and creating tissue banks.
- c. It provides education and small business loans to women in impoverished areas so that they can help themselves.
- d. It offers free rehabilitation services for injured U.S. veterans returning from overseas conflict.
- e. It offers tax credits to small businesses to employ at-risk youth in their communities.

Answer: a **Page(s):** 26-27 **LO:** 2-1 **AACSB:** Ethics **QD:** Medium

Rationale: Teach for America is the national corps of outstanding recent college graduates who commit to teach for two years in urban and rural public schools and become lifelong leaders in expanding educational opportunity.

2-30 MAKING RESPONSIBLE DECISIONS

COMPREHENSION

SightLife works to solve which societal problem?

- a. It provides new college graduates as teachers in urban and rural public schools in the U.S.
- b. It works to end corneal blindness worldwide by finding cornea donors and creating tissue banks.
- c. It provides education and small business loans to women in impoverished areas so that they can help themselves.
- d. It offers free rehabilitation services for injured U.S. veterans returning from overseas conflict.
- e. It offers tax credits to small businesses that make charitable donations in their communities.

Answer: b **Page(s):** 26-27 **LO:** 2-1 **AACSB:** Ethics **QD:** Medium

Rationale: The mission of SightLife is “To end cornea blindness.” Transplanting a donated, healthy cornea to replace a diseased one can cure cornea blindness, which affects 10 million people globally. Seattle-based SightLife finds cornea donors and prepares the tissues for surgery, and seeks to create 900 eye banks around the world.

2-31 ORGANIZATIONAL TERMS

KNOWLEDGE

According to the textbook, all of the following terms can be used interchangeably to refer to entities that engage in for-profit and nonprofit operations **EXCEPT**:

- a. an organization.
- b. a company.
- c. a firm.
- d. a corporation.
- e. an enterprise.

Answer: e **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy

Rationale: The terms *firm*, *company*, *corporation*, and *organization* are used interchangeably to cover both business and nonprofit operations.

2-32 INDUSTRY

KNOWLEDGE

Organizations that develop similar offerings, when grouped together, create a(n)

- a. conglomerate.
- b. merger.
- c. industry.
- d. sector.
- e. monopoly.

Answer: c **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—industry.

2-33 INDUSTRY

KNOWLEDGE

An industry refers to

- a. organizations that develop similar offerings.
- b. organizations who manufacture identical products to meet ISO 9000 specifications.
- c. companies that are active in the production of materials that are used in finished products.
- d. a group of people or firms united through strategic alliances.
- e. the economic activity concerned with the selling of finished products to wholesalers and retailers.

Answer: a **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—industry.

2-34 INDUSTRY

COMPREHENSION

Which of the following is **NOT** an example of an industry?

- a. the computer industry
- b. the automobile industry
- c. the landscaping industry
- d. the government industry
- e. the publishing industry

Answer: d **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium
Rationale: The government is not an industry.

2-35 STRATEGY

KNOWLEDGE

The term used to identify an organization's long-term course of action designed to deliver a unique customer experience while achieving its goals is referred to as a _____.

- a. marketing strategy
- b. policy
- c. strategy

- d. plan
- e. tactic

Answer: c **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—strategy. Alternative “a” is incorrect because marketing strategy is the means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program to reach it. Strategy applies to long-term organization goals and actions.

2-36 STRATEGY

KNOWLEDGE

Strategy refers to

- a. an organization’s long-term course of action designed to deliver a unique customer experience while achieving its goals.
- b. an organization’s corporate tactical or action plan.
- c. statements of an accomplishment of a task to be achieved by a certain time.
- d. a statement of the organization’s function in society, often identifying its customers, markets, product, and technologies.
- e. a road map for the entire organization for a specified future period of time, such as one or five years.

Answer: a **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—strategy.

2-37 STRATEGY

COMPREHENSION

Which of the following statements about strategy is **MOST ACCURATE**?

- a. An organization can be all things to all people because it has access to all the resources it needs to discover and satisfy the needs and wants of its target markets.
- b. The marketing department helps to both set an organization’s direction and move it there.
- c. The American Marketing Association (AMA) recently has established the definition of strategy.
- d. Strategy is an organization’s short-term course of action designed to deliver a specific customer experience while achieving its internal standards.
- e. Only start-up organizations must develop strategies to help them (1) raise capital and (2) focus and direct their efforts to accomplish their goals.

Answer: b **Page(s):** 26 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium

Rationale: An organization’s marketing department helps to set its strategic direction and also move it there.

2-38 STRUCTURE OF TODAY’S ORGANIZATIONS

COMPREHENSION

Large organizations are extremely complex, and usually consist of _____ organizational levels whose strategies are linked to marketing.

- a. two
- b. three
- c. five

- d. six
- e. seven or more

Answer: b **Page(s):** 26-28 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium

Rationale: Large organizations are extremely complex. They usually consist of three organizational levels whose strategies are linked to marketing. These levels are the corporate-level, business unit-level, and functional-level. See Figure 2-1 in the textbook.

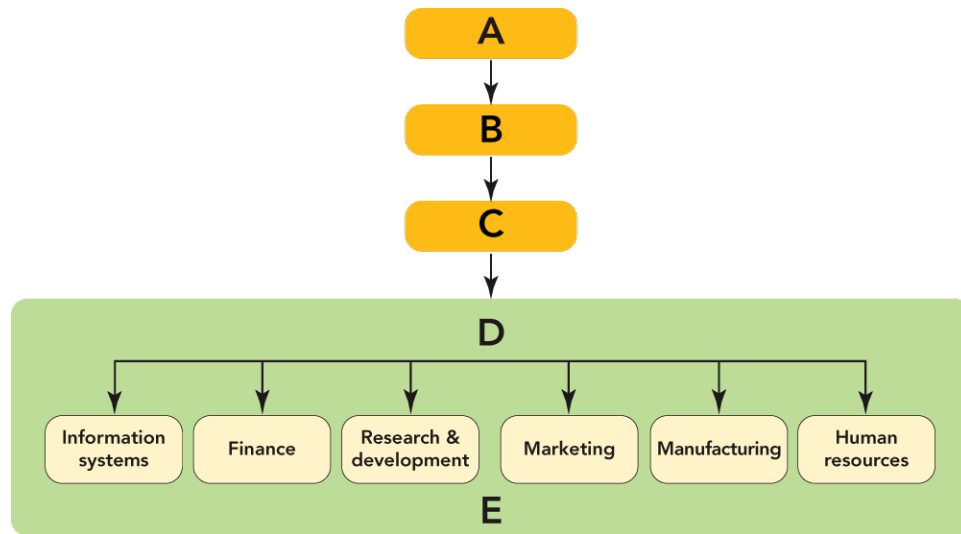


Figure 2-1

2-39 STRUCTURE OF TODAY'S ORGANIZATIONS

COMPREHENSION

In Figure 2-1 above, "A" represents the

- a. functional level.
- b. board of directors.
- c. corporate level.
- d. CEO.
- e. strategic business unit level.

Answer: b **Page(s):** 26-28 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium

Rationale: Large organizations usually consist of three organizational levels whose strategies are linked to marketing. The board of directors ("A") oversees the three levels of strategy: corporate level ("B"), strategic business unit level ("C"), and functional level ("D") that comprise the individual departments (marketing, finance, etc. or "E") in organizations. See Figure 2-1 in the textbook.

2-40 STRUCTURE OF TODAY'S ORGANIZATIONS

COMPREHENSION

In Figure 2-1 above, "B" represents the

- a. functional level.
- b. board of directors.
- c. corporate level.

- d. department level.
- e. strategic business unit level.

Answer: c **Page(s):** 26-28 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium

Rationale: Large organizations usually consist of three organizational levels whose strategies are linked to marketing. The board of directors (“A”) oversees the three levels of strategy: corporate level (“B”), strategic business unit level (“C”), and functional level (“D”) that comprise the individual departments (marketing, finance, etc. or “E”) in organizations. See Figure 2-1 in the textbook.

2-41 STRUCTURE OF TODAY’S ORGANIZATIONS

COMPREHENSION

In Figure 2-1 above, “C” represents the

- a. strategic business unit level.
- b. board of directors.
- c. corporate level.
- d. functional level.
- e. CMO.

Answer: a **Page(s):** 26-28 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium

Rationale: Large organizations usually consist of three organizational levels whose strategies are linked to marketing. The board of directors (“A”) oversees the three levels of strategy: corporate level (“B”), strategic business unit level (“C”), and functional level (“D”) that comprise the individual departments (marketing, finance, etc. or “E”) in organizations. See Figure 2-1 in the textbook.

2-42 STRUCTURE OF TODAY’S ORGANIZATIONS

COMPREHENSION

In Figure 2-1 above, “D” represents the

- a. strategic business unit level.
- b. functional level.
- c. corporate level.
- d. board of directors.
- e. CMO.

Answer: b **Page(s):** 26-28 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium

Rationale: Large organizations usually consist of three organizational levels whose strategies are linked to marketing. The board of directors (“A”) oversees the three levels of strategy: corporate level (“B”), strategic business unit level (“C”), and functional level (“D”) that comprise the individual departments (marketing, finance, etc. or “E”) in organizations. See Figure 2-1 in the textbook.

2-43 STRUCTURE OF TODAY’S ORGANIZATIONS

COMPREHENSION

In Figure 2-1 above, “E” represents the _____ operating at the lowest strategic level.

- a. board of directors.
- b. corporate level.
- c. departments.

- d. executives.
- e. strategic business unit level.

Answer: c **Page(s):** 26-28 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium

Rationale: Large organizations usually consist of three organizational levels whose strategies are linked to marketing. The board of directors (“A”) oversees the three levels of strategy: corporate level (“B”), strategic business unit level (“C”), and functional level (“D”) that comprise the individual departments (marketing, finance, etc. or “E”) in organizations. See Figure 2-1 in the textbook.

2-44 CORPORATE LEVEL

KNOWLEDGE

The level in an organization where top management directs overall strategy for the entire organization is referred to as the

- a. corporate level.
- b. functional level.
- c. directive level.
- d. strategic level.
- e. tactical level.

Answer: a **Page(s):** 27 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—corporate level.

2-45 CORPORATE LEVEL

KNOWLEDGE

The corporate level refers to the level in an organization where top management

- a. develops marketing strategies and tactics for the marketing department to implement.
- b. directs overall strategy for the entire organization.
- c. executes all marketing program actions to ensure consistency of performance.
- d. develops overall sales projections not only for the short term but also for a period of at least two to five years.
- e. supervises the hiring, firing, and training of all marketing department personnel.

Answer: b **Page(s):** 27 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—corporate level.

2-46 CORPORATE LEVEL

COMPREHENSION

The corporate level in an organization is where

- a. the department heads direct overall strategy for the entire organization.
- b. groups of specialists actually create value for the organization.
- c. a small number of people from different departments are mutually accountable to accomplish a task or a common set of performance goals.
- d. a subsidiary, division, or unit of an organization markets a set of related offerings to a clearly defined group of customers.
- e. top management directs overall strategy for the entire organization.

Answer: e **Page(s):** 27 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium

Rationale: The corporate level in an organization is where top management directs overall strategy for the entire organization.

2-47 CORPORATE LEVEL

COMPREHENSION

The highest-ranking person in an organization who oversees the organization's daily operations and spearheads its strategy planning efforts is often referred to as

- a. the corporate executive overseer.
- b. the chief executive officer.
- c. the corporate executive official.
- d. the chief marketing officer.
- e. the coordinating executive official.

Answer: b Page(s): 27 LO: 2-1 AACSB: Analytic QD: Medium

Rationale: The chief executive officer (CEO) is the highest-ranking officer in the organization and is usually a member of its board of directors.

2-48 CORPORATE LEVEL

COMPREHENSION

_____ have an increasingly important role in top management because of their ability to think strategically, bringing with them to the job multi-industry backgrounds, cross-functional management expertise, analytical skills, and intuitive marketing insights.

- a. Chief marketing officers (CMOs)
- b. Chief financial officers (CFOs)
- c. Chief executive officers (CEOs)
- d. Chief human resource officers (CHROs)
- e. Chief operating officers (COOs)

Answer: a Page(s): 27-28 LO: 2-1 AACSB: Analytic QD: Medium

Rationale: Chief marketing officers (CMO) play an important role in top management and are characterized as possessing these skills.

2-49 CORPORATE LEVEL

APPLICATION

Bill McDermott is co-CEO of SAP, which is a company that sells expensive enterprise resource planning software to large and mid-sized companies. McDermott operates at the _____ level of his organization.

- a. business unit
- b. functional
- c. corporate
- d. strategic
- e. tactical

Answer: c Page(s): 27 LO: 2-1 AACSB: Analytic QD: Hard

Rationale: The corporate level is where top management directs overall strategy for the entire organization.

2-50 CHIEF MARKETING OFFICER (CMO)

COMPREHENSION

Overseeing strategic marketing efforts at the corporate level would most likely be the responsibility of the _____.

- a. CEO
- b. CMO
- c. CPM
- d. CPO
- e. COO

Answer: b **Page(s):** 27-28 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium

Rationale: A CMO (chief marketing officer) is the head of marketing, operating at the corporate level of an organization.

2-51 CHIEF MARKETING OFFICER (CMO)

COMPREHENSION

In recent years, many large firms have changed the title of the head of marketing from vice president of marketing to

- a. chief executive officer.
- b. corporate marketing official.
- c. coordinating marketing officer.
- d. chief marketing officer.
- e. corporate marketing executive.

Answer: d **Page(s):** 27-28 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium

Rationale: In recent years, many large firms have changed the title of the head of marketing from vice president of marketing to chief marketing officer (CMO). These CMOs have an increasingly important role in top management because of their ability to think strategically.

2-52 STRATEGIC BUSINESS UNIT

KNOWLEDGE

A strategic business unit (SBU) refers to

- a. a single product or service identification code used to identify items for strategic marketing planning purposes.
- b. a small number of people from different departments in an organization who are mutually accountable to accomplish a task or common set of performance goals.
- c. a strategic product that has a unique brand, size, or price.
- d. a privately owned franchise under the auspices of a larger group or organization bearing the same name.
- e. a subsidiary, division, or unit of an organization that markets a set of related offerings to a clearly defined group of customers.

Answer: e **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—strategic business unit.

2-53 STRATEGIC BUSINESS UNIT

KNOWLEDGE

A subsidiary, division, or unit of an organization that markets a set of related offerings to a clearly defined group of customers is referred to as a

- a. strategic business unit.
- b. strategic industry level.
- c. private corporation.
- d. product grouping.
- e. marketing department.

Answer: a **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—strategic business unit.

2-54 STRATEGIC BUSINESS UNIT LEVEL **KNOWLEDGE**

The level at which managers set a more specific strategic direction for their businesses to exploit value-creating opportunities is referred to as the

- a. marketing department level.
- b. strategic business unit level.
- c. corporate level.
- d. functional level.
- e. board of directors level.

Answer: b **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—strategic business unit level.

2-55 STRATEGIC BUSINESS UNIT LEVEL **KNOWLEDGE**

The strategic business unit level

- a. works most directly with the organization's target customers.
- b. directs the overall strategy for the organization.
- c. is most likely to change substantially over time.
- d. provides more end-user analysis in order to design more customer-directed products.
- e. is the level at which managers set a more specific strategic direction for their businesses to exploit value-creating opportunities.

Answer: e **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—strategic business unit level.

2-56 STRATEGIC BUSINESS UNIT LEVEL **COMPREHENSION**

Which of the following statements regarding an organization's strategic business unit level is **MOST ACCURATE**?

- a. The strategic business unit level is the level that works most directly with an organization's targeted customers.
- b. The overall strategy for the organization is directed at the strategic business unit level.
- c. In the most complex organizations, the corporate level and the strategic business unit level may merge.
- d. More end-user analysis is provided at the strategic business unit level than at the functional level.

- e. The strategic direction is more specific at the strategic business unit level than at the corporate level.

Answer: e **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium

Rationale: At the strategic business unit level, managers set a more specific strategic direction for their businesses to exploit value-creating opportunities than at the corporate level.

2-57 FUNCTIONAL LEVEL

KNOWLEDGE

Each strategic business unit has marketing and other specialized activities (e.g., finance, manufacturing, or research and development) at the _____ level, where groups of specialists actually create value for the organization.

- a. strategic
- b. corporate
- c. functional
- d. business unit
- e. compartmental

Answer: c **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—functional level.

2-58 FUNCTIONAL LEVEL

KNOWLEDGE

The functional level in an organization is where

- a. groups of specialists actually create value for the organization.
- b. employees perform assigned tasks without actually having input into the decision making process.
- c. all financial outlays are made.
- d. all company hiring and firing occurs.
- e. the strategic planners in SBUs makes all decisions regarding which product benefits will be promoted during a promotional campaign.

Answer: a **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—functional level.

2-59 FUNCTIONAL LEVEL

COMPREHENSION

People in the finance and the human resources departments traditionally operate at what organizational level?

- a. corporate level
- b. top management level
- c. strategic business unit level
- d. functional level
- e. stakeholder level

Answer: d **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium

Rationale: Specialized activities such as human resources, finance, research and development, operate at the functional level of the overall organization. See Figure 2-1.

2-60 FUNCTIONAL LEVEL

COMPREHENSION

At the functional level, the organization's strategic direction becomes

- a. much more manageable since its offerings have been finalized.
- b. the most specific and most focused in terms of implementing the company's goals.
- c. broader since for less complex firms, the corporate and functional levels may merge.
- d. more general to avoid the "not invented here syndrome" that could result in missed opportunities.
- e. the sole responsibility of the CEO.

Answer: b **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium

Rationale: At the functional level, the organization's strategic direction becomes its most specific and focused.

2-61 FUNCTIONAL LEVEL

APPLICATION

Which of the following statements would **MOST LIKELY** be heard at the functional level of an organization?

- a. "We need to divest our Canadian operations that are performing poorly."
- b. "How large a budget can we allot to the marketing department?"
- c. "We plan to implement a Facebook advertising initiative within 90 days."
- d. "We should hire the most culturally diverse cross-functional team possible in order to generate the best new-product ideas."
- e. "What dividends should we pay stockholders next quarter?"

Answer: c **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Hard

Rationale: At the functional level, the organization's strategic direction becomes its most specific and focused. Alternative "c" is a marketing tactic that describes a specific, focused marketing action.

2-62 DEPARTMENT

KNOWLEDGE

Specialized functions such as marketing and finance are generally referred to as _____.

- a. teams
- b. groups
- c. divisions
- d. departments
- e. business units

Answer: d **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—department.

2-63 ROLE OF THE MARKETING DEPARTMENT

COMPREHENSION

At the functional level, the marketing department

- a. solicits talent from all levels of the organization for strategic corporate planning sessions.

- b. promotes its goals to the organization's stakeholders.
- c. looks outward, in part by listening to customers.
- d. develops the corporate culture.
- e. defines the overall strategic direction of the organization.

Answer: c **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium

Rationale: A key role of the marketing department is to look outward by listening to customers, developing and producing offerings, and implementing marketing program activities.

2-64 ROLE OF THE MARKETING DEPARTMENT

COMPREHENSION

A key role of the marketing department is to “look outward.” This is accomplished by

- a. allocating financial resources across strategic business units.
- b. communicating the vision of the marketing department forcefully enough to be incorporated into the overall mission of the company.
- c. forming cross-functional teams to help solve the organization's marketing problems.
- d. implementing new accounting methods passed by Congress.
- e. listening to customers, developing and producing offerings, and implementing marketing program activities.

Answer: e **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium

Rationale: A key role of the marketing department is to look outward by listening to customers, developing and producing offerings, and implementing marketing program activities.

2-65 CROSS-FUNCTIONAL TEAMS

KNOWLEDGE

Groups of a small number of people from different departments in an organization who are mutually accountable to accomplish a task or a common set of performance goals are referred to as

- a. designated teams.
- b. strategic business units.
- c. cross-functional teams.
- d. business committees.
- e. venture squads.

Answer: c **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—cross-functional teams.

2-66 CROSS-FUNCTIONAL TEAMS

KNOWLEDGE

Cross-functional teams refer to

- a. members of an organization who have been trained in multiple disciplines so they can easily move from one job to another as needed.
- b. situations where two departments within the same company have opposing views about how a product should be developed and managed.
- c. departments within an organization that carry out multiple functions due to financial constraints within the company.

- d. a small number of people from different departments in an organization who are mutually accountable to accomplish a task or a common set of performance goals.
- e. departments within an organization who manage the same product with distinctly different marketing programs to reach different target markets.

Answer: d **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—cross-functional teams.

2-67 CROSS-FUNCTIONAL TEAMS

COMPREHENSION

When developing marketing programs for new offerings, marketing may provide staff to serve as part of a(n) _____, which consists of a small number of people from different departments who are mutually accountable to accomplish a task or a common set of performance goals.

- a. cross-functional team
- b. department
- c. strategic business unit
- d. organization
- e. business consortium

Answer: a **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Medium
Rationale: When developing marketing programs for new offerings or for improving existing ones, an organization's senior management may form cross-functional teams. These consist of a small number of people from different departments who are mutually accountable to accomplish a task or a common set of performance goals.

2-68 CROSS-FUNCTIONAL TEAMS

APPLICATION

On the northern tip of Goose Island in the Chicago River sits the William Wrigley Jr. Company's Global Innovation Center. Here, Wrigley creates new products using a joint effort by some 250 full-time food scientists, researchers, and marketers. The people who work in this center are most likely members of a(n)

- a. innovation squad.
- b. business consortium.
- c. multiple strategic directional team.
- d. strategic evaluation team.
- e. cross-functional team.

Answer: e **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Hard
Rationale: Cross-functional teams are composed of a small number of people from different departments in an organization who are mutually accountable to accomplish a task or a common set of performance goals.

2-69 CROSS-FUNCTIONAL TEAMS

APPLICATION

IBM regularly creates what it calls global action teams, which take people from functional groups and bring them together to work on large client projects. These global action teams are a type of

- a. innovation group.
- b. business consortium.

- c. tactical group.
- d. SWOT team.
- e. cross-functional team.

Answer: e **Page(s):** 28 **LO:** 2-1 **AACSB:** Analytic **QD:** Hard

Rationale: Cross-functional teams are composed of a small number of people from different departments in an organization who are mutually accountable to accomplish a task or a common set of performance goals.

2-70 VISIONARY ORGANIZATIONS

COMPREHENSION

Successful organizations must be visionary, which includes the ability to

- a. develop strategies based on those that were successful in the past.
- b. be backward-looking, examining the past carefully to learn from mistakes.
- c. anticipate future events and respond quickly and effectively.
- d. hire the most culturally diverse team possible in order to generate the best new ideas.
- e. involve all stakeholders of the organization when defining its business mission.

Answer: c **Page(s):** 28 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: To be successful, today's organizations must be forward-looking—they must both anticipate future events and respond quickly and effectively.

2-71 VISIONARY ORGANIZATIONS

COMPREHENSION

In general, a visionary organization asks what three types of questions to specify its foundation, set a direction, and formulate strategies?

- a. why, when, where
- b. what, by whom, how
- c. how, when, where
- d. why, what, how
- e. who, why, when

Answer: d **Page(s):** 28 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Today's visionary organization uses three key elements to: (1) specify its foundation (why does it exist?—core values, mission/value, and organizational culture); (2) set a direction (what will it do?—business definition, long- and short-term goals/objectives); and (3) formulate strategies (how will it do it?—by level, by offering). See Figure 2-2 in the textbook.

2-72 VISIONARY ORGANIZATIONS

COMPREHENSION

Today's visionary organization uses three key elements to: (1) _____; (2) set a direction; and (3) formulate strategies.

- a. set financial goals
- b. specify its foundation
- c. establish detailed marketing tactics
- d. assign job responsibilities
- e. establish an organizational chart

Answer: b **Page(s):** 28 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Today's visionary organization uses three key elements to: (1) specify its foundation; (2) set a direction; and (3) formulate strategies. See Figure 2-2 in the textbook.

2-73 VISIONARY ORGANIZATIONS

COMPREHENSION

Today's visionary organization uses three key elements to: (1) specify its foundation; (2) _____; and (3) formulate strategies.

- set a direction
- establish detailed marketing tactics
- assign job responsibilities
- set financial goals
- establish an organizational chart

Answer: a **Page(s):** 28 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Today's visionary organization uses three key elements to: (1) specify its foundation; (2) set a direction; and (3) formulate strategies. See Figure 2-2 in the textbook.

2-74 VISIONARY ORGANIZATIONS

COMPREHENSION

Today's visionary organization uses three key elements to: (1) specify its foundation; (2) set a direction; and (3) _____.

- set financial goals
- assign job responsibilities
- formulate strategies
- establish production parameters
- establish detailed marketing tactics

Answer: c **Page(s):** 28 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Today's visionary organization uses three key elements to: (1) specify its foundation; (2) set a direction; and (3) formulate strategies. See Figure 2-2 in the textbook.

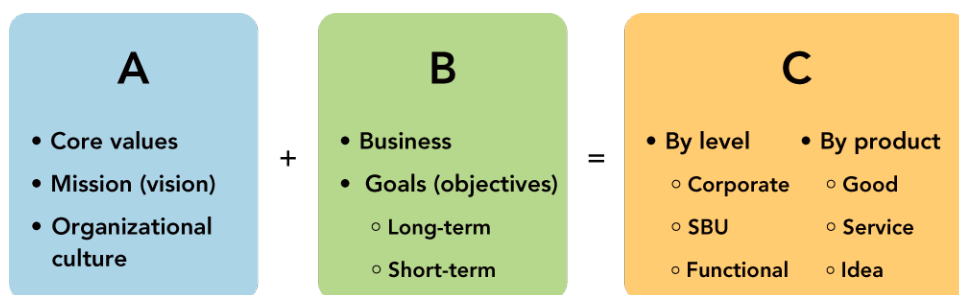


Figure 2-2

2-75 VISIONARY ORGANIZATIONS

COMPREHENSION

In Figure 2-2 above, "A" represents the "why" element of visionary organization. This is referred to as _____.

- a. organizational foundation
- b. organizational tactics
- c. organizational mission
- d. organizational direction
- e. organizational strategies

Answer: a **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Today's visionary organization uses three key elements to: (1) specify its foundation (why does it exist?); (2) set a direction (what will it do?); and (3) formulate strategies (how will it do it?). See Figure 2-2 in the textbook.

2-76 VISIONARY ORGANIZATIONS

COMPREHENSION

In Figure 2-2 above, "B" represents the "what" element of visionary organization. This is referred to as _____.

- a. organizational tactics
- b. organizational mission
- c. organizational foundation
- d. organizational direction
- e. organizational strategies

Answer: d **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Today's visionary organization uses three key elements to: (1) specify its foundation (why does it exist?); (2) set a direction (what will it do?); and (3) formulate strategies (how will it do it?). See Figure 2-2 in the textbook.

2-77 VISIONARY ORGANIZATIONS

COMPREHENSION

In Figure 2-2 above, "C" represents the "how" element of visionary organization. This is referred to as _____.

- a. organizational tactics
- b. organizational mission
- c. organizational foundation
- d. organizational direction
- e. organizational strategies

Answer: e **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Today's visionary organization uses three key elements to: (1) specify its foundation (why does it exist?); (2) set a direction (what will it do?); and (3) formulate strategies (how will it do it?). See Figure 2-2 in the textbook.

2-78 ORGANIZATIONAL FOUNDATION

COMPREHENSION

The philosophical reason for an organization's existence is referred to as its organizational _____.

- a. strategy
- b. direction
- c. foundation

- d. goal
- e. business

Answer: c **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: An organization's foundation is its philosophical reason for being—why it exists.

2-79 ORGANIZATIONAL FOUNDATION

COMPREHENSION

An organization's foundation can be broken into three key elements:

- a. products, services, and ideas.
- b. business definition, long-term goals, and short-term objectives.
- c. board of directors, top management, and stakeholders.
- d. corporate-level strategies, SBU-level strategies, and functional-level strategies.
- e. core values, mission/vision, and organizational culture.

Answer: e **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: An organizational foundation includes core values, mission/vision, and organizational culture. See Figure 2-2 in the textbook.

2-80 ORGANIZATIONAL FOUNDATION

COMPREHENSION

Which of the following statements regarding organizational foundation is **MOST ACCURATE?**

- a. An organizational foundation specifies its goals.
- b. An organizational foundation defines the business that it is in.
- c. An organization's foundation empowers stakeholders to have a voice in the strategic marketing process.
- d. An organization's foundation is its philosophical reason for being—why it exists.
- e. An organization's foundation is the company, its product, and its customers.

Answer: d **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: An organization's foundation or ideology says, "This is what we are; this is why we exist." Successful visionary organizations use this foundation to provide guidance and inspiration to its employees through three elements: core values, mission (vision), and organizational culture. See Figure 2-2 in the textbook.

2-81 ORGANIZATIONAL FOUNDATION

COMPREHENSION

An organization's foundation includes all of the following **EXCEPT:**

- a. organizational culture.
- b. business definition.
- c. vision.
- d. core values.
- e. mission.

Answer: b **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: An organization's foundation includes core values, mission (vision), and organizational culture. See Figure 2-2 in the textbook.

2-82 ORGANIZATIONAL FOUNDATION

COMPREHENSION

An organization's foundation includes which of the following?

- a. core values
- b. business definition
- c. goals
- d. strategic levels
- e. offerings

Answer: a **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: An organization's foundation includes core values, mission (vision), and organizational culture. See Figure 2-2 in the textbook.

2-83 CORE VALUES

KNOWLEDGE

An organization's _____ are the fundamental, passionate, and enduring principles that guide its conduct over time.

- a. goals
- b. culture
- c. strategies
- d. core values
- e. mission statements

Answer: d **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—core values.

2-84 CORE VALUES

KNOWLEDGE

The fundamental, passionate, and enduring principles of an organization that guide its conduct over time are referred to as its _____.

- a. strategic goals
- b. core values
- c. vision
- d. corporate culture
- e. corporate ethos

Answer: b **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—core values.

2-85 CORE VALUES

KNOWLEDGE

Core values refer to

- a. the cultural ethos of an organization.
- b. proprietary values of a firm.
- c. written mission statements that express an organization's goals and objectives.
- d. the personal moral and ethical codes of a firm's stakeholders.

- e. the fundamental, passionate, and enduring principles that guide an organization's conduct over time.

Answer: e **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—core values.

2-86 CORE VALUES

COMPREHENSION

A firm's _____ are timeless, capturing its heart and soul, and serve to inspire and motivate its stakeholders.

- a. core values
- b. strategic goals
- c. offerings
- d. corporate culture
- e. corporate ethos

Answer: a **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium
Rationale: An organization's core values are the fundamental, passionate, and enduring principles that guide its conduct over time. They capture the firm's heart and soul and serve to inspire and motivate its stakeholders.

2-87 CORE VALUES

COMPREHENSION

An organization's core values are most effective when communicated to and supported by

- a. competitors.
- b. top management and employees.
- c. suppliers.
- d. resellers.
- e. government regulators.

Answer: b **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium
Rationale: To be effective, an organization's core values must be communicated to and supported by its top management and employees; if not, they are just hollow words.

2-88 CORE VALUES

COMPREHENSION

Which of the following statements regarding an organization's core values is **MOST ACCURATE**?

- a. Core values are developed by cross-functional teams for all levels of an organization.
- b. Core values are important to the founders but rarely motivate a firm's stakeholders.
- c. Core values change as an organization's offerings change.
- d. Core values guide the organization's conduct.
- e. Core values cannot be separated from the financial realities of an organization.

Answer: d **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium
Rationale: Core values are developed by an organization's founders or senior management and are consistent with their essential beliefs and character. They guide the organization's conduct and influence its strategy.

2-89 CORE VALUES**APPLICATION**

According to Mark Zuckerberg, founder and CEO of Facebook, “We have a saying: ‘Move fast and break things.’ The idea is that if you never break anything, you’re probably not moving fast enough.” Moving fast to build more things and learn faster is one of Facebook’s

- a. sustainability doctrines.
- b. goals and objectives.
- c. core values.
- d. moral imperatives.
- e. functional strategy.

Answer: c **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: An organization’s core values are the fundamental, passionate, and enduring principles that guide its conduct over time. Zuckerberg considers this statement to be one of Facebook’s core values.

2-90 CORE VALUES**APPLICATION**

The Ben & Jerry’s website states: “Central to the mission of Ben & Jerry’s is the belief that all three parts [product mission, economic mission, social mission] must thrive equally in a manner that commands deep respect for individuals in and outside the company and supports the communities of which they are a part.” This statement reflects Ben & Jerry’s

- a. sustainability doctrine.
- b. goals and objectives.
- c. core values.
- d. moral distinctives.
- e. functional strategy.

Answer: c **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: An organization’s core values are the fundamental, passionate, and enduring principles that guide its conduct over time. This statement is most likely a statement of Ben & Jerry’s core values.

2-91 STAKEHOLDERS**KNOWLEDGE**

The term that encompasses an organization’s employees, shareholders, board of directors, suppliers, distributors, creditors, unions, government, local communities, and customers is referred to as its

- a. stakeholders.
- b. stockholders.
- c. competitors.
- d. target audience.
- e. organizational society.

Answer: a **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—stakeholders.

2-92 STAKEHOLDERS

KNOWLEDGE

All of the following are examples of stakeholders **EXCEPT**:

- a. government.
- b. competitors.
- c. shareholders.
- d. suppliers.
- e. customers.

Answer: b **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—stakeholders.

2-93 STAKEHOLDERS

COMPREHENSION

Which of the following statements regarding stakeholders is **MOST ACCURATE**?

- a. Employees are typically not classified as a stakeholder group because they are internal to the organization.
- b. There are only three types of stakeholders: customers, suppliers, and distributors.
- c. All stakeholders are external to the organization.
- d. Stakeholders are a varied group; all are in some way affected by how well a company performs.
- e. Stakeholders are only those that have an ownership stake in an organization.

Answer: d **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium
Rationale: Stakeholders are the people who are affected by what the company does and how well it performs. This group includes employees, owners, and board members, as well as suppliers, distributors, unions, local communities, and, of course, customers.

2-94 MISSION

KNOWLEDGE

By understanding its business, an organization can take steps to define its _____, a statement of the organization's functions in society that identifies its customers, markets, products, and technologies.

- a. core benefit proposition
- b. doctrine
- c. philosophy
- d. mission
- e. code of ethics

Answer: d **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—mission.

2-95 MISSION

KNOWLEDGE

An organization's mission refers to

- a. the target goal it sets for current profits based on enacting a comprehensive strategic plan.

- b. the target objective it projects for future market share based on enacting a comprehensive strategic plan.
- c. the fundamental, passionate, and enduring principles that guide its conduct over time.
- d. specific strategies and tactics that will be used to counteract any competitor's advantages.
- e. a statement of the organization's functions in society that identifies its customers, markets, products, and technologies.

Answer: e **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—mission.

2-96 VISION

KNOWLEDGE

The terms _____ and a mission statement are often used interchangeably.

- a. idea
- b. objective
- c. vision
- d. goal
- e. protocol

Answer: c **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy
Rationale: Often used interchangeably with vision, a mission statement should be clear, concise, meaningful, inspirational, and long-term.

2-97 MISSION

COMPREHENSION

Often used interchangeably with “vision,” a(n) _____ frequently has a meaningful theme and a long-term orientation.

- a. point of difference
- b. mission statement
- c. business definition
- d. core value proposition
- e. marketing plan

Answer: b **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium
Rationale: Often used interchangeably with vision, a mission statement should be clear, concise, meaningful, inspirational, and long-term.

2-98 MISSION

COMPREHENSION

A mission statement includes all of the following elements **EXCEPT**:

- a. short-term.
- b. inspirational.
- c. clear.
- d. meaningful.
- e. concise.

Answer: a **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: A mission is a statement of the organization's functions in society, often identifying its customers, markets, products, and technologies. Recently, organizations have added a social element to their mission statements to reflect an ideal that is morally right and worthwhile.

2-99 MISSION

COMPREHENSION

A mission statement should be

- a. short-term.
- b. inspirational.
- c. fact-based.
- d. complex.
- e. permanent.

Answer: b **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: A mission statement should be clear, concise, meaningful, inspirational, and long-term.

2-100 MISSION

COMPREHENSION

"To contribute to human welfare by application of biomedical engineering in the research, design, manufacture, and sale of instruments or appliances that alleviate pain, restore health, and extend life" is Medtronic's _____.

- a. core value proposition
- b. corporate culture
- c. functional goal
- d. sustainability doctrine
- e. mission statement

Answer: e **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Medtronic is the world leader in producing heart pacemakers and other medical devices. Earl Bakken, its founder, wrote this mission statement for Medtronic when it was launched a half century ago, and which today remains virtually unchanged.

2-101 MISSION

COMPREHENSION

The _____ for American Red Cross is "to prevent and alleviate human suffering in the face of emergencies by mobilizing the power of volunteers and the generosity of donors."

- a. core benefit proposition
- b. business definition
- c. sustainability doctrine
- d. mission statement
- e. core value proposition

Answer: d **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: A mission is a statement of the organization's functions in society that identifies its customers, markets, products/services, and technologies, as shown by this mission for the American Red Cross.

2-102 MISSION

APPLICATION

The _____ for Facebook is “To give people the power to share and make the world more open and connected.”

- a. sustainability doctrine
- b. core benefit proposition
- c. mission statement
- d. corporate philosophy
- e. code of ethics

Answer: c **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: A mission is a statement of the organization’s functions in society that identifies its customers, markets, products, and technologies.

2-103 MISSION

APPLICATION

“HowAboutWe is the fastest, easiest, most fun way to go on awesome dates” is the _____ for the online dating service that focuses on setting up actual activities as dates for its users.

- a. sustainability doctrine
- b. core benefit proposition
- c. corporate philosophy
- d. mission statement
- e. code of ethics

Answer: d **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: A mission is a statement of the organization’s functions in society that often identifies its customers, markets, products, and technologies, as shown by this mission for HowAboutWe.

2-104 MISSION

COMPREHENSION

Recently, many organizations have added _____ to their mission statements.

- a. a business definition
- b. a social element to reflect an ideal that is morally right and worthwhile
- c. an economic element to promote profit maximization
- d. an expanded definition of stakeholders to include its competitors
- e. their level of pricing and product quality.

Answer: b **Page(s):** 29 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: A mission is a statement of the organization’s functions in society that identifies its customers, markets, products, and technologies. Recently, organizations have added a social element to their mission statements to reflect an ideal that is morally right and worthwhile.

2-105 ORGANIZATIONAL CULTURE

KNOWLEDGE

A set of values, ideas, attitudes, and norms of behavior that is learned and shared among the members of an organization is referred to as its _____.

- a. mission statement

- b. core value proposition
- c. organizational culture
- d. corporate philosophy
- e. core benefit proposition

Answer: c **Page(s):** 30 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—organizational culture.

2-106 ORGANIZATIONAL CULTURE

KNOWLEDGE

Organizational culture refers to

- a. the personal moral and ethical codes of ethics of its top management.
- b. a written statement expressing its goals and objectives to be achieved through enacting a comprehensive strategic plan.
- c. the fundamental, passionate, and enduring principles that guide its conduct over time.
- d. the ethos of an organization that excludes its core values.
- e. a set of values, ideas, attitudes, and norms of behavior that is learned and shared among the members of an organization.

Answer: e **Page(s):** 30 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—organizational culture.

2-107 ORGANIZATIONAL CULTURE

COMPREHENSION

Which of the following statements regarding organizational culture is **MOST ACCURATE**?

- a. Organizational culture exists only at the corporate level of an organization.
- b. Organizational culture involves communicating and connecting with all of the firm's stakeholders.
- c. Organizational culture is best used only at the functional level for the most effective results.
- d. Organizational culture cannot be learned or taught.
- e. Organizational culture is a statement of the organization's function in society.

Answer: b **Page(s):** 30 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium
Rationale: An organizational culture is a set of values, ideas, attitudes, and norms of behavior that is learned and shared among the members of an organization. Organizations must connect with all of their stakeholders and organizational culture makes this possible.

2-108 ORGANIZATIONAL CULTURE

APPLICATION

George Zimmer, the former CEO of Men's Wearhouse, was known to the public as the bearded company pitchman who sells suits and sport coats on TV declaring, "You'll like the way you look, I Guarantee it!" He also said that to be successful, "You've got to have a company that starts with trust and fairness." Zimmer was attempting to establish a(n) _____ for Men's Wearhouse.

- a. vision
- b. mission statement
- c. pathos
- d. behavioral protocol

- e. organizational culture

Answer: e **Page(s):** 30 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: An organization's culture refers to a set of values, ideas, attitudes, and norms of behavior that is learned and shared among the members of an organization. George Zimmer's statement about beginning with trust and fairness is part of a set of values that he instilled in the organization as part of the Men's Wearhouse culture.

2-109 ORGANIZATIONAL CULTURE

APPLICATION

Recently, St. Joseph Hospital was named one of the "Best Places to Work in Indiana" for the sixth consecutive year. The hospital touts universal values to "keep healthcare human" and employees consistently put patients first, which unites them in a common goal. Hospital President Kathy Young believes that St. Joseph _____ makes both her employees and patients happier in her hospital.

- a. vision
- b. service offerings
- c. organizational culture
- d. pathos
- e. behavioral protocol

Answer: c **Page(s):** 30 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: An organization's culture refers to a set of values, ideas, attitudes, and norms of behavior that is learned and shared among the members of an organization. Uniting behind common values and goals has lead to a strong organizational culture for St. Joseph Hospital.

2-110 ORGANIZATIONAL DIRECTION

COMPREHENSION

The organizational _____ answers the question, "What will we do?"

- a. foundation
- b. direction
- c. culture
- d. strategy
- e. mission

Answer: b **Page(s):** 29-30 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: The organization's direction includes (1) the "business it is in" and (2) its specific goals. See Figure 2-2 in the textbook.

2-111 BUSINESS

KNOWLEDGE

In the context of organizational direction, a business refers to

- a. the daily operational decisions that must be implemented for an organization to remain viable.
- b. exchange transactions between seller and buyer in order for the seller to make sales and earn profits.
- c. the clear, broad, underlying industry or market sector of an organization's offering.
- d. an organization that develops an offering.

- e. the objectives of a firm and the strategies and tactics that will allow it to achieve them.

Answer: c **Page(s):** 30 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—business.

2-112 BUSINESS

KNOWLEDGE

The clear, broad, underlying industry or market sector of an organization's offerings is referred to as its _____.

- a. business
- b. commerce
- c. marketing
- d. competitive set
- e. product grouping

Answer: a **Page(s):** 30 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—business.

2-113 BUSINESS

KNOWLEDGE

_____ argued that senior managers of 20th century American railroads defined their business too narrowly, thus failing to create strategies to compete with airlines, barges, pipelines, and trucks.

- a. Earl Bakken
- b. Mark Zuckerberg
- c. Reed Hastings
- d. Theodore Levitt
- e. Steve Jobs

Answer: d **Page(s):** 30 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy
Rationale: In his famous "Marketing Myopia" article in the 1960s, Theodore Levitt argues that senior managers of 20th century American railroads defined their business too narrowly.

2-114 BUSINESS

COMPREHENSION

In terms of an organization's business, railroads lost market share in the 20th century because they

- a. had less flexible routes than trucking.
- b. defined their business too narrowly.
- c. defined their business too broadly.
- d. priced their services too high.
- e. were simply an outmoded form of transportation.

Answer: b **Page(s):** 30 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium
Rationale: In the first half of the 20th century, the American railroads proclaimed, "We are in the railroad business!" This narrow business definition lost sight of their customers and their needs.

2-115 BUSINESS

COMPREHENSION

In the 20th century, managers of railroads let airlines, barges, pipelines, and trucks take business away from them because their strategies were developed only for the railroad business, rather than a broader definition of the _____ business.

- a. transportation
- b. transcontinental shipping
- c. passenger travel
- d. product delivery
- e. bulk cargo

Answer: a **Page(s):** 30 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Railroad firms defined their business too narrowly. As a result, they lost sight of their customers' needs. Consequently, railroads saw only other railroad companies as competitors and failed to develop strategies to compete with airlines, barges, pipelines, and trucks—offerings that carried both goods and people. Railroads probably would have fared better over the past century by recognizing they were in “the transportation business.”

2-116 BUSINESS MODEL

KNOWLEDGE

The strategies an organization develops to provide value to the customers it serves is called a(n)

- a. mission statement.
- b. objective goal.
- c. vision statement.
- d. business model.
- e. protocol.

Answer: d **Page(s):** 30 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—business model.

2-117 BUSINESS MODEL

KNOWLEDGE

A business model

- a. is a road map for the marketing activities of an organization for a specified future time period.
- b. consists of the strategies an organization develops to provide value to the customers it serves.
- c. is a measure of the quantitative value or trend of a marketing activity or result.
- d. consists of the detailed day-to-day operational decisions for an organization.
- e. is the means by which organizational goals are to be measured and documented.

Answer: b **Page(s):** 30 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—business model.

2-118 BUSINESS MODEL

APPLICATION

Many local and national chain bookstores, such as Borders and Bookstar, have closed over the past few years. This is due in part to competition from e-book readers like Amazon's Kindle and Apple's iPad, which permit the online purchase and download of digital books from their websites. Moreover, subscribers to newspapers and magazines have cancelled their print subscriptions in favor of online news. These trends have caused the newspaper *StarTribune* to

offer online content for \$1.99 per week and *Newsweek* to suspend its print edition in favor of an online only weekly edition. These companies had to change their _____, an action triggered by the technological and social changes (reader preferences) that occurred in their marketing environments.

- a. organizational cultures
- b. marketing tactics
- c. business models
- d. strategic marketing processes
- e. goals or objectives

Answer: c **Page(s):** 30 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: The *StarTribune* and *Newsweek* have had to change their business models because of the technological and social changes that occurred in their marketing environments.

2-119 MARKETING MATTERS: BUSINESS MODEL

KNOWLEDGE

Rovio, the Finnish developer of Angry Birds, believes it is in the _____ business.

- a. video game
- b. entertainment
- c. amusement ride
- d. toy
- e. clothing

Answer: b **Page(s):** 30-31 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy

Rationale: Rovio sees itself as being an “entertainment company,” *not* a “gaming company.”

2-120 MARKETING MATTERS: BUSINESS MODEL

COMPREHENSION

Rovio, the developer of Angry Birds video game, has broadened its business model by expanding into all of the following growth opportunities **EXCEPT**:

- a. Angry Birds video game line extensions, such as Angry Birds Space.
- b. a strategic partnership with Hasbro to market Angry Birds toys.
- c. an Angry Birds movie.
- d. Angry Birds remote control flying drones.
- e. Angry Birds amusement parks.

Answer: d **Page(s):** 30-31 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Looking for growth opportunities, one clear strategy for Rovio was to launch spin-offs of the original Angry Birds video game. In 2012, Rovio introduced Angry Birds Space. If you travel to Finland, you will find more than 30 Angry Birds amusement parks. Rovio also has partnered with a Swedish clothing manufacturer, an American toy maker (Hasbro), and a Finnish beverage company. So by 2013, Angry Birds were showing up on T-shirts, soda cans, flip flops, toys, hoodies, and candy—all around the world. On the horizon for the summer of 2016 is an Angry Birds movie.

2-121 GOALS/OBJECTIVES

KNOWLEDGE

Statements of an accomplishment of a task to be achieved, often by a specific time are referred to as _____.

- a. plans
- b. procedures
- c. objectives
- d. strategies
- e. core values

Answer: c **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—goals or objectives.

2-122 GOALS/OBJECTIVES

KNOWLEDGE

Statements of an accomplishment of a task to be achieved, often by a specific time are referred to as _____.

- a. plans
- b. procedures
- c. strategies
- d. core values
- e. goals

Answer: e **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—goals or objectives.

2-123 GOALS/OBJECTIVES

COMPREHENSION

_____ convert an organization's mission and business into long- and short-term performance targets.

- a. Plans
- b. Tactics
- c. Strategies
- d. Goals
- e. Visions

Answer: d **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium
Rationale: Goals or objectives (terms used interchangeably in the text) are statements of an accomplishment of a task to be achieved, often by a specific time. Goals convert an organization's mission and business into long- and short-term performance targets.

2-124 GOALS/OBJECTIVES

KNOWLEDGE

Objectives refer to

- a. the means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program designed to reach it.
- b. criteria or standards used in evaluating proposed solutions to a marketing problem.
- c. statements of an accomplishment of a task to be achieved, often by a specific time.
- d. a road map for the marketing activities of an organization for a specified future time period, such as one year or five years.

- e. the detailed day-to-day operational decisions essential to the overall success of marketing strategies.

Answer: c **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—goal or objective.

2-125 GOALS/OBJECTIVES

COMPREHENSION

Regarding goals and objectives, which of the following statements would be **MOST ACCURATE**?

- a. Objectives convert an organization's mission and business into long- and short-term performance targets.
- b. Goals and objectives are actually the detailed day-to-day activities necessary to implement a marketing program.
- c. A company's goals and objectives are often worthy in intent, but unrealistic in practice because they are never accomplished during the specified time period.
- d. Goal-setting only applies to business firms; nonprofit organizations typically do not set goals because they don't earn a profit.
- e. The terms goal and objective should not be used interchangeably. Goals are philosophical while objectives are performance-based.

Answer: a **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium
Rationale: Goals or objectives (terms used interchangeably in this book) are statements of an accomplishment of a task to be achieved, often by a specific time. Goals convert an organization's mission and business into long- and short-term performance targets.

2-126 PROFIT GOAL

KNOWLEDGE

Most firms seek to maximize their long-run _____, achieving as high a financial return on their investments as possible.

- a. quality
- b. market share
- c. employee welfare
- d. social responsibility
- e. profits

Answer: e **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy
Rationale: Business firms can pursue several different types of goals including profit goals to get as high a financial return on its investments (ROI) as possible.

2-127 PROFIT GOAL

COMPREHENSION

A new company projects that its sales will exceed its expenses within the first year of operation. This is an example of which type of goal?

- a. dollar sales revenue
- b. profit
- c. market share
- d. unit sales

- e. quality

Answer: b **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Most firms seek to maximize long-run profits, achieving as high a financial return on investment (ROI) as possible. Profit is the money left after a business firm's total expenses are subtracted from its total revenues.

2-128 PROFIT GOAL

COMPREHENSION

Seeking to obtain as high a financial return on their investments (ROI) as possible, firms will often set _____ goals.

- a. sales
- b. quality
- c. market share
- d. profit
- e. employee welfare

Answer: d **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Business firms pursue several different types of goals such as profit, sales, market share, quality, customer satisfaction, employee welfare, and social responsibility. Most seek to maximize profit to obtain as high a financial return on their investments (ROI) as possible.

2-129 SALES REVENUE GOAL

COMPREHENSION

If profits are acceptable, a firm that has set sales as its goal may elect to _____, even though profits may not be maximized.

- a. advertise more frequently
- b. reduce its salesforce
- c. maintain or increase its sales
- d. decrease its sustainability efforts
- e. maximize customer satisfaction

Answer: c **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: If profits are acceptable, a firm may elect to maintain or increase its sales level even though profits may not be maximized.

2-130 SALES REVENUE GOAL

APPLICATION

A small businesswoman was preparing her staff for the upcoming holiday season. Her women's apparel retail store has had a great year—sales and profits were up 20 percent. In a meeting with her sales staff before opening the store on Black Friday, the day after Thanksgiving, she said, "We want to move as much inventory as possible. Not only can we highlight our holiday items, why don't we also mark down some of our other seasonal items while people are in a shopping mood?" From this statement, she is concerned with a _____ goal.

- a. profit
- b. sales
- c. market share
- d. customer satisfaction

- e. survival

Answer: b **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: If profits are acceptable, a firm may elect to maintain or increase its sales level even though profitability may not be maximized.

2-131 SALES REVENUE GOAL

APPLICATION

GM's original first-year _____ goal for the Volt was 10,000 units, although the product was well into its second year before reaching that level.

- a. profit
- b. market share
- c. sales
- d. customer satisfaction
- e. survival

Answer: c **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: This is an example of a sales goal, which is sometimes in dollars or in units, as it is here.

2-132 MARKET SHARE

KNOWLEDGE

Market share refers to

- a. the ratio of the profit of the firm to the total profits of all firms in the industry, excluding the firm itself.
- b. the ratio of the profit of the firm to the total profits of all firms in the industry, including the firm itself.
- c. the ratio of sales revenue of the firm to the total sales revenue of all firms in the industry, excluding the firm itself.
- d. the ratio of sales revenue of the firm to the total sales revenue of all firms in the industry, including the firm itself.
- e. the ratio of the profits of all firms in an industry to the profits of the firm.

Answer: d **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—market share.

2-133 MARKET SHARE GOAL

KNOWLEDGE

The ratio of sales revenue of the firm to the total sales revenue of all firms in the industry, including the firm itself, is referred to as [a]

- a. sales proportionality.
- b. marketing metric.
- c. industry potential.
- d. contribution margin.
- e. market share.

Answer: e **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—market share.

2-134 MARKET SHARE

KNOWLEDGE

Market share is the ratio of sales revenue of the firm to the total sales revenue of all _____, including the firm itself.

- a. firms in the industry
- b. firms in the competitive set
- c. firms in the WTO
- d. product groupings
- e. domestic firms in a country

Answer: a **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—market share.

2-135 MARKET SHARE GOAL

APPLICATION

If Dr. Pepper plans to grow its proportion of the flavors segment of carbonated soft drink industry to 45%, it has set a(n) _____ goal.

- a. sales proportionality
- b. company sales
- c. industry potential
- d. contribution margin
- e. market share

Answer: e **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard
Rationale: This is an example of a market share goal. Market share is the ratio of sales revenue of the firm to the total sales revenue of all firms in the industry, including the firm itself.

2-136 QUALITY GOAL

COMPREHENSION

A firm may have a goal to offer its customers the highest _____, as Medtronic does with its implantable medical devices.

- a. innovation
- b. quality
- c. service
- d. value
- e. warranty

Answer: b **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium
Rationale: Business firms pursue several different types of goals such as profit, sales, market share, quality, customer satisfaction, employee welfare, and social responsibility. Medtronic offers its customers the highest quality with its implantable medical devices.

2-137 QUALITY GOAL

APPLICATION

Complaints about Microsoft's Xbox video game consoles began immediately after its introduction. These complaints ranged from missing parts to incorrect programming. Microsoft

should have should adopted a more rigorous _____ goal.

- a. profit
- b. sales revenue
- c. customer satisfaction
- d. employee welfare
- e. quality

Answer: e **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: Microsoft needed a quality goal because it had missing parts and incorrect programming. If quality were present, there would not be complaints like these.

2-138 QUALITY GOAL

APPLICATION

Toyota had some difficulty recovering from a recall crisis from a couple of years ago when it was forced to recall about 6 million vehicles due to variety of problems, most notably one with the accelerator pedal. To “polish” its brand, it implemented stricter _____ goals to improve the safety and reliability of its vehicles.

- a. profit
- b. sales revenue
- c. customer satisfaction
- d. quality
- e. employee welfare

Answer: d **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: Quality goals should help Toyota to regain the trust of consumers and rebuild its image as a producer of quality automobiles.

2-139 QUALITY GOAL

APPLICATION

Motorola invented the Six Sigma program that sets as a goal no more than one defect in one million parts manufactured. This is an example of a(n) _____ goal.

- a. profit
- b. sales revenue
- c. quality
- d. market share
- e. employee welfare

Answer: c **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: Six Sigma is a quality program sets as a goal no more than 1 part per million defective. A firm may target the highest quality, as Motorola does with its Six Sigma program.

2-140 CUSTOMER SATISFACTION GOAL

COMPREHENSION

Customers’ perceptions are of vital importance to an organization. Customer _____ can be measured with surveys or by the number of customer complaints an organization receives.

- a. satisfaction
- b. welfare
- c. lifetime benefit

- d. value
- e. responsibility

Answer: a **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Business firms pursue several different types of goals such as profit, sales, market share, quality, customer satisfaction, employee welfare, and social responsibility. Customer satisfaction can be measured with surveys or by the number of customer complaints an organization receives.

2-141 CUSTOMER SATISFACTION GOAL

APPLICATION

The number one consumer complaint about bananas is how soon they start getting brown spots. Dole **MOST LIKELY** set a(n) _____ goal when it recently began adding stickers to bananas to promote the use of overripe bananas in the Yonanas machine (Dole owns 30% of the firm) to make a creamy, guilt-free dessert.

- a. profit
- b. market share
- c. employee welfare
- d. customer satisfaction
- e. social responsibility

Answer: d **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: Customer satisfaction can be measured directly with surveys or tracked through customer complaints. This action by Dole seems to be one intended to reduce the number of complaints about its bananas and thus improve satisfaction.

2-142 CUSTOMER SATISFACTION GOAL

APPLICATION

Suppose L.L. Bean, a catalog retailer, has set a goal to reduce merchandise returns by 20 percent for the holiday season. The firm would **MOST LIKELY** have set a(n) _____ goal.

- a. profit
- b. customer satisfaction
- c. market share
- d. employee welfare
- e. social responsibility

Answer: b **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: Customer satisfaction can be measured directly with surveys or tracked with performance measures (marketing metrics) such as the number of merchandise returns, which it wants to reduce by 20 percent for the holiday season. Returned merchandise is an indication of dissatisfied customers.

2-143 CUSTOMER SATISFACTION GOAL

APPLICATION

Lands' End ships each order within 48 hours and its guarantee is the best in the world, as exemplified by its tagline "Guaranteed. Period." These marketing actions by Lands' End **MOST LIKELY** reflect its _____ goals.

- a. profit

- b. market share
- c. employee welfare
- d. social responsibility
- e. customer satisfaction

Answer: e **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: Customer satisfaction can be measured directly with surveys or tracked through complaints, which should be minimized by increasing the percent of orders shipped within 48 hours of receipt and its guarantee.

2-144 EMPLOYEE WELFARE GOAL

COMPREHENSION

When a firm recognizes the critical importance of its employees by attempting to provide good conditions and opportunities, it sets an employee _____ goal.

- a. satisfaction
- b. responsibility
- c. compensation
- d. core value
- e. welfare

Answer: e **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Business firms pursue several different types of goals such as profit, sales, market share, quality, customer satisfaction, employee welfare, and social responsibility. When a firm recognizes the critical importance of its employees by providing them with good employment opportunities and working conditions, this is an employee welfare goal.

2-145 EMPLOYEE WELFARE GOAL

COMPREHENSION

Business firms pursue several different types of goals. When a firm recognizes the critical importance of its employees, this is an _____ goal.

- a. employee satisfaction
- b. employee compensation
- c. employee responsibility
- d. employee core value
- e. employee welfare

Answer: e **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Business firms pursue several different types of goals such as profit, sales, market share, quality, customer satisfaction, employee welfare, and social responsibility. When a firm recognizes the critical importance of its employees by providing them with good employment opportunities and working conditions, this is an employee welfare goal.

2-146 EMPLOYEE WELFARE GOAL

APPLICATION

The founder of Starbucks, Howard Schultz, provides health care for all employees who work over 20 hours per week. He says “the companies that are doing the right thing by covering their employees [with health care coverage] are paying for the companies who don’t do the right thing.” This is an example of one of Starbucks’ _____ goals.

- a. profit
- b. market share
- c. employee welfare
- d. customer satisfaction
- e. sales

Answer: c **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: A firm may recognize the critical importance of its employees by having an explicit goal stating its commitment to good employment opportunities and working conditions for them, the situation here with Starbucks.

2-147 EMPLOYEE WELFARE GOAL

APPLICATION

Many universities and other educational institutions provide retirement benefits by doubling the percentage an employee pays into her/his retirement account up to a certain percentage of her/his pay. This provides a wonderful benefit to those who are full-time employees. This is an example of a(n) _____ goal.

- a. satisfaction
- b. sales revenue
- c. market share
- d. quality
- e. employee welfare

Answer: e **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: A firm may recognize the critical importance of its employees by having an explicit goal stating its commitment to good employment opportunities and working conditions for them, the situation described here.

2-148 SOCIAL RESPONSIBILITY GOAL

COMPREHENSION

Business firms pursue several different types of goals. A(n) _____ goal may be set to balance the conflicting goals of stakeholders to promote their overall welfare, even at the expense of profits.

- a. customer satisfaction
- b. shareholder
- c. profit minimization
- d. social responsibility
- e. employee welfare

Answer: d **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Business firms pursue several different types of goals such as profit, sales, market share, quality, customer satisfaction, employee welfare, and social responsibility. A social responsibility goal is when a firm seeks to balance the conflicting goals of stakeholders—such as employees vs. shareholders—to promote their overall welfare, even at the expense of profits.

2-149 SOCIAL RESPONSIBILITY GOAL

APPLICATION

American Express has a long history of working for the good of all in its New York community. In 1885, it engaged its employees to help raise money to build the pedestal of the Statue of Liberty. Today, it has a program to help restore, preserve and revitalize historic sites in New York City. These actions by American Express are partial fulfillment of the _____ the firm has established for itself as a corporate citizen.

- a. unit sales goals
- b. market share goals
- c. sales revenue goals
- d. customer satisfaction goals
- e. social responsibility goals

Answer: e **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: A firm may seek to balance conflicting goals of consumers, employees, and stockholders to promote overall welfare of all these groups, even at the expense of profits. American Express here shows a commitment to social responsibility goals.

2-150 SOCIAL RESPONSIBILITY GOAL

APPLICATION

Hasbro is a \$4-plus billion toy company that prides itself on donating to organizations that help children, since they and their parents comprise the target market for its business. This is an example of a(n)

- a. unit sales goal.
- b. market share goal.
- c. social responsibility goal.
- d. sales revenue goal.
- e. customer satisfaction goal.

Answer: c **Page(s):** 31 **LO:** 2-2 **AACSB:** Analytic **QD:** Hard

Rationale: A firm may seek to balance conflicting goals of consumers, employees, and stockholders to promote overall welfare of all these groups, even at the expense of profits.

2-151 ORGANIZATIONAL STRATEGIES

COMPREHENSION

The organizational foundation sets the “_____” of organizations; the organization direction sets the “_____,” and organizational strategies are concerned with the “_____.”

- a. when; why; what
- b. why; what; how
- c. what; how; why
- d. what; where; how
- e. how; where; what

Answer: b **Page(s):** 29, 32 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: The organizational foundation sets the “why” of organizations; the organization direction sets the “what;” and organizational strategies are concerned with the “how.” See Figure 2-2 in the textbook.

2-152 ORGANIZATIONAL STRATEGIES

COMPREHENSION

Organizational strategies vary in two ways, depending on

- a. (1) the strategy's level in the organization and (2) the offerings an organization provides to its customers.
- b. (1) the corporate level and (2) the SBU level in the organization.
- c. whether an offering is (1) a product) or (2) a service.
- d. whether they are (1) mission statements or (2) core values.
- e. (1) the organizational culture and (2) its core values.

Answer: a **Page(s):** 32 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: Organizational strategies vary in two ways, depending on the strategy level in the organization and the offerings it provides to its customers.

2-153 MARKETING PLAN

KNOWLEDGE

A marketing plan refers to

- a. the long-term decisions made to implement the marketing program and the monitoring of those decisions.
- b. a technique that marketing managers use to quantify performance measures and growth targets to analyze their firm's strategic business units (SBUs) as though they were a collection of separate investments.
- c. a road map for the marketing activities of an organization for a specified future time period, such as one year or five years.
- d. the detailed day-to-day operational decisions essential to the overall success of marketing strategies.
- e. a road map for the entire organization for a specified future period of time, such as one year or five years.

Answer: c **Page(s):** 32 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—marketing plan.

2-154 MARKETING PLAN

KNOWLEDGE

A road map for the marketing activities of an organization for a specified future time period, such as one year or five years, is referred to as a _____.

- a. business plan
- b. marketing objective
- c. marketing plan
- d. marketing strategy
- e. marketing program

Answer: c **Page(s):** 32 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—marketing plan.

2-155 MARKETING PLAN

COMPREHENSION

A marketing plan is developed during which phase of the strategic marketing process?

- a. implementation
- b. control

- c. development
- d. planning
- e. evaluation

Answer: d **Page(s):** 32 **LO:** 2-2 **AACSB:** Analytic **QD:** Medium

Rationale: A marketing plan is a road map for the marketing activities of an organization for a specified future time period, such as one year or five years. The planning phase of the strategic marketing process usually results in a marketing plan that sets the direction for the marketing activities of an organization.

2-156 MARKETING DASHBOARD

KNOWLEDGE

A(n) _____ is the visual computer display of the essential information related to achieving a marketing objective.

- a. marketing metric
- b. output report
- c. marketing dashboard
- d. information screen
- e. corporate dashboard

Answer: c **Page(s):** 32 **LO:** 2-3 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—marketing dashboard.

2-157 MARKETING DASHBOARD

KNOWLEDGE

A marketing dashboard refers to

- a. a “report card” prepared by the marketing department regarding its performance in terms of environmental and social responsibility.
- b. the display of information found on a car’s dashboard.
- c. an “app” that uses a car navigation device metaphorically to indicate the specific direction in which a company wishes to grow based on its annual marketing plan.
- d. information about an organization’s marketing metrics presented orally so marketers can quickly spot deviations from plans and take corrective actions.
- e. the visual computer display of the essential information related to achieving a marketing objective.

Answer: e **Page(s):** 32 **LO:** 2-3 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—marketing dashboard. Alternative “d” is a modified definition of data visualization.

2-158 MARKETING DASHBOARD

COMPREHENSION

With a marketing dashboard, a marketing manager can glance at all of the following **EXCEPT**:

- a. the time frame for which the data are presented.
- b. a graph.
- c. a table.
- d. a printed report.
- e. a map.

Answer: d **Page(s):** 32 **LO:** 2-3 **AACSB:** Analytic **QD:** Medium

Rationale: Alternative “d” is a printed document, not an image displayed on a computer screen. Moreover, marketing dashboards typically display information related to an organization’s marketing metrics (sales, website traffic, etc.) and not reports. Marketing managers need to quickly glance at data to identify deviations and then make decisions to correct them. See Figure 2-3 in the textbook.

2-159 MARKETING DASHBOARD

COMPREHENSION

Which of the following statements regarding a marketing dashboard is **MOST ACCURATE**?

- a. The more text (words) that is displayed, the better it is for a marketing manager to identify trends, interpret the data, and take corrective actions.
- b. A marketing dashboard very often includes 20 or more marketing metrics on the computer screen.
- c. Marketing dashboards provide graphic displays of a product’s performance, such as sales, website traffic, etc.
- d. For accuracy, the marketing dashboard should be updated weekly.
- e. Marketing dashboards often show key measures such as human resource turnover, strategy success, and societal well-being.

Answer: c **Page(s):** 32 **LO:** 2-3 **AACSB:** Analytic **QD:** Medium

Rationale: Marketing dashboards show graphic displays of key measures of a product’s performance, such as sales and website traffic.

2-160 MARKETING METRIC

KNOWLEDGE

A measure of the quantitative value or trend of a marketing activity or result is referred to as

- a. trend analysis.
- b. a marketing measurement.
- c. a marketing dashboard.
- d. a marketing metric.
- e. value analysis.

Answer: d **Page(s):** 32 **LO:** 2-3 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—marketing metric.

2-161 MARKETING METRIC

KNOWLEDGE

A marketing metric refers to

- a. a measure of the quantitative value or trend of a marketing activity or result.
- b. a form of linear trend analysis used to project future profits based on existing marketing plans.
- c. one of a series of mathematical formulas used to calculate potential profits based upon different scenarios of the forces in the marketing environment.
- d. information about an organization’s core values and code of ethics so marketers can quickly spot deviations and take corrective actions.
- e. the value of a product in terms of its contribution to employee welfare.

Answer: a **Page(s):** 32 **LO:** 2-3 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—marketing metric.

2-162 MARKETING METRIC

COMPREHENSION

The primary purpose of a marketing metric is to

- a. assign qualitative values to quantitative data.
- b. allow the sharing of information across product lines.
- c. measure the quantitative value of a marketing activity.
- d. forecast potential product/service opportunities over a period of five years.
- e. provide a numerically precise measurement of management judgment for an industry's growth.

Answer: c **Page(s):** 32 **LO:** 2-3 **AACSB:** Analytic **QD:** Medium
Rationale: A marketing metric is a measure of the quantitative value or trend of a marketing activity or result.

2-163 DATA VISUALIZATION

KNOWLEDGE

Data visualization

- a. is the visual computer display of the essential information related to achieving a marketing objective.
- b. is a road map for the marketing activities of an organization for a specified future time period.
- c. is the process of continuously collecting information about customers' needs, sharing this information across departments, and using it to create marketing metrics.
- d. is a measure of the quantitative value or trend of a marketing activity or result is the visual computer display of the essential information related to achieving a marketing objective.
- e. presents information about an organization's marketing metrics graphically so marketers can quickly spot deviations from plans and take corrective actions.

Answer: e **Page(s):** 33 **LO:** 2-3 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—data visualization.

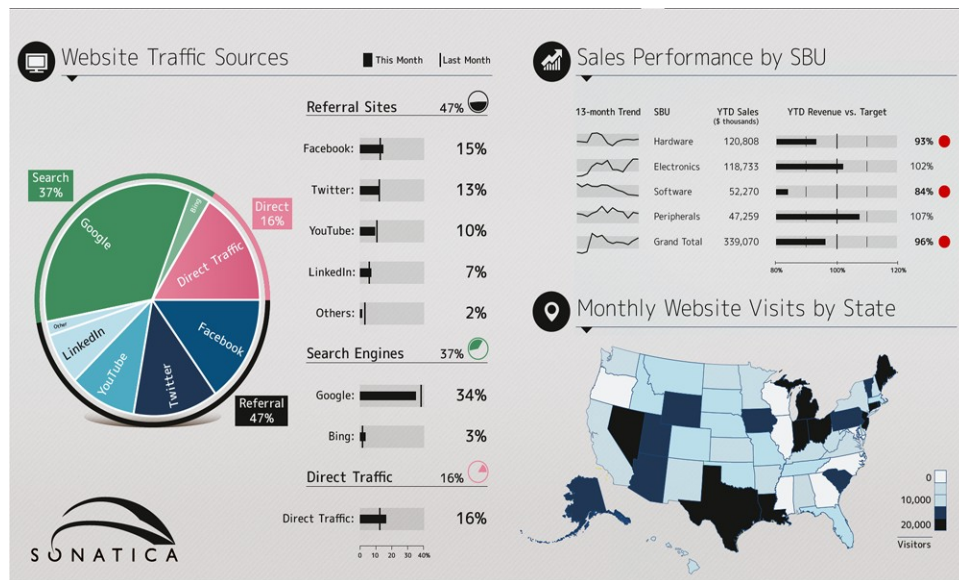


Figure 2-3

2-164 MARKETING DASHBOARD

COMPREHENSION

According to Figure 2-3 above, the image shown is an example of a(n)

- Gantt chart.
- marketing dashboard.
- Pert chart.
- marketing gauge.
- operations spreadsheet.

Answer: b **Page(s):** 33 **LO:** 2-3 **AACSB:** Analytic **QD:** Medium

Rationale: A marketing dashboard, such as the one shown in Figure 2-3, provides a graphic display of a product's performance, such as sales, cost of sales, and gross margin.

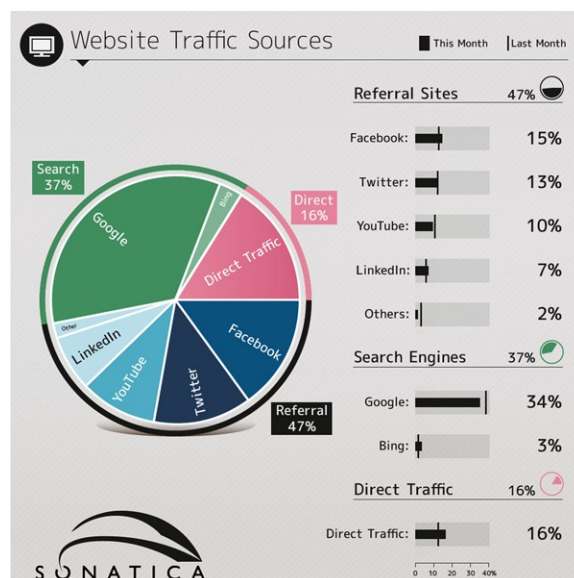


Figure 2-3a

2-165 MARKETING DASHBOARD

COMPREHENSION

According to Figure 2-3a above, which of the following is the largest “Website Traffic Source?”

- a. YouTube
- b. Direct traffic
- c. Google
- d. Facebook
- e. Twitter

Answer: c **Page(s):** 33 **LO:** 2-3 **AACSB:** Analytic **QD:** Medium

Rationale: According to Figure 2-3a, the largest “Website Traffic Source” is Google at 34%. See Figure 2-3 in the textbook.

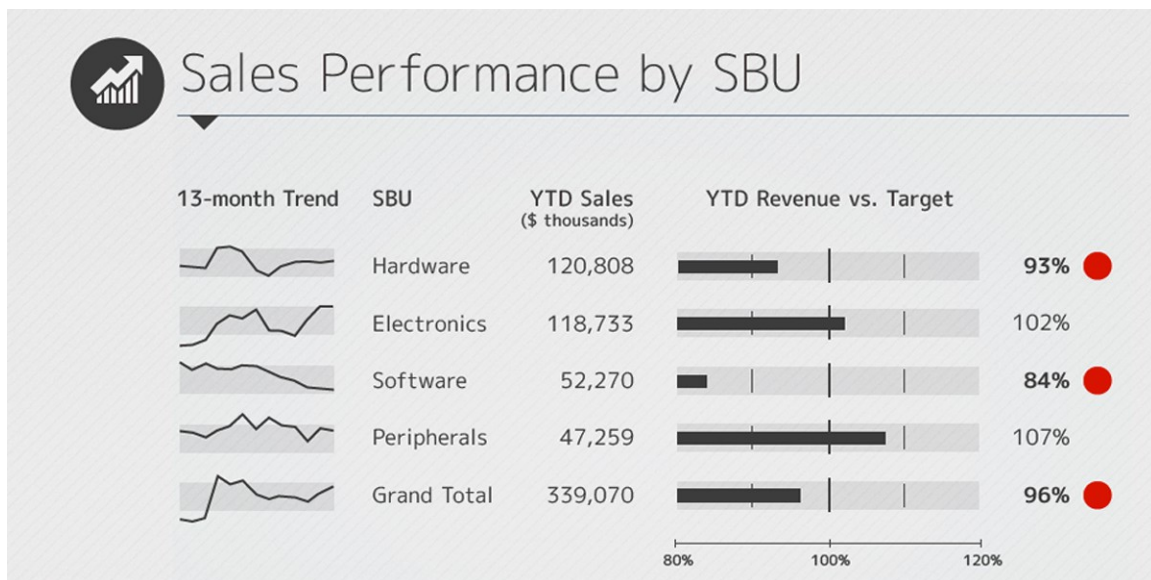


Figure 2-3b

2-166 MARKETING DASHBOARD

COMPREHENSION

According to Figure 2-3b above, which of the following SBUs 13-month sales trend has declined over the past few months?

- a. Grand Total
- b. Software
- c. Circuitry
- d. Electronics
- e. Hardware

Answer: b **Page(s):** 33 **LO:** 2-3 **AACSB:** Analytic **QD:** Medium

Rationale: According to Figure 2-3b: the Software 13-month sales trend line is declining; the Electronics and Grand Total 13-month sales trend lines are rising; and the Hardware and Peripherals 13-month sales trend line are flat.

2-167 MARKETING DASHBOARD

COMPREHENSION

According to Figure 2-3b above, which of the following SBUs is currently exceeding its YTD (Year to Date) revenue target?

- a. Peripherals
- b. Hardware
- c. Circuitry
- d. Software
- e. Grand Total

Answer: a **Page(s):** 33 **LO:** 2-3 **AACSB:** Analytic **QD:** Medium

Rationale: According to Figure 2-3b, the Peripherals SBU is exceeding its YTD revenue target by 7% (revenue vs. target is 107%). See Figure 2-3 in the textbook. Electronics is also exceeding its YTD revenue target (102%) but is not shown as an alternative.

2-168 MARKETING DASHBOARD

COMPREHENSION

According to Figure 2-3b above, which of the following SBUs has the **LOWEST** YTD revenue compared to its target?

- a. Hardware
- b. Electronics
- c. Software
- d. Peripherals
- e. Grand Total

Answer: c **Page(s):** 33 **LO:** 2-3 **AACSB:** Analytic **QD:** Medium

Rationale: According to Figure 2-3b, the Software SBU has the lowest YTD revenue compared to its target at 84%. The red “warning” circles on the marketing dashboard visually identifies a sales problem that needs corrective action. See Figure 2-3 in the textbook.

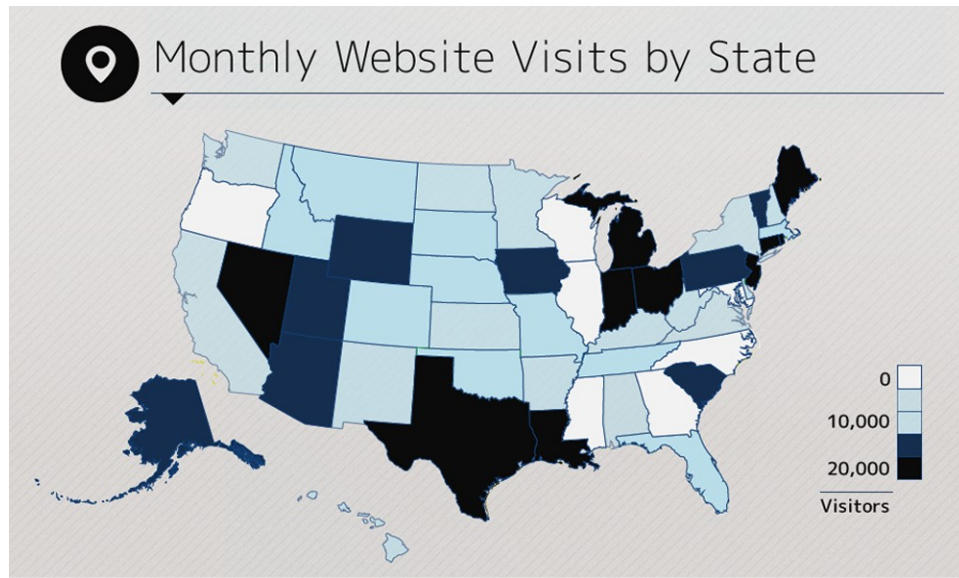


Figure 2-3c

2-169 MARKETING DASHBOARD

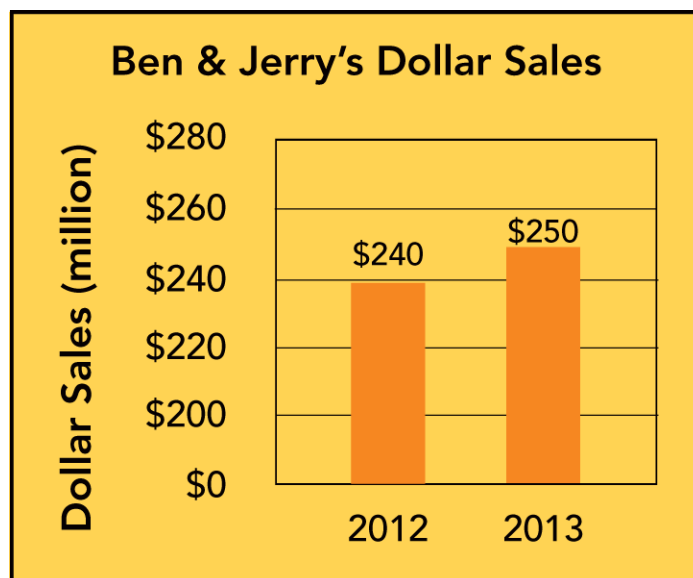
COMPREHENSION

According to Figure 2-3c above, which of the following states has the highest number of monthly website visits?

- a. Illinois
- b. Texas
- c. California
- d. Florida
- e. Washington

Answer: b **Page(s):** 33 **LO:** 2-3 **AACSB:** Analytic **QD:** Medium

Rationale: The U.S. map in Figure 2-3c shows that the darker the state, the greater the number of website visits for the month. From among the alternatives, Texas has the highest number of monthly website visits, with around 20,000 website visits per month. See Figure 2-3 in the textbook.



UMD2a: Ben & Jerry's Marketing Dashboard (Dollar Sales)

2-170 MARKETING DASHBOARD

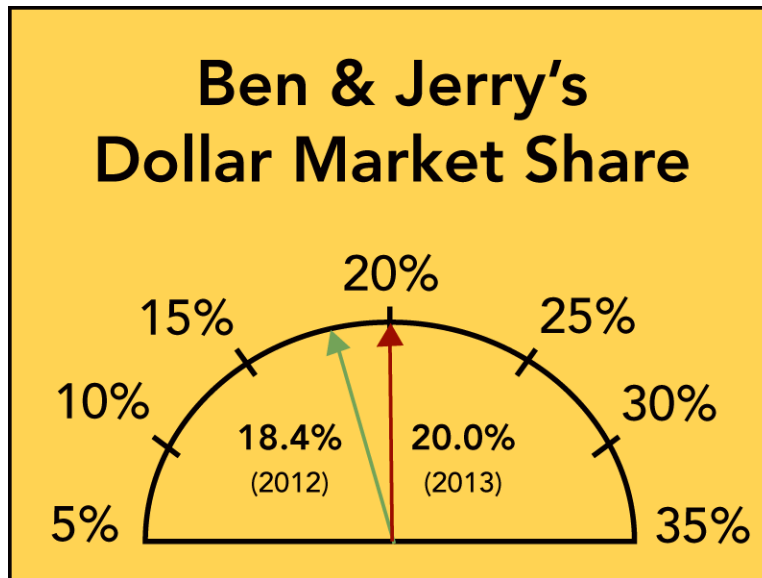
COMPREHENSION

Consider UMD2a: Ben & Jerry's Marketing Dashboard (Dollar Sales) shown above. A marketing manager for Ben and Jerry's has been provided with the above marketing dashboard display. She notices that dollar sales for 2012 were \$240 million and in 2013 they were \$250 million. What was the formula used to calculate the dollar sales for each of these two years?

- Dollar sales (\$) = average price multiplied by quantity manufactured in each year.
- Dollar sales (\$) = average cost of goods sold minus fixed costs in each year.
- Dollar sales (\$) = average price minus shrinkage rate in each year.
- Dollar sales (\$) = average price multiplied by quantity sold in each year.
- Dollar sales (\$) = average cost of goods sold minus variable costs in each year.

Answer: d **Page(s):** 34 **LO:** 2-3 **AACSB:** Analytic **QD:** Medium

Rationale: Dollar sales (\$) equals the average price multiplied by the quantity sold in each year.



UMD2b: Ben & Jerry's Marketing Dashboard (Dollar Market Share)

2-171 MARKETING DASHBOARD

COMPREHENSION

Consider UMD2b: Ben & Jerry's Marketing Dashboard (Dollar Market Share) shown above. A marketing manager for Ben and Jerry's has been provided with the above marketing dashboard display. He notices that dollar market share for 2012 was 18.4% and for 2013 it was 20.0%. What simple formula was used to calculate the dollar market share percentages for each of these two years?

- Dollar market share (%) = Ben and Jerry's sales (\$) divided by total industry sales (\$)—including Ben & Jerry's sales (\$).
- Dollar market share (%) = Total industry sales (\$)—including Ben & Jerry's sales (\$) divided by Ben and Jerry's sales (\$).
- Dollar market share (%) = Total industry sales (\$)—including Ben & Jerry's sales (\$) divided by Ben and Jerry's unit sales (#).
- Dollar market share (%) = Total industry sales (\$)—including Ben & Jerry's sales (\$) divided by Ben and Jerry's net profit (\$).
- Dollar market share (%) = Ben and Jerry's sales (\$) divided by gross domestic product (\$).

Answer: a **Page(s):** 34

LO: 2-3

AACSB: Analytic

QD: Medium

Rationale: Dollar market share (%) equals Ben & Jerry's sales (\$) divided by total industry sales (\$)—including Ben & Jerry's sales (\$).

2-172 COMPETENCIES

KNOWLEDGE

An organization's special capabilities, including skills, technology, and resources that distinguish it from other organizations and provide customer value, are referred to as

- points of differences.
- sustainable advantages.
- core values.

- d. points of similarity.
- e. competencies.

Answer: e **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—competencies.

2-173 COMPETENCIES

COMPREHENSION

An organization's competencies include all of the following **EXCEPT**:

- a. profit.
- b. customer service.
- c. technologies.
- d. resources.
- e. employee skills.

Answer: a **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium
Rationale: Competencies are an organization's special capabilities, including skills, technology, and resources that distinguish it from other organizations and provide customer value.

2-174 COMPETENCIES

APPLICATION

Rhone-Poulenc is an international French company that produces and markets a variety of chemicals and pharmaceuticals. Due to the resources it makes available to its scientists and researchers, the company has a number of Nobel Prize winners working in its laboratories. This ability to employ some of the finest minds in the world is an example of a

- a. point of similarity.
- b. competency.
- c. sustainable advantage.
- d. product development strategy.
- e. human resource strategy.

Answer: b **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard
Rationale: Competencies are an organization's special capabilities, including skills, technology, and resources that distinguish it from other organizations and provide customer value, like Rhone-Poulenc's Nobel Prize researchers here.

2-175 COMPETENCIES

APPLICATION

Designing a car is expensive and time-consuming even with the use of computers because of the difficulty of getting all the varied departments that are to work together. Mercedes-Benz created a unique centralized web-based system that cuts the design and production process by at least two years, thus providing customer value. This is an example of a(n)

- a. point of similarity.
- b. innovation-oriented mission.
- c. action program.
- d. operational goal implementation.
- e. competency.

Answer: e **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Competencies are an organization's special capabilities, including skills, technology, and resources that distinguish it from other organizations and provide customer value, like Mercedes-Benz's central web-based design system here.

2-176 COMPETENCIES

APPLICATION

Evergreen Air Center is the world's biggest parking lot for unwanted aircraft. Airlines pay a monthly fee from \$750 to \$5,000 to mothball their unneeded airplanes at this site. Its location is on 1,600 acres of Arizona desert near Tucson. The Southwest climate of dry, warm air serves as a cheap and effective airplane preservative against rust. Evergreen's location is a(n)

- a. competency.
- b. sustainable advantage.
- c. competitive identity.
- d. core benefit proposition.
- e. innovative distinction.

Answer: a **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Competences are an organization's special capabilities (in this case, the climate gives it the capabilities to preserve planes cheaply and efficiently) that distinguish it from other organizations and provide customer value to the airlines, like Evergreen's unique location here.

2-177 COMPETITIVE ADVANTAGE

KNOWLEDGE

A competitive advantage refers to

- a. the cluster of benefits that an organization promises customers to satisfy their needs.
- b. those characteristics of a product that make it superior to competitive substitutes.
- c. a unique strength relative to competitors that provides superior returns, often based on quality, time, cost, or innovation.
- d. actions taken by a firm with the sole intent of putting a competitor out of business.
- e. the added value given to a product beyond the functional benefits provided.

Answer: c **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—competitive advantage.

2-178 COMPETITIVE ADVANTAGE

KNOWLEDGE

A unique strength relative to competitors that provides superior returns, often based on quality, time, cost, or innovation, is referred to as a

- a. creative advantage.
- b. marketing edge.
- c. distinctive competency.
- d. competitive advantage.
- e. core benefit.

Answer: d **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—competitive advantage.

2-179 COMPETITIVE ADVANTAGE**APPLICATION**

Weight Watchers is a weight-management company with operations in about 30 countries. Consumers buy almost \$5 billion of Weight Watchers-branded products each year, and every week approximately 1.3 million people attend Weight Watchers meetings worldwide. The company's brand recognition and meeting infrastructure are difficult for competitors to match, so they provide Weight Watchers with a distinct

- a. viable mission.
- b. competitive advantage.
- c. tactical innovation.
- d. core benefit.
- e. sales orientation.

Answer: b **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Competitive advantage is a unique strength relative to competitors, often based on quality, time, cost, or innovation. In the case of Weight Watchers, it is the branding and meeting infrastructure.

2-180 COMPETITIVE ADVANTAGE**APPLICATION**

St. Jude Medical makes cardiovascular medical devices, including the world's most widely used mechanical heart valve. Its products include tissue heart valves, pacemakers, and implantable cardiovascular defibrillators. St. Jude's innovation in cardiac devices helps it outperform rivals, and thus provides it with

- a. a competitive advantage.
- b. a set of core values.
- c. a core benefit proposition.
- d. a marketing edge.
- e. a viable mission.

Answer: a **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Competitive advantage is a unique strength relative to competitors, often based on quality, time, cost, or innovation. In this case, its cardiac device innovation provides St. Jude's with a competitive advantage.

2-181 COMPETITIVE ADVANTAGE**APPLICATION**

Netflix is a company that rents DVD movies either by mail or streams movies over the Internet. It jumped into an industry where there were many competitors from other local and national video stores. Initially, it established a loyal clientele by providing a service that was not available—reliable and fast shipment. Its delivery system created Netflix's

- a. viable mission.
- b. competitive advantage.
- c. tactical innovation.
- d. core benefit.
- e. sales orientation.

Answer: b **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Competitive advantage is a unique strength relative to competitors, often based on quality, time, cost, or innovation. In this case, it is Netflix's fast, reliable delivery.

2-182 COMPETITIVE ADVANTAGE

APPLICATION

Men's Wearhouse (MW) caters to the man who doesn't necessarily enjoy shopping. Its stores are located in shopping centers so that customers can get in and out quickly. Additionally, the MW targets the budget-conscious consumer with suit prices ranging from \$150 to \$850. The location of its stores and its pricing strategy both are part of MW's

- a. competitive advantage.
- b. core values.
- c. core benefit proposition.
- d. marketing edge.
- e. viable mission.

Answer: a **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Competitive advantage is a unique strength relative to competitors, often based on quality, time, cost, or innovation. In this case, its store locations and pricing strategy comprise the Men's Wearhouse's competitive advantage.



Lands' End Ad

2-183 CUSTOMERS

COMPREHENSION

Consider the Lands' End ad above. Lands' End communicates a remarkable commitment to its _____ with these unconditional words: "We accept any return, for any reason. Guaranteed. Period."

- a. competitive advantage
- b. core values
- c. core benefit proposition

- d. customers
- e. mission statement

Answer: a **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: Lands' End communicates a remarkable commitment to its customers with these unconditional words: "We accept any return, for any reason. Guaranteed. Period." This two-word guarantee is the focus of Lands' End's strategy to provide genuine value to customers, ensuring that they have a satisfying shopping experience.

2-184 COMPETITORS

COMPREHENSION

Although now a part of Sears, Lands' End was primarily known as a catalog retailer. This means that traditional department stores, mass merchandisers, specialty shops, and other catalog retailers are considered to be Lands' End's

- a. consideration set.
- b. industry.
- c. competitors.
- d. target market.
- e. stakeholders.

Answer: c **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: Lands' End, now part of Sears, competes with not only with other catalog retailers of clothing but also traditional department stores, mass merchandisers, and specialty retailers. Although only some of the clothing in these stores directly competes with Lands' End offerings, all these retailers have websites to sell their offerings over the Internet. This means Lands' End faces a lot of competition.

2-185 COMPETITORS

APPLICATION

All of the following retailers are principal or direct competitors to Lands' End **EXCEPT**:

- a. Amazon.com
- b. Sears
- c. L.L. Bean
- d. Target
- e. Pierre Cardin

Answer: e **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Lands' End, now part of Sears, competes with not only with other catalog retailers of clothing but also traditional department stores, mass merchandisers, specialty retailers, and clothiers such as Liz Claiborne that have both physical and online stores. Lands' End even competes with the firm that owns it: Sears! This means Lands' End faces a lot of competition. However, Pierre Cardin is a manufacturer of clothing and other accessories that doesn't have its own stores or sells online.

2-186 GROWTH STRATEGIES

COMPREHENSION

Two commonly used techniques to aid managers with important decisions for setting a direction and allocating resources include _____ and _____ analysis strategies.

- a. micromarketing; macromarketing
- b. business portfolio; diversification
- c. investment; divestment
- d. dashboards; metrics
- e. subjective; objective

Answer: b **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: Knowing where the organization is at the present time enables managers to set a direction for the firm and allocate resources to move in that direction. Two techniques to aid managers with these decisions are: (1) business portfolio analysis and (2) diversification analysis.

2-187 BCG BUSINESS PORTFOLIO ANALYSIS

KNOWLEDGE

The Boston Consulting Group (BCG) uses _____ to quantify performance measures and growth targets to analyze its clients' SBUs as though they were a collection of separate investments.

- a. target marketing
- b. synergy analysis
- c. market-product grids
- d. business portfolio analysis
- e. diversification analysis

Answer: d **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—business portfolio analysis.

2-188 BCG BUSINESS PORTFOLIO ANALYSIS

KNOWLEDGE

The Boston Consulting Group (BCG) uses business portfolio analysis to quantify performance measures and growth targets to analyze its clients' strategic business units (SBUs)

- a. as if each were a separate investment.
- b. to establish their worth to society at large.
- c. to determine which would be suited for a SWOT analysis.
- d. to determine which units are candidates for diversification analysis.
- e. to determine which units can be divided into smaller, tactical business units (TBUs).

Answer: a **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: The Boston Consulting Group (BCG) uses business portfolio analysis to quantify performance measures and growth targets to analyze its clients' strategic business units as though they were a collection of separate investments. The purpose of the tool is to determine the appeal of each SBU or offering and then determine the amount of cash each should receive.

2-189 BUSINESS PORTFOLIO ANALYSIS

KNOWLEDGE

Business portfolio analysis refers to

- a. a tool that helps a firm search for growth opportunities from among current and new markets as well as current and new products.
- b. a technique that managers use to graphically track their firm's strategic business units (SBUs) as though they were a single expense in order to identify cost-cutting measures.

- c. a technique that managers use to quantify performance measures and growth targets to analyze their firm's strategic business units (SBUs) as though they were a collection of separate investments.
- d. an analysis that uses percentage points of market share as the common basis of comparison to allocate marketing resources effectively for different product lines within the same firm.
- e. a tool that seeks opportunities by finding the optimum balance between marketing efficiencies versus R&D–manufacturing efficiencies.

Answer: c **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—business portfolio analysis.

2-190 BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

A technique that managers use to categorize strategic business units (SBUs) as question marks, stars, cash cows, or dogs is referred to as a(n)

- a. investment (ROI) analysis.
- b. synergy analysis.
- c. marketing audit.
- d. diversification analysis.
- e. business portfolio analysis.

Answer: e **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: The Boston Consulting Group (BCG) model is a business portfolio analysis. BCG has given these specific names to the four quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization. See Figure 2-4 in the textbook.

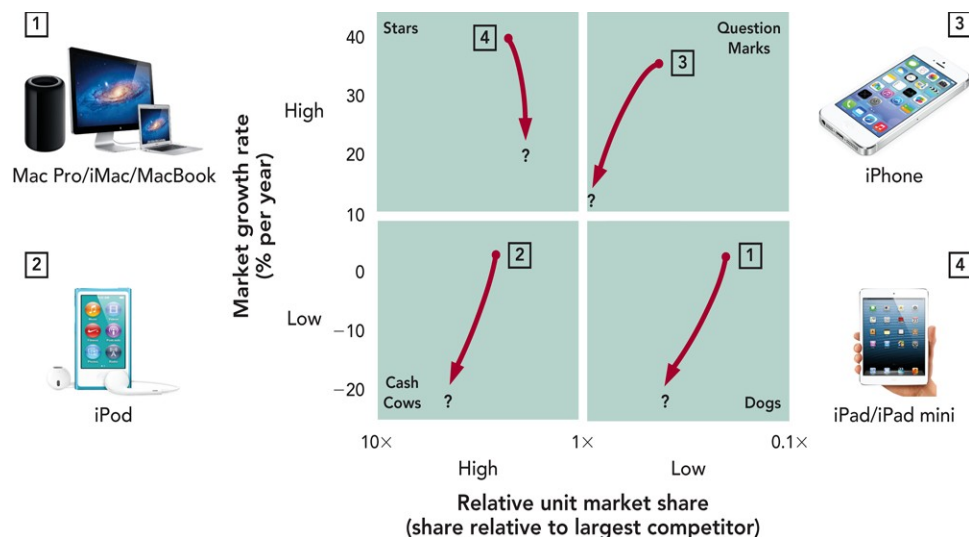


Figure 2-4

2-191 BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

Figure 2-4 shown above represents which type of analysis?

- a. SWOT analysis
- b. synergy analysis
- c. marketing audit
- d. diversification analysis
- e. business portfolio analysis

Answer: e **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: Figure 2-4 represents business portfolio analysis, a tool developed by the Boston Consulting Group (BCG) to depict the amount of cash SBUs generate for or require from the organization. See Figure 2-4 in the textbook.

2-192 BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

The purpose of business portfolio analysis is to

- a. add or delete product line and brand extensions.
- b. search for growth opportunities from among current and new markets as well as current and new products.
- c. alter a product's characteristic, such as its quality, performance, or appearance, to increase its value to customers and increase sales.
- d. determine the appeal of each SBU or offering and then determine the amount of cash each should receive.
- e. seek opportunities by finding the optimum balance between marketing efficiencies versus R&D–manufacturing efficiencies.

Answer: d **Page(s):** 35 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: The purpose of business portfolio analysis is to determine the appeal of each SBU or offering and then determine the amount of cash each should receive.

2-193 MARKETING MATTERS: APPLE SBUS

KNOWLEDGE

What is the common problem for every CEO of a for-profit organization like Apple's Tim Cook?

- a. decrease labor expenses through outsourcing
- b. increase future sales
- c. employ Americans
- d. increase the market growth rate
- e. decrease relative market share

Answer: b **Page(s):** 36 **LO:** 2-2 **AACSB:** Analytic **QD:** Easy

Rationale: The common problem for every CEO of a for-profit organization like Apple's Tim Cook is to find ways to increase future sales and profits to keep the firm growing.

2-194 BCG BUSINESS PORTFOLIO ANALYSIS

KNOWLEDGE

In the Boston Consulting Group (BCG) model for analysis of a firm's strategic business units, or SBUs, the vertical axis reflects _____.

- a. market growth rate
- b. marketing efficiencies
- c. industry attractiveness

- d. market segment size
- e. relative market share

Answer: a **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: The vertical axis is the market growth rate, which is the annual rate of growth of the SBU's industry. The horizontal axis is the relative market share, defined as the sales of the SBU divided by the sales of the largest firm in the industry. See Figure 2-4 in the textbook.

2-195 BCG BUSINESS PORTFOLIO ANALYSIS

KNOWLEDGE

The Boston Consulting Group (BCG) business portfolio analysis requires an organization to locate the position for each of its strategic business units (SBUs) on a growth-share matrix. The vertical axis of this matrix indicates

- a. the annual rate of growth of the firm's largest competitor.
- b. the relative dollar (\$) market share of the largest competitor.
- c. the annual rate of growth of the SBU's industry.
- d. the relative unit (#) market share of the largest competitor.
- e. the annual rate of growth of the firm itself.

Answer: c **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: The vertical axis is the market growth rate, which is the annual rate of growth of the SBU's industry. The horizontal axis is the relative market share, defined as the sales of the SBU divided by the sales of the largest firm in the industry. See Figure 2-4 in the textbook.

2-196 BCG BUSINESS PORTFOLIO ANALYSIS

KNOWLEDGE

The Boston Consulting Group (BCG) business portfolio analysis requires an organization to locate the position for each of its strategic business units (SBUs) on a growth-share matrix. The horizontal axis of this matrix indicates

- a. the annual rate of growth of the SBU's industry.
- b. the relative dollar (\$) market share of the largest competitor.
- c. the annual rate of growth of the firm's largest competitor.
- d. the relative unit (#) market share of the smallest competitor.
- e. the annual rate of growth of the firm itself.

Answer: b **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: The vertical axis is the market growth rate, which is the annual rate of growth of the SBU's industry. The horizontal axis is the relative market share, defined as the sales of the SBU divided by the sales of the largest firm in the industry. See Figure 2-4 in the textbook.

2-197 BCG BUSINESS PORTFOLIO ANALYSIS

KNOWLEDGE

In the Boston Consulting Group (BCG) model for analysis of a firm's strategic business units, or SBUs, the horizontal axis reflects _____.

- a. market growth rate
- b. marketing efficiencies
- c. industry attractiveness
- d. market segment size

- e. relative market share

Answer: e **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: The vertical axis is the market growth rate, which is the annual rate of growth of the SBU's industry. The horizontal axis is the relative market share, defined as the sales of the SBU divided by the sales of the largest firm in the industry. See Figure 2-4 in the textbook.

2-198 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

In a BCG growth-share matrix, a relative market share of $10\times$ at the left end of the scale on its horizontal axis means that the SBU has 10 times the share of its largest competitor, whereas a relative market share of $0.1\times$ at the right end of the scale on its horizontal axis means that

- a. the SBU has only 10 percent of the share of its average competitor.
- b. the SBU has 100 percent of the share of its largest competitor.
- c. the growth rate between the SBU and the next largest competitor is actually identical.
- d. the SBU has only 10 percent of the share of its largest competitor.
- e. the industry growth rate is declining.

Answer: d **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: The figure $0.1\times$ is interpreted as $1/10$ (or 10%) of the share of its largest competitor. See Figure 2-4 in the textbook.

2-199 BCG BUSINESS PORTFOLIO ANALYSIS

KNOWLEDGE

All of the following are names the BCG has given to describe the four quadrants in its growth-share matrix **EXCEPT**:

- a. dogs.
- b. stars.
- c. question marks.
- d. cash cows.
- e. hedgehogs.

Answer: e **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: The BCG has given names to describe the four quadrants in its growth-share matrix. They are cash cows, stars, question marks, and dogs. See Figure 2-4 in the textbook.

2-200 BCG BUSINESS PORTFOLIO ANALYSIS: CASH COWS

KNOWLEDGE

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization. "Cash cows" are SBUs that are classified as having

- a. high market growth rates and high relative market shares.
- b. low market growth rates but high relative market shares.
- c. low market growth rates and low relative market shares.
- d. high market growth rates but low relative market shares.
- e. medium market growth rates and medium relative market shares.

Answer: b **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: “Cash cows” are SBUs that are classified as having low market growth rates but high relative market shares. See Figure 2-4 in the textbook.

2-201 BCG BUSINESS PORTFOLIO ANALYSIS: CASH COWS

KNOWLEDGE

SBUs with dominant shares of slow-growth markets that provide cash to cover the organization’s overhead and to invest in other SBUs are referred to as _____.

- a. cash cows
- b. stars
- c. question marks
- d. dogs
- e. hedgehogs

Answer: a **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: Cash cows are SBUs that generate large amounts of cash, far more than they can invest profitably in themselves. They have dominant shares of slow-growth markets and provide cash to cover the organization’s overhead and to invest in other SBUs. See Figure 2-4 in the textbook.

2-202 BCG BUSINESS PORTFOLIO ANALYSIS: CASH COWS

COMPREHENSION

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization. “Cash cows” are located in which quadrant of the BCG growth-share matrix?

- a. upper left quadrant
- b. upper right quadrant
- c. center of the four quadrants
- d. lower right quadrant
- e. lower left quadrant

Answer: e **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: “Cash cows” are located in the lower left quadrant of the BCG growth-share matrix. See Figure 2-4 in the textbook.

2-203 BCG BUSINESS PORTFOLIO ANALYSIS: CASH COWS

APPLICATION

Several years ago, Black & Decker purchased General Electric’s small appliances product line. Black & Decker purchased the line because it needed the cash generated from a product line that had a dominant market share in the slow-growth small appliance industry. GE’s small appliances product line is **MOST LIKELY** a _____ for Black & Decker.

- a. dog
- b. cash cow
- c. question mark
- d. star
- e. hedgehog

Answer: b **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: The General Electric small appliances product line holds a large share of a slow-growth industry, the definition of a cash cow. See Figure 2-4 in the textbook.

2-204 BCG BUSINESS PORTFOLIO ANALYSIS: STARS

KNOWLEDGE

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization.

“Stars” are SBUs that are classified as having

- a. high market growth rates and high relative market shares.
- b. low market growth rates but high relative market shares.
- c. low market growth rates and low relative market shares.
- d. high market growth rates but low relative market shares.
- e. medium market growth rates and medium relative market shares.

Answer: a **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: “Stars” are SBUs that are classified as having high market growth rates and high relative market shares. See Figure 2-4 in the textbook.

2-205 BCG BUSINESS PORTFOLIO ANALYSIS: STARS

KNOWLEDGE

SBUs with a high share of high-growth markets that may not generate enough cash to support their own demanding needs for future growth are referred to as _____.

- a. dogs
- b. cash cows
- c. question marks
- d. stars
- e. hedgehogs

Answer: d **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—stars. See Figure 2-4 in the textbook.

2-206 BCG BUSINESS PORTFOLIO ANALYSIS: STARS

COMPREHENSION

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization.

“Stars” are located in which quadrant of the BCG growth-share matrix?

- a. upper left quadrant
- b. upper right quadrant
- c. center of the four quadrants
- d. lower right quadrant
- e. lower left quadrant

Answer: a **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: “Stars” are located in the upper left quadrant of the BCG growth-share matrix. See Figure 2-4 in the textbook.

2-207 BCG BUSINESS PORTFOLIO ANALYSIS: STARS

APPLICATION

Solarcom is a 30-year-old information technology company that owns several subsidiaries. One of its subsidiaries is Atlantix Global Systems, which is one of the leading wholesalers for refurbished computer equipment that has a large share of an industry that is growing worldwide. According to the BCG business portfolio analysis framework, Atlantix Global would **MOST LIKELY** be classified as a _____.

- a. dog
- b. cash cow
- c. question mark
- d. hedgehog
- e. star

Answer: e **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard
Rationale: Atlantix Global Systems has a large share of a high-growth industry, the definition of a star. See Figure 2-4 in the textbook.

2-208 BCG BUSINESS PORTFOLIO ANALYSIS: QUESTION MARKS KNOWLEDGE

SBU's with a low share of high-growth markets that may require large cash injections of cash just to maintain market share are referred to as _____.

- a. dogs
- b. cash cows
- c. question marks
- d. stars
- e. hedgehogs

Answer: c **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—question marks. See Figure 2-4 in the textbook.

2-209 BCG BUSINESS PORTFOLIO ANALYSIS: QUESTION MARKS KNOWLEDGE

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization. "Question marks" are SBU's that are classified as having

- a. high market growth rates and high relative market shares.
- b. low market growth rates but high relative market shares.
- c. low market growth rates and low relative market shares.
- d. high market growth rates but low relative market shares.
- e. medium market growth rates and medium relative market shares.

Answer: d **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy
Rationale: "Question marks" are SBU's that are classified as having high market growth rates but low relative market shares. See Figure 2-4 in the textbook.

2-210 BCG BUSINESS PORTFOLIO ANALYSIS: QUESTION MARKS COMPREHENSION

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization.

“Question marks” are located in which quadrant of the BCG growth-share matrix?

- a. upper left quadrant
- b. upper right quadrant
- c. center of the four quadrants
- d. lower right quadrant
- e. lower left quadrant

Answer: b **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: “Question marks” are located in the upper right quadrant of the BCG growth-share matrix. See Figure 2-4 in the textbook.

2-211 BCG BUSINESS PORTFOLIO ANALYSIS: DOGS

KNOWLEDGE

SBUs with a low share of slow-growth markets that may generate enough cash to sustain themselves but do not hold the promise of ever becoming real winners for the organization are referred to as _____.

- a. dogs
- b. cash cows
- c. stars
- d. question marks
- e. hedgehogs

Answer: a **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: “Dogs” are SBUs with low shares of slow-growth markets. See Figure 2-4 in the textbook.

2-212 BCG BUSINESS PORTFOLIO ANALYSIS: DOGS

KNOWLEDGE

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization. “Dogs” are SBUs that are classified as having

- a. high market growth rates and high relative market shares.
- b. low market growth rates but high relative market shares.
- c. low market growth rates and low relative market shares.
- d. high market growth rates but low relative market shares.
- e. medium market growth rates and medium relative market shares.

Answer: c **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: “Dogs” are SBUs that are classified as having low market growth rates and low relative market shares. See Figure 2-4 in the textbook.

2-213 BCG BUSINESS PORTFOLIO ANALYSIS: DOGS

COMPREHENSION

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization. “Dogs” are located in which quadrant of the BCG growth-share matrix?

- a. upper left quadrant
- b. upper right quadrant

- c. center of the four quadrants
- d. lower right quadrant
- e. lower left quadrant

Answer: d **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: “Dogs” are located in the lower right quadrant of the BCG growth-share matrix. See Figure 2-4 in the textbook.

2-214 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

In its business portfolio analysis, an organization’s SBUs often start as “_____” and eventually become “_____.”

- a. dogs; question marks
- b. question marks; stars
- c. stars; question marks
- d. stars; dogs
- e. question marks; dogs

Answer: e **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: In its business portfolio analysis, an organization’s SBUs often start as question marks and proceed counterclockwise to become stars, then cash cows, and finally dogs. See Figure 2-4 in the textbook.

2-215 BCG BUSINESS PORTFOLIO ANALYSIS

APPLICATION

Several years ago, the Honda Motor Company unveiled the hybrid version of the Honda Civic. While the hybrid vehicles are very fuel efficient, they are also very expensive to purchase. Hybrid vehicles sales have increased over 570 percent with a compound annual growth rate of 88.6%. Sales of the Civic eventually surpassed those of the Toyota Prius, making it the number one hybrid car in the U.S. For years, Honda has experienced tremendous success with their Accords—in fact, these Honda cars are the top-selling automobiles in the U.S. Where would the Honda Civic (hybrid version) and the Honda Accord fall in the BCG business portfolio analysis matrix?

- a. The hybrid Civic is a star; the Accord is a cash cow.
- b. The hybrid Civic is a cash cow; the Accord is a star.
- c. Due to the overwhelming success of Honda cars, both the Accord and the hybrid Civic are cash cows.
- d. The hybrid Civic is a hedgehog; the Accord is a cash cow.
- e. The hybrid Civic is a dog; the Accord is a star.

Answer: a **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: The BCG growth-share matrix is based upon market growth rate and market share. The hybrid car market is a high growth market. The Honda Civic hybrid has slightly over half of the market share of this market. The vehicle will require large injections of cash from other products in the Honda line to maintain or increase market share. As a result, the Honda Civic hybrid is a star. The Honda Accord auto is well established in a slower-growth market and controls a significant percentage of market share. Thus, the Accord is a cash cow for Honda and the revenues generated from these cars will be used to finance the marketing of the hybrid Civic, a star in the BCG growth-share matrix. See Figure 2-4 in the textbook.

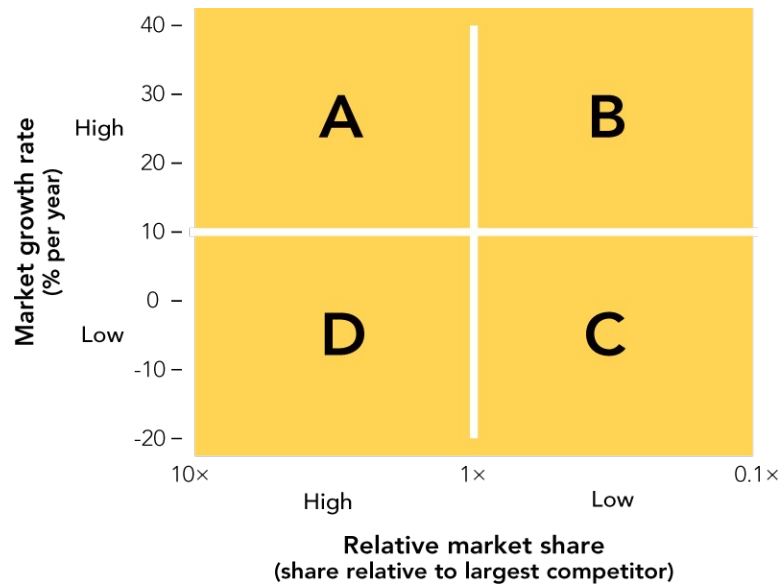


Figure 2-4

2-216 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

In Figure 2-4 shown above, SBUs found in quadrant “A” would be called _____.

- a. cash cows
- b. question marks
- c. dogs
- d. hedgehogs
- e. stars

Answer: e **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: SBUs with high growth rate and high relative market share are called stars. See Figure 2-4 in the textbook.

2-217 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

In Figure 2-4 shown above, SBUs found in quadrant “B” would be called _____.

- a. cash cows
- b. stars
- c. question marks
- d. dogs
- e. hedgehogs

Answer: c **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: SBUs with high growth rate and low relative market share are called question marks. See Figure 2-4 in the textbook.

2-218 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

In Figure 2-4 shown above, SBUs found in quadrant “C” would be called _____.

- a. cash cows
- b. stars
- c. question marks
- d. dogs
- e. hedgehogs

Answer: d **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium
Rationale: SBUs with low growth rate and low relative market share are called dogs. See Figure 2-4 in the textbook.

2-219 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

In Figure 2-4 shown above, SBUs found in quadrant “D” would be called _____.

- a. cash cows
- b. stars
- c. question marks
- d. dogs
- e. hedgehogs

Answer: a **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium
Rationale: SBUs with low growth rate and high relative market share are called cash cows. See Figure 2-4 in the textbook.

2-220 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

To move an SBU from its current position on a BCG business portfolio analysis, a manager should concentrate mostly on

- a. influencing the relative market share.
- b. enhancing employee motivation to move a low valued SBU to a higher one.
- c. adding a variety of new SBUs that will force out older ones.
- d. influencing the market growth rate.
- e. simplifying its offerings by removing features.

Answer: a **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium
Rationale: Because an organization has limited influence on market growth rate, its main alternative is to try to change its relative market share. To accomplish this, management decides what role each SBU should have in the future and either injects or removes cash from it.

2-221 BCG BUSINESS PORTFOLIO ANALYSIS

APPLICATION

Because an organization has limited influence on market growth rate, its main alternative for moving an SBU on the portfolio analysis matrix is to try to change its relative market share. The most likely way for a company to turn a “question mark” into a “star” rather than a “dog” is to

- a. take cash away from it.
- b. reduce advertising for it.

- c. inject cash into it.
- d. reduce the feature set for it.
- e. decrease the market growth rate.

Answer: c **Page(s):** 36-37 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Because an organization has limited influence on market growth rate, its main alternative is to try to change its relative market share. To accomplish this, management decides what role each SBU should have in the future and either injects or removes cash from it. To become a “star,” the firm will have to inject cash into it.



Apple Personal Computer Photo

2-222 BCG BUSINESS PORTFOLIO ANALYSIS: APPLE

APPLICATION

Consider the photo above of Apple’s personal computers (PCs), such as the MacPro, iMac, and MacBookPro. With the arrival of tablet devices, such as Apple’s iPad in 2010, global PC industry sales slowed and then declined. However, Apple’s Macs have bucked this trend, increasing its global unit market share from 10 to 12 percent. By 2016, global PC unit sales are expected to fall dramatically due to the explosion in tablet device sales. Apple’s Mac PC SBU appears to be a _____.

- a. question mark
- b. star
- c. hedgehog
- d. cash cow
- e. dog

Answer: e **Page(s):** 36-38 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: In business portfolio analysis, an organization’s SBUs often start as “question marks” and proceed counterclockwise to become “stars,” then “cash cows,” and finally “dogs.” Recent trends have forced Apple’s PC SBU to become a dog cow (low market share in a low-growth market).



Apple iPod Photo

2-223 BCG BUSINESS PORTFOLIO ANALYSIS: APPLE

APPLICATION

Consider the photo above of Apple's iPod. Apple entered the MP3 player market with its iPod device in 2001. Today, Apple sells four iPod product lines (classic, nano, shuffle, and touch). By 2014, Apple had a 70 percent share of this market. However, global MP3 music player unit sales over the past few years have fallen dramatically and are expected to decline further by 2016 as smartphones continue to replace MP3 devices. In addition, MP3 sales may be adversely impacted with the expected launch of wearable digital watches. Apple's iPod SBU appears to be a

- a. question mark
- b. star
- c. hedgehog
- d. cash cow
- e. dog

Answer: d **Page(s):** 36-38 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: In business portfolio analysis, an organization's SBUs often start as "question marks" and proceed counterclockwise to become "stars," then "cash cows," and finally "dogs." For Apple, its iPod SBU is a cash cow (high market share in a low-growth market) and is likely to remain one for the near future



Apple iPhone 5C Photo

2-224 BCG BUSINESS PORTFOLIO ANALYSIS: APPLE

APPLICATION

Consider the photo above of Apple's iPhone 5C. Apple launched its revolutionary iPhone in 2007, the first smartphone that used a multi-touch user interface. iPhone unit sales skyrocketed. Recently, smartphone sales have slowed as the industry moves into the maturity stage of its product life cycle. But Apple's sales have remained strong. By 2017, the smartphone market is expected to grow at a compound annual rate of 13 percent due to dropping average smartphone prices. Apple's iPhone had a 15 percent share of the global smartphone market in 2013—second to Samsung, whose share was 41 percent. Apple's iPod SBU appears to be a _____.

- a. question mark/star
- b. raptor
- c. hedgehog
- d. cash cow
- e. dog

Answer: a **Page(s):** 36-38 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: In business portfolio analysis, an organization's SBUs often start as "question marks" and proceed counterclockwise to become "stars," then "cash cows," and finally "dogs." For Apple, its iPhone SBU is on the question mark/star borderline (low/medium market share in a high-growth market) and may remain so for the next few years.



Apple iPad Air Photo

2-225 BCG BUSINESS PORTFOLIO ANALYSIS: APPLE

APPLICATION

Consider the photo above of Apple's iPad Air. In 2010, Steve Jobs once again revolutionized an industry when Apple launched the iPad. Unit sales reached an astonishing 40 percent market share by 2013—leading both Samsung's Galaxy (18 percent) and Amazon's Kindle (4 percent). Global tablet unit sales are expected to more than double by 2016 as consumers continue to switch from desktop and laptop PCs to tablet devices, with Apple still the projected market share leader. Recently, Apple introduced the 4th generation iPad (renamed the iPad Air) and upgraded its iPad mini. Currently, Apple's iPad SBU appears to be a _____.

- a. question mark
- b. star
- c. hedgehog
- d. cash cow
- e. dog

Answer: b **Page(s):** 36-38 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: In business portfolio analysis, an organization's SBUs often start as "question marks" and proceed counterclockwise to become "stars," then "cash cows," and finally "dogs." For Apple, its iPad SBU is a star (high market share in a high-growth market).



Kodak Digital Camera Photo

2-226 BCG BUSINESS PORTFOLIO ANALYSIS: KODAK

APPLICATION

Consider the Kodak Digital Camera photo above. Despite being slow to exploit its digital camera technology, Kodak eventually did. From the early-to mid 2000s, Kodak's digital camera SBU moved successfully from a question mark to a star, becoming the market leader by 2005. At that time, the product was then considered to be a cash cow. However, with intense competition from Japanese marketers and the arrival of smartphones such as Apple's iPhone in 2007, Kodak's digital camera sales fell dramatically. In early 2013, Kodak exited the consumer digital camera business. For Kodak, this SBU became a _____.

- a. question mark
- b. star
- c. hedgehog
- d. cash cow
- e. dog

Answer: e **Page(s):** 36-38 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: In business portfolio analysis, an organization's SBUs often start as "question marks" and proceed counterclockwise to become "stars," then "cash cows," and finally "dogs." Recent trends have forced the digital camera SBU to become a dog. In early 2013, Kodak signed an agreement with JK Imaging to license its Kodak brand name for its digital cameras, thereby ceasing the production and marketing of digital cameras.



Kodak Picture Kiosk Photo

2-227 BCG BUSINESS PORTFOLIO ANALYSIS: KODAK

APPLICATION

Consider the Kodak Picture Kiosk photo above. In the late 1990s, Kodak introduced its Kodak Picture Maker, which can make prints or CDs of pictures taken with digital cameras (and now smartphones). Now in its 3rd generation as of 2014, Kodak had over 100,000 Kodak Picture Kiosks installed worldwide in over 65,000 mass merchandisers, drugstores, and other retailers, making this SBU a cash cow for Kodak. But images are increasingly being stored and shared on Facebook, Instagram, or just the capture device. If these trends continue, this could make Kodak's Picture Kiosks SBU a potential _____, according to the BCG growth-share matrix.

- a. hedgehog
- b. star
- c. cash cow
- d. lion
- e. question mark or dog

Answer: e **Page(s):** 36-38 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Kodak's photo kiosks allow enthusiasts to take the images from their digital camera or smartphone and then store, share, manipulate, and print these images on high quality photo paper or CD. Today, over 100,000 Kodak Picture Kiosks are located in retail outlets around the world. But images are increasingly being stored and shared on Facebook or just the capture device, making Kodak's kiosks a potential question mark or even a dog if these trends continue.

2-228 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

One of the strengths inherent in the use of the BCG business portfolio analysis is that it

- a. is based solely on company perception rather than actual data.
- b. considers all factors that might impact an SBU's value to an organization.
- c. acts as a strong motivational tool for employees in SBUs that have been labeled "dogs" or "question marks."

- d. forces a firm to place each of its SBUs in the growth-share matrix, which in turn suggests which SBUs will be cash producers or cash users in the future.
- e. identifies specific marketing strategies and marketing tactics on how to solve SBU shortcomings.

Answer: d **Page(s):** 38 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: The primary strength of business portfolio analysis lies in forcing a firm to place each of its SBUs in the growth-share matrix, which in turn suggests which SBUs will be cash producers or cash users in the future.

2-229 BCG BUSINESS PORTFOLIO ANALYSIS

COMPREHENSION

One of the weaknesses inherent in the use of the BCG business portfolio analysis is that it

- a. causes dissension between different divisions when one is labeled a “star” and another a “dog.”
- b. reduces employee motivation to move a low valued SBU to a higher one.
- c. considers too many SBU factors beyond market growth rate and relative market share.
- d. does not require sales forecasts in order to be implemented.
- e. is often difficult to obtain the needed information to correctly place SBUs in the matrix.

Answer: e **Page(s):** 38 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: Weaknesses of BCG business portfolio analysis arise from the difficulty in (1) getting the needed information and (2) incorporating competitive data into business portfolio analysis.

2-230 DIVERSIFICATION ANALYSIS

KNOWLEDGE

A technique that helps a firm search for growth opportunities from among current and new markets as well as current and new products is referred to as _____.

- a. diversification analysis
- b. business portfolio analysis
- c. a market-product grid framework
- d. synergy analysis
- e. market segmentation

Answer: a **Page(s):** 38 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—diversification analysis. See Figure 2-5 in the textbook.

2-231 DIVERSIFICATION ANALYSIS

KNOWLEDGE

Diversification analysis refers to

- a. a technique that seeks opportunities by finding the optimum balance between marketing efficiencies versus R&D—manufacturing efficiencies.
- b. a framework to relate the market segments of potential buyers to products offered or potential marketing actions by an organization.
- c. a technique that helps a firm search for growth opportunities from among current and new markets as well as current and new products.
- d. a technique used to determine the appeal of each SBU or offering and then the amount of cash, if any, each should receive.

- e. a framework that identifies four “generic” strategies to achieve a competitive advantage.

Answer: c **Page(s):** 38 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—diversification analysis.

2-232 DIVERSIFICATION ANALYSIS

COMPREHENSION

Which of the following statements regarding diversification analysis is **MOST ACCURATE**?

- a. Companies should only use diversification analysis if they are well-established; new companies that use this process run the risk of trying to do too much too soon.
- b. For any product, there is both a current and a new market; for any market, there is both a current and a new product.
- c. Most companies discover that there is at least one product that is targeted to the wrong market.
- d. Diversification analysis is only effective for consumer products.
- e. Diversification analysis is used to forecast and calculate industry sales for new products.

Answer: b **Page(s):** 38 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium
Rationale: For any market, there is both a current product (what the firm now sells) and a new product (what the firm might sell in the future). And for any product, there is both a current market (the firm’s existing customers) and a new market (the firm’s potential customers).

2-233 MARKET PENETRATION

KNOWLEDGE

A marketing strategy to increase sales of current products in current markets is referred to as

- a. market penetration.
- b. market development.
- c. product development.
- d. diversification.
- e. marketing synergy.

Answer: a **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—market penetration. See Figure 2-5 in the textbook.

2-234 MARKET PENETRATION

KNOWLEDGE

Market penetration refers to the marketing strategy of

- a. selling current products to new markets.
- b. selling new products to new markets.
- c. selling new products to current markets.
- d. selling the same brands in both current and new markets.
- e. increasing sales of current products in current markets.

Answer: e **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—market penetration. See Figure 2-5 in the textbook.

2-235 MARKET PENETRATION

COMPREHENSION

One way a company can benefit from implementing a market penetration strategy would be to

- a. sell more products at a lower price in new markets.
- b. sell the same amount of product at a higher price in the same market.
- c. find a new market and sell the product at a much higher price.
- d. alter the product and sell it to a new market.
- e. reduce promotion and distribution costs to improve production efficiencies for the product in reaching new markets.

Answer: b **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: In market penetration, there is no change in either the basic product line or the markets served. Increased sales are generated by selling either more products through better promotion or distribution, or the same number of products at a higher price.

2-236 MARKET PENETRATION

COMPREHENSION

When using a _____ strategy, there is no change in either the basic product line or the markets served. Instead, increased sales are generated by selling either more products through better promotion or distribution or the same number of products at a higher price.

- a. product development
- b. market development
- c. diversification
- d. market saturation
- e. market penetration

Answer: e **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: Market penetration is a marketing strategy to increase sales of current products in current markets.

2-237 MARKET PENETRATION

APPLICATION

If Ben & Jerry's sold more units of its Bonnaroo Buzz Fair Trade-sourced super premium ice cream to U.S. consumers as a result of increased promotion while keeping its price per pint the same, it would be using a _____ strategy.

- a. product development
- b. market development
- c. market penetration
- d. diversification
- e. market saturation

Answer: c **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Market penetration is a marketing strategy to increase sales of current products in current markets. There is no change in either the basic product line or the markets served. Increased sales are generated by selling either more products through better promotion or distribution, or the same number of products at a higher price.

2-238 MARKET PENETRATION

APPLICATION

If sales revenues of Starbucks VIA Ready Brew instant coffee to U.S. consumers increased as a result of a slight price increase of \$0.25 per pack, it would be using a _____ strategy.

- a. product development
- b. market development
- c. market penetration
- d. diversification
- e. market saturation

Answer: c **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: : Market penetration is a marketing strategy to increase sales of current products in current markets. There is no change in either the basic product line or the markets served. Increased sales are generated by selling either more products through better promotion or distribution, or the same number of products at a higher price.

2-239 MARKET DEVELOPMENT

KNOWLEDGE

The marketing strategy to sell current products to new markets is referred to as _____.

- a. market penetration
- b. market infiltration
- c. market development
- d. product development
- e. diversification

Answer: c **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—market development. See Figure 2-5 in the textbook.

2-240 MARKET DEVELOPMENT

KNOWLEDGE

Market development refers to the marketing strategy of

- a. increasing sales of current products in current markets.
- b. selling new products to new markets.
- c. selling new products to current markets.
- d. selling the same brands in both current and new markets.
- e. selling current products to new markets.

Answer: e **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—market development. See Figure 2-5 in the textbook.

2-241 MARKET DEVELOPMENT

COMPREHENSION

If Ben & Jerry's starts selling Bonnaroo Buzz Fair Trade-sourced super premium ice cream in Brazil for the first time, it will be using a _____ strategy.

- a. product development
- b. market development
- c. diversification
- d. market saturation
- e. market penetration

Answer: b **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: Ben & Jerry's currently does not do business in Brazil. Market development is a marketing strategy to sell current products to new markets. See Figure 2-5 in the textbook.

2-242 MARKET DEVELOPMENT

APPLICATION

Part of the growth strategy for Yum! Brands, the parent company of KFC, Pizza Hut, and Taco Bell, is expansion of its fast food businesses into new markets, such as China, Russia, and India. This type of expansion would be a _____ strategy.

- a. product development
- b. market penetration
- c. diversification
- d. market development
- e. market saturation

Answer: d **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Market development is a marketing strategy to sell current products to new markets. See Figure 2-5 in the textbook.

2-243 PRODUCT DEVELOPMENT

KNOWLEDGE

The marketing strategy of selling new products to current markets is referred to as _____.

- a. product penetration
- b. product development
- c. market development
- d. diversification
- e. market penetration

Answer: b **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—product development. See Figure 2-5 in the textbook.

2-244 PRODUCT DEVELOPMENT

KNOWLEDGE

Product development refers to the marketing strategy of

- a. increasing sales of current products in current markets.
- b. selling current products to new markets.
- c. selling new products to new markets.
- d. selling new products to current markets.
- e. selling the same brands in both current and new markets.

Answer: d **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—product development. See Figure 2-5 in the textbook.

2-245 PRODUCT DEVELOPMENT

APPLICATION

If Ben & Jerry's sold a line of new "Get the Dough Out of Politics" T-shirts targeted to college students in the U.S., it would be using a _____ strategy.

- a. product development
- b. market development
- c. market penetration
- d. diversification
- e. market saturation

Answer: a **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Ben & Jerry's currently does not sell clothing. Product development is a marketing strategy to increase sales of new products ("Get the Dough Out of Politics" T-shirts) in current markets (U.S. college students). NOTE: Ben & Jerry's supports getting "big money" out of politics as part of its social mission.

2-246 PRODUCT DEVELOPMENT

APPLICATION

When Starbucks announced that it would release a new single-serve Verismo high-pressure brewing machines sale in its U.S. outlets, it was using a _____ strategy.

- a. product development
- b. market development
- c. market penetration
- d. diversification
- e. market saturation

Answer: a **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Starbucks has plans to offer a new product, a single-serve Verismo high-pressure brewing machines, to existing U.S. market of coffee, tea, and other beverage drinkers, which is a product development strategy.

2-247 DIVERSIFICATION

KNOWLEDGE

The marketing strategy of developing new products and selling them in new markets is referred to as

- a. product penetration
- b. product development
- c. market development
- d. market penetration
- e. diversification

Answer: e **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—diversification. See Figure 2-5 in the textbook.

2-248 DIVERSIFICATION

KNOWLEDGE

Diversification refers to the marketing strategy of

- a. increasing sales of current products in current markets.
- b. selling current products to new markets.
- c. selling new products to new markets.
- d. selling new products to current markets.
- e. selling the same brands in both current and new markets.

Answer: c **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—diversification. See Figure 2-5 in the textbook.

2-249 DIVERSIFICATION

COMPREHENSION

Which of the marketing strategies for expanding sales revenue below presents the most risk for an organization?

- a. product development
- b. product-market evolution
- c. market development
- d. market penetration
- e. diversification

Answer: e **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium
Rationale: A diversification strategy of developing new products in new markets is high risk because of the lack of experience with either for the organization. See Figure 2-5 in the textbook.

2-250 DIVERSIFICATION

APPLICATION

If Ben & Jerry's sold a line of new "Get the Dough Out of Politics" T-shirts targeted to college students in Latvia, it would be using a _____ strategy.

- a. product development
- b. market development
- c. market penetration
- d. diversification
- e. market saturation

Answer: d **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard
Rationale: Ben & Jerry's currently does not sell clothing nor does it do business in Latvia. Diversification is a marketing strategy to increase sales of new products ("Get the Dough Out of Politics" T-shirts) in new markets (Latvian college students). NOTE: Ben & Jerry's supports getting "big money" out of politics as part of its social mission.

2-251 DIVERSIFICATION

APPLICATION

If Ben & Jerry's starts selling children's clothing in Brazil to try to capitalize on its brand name, this would be an example of _____.

- a. product development.
- b. product-market evolution.
- c. market development.
- d. market penetration.
- e. diversification.

Answer: e **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard
Rationale: Ben & Jerry's is known for its ice cream, not children's clothing. Moreover, Ben & Jerry's currently does not do business in Brazil. So, by trying to sell Ben & Jerry's branded

children's clothing in Brazil would be taking a new product to a new market, which is diversification. See Figure 2-5 in the textbook.

MARKETS	PRODUCTS	
	Current	New
Current	A	B
New	C	D

Figure 2-5

2-252 DIVERSIFICATION ANALYSIS**COMPREHENSION**

The image depicted in Figure 2-5 above represents what strategic analysis technique?

- a. Gantt chart
- b. SWOT analysis
- c. Pert chart
- d. BCG growth-share matrix
- e. diversification analysis

Answer: e **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: Diversification analysis is a technique a firm uses to search for growth opportunities form among current and new products and markets.

2-253 MARKET PENETRATION**COMPREHENSION**

Quadrant "A" in Figure 2-5 above represents the marketing strategy of _____.

- a. market penetration
- b. product development
- c. market development
- d. product penetration
- e. diversification

Answer: a **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: Market penetration is a marketing strategy to increase sales of current products in current markets. See Figure 2-5 in the textbook.

2-254 MARKET PENETRATION**APPLICATION**

Consider Figure 2-5 above. A family owns a gelato business in a small town square next to a park, which is a favorite place for parents and children to stop on their way home from work to relax or school to play. However, the business owner is barely making ends meet. He experiments by purchasing a case of large take-home containers so customers can not only stop on the way home from school or work but also enjoy the gelato after dinner at home. Sales of gelato soar and profits begin to rise. This is an example of a _____ strategy that would be found in quadrant _____.

- a. product penetration; "A"
- b. market penetration; "A"
- c. product development; "B"
- d. market development; "B"
- e. market development; "C"

Answer: b**Page(s):** 38-39**LO:** 2-4**AACSB:** Analytic**QD:** Hard

Rationale: Market penetration is a marketing strategy to increase sales of current products in current markets ("A"). See Figure 2-5 in the textbook.

2-255 PRODUCT DEVELOPMENT**COMPREHENSION**

Quadrant "B" in Figure 2-5 above represents the marketing strategy of _____.

- a. market penetration
- b. product penetration
- c. market development
- d. product development
- e. diversification

Answer: d**Page(s):** 38-39**LO:** 2-4**AACSB:** Analytic**QD:** Medium

Rationale: Product development is a marketing strategy of selling new products to current markets. See Figure 2-5 in the textbook.

2-256 PRODUCT DEVELOPMENT**APPLICATION**

Consider Figure 2-5 above. A family owns a gelato business in a small town square next to a park, which is a favorite place for parents and children to stop on their way home from work to relax or school to play. However, the business owner is barely making ends meet. The adults who stop by are always complimenting him on his unusual gelato flavor selections. He decides to experiment by packaging his special spices into small packets that can be used at home as flavorings for dinner drinks. Sales of the spices soar and profits begin to rise. This is an example of a _____ strategy that would be found in quadrant _____.

- a. market penetration; "A"
- b. product development; "B"
- c. market development; "C"
- d. diversification; "D"
- e. product-market addition; "D"

Answer: b **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Product development is a marketing strategy of selling new products to current markets ("B"). See Figure 2-5 in the textbook.

2-257 PRODUCT DEVELOPMENT

APPLICATION

Taco Bell recently introduced Doritos Locos Tacos in the U.S., with shells made out of Nacho Cheese Doritos. The chain sold 100 million tacos in the first 10 weeks alone, its most popular product launch of all time. Considering Figure 2-5 above, this is an example of a _____ strategy that would be found in quadrant _____.

- a. market penetration; "A"
- b. product development; "B"
- c. market development; "C"
- d. diversification; "D"
- e. product-market enhancement; "D"

Answer: b **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Product development is a marketing strategy of selling new products to current markets ("B"), the situation here. See Figure 2-5 in the textbook.

2-258 MARKET DEVELOPMENT

COMPREHENSION

Quadrant "C" in Figure 2-5 above represents the marketing strategy of _____.

- a. product development
- b. market penetration
- c. market development
- d. product penetration
- e. diversification

Answer: c **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: Market development is a marketing strategy to sell current products to new markets. See Figure 2-5 in the textbook.

2-259 MARKET DEVELOPMENT

APPLICATION

Consider Figure 2-5 above. A family owns a gelato business in a small town square next to a park, which is a favorite place for parents and children to stop on their way home from work to relax or school to play. However, the business owner is barely making ends meet. He experiments by purchasing a refrigerated cart and takes it to the local baseball and softball fields where he sells the gelato to the teams and their fans. Sales of gelato soar and profits begin to rise. This is an example of a _____ strategy that would be found in quadrant _____.

- a. market penetration; "A"
- b. product development; "B"
- c. product penetration; "B"
- d. market development; "C"
- e. market expansion; "C"

Answer: d **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Market development is a marketing strategy to sell current products to new markets (“C”), the situation here. See Figure 2-5 in the textbook.

2-260 DIVERSIFICATION

COMPREHENSION

Quadrant “D” in Figure 2-5 above represents the marketing strategy of _____.

- a. market penetration
- b. product penetration
- c. market development
- d. product development
- e. diversification

Answer: e **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: Diversification is a marketing strategy of developing new products and selling them in new markets. See Figure 2-5 in the textbook.

2-261 DIVERSIFICATION

APPLICATION

Consider Figure 2-5 above. A family owns a gelato business in a small town square next to a park, which is a favorite place for parents and children to stop on their way home from work to relax or school to play. However, the business owner is barely making ends meet. He is beginning to think that he will not be able to support his family if things don’t improve, but he doesn’t want to give up his store. Instead, he experiments by selling hand-made flies on the Internet for professional sports fishermen. This is an example of a _____ strategy that would be found in quadrant _____.

- a. market penetration; “A”
- b. product development; “B”
- c. market development; “C”
- d. -product-market expansion; “D”
- e. diversification; “D”

Answer: e **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Diversification is a marketing strategy of developing new products and selling them in new markets (“D”). See Figure 2-5 in the textbook.

2-262 DIVERSIFICATION

APPLICATION

Lego has traditionally been successful selling its classic construction sets to boys. Recently, Lego introduced a line of building toys especially for girls called Lego Friends. It includes feminine characters, pink and purple theme colors, and allows girls to construct more story-related activities. The company felt this was a way to reach into the girl’s toy market where alternatives include princess games and accessories. Considering Figure 2-5 above, this is an example of a _____ strategy that would be found in quadrant _____.

- a. market penetration; “A”
- b. product development; “B”
- c. diversification; “D”
- d. market development; “C”
- e. product-market expansion; “D”

Answer: c **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Hard

Rationale: Diversification is a marketing strategy of developing new products and selling them in new markets (“D”), the situation here. See Figure 2-5 in the textbook.

2-263 DIVERSIFICATION ANALYSIS

COMPREHENSION

According to Figure 2-5 above, which two marketing strategies would be used if a firm were **NOT** willing to find new markets.

- a. product development and market penetration
- b. product development and diversification
- c. market development and product development
- d. market development and market penetration
- e. market development and diversification

Answer: a **Page(s):** 38-39 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: Both market penetration (“A”) and product development (“B”) require a firm to expand its current markets. See Figure 2-5 in the textbook.

2-264 STRATEGIC MARKETING PROCESS

KNOWLEDGE

The strategic marketing process

- a. involves taking stock of where the firm or product has been recently, where it is now, and where it is headed in terms of the organization’s marketing plans and the external forces and trends affecting it.
- b. is a technique to quantify performance measures and growth targets to analyze its clients’ strategic business units (SBUs) as though they were a collection of separate investments.
- c. describes an organization’s appraisal of its internal strengths and weaknesses and its external opportunities and threats.
- d. is an approach whereby an organization allocates its marketing mix resources to reach its target markets.
- e. seeks opportunities by finding the optimum balance between marketing efficiencies versus R&D—manufacturing efficiencies.

Answer: d **Page(s):** 39 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—strategic marketing process.

2-265 STRATEGIC MARKETING PROCESS

KNOWLEDGE

An approach whereby an organization allocates its marketing mix resources to reach its target markets is referred to as (the)

- a. tactical marketing process.
- b. situational analysis.
- c. diversification analysis.
- d. synergy analysis.
- e. strategic marketing process.

Answer: e **Page(s):** 39 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—strategic marketing process.

2-266 STRATEGIC MARKETING PROCESS

COMPREHENSION

An organization uses the strategic marketing process to answer all of the following questions **EXCEPT**:

- a. “How do our results compare with our plans?”
- b. “How do we allocate our resources to get where we want to go?”
- c. “Where do we want to go?”
- d. “Do deviations require new plans?”
- e. “How do we convert our plans into actions?”

Answer: c **Page(s):** 39 **LO:** 2-5 **AACSB:** Analytic **QD:** Medium

Rationale: An organization uses the strategic marketing process to answer questions such as: (1) “How do we allocate our resources to get where we want to go?” (2) “How do we convert our plans into actions?” (3) “How do our results compare with our plans?” and (4) “Do deviations require new plans?” Questions such as “Where are we now?” and “Where do we want to go?” are answered during the analysis (business portfolio and diversification) that occurs prior to engaging in the strategic marketing process.

2-267 STRATEGIC MARKETING PROCESS

COMPREHENSION

Within the strategic marketing process, the _____ is the result of the planning phase that proceeds to the implementation phase where it is carried out.

- a. marketing tactics
- b. business plan
- c. product protocol
- d. marketing plan
- e. marketing strategy

Answer: d **Page(s):** 39-40 **LO:** 2-5 **AACSB:** Analytic **QD:** Medium

Rationale: The marketing plan is the result of the planning phase of the strategic marketing process that proceeds to the implementation phase where it is carried out. See Figure 2-6 in the textbook.

2-268 STRATEGIC MARKETING PROCESS

KNOWLEDGE

The key steps of planning, implementation, and evaluation are part of (the)

- a. gap analysis.
- b. strategic marketing process.
- c. situational analysis.
- d. synergy analysis.
- e. diversification analysis.

Answer: b **Page(s):** 39-40 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—strategic marketing process. See Figure 2-6 in the textbook.

2-269 STRATEGIC MARKETING PROCESS: PLANNING

COMPREHENSION

What are the three steps involved in the planning phase of the strategic marketing process?

- a. Step 1: situation (SWOT) analysis; Step 2: market-product focus and goal setting; and Step 3: the marketing program
- b. Step 1: analysis; Step 2: planning; and Step 3: implementation
- c. Step 1: set market and product goals; Step 2: select target markets and find points of difference; and Step 3: position the product
- d. Step 1: identify industry trends; Step 2: analyze competitors; and Step 3: assess own organization
- e. Step 1: Why do we exist?; Step 2: What will we do?; and Step 3: How will we do it?

Answer: a **Page(s): 39-40** **LO: 2-5** **AACSB: Analytic** **QD: Medium**

Rationale: The three steps involved in the planning phase of the strategic marketing process are: Step 1: situation (SWOT) analysis; Step 2: market-product focus and goal setting; and Step 3: the marketing program. See Figure 2-6 in the textbook.

2-270 STRATEGIC MARKETING PROCESS: PLANNING

COMPREHENSION

The initial step in the strategic marketing process is to begin planning by conducting a

- a. business portfolio analysis.
- b. market-product analysis and setting goals.
- c. marketing program.
- d. situation (SWOT) analysis.
- e. diversification analysis.

Answer: d **Page(s): 39-40** **LO: 2-5** **AACSB: Analytic** **QD: Medium**

Rationale: The planning phase of the strategic marketing process has three steps. Step 1 is the situation (SWOT) analysis. Step 2 is market-product focus and goal setting. Step 3 is the marketing program. The implementation and evaluation phases follow the planning phase of the strategic marketing process. See Figure 2-6 in the textbook.

2-271 STRATEGIC MARKETING PROCESS

COMPREHENSION

Step 1 in the planning phase of the strategic marketing process involves _____.

- a. establishing the budget
- b. developing the marketing program
- c. setting goals
- d. auditing the marketing plan
- e. conducting a situation (SWOT) analysis

Answer: e **Page(s): 39-40** **LO: 2-5** **AACSB: Analytic** **QD: Medium**

Rationale: The planning phase of the strategic marketing process has three steps. Step 1 is the situation (SWOT) analysis. Step 2 is market-product focus and goal setting. Step 3 is the marketing program. The implementation and evaluation phases follow the planning phase of the strategic marketing process. See Figure 2-6 in the textbook.

2-272 STRATEGIC MARKETING PROCESS: PLANNING

COMPREHENSION

Step 2 in the planning phase of the strategic marketing process consists of

- a. the situation (SWOT) analysis.
- b. market-product focus and goal setting.
- c. the marketing program.
- d. business portfolio analysis.
- e. diversification analysis.

Answer: b **Page(s):** 39-40 **LO:** 2-5 **AACSB:** Analytic **QD:** Medium

Rationale: The planning phase of the strategic marketing process has three steps. Step 1 is the situation (SWOT) analysis. Step 2 is market-product focus and goal setting. Step 3 is the marketing program. The implementation and evaluation phases follow the planning phase of the strategic marketing process. See Figure 2-6 in the textbook.

2-273 STRATEGIC MARKETING PROCESS: PLANNING

COMPREHENSION

Step 3 in the planning phase of the strategic marketing process consists of

- a. diversification analysis.
- b. the situation (SWOT) analysis.
- c. the marketing program.
- d. the market-product focus and goal setting.
- e. business portfolio analysis.

Answer: c **Page(s):** 39-40 **LO:** 2-5 **AACSB:** Analytic **QD:** Medium

Rationale: The planning phase of the strategic marketing process has three steps. Step 1 is the situation (SWOT) analysis. Step 2 is market-product focus and goal setting. Step 3 is the marketing program. The implementation and evaluation phases follow the planning phase of the strategic marketing process. See Figure 2-6 in the textbook.

2-274 SITUATION ANALYSIS

KNOWLEDGE

Taking stock of where the firm or product has been recently, where it is now, and where it is headed in terms of the organization's marketing plans and the external forces and trends affecting it is referred to as _____.

- a. tactical planning
- b. market planning
- c. goal setting
- d. environmental scanning
- e. situation analysis

Answer: e **Page(s):** 39 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—situation analysis.

2-275 SITUATION ANALYSIS

KNOWLEDGE

A situation analysis refers to

- a. taking stock of where the firm or product has been recently, where it is now, and where it is headed in terms of the organization's marketing plans and the external forces and trends

- affecting it.
- b. an appraisal of an organization's cash flow and financial ratios to assess its health and the potential for new investment.
 - c. the process of continually acquiring information on events occurring outside the organization to identify and interpret potential trends.
 - d. a technique that managers use to quantify performance measures and growth targets to analyze its clients' strategic business units (SBUs) as though they were a collection of separate investments.
 - e. the process where a firm searches for growth opportunities from among current and new markets as well as current and new products.

Answer: a **Page(s):** 39 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—situation analysis. Alternative “b” is really financial analysis. Alternative “c” is the definition of environmental scanning. Alternative “d” is the definition of business portfolio analysis. Alternative “e” is the definition of diversification analysis.

2-276 SITUATION ANALYSIS

APPLICATION

A situation analysis requires a firm to consider the external forces and trends that affect it. Some of these may be favorable to the organization while others may be unfavorable. Which of the following is an example of an external force?

- a. The firm buys its own fleet of trucks, so it no longer needs to hire a trucking company for distribution.
- b. A hiring freeze is put into place. Although no one is fired, no one can be hired.
- c. A goal is set to close the gap between production costs and profits.
- d. A local government requires that all businesses within the city limits must recycle or be fined.
- e. Shareholders are rewarded with a sizeable dividend check.

Answer: d **Page(s):** 39 **LO:** 2-5 **AACSB:** Analytic **QD:** Hard

Rationale: Alternatives “a,” “b,” “c,” and “e” are all internal factors an organization considers. Regulation from outside the organization would be an external force, part of the regulatory environmental force that is analyzed during an environmental scan (see Chapter 3).

2-277 SWOT ANALYSIS

KNOWLEDGE

The acronym “SWOT” in the term “SWOT analysis” stands for _____.

- a. strengths, weaknesses, opportunities, and tactics
- b. strengths, weaknesses, options, and tactics
- c. strengths, weaknesses, opportunities, and threats
- d. simple, workable, optimal, and timely
- e. state the problem, work out a strategy, organize your team, and take action

Answer: c **Page(s):** 39 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—SWOT analysis.

2-278 SWOT ANALYSIS

COMPREHENSION

An effective summary tool for an organization's situation analysis is referred to as (a) _____.

- a. SWOT analysis
- b. strategic management planning
- c. environmental scanning
- d. market-product grid analysis
- e. marginal analysis

Answer: a **Page(s):** 39 **LO:** 2-5 **AACSB:** Analytic **QD:** Medium
Rationale: Key term definition—SWOT analysis.

2-279 SWOT ANALYSIS

APPLICATION

In the 1980s, a lapse in production quality and an increase in Japanese imports drove the Harley-Davidson motorcycle company to the brink of bankruptcy. The company's share of the U.S. super heavy-weight market segment—motorcycles with engine capacity of 850 cubic centimeters or more—collapsed from more than 40 percent in the mid 1970s to 23 percent in 1983. However, by 1989, Harley-Davidson controlled some 65 percent of this market segment. From a marketing perspective, what was the **MOST LIKELY** first step in Harley-Davidson's resurgence?

- a. developing a new mission statement
- b. repositioning its products in the minds of super heavy-weight motorcycle buyers
- c. performing a SWOT analysis to assess where the firm has been
- d. selling new models of super heavy-weight motorcycles in both the U.S. (current) and foreign (new) markets
- e. improving the quality of its products and communicating this to motorcycle buyers

Answer: c **Page(s):** 39-40 **LO:** 2-5 **AACSB:** Analytic **QD:** Hard
Rationale: Prior to making changes in either product or marketing strategy, the firm would have assess where the firm has been, where it is now, and where it is headed. This enables it to ascertain its internal strengths and weaknesses and its external threats and opportunities—a SWOT analysis.

2-280 SWOT ANALYSIS

APPLICATION

Procter & Gamble (P&G) is a consumer packaged goods company where innovation is a key competitive advantage. This allows the firm to develop new products like Crest Whitestrips that consumers crave. P&G also uses its marketing expertise to develop unique product placements on television shows that highlight its brands. A SWOT analysis for P&G would indicate that the innovation that takes place within the firm is a(n) _____.

- a. strength
- b. weakness
- c. threat
- d. opportunity
- e. problem

Answer: a **Page(s):** 39-40 **LO:** 2-5 **AACSB:** Analytic **QD:** Hard
Rationale: In a SWOT analysis, a strength is an internal factor such as innovation and marketing expertise that can be used to improve the marketing prospects of a company, the case with P&G's strength in new product development.

2-281 SWOT ANALYSIS

APPLICATION

A recent Congressional initiative mandated that the U.S. Department of Transportation (USDOT) establish a national traffic information collection system. The marketing manager of a company that provided traffic reports for local radio stations would most likely incorporate this knowledge into its SWOT analysis as

- a. a weakness if the company has an existing working relationship with the USDOT.
- b. an opportunity if the USDOT will give this information directly to all radio stations.
- c. a weakness if the company that provides local traffic information has no employees who are technologically capable of using the USDOT system.
- d. a threat if the USDOT is creating a network of local traffic-information providers to address the mandate.
- e. part of a marketing plan; this information would not be part of a SWOT analysis.

Answer: c **Page(s):** 39-40 **LO:** 2-5 **AACSB:** Analytic **QD:** Hard

Rationale: Potentially, this would be a great opportunity; however, if the firm does not have the human or technological resources to meet the demands, this would be a weakness. Of course, part of the purpose of SWOT analysis is to use the information to make better marketing decisions. If acted upon, this would be a great time for the firm to train a few employees to become technologically capable of using the USDOT system.

2-282 SWOT ANALYSIS

COMPREHENSION

All of the following form the foundation upon which a firm builds its marketing program during the strategic marketing process **EXCEPT**:

- a. research the organization's present and prospective customers.
- b. determine what business the organization is in.
- c. assess the organization itself.
- d. identify trends in the organization's industry.
- e. analyze the organization's competitors.

Answer: b **Page(s):** 40 **LO:** 2-5 **AACSB:** Analytic **QD:** Medium

Rationale: Determining what business the organization is in is done prior to engaging in the strategic marketing process.

2-283 SWOT ANALYSIS

COMPREHENSION

The goal of a SWOT analysis is to

- a. identify market research questions in order to develop new products for new market segments.
- b. determine how raises, bonuses, and dividends will be paid.
- c. reorganize the firm's marketing department.
- d. identify the critical strategy-related factors that can impact the firm.
- e. fairly allocate governmental resources and financial aid across the industry.

Answer: d **Page(s):** 40 **LO:** 2-5 **AACSB:** Analytic **QD:** Medium

Rationale: The ultimate goal of a SWOT analysis is to identify the critical strategy-related factors that can impact the firm and then build on vital strengths, correct glaring weaknesses, exploit significant opportunities, and avoid disaster-laden threats.

2-284 SWOT ANALYSIS

COMPREHENSION

All of the following are marketing actions that can be taken as a result of a SWOT analysis

EXCEPT:

- exploit an opportunity.
- correct a weakness.
- avoid a disaster-laden threat.
- build on a strength.
- secure the necessary resources (financial, human, technological) to fund new SBUs.

Answer: e

Page(s): 40

LO: 2-5

AACSB: Analytic

QD: Medium

Rationale: The ultimate goal of a SWOT analysis is to identify the critical strategy-related factors that impact the firm and then build on vital strengths, correct glaring weaknesses, exploit significant opportunities, and avoid disaster-laden threats. Alternative “e” is incorrect because securing resources implements the marketing strategy(ies) identified from a SWOT analysis.

LOCATION OF FACTOR	TYPE OF FACTOR	
	Favorable	Unfavorable
Internal	A	B
External	C	D

Figure 2-7

2-285 SWOT ANALYSIS

APPLICATION

Consider Figure 2-7 above. A Florida-based flashlight company has been extremely successful due in part to the number of hurricanes in Florida that result in power outages. The firm is thinking of expanding its product offerings to include other emergency supplies such as generators and survival kits (consisting of food bars, a water filtration system, first aid supplies, etc.). Before going ahead with this decision, there were several factors that had to be taken into consideration: (1) The firm has a great reputation with its flashlights and does not want to ruin it. (2) Its physical plant could be refitted relatively easily to make small generators, but it would be

rather costly. (3) It would have to rely on another firm to manufacture and package the survival kits. (4) Although there are nine named hurricanes anticipated for the upcoming year, no one really can predict what will happen. The company's reputation would fall in which quadrant(s) of the SWOT analysis grid?

- a. "A"
- b. "B"
- c. "C"
- d. "D"
- e. "A" and "D"

Answer: a **Page(s):** 40-41 **LO:** 2-5 **AACSB:** Analytic **QD:** Hard

Rationale: The firm's reputation is a favorable internal factor or strength, which is quadrant "A." See Figure 2-7 in the textbook.

2-286 SWOT ANALYSIS

APPLICATION

Consider Figure 2-7 above. A Florida-based flashlight company has been extremely successful due in part to the number of hurricanes in Florida that result in power outages. The firm is thinking of expanding its product offerings to include other emergency supplies such as generators and survival kits (consisting of food bars, a water filtration system, first aid supplies, etc.). Before going ahead with this decision, there were several factors that had to be taken into consideration: (1) The firm has a great reputation with its flashlights and does not want to ruin it. (2) Its physical plant could be refitted relatively easily to make small generators, but it would be rather costly. (3) It would have to rely on another firm to manufacture and package the survival kits. (4) Although there are nine named hurricanes scheduled for the upcoming year, no one really can predict what will happen. The company's need to refit its factory would fall in which quadrant(s) of the SWOT analysis grid?

- a. "A"
- b. "B"
- c. "C"
- d. "D"
- e. "A" and "D"

Answer: b **Page(s):** 40-41 **LO:** 2-5 **AACSB:** Analytic **QD:** Hard

Rationale: The cost of refitting a physical plant would be an unfavorable internal factor, which is quadrant "B." See Figure 2-7 in the textbook.

2-287 SWOT ANALYSIS

APPLICATION

Consider Figure 2-7 above. A Florida-based flashlight company has been extremely successful due in part to the number of hurricanes in Florida that result in power outages. The firm is thinking of expanding its product offerings to include other emergency supplies such as generators and survival kits (consisting of food bars, a water filtration system, first aid supplies, etc.). Before going ahead with this decision, there were several factors that had to be taken into consideration: (1) The firm has a great reputation with its flashlights and does not want to ruin it. (2) Its physical plant could be refitted relatively easily to make small generators, but it would be rather costly. (3) It would have to rely on another firm to manufacture and package the survival kits. (4) Although there are nine named hurricanes forecasted for the upcoming year, no one

really can predict what will happen. The projected number of hurricanes would fall in which quadrant(s) of the SWOT analysis grid?

- a. "A"
- b. "B"
- c. "C"
- d. "D"
- e. "C" and "D"

Answer: e **Page(s):** 40-41 **LO:** 2-5 **AACSB:** Analytic **QD:** Hard

Rationale: For the firm, the weather is beyond its control—an external factor. If the hurricanes affect the area as expected or if there are more than expected, then this would be a favorable external factor ("C"). If there are fewer hurricanes than expected, then this would be an unfavorable external factor ("D"). Therefore, either quadrants "C" (opportunity) or "D" (threat) are external factors that could impact the firm. See Figure 2-7 in the textbook.

2-288 SWOT ANALYSIS

APPLICATION

Consider Figure 2-7 above. A Florida-based flashlight company has been extremely successful due in part to the number of hurricanes in Florida that result in a loss of power. The firm is thinking of expanding its product offerings to include other emergency supplies such as generators and survival kits. Before going ahead with this decision, there were several factors that had to be taken into consideration: (1) The firm has a great reputation with its flashlights and doesn't want to ruin it. (2) Its physical plant could be refitted relatively easily to make small generators, but it would be rather costly. (3) It would have to rely on another firm to manufacture and package the survival kits. (4) Although there are nine named hurricanes scheduled for the upcoming year, no one really can predict what will happen. The need to rely on another company to supply the survival kits would fall in which quadrant(s) of the SWOT analysis grid?

- a. "A"
- b. "B"
- c. "C"
- d. "D"
- e. "C" and "D"

Answer: d **Page(s):** 40-41 **LO:** 2-5 **AACSB:** Analytic **QD:** Hard

Rationale: The need to rely on another company to supply the survival kits potentially represents an external unfavorable factor. The flashlight firm would have to rely on an outside source supplier over which they would have limited control (deadlines, quality control, changes in materials costs, etc.) and there is a greater potential of competition from other sources that provide the materials in the kit. Therefore, quadrant "D" is the correct answer. See Figure 2-7 in the textbook.

LOCATION OF FACTOR	TYPE OF FACTOR	
	Favorable	Unfavorable
Internal	A	B
External	C	D

Figure 2-7

2-289 SWOT ANALYSIS**COMPREHENSION**

Quadrant “A” in Figure 2-7 above represents a(n) _____ in a SWOT analysis.

- a. Threat
- b. Weakness
- c. Strength
- d. Opportunity
- e. Market segment

Answer: c **Page(s):** 41 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: A strength is an internal, favorable factor as a result of a SWOT analysis for an organization. See Figure 2-7 in the textbook.

2-290 SWOT ANALYSIS**COMPREHENSION**

Quadrant “B” in Figure 2-7 above represents a(n) _____ in a SWOT analysis.

- a. Threat
- b. Weakness
- c. Strength
- d. Opportunity
- e. Market segment

Answer: b **Page(s):** 41 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: A weakness is an internal, unfavorable factor as a result of a SWOT analysis for an organization. See Figure 2-7 in the textbook.

2-291 SWOT ANALYSIS**COMPREHENSION**

Quadrant “C” in Figure 2-7 above represents a(n) _____ in a SWOT analysis.

- a. Threat
- b. Weakness
- c. Strength
- d. Opportunity
- e. Market segment

Answer: d **Page(s):** 41 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: An opportunity is an external, favorable factor as a result of a SWOT analysis for an organization. See Figure 2-7 in the textbook.

2-292 SWOT ANALYSIS

COMPREHENSION

Quadrant “D” in Figure 2-7 above represents a(n) _____ in a SWOT analysis.

- a. Threat
- b. Weakness
- c. Strength
- d. Opportunity
- e. Market segment

Answer: a **Page(s):** 41 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: A threat is an external, unfavorable factor as a result of a SWOT analysis for an organization. See Figure 2-7 in the textbook.

2-293 MARKET SEGMENTATION

KNOWLEDGE

Aggregating prospective buyers into groups that (1) have common needs and (2) will respond similarly to a marketing action is referred to as _____.

- a. market aggregation
- b. market segmentation
- c. product segmentation
- d. product grouping
- e. mass marketing

Answer: b **Page(s):** 40-41 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—market segmentation. [NOTE: “Segments” was omitted from the question so as not to give away the answer.]

2-294 MARKET SEGMENTATION

KNOWLEDGE

Market segmentation refers to

- a. identifying small groups of customers with dissimilar needs.
- b. aggregating prospective buyers into groups and selecting only those whose needs cannot be met by competitors’ products.
- c. aggregating prospective buyers into groups that have common needs and will respond similarly to a marketing action.
- d. aggregating different products into more reasonable product groupings to better serve consumers’ needs.

- e. those characteristics of a product that make it superior to competitive substitutes.

Answer: c **Page(s):** 40-41 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—market segmentation. [NOTE: “Segments” was omitted from the question so to as not give away the answer.]

2-295 MARKET SEGMENTATION

KNOWLEDGE

What is the marketing term for aggregating prospective buyers into groups that have common needs and will respond similarly to a marketing action?

- a. market aggregation
- b. product segmentation
- c. customer grouping
- d. market segmentation
- e. mass marketing

Answer: d **Page(s):** 40-41 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—market segmentation. [NOTE: “Segments” was omitted from the question so to as not give away the answer.]

2-296 MARKET SEGMENTATION

COMPREHENSION

Market segmentation is a part of what step in the strategic marketing process?

- a. situation analysis
- b. market-product focus and goal setting
- c. marketing program
- d. implementation
- e. evaluation

Answer: b **Page(s):** 40-41 **LO:** 2-5 **AACSB:** Analytic **QD:** Medium

Rationale: Determining which products will be directed toward which customers (step 2 of the planning phase in Figure 2-6, market-product focus and goal setting) is essential for developing an effective marketing program (step 3). This decision is often based on market segmentation, which involves aggregating prospective buyers into groups, or segments, that (1) have common needs and (2) will respond similarly to a marketing action.

2-297 MARKET SEGMENTATION

APPLICATION

To develop a successful marketing plan for a soft drink soda, the process of _____ would most likely be used to group consumers on the basis of whether they wanted sugar-free and caffeine-free soda, caffeine-free sugared soda, or regular soda with sugar and caffeine.

- a. market aggregation
- b. product segmentation
- c. customer grouping
- d. mass marketing
- e. market segmentation

Answer: e **Page(s):** 40-41 **LO:** 2-5 **AACSB:** Analytic **QD:** Hard

Rationale: Market segmentation is the process of aggregating prospective buyers into groups, or segments that have common needs and will respond similarly to a marketing action, the situation with soft drink sodas.

2-298 MARKET/PRODUCT FOCUS & GOAL SETTING

COMPREHENSION

During step 2 of the strategic marketing process, firms like Medtronic engage in all of the following marketing activities **EXCEPT**:

- a. position the product
- b. set marketing and product goals
- c. develop the marketing program
- d. select target markets
- e. find points of difference

Answer: c **Page(s):** 40-41 **LO:** 2-5 **AACSB:** Analytic **QD:** Medium

Rationale: Determining which products will be directed toward which customers (step 2 of the planning phase) is essential for developing an effective marketing program (step 3). The following marketing activities are performed during step 2: (1) segment the market; (2) set marketing and product goals; (3) select target markets; (4) find points of difference; and (5) position the product. So step 2 in the planning phase of the strategic marketing process—deciding which products will be directed toward which customers—is the foundation for step 3: developing the marketing program. See Figure 2-6 in the textbook.

2-299 GOAL SETTING

KNOWLEDGE

In a marketing context, goal setting involves setting measurable _____ to be achieved.

- a. marketing metrics
- b. marketing objectives
- c. marketing tactics
- d. marketing plans
- e. protocols

Answer: b **Page(s):** 41 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: In a marketing context, goal setting involves setting measurable marketing objectives to be achieved possibly for a specific market, a specific product or brand, or an entire marketing program.

2-300 POINTS OF DIFFERENCE

KNOWLEDGE

Those characteristics of a product that make it superior to competitive substitutes are referred to as _____.

- a. core benefit propositions
- b. marketing mix elements
- c. points of difference
- d. marketing attributes
- e. product protocols

Answer: c **Page(s):** 41 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—points of difference.

2-301 POINTS OF DIFFERENCE

KNOWLEDGE

Points of difference refer to

- a. the fundamental, passionate, and enduring principles of an organization that guide its conduct over time.
- b. the cluster of benefits that an organization promises customers to satisfy their needs.
- c. a unique strength relative to competitors that provides superior returns, often based on quality, time, cost, or innovation.
- d. those characteristics of a product that make it superior to competitive substitutes.
- e. the use of percentage points of market share to allocate marketing resources effectively for different product lines within the same firm.

Answer: d **Page(s):** 41 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—points of difference.

2-302 MARKETING PROGRAM

KNOWLEDGE

At which step of the planning stage of the strategic marketing process does a firm develop its marketing mix?

- a. situation analysis
- b. goal setting
- c. marketing program
- d. implementation
- e. market segmentation

Answer: c **Page(s):** 42 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: The marketing program represents the “how” aspect or Step 3 of the strategic marketing process. At this point, an organization develops both its marketing mix and budget. See Figures 2-6 and 2-8 in the textbook.

2-303 MARKETING PROGRAM

KNOWLEDGE

The marketing program—step 3 in the strategic planning process—answers which question?

- a. who
- b. what
- c. when
- d. why
- e. how

Answer: e **Page(s):** 40, 42 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: The “how” aspect—step 3 in the planning phase—involves developing the program’s marketing mix (the four Ps) and its budget.

2-304 MARKETING PROGRAM: PRODUCT

KNOWLEDGE

The _____ element of the marketing mix includes features and packaging.

- a. product
- b. price
- c. promotion
- d. place
- e. people

Answer: a **Page(s):** 42 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: The product element of the marketing mix includes features, brand name, packaging, service, and warranty. See Figure 2-8 in the textbook.

2-305 MARKETING PROGRAM: PRICE

KNOWLEDGE

The _____ element of the marketing mix includes discounts and allowances.

- a. product
- b. price
- c. promotion
- d. place
- e. people

Answer: b **Page(s):** 42 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: The price element of the marketing mix includes list price, discounts, allowances, credit terms, and payment period. See Figure 2-8 in the textbook.

2-306 MARKETING PROGRAM: PROMOTION

KNOWLEDGE

The _____ element of the marketing mix includes personal selling and sales promotion.

- a. product
- b. price
- c. promotion
- d. place
- e. people

Answer: c **Page(s):** 42 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: The promotion element of the marketing mix includes advertising, personal selling, public relations, sales promotion, and direct marketing. See Figure 2-8 in the textbook.

2-307 MARKETING PROGRAM: PLACE/DISTRIBUTION

KNOWLEDGE

The _____ element of the marketing mix includes channels and transportation.

- a. product
- b. price
- c. promotion
- d. place
- e. people

Answer: d **Page(s):** 42 **LO:** 2-5 **AACSB:** Analytic **QD:** Easy

Rationale: The place (distribution) element of the marketing mix includes outlets, channels, coverage, transportation, and stock level. See Figure 2-8 in the textbook.

2-308 MARKETING PROGRAM: PRODUCT

COMPREHENSION

Offering a Champion brand heart pacemaker with features needed by Asian patients is an example of Medtronic's

- a. market segmentation and targeting strategy
- b. price strategy
- c. place strategy
- d. promotion strategy
- e. product/service strategy

Answer: c **Page(s):** 42 **LO:** 2-5 **AACSB:** Analytic **QD:** Medium

Rationale: Medtronic's five-year marketing plan for its Champion pacemaker includes these marketing mix activities: (1) Product strategy: Offer a Champion brand heart pacemaker with features needed by Asian patients. (2) Price strategy: Manufacture the Champion to control costs so that it can be priced below \$1,000 (in U.S. dollars)—an affordable price for Asian markets. (3) Promotion strategy: Introduce the champion at medical conventions across Asia to demonstrate its many beneficial features. (4) Place (distribution) strategy: Search out, utilize, and train reputable medical device distributors across Asia to call on cardiologists and medical clinics.

2-309 MARKETING PROGRAM: PROMOTION

COMPREHENSION

Introducing its Champion heart pacemaker at medical conventions across Asia to demonstrate its many beneficial features is an example of Medtronic's

- a. market segmentation and targeting strategy
- b. price strategy
- c. place strategy
- d. promotion strategy
- e. product/service strategy

Answer: d **Page(s):** 42 **LO:** 2-5 **AACSB:** Analytic **QD:** Medium

Rationale: Medtronic's five-year marketing plan for its Champion pacemaker includes these marketing mix activities: (1) Product strategy: Offer a Champion brand heart pacemaker with features needed by Asian patients. (2) Price strategy: Manufacture the Champion to control costs so that it can be priced below \$1,000 (in U.S. dollars)—an affordable price for Asian markets. (3) Promotion strategy: Introduce the champion at medical conventions across Asia to demonstrate its many beneficial features. (4) Place (distribution) strategy: Search out, utilize, and train reputable medical device distributors across Asia to call on cardiologists and medical clinics.

2-310 MARKETING PROGRAM: PLACE/DISTRIBUTION

COMPREHENSION

Searching out, using, and training reputable medical device distributors across Asia to call on cardiologists and medical clinics is an example of Medtronic's

- a. market segmentation and targeting strategy
- b. price strategy
- c. place strategy

- d. promotion strategy
- e. product/service strategy

Answer: c **Page(s):** 42 **LO:** 2-5 **AACSB:** Analytic **QD:** Medium

Rationale: Medtronic's five-year marketing plan for its Champion pacemaker includes these marketing mix activities: (1) Product strategy: Offer a Champion brand heart pacemaker with features needed by Asian patients. (2) Price strategy: Manufacture the Champion to control costs so that it can be priced below \$1,000 (in U.S. dollars)—an affordable price for Asian markets. (3) Promotion strategy: Introduce the champion at medical conventions across Asia to demonstrate its many beneficial features. (4) Place (distribution) strategy: Search out, utilize, and train reputable medical device distributors across Asia to call on cardiologists and medical clinics.

2-311 IMPLEMENTATION PHASE

KNOWLEDGE

The second phase of the strategic marketing process is the _____.

- a. tactics phase
- b. strategic phase
- c. planning phase
- d. implementation phase
- e. evaluation phase

Answer: d **Page(s):** 40, 42 **LO:** 2-6 **AACSB:** Analytic **QD:** Easy

Rationale: Implementation, the second phase of the strategic marketing process, involves carrying out the marketing plan that emerges from the planning phase. See Figure 2-6 in the textbook.

2-312 IMPLEMENTATION PHASE

KNOWLEDGE

Which phase of the strategic marketing process does a firm obtain resources, design the marketing organization, develop schedules, and execute the marketing program?

- a. planning phase
- b. implementation phase
- c. evaluation phase
- d. strategic phase
- e. tactics phase

Answer: b **Page(s):** 42-44 **LO:** 2-6 **AACSB:** Analytic **QD:** Easy

Rationale: The four components of the implementation phase include: (1) obtaining resources; (2) designing the marketing organization; (3) defining precise tasks, responsibilities, and deadlines; and (4) actually executing the marketing program designed in the planning phase.

2-313 IMPLEMENTATION PHASE

COMPREHENSION

All of the following are components of the implementation phase of the strategic marketing process **EXCEPT**:

- a. defining precise tasks, responsibilities, and deadlines.
- b. executing the marketing program.
- c. designing the marketing organization.

- d. conducting R&D.
- e. obtaining resources.

Answer: d **Page(s):** 42-44 **LO:** 2-6 **AACSB:** Analytic **QD:** Medium

Rationale: The four components of the implementation phase include: (1) obtaining resources; (2) designing the marketing organization; (3) defining precise tasks, responsibilities, and deadlines; and (4) actually executing the marketing program designed in the planning phase.

2-314 IMPLEMENTATION PHASE

COMPREHENSION

The actions taken during the implementation phase of the strategic marketing process include: (1) _____; (2) design the marketing organization; (3) define precise tasks, responsibilities, and deadlines; and (4) execute the marketing program.

- a. obtain resources
- b. select target markets
- c. position the product
- d. find points of difference
- e. develop the budget by estimating revenues, expenses, and profits

Answer: a **Page(s):** 42-44 **LO:** 2-6 **AACSB:** Analytic **QD:** Medium

Rationale: The actions taken during the implementation phase of the strategic marketing process include: (1) obtain resources; (2) design the marketing organization; (3) define precise tasks, responsibilities, and deadlines; and (4) execute the marketing program.

2-315 IMPLEMENTATION PHASE

COMPREHENSION

The actions taken during the implementation phase of the strategic marketing process include: (1) obtain resources; (2) _____; (3) define precise tasks, responsibilities, and deadlines; and (4) execute the marketing program.

- a. select target markets
- b. design marketing organization
- c. position the product
- d. find points of difference
- e. develop the budget by estimating revenues, expenses, and profits

Answer: b **Page(s):** 42-44 **LO:** 2-6 **AACSB:** Analytic **QD:** Medium

Rationale: The actions taken during the implementation phase of the strategic marketing process include: (1) obtain resources; (2) design the marketing organization; (3) define precise tasks, responsibilities, and deadlines; and (4) execute the marketing program.

2-316 IMPLEMENTATION PHASE

COMPREHENSION

The actions taken during the implementation phase of the strategic marketing process include: (1) obtain resources; (2) design the marketing organization; (3) _____; and (4) execute the marketing program.

- a. position the product
- b. select target markets
- c. define precise tasks, responsibilities, and deadlines

- d. find points of difference
- e. develop the budget by estimating revenues, expenses, and profits

Answer: c **Page(s):** 42-44 **LO:** 2-6 **AACSB:** Analytic **QD:** Medium

Rationale: The actions taken during the implementation phase of the strategic marketing process include: (1) obtain resources; (2) design the marketing organization; (3) define precise tasks, responsibilities, and deadlines; and (4) execute the marketing program.

2-317 IMPLEMENTATION PHASE

COMPREHENSION

The actions taken during the implementation phase of the strategic marketing process include: (1) obtain resources; (2) design the marketing organization; (3) define precise tasks, responsibilities, and deadlines; and (4) _____.

- a. position the product
- b. select target markets
- c. find points of difference
- d. execute the marketing program
- e. develop the budget by estimating revenues, expenses, and profits

Answer: d **Page(s):** 42-44 **LO:** 2-6 **AACSB:** Analytic **QD:** Medium

Rationale: The actions taken during the implementation phase of the strategic marketing process include: (1) obtain resources; (2) design the marketing organization; (3) define precise tasks, responsibilities, and deadlines; and (4) execute the marketing program.

2-318 MARKETING ORGANIZATION

KNOWLEDGE

In a typical manufacturing firm, the structure of its marketing department is typically organized from top to bottom as follows:

- a. CEO→CFO→Product Manager.
- b. CEO→CMO→Product Manager.
- c. Product Manager→Marketing Research Manager→Sales Manager→Promotion Manager.
- d. Industry Manager→Market Manager→Product Manager.
- e. Product Manager→CMO→CEO.

Answer: b **Page(s):** 43 **LO:** 2-6 **AACSB:** Analytic **QD:** Easy

Rationale: In a typical manufacturing firm, the structure of its marketing department is typically organized as follows: CEO→CMO→Product Manager. See Figure 2-9 in the textbook.

2-319 ACTION ITEM LIST

KNOWLEDGE

An action item list refers to

- a. an aid to implement a marketing plan that consists of four columns.
- b. a tool that shows the relationships through time of the various program tasks.
- c. a graphical representation of a program schedule.
- d. a systematic method to itemize the “value” of products and services.
- e. an aid to implementing a business plan and consisting of five columns.

Answer: c **Page(s):** 43 **LO:** 2-6 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—action item list. Alternative “c” is the definition of a Gantt chart.

2-320 ACTION ITEM LIST

COMPREHENSION

An aid to implementing a marketing plan and consisting of four columns: (1) the task; (2) the person responsible for completing that task; (3) the date to finish the task; and (4) what is to be delivered is referred to as a(n) _____.

- a. output report
- b. Gantt chart
- c. market plan
- d. action item list
- e. marketing action memo

Answer: d **Page(s):** 43 **LO:** 2-6 **AACSB:** Analytic **QD:** Medium
Rationale: Text term definition—action item list.

2-321 ACTION ITEM LIST

COMPREHENSION

An action item list refers to an aid to implement a marketing plan that consists of four columns: (1) _____; (2) the person responsible for completing that task; (3) the date to finish the task; and (4) what is to be delivered.

- a. the task
- b. the budget
- c. the product or service
- d. the points of difference
- e. the promotional message

Answer: a **Page(s):** 37-38 **LO:** 2-6 **AACSB:** Analytic **QD:** Medium
Rationale: An action item list is an aid to implementing a marketing plan and consisting of four columns: (1) the task; (2) the person responsible for completing that task; (3) the date to finish the task; and (4) what is to be delivered.

2-322 ACTION ITEM LIST

COMPREHENSION

An action item list refers to an aid to implement a marketing plan that consists of four columns: (1) the task; (2) _____; (3) the date to finish the task; and (4) what is to be delivered.

- a. the budget
- b. the product or service
- c. the points of difference
- d. the promotional message
- e. the person responsible for completing that task

Answer: e **Page(s):** 43 **LO:** 2-6 **AACSB:** Analytic **QD:** Medium
Rationale: An action item list is an aid to implementing a marketing plan and consisting of four columns: (1) the task; (2) the person responsible for completing that task; (3) the date to finish the task; and (4) what is to be delivered.

2-323 ACTION ITEM LIST

COMPREHENSION

An action item list refers to an aid to implement a marketing plan that consists of four columns: (1) the task; (2) the person responsible for completing that task; (3) _____; and (4) what is to be delivered.

- a. the budget
- b. the points of difference
- c. the promotional message
- d. the date to finish the task
- e. the product or service

Answer: d **Page(s):** 43 **LO:** 2-6 **AACSB:** Analytic **QD:** Medium

Rationale: An action item list is an aid to implementing a marketing plan and consisting of four columns: (1) the task; (2) the person responsible for completing that task; (3) the date to finish the task; and (4) what is to be delivered.

2-324 ACTION ITEM LIST

COMPREHENSION

An action item list refers to an aid to implement a marketing plan that consists of four columns: (1) the task; (2) the person responsible for completing that task; (3) the date to finish the task; and (4) _____.

- a. the budget
- b. the points of difference
- c. what is to be delivered
- d. the promotional message
- e. the product or service

Answer: c **Page(s):** 43 **LO:** 2-6 **AACSB:** Analytic **QD:** Medium

Rationale: An action item list is an aid to implementing a marketing plan and consisting of four columns: (1) the task; (2) the person responsible for completing that task; (3) the date to finish the task; and (4) what is to be delivered.

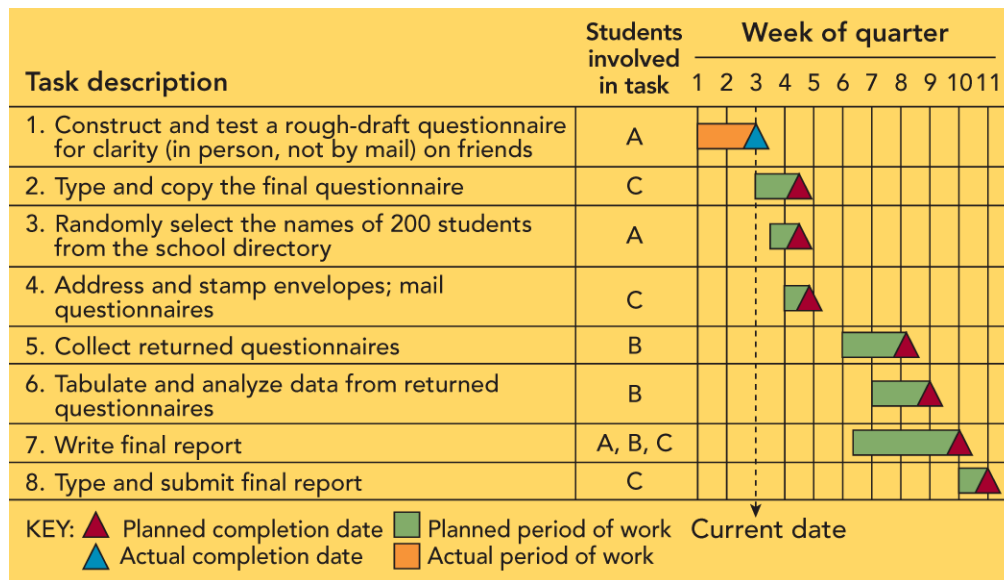


Figure 2-10

2-325 GANTT CHART

APPLICATION

Which of the following tasks shown in Figure 2-10 above can be done sequentially?

- a. 1 and 2
- b. 2 and 3
- c. 3 and 4
- d. 5 and 7
- e. 6 and 7

Answer: a **Page(s):** 44 **LO:** 2-6 **AACSB:** Analytic **QD:** Hard

Rationale: Effective scheduling requires that sequential tasks be distinguished from concurrent tasks, the latter permitting tasks to “overlap” in the schedule. The key to all scheduling techniques is to distinguish tasks that must be done sequentially from those that can be done concurrently. Only tasks 1 and 2 can be done sequentially in the list of the tasks presented. See Figure 2-10 in the textbook.

2-326 GANTT CHART

APPLICATION

According to Figure 2-10 above, which student has the greatest number of assigned tasks?

- a. Student A
- b. Student B
- c. Student C
- d. Students A and B
- e. The students have the same number of tasks split between them.

Answer: c **Page(s):** 44 **LO:** 2-6 **AACSB:** Analytic **QD:** Hard

Rationale: Student C is slated to type and copy the final questionnaire, address and stamp envelopes and then mails the questionnaires, share in writing the report, and type and submit the

final report. This is one more task than any of the other students. See Figure 2-10 in the textbook.

2-327 GANTT CHART

COMPREHENSION

What is the name of the tool shown in Figure 2-10 above that is the basis for the scheduling techniques used today in marketing?

- a. a market-product grid
- b. a Gantt chart
- c. a project schedule
- d. a sales response function
- e. a Plan-A-Gram

Answer: b **Page(s):** 44 **LO:** 2-6 **AACSB:** Analytic **QD:** Medium

Rationale: Scheduling production and marketing activities—from a term project to a new product rollout to a space shuttle launch—can be done efficiently with a Gantt chart, which is a graphical representation of a program schedule. See Figure 2-10 in the textbook.

2-328 GANTT CHART

APPLICATION

When participating in major projects in college marketing classes, effective teams can make use of a _____ to be sure that each team member does a fair amount of work and that their class projects are finished efficiently and on time.

- a. market-product grid
- b. project schedule
- c. Plan-A-Gram
- d. Gantt chart
- e. sales response function

Answer: d **Page(s):** 44 **LO:** 2-6 **AACSB:** Analytic **QD:** Hard

Rationale: Scheduling production and marketing activities—from a term project to a new product rollout to a space shuttle launch—can be done efficiently with a Gantt chart, which is a graphical representation of a program schedule. See Figure 2-10 in the textbook.

2-329 SCHEDULING

COMPREHENSION

The key to all scheduling techniques is to

- a. avoid scheduling tasks that can be done concurrently.
- b. avoid tasks that must be done sequentially.
- c. make sure to allow a 20 percent delay factor to account for contingencies.
- d. assign responsibility for end results to the entire group rather than a single individual.
- e. distinguish tasks that must be done sequentially from those that can be done concurrently.

Answer: e **Page(s):** 44 **LO:** 2-6 **AACSB:** Analytic **QD:** Medium

Rationale: The key to all scheduling techniques is to distinguish tasks that must be done sequentially from those that can be done concurrently.

2-330 MARKETING STRATEGY

KNOWLEDGE

A marketing _____ is defined as the means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program to reach it.

- a. plan
- b. tactic
- c. strategy
- d. concept
- e. action

Answer: c **Page(s):** 44 **LO:** 2-6 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—marketing strategy.

2-331 MARKETING STRATEGY

KNOWLEDGE

A marketing strategy refers to

- a. the means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program to reach it.
- b. the tactical decisions made to implement the marketing program.
- c. a technique to quantify performance measures and growth targets of a firm's strategic business units (SBUs).
- d. a road map for the marketing activities of an organization for a specified future time period, such as one year or five years.
- e. the detailed day-to-day operational decisions.

Answer: a **Page(s):** 44 **LO:** 2-6 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—marketing strategy.

2-332 MARKETING STRATEGY

COMPREHENSION

The term marketing strategy is used to address both the _____ and the _____.

- a. product groupings; target markets
- b. target market; marketing program
- c. subjective; objective
- d. revenues generated; market share achieved
- e. feasibility; time required to implement

Answer: b **Page(s):** 44 **LO:** 2-6 **AACSB:** Analytic **QD:** Medium
Rationale: A marketing strategy is the means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program to reach it.

2-333 MARKETING STRATEGY

COMPREHENSION

A marketing strategy is the means by which a marketing goal is to be achieved. The two factors that usually characterize a marketing strategy are

- a. specific organizational goals and objectives.
- b. a detailed marketing plan and a marketing budget.
- c. marketing strategies and marketing tactics.

- d. a specified target market and a marketing program to reach it.
- e. marketing programs and marketing dashboards to track their effectiveness.

Answer: d **Page(s):** 44 **LO:** 2-6 **AACSB:** Analytic **QD:** Medium

Rationale: A marketing strategy is the means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program to reach it. The term implies both the end sought (target market) and the means to achieve it (marketing program).

2-334 MARKETING STRATEGY

APPLICATION

Which of the following statements reflects the key elements in developing a marketing strategy for L. M. Schofield, Inc., a company that produces specialized concrete surfaces for heavily trafficked areas such as retail outlets and amusement parks?

- a. Buy ads in all the major trade journals that explain the variety of surfaces available and what uses each has.
- b. Communicate using direct mail about the various walking surfaces Schofield can create for contractors who are building riding and walking paths.
- c. Design a sample ad and test it using visitors at a trade show.
- d. Hire six new sales representatives for the Midwest regional office and train them on all aspects of concrete surfaces.
- e. Conduct a focus group to decide on which surface to use for a theme park in Brazil.

Answer: b **Page(s):** 44 **LO:** 2-6 **AACSB:** Analytic **QD:** Hard

Rationale: Alternative “b” is the only answer that both identifies a target market (contractors building riding and walking paths) and describes the marketing program to reach it (direct mail to communicate the variety of surfaces). All the other alternatives are examples of marketing tactics.

2-335 MARKETING TACTICS

KNOWLEDGE

Marketing tactics refer to the

- a. long-term decisions made to implement the marketing program and the monitoring of those decisions.
- b. detailed day-to-day operational decisions essential to the overall success of marketing strategies.
- c. steps taken to develop an effective marketing plan.
- d. development of marketing strategies to achieve the organization’s marketing objectives.
- e. refinement of the organization’s mission based on the results obtained from a marketing audit.

Answer: b **Page(s):** 44 **LO:** 2-6 **AACSB:** Analytic **QD:** Easy

Rationale: Key term definition—marketing tactics.

2-336 MARKETING TACTICS

KNOWLEDGE

The detailed day-to-day operational decisions essential to the overall success of marketing strategies are referred to as _____.

- a. marketing plans

- b. marketing programs
- c. marketing tactics
- d. marketing strategies
- e. marketing procedures

Answer: c **Page(s):** 44 **LO:** 2-6 **AACSB:** Analytic **QD:** Easy
Rationale: Key term definition—marketing tactics.

2-337 MARKETING TACTICS

COMPREHENSION

Compared to marketing strategies, marketing tactics generally involve actions that

- a. are detailed day-to-day operational decisions.
- b. are long-term rather than short-term.
- c. involve upper levels of management rather than front-line managers.
- d. are general rather than specific in nature.
- e. have been successfully implemented in the past.

Answer: a **Page(s):** 44 **LO:** 2-6 **AACSB:** Analytic **QD:** Medium
Rationale: Marketing tactics are detailed day-to-day operational decisions essential to the overall success of marketing strategies.

2-338 MARKETING TACTICS

APPLICATION

Marketers at Volkswagen in Istanbul created a little digital flip film out of some 200 photos to tout the prowess of their new truck, the Amarok, hoping it would be a clever way to get people to engage. This action is an example of Volkswagen's marketing

- a. tactics.
- b. missions.
- c. visions.
- d. strategies.
- e. customer values.

Answer: a **Page(s):** 44 **LO:** 2-6 **AACSB:** Analytic **QD:** Hard
Rationale: Marketing tactics are detailed day-to-day operational decisions essential to the overall success of marketing strategies. This includes writing ads and setting specific prices for items in a product line, like the Volkswagen Amarok here.

2-339 MARKETING TACTICS

APPLICATION

David and Cecilia Stanford, owners of Prairie Herb vinegars, decided to offer the product in 5-ounce and 13-ounce sizes. They decided to sell the vinegar only through the mail and to price the smaller bottle at \$4.45 and the largest bottle at \$13.25. These actions consist of Prairie Herb's marketing

- a. missions.
- b. visions.
- c. strategies.
- d. tactics.
- e. customer values.

Answer: d **Page(s):** 44 **LO:** 2-6 **AACSB:** Analytic **QD:** Hard

Rationale: Marketing tactics are detailed day-to-day operational decisions essential to the overall success of marketing strategies, and includes the setting of specific prices for items in a product line.

2-340 EVALUATION PHASE

COMPREHENSION

The strategic marketing process involves three phases: planning, implementation, and

- a. review.
- b. execution.
- c. evaluation.
- d. goal revision.
- e. correction.

Answer: c **Page(s):** 44 **LO:** 2-7 **AACSB:** Analytic **QD:** Medium

Rationale: The strategic marketing process involves three phases: planning, implementation, and evaluation.

2-341 EVALUATION PHASE

KNOWLEDGE

The third phase of the strategic marketing process is the _____.

- a. tactics phase
- b. strategic phase
- c. planning phase
- d. implementation phase
- e. evaluation phase

Answer: e **Page(s):** 44 **LO:** 2-7 **AACSB:** Analytic **QD:** Easy

Rationale: Evaluation, the third phase of the strategic marketing process, requires the marketing manager to (1) compare the results of the marketing program with the goals in the written plans to identify deviations and (2) act on these deviations—exploiting positive deviations and correcting negative ones.

2-342 EVALUATION PHASE

COMPREHENSION

The two major aspects of the evaluation phase of the strategic marketing process are

- a. segmenting the market and selecting target markets.
- b. establishing a business mission and designing measurable goals and objectives.
- c. designing the marketing mix and setting the budget.
- d. comparing the results of the marketing program with the goals in the written plans to identify deviations and then to act on them.
- e. executing the marketing plan and designing the marketing organization.

Answer: d **Page(s):** 44-45 **LO:** 2-7 **AACSB:** Analytic **QD:** Medium

Rationale: The evaluation phase of the strategic marketing process seeks to keep the marketing program moving in the direction set for it. Accomplishing this requires the marketing manager to (1) compare the results of the marketing program with the goals in the written plans to identify

deviations and (2) act on these deviations—exploiting positive deviations and correcting negative ones.

2-343 EVALUATION PHASE

COMPREHENSION

The actions taken during the evaluation phase of the strategic marketing process include: (1) _____ and (2) correct negative deviations and exploit positive ones.

- a. find points of difference
- b. execute the marketing program
- c. compare results with plans to identify deviations
- d. track sales and revenues and compare with competitors
- e. develop the budget by estimating revenues, expenses, and profits

Answer: c **Page(s):** 44-45 **LO:** 2-7 **AACSB:** Analytic **QD:** Medium

Rationale: The actions taken during the evaluation phase of the strategic marketing process include: (1) compare results with plans to identify deviations and (2) exploit positive deviations and correct negative ones.

2-344 EVALUATION PHASE

COMPREHENSION

The actions taken during the evaluation phase of the strategic marketing process include: (1) compare results with plans to identify deviations and (2) _____.

- a. find points of difference
- b. execute the marketing program
- c. track sales and revenues and compare with competitors
- d. develop the budget by estimating revenues, expenses, and profits
- e. exploit positive deviations and correct negative ones

Answer: e **Page(s):** 44-45 **LO:** 2-7 **AACSB:** Analytic **QD:** Medium

Rationale: The actions taken during the evaluation phase of the strategic marketing process include: (1) compare results with plans to identify deviations and (2) exploit positive deviations and correct negative ones.

2-345 PLANNING GAP

KNOWLEDGE

The difference between the projection of the path to reach a new goal and the projection of the path of the results of a plan already in place is referred to as the _____.

- a. planning gap
- b. contribution margin
- c. point of difference
- d. breakeven point
- e. sales response function

Answer: a **Page(s):** 45 **LO:** 2-7 **AACSB:** Analytic **QD:** Easy

Rationale: Text term definition—planning gap.

2-346 PLANNING GAP

KNOWLEDGE

The planning gap refers to

- the difference between projected total costs and realized total revenues.
- the difference between projected total costs and net profits.
- the difference between marginal revenue and marginal cost.
- the percentage point difference between a firm and its next largest competitor in terms of market share.
- the difference between the projection of the path to reach a new goal and the projection of the path of the results of a plan already in place.

Answer: e **Page(s):** 45 **LO:** 2-7 **AACSB:** Analytic **QD:** Easy
Rationale: Text term definition—planning gap.

2-347 PLANNING GAP

COMPREHENSION

After examining a planning gap, firms typically attempt to

- decide if the time horizon should be increased or decreased.
- perform a SWOT analysis with their major competitor as the principal focus.
- use statistical linear trend analysis to interpret the results.
- exploit a positive deviation or correct a negative deviation.
- adopt a market-product grid to analyze the sales results.

Answer: d **Page(s):** 45-46 **LO:** 2-7 **AACSB:** Analytic **QD:** Medium

Rationale: A planning gap is the difference between the projection of the path to reach a new goal and the projection of the path of the results of a plan already in place. The ultimate purpose of the firm's marketing program is to "fill in" this planning gap—to move its future sales revenue line from the plan to the more challenging target. When an evaluation shows that actual performance fails to meet expectations, managers need to take corrective actions, such as exploiting a positive deviation or correcting a negative deviation. See Figure 2-11 in the textbook.

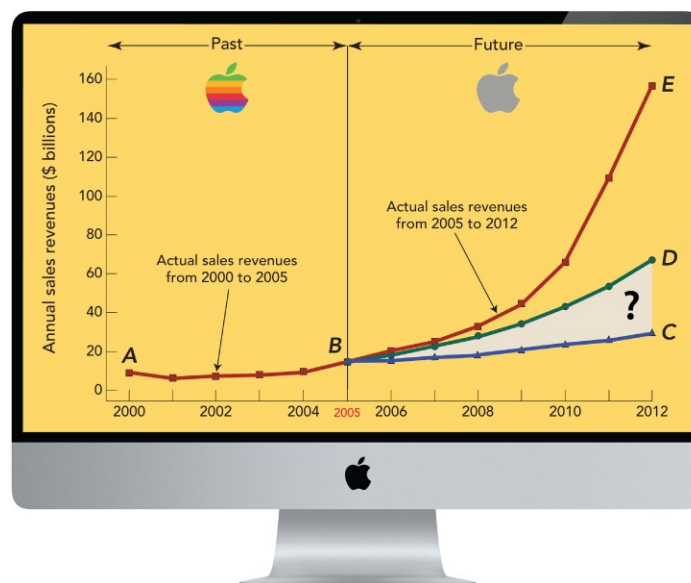


Figure 2-11**2-348 PLANNING GAP****COMPREHENSION**

The question mark (?) represented by the wedge DBC in Figure 2-11 above is the _____.

- a. contribution margin
- b. marginal trend
- c. breakeven point
- d. planning gap
- e. sales differential

Answer: d **Page(s):** 45-46 **LO:** 2-7 **AACSB:** Analytic **QD:** Medium

Rationale: A planning gap (wedge DBC) is the difference between the projection of the path to reach a new goal and the projection of the path of the results of a plan already in place. See Figure 2-11 in the textbook.

2-349 PLANNING GAP**COMPREHENSION**

Based on the information in Figure 2-11 above, the planning gap between 2005 and 2012, as represented by the wedge DBC, _____.

- a. is widening
- b. is narrowing
- c. is staying the same
- d. cannot be quantified
- e. began to open in 1998

Answer: a **Page(s):** 45-46 **LO:** 2-7 **AACSB:** Analytic **QD:** Medium

Rationale: A planning gap (wedge DBC) is the difference between the projection of the path to reach a new goal (line BD) and the projection of the path of the results of a plan already in place (line BC). This difference is widening. See Figure 2-11 in the textbook.

2-350 PLANNING GAP**APPLICATION**

Based on the sales revenue data shown in Figure 2-11 above, as a marketing manager for Apple, you would **MOST LIKELY** conclude that

- a. the planning gap is narrowing.
- b. the actual sales results (line BE) are on track with the new plan (line BD).
- c. the actual sales results (lines AB and BE) are on track with the plan in place since 2005 (line BC).
- d. sales are increasing significantly since 2005 (line BD).
- e. another new plan has been needed since 2005, since the planning gap (wedge DBC) is widening each year thereafter.

Answer: e **Page(s):** 45-46 **LO:** 2-7 **AACSB:** Analytic **QD:** Hard

Rationale: When evaluation shows that actual performance fails to meet expectations, managers need to take corrective actions, such as devising a new marketing plan. In Apple's case, another new plan should have been developed after 2005, due in large part to the phenomenal growth in iPhone and iPad sales. See Figure 2-11 in the textbook.

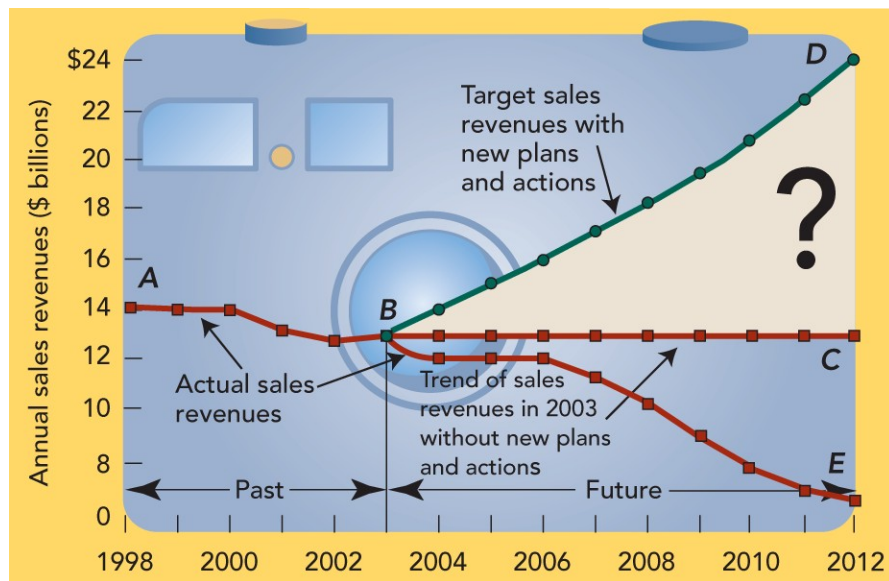


Figure 2-A

2-351 PLANNING GAP

COMPREHENSION

The question mark (?) represented by the wedge DBC in Figure 2-A above is the _____.

- a. contribution margin
- b. marginal trend
- c. breakeven point
- d. planning gap
- e. sales differential

Answer: d **Page(s):** 45-46 **LO:** 2-7 **AACSB:** Analytic **QD:** Medium

Rationale: A planning gap (wedge DBC) is the difference between the projection of the path to reach a new goal and the projection of the path of the results of a plan already in place.

2-352 PLANNING GAP

COMPREHENSION

Based on the information in Figure 2-A above, the planning gap between 2003 and 2012, as represented by the wedge DBC, _____.

- a. is widening
- b. is narrowing
- c. is staying the same
- d. cannot be quantified
- e. began to open in 1998

Answer: a **Page(s):** 45-46 **LO:** 2-7 **AACSB:** Analytic **QD:** Medium

Rationale: A planning gap (wedge DBC) is the difference between the projection of the path to reach a new goal (line BD) and the projection of the path of the results of a plan already in place (line BC). This difference is widening.

2-353 PLANNING GAP**APPLICATION**

Based on the sales revenue data shown in Figure 2-A above, as a marketing manager for Kodak, you would **MOST LIKELY** conclude that

- a. the planning gap is narrowing.
- b. the actual sales results (line BE) are on track with the new plan (line BD).
- c. the actual sales results (lines AB and BE) are on track with the plan in place since 2003 (line BC).
- d. sales are increasing significantly since 2003 (line BD).
- e. another new plan has been needed since 2003, since the planning gap (wedge DBC) is widening each year thereafter.

Answer: c **Page(s):** 45-46 **LO:** 2-7 **AACSB:** Analytic **QD:** Hard

Rationale: When evaluation shows that actual performance fails to meet expectations, managers need to take corrective actions, such as devising a new marketing plan. In Kodak's case, another new plan should have been developed after 2003, especially since the economic downturn and the precipitous loss of film sales.

2-354 PLANNING GAP**APPLICATION**

Evergreen Air Center is the world's largest parking lot for unwanted commercial aircraft. Airlines pay from \$750 to \$5,000 monthly for the storage services provided by Evergreen. Prior to September 2001, the company had 140 discarded airplanes at its Arizona facilities and was growing at a rate of about six planes monthly with about two per month sold for parts and/or scrap metal. After calamity struck the airline industry in September 2001, the airlines retired over 1,000 planes, many of which have found their way to Evergreen. Now the actual number of planes stored at Evergreen differs significantly from the prediction based on previous behavior in effect before September 2001. This difference is referred to as the _____.

- a. contribution margin
- b. planning gap
- c. marginal trend
- d. breakeven point
- e. sales differential

Answer: b **Page(s):** 45-46 **LO:** 2-7 **AACSB:** Analytic **QD:** Hard

Rationale: A planning gap is the difference between the projection of the path to reach a new goal and the projection of the path of the results of a plan already in place, the situation here. See Figure 2-11 in the textbook.

2-355 EVALUATION PHASE**COMPREHENSION**

The marketing manager looks for two kinds of deviations, each triggering a different kind of action: (1) actual results fall short of goals and (2) _____.

- a. deviations that result from major shifts in customer needs
- b. actual results exceed goals
- c. there are no deviations but there should be
- d. deviations that result from executive mandates

- e. deviations that are blamed on insufficient marketing support (personnel or funding)

Answer: b **Page(s):** 45-46 **LO:** 2-7 **AACSB:** Analytic **QD:** Medium

Rationale: The marketing manager is looking for two kinds of deviations, each triggering a different kind of action: (1) actual results fall short of goals and (2) actual results exceed goals.

2-356 EVALUATION PHASE

APPLICATION

Amy Smith has just completed measuring the results of her firm's product performance. Her next step will be to

- a. do a profitability analysis.
- b. take necessary corrective actions.
- c. bring these to the marketing auditor.
- d. proceed regardless of deviations from original plans.
- e. compare the results against the goals specified in the marketing plan.

Answer: e **Page(s):** 45-46 **LO:** 2-7 **AACSB:** Analytic **QD:** Hard

Rationale: The essence of evaluation, the final phase of the strategic marketing process, is to compare results with planned goals for the marketing program in order to take necessary corrective actions.

2-357 VIDEO CASE 2: IBM

KNOWLEDGE

IBM's business strategy to help its clients be more efficient, productive, and responsive to the data generated from the revolution in the global marketplace concerning the instrumentation and integration of the world's processes and infrastructures is referred to as

- a. "The IBM Way."
- b. "Smarter Planet."
- c. "Reinvent Business."
- d. "The 2015 Road Map."
- e. "Big Blue."

Answer: b **Page(s):** 48 **LO:** 2-1 **AACSB:** Analytic **QD:** Easy

Rationale: IBM's business strategy to help its clients be more efficient, productive, and responsive is known as "Smarter Planet."

2-358 VIDEO CASE 2: IBM

COMPREHENSION

All of the following were strategic opportunities identified in IBM's 2015 Road Map **EXCEPT**:

- a. the connected, "Smarter Planet."
- b. cloud and smarter computing.
- c. a shift from software and services to PCs and hard disk drives.
- d. business analytics and optimization.
- e. growth markets such as China, India, Brazil, and Africa.

Answer: c **Page(s):** 48-49 **LO:** 2-4 **AACSB:** Analytic **QD:** Medium

Rationale: IBM's 2015 Road Map describes four strategic opportunities: (1) growth markets such as China, India, Brazil, and Africa, (2) business analytics and optimization, (3) cloud and

smarter computing, and (4) the connected, “smarter planet.” Recently, IBM began to shift from commodity-based businesses such as PCs and hard disk drives, to “customizable” businesses such as software and services, not the other way around.

2-359 VIDEO CASE 2: IBM

COMPREHENSION

The marketing plan for IBM’s “Smarter Planet” strategy included which of the following marketing tactics?

- a. handing out “Smarter Planet” t-shirts on selected college campuses through the world
- b. providing samples of new hard drives for NYC businesses
- c. sponsoring the US swim team for the 2012 Summer Olympics
- d. including a strong message in an annual report from IBM’s Chairman of the Board and CEO
- e. garnering a celebrity endorsement from Jon Steward, host of the Daily Show

Answer: d **Page(s):** 48-49 **LO:** 2-5 **AACSB:** Analytic **QD:** Medium

Rationale: The marketing tactics IBM used to communicate its “Smarter Planet” strategy included messaging from the CEO, Sam Palmisano. His message was a powerful statement. Smarter Planet, according to Palmisano, “is not a metaphor. It describes the infusion of intelligence into the way the world actually works.”

2-360 VIDEO CASE 2: IBM

COMPREHENSION

Implementation of IBM’s “Smarter Planet” strategy has resulted in all of the following

EXCEPT:

- a. a reduction in supply chain costs for retailers.
- b. a reduction in traffic delays through coordinated signals.
- c. a reduction in power usage for consumers using smart meters.
- d. a reduction in inventory levels, as well as increased sales, for retailers.
- e. a reduction in wasted coverage for advertising messages to increase its efficiency.

Answer: e **Page(s):** 48-49 **LO:** 2-6 **AACSB:** Analytic **QD:** Medium

Rationale: IBM’s “Smarter Planet” strategy was not applied to the problem of advertising efficiency, also known as wasted coverage.

CHAPTER 2: MASTER TEST BANK

DEVELOPING SUCCESSFUL ORGANIZATIONAL AND MARKETING STRATEGIES

SHORT ESSAY QUESTIONS

2-361 LEVELS IN ORGANIZATIONS

COMPREHENSION

Describe the three levels in an organization.

Answer:

The three levels are: (1) the corporate level, where the top management directs overall strategy for the entire organization; (2) the strategic business unit level, where business unit managers set a more specific direction for their businesses to exploit value-creating opportunities; and (3) the functional level, where groups of specialists actually create value for the organization. See Figure 2-1 in the textbook.

Page(s): 26-28

LO: 2-1

AACSB: Analytic

QD: Medium

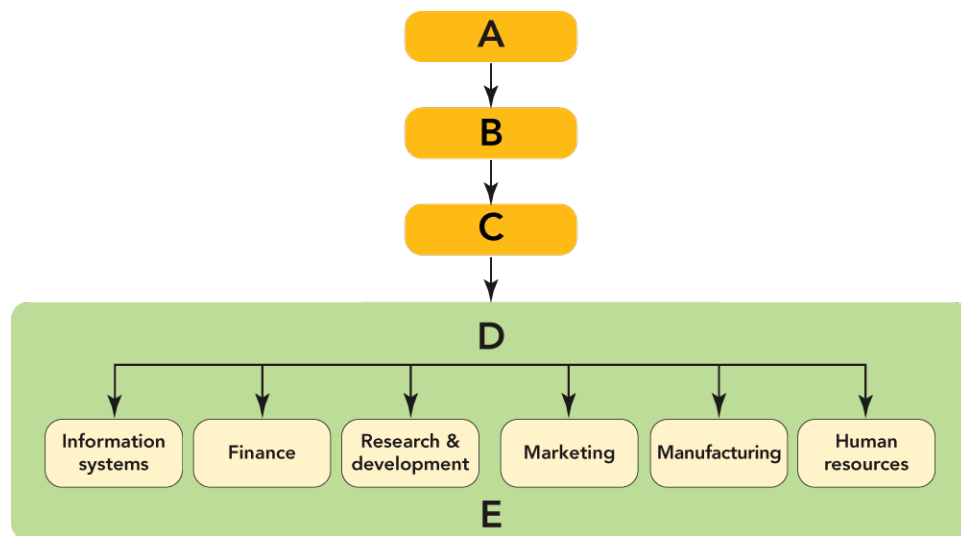


Figure 2-1

2-362 LEVELS IN ORGANIZATIONS

COMPREHENSION

Using Figure 2-1 above, identify and briefly describe the five levels in a hierarchical organizational structure, including the three that are strategic in nature.

Answer:

The five levels (three of which are strategic) of structure typically found in large organizations are: (1) “A” identifies the Board of directors, which oversees the three levels of strategy in organizations (corporate, business unit, and functional). (2) “B” identifies the corporate level, where the top management directs overall strategy for the entire organization. (3) “C” identifies the strategic business unit level, where managers set a more specific direction for their SBUs (a

subsidiary, division, or unit of an organization that markets a set of related offerings to a clearly defined group of customers) to exploit value-creating opportunities. (4) “D” identifies the functional level, where groups of specialists actually create value for the organization. (5) “E” identifies the departments, which are the specialized functions such as information systems, finance, research and development, marketing, manufacturing and human resources that implement the corporate strategies developed by the organization.

Page(s): 26-28

LO: 2-1

AACSB: Analytic

QD: Medium

2-363 STRATEGIC BUSINESS UNIT

APPLICATION

Apple, a multimarket, multiproduct firm, manufactures and markets iMacs, iPods, iPhones, and iPads as a portfolio of businesses. At what organizational level does Apple set the strategic direction for these businesses to create customer value?

Answer:

The iMacs, iPods, iPhones, and iPads, which in effect comprise a portfolio of businesses, operate as a strategic business unit (SBU) of Apple. At the strategic business unit level, Apple marketing managers set the strategic direction for these products to clearly defined groups of customers.

Page(s): 24

LO: 2-1

AACSB: Analytic

QD: Hard

2-364 CROSS-FUNCTIONAL TEAMS

COMPREHENSION

What is a cross-functional team and how is it used?

Answer:

When developing marketing programs for new offerings or for improving existing ones, an organization’s senior management may form cross-functional teams. These consist of a small number of people from different departments who are mutually accountable to accomplish a task or a common set of performance goals. Sometimes these teams will have representatives from outside the organization, such as suppliers or customers, to assist them.

Page(s): 28

LO: 2-1

AACSB: Analytic

QD: Medium

2-365 STRATEGY IN VISIONARY ORGANIZATIONS

COMPREHENSION

Explain what a visionary organization is and the three questions (“why,” “what,” and “how”) that need to be answered that formulate its strategies.

Answer:

Management experts stress that to be successful, today’s organizations must be visionary—anticipating future events and responding to them quickly and effectively. This requires a visionary organization to specify its foundation (why), set a direction (what), and formulate strategies (how). An organization’s foundation is its philosophical reason for being—why it exists. So, its senior managers must identify its core values and describe its mission and organizational culture—its purpose for being. Next, these managers can set the direction for the organization by defining its business and specifying its long-term and short-term goals. Finally, the firm uses the previous two pieces to formulate its strategies, which vary in at least two ways,

partly depending on the level in the organization and the offerings it provides customers. See Figure 2-2.

Page(s): 28-30

LO: 2-2

AACSB: Analytic

QD: Medium

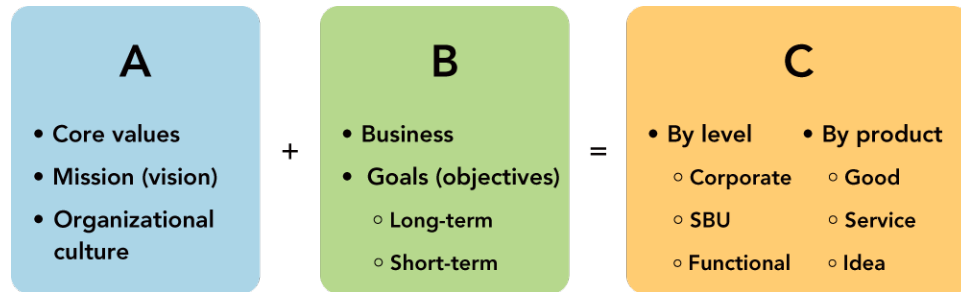


Figure 2-2

2-366 STRATEGY IN VISIONARY ORGANIZATIONS

COMPREHENSION

According to Figure 2-2 above, what are the three elements that today's visionary organization must do to be forward looking and successful within its marketing environment?

Answer:

Management experts stress that to be successful, today's organizations must be visionary—they must anticipate future events and then respond quickly and effectively. This requires a visionary organization to: (1) specify its foundation “A” (why does it exist); (2) set a direction “B” (what will it do); and (3) formulate strategies “C” (how will it do it).

Page(s): 28-30

LO: 2-2

AACSB: Analytic

QD: Medium

2-367 STAKEHOLDERS

APPLICATION

List potential stakeholders for the college or university that you attend.

Answer:

Students' answers will vary, but each answer should recognize that there are both external and internal stakeholders for each organization. Their lists could include students, administrators, staff, instructors, the community within which the institution is located, boards or governments that regulate campus activities, guest speakers, fans of the sports offered, and alumni.

Page(s): 29

LO: 2-2

AACSB: Analytic

QD: Hard

2-368 MISSION

COMPREHENSION

What is a mission?

Answer:

By understanding its core values, an organization can take steps to define its mission, which is a statement of the organization's function in society, often identifying its customers, markets, products, and technologies. Today, a mission statement, often used interchangeably with vision, should be clear, concise, meaningful, inspirational, and long-term. A good mission statement also should be challenging and offer a compelling picture of an envisioned future.

Page(s): 29

LO: 2-2

AACSB: Analytic

QD: Medium

2-369 MISSION STATEMENT

COMPREHENSION

What is an organization's mission? What are some elements of a well-written mission statement?

Answer:

By understanding its core values, an organization can take steps to define its mission, which is a statement of the organization's function in society, often identifying its customers, markets, products, and technologies. Today, the term mission is often used interchangeably with vision. A mission statement should be clear, concise, meaningful, inspirational, and long-term and provide a challenging, compelling picture of an envisioned future.

Page(s): 29

LO: 2-2

AACSB: Analytic

QD: Medium

2-370 MISSION STATEMENT

COMPREHENSION

Medtronic is the world leader in producing heart pacemakers and other medical devices. Earl Bakken, Medtronic's founder, wrote its mission statement when he launched the firm over a half century ago. Summarize Medtronic's mission statement and comment as to why it is a good one.

Answer:

Medtronic's mission statement reads: "To contribute to human welfare by application of biomedical engineering in the research, design, manufacture, and sale of instruments or appliances that alleviate pain, restore health, and extend life." A good mission statement should be clear, concise, meaningful, inspirational, and long-term. It also needs to be challenging and provide a compelling picture of an envisioned future. Medtronic's mission statement meets these requirements.

Page(s): 29

LO: 2-2

AACSB: Analytic

QD: Medium

2-371 MISSION STATEMENT

APPLICATION

In 25 words or less, write a mission statement for a local community college.

Answer:

By understanding its core values, an organization can take steps to define its mission, a statement of the organization's function in society, often identifying its customers, markets, products, and technologies. Mission statements for a community college could vary greatly. For example, one mission could be "to create an environment where all local citizens have access to enhanced educational experiences" or "prepare students to competitively enter other institutions of higher learning upon graduation," or "provide alternative certification programs for students wishing to have post-high school education without attending a traditional four-year college."

Page(s): 29

LO: 2-2

AACSB: Analytic

QD: Hard



Elton John Image

2-372 MISSION

APPLICATION

Ben & Jerry's introduces products like its Goodbye Yellow Brick Road premium ice cream flavor (see the Elton John image above) for a limited time every so often as a response to its mission. Name and briefly describe the three interrelated parts of Ben & Jerry's mission.

Answer:

Ben & Jerry's mission consists of three interrelated parts: (1) Social mission—to operate the company in a way that actively recognizes the central role that business plays in society by initiating innovative ways to improve the quality of life locally, nationally and internationally. (2) Product mission—to make, distribute and sell the finest quality all natural ice cream and euphoric concoctions with a continued commitment to incorporating wholesome, natural ingredients and promoting business practices that respect the Earth and the Environment. (3) Economic mission—to operate the company on a sustainable financial basis of profitable growth, increasing value for our stakeholders and expanding opportunities for development and career growth for our employees.

Page(s): 29

LO: 2-2

AACSB: Analytic

QD: Hard



Railroad Photo

2-373 BUSINESS

COMPREHENSION

The railroad photo above shows a train hauling cargo. What “business” did rail executives believe they were in during mid-20th century? What business is a railroad firm really in? Why?

Answer:

In his famous “Marketing Myopia” article, Theodore Levitt argues that senior managers of 20th century American railroads defined their businesses too narrowly by proclaiming, “We are in the railroad business!” This myopic view caused these managers to lose sight of who their customers were and what they needed. Thus, railroad managers only saw other railroads as their direct competitors and failed to develop strategies to compete with airlines, barges, pipelines, and trucks—firms whose offerings carry both goods and people. As a result, many railroads either were forced to merge with other railroads (or other firms) or went bankrupt. Railroads would have fared better if they had realized they were in “the transportation business.”

Page(s): 30

LO: 2-2

AACSB: Analytic

QD: Medium

2-374 GOALS OR OBJECTIVES

COMPREHENSION

Name and briefly describe the seven types of organizational goals or objectives.

Answer:

The seven types of organizational goals or objectives are: (1) Profit. Economic theory assumes a firm seeks to maximize long-run profit. (2) Sales (dollars or units). A firm may elect to maintain or increase its sales level, even though profitability may not be maximized. (3) Market Share. A firm may choose to maintain or increase its market share—sometimes at the expense of greater profits. (4) Quality. A firm may target the highest quality. (5) Customer Satisfaction. Customers are the reason the organization exists, so their perceptions and actions are of vital importance. (6) Employee Welfare. An organization may recognize the critical importance of its employees by having an explicit goal stating its commitment to good employment opportunities

and working conditions for them. (7) Social Responsibility. A firm may seek to balance the conflicting goals of consumers, employees, and stockholders to promote overall welfare of all these groups, even at the expense of profits.

Page(s): 31

LO: 2-2

AACSB: Analytic

QD: Medium

2-375 MARKET SHARE

APPLICATION

The logistics industry has sales of \$800 billion per year. If a third party logistics provider had sales of \$8 billion, what would its market share be? Be sure to define market share and show your work in your answer.

Answer:

Market share is the ration of sales revenue of the firm to the total sales revenue of all firms in the industry, including the firm itself. In this case, the sales of the firm itself (\$8 billion) divided by the sales revenue of all firms in the industry—including the firm itself—(\$800 billion) means that the third party logistics provider in question has a 1% market share ($\$8 \text{ billion} \div \$800 \text{ billion} = 1 \text{ percent}$).

Page(s): 31

LO: 2-2

AACSB: Analytic

QD: Hard

2-376 MARKETING DASHBOARD/MARKETING METRICS

KNOWLEDGE

Define “marketing dashboard” and “marketing metric” and explain how these terms are related.

Answer:

A marketing dashboard is the visual computer display of the essential information related to achieving a marketing objective. With a marketing dashboard, a marketing manager glances at a graph or table and makes a decision whether to take action or to do more analysis to better understand the problem. Each graphical or tabular display in a dashboard shows a marketing metric, which is a measure of the quantitative value or trend of a marketing activity or result.

Page(s): 32-33

LO: 2-3

AACSB: Analytic

QD: Easy

2-377 COMPETENCIES AND COMPETITIVE ADVANTAGE

COMPREHENSION

Explain the difference between “competencies” and “competitive advantage” in an organizational setting.

Answer:

An organization’s core competencies are its special capabilities, including skills, technologies, and resources that distinguish it from other organizations and that provide value to its customers. Exploiting these competencies can lead to success, particularly if other organizations cannot copy them. An organization’s competitive advantage is a unique strength relative to competitors that provides superior returns, often based on quality, time, cost, or innovation.

Page(s): 35

LO: 2-4

AACSB: Analytic

QD: Medium

2-378 BCG GROWTH-SHARE MATRIX

COMPREHENSION

The Boston Consulting Group's business portfolio analysis model can be used to analyze a firm's strategic business units. How is it used and what can it tell you?

Answer:

The BCG business portfolio analysis requires an organization to locate the position of each of its SBUs on a growth-share matrix (see Figure 2-4). The vertical axis is the market growth rate, which is the annual rate of growth of the SBU's industry. The horizontal axis is the relative market share, defined as the sales of the SBU divided by the sales of the largest firm in the industry. The purpose of the tool is to determine the appeal of each SBU or offering and then determine the amount of cash each should receive.

Page(s): 35-37

LO: 2-4

AACSB: Analytic

QD: Medium

2-379 BCG GROWTH-SHARE MATRIX

COMPREHENSION

One of the most recognized approaches to business portfolio analysis is the Boston Consulting Group's growth-share matrix. Describe this tool and the four quadrants of the matrix.

Answer:

The BCG business portfolio analysis requires an organization to locate the position of each of its SBUs on a growth-share matrix. The vertical axis is the market growth rate, which is the annual rate of growth of the SBU's industry. The horizontal axis is the relative market share, defined as the sales of the SBU divided by the sales of the largest firm in the industry. The BCG has given specific names and descriptions to the four quadrants in its growth-share matrix. They are as follows: (1) Cash Cows—(lower left quadrant) have a dominant share of a slow-growth market; they typically generate large amounts of cash to invest in other SBUs. (2) Stars—(upper left quadrant) have a high share of high-growth markets; they may not generate enough cash to support their own needs to support future growth. (3) Question Marks—(upper right quadrant) are SBUs with a low share of high-growth markets; they require large amounts of money just to maintain their market share. (4) Dogs—(lower right quadrant) have a low share of slow-growth markets; although they may generate enough cash to sustain themselves, they hold little promise of becoming winners for the firm. See Figure 2-4 in the textbook.

Page(s): 35-37

LO: 2-4

AACSB: Analytic

QD: Medium

MARKETS	PRODUCTS	
	Current	New
Current	A	B
New	C	D

Figure 2-5

2-380 DIVERSIFICATION ANALYSIS**COMPREHENSION**

Based on Figure 2-5 above, identify and explain each of the four market-product strategies represented by each quadrant (“A,” “B,” “C,” and “D”) in the diversification analysis matrix.

Answer:

The market-product strategies include: (1) Market penetration (“A”)—is a marketing strategy to increase sales of current products in current markets, either by selling more units or increasing the price of each unit, to current customers. (2) Market development (“B”)—is a marketing strategy to sell current products to new markets. (3) Product development (“C”)—is a marketing strategy of selling new products to current markets. (4) Diversification (“D”)—is a marketing strategy of developing new products and selling them in new markets. See Figure 2-5 in the textbook.

Page(s): 38-39**LO:** 2-4**AACSB:** Analytic**QD:** Medium**2-381 STRATEGIC MARKETING PROCESS****COMPREHENSION**

List the three steps of the planning phase of the strategic marketing process. Briefly describe what goes on during each of the three steps.

Answer:

The planning phase of the strategic marketing process includes three steps. Step 1 is the situation (SWOT) analysis. During the SWOT analysis, a company will identify industry trends, analyze competitors, assess own company, and research customers. Step 2 is market-product focus and goal setting. During Step 2, the company will set market and product goals, select target markets, find points of difference, and position the product. Step 3 is the marketing program. During this step, the company will develop the program’s marketing mix and develop the budget, by estimating revenues, expenses, and profits. See Figure 2-6 in the textbook.

Page(s): 39-40**LO:** 2-5**AACSB:** Analytic**QD:** Medium

2-382 STRATEGIC MARKETING PROCESS**COMPREHENSION**

Identify and describe the three phases of the strategic marketing process.

Answer:

The three phases of the strategic marketing process are: planning, implementation, and evaluation. (1) The planning phase includes: (a) situation (SWOT) analysis to identify industry trends, analyze competitors, assess own company, and research customer; (b) market-product focus and goal setting, which involves setting market and product goals, selecting target markets, finding points of difference, and positioning the product; and (c) marketing program development, which involves developing the marketing mix and the budget by estimating revenues, expenses, and profits. (2) The implementation phase involves: (a) obtaining resources; (b) designing the marketing organization; (c) defining precise tasks, responsibilities, and deadlines; and (d) executing the marketing program. (3) The evaluation phase involves: (a) comparing the results of the marketing program plans to the results achieved to identify deviations and (b) exploiting positive deviations or correcting negative ones. See Figure 2-6 in the textbook.

Page(s): 39-42

LO: 2-5

AACSB: Analytic

QD: Medium

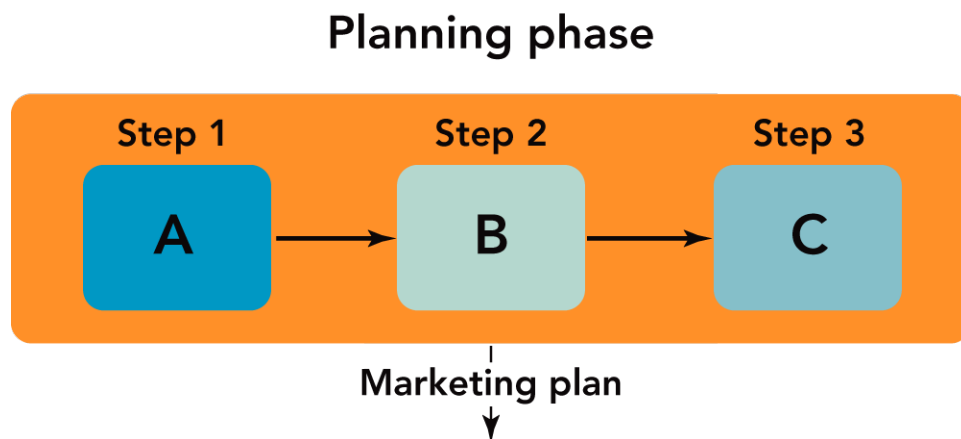


Figure 2-6

2-383 STRATEGIC MARKETING PROCESS**COMPREHENSION**

Using Figure 2-6 above, identify and describe the three steps ("A," "B," and "C") of the planning phase of the strategic marketing process.

Answer:

"A": Situation (SWOT) analysis—is an organization's appraisal of its internal strengths and weaknesses and its external opportunities and threats. "B": Market-product focus and goal setting—determines which products will be directed toward which customers. This decision is often based on market segmentation, which involves aggregating prospective buyers into groups, or segments, that (1) have common needs and (2) will respond similarly to a marketing action. This enables an organization to identify the segments on which it will focus its efforts—its target

market segments—and develop specific marketing programs to reach them. “C”: Marketing program—involves developing the program’s marketing mix (the 4 Ps) and its budget.

Page(s): 39-42

LO: 2-5

AACSB: Analytic

QD: Medium

2-384 SWOT ANALYSIS: BEN & JERRY’S

COMPREHENSION

Identify and describe the four factors in a SWOT analysis and give examples for Ben & Jerry’s Ice Cream that help it identify the critical strategy-related factors that could impact the firm.

Answer:

A SWOT analysis is an acronym that describes an organization’s appraisal of its internal Strengths and Weaknesses and its external Opportunities and Threats. The four critical factors in a SWOT analysis and examples for Ben & Jerry’s are: (1) internal strengths, such as its (a) prestigious, well-known brand name among U.S. consumers that complements Unilever’s existing ice cream brands and (b) widely recognized social mission, values, and actions; (2) internal weaknesses, which include (a) Ben & Jerry’s social responsibility actions that could reduce focus and (b) the need for experienced managers to help growth, modest sales and profits in recent years; (3) external opportunities, such as (a) the growing demand for quality ice cream in overseas markets, (b) the increasing U.S. demand for Greek-style yogurt, and (c) the many U.S. firms successfully use product and brand extensions; and (4) external threats, such as (a) consumer concern with sugary and fatty desserts, (b) competition with General Mills’ and Nestlé’s brands, and (c) increasing competition in international markets. See Figure 2-7 in the textbook.

Page(s): 40-41

LO: 2-5

AACSB: Analytic

QD: Medium

2-385 MARKET SEGMENTATION

APPLICATION

A campus service organization annually raises money through the sale of T-shirts. How could it use market segmentation to increase sales of the shirts? Be sure to include a definition of market segmentation in your answer.

Answer:

Market segmentation involves aggregating prospective buyers into groups, or segments that (1) have common needs and (2) will respond similarly to a marketing action. Students’ examples will vary. The service organization may decide to sell T-shirts to two segments: current students and local residents. A separate marketing plan should be developed for each segment since they are not necessarily identical. For example, while the price and product may be the same, the place the T-shirts are sold to students would be the campus bookstore, while local residents may buy the T-shirts in a local clothing store at a strip mall. The promotion for the shirts aimed at students may be flyers posted in the dorms and ads in the college newspaper. The promotion aimed at local residents may be an ad in the local community newspaper and flyers posted in the local grocery store.

Page(s): 40

LO: 2-5

AACSB: Analytic

QD: Hard

2-386 MARKETING PROGRAM

COMPREHENSION

What are the marketing mix elements that comprise a cohesive marketing program?

Answer:

Figure 2-8 in the textbook illustrates the principal components of the marketing mix or the four Ps. (1) Product: features, brand name, packaging, service, and warranty. (2) Price: list price, discounts, allowances, credit terms, and payment period. (3) Promotion: advertising, personal selling, sales promotion, public relations, and direct marketing. (4) Place: outlets, channels, coverage, transportation, and stock level.

Page(s): 42

LO: 2-5

AACSB: Analytic

QD: Medium

2-387 MARKETING PROGRAM

APPLICATION

A campus service organization annually raises money through the sale of T-shirts. What are the major components of the marketing program it should use to increase sales? Give one example of each.

Answer:

A marketing program should include product, price, promotion, and place strategies. Students' examples will vary. The product strategy would include packaging and design of the T-shirts. Promotion strategy would encompass how the group plans to communicate information about the sale to other students. Price strategy would include the list price of the T-shirts and any quantity discounts. Place strategy would include the outlets where the T-shirts will be sold.

Page(s): 42

LO: 2-5

AACSB: Analytic

QD: Hard

2-388 IMPLEMENTATION PHASE

COMPREHENSION

What are the four components of the implementation phase of the strategic marketing process?

Answer:

The four components of the implementation phase of the strategic marketing process are: (1) obtaining resources; (2) designing the marketing organization; (3) defining precise tasks, responsibilities, and deadlines; and (4) actually executing the marketing program designed in the planning phase.

Page(s): 42-44

LO: 2-6

AACSB: Analytic

QD: Medium

2-389 GANTT CHART

COMPREHENSION

Explain what a Gantt chart is and how it is used.

Answer:

A Gantt chart is a graphical representation of a program schedule. Developed by Henry L. Gantt, this method is the basis for the scheduling techniques used today, including elaborate computerized methods. The key to all scheduling techniques is to distinguish tasks that must be done sequentially from those that can be done concurrently. Scheduling tasks concurrently often reduces the total time required for a project. See Figure 2-10 in the textbook.

Page(s): 44

LO: 2-6

AACSB: Analytic

QD: Medium

2-390 MARKETING STRATEGY/MARKETING TACTIC

COMPREHENSION

What is the difference between a marketing strategy and a marketing tactic?

Answer:

A marketing strategy is the means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program to reach it, which implies both the end sought (target market) and the means to achieve it (marketing program). Marketing tactics, on the other hand, are detailed day-to-day operational decisions essential to the overall success of marketing strategies, such as writing advertising copy or selecting the amount for temporary price reductions.

Page(s): 44

LO: 2-6

AACSB: Analytic

QD: Medium

2-391 EVALUATION PHASE

COMPREHENSION

Explain the steps in the evaluation phase of the strategic marketing process.

Answer:

The evaluation phase of the strategic marketing process ties results and actions to goals. Marketing dashboards and marketing metrics are often used to compare goals and results and identify deviations. The causes of the deviations are then quantified and new plans and actions are formulated to exploit opportunities and correct problems. This information is fed back into the process to revise the goals and the marketing plan.

Page(s): 44-46

LO: 2-7

AACSB: Analytic

QD: Medium

2-392 EVALUATION PHASE

COMPREHENSION

What is the purpose of the evaluation phase of the strategic marketing process? How is it accomplished?

Answer:

The evaluation phase of the strategic marketing process seeks to keep the marketing program moving in the direction set for it. Accomplishing this requires the marketing manager to compare the results of the marketing program with goals in the written plans to identify deviations and then to act on these deviations—exploiting positive deviations and correcting negative ones.

Page(s): 44-46

LO: 2-7

AACSB: Analytic

QD: Medium

2-393 PLANNING GAP

COMPREHENSION

Explain what a planning gap is and what is used to close it.

Answer:

A planning gap is the difference between the projection of the path to reach a new goal and the projection of the path of the results of a plan already in place. The ultimate purpose of the firm's marketing program is to "fill in" this planning gap. When evaluation shows actual performance failing to meet expectations, managers need to take corrective actions, which consist of exploiting positive deviations or correcting negative ones.

Page(s): 45

LO: 2-7

AACSB: Analytic

QD: Medium