

Chapter 2—Strategic Planning for Competitive Advantage

169 questions (23 true/false, 130 multiple choice, 16 essay)

TRUE/FALSE

1. The manufacturer of Revlon cosmetics was implementing a strategic plan when it provided its retailers with display units promoting its new shades of summery lipsticks.

ANS: F REF: p. 38 OBJ: 1 TYPE: App
Such a short-range decision is typically a tactical plan or operating decision, not a strategic plan.

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

ANS: T REF: p. 39 OBJ: 1 TYPE: Def

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

ANS: F REF: p. 41 OBJ: 2 TYPE: Def
Mission statements should not focus on specific product offerings but on the market or markets served.

4. Marketing objectives should be consistent with organization objectives, they should be measurable, and they should specify the time frame during which they are to be achieved.

ANS: T REF: p. 42 OBJ: 3 TYPE: Comp

5. The company's objective is to spend 10 percent of this fiscal year's sales revenue on research and development in an effort to introduce at least five new products in the next fiscal year. This is an example of a well-stated objective.

ANS: T REF: p. 42-43 OBJ: 3 TYPE: App
This objective is measurable and has a specific time frame. See Exhibit 2.4.

6. A situation analysis is a small part of the more all-encompassing SWOT analysis.

ANS: F REF: p. 43 OBJ: 4 TYPE: Def
A common way to conduct a situation analysis is to perform a SWOT analysis, which means examining the company's environments for strengths, weaknesses, opportunities, and threats.

7. A marketing audit is limited to the collection and analysis of information about factors that may affect the organization as well as the identification of market opportunities and threats.

ANS: F REF: p. 44 OBJ: 4 TYPE: Def
This is the definition of environmental scanning.

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

ANS: T REF: p. 44 OBJ: 5 TYPE: Def

9. Diamonds that come from rebel African troops trying to get money for weapons are much cheaper than diamonds from countries that are not in conflict. A diamond retailer that ignores the pleas of human rights organizations not to sell the cheaper diamonds is creating a cost competitive advantage for itself.

ANS: T REF: p. 44-45 OBJ: 5 TYPE: App
Having a cost competitive advantage means being the low-cost competitor in an industry while maintaining satisfactory profit margins.

10. Niche competitive advantages are quite common.

ANS: T REF: p. 48 OBJ: 5 TYPE: Comp
The text lists several examples of how companies have created niche competitive advantages.

11. If the Pillsbury Company started a major promotional campaign for its Green Giant frozen vegetables with aggressive advertising and cents-off coupons to existing customers, it would be following a market development strategy.

ANS: F REF: p. 48 OBJ: 6 TYPE: App
It would exemplify a market penetration strategy.

12. When the Internet auction company www.ebay.com opened a version of the company it called ebayfrance.com for the French market, it was an example of market penetration.

ANS: F REF: p. 49 OBJ: 6 TYPE: App
Market penetration is the strategy of selling more to the existing customers.

13. Amerifit Nutrition has just developed a new line of all-natural cold medications that further meet the needs of its current customers. This is an example of product development.

ANS: T REF: p. 48 OBJ: 6 TYPE: App

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

ANS: T REF: p. 48 OBJ: 6 TYPE: App
Product development is the offering of new products to current markets.

15. Andre wanted to rent a limousine for the weekend, then he learned the rental company offered lower daily rates for 7-day rentals. The rental company was using a market development strategy.

ANS: F REF: p. 49 OBJ: 6 TYPE: App
In this case, the pricing strategy does not determine the strategic alternative used.

16. Thomas Office Supply has developed a clipboard design that will better fulfill the needs not only of its customers in the hospital market, but also of potential new customers in the educational market. This is an example of diversification.

ANS: F REF: p. 48-49 OBJ: 6 TYPE: App
This is an example of product development to the hospital market. One might argue that it is market development to the educational market, but unless the product is radically new to the company, it would not exemplify diversification.

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

ANS: T REF: p. 50 OBJ: 7 TYPE: Def

18. The development of a target market strategy begins with a market opportunity analysis (MOA).

ANS: T REF: p. 50 OBJ: 7 TYPE: Comp

19. The four P's of the marketing mix are product, planning, promotion, and price.

ANS: F REF: p. 51 OBJ: 8 TYPE: Def
The four P's are product, place, promotion, and price

20. Typically, the development of the marketing mix starts with the identification of potential target markets.

ANS: F REF: p. 52 OBJ: 8 TYPE: Def
The development of the marketing mix begins with the product.

21. A marketing audit is a control device and is used primarily by large corporations to study past performance

ANS: F REF: p. 54 OBJ: 9 TYPE: Comp
A marketing audit is not preoccupied with past performance but instead looks to the future allocation of marketing resources.

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

ANS: F REF: p. 55 OBJ: 10 TYPE: Comp
Strategic planning requires creativity and an ongoing commitment, not just going through the motions once a year.

23. The most critical element in successful strategic planning is the development of a sustainable competitive advantage.

ANS: F REF: p. 55 OBJ: 10 TYPE: Comp
The most critical element to successful strategic planning is top management's support and participation.

MULTIPLE CHOICE

1. Compaq Computer's decision to charge customers for phone technical support to defray the high cost of phone support and encourage customers to read documentation was a failure because consumers like the human touch. Customer rebellion forced Compaq to rethink this policy. As a result Compaq decided to focus its resources on reaching the inexpensive home computer market segment through enhanced customer service. This company is engaging in:

- a. the search for a differential advantage
- b. control and evaluation
- c. alternative selection
- d. portfolio evaluation
- e. strategic planning

ANS: E REF: p. 38 OBJ: 1 TYPE: App
Strategic planning provides a long-term vision and thus guides long-term commitment of resources.

2. Strategic plans require:

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

ANS: A REF: p. 38 OBJ: 1 TYPE: Comp
Strategic plans are long-range plans that involve developing, organizing, and controlling marketing activities.

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

- a. Tactical management
- b. The market audit
- c. Functional planning
- d. Environmental scanning
- e. Strategic planning

ANS: E REF: p. 38 OBJ: 1 TYPE: Def

4. In 2004, Giorgio Armani, the Italian fashion group, announced plans to launch a \$1 billion international luxury hotel chain containing ten hotels and four resorts before the end of 2015. This _____ will take advantage of an international trend toward luxury lifestyle consumerism and allow the company to achieve its growth objectives.
- tactical objectifying
 - contingency plans
 - strategic planning
 - marketing implementation
 - horizon planning

ANS: C REF: p. 38 OBJ: 1 TYPE: App

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

5. Which of the following statements about a marketing plan is true?
- Marketing plans can exist as oral traditions.
 - The marketing plan should be viewed as a series of sequential steps.
 - All marketing plans have basically the same content.
 - A marketing plan is created so an organization can meet its marketing objectives.
 - All of the above statements about a marketing plan are true.

ANS: D REF: pp. 39-40 OBJ: 1 TYPE: Comp

By definition, marketing plans are written. Several steps of the marketing plan can be done at the same time. The content of marketing plans varies.

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

ANS: A REF: p. 39 OBJ: 1 TYPE: Def

7. Tiffany is designing a series of marketing activities to help her new catering company achieve its growth objectives in a highly competitive industry. Tiffany is engaged in:
- strategic activation
 - resource commitment
 - marketing planning
 - control
 - evaluation

ANS: C REF: p. 39 OBJ: 1 TYPE: App

Marketing planning is designing activities relating to objectives and the marketing environment.

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

ANS: E REF: p. 39-40 OBJ: 1 TYPE: Comp

Marketing environment variables cannot be controlled.

9. Which of the following is one of the elements of the marketing plan?
- a. a business mission statement
 - b. a situation analysis
 - c. a target marketing strategy
 - d. the marketing mix
 - e. all of the choices

ANS: E REF: p. 39-40 OBJ: 1 TYPE: Def
See Exhibit 2.1.

10. Managers at Bolsum Aerospace Company have recently attended several special meetings where issues such as the creation of marketing objectives, a situation analysis, delineating a target market strategy, and modifying components of the marketing mix have been discussed. Bolsum Aerospace is apparently engaged in:
- a. reengineering
 - b. hierarchical restructuring
 - c. a financial analysis
 - d. the development of a marketing plan
 - e. strategic contingency planning

ANS: D REF: p. 39 OBJ: 1 TYPE: App
See Exhibit 2.1. All the listed activities are part of the marketing planning process.

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

ANS: A REF: p. 41 OBJ: 2 TYPE: Def

12. Thermo Electron Corp., the biggest maker of measurement instruments for medical laboratories, agreed to buy the radiation-monitoring products unit of Compagnie de Saint-Gobain for \$30 million to gain European customers. Saint-Gobain (of France) is Europe's number 1 distributor of building materials, and its radiation monitoring unit did not support the company's mission statement. This means that:
- a. Thermo Electron does not have a mission statement.
 - b. the radiation monitoring unit was a cash cow.
 - c. Saint-Gobain's mission dealt with providing building materials to its customers, not radiation measuring equipment.
 - d. Thermo Electron's mission statement was incomplete.
 - e. Saint-Gobain's mission statement was too broad.

ANS: C REF: p. 41 OBJ: 2 TYPE: APP

13. Thermo Electron Corp., the biggest maker of measurement instruments for medical laboratories, agreed to buy the radiation-monitoring products unit of Compagnie de Saint-Gobain for \$30 million to gain European customers. Saint-Gobain of France is Europe's number 1 distributor of building materials, and its radiation monitoring unit did not support the company's mission statement. Saint-Gobain sold one of its:
- a. strategic business units (SBU)
 - b. strategic alliances
 - c. action programs
 - d. transactional units
 - e. synergistic divisions

ANS: A REF: p. 42 OBJ: 2 TYPE: APP

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

ANS: C REF: p. 41 OBJ: 2 TYPE: App
A mission statement answers the question, "What business are we in?"

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

ANS: B REF: p. 41 OBJ: 2 TYPE: Comp
The choice of the market to serve determines the product and technology decisions.

16. By defining its business as "making movies" instead of "entertainment," a Hollywood movie studio would have experienced:
- a. market synergy
 - b. product entropy
 - c. market harvesting
 - d. nonspecific strategic planning
 - e. marketing myopia

ANS: E REF: p. 41 OBJ: 2 TYPE: App
"Making movies" focuses on one product, rather than a broad range of opportunities as found in "entertainment."

17. Railroads often offer their customers a trucking service for local delivery or trailers for piggybacking loads to their final destination. Which of the following statements justifies the addition of these services to their strategic plans?
- a. Their mission statements recognize reflects their belief that they are transportation companies, not just railroads.
 - b. Local delivery has high market attractiveness.
 - c. Diversification is needed to survive.
 - d. New business units are needed to continue growth.
 - e. Owning trucks is probably cheaper and easier than using a local carrier.

ANS: A REF: p. 41 OBJ: 2 TYPE: App
A broad mission statement would recognize that the firm's business is total transportation service.

18. _____ occurs when a business is defined in terms of goods and services rather than by the benefits customers seek from it.
- a. A circle trap
 - b. A market barrier entry
 - c. A reactive focus
 - d. Unempowerment
 - e. Marketing myopia

ANS: E REF: p. 41 OBJ: 2 TYPE: Def

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

ANS: A REF: p. 42 OBJ: 2 TYPE: Def

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

ANS: B REF: p. 42 OBJ: 2 TYPE: Def

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

ANS: C REF: p. 42 OBJ: 2 TYPE: Def
SBUs have separate business functions from one another and have their own mission statements, markets, and planning.

22. One of the divisions of Procter & Gamble (P&G) manufactures and markets health and beauty aids. It handles products like Olay lotions and Old Spice fragrances. This part of the business has its own accounting, engineering, manufacturing, and marketing departments, separate from the rest of the organization. This division also has its own mission statement, target markets, and planning committees. This segment of P&G would be termed a:
- product market niche
 - diversified division
 - heterogeneous element
 - strategic alliance
 - strategic business unit

ANS: E REF: p. 42 OBJ: 2 TYPE: App
An SBU usually has its own mission statement, target markets, and separate functional departments.

23. After management agrees on a mission statement, it must set objectives. Which of the following is NOT a characteristic of a good objective?
- profitable
 - realistic
 - measurable
 - time-specific
 - consistent

ANS: A REF: p. 42 OBJ: 3 TYPE: Def
Good objectives are not necessarily stated in terms of profit.

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

ANS: C REF: p. 42 OBJ: 3 TYPE: Def

25. General Electric has a security division that builds equipment for screening passenger luggage checked in at airports. This division is composed of InVision Technologies that manufactures CT scanners and Ion Track, which measures luggage for trace elements drugs and explosives. GE's security division is an example of a(n):
- organizational level
 - SWOT
 - secure business unit
 - business sales unit
 - strategic business unit

ANS: E REF: p. 42 OBJ: 3 TYPE: App

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

26. When an organization creates a marketing mission that is too broad, _____ results.
- marketing synergy
 - marketing myopia
 - directional marketing
 - an internal threat
 - sustainable competitive advantage

ANS: B REF: p. 42 OBJ: 2 TYPE: Def

Marketing myopia defines a business in terms of goods and services rather than in terms of benefits customers seek. See Review Learning Objective 2.

27. In 2004, Giorgio Armani, the Italian fashion group, announced plans to launch a \$1 billion international luxury hotel chain containing ten hotels and four resorts before the end of 2015. One of the major reasons for opening a hotel chain was an international trend toward luxury lifestyle consumerism. In terms of its situation analysis, the trend toward luxury lifestyle consumerism would be an example of a(n):
- opportunity because it is part of Armani's external environment
 - strength because it is part of Armani's external environment
 - weakness because Armani cannot control the growth of the trend
 - advantage because it gives Armani growth opportunities
 - benefit because Armani's internal resources can be designed to make its external environment

ANS: A REF: p. 43 OBJ: 4 TYPE: App

A SWOT analysis looks at opportunities and threats (external to the organization) and strengths and weaknesses (internal to the organization).

28. Which of the following is NOT an appropriate use for carefully specified marketing objectives?
- as a method to appeal to all market segments
 - as a method for developing standards to gauge performance
 - as a motivational tool for those charged with achieving the objectives
 - as a way to force executives to sharpen their critical thinking skills
 - as a method of developing, implementing, and evaluating a consistent marketing plan

ANS: A REF: p. 43 OBJ: 3 TYPE: Comp

Marketing objectives should be stated for each target market.

29. For marketing objectives to be realized, they must meet all of the following criteria EXCEPT:
- be consistent with organization objectives
 - be measurable
 - be attainable
 - be challenging
 - be set within a one-year time frame

ANS: E REF: p. 42 OBJ: 3 TYPE: Comp

There is no one-year time frame restriction for marketing objectives although specifying a particular time frame makes an objective more clear and precise.

30. Tyler Dunoki works for Star Creek, an Australian wine producing company. He has been asked to submit recommendations for marketing objectives for the upcoming strategic planning period. Which of the following marketing objectives would be most appropriate for the company?
- a. Star Creek wants 30 percent of the market for Australian wines within 24 months of the launching of its new advertising campaign. This effort will be supported by a \$20 million commitment from the company's owner and president.
 - b. Star Creek seeks to sell more bottles of wine than its competitors during the next strategic planning period.
 - c. Star Creek needs to develop some new wines to help it gain market share.
 - d. Star Creek wants to be number one in the marketplace for all Australian wines within one year.
 - e. Star Creek wants to be recognized as an international winery.

ANS: A REF: p. 42-43 OBJ: 3 TYPE: App

Marketing objectives should be consistent with organization objectives, should be measurable, and should specify a time frame. Objectives also should be carefully specified.

31. A(n) _____ is a formal study conducted by an organization to ascertain its current status and capabilities and its future expectations.
- a. situation analysis
 - b. marketing audit
 - c. trend analysis
 - d. strategic alternative selection
 - e. competitive advantage audit

ANS: A REF: p. 43 OBJ: 4 TYPE: Def

32. Baths From the Past is a small company that sells reproduction sinks, bathtubs, toilets, and faucets for people who are trying to make their bathroom more stylish. The company's management is currently conducting a formal study of its current strengths and weaknesses by looking at the company's profit and sales histories and searching for opportunities and threats by studying consumer trends. Baths From the Past is conducting a(n):
- a. marketing audit
 - b. SWOT analysis
 - c. environmental scan
 - d. market differentiation scan
 - e. strategic window search

ANS: B REF: p. 43 OBJ: 4 TYPE: App

A SWOT analysis attempts to ascertain the present situation.

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

ANS: C REF: p. 43 OBJ: 4 TYPE: Def

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

ANS: D REF: p. 43 OBJ: 4 TYPE: App

A situation analysis contains the SWOT components.

35. A U.S. soft drink company conducting a SWOT analysis of market potential in India should be aware that all the following are potential threats EXCEPT:
- a. religious differences that could lead to terroristic acts
 - b. strict governmental regulation of foreign businesses
 - c. a low gross national profit
 - d. fierce competition dominated by Thums Up brand soft drink
 - e. a high demand for U.S.-made products

ANS: E REF: p. 44 OBJ: 4 TYPE: App
A high demand for U.S.-made products would be an opportunity.

36. _____ is the collection and interpretation of information about forces, events, and relationships that may affect the organization.
- a. Market sampling
 - b. An internal audit
 - c. Opportunity analysis
 - d. Environmental scanning
 - e. Stakeholder analysis

ANS: D REF: p. 44 OBJ: 4 TYPE: Def

37. All the following are environmental forces a Washington state fruit grower with both orchards and a packaging/shipping facility might consider when making marketing decisions. What factor is LEAST likely to impact its marketing decisions?
- a. working mothers who rely on their teenagers to do the family grocery shopping
 - b. the increase in foreign shipments to the United States of a similar product
 - c. changes in the state laws concerning pollution control, waste disposal, and use of pesticides
 - d. inflation and interest rates
 - e. the number of employees of a Florida state fruit grower

ANS: E REF: p. 43-44 OBJ: 4 TYPE: App
The number of employees of a non-key competitor has the least impact on a marketing decision.

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

ANS: A REF: p. 44 OBJ: 5 TYPE: APP

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

ANS: B REF: p. 44 OBJ: 5 TYPE: APP

40. Aldi is a no-frills grocery chain. It sells grocery staples right out of crates and boxes with emphasis on low-priced, private-label brands. Aldi stores are typically about one-third the size of the traditional supermarket. By controlling expenses, Aldi customers can expect to save 30 to 50 percent compared to Kroger customers. The chain targets bargain hunters who are willing to rent a cart and bag their own groceries. Aldi uses _____ to create its competitive advantage.
- a. demand and supply curves
 - b. reengineering
 - c. production innovation
 - d. no-frills goods and services
 - e. efficient labor

ANS: D REF: p. 44-45 OBJ: 5 TYPE: APP

41. Through the use of _____, Revlon identified the fact that its brand names (Revlon, Almay and Flex) had developed a poor image with both its customers and its retailers.
- a. marketing control
 - b. environmental control
 - c. environmental scanning
 - d. social audit
 - e. strategic analysis

ANS: C REF: p. 44 OBJ: 4 TYPE: App

Environmental scanning is the collection and interpretations of information gathered from the external environment.

42. Through the use of environmental scanning, the manufacturers of video games for Xbox and PlayStation2 could:
- a. learn why they needed to use a team management structure
 - b. determine why the market for video games is slowing
 - c. benefit from experience curves
 - d. periodically divest itself of low-margin products
 - e. do none of the above

ANS: B REF: p. 44 OBJ: 4 TYPE: App

Environmental scanning is the collection and interpretations of information gathered from the external environment.

43. Bayer is planning on creating a _____ advantage by restructuring and selling off SBUs that do not complement its primary product lines. Through reengineering the company hopes to increase its profit margins, improve inventory turnover, and make itself more attractive to investors.
- a. brand name strategy
 - b. niche competitive advantage
 - c. cost competitive advantage
 - d. marketing competitive advantage
 - e. synergistic competitive advantage

ANS: C REF: p. 45 OBJ: 5 TYPE: App

Reengineering is one of the methods cost are reduced to create a cost-competitive advantage.

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

ANS: B REF: p. 46 OBJ: 5 TYPE: App

A niche competitive advantage is the advantage achieved when a firm seeks to target and effectively serve a small segment of the market, in this case people who need organ transplant drugs. Its advantage is not sustainable because patents expire.

45. Yuengling is the oldest brewery in the United States. It was founded in 1827 in a time when small breweries dotted the nation. It has survived by severely limiting sales of the beer and creating a mystique about the brand. In areas, where the beer is sold, its brand name is used the same as Kleenex is used by many to represent all types of tissues. Its competitors all wanted to expand their markets. Yuengling's strategy was "To do nothing." For over 170 years, this strategy has given the brewery a:
- a. brand name strategy
 - b. niche competitive advantage
 - c. price differentiation advantage
 - d. marketing competitive advantage
 - e. sustainable competitive advantage

ANS: B REF: p. 46 OBJ: 5 TYPE: App
Yuengling offers a product that is available only in a limited area. See Buddy Freddy's example in the text.

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

ANS: C REF: pp. 46 OBJ: 5 TYPE: APP

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

ANS: E REF: p. 46 OBJ: 5 TYPE: APP

48. There are many different kinds of cheese. According to its ads, only Jarlsberg Lite has 50 percent less fat, 60 percent less cholesterol, and 100 percent of the taste of other kinds of cheese. This advertising statement describes Jarlsberg Lite's:
- a. strategic edge
 - b. competitive advantage
 - c. tactical strength
 - d. winning proposition
 - e. mission statement

ANS: B REF: p. 47 OBJ: 5 TYPE: App

49. Which of the following companies has a competitive advantage?
- a. World Wrestling Entertainment (formerly the World Wrestling Federation) holds the trademark on the names of the wrestlers that participate in the company's wrestling matches.
 - b. Netcentives holds the patent on software that allows merchants to distribute loyalty points online.
 - c. DeBeers diamonds controls 90 percent of the world's diamond mines.
 - d. Mildred's Café makes the world's best pecan pie.
 - e. All of the choices have a competitive advantage.

ANS: E REF: p. 46 OBJ: 5 TYPE: App
While not all have sustainable competitive advantage, all do have a unique feature that differentiates them from other businesses selling similar products.

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

ANS: D REF: p. 45 OBJ: 5 TYPE: Def

51. Which of the following is NOT a source of a cost competitive advantage?
- a. reengineering
 - b. experience curves
 - c. breakeven analyses
 - d. efficient labor
 - e. production innovation

ANS: C REF: p. 45-46 OBJ: 5 TYPE: Comp

52. Everyone knows the brand name Kleenex. Kleenex is what many consumers think of when they think of tissues. This widely recognized brand name is a source of:
- a. a product differentiation competitive advantage
 - b. a cost advantage
 - c. market augmentation
 - d. a niche competitive advantage
 - e. none of the above

ANS: A REF: p. 46 OBJ: 5 TYPE: App
The brand name is unique and has a valued impression.

53. Bentley automobiles are extremely expensive and are designed to appeal to consumers who equate value and quality with price. The manufacturer of Bentley automobiles has created a(n) _____ competitive advantage.
- a. value-enhanced
 - b. mass-marketing
 - c. functional
 - d. niche
 - e. social class-oriented

ANS: D REF: p. 46 OBJ: 5 TYPE: App
A niche competitive advantage seeks to target and effectively serve a single segment of the market.

54. Patents on allergy relief medications like Allegra and Claritin give the pharmaceutical companies that own the patents a(n) _____ for 17 years until the patent expires.
- a. targeted market position
 - b. sustainable competitive advantage
 - c. strategic focus
 - d. situational strength
 - e. opportunistic privilege

ANS: B REF: p. 46 OBJ: 5 TYPE: App
A sustainable competitive advantage is one that cannot be copied by the competition, in this case at least until the patent expires.

55. Which of the following is NOT a type of strategic alternative that matches products and markets?
- a. vertical integration
 - b. product development
 - c. market development
 - d. diversification
 - e. market penetration

ANS: A REF: p. 48 OBJ: 6 TYPE: Def

56. _____ is a strategy of increasing market share for present products in existing markets.
- Market penetration
 - Product development
 - Market development
 - Diversification
 - Product penetration

ANS: A REF: p. 48 OBJ: 6 TYPE: Def

57. Knorr, manufacturer of soup, dip, and gravy mixes, printed on-package recipes, gave out coupons to existing customers, and created a recipe booklet that could be ordered with three UPC codes from three different Knorr products. All of these activities would be representative of a _____ strategy.
- diversification
 - product development
 - market development
 - market penetration
 - product penetration

ANS: D REF: p. 48 OBJ: 6 TYPE: App
Selling more of the same product to existing markets is market penetration.

58. _____ is a strategy that attracts new customers to existing products.
- Product development
 - Market development
 - Market penetration
 - Product penetration
 - Diversification

ANS: B REF: p. 48 OBJ: 6 TYPE: Def

59. Procter & Gamble has a Web site, www.pg.com, that is designed to help customers with product questions. While at the Web site, you can request free samples of Olay Radiance, Pert Plus, and Folgers Latte, all new P&G products. It also offers "More Than a Card," a feature that allows customers to buy an assortment hamper of new P&G products for less than \$25. This is an example of how a company can implement a _____ strategy.
- market development
 - product development
 - market penetration
 - product penetration
 - diversification

ANS: B REF: p. 48 OBJ: 6 TYPE: App
Product development is the introduction of new products to present market.

60. American Express offers customers a Cobaltcard, a pre-loaded credit card, to thirteen- to twenty-two-year olds looking to make on-line purchases. While American Express had previously supplied credit cards only to many adults, this was a market that was not being served. The Cobaltcard program is an example of a _____ strategy.
- market development
 - product development
 - market penetration
 - product penetration
 - divestment

ANS: A REF: p. 48 OBJ: 6 TYPE: App
Market development finds new uses for a product to stimulate sales among new customers.

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

ANS: D REF: p. 48 OBJ: 6 TYPE: App
Product development stimulates new sales to existing markets.

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

ANS: C REF: p. 48 OBJ: 6 TYPE: Def

63. _____ is the strategy of increasing sales by introducing new products into new markets.
- Product penetration
 - Product development
 - Market penetration
 - Market development
 - Diversification

ANS: E REF: p. 49 OBJ: 6 TYPE: Def

64. Research has shown that people below the age of fifteen do not use the familiar red ketchup. To capture this market, Heinz markets blue-, purple- and green-colored ketchup. The ketchups have an exotic look, which Heinz hopes will appeal to this market. It still tastes like the old red variety. Since this is not really a new product, just an attempt to reach a new target market, it exemplifies a _____ strategy.
- market development
 - product development
 - market penetration
 - diversification
 - product expansion

ANS: A REF: p. 48 OBJ: 6 TYPE: App
Market development is the introduction and sale of present products to new markets.

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

ANS: C REF: p. 49 OBJ: 6 TYPE: App
Diversification is defined as selling a new product to a new market.

66. The company that manufactures Molson beer simultaneously launched Arctic brand in Ontario and Tornado brand in Quebec with the intention of gaining a share of the rapidly expanding alcoholic lemonade segment of the beverage industry. The separate launch strategies for the products are due to different market conditions in the two Canadian provinces. Molson used _____ strategies to reach existing markets with its new product.
- a. market development
 - b. market penetration
 - c. product penetration
 - d. product development
 - e. diversification

ANS: B REF: p. 48 OBJ: 6 TYPE: APP
Molson has developed a new beer for people who are already drinkers of Molson's other products.

67. The television network HBO produces the drama *The Sopranos* about a New Jersey mob family. It is publishing *The Sopranos Family Cookbook: As Compiled by Artie Bucco*, a collection of southern Italian-style recipes. Bucco is the name of a fictional restaurateur in the show. The creation of the cookbook to appeal to fans of the show is an example of a _____ strategy.
- a. market development
 - b. market penetration
 - c. product penetration
 - d. product development
 - e. diversification

ANS: A REF: p. 48 OBJ: 6 TYPE: APP
HBO has created new products for existing viewers.

68. U.S.-based Thermo Electron Corp., the biggest maker of measurement instruments for medical laboratories, agreed to buy the radiation-monitoring products unit of Compagnie de Saint-Gobain for \$30 million to gain European customers. Saint-Gobain of France is Europe's number 1 distributor of building materials, and its radiation monitoring unit did not support the company's mission statement. Thermo Electron engaged in a _____ strategy.
- a. building
 - b. divesting
 - c. diversification
 - d. penetration
 - e. market development

ANS: E REF: p. 48 OBJ: 6 TYPE: APP

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

ANS: D REF: p. 48 OBJ: 6 TYPE: APP
Hallmark created new Mitford-based items for its regular customers.

70. Juniper Group, which operates film distribution, health care, and Internet businesses, purchased shoemaker Tags Golf (Tags makes Bobby Jones brand golf shoes) to create its sports division. Juniper Group used a _____ strategy.
- a. market development
 - b. market penetration
 - c. product penetration
 - d. product development
 - e. diversification

ANS: E REF: p. 49 OBJ: 6 TYPE: APP
Juniper entered a new market with a new product.

71. To market its ice cream to Chinese consumers, Unilever entered into a joint venture with Sumstar, a state-owned Chinese investment company. Unilever provided the product know-how, and Sumstar helped Unilever gain all the approvals needed from a complex Chinese bureaucracy. Unilever used a _____ strategy to reach the Chinese market..
- market development
 - market penetration
 - product penetration
 - product development
 - diversification

ANS: A REF: p. 48 OBJ: 6 TYPE: APP
Unilever wanted to sell an existing product (ice cream) to a new market (China).

72. Shortly after the start of the new century, Wrigley, the largest chewing gum manufacturer in the world, bid \$12 billion for Hershey chocolate. Wrigley was unable to acquire Hershey, but its acquisition attempt would have expanded Wrigley's product lines to include many forms of baking and eating chocolate. Since Wrigley did not produce any chocolate at the time of the takeover bid, this acquisition would be an example of:
- divestment
 - segment development
 - target marketing
 - diversification
 - directed growth

ANS: D REF: p. 48 OBJ: 6 TYPE: App
Wrigley makes chewing gum and would also be making chocolate, a completely different product. Also the market for chocolate differs significantly from the market for chewing gum.

73. Market penetration occurs when:
- a supermarket chain adds another brand of ice cream to its inventory
 - a U.S.-based company begins to sell its products in South America
 - a French company develops a new cement for orthopedic surgery
 - a Mexican distillery offers rebates to its current customers
 - a hosiery manufacturer begins manufacturing wigs

ANS: D REF: p. 48 OBJ: 6 TYPE: App
Market penetration is the marketing of the same product to current customers.

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

ANS: B REF: p. 48 OBJ: 6 TYPE: App
Market development refers to the attracting of new markets (U.S. consumers) to existing products.

75. Anbac Financial Group, Inc. is the second-largest insurer of municipal bonds in the world. Anbac is expanding its insurance services from governmental accounts to include private developers of sports stadiums and similar large multi-use facilities. According to Ansoff's Strategy Opportunity Matrix, Anbac would be implementing a _____ strategy.
- diversification
 - market development
 - product development
 - divestment
 - product penetration

ANS: B REF: p. 48 OBJ: 6 TYPE: App
Market development refers to the attracting of new markets (U.S. consumers) to existing products.

76. In 2004, Giorgio Armani, the Italian fashion group, announced plans to launch a \$1 billion international luxury hotel chain containing ten hotels and four resorts before the end of 2015. Since this was Armani's first venture into the hotel industry, it would be an example of:
- diversification
 - market development
 - product development
 - divestment
 - product penetration

ANS: A REF: p. 49 OBJ: 6 TYPE: App
Diversification is a strategy of increasing sales by introducing a new product.

77. In 2004, Giorgio Armani, the Italian fashion group, announced plans to launch a \$1 billion international luxury hotel chain containing ten hotels and four resorts before the end of 2015. Through conducting a(n) _____, Armani identified a large and growing segment of the market that wanted a luxury lifestyle.
- market diversification analysis
 - market audit
 - social audit
 - market opportunity analysis
 - niche analysis

ANS: D REF: p. 50 OBJ: 7 TYPE: App
An MOA is the description and estimation of the sales and size of potential market segments that are of interest to the firm. Armani produces luxury goods, therefore, luxury hotels seem to have excellent potential.

78. CentralPulse is Europe's largest manufacturer of hip and knee replacement joints. The company's _____ strategy would identify the surgeons and hospitals as two market segments on which the CentralPulse will focus its marketing efforts.
- target market
 - marketing sample
 - sales unit
 - strategic business unit
 - target sample

ANS: A REF: p. 50 OBJ: 7 TYPE: App
A target market is one or more market segments on which a company focuses.

79. The term _____ would be used to describe Hispanic males between the ages of 12 and 19.
- exchange mixers
 - market segment
 - diversified market
 - transactionalists
 - sustainable market

ANS: B REF: p. 50 OBJ: 7 TYPE: App
A market segment is a group of individuals or organizations that share one or more characteristics.

80. *Fit*, a health and fitness magazine, describes its readers as being female, 18 to 25 years of age, single, high school graduates, and earners of above-average income. The magazine's _____ would have identified this market segment.
- environmental audit
 - statement of purpose
 - market development strategy
 - target market strategy
 - environmental mission statement

ANS: D REF: p. 50-51 OBJ: 7 TYPE: App
The target market strategy identifies the market segment on which to focus.

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

ANS: E REF: p. 50-51 OBJ: 7 TYPE: Def

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

ANS: C REF: p. 52 OBJ: 8 TYPE: APP

83. Canadian discount retail giant Zellers hopes to strengthen its position as one of the country's leading sellers of infant products with a sixty-page catalog that offers buyers the ability to purchase products via the phone or Internet. This new strategy reflects a change in the _____ element of its marketing mix.
- price
 - production
 - product
 - distribution
 - target market

ANS: D REF: p. 52 OBJ: 8 TYPE: APP

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

ANS: B REF: p. 51 OBJ: 8 TYPE: Def

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

ANS: E REF: p. 52 OBJ: 8 TYPE: Comp

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

86. Solitude Nurseries is a retailer that helps homeowners create backyard sanctuaries for pondering the wonders of nature. Its owner believes he maintains the loyalty of the store's customers by stocking only the highest quality merchandise and offering a customer satisfaction guarantee. With which element of the marketing mix is the manager most concerned?
- a. price
 - b. distribution
 - c. personalization
 - d. promotion
 - e. product

ANS: E REF: p. 52 OBJ: 8 TYPE: App
The product element of the marketing mix includes guarantees and quality.

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

ANS: B REF: p. 52 OBJ: 8 TYPE: App
Where a product is sold is part of the place (distribution) element of its marketing mix.

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

ANS: E REF: p. 52 OBJ: 8 TYPE: Def
Distribution strategies make products available when and where customers want them.

89. The promotion strategy of the marketing mix deals exclusively with:
- a. personal selling and advertising
 - b. advertising and public relations
 - c. personal selling, advertising, sales promotion, and public relations
 - d. advertising, publicity, and pricing
 - e. personal selling and purchased mass media time or space

ANS: C REF: p. 52-53 OBJ: 8 TYPE: Def

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

ANS: A REF: p. 52-53 OBJ: 8 TYPE: App
Promotion covers a wide range of communication vehicles.

91. DaimlerChrysler discovered that many of its 2002 Prowlers automobiles had faulty fuel systems that could cause the vehicles to stall in traffic. Which one of the marketing mix strategies should the auto manufacturer use to alert buyers to this problem?
- product
 - promotion
 - production
 - pricing
 - distribution

ANS: B REF: p. 52-53 OBJ: 8 TYPE: App

Promotion includes all actions a firm takes to bring about mutually satisfying exchanges with target markets by informing, educating, persuading, and/or reminding them about the organizations offerings.

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

ANS: E REF: p. 53 OBJ: 8 TYPE: Comp

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

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

ANS: E REF: p. 53 OBJ: 8 TYPE: App

The best chance she has for increasing sales should be from altering pricing strategies. It is often the only element of the marketing mix that is capable of quick and easy change.

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

ANS: C REF: p. 53 OBJ: 9 TYPE: Def

95. Argosy Arts Institute is a small private technological college with declining enrollment. It has put together a committee to put into action marketing plans that were developed by a consulting company. The goal of the committee is to increase enrollments at the college and attract donations. The committee is involved in:
- product planning
 - mechanistic organization
 - synergistic control
 - strategic diversification
 - implementation

ANS: E REF: p. 53 OBJ: 9 TYPE: App

Implementation involves all the steps listed in the question.

96. After an organization implements its strategic plan, management:
- must track results, monitor the external environment, and adjust the plan as necessary
 - should then concentrate on developing internal information systems
 - can be assured that the plan will work for the time frame specified
 - must make sure no part of the plan is changed, lest the plan fail
 - can stop work on this strategic plan, take a rest, and begin work on the next one

ANS: A REF: p. 54 OBJ: 9 TYPE: Comp

Because the strategic environment continually changes, plans must be monitored and altered.

97. John R. Harland Company is best known for printing checks. Its Financial Solutions division develops software for mortgage companies. This division is currently not producing at the desired level of profitability, but Harland plans to turn the division into a success by acquiring other companies that develop similar software. _____ will turn this marketing plan into action assignments in a manner that accomplishes the company's stated objectives.
- Implementation
 - Entrepreneurship
 - Marketing mix maintenance
 - Marketing plan control
 - Market strategizing

ANS: A REF: p. 53-54 OBJ: 9 TYPE: App

98. Enzo Fierro has just finished constructing the marketing plan for a new line of low-carb salad dressings. After selecting his target market and specifying the elements of the marketing mix, he next should:
- set marketing objectives that are realistic and in a time frame
 - get employees to do the work necessary to put the marketing strategy into action
 - plan every action program and contingency plan
 - research the magnitude of the low-carb trend
 - examine similar manufacturers in the area to determine baseline productions

ANS: B REF: p. 53 OBJ: 9 TYPE: Comp

After construction of a marketing plan, implementation takes place, including gaining compliance from employees.

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

ANS: B REF: p. 53 OBJ: 9 TYPE: App

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

100. ConAgra Foods, Inc. has decided to sell all of its meat-processing plants and get totally out of its meat-processing business in order to raise the company's net profits. Which of the following statements describes how the sale of the processing plants will affect ConAgra's marketing mix?
- It will only affect the product element of ConAgra's marketing mix.
 - It will only affect ConAgra's Four Ps—not its marketing mix.
 - It will affect all of ConAgra's marketing mix elements, either directly or indirectly.
 - It will not affect the promotion or distribution elements of the ConAgra marketing mix.
 - It will have no affect on ConAgra's marketing mix.

ANS: C REF: pp. 53-54 OBJ: 8 TYPE: Comp

The sale will directly change the company's product mix and indirectly affect its promotion, pricing, and distribution elements. The emphasis of its promotion will change because it will no longer need to advertise its meat products. Its distribution will change because it will no longer need the freezer trucks to transport frozen meat. It is reducing its losses by dumping an inefficient unit. If it wants to, it can lower prices temporarily its to keep distributors who will need to change their ordering methods happy.

101. Compass is the name of a United Kingdom-based catering company that has developed a marketing plan designed to make it the largest caterer in China within the next two decades. To evaluate how successful its efforts have been at the end of the first decade, Compass could use a(n):
- SWOT analysis
 - environmental scan
 - competitive analysis
 - marketing audit
 - comprehensive sales analysis

ANS: D REF: p. 54 OBJ: 9 TYPE: App

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

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

ANS: D REF: p. 54 OBJ: 9 TYPE: Def

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

ANS: A REF: p. 54 OBJ: 9 TYPE: Def

104. Which of the following is NOT a common reason why companies fail to achieve a marketing objective?
- unrealistic marketing objectives
 - poor implementation
 - lack of capital
 - inappropriate marketing strategy
 - changes in the environment after the objective was specified and the strategy implemented

ANS: C REF: p. 54 OBJ: 9 TYPE: Comp

Although lack of capital is a common reason for small business failure, it is not one of the four stated common reasons for failing to achieve marketing objectives.

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

ANS: E REF: p. 54 OBJ: 9 TYPE: Comp

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

106. A planning manager visiting a company's health and beauty aids division discovers that the division has no effective method for allocating resources, nor for evaluating actual results against planned results. He suggests the division should prepare a:
- marketing audit
 - contingency plan
 - service audit
 - market share analysis
 - series of tactical evaluations

ANS: A REF: p. 54 OBJ: 9 TYPE: App

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

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

ANS: A REF: p. 54 OBJ: 9 TYPE: Def

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

ANS: B REF: p. 54 OBJ: 9 TYPE: Comp

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

109. The marketing audit:
- should only be performed by an outside accounting firm
 - only looks at potential threats that the organization has identified
 - is a rather restricted, specialized tool for marketing managers
 - is a good tool with which to implement marketing plans
 - is an excellent way to raise the level of marketing consciousness within an organization

ANS: E REF: p. 54 OBJ: 9 TYPE: Comp

A marketing audit can be performed by internal employees as well as an external organization. A marketing audit is systematic and looks at all facets of the organization. The marketing audit is a control tool--not implementation.

110. Which of the following statements about strategic planning is true?
- It is a real time-saver for marketing managers because once it has been completed, the plan can be left unchanged for years.
 - Effective strategic planning creates plans that are unaffected by environmental changes.
 - Top-management participation in and commitment to strategic planning should be limited to hiring the right subordinates.
 - It allows a firm to replace creativity with careful analysis.
 - None of these statements about strategic planning are true.

ANS: E REF: p. 55-56 OBJ: 10 TYPE: Comp

This chapter emphasizes that strategic planning is an ongoing process that needs creativity and top-management involvement. The reason strategic planning should be ongoing is due to the dynamic nature of the environment.

111. Effective strategic planning requires:
- a. the planner to challenge existing company assumptions
 - b. no management involvement
 - c. a designated single time frame during the year
 - d. a BCG portfolio matrix
 - e. a stringent and narrow mission statement for the creation of effective guidelines

ANS: A REF: p. 55-56 OBJ: 10 TYPE: Comp

Planners need to stretch their imaginations and search for creative solutions to problems. Planning is a constant process and should include top management.

112. Larkspur Pottery used to sell finished pots and figurines by local artists when its owner noticed that many of her customers were asking if there were any way that they could make and personalize their own pieces. Now, she sells pottery blanks, and customers create pieces that exactly suit their needs. This is an example of:
- a. planning with the intent to challenge existing company assumptions
 - b. strategic planning based on creativity
 - c. a designated single time frame during the year
 - d. the use of a BCG portfolio matrix
 - e. a stringent and narrow mission statement

ANS: B REF: p. 55 OBJ: 10 TYPE: App

Managers and owners should challenge assumptions about the firm and the environment and establish new strategies.

SCENARIOS

Eastman Kodak Co.

As the head of Eastman Kodak Co., George M.C. Fisher devised a plan to save Kodak from being trapped in the slow growth photography industry, hobbled by huge debts, a dysfunctional management culture, and a dispirited workforce. At the time of his takeover of Kodak, the product development and sales functions for the company were scattered among divisions, and the business mission was ill-focused. Fisher envisioned a long-term strategy in which Kodak focused on its core competencies. By evaluating the pros and cons associated with its various businesses, Fisher decided that imaging was the key to the future. He then sold Kodak's health and household-products arms. He also assembled most of the corporate talent into one division and hired an experienced computer marketing executive to head it. Further, by stressing accountability, quality, and cycle time, Fisher began to transform Kodak's slow moving culture. Fisher believes Kodak could double its growth rate in photography, a tough challenge in a slow-growing market, by becoming more global and by challenging Fujifilm in China.

113. Refer to Eastman Kodak Co. As Kodak actively redefined its business mission, organization culture, global strategy, and so on, it was engaged in:
- a. market planning
 - b. writing the mission statement
 - c. financial analysis
 - d. the strategic planning processes
 - e. strategic contingency planning

ANS: D REF: p. 38 OBJ: 1

All the listed activities are part of the strategic planning process

114. Refer to Eastman Kodak Co. By redefining the business to focus on imaging technology, Fisher created a new:
- a. mission statement
 - b. financial analysis
 - c. situational analysis
 - d. market strategy
 - e. strategic planning

ANS: A REF: p. 41 OBJ: 2

Kodak's mission statement answers the question, "What business are we in?"

115. Refer to Eastman Kodak Co. Fisher evaluated Kodak's current status based on core capabilities and future expectations. This evaluation process is called a(n):
- situation analysis
 - market audit
 - environmental scan
 - profit and loss assessment
 - strategic widow search

ANS: A REF: p. 43 OBJ: 4

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

116. Refer to Eastman Kodak Co. By pruning product lines and assembling the corporate talent into one division, Fisher engaged in _____, which often results in a cost competitive advantage.
- reverse engineering
 - strategic implosion
 - augmented production
 - reengineering
 - production diversification

ANS: D REF: p. 45 OBJ: 5

Reengineering is used to make firms more efficient. Reverse engineering is the process of disassembling a product piece by piece to gain an understanding of its components.

117. Refer to Eastman Kodak Co. Fisher realized the market for photography is growing slowly, so he planned to expand into China. Which growth strategy is Fisher practicing?
- vertical integration
 - market penetration
 - diversification
 - product development
 - market development

ANS: E REF: p. 48 OBJ: 6

Market development stimulates new sales by expanding into new markets.

FFRS

Patricia Curtis has been running the Ferrets First Rescue and Shelter (FFRS) since 1996. FFRS is in the business of ferret pickup and rescue, as well as ferret boarding and training, and education for ferret owners. She would like to expand her operations, and has been asked to write a marketing plan in order to apply for a bank loan. Curtis knows she can better serve ferrets and ferret owners if she can expand her target audience to schools, animal control officers at city facilities, and pet stores. To do this, she must increase marketing communications.

118. Refer to FFRS. "Serving ferrets and their owners in a 5-county area" would be an example of a:
- mission statement
 - business arena
 - situation analysis
 - market strategy
 - strategic plan

ANS: A REF: p. 41 OBJ: 2

This mission statement answers the question, "What business are we in?"

119. Refer to FFRS. Curtis is short of capital and labor and overcrowded with ferrets because they are not adopted out fast enough. She also knows she has superior ferret knowledge and an excellent facility for housing ferrets, and hopes to increase her capacity to 100 ferrets. This assessment process in which she learned this about her environment is called a(n):
- market audit
 - situation analysis
 - environmental scan
 - profit and loss assessment
 - strategic widow search

ANS: B REF: p. 43 OBJ: 4 T

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

120. Refer to FFRS. The fact the FFRS is the only shelter of its kind in the state of Texas to have a "no-kill" policy, to offer pickup services in a 5-county area, and to have exclusive rights in the region to market Totally Ferret Food makes up the company's:
- sustained window of opportunity
 - comparative edge
 - competitive advantage
 - marketing alliance
 - penetration strategy

ANS: C REF: p. 44 OBJ: 5

These facets could be a competitive advantage or sustainable competitive advantage.

121. Refer to FFRS. By marketing her existing ferret services to people who work with ferrets (such as educators, city officers, and pet store managers) in addition to ferret owners, FFRS would be engaged in:
- expanding her strategic window
 - market penetration
 - product development
 - diversification
 - market development

ANS: E REF: p. 48 OBJ: 6

Market development entails marketing current products to new target markets.

122. Refer to FFRS. Curtis will be exploring aspects of what her service offers, her central location and mobile pickup offering, the price of ferret adoptions, and promotions to increase awareness and expand donations. These elements in the marketing plan make up the service's:
- marketing mix
 - target marketing plan
 - strategic goals
 - situation analysis
 - environmental audit

ANS: A REF: p. 51 OBJ: 8

Product/service, place/distribution, price, and promotion make up the marketing mix.

123. Refer to FFRS. Curtis should know that effective strategic planning for the Ferrets First Rescue and Shelter requires all of the following EXCEPT:
- continual attention
 - sound planning based on creativity
 - top management's support and participation
 - marketing information systems
 - an ongoing process

ANS: D REF: p. 55-56 OBJ: 10

Although a marketing information system is used to support the plan, it is not usually a formal part of the broad approach to strategic planning.

The Delta Faucet Company

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

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

ANS: A REF: p. 38 OBJ: 1

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

ANS: C REF: p. 42 OBJ: 3

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

ANS: D REF: p. 43 OBJ: 4

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

ANS: B REF: p. 44 OBJ: 5

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

ANS: D REF: p. 48 OBJ: 6

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

ANS: A REF: p. 52 OBJ: 7

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

ANS: B REF: p. 52-53 OBJ: 7

ESSAY

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

ANS: REF: p. 38-39 OBJ: 1

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

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

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

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

ANS: REF: p. 41 OBJ: 2

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

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

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

ANS: REF: p.42 OBJ: 2

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

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

- A distinct mission and a specific target market
- Control over its own resources

- Its own competitors
- A single business or collection of related businesses
- Plans independent of other businesses of the total organization
- Its own basic business functions

4. What is a marketing objective? Name three criteria for good marketing objectives, and give a specific example of an objective.

ANS: REF: p. 42 OBJ: 3

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

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

- be consistent with organizational objectives
- be measurable
- specify the time frame during which they are to be achieved
- be attainable and challenging

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

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

ANS: REF: p. 43-44 OBJ: 4

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

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

ANS: REF: p. 44 OBJ: 4

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

Important forces include:

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

7. Hazel's Gourmet Spreads & Preserves is located in Idaho. Its owner Hazel Mintz sells her products at arts and crafts shows and through mail order. The company has been in operation since 1994. She has 15 employees and sells 47 different products. She packages her products in reusable glass containers that all feature a four-color screen-printed label. Discuss how this company can establish or maintain at least one of the three types of competitive advantage?

ANS: REF: p. 44-46 OBJ: 5

Student answers to this question will vary. There answers should include a cost competitive advantage, which can be achieved through no-frills goods and customer service, efficient labor, production innovations (such as new products not currently on the market), and the experience curve. A product differentiation competitive advantage might be achieved by the use of the value impression (this possibility is implied in the description of the containers). The company might also try selling an augmented product-offering a bread mix bundled with the spreads. The niche competitive advantage is probably not appropriate for this company. Some students may suggest targeting gourmets or some other single market.

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

ANS: REF: p. 44-46 OBJ: 5

A competitive advantage is defined as one or more unique aspects of an organization that cause target consumers to patronize that firm rather than competitors. Seeking a competitive advantage over other firms in the market is an excellent means of examining opportunities.

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

9. One method for conceptualizing alternative strategic opportunities is through the use of a strategic opportunity matrix. Fill in the matrix below with the appropriate names of alternatives. For each of the four opportunity alternatives, also give a specific example of a firm following that strategy.

	Present Product	New Product
Present Market		
New Market		

ANS: REF: p. 48-49 OBJ: 6

	Present Product	New Product
Present Market	Market Penetration	Product Development
New Market	Market Development	Diversification

Text examples given for the four alternatives are as follows:

MARKET PENETRATION. Kraft General Foods using heavy promotional expenditures in the form of aggressive advertising and cents-off coupons for Maxwell House coffee.

MARKET DEVELOPMENT. McDonald's opening restaurants in Russia, China, and Italy; colleges and universities expanding to executive development and continuing education.

PRODUCT DEVELOPMENT. Nike introducing ergonomic running watches, a high-altitude wrist compass, and a portable heart-rate monitor.

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

10. After developing strategic alternatives, the marketing manager must select one of the alternatives. Evaluation of the alternatives will result in different selections based on two factors. What are these factors, and how do they affect the selection of a strategic alternative?

ANS: REF: p. 48 OBJ: 6

A corporation's philosophy (market share versus profit) and its corporate culture affect strategic alternative selection.

Short-run goals of profitability and market share are usually incompatible. Depending on which goal is given highest priority, different strategic alternatives may be selected. If market share is desired, market penetration and market development may be chosen. If profitability is desired, each alternative must be carefully evaluated according to expected payoffs.

Corporate culture also plays a role in selecting a strategic alternative. Corporate culture determines how the firm reacts to problems and opportunities and how risk is handled in the external environment. Corporate culture also designates the internal environment of the firm and would affect selection of alternatives by individual workers.

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

ANS: REF: p. 51 OBJ: 7

The strategies are to:

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

12. Describe the three key activities of a market opportunity analysis.

ANS: REF: p. 50-51 OBJ: 7

Market opportunity analysis entails:

DESCRIBING MARKET SEGMENTS. Criteria commonly used to describe consumer markets are geographic location of potential customers, their demographic characteristics, their psychological characteristics, benefits sought, and purchase volume. Criteria commonly used to describe business markets are geographic location, size, purchasing criteria, purchase strategies, structure of the decision-making unit, and personal characteristics of decision makers.

ESTIMATING MARKET SEGMENT SIZE AND SALES POTENTIAL. This involves estimating the number of potential customers in a market segment, market segment sales potential, and company sales potential. This results in a company sales forecast.

ANALYZING KEY COMPETITORS. An analysis of other firms that target the same markets with similar products or substitutes takes place. Key competitor analysis includes identification of competitors' strengths and weaknesses, assessing their current marketing strategies, and predicting their future actions.

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

ANS: REF: p. 51-53 OBJ: 8

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

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

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

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

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

ANS: REF: 54 OBJ: 9

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

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

ANS: REF: p. 44 OBJ: 9

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

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

ANS: REF: p. 55 OBJ: 10

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

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

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