

CHAPTER 1

What Do Winning Organizations Do Well?

MULTIPLE CHOICE

1. Both advertising and selling are tools used by _____ to accomplish certain goals.
- the customer
 - the end-user
 - a media planner
 - a marketing strategist
 - administrative personnel

Answer: d *Difficulty:* easy *Page:* 3 *Skill:* recall
Learning objective: 1-1

2. Researchers have found that the top two factors that account for a company's success over its competitors are
- strategy and execution.
 - market share and budget.
 - competition and shareholder return.
 - advertising and personal selling.
 - timing and location.

Answer: a *Difficulty:* moderate *Page:* 4 *Skill:* recall
Learning objective: 1-1

3. Hiring professionals (such as painters and carpenters) to sell goods and offer advice to customers in their stores is an example of Home Depot's
- advertising and personal selling.
 - streamlined operations.
 - strategy and execution.
 - competitive position.
 - profit-sharing plan.

Answer: c *Difficulty:* moderate *Page:* 4 *Skill:* applied
Learning objective: 1-1

4. Companies that succeed over their competitors begin with a simple value proposition that is based on
- marketing research.
 - financial objectives.
 - competitive activity.
 - a deep understanding of their customers.
 - total shareholder return.

Answer: d Difficulty: moderate Page: 5 Skill: recall
Learning objective: 1-1

5. To avoid direct competition with Wal-Mart's low price strategy, Kmart decided to go upscale by making deals with Martha Stewart. This marketing strategy failed because
- of Kmart's store locations.
 - it was unclear and confused customers.
 - of its laser-like focus.
 - of a lack of advertising.
 - of Martha Stewart's public relations problems.

Answer: b Difficulty: challenging Page: 5 Skill: applied
Learning objective: 1-1

6. If a retailer makes customer service a strategic priority and front-line staff forget to smile or wish all customers a good day, this is an example of
- poor execution of a marketing strategy.
 - a growth strategy.
 - an orientation strategy.
 - a public relations strategy.
 - a sales strategy.

Answer: a Difficulty: moderate Page: 6 Skill: applied
Learning objective: 1-1

7. Marketing can be defined as
- the development and execution of superior strategies.
 - a disciplined process used by organizations to solve problems.
 - advertising and sales.
 - product development and distribution.
 - customer relationship-building strategies.

Answer: b Difficulty: moderate Page: 6 Skill: recall
Learning objective: 1-2

8. Typical problems faced by for-profit organizations include
- customers becoming less price-sensitive.
 - an influx of high-priced competitors.
 - building an organization where everyone is focused on the customer.
 - lack of funding from donors.
 - fewer media channels.

Answer: c Difficulty: challenging Page: 7 Skill: recall
Learning objective: 1-2

9. Typical problems faced by non-profit organizations include

- a. increasing awareness of the brand.
- b. avoiding partnerships with for-profit organizations.
- c. executing customer service strategies.
- d. devising a marketing strategy.
- e. fewer media channels.

Answer: a Difficulty: challenging Page: 7 Skill: recall
Learning objective: 1-2

10. Despite the fact that Snap-on Tools charges price premiums and doesn't spend any money on traditional advertising, the company is successful because
- a. its one-on-one relationship building differentiates it from its competitors.
 - b. of its numerous retail locations.
 - c. its products attract a wider audience.
 - d. its products are available through Sears stores.
 - e. of its superior warranty.

Answer: a Difficulty: challenging Page: 7 Skill: applied
Learning objective: 1-2

11. The very first step in the marketing process is
- a. creating customer value.
 - b. reviewing customer segments.
 - c. developing a marketing communications strategy.
 - d. managing customer value.
 - e. understanding customer needs.

Answer: e Difficulty: easy Page: 8 Skill: recall
Learning objective: 1-2

12. Recognizing different sets or groups of customers based on their needs is called
- a. market segmentation.
 - b. cross-functional alignment.
 - c. customer satisfaction measurement.
 - d. channel strategy.
 - e. sales execution.

Answer: a Difficulty: easy Page: 9 Skill: recall
Learning objective: 1-2

13. Snap-on Tools' commitment to serve the needs of the auto mechanic, foregoing the needs of other customers such as home builders and hobbyists, is an example of
- a. a product strategy.
 - b. target marketing.
 - c. sales execution.
 - d. cross-functional alignment.

- e. product mix review.

Answer: b Difficulty: moderate Page: 9 Skill: applied
Learning objective: 1-2

14. The second step in the marketing process is
- a. creating customer value.
 - b. reviewing customer segments.
 - c. developing a marketing communications strategy.
 - d. managing customer value.
 - e. understanding customer needs.

Answer: a Difficulty: easy Page: 10 Skill: recall
Learning objective: 1-2

15. The marketing mix includes
- a. advertising, public relations, and sales execution strategies.
 - b. segment, customer, and product mix strategies.
 - c. product, price, channel, and marketing communications strategies.
 - d. research, marketing communications, and customer segment strategies.
 - e. cross-functional segment and sales execution strategies.

Answer: c Difficulty: moderate Page: 10 Skill: recall
Learning objective: 1-2

16. Snap-on Tools provides their customers with flexible financing mechanisms to help pay for an expensive tool. This is an example of a
- a. product strategy.
 - b. channel strategy.
 - c. marketing communications strategy.
 - d. sales execution strategy.
 - e. pricing strategy.

Answer: e Difficulty: easy Page: 10 Skill: recall
Learning objective: 1-2

17. The third step in the marketing process is
- a. creating customer value.
 - b. reviewing customer segments.
 - c. delivering customer value.
 - d. managing customer value.
 - e. understanding customer needs.

Answer: c Difficulty: easy Page: 10 Skill: recall
Learning objective: 1-2

18. The “understand-create-deliver-manage customer value” marketing process is captured in a strategic document called the
- a. marketing plan.
 - b. market segmentation plan.
 - c. marketing communications plan.
 - d. sales execution plan.
 - e. media plan.

Answer: a Difficulty: easy Page: 11 Skill: recall
Learning objective: 1-2

19. Marketing strategies are implemented by functions such as
- a. planning.
 - b. estimating.
 - c. research.
 - d. shipping.
 - e. procurement.

Answer: d Difficulty: moderate Page: 11 Skill: recall
Learning objective: 1-2

20. In order to deliver the value created for the customer, marketing strategies have to be translated into
- a. sales strategies.
 - b. customer segmentation strategies.
 - c. a product mix review.
 - d. pricing strategies.
 - e. channel strategies.

Answer: a Difficulty: moderate Page: 12 Skill: recall
Learning objective: 1-2

21. The alignment of all of an organization’s functions to focus on the customer is called
- a. the marketing plan.
 - b. customer focus.
 - c. customer satisfaction measurement.
 - d. a channel strategy.
 - e. a product strategy.

Answer: b Difficulty: easy Page: 12 Skill: recall
Learning objective: 1-2

22. The final step in the marketing process is
- a. creating customer value.
 - b. reviewing customer segments.
 - c. delivering customer value.

- d. managing customer value.
- e. understanding customer needs.

Answer: d *Difficulty:* easy *Page:* 12 *Skill:* recall
Learning objective: 1-2

23. Reviewing marketing strategies and making changes to ensure the business is keeping pace with changing market conditions is how successful companies
- a. deliver customer value.
 - b. manage customer value.
 - c. understand customer needs.
 - d. create customer value.
 - e. segment customers.

Answer: b *Difficulty:* moderate *Page:* 12 *Skill:* applied
Learning objective: 1-2

24. Ensuring that the goods and services a company sells are in line with customers' changing needs and technological advances is an example of
- a. customer satisfaction measurement.
 - b. a segment review.
 - c. a product mix review.
 - d. a customer review.
 - e. marketing research.

Answer: c *Difficulty:* moderate *Page:* 14 *Skill:* applied
Learning objective: 1-2

25. By creating the world's first fully integrated diagnostics company, bringing together consulting and support services, Siemens Medical Solutions is an example of a
- a. customer-focused business.
 - b. sales-oriented business.
 - c. technological research business.
 - d. hybrid business.
 - e. an innovative start-up.

Answer: a *Difficulty:* challenging *Page:* 13 *Skill:* applied
Learning objective: 1-2

26. Asking customers how you can serve them better at each customer visit is an example of
- a. customer satisfaction measurement.
 - b. a segment review.
 - c. a product mix review.
 - d. a customer review.
 - e. marketing research.

Answer: a Difficulty: moderate Page: 14 Skill: applied
Learning objective: 1-2

27. The process of understand-create-deliver-manage customer value accounts for this percentage of the factors that are key to business success.
- a. 50%
 - b. 65%
 - c. 75%
 - d. 80%
 - e. 90%

Answer: e Difficulty: challenging Page: 15 Skill: recall
Learning objective: 1-3

28. Factors that a business can control include
- a. price of raw materials.
 - b. implementation.
 - c. governmental regulations.
 - d. competitive activity.
 - e. technological advances.

Answer: b Difficulty: easy Page: 15 Skill: recall
Learning objective: 1-3

29. In order to be successful at identifying opportunities, strategic planning departments must be advised by
- a. current events.
 - b. media.
 - c. shareholders.
 - d. sales representatives.
 - e. marketing.

Answer: e Difficulty: easy Page: 16 Skill: recall
Learning objective: 1-4

30. Within the chosen markets, a crucial marketing task is to
- a. make recommendations on which customer segments to serve.
 - b. conduct research.
 - c. develop a pricing strategy.
 - d. conduct a competitive analysis.
 - e. survey sales representatives.

Answer: a Difficulty: moderate Page: 16 Skill: applied
Learning objective: 1-4

31. In order to develop an offer that resonates with the customer and differentiates the company's position in the marketplace, marketers must look at
- a. cross-functional alignment.
 - b. sales training and execution.
 - c. the marketing mix.
 - d. the product mix.
 - e. the marketing communications strategy.

Answer: c Difficulty: moderate Page: 16 Skill: applied
Learning objective: 1-4

32. In order to successfully implement the marketing strategy, the organization must develop
- a. sales training programs.
 - b. a customer database.
 - c. an advertising strategy.
 - d. functional plans.
 - e. a media strategy.

Answer: c Difficulty: moderate Page: 16 Skill: recall
Learning objective: 1-4

33. The world's best marketing organizations assess their marketing strategies, make changes, and focus on
- a. new product development.
 - b. customer research.
 - c. functional plans.
 - d. sales training programs.
 - e. cross-functional alignment.

Answer: c Difficulty: moderate Page: 16 Skill: recall
Learning objective: 1-4

34. Market segmentation efforts, target marketing, and brand building all offer a competitive advantage to
- a. research managers.
 - b. marketing managers.
 - c. advertising agencies.
 - d. the sales force.
 - e. product managers.

Answer: d Difficulty: moderate Page: 16 Skill: applied
Learning objective: 1-4

35. It is the task of marketing to be the _____ within the organization.
- a. product analyst

- b. financial controller
- c. voice of the customer
- d. research and development champion
- e. salesperson

Answer: c Difficulty: challenging Page: 16 Skill: recall
Learning objective: 1-4

36. Building strong brands requires marketing to be
- a. accountable.
 - b. ever-changing.
 - c. unique.
 - d. supported by extensive research.
 - e. developed by senior executives.

Answer: a Difficulty: moderate Page: 16 Skill: recall
Learning objective: 1-4

37. By disseminating consumer observations and research throughout the organization, Procter & Gamble are successfully
- a. identifying opportunities.
 - b. segmenting markets.
 - c. making marketing accountable.
 - d. developing new product innovations.
 - e. keeping all employees focused on the customer.

Answer: e Difficulty: challenging Page: 17 Skill: applied
Learning objective: 1-4

38. By keeping Procter & Gamble's disposable diaper division focused on parents' concerns about the baby's overall development and health, rather than the technological aspects of diapers, its chief marketing officer acted as a
- a. product analyst.
 - b. advertising strategist.
 - c. voice of the customer.
 - d. powerful change agent.
 - e. research and development champion.

Answer: d Difficulty: challenging Page: 17 Skill: applied
Learning objective: 1-4

39. To build awareness for the brand and to ensure that the message communicated by the brand appeals to its various stakeholders, Operation Eyesight partners with eye clinics, hospitals, and ophthalmologists. This is an example of
- a. cross-functional alignment.
 - b. a product strategy.

- c. a pricing strategy.
- d. a channel strategy.
- e. a marketing communications strategy.

Answer: d Difficulty: moderate Page: 18 Skill: applied
Learning objective: 1-4

40. Organizations that are not marketing led typically are focused on
- a. a strong customer orientation in the corporate culture.
 - b. long-term growth in revenue.
 - c. research and development.
 - d. building and maintaining brand equity.
 - e. cost reduction and market share.

Answer: e Difficulty: challenging Page: 19 Skill: recall
Learning objective: 1-5

41. Marketing is influential in corporate decisions when
- a. the CEO is an advocate for the customer.
 - b. labour productivity is a top-management priority.
 - c. the growth strategy is focused on mergers and acquisitions.
 - d. the organization is technology focused.
 - e. pricing is used to achieve volume goals.

Answer: a Difficulty: moderate Page: 19 Skill: recall
Learning objective: 1-5

42. A serious commitment to research and development, and product innovation is an example of a
- a. customer segment strategy.
 - b. pricing strategy.
 - c. growth strategy.
 - d. channel strategy.
 - e. portfolio strategy.

Answer: c Difficulty: moderate Page: 19 Skill: applied
Learning objective: 1-5

43. Marketing is not influential in corporate decisions when
- a. there is a clear and shared understanding of the role of marketing.
 - b. market information and tracking data are key management tools.
 - c. customer analysis is hard-wired into product innovation.
 - d. strong brands are used as cash cows to fund acquisitions.
 - e. the focus is on long-term growth in revenue.

Answer: d Difficulty: moderate Page: 19 Skill: recall

Learning objective: 1-5

44. Arbol's Industries' new CEO realized that the only way to ward off the competition from Eastern Europe and Asia, which were flooding the forestry products industry with cheaper products, was to
- focus on technology.
 - differentiate the brand.
 - increase labour productivity.
 - cut back on research and development.
 - focus on the current stock price.

Answer: b *Difficulty:* challenging *Page:* 21 *Skill:* applied
Learning objective: 1-5

45. In order to transform Arbol Industries from a cost-focused company to a marketing-led company, one of the new CEO's first steps was to
- hire a marketing manager.
 - implement cost reductions.
 - increase labour productivity.
 - cut back on research and development.
 - focus on the current stock price.

Answer: a *Difficulty:* moderate *Page:* 21 *Skill:* recall
Learning objective: 1-5

TRUE - FALSE

1. The key to achieving excellence in strategy is to be clear about what your strategy is and to consistently communicate it to customers, employees, and shareholders.

Answer: True *Difficulty:* easy *Page:* 4 *Skill:* recall
Learning objective: 1-1

2. Companies that succeed over their competitors begin with a simple value proposition that is based on a deep understanding of their customer.

Answer: True *Difficulty:* easy *Page:* 5 *Skill:* recall
Learning objective: 1-1

3. Kmart demonstrated its laser-like focus on its marketing strategy by adopting an upscale strategy to attract high-income shoppers, then switching back to a low price strategy to attract low- and middle-income shoppers.

Answer: False *Difficulty:* easy *Page:* 5 *Skill:* applied
Learning objective: 1-1

4. Marketing is a disciplined process used by organizations to solve business problems.

Answer: True *Difficulty:* easy *Page:* 6 *Skill:* recall
Learning objective: 1-2

5. Trying to manage the explosion in media and channels is a typical problem faced by a for-profit organization.

Answer: True *Difficulty:* moderate *Page:* 7 *Skill:* applied
Learning objective: 1-2

6. Increasing awareness of the brand is a typical problem faced by non-profit organizations.

Answer: True *Difficulty:* moderate *Page:* 7 *Skill:* applied
Learning objective: 1-2

7. Snap-on Tools differentiates their brand from the competition by investing a substantial amount of money in traditional advertising.

Answer: False *Difficulty:* moderate *Page:* 7 *Skill:* applied
Learning objective: 1-2

8. The very first step in the marketing process is to understand customer needs.

Answer: True *Difficulty:* easy *Page:* 8 *Skill:* recall
Learning objective: 1-2

9. Recognizing different sets or groups of customers based on their needs is called target marketing.

Answer: True *Difficulty:* easy *Page:* 9 *Skill:* recall
Learning objective: 1-2

10. The marketing mix includes product, price, advertising, and media placement.

Answer: False *Difficulty:* moderate *Page:* 10 *Skill:* recall
Learning objective: 1-2

11. Having the store go to the mechanic is an example of Snap-on Tools' channel strategy.

Answer: True *Difficulty:* challenging *Page:* 10 *Skill:* applied
Learning objective: 1-2

12. Many marketing strategies are implemented by other functions such as sales, customer service, and shipping.

Answer: True *Difficulty:* moderate *Page:* 8 *Skill:* recall
Learning objective: 1-2

13. In the marketing mix, “place” and “channel strategy” are one and the same.

Answer: False *Difficulty:* challenging *Page:* 11 *Skill:* applied
Learning objective: 1-2

14. In order to deliver the value created for the customer, marketing strategies must be translated into sales strategies.

Answer: True *Difficulty:* moderate *Page:* 12 *Skill:* recall
Learning objective: 1-2

15. Without a marketing plan to contextualize market conditions, it would be difficult for other departments within an organization to develop functional plans.

Answer: True *Difficulty:* challenging *Page:* 8 *Skill:* applied
Learning objective: 1-2

16. Asking customers how they can be better served is an example of a product mix review.

Answer: False *Difficulty:* challenging *Page:* 14 *Skill:* recall
Learning objective: 1-2

17. Following the disciplined process of understand-create-deliver-manage customer value accounts for 50% of the factors that are key to business success.

Answer: False *Difficulty:* challenging *Page:* 15 *Skill:* recall
Learning objective: 1-3

18. Within the chosen markets, a critical marketing task is to segment customers and make recommendations on which customer segments to serve.

Answer: True *Difficulty:* moderate *Page:* 16 *Skill:* recall
Learning objective: 1-4

19. It is the task of marketing to be the “voice of the customer.”

Answer: True *Difficulty:* moderate *Page:* 16 *Skill:* applied
Learning objective: 1-4

20. The motto of the world's best marketing organizations is "if it isn't broken, don't fix it."

Answer: False *Difficulty:* moderate *Page:* 16 *Skill:* recall
Learning objective: 1-4

21. By disseminating consumer observations and research throughout the organization, Procter & Gamble are successfully keeping all employees focused on the customer.

Answer: True *Difficulty:* moderate *Page:* 17 *Skill:* applied
Learning objective: 1-4

22. World-class marketing organizations do not view marketing as a function, but as a force that transforms the entire organization.

Answer: True *Difficulty:* moderate *Page:* 17 *Skill:* recall
Learning objective: 1-4

23. Operation Eyesight has successfully used a "one-size-fits-all" approach in creating value and marketing its products to the different market segments it serves.

Answer: False *Difficulty:* challenging *Page:* 18 *Skill:* applied
Learning objective: 1-4

24. Marketing is not influential in corporate decisions when cost reduction and labour productivity are top-management priorities.

Answer: True *Difficulty:* moderate *Page:* 19 *Skill:* recall
Learning objective: 1-5

25. Organizations that are marketing led tend to be product focused and technology-focused.

Answer: True *Difficulty:* moderate *Page:* 19 *Skill:* recall
Learning objective: 1-5

SHORT ANSWER

1. Define the term "marketing strategy" and provide an example.

Answer: Companies that succeed over their competitors begin with a simple value proposition that is based on a deep understanding of their customers. This is known as

their marketing strategy. Dollar General is a U.S. retailer that sells quality products at a low price to low- and fixed-income customers.

Difficulty: easy *Page:* 5 *Skill:* recall

Learning objective: 1-1

2. Provide an example, from your own experiences, that clearly illustrates a gap between an organization's marketing strategy and the failed execution of that strategy by front-line employees.

Answer: Students should first identify a marketing strategy and then share a customer service experience that is similar to the example provided in the textbook. In that case, top management had made customer service a priority, but the checkout clerk was not properly trained and forgot to wish all customers a good day.

Difficulty: moderate *Page:* 6 *Skill:* applied

Learning objective: 1-1

3. List three typical problems faced by for-profit organizations that marketing can solve.

Answer:

1. Low-priced competitors are flooding the marketplace with cheap goods.
2. How can we generate more revenue?
3. How do we manage the explosion in media and channels?

Difficulty: moderate *Page:* 7 *Skill:* recall

Learning objective: 1-2

4. List three typical problems faced by non-profit organizations that marketing can solve.

Answer:

1. How can we increase awareness of our brand?
2. How can we increase funding from donors?
3. How do we motivate our volunteers?

Difficulty: moderate *Page:* 7 *Skill:* recall

Learning objective: 1-2

5. What is the first step in the marketing process? Explain why it is so important.

Answer: The very first step is to understand customer needs. The fact that different customers have different needs means that a business must ask itself one crucial strategic question: "Which customers do we want to serve?" At the end of Marketing Process Step #1, a business should have segmented its customers and chosen a target customer to serve. Businesses should not be greedy because they cannot serve everyone.

Difficulty: moderate *Page:* 8-9 *Skill:* applied
Learning objective: 1-2

6. Define the marketing mix. Use Snap-on Tools as an example, explaining how it creates customer value through its marketing mix strategies.

Answer: Taken together, product, price, channel, and marketing communications strategies are called the marketing mix. Snap-on Tools' product strategy creates customer value by putting superior steel in its products so they do not break. The company provides the customer with flexible financing as part of its pricing strategy. Snap-on Tools' channel strategy brings the store to the mechanic, and its marketing communications strategy focuses on developing one-on-one relationships with customers.

Difficulty: moderate *Page:* 10 *Skill:* applied
Learning objective: 1-2

7. List the four steps in the Marketing Process and their functions.

Answer:

- Step 1: Understand Customers
 - i. Customer needs
 - ii. Customer segments
 - iii. Target customer
- Step 2: Create Customer Value
 - iv. Product strategy
 - v. Pricing strategy
 - vi. Channel strategy
 - vii. Marketing communications strategy
- Step 3: Deliver Customer Value
 - viii. Sales execution
 - ix. Cross-functional alignment
- Step 4: Manage Customer Value
 - x. Customer satisfaction measurement
 - xi. Segment review
 - xii. Customer review
 - xiii. Product mix review

Difficulty: challenging *Page:* 11 *Skill:* recall
Learning objective: 1-2

8. Explain how an organization delivers customer value.

Answer: To deliver customer value, two things have to happen: (a) marketing strategies have to be translated into sales strategies and other functional strategies and (b) the organization has to align all its functions to focus on the customer.

Difficulty: easy *Page:* 12 *Skill:* recall
Learning objective: 1-2

9. Using “Tim’s Secrets to Business Success,” explain the final step in the marketing process.

Answer: The final marketing step is a feedback loop to review marketing strategies and make changes to ensure the business is keeping pace with changing market conditions. Tim’s secrets include four practices that every marketer should engage in: (a) at each customer visit he asks customers how he can serve them better, (b) he is always looking for new types of market segments to serve, (c) he ensures that the goods and services he sells are in line with customers’ changing needs and technological advances, and (d) He “fires” customers who do not want to pay for the value they are receiving.

Difficulty: challenging *Page:* 12-14 *Skill:* applied
Learning objective: 1-2

10. Describe three of the major tasks of marketing.

Answer:

1. Marketing advises strategic planning departments to help them identify opportunities.
2. A crucial marketing task is to segment customers and make recommendations on which customer segments to serve.
3. Every function and every employee in a business has to be focused on the customer. Marketing’s role is to build a customer-focused business.

Difficulty: moderate *Page:* 16 *Skill:* recall
Learning objective: 1-4

11. What are the characteristics of a marketing-led organization?

Answer: Marketing-led organizations share a clear understanding of the role of marketing; they are focused on long-term growth in revenue; they have a compelling vision of customer value; key management tools include market information and tracking data; their growth strategy focuses on research and development and product innovation; they invest to build and maintain brand equity; customer analysis is hard-wired to product development; and their customer portfolio is analyzed and managed for loyalty and profitability.

Difficulty: challenging *Page:* 19 *Skill:* recall
Learning objective: 1-5

