

Marketing Management, 4e (Winer/Dhar)

Chapter 2 A Strategic Marketing Framework

1) The _____ is the criterion by which the success or failure of the strategy is measured.

- A) customer targets
- B) competitor targets
- C) objective
- D) marketing mix

Answer: C

Diff: 1 Page Ref: 36

2) The _____ communicates the reasons to buy a product/ service to a specific customer group.

- A) mission
- B) core strategy
- C) marketing mix
- D) objective

Answer: B

Diff: 1 Page Ref: 36

3) The value proposition is operationalized and represented in the customers' minds through:

- A) the mission statement.
- B) annual reports.
- C) product positioning.
- D) effective sales pitches.

Answer: C

Diff: 1 Page Ref: 36

4) Which of the following is often referred to as the "4Ps" of marketing?

- A) product mix
- B) mission statement
- C) pricing mix
- D) marketing mix

Answer: D

Diff: 1 Page Ref: 36

5) When marketing managers consider the alternative differentiation possibilities and determine what differential advantages are to be emphasized and communicated to the target customer, they are engaging in:

- A) brand equity.
- B) brand positioning.
- C) product positioning.
- D) product development.

Answer: C

Diff: 1 Page Ref: 37

6) Which of the following usually describes a company's major business thrusts, customer orientation, or business philosophy, in general terms?

- A) value proposition
- B) marketing mix
- C) mission statement
- D) product positioning

Answer: C

Diff: 1 Page Ref: 37

7) "Increasing market share" and "increasing profit" is a poor objective because:

- A) it is too challenging.
- B) it is not stated in quantitative terms.
- C) it doesn't mention quality.
- D) it doesn't assign responsibility.

Answer: B

Diff: 1 Page Ref: 38

8) Which of the following is a characteristic of a good objective statement?

- A) It should assign individual responsibility.
- B) It should be defined in the qualitative terms.
- C) It should not be too challenging.
- D) It should be stated in measurable terms.

Answer: D

Diff: 1 Page Ref: 38

9) Marketing managers use a market penetration strategy to target:

- A) individuals who have never used the product or service.
- B) offshore customers who have a need for the product or service.
- C) individuals who are buying your product or service or a direct competitor's.
- D) individuals who buy closely-related products or services.

Answer: C

Diff: 1 Page Ref: 38

10) There is often tension between objectives of increasing market share and increasing profits because:

- A) some of the activities required to increase share lower profit margins and increase costs.
- B) market share and profits cannot be increased simultaneously.
- C) market penetration strategy, an effective strategy to increase share, usually results in negative earnings.
- D) market share is a prerequisite to increase in profits.

Answer: A

Diff: 2 Page Ref: 38

11) Customers who have purchased your product or service are familiar with its benefits. Assuming that your customers enjoyed the consumption experience, there is often potential left in the market from the current customers who could be persuaded to buy more. You, as a marketing manager, should therefore prioritize:

- A) market development strategy.
- B) diversification strategy.
- C) product development strategy.
- D) market penetration strategy.

Answer: D

Diff: 1 Page Ref: 39

12) Identify the correct statement about market development strategy.

- A) It is less riskier than market penetration strategy.
- B) It is usually implemented in markets where growth rate is slowing.
- C) It persuades current customers to buy more products.
- D) It is cheaper than implementation of market penetration strategy.

Answer: B

Diff: 2 Page Ref: 39

13) It is easier to persuade a competitor's customer to switch to product or service in the:

- A) introduction stage of the product life cycle.
- B) growth stage of the product life cycle.
- C) maturity stage of the product life cycle.
- D) decline stage of the product life cycle.

Answer: C

Diff: 1 Page Ref: 39

14) A _____ strategy targets customers who have not yet purchased the product or service.

- A) market formation
- B) market penetration
- C) market modification
- D) market development

Answer: D

Diff: 1 Page Ref: 39

15) Entering foreign markets is an example of a:

- A) product development strategy.
- B) market penetration strategy.
- C) market development strategy.
- D) market modification strategy.

Answer: C

Diff: 1 Page Ref: 41

16) Once the decision has been made to enter a country, the most important decision is:

- A) the cost of entry.
- B) the mode of entry.
- C) the distribution strategy of the firm.
- D) pricing the product.

Answer: B

Diff: 2 Page Ref: 41

17) Identify the statement that addresses the mode of entry.

- A) "We need to start-off with penetration pricing strategy for our products to make it familiar in the market."
- B) "We have to concentrate on disintermediation of the supply chain if we want to succeed in this market."
- C) "We should consider a joint venture with a firm that has the greatest presence in the market."
- D) "We can use price skimming to portray a high-quality image for our product."

Answer: C

Diff: 2 Page Ref: 41

18) Identify the factor that can be controlled by a company while entering a foreign market.

- A) country characteristics
- B) trade barriers
- C) country selection
- D) market growth

Answer: C

Diff: 1 Page Ref: 41

19) Five sets of factors should be considered when deciding on how to enter a new foreign market. Identify the key feature of country characteristics.

- A) market size and growth
- B) tariffs or quotas
- C) government regulations
- D) speed and sequence

Answer: A

Diff: 1 Page Ref: 41

20) Which of the following is an example of a trade barrier?

- A) credit
- B) quota
- C) inflation
- D) quote

Answer: B

Diff: 1 Page Ref: 42

21) Which of the following is a component of the core strategy?

- A) sales
- B) fixed cost
- C) value proposition
- D) net profit

Answer: C

Diff: 1 Page Ref: 43

22) When customers cannot discriminate among products, they consider the products to be similar, and the main determinant of which product is purchased is:

- A) their quality.
- B) product recall.
- C) their USP.
- D) their relative price.

Answer: D

Diff: 1 Page Ref: 44

23) Which of the following is a characteristic of a competitive advantage?

- A) It makes the product more accessible for the customers.
- B) It generates customer value.
- C) It makes the product more user friendly.
- D) It increases cost of the product.

Answer: B

Diff: 1 Page Ref: 44

24) Which of the following represents a basis on which customers will choose a firm's product or service over others available in the market?

- A) Mission statement
- B) Marketing mix
- C) Differential advantage
- D) The pricing strategy

Answer: C

Diff: 1 Page Ref: 44

25) When we say that a firm is using a differentiation advantage to developing competitive advantage, we mean that the approach is:

- A) cost-based.
- B) perception-based.
- C) brand-based.
- D) quality-based.

Answer: D

Diff: 1 Page Ref: 45

26) When competitive advantage is cost- or price-based, it is necessary to know the _____ to be sure that you can compete on this basis by matching price cuts.

- A) cost of raw materials
- B) economic conditions
- C) inflation rates
- D) competitor's costs

Answer: D

Diff: 1 Page Ref: 45

27) The best method of attaining a low-cost position is to:

- A) take advantage of economies of scale and experience curve.
- B) take advantage of global raw material acquisition.
- C) take advantage of non-union workers.
- D) send production to low-wage countries.

Answer: A

Diff: 1 Page Ref: 45

28) _____ is a notion that costs fall with cumulative production or delivery of a service and that, using the first few years of a product's life as a yardstick, the continued decline in costs is predictable.

- A) Benchmarking
- B) Experience curve
- C) Economies of scale
- D) Reintermediation

Answer: B

Diff: 1 Page Ref: 45

29) Firms can compete on price if they:

- A) focus on market development strategy.
- B) focus on global raw material sourcing.
- C) focus on controlling costs.
- D) focus on merging or acquiring a competitor.

Answer: C

Diff: 2 Page Ref: 45

30) Economies of scale is a concept used in this approach to developing competitive advantage.

- A) price-based advantage
- B) brand-based advantage
- C) customer focus advantage
- D) differentiation advantage

Answer: A

Diff: 1 Page Ref: 45

31) The rationale behind _____ is that larger sales mean fixed costs of operations can be spread over more units, which lowers average unit costs.

- A) repositioning
- B) differentiation
- C) experience curve
- D) economies of scale

Answer: D

Diff: 1 Page Ref: 45

32) IKEA emphasizes self-service and customer pickup and delivery. Identify the approach that IKEA is using to develop competitive advantage.

- A) customer focus advantage
- B) differentiation advantage
- C) price-based advantage
- D) brand-based advantage

Answer: C

Diff: 1 Page Ref: 46

33) Which of the following approaches to developing competitive advantage is most likely to involve a payment of price premium by the customers?

- A) price-based advantage
- B) brand-based advantage
- C) customer focus advantage
- D) differentiation advantage

Answer: D

Diff: 1 Page Ref: 46

34) Caterpillar markets are the most reliable farm equipment in the industry. This is an example of a:

- A) differentiation strategy.
- B) market penetration strategy.
- C) market development strategy.
- D) cost-based strategy.

Answer: A

Diff: 1 Page Ref: 47

35) Identify the correct statement about differentiation.

- A) It usually implies lower costs for the customers.
- B) For highly technical products, differentiation is built solely on the basis of perception.
- C) It is based on obtaining an observable point of difference that customers will value.
- D) Consumer products are usually differentiated through real difference.

Answer: C

Diff: 2 Page Ref: 47

36) Which of the following is an excellent vehicle for delivering perceived images and feelings?

- A) direct mail advertising
- B) community sponsorships
- C) sales promotions
- D) electronic and print advertising

Answer: D

Diff: 1 Page Ref: 49

37) One of the best methods of determining how consumers feel about the perceived differences between competitive products or services is through:

- A) survey research.
- B) perceptual mapping.
- C) histograms.
- D) analysis of sales results.

Answer: B

Diff: 1 Page Ref: 49

38) Which of the following best defines perceptual mapping?

- A) It compares different products on a quantitative basis.
- B) It identifies the new features which should be introduced in the product.
- C) It measures perceptions of competing products on a variety of attributes.
- D) It measures the strengths of important attributes of products.

Answer: C

Diff: 1 Page Ref: 49

39) A customer's perception of one brand in relation to its competitors is indicated by:

- A) emotional branding.
- B) brand position.
- C) brand equity.
- D) brand recall.

Answer: B

Diff: 1 Page Ref: 50

40) The value of a brand name in communicating quality or other aspects of the product is called:

- A) value equity.
- B) brand equity.
- C) brand position.
- D) strategic value.

Answer: B

Diff: 1 Page Ref: 50

41) When a marketing manager is dissatisfied with the current positioning of his/her product or service and seeks a new perceived advantage, it is called:

- A) brand positioning
- B) perceptual mapping
- C) brand repositioning
- D) brand extension

Answer: C

Diff: 1 Page Ref: 50

42) When the _____ is put to work in a market place, it is known as product positioning.

- A) value proposition
- B) brand equity
- C) marketing strategy
- D) perceived difference

Answer: A

Diff: 1 Page Ref: 50

43) Which of the following is considered as the implementation stage of the marketing strategy?

- A) establishing core strategy
- B) creating objectives
- C) determining customer targets
- D) employing the marketing mix

Answer: D

Diff: 1 Page Ref: 51

44) Which of the following is one of the "3Cs" of marketing?

- A) communication
- B) community
- C) commitment
- D) company

Answer: D

Diff: 1 Page Ref: 51

45) Which of the following is a stage in the product life cycle (PLC)?

- A) design
- B) development
- C) growth
- D) maintenance

Answer: C

Diff: 1 Page Ref: 52

46) Which of the following sketches the sales history of a product category over time?

- A) product life cycle
- B) value proposition
- C) competitive analysis
- D) brand equity

Answer: A

Diff: 1 Page Ref: 52

47) A product life cycle curve is usually _____ shaped.

- A) L
- B) bell
- C) S
- D) U

Answer: C

Diff: 1 Page Ref: 52

48) Which of the following statements is true regarding the growth stage of the product life cycle?

- A) The growth rate and the size of the market are low.
- B) The market growth becomes flat.
- C) Usually, competition is most intense in this phase.
- D) The rate of growth begins to decrease in this stage.

Answer: D

Diff: 2 Page Ref: 53

49) Which of the following statements is true regarding the maturity stage of the product life cycle?

- A) During this stage, the market grows rapidly.
- B) Usually, competition is most intense in this phase.
- C) Many new competitors enter the market.
- D) This stage comes after the introduction stage.

Answer: B

Diff: 2 Page Ref: 53

50) Identify the correct statement about the introduction stage of the product life cycle.

- A) In this stage, selling and advertising focus on the generic product.
- B) During this stage, the market grows rapidly in size.
- C) Usually, competition is most intense in this stage.
- D) During this stage, the sales curve becomes flat.

Answer: A

Diff: 2 Page Ref: 53

51) Identify the stage in the product life cycle (PLC) where the growth rate and the size of the market are low.

- A) introduction stage
- B) growth stage
- C) maturity stage
- D) decline stage

Answer: A

Diff: 1 Page Ref: 53

52) When the market growth becomes flat, we can say that this stage of the product life cycle has been reached. Identify the stage.

- A) introduction stage
- B) growth stage
- C) maturity stage
- D) decline stage

Answer: C

Diff: 1 Page Ref: 53

53) Identify the stage in the product life cycle where selling and advertising focus on the generic product.

- A) introduction stage
- B) growth stage
- C) maturity stage
- D) decline stage

Answer: A

Diff: 1 Page Ref: 53

54) Identify the stage of the product life cycle where distributors have more power in the relationship with manufactures or service suppliers.

- A) introduction stage
- B) growth stage
- C) maturity stage
- D) decline stage

Answer: A

Diff: 1 Page Ref: 53

55) The purpose of a penetration pricing strategy during the introduction stage of the product life cycle is to:

- A) maximize profits.
- B) build market share and a broader market.
- C) build customer loyalty.
- D) enhance the brand image.

Answer: B

Diff: 1 Page Ref: 54

56) Which of the following refers to a strategy of entering the market with a high price and creating a narrow market?

- A) switching
- B) penetration
- C) skimming
- D) scanning

Answer: C

Diff: 1 Page Ref: 54

57) Most likely, marketing managers would like to be first in the market because:

- A) it keeps out competition.
- B) the first mover establishes awareness of its product as the prototype.
- C) it leads to cost reduction over the product life cycle.
- D) it leads to quality improvements over the product life cycle.

Answer: B

Diff: 1 Page Ref: 54

58) Market segmentation becomes a key issue in this stage of the product life cycle. Identify the stage.

- A) introduction stage
- B) growth stage
- C) maturity stage
- D) decline stage

Answer: B

Diff: 1 Page Ref: 54

59) In the growth stage of the product life cycle, the riskiest move by a follower is to:

- A) imitate the leader by developing "me-too" products.
- B) leapfrog the competition.
- C) exit quickly and invest in some other product with long-term potential.
- D) fortify its position as number two or three.

Answer: B

Diff: 2 Page Ref: 55

60) Identify the stage in the product life cycle at which fierce battles for market share take place.

- A) introduction stage
- B) growth stage
- C) maturity stage
- D) decline stage

Answer: C

Diff: 1 Page Ref: 55

61) When marketing managers see that the sales curve has flattened out and few new buyers are in the market, they know that they are in this stage of the product life cycle. Identify the stage.

- A) introduction stage
- B) growth stage
- C) maturity stage
- D) decline stage

Answer: C

Diff: 1 Page Ref: 55

62) Identify the stage of the product life cycle where a large amount of money is spent on consumer promotion.

- A) introduction stage
- B) growth stage
- C) maturity stage
- D) decline stage

Answer: C

Diff: 1 Page Ref: 55

63) Setting an objective of gradual share decline with minimal investment to maximize short-run profits is known as:

- A) skimming.
- B) penetration.
- C) scanning.
- D) harvesting.

Answer: D

Diff: 1 Page Ref: 55

64) The general strategies in mature markets are similar to those in which other markets?

- A) monopsony markets
- B) growth markets
- C) declining markets
- D) established markets

Answer: B

Diff: 1 Page Ref: 55

65) Which of the following statements is true about the decline stage of the product life cycle?

- A) During this stage, the market grows rapidly.
- B) Many new competitors enter the market.
- C) Usually, competition is most intense in this phase.
- D) Product category sales decrease at this stage.

Answer: D

Diff: 1 Page Ref: 55

66) Lansdale Semiconductor is considered as the "last iceman" manufacturing the 8080 computer chip. With this information, we can say that 8080 computer chip is in the _____ stage of the product life cycle.

- A) introduction stage
- B) growth stage
- C) maturity stage
- D) decline stage

Answer: D

Diff: 1 Page Ref: 55

67) Which of the following explains stretching out the life cycle?

- A) Increasing the duration of the present stage of the PLC.
- B) Using the strategies of the previous stage in the next stage.
- C) Looking ahead to the next stage and planning changes in the product.
- D) Using the strategies of the decline stage in the growth stage.

Answer: C

Diff: 1 Page Ref: 56

68) Which of the following statements is true regarding the product life cycle (PLC)?

- A) A product/service is in the same stage of the PLC in all the countries at the same time.
- B) PLC cannot be rejuvenated by marketing.
- C) PLC is a conceptual framework.
- D) It sketches the profit margin history of the product category over time.

Answer: C

Diff: 1 Page Ref: 56

69) After reaching the mature stage, 3M's Scotch tape was extended through new dispensers and the use of colored and waterproof varieties (varied usage). This is an example of:

- A) skimming.
- B) market penetration.
- C) harvesting.
- D) market development.

Answer: B

Diff: 1 Page Ref: 56

70) A firm's objective is the criteria by which the success or failure of a strategy is measured.

Answer: TRUE

Diff: 1 Page Ref: 36

71) A firm's customer targets represent a specific group of customers which the marketing manager wants to persuade to buy the product or service.

Answer: TRUE

Diff: 1 Page Ref: 36

72) 'Procurement' is one of the '4Ps' of marketing.

Answer: FALSE

Diff: 1 Page Ref: 36

73) Competitor targets must be identified so that marketing managers know which brands or companies offer the most likely competition for the identified customer.

Answer: TRUE

Diff: 1 Page Ref: 36

74) Marketing mix is a set of decisions regarding price, product, customer targets, and competitor targets.

Answer: FALSE

Diff: 1 Page Ref: 36

75) The corporate objective is usually stated in financial or stock price terms.

Answer: TRUE

Diff: 1 Page Ref: 37

76) Volume often has a significant positive relationship with unit costs due to economies of scale.

Answer: FALSE

Diff: 1 Page Ref: 38

77) A good company objective should be stated in measurable terms.

Answer: TRUE

Diff: 1 Page Ref: 38

78) Market penetration strategies are used to attract customers who have never purchased the product.

Answer: FALSE

Diff: 1 Page Ref: 38

79) A good objective statement should have a quantified standard of performance.

Answer: TRUE

Diff: 1 Page Ref: 38

80) Market development strategies consider customers who either have been targeted by the firm or the firm's competitors but have never purchased product from the firm or its competitors.

Answer: TRUE

Diff: 1 Page Ref: 39

81) Implementation of market penetration strategy is more risky and expensive than implementing a market development strategy.

Answer: FALSE

Diff: 1 Page Ref: 39

82) A market development strategy can be implemented without product modifications.

Answer: FALSE

Diff: 1 Page Ref: 40

83) Purchasing power takes into account population size.

Answer: FALSE

Diff: 1 Page Ref: 42

84) The basic component of the core strategy is the value proposition.

Answer: TRUE

Diff: 1 Page Ref: 43

85) A competitive advantage should be difficult to imitate.

Answer: TRUE

Diff: 1 Page Ref: 44

86) The concept of economies of scale is used for achieving quality-based advantage.

Answer: FALSE

Diff: 2 Page Ref: 45

87) It is possible to use a low-price competitive advantage even if you are not the industry leader, or do not have the greatest cumulative experience.

Answer: TRUE

Diff: 1 Page Ref: 45

88) Industrial and highly technical products and services are differentiated solely on the basis of perception.

Answer: FALSE

Diff: 1 Page Ref: 47

89) The importance of various marketing-mix elements varies over the product life cycle.

Answer: TRUE

Diff: 1 Page Ref: 52

90) In the introductory phase, the growth rate and the size of the market are high.

Answer: FALSE

Diff: 1 Page Ref: 53

91) A large number of competitors are present in a market during the introductory stage of a product life cycle.

Answer: FALSE

Diff: 1 Page Ref: 53

92) The price skimming strategy involves entering the market with a low initial price.

Answer: FALSE

Diff: 1 Page Ref: 54

93) Typically, penetration strategies which involve entering the market with low price are employed by technology-based products.

Answer: FALSE

Diff: 1 Page Ref: 54

94) Market segments are well defined during the introduction stage of the product life cycle.

Answer: FALSE

Diff: 1 Page Ref: 55

95) Explain the major components of a complete marketing strategy.

Answer:

The major components of a marketing strategy include:

- a. The objective to be achieved
- b. The customer target(s)
- c. Competitor targets
- d. Product or service features
- e. Core strategy
- f. Marketing mix

Diff: 1 Page Ref: 36

96) Explain the difference between a market penetration strategy and a market development strategy.

Answer:

- a. A market penetration strategy targets current customers of the product or service. These are defined as customers who are buying your product or those of a direct competitor (often both).
- b. A market development strategy targets customers who either have been targeted by you or your competitors but simply have not been persuaded to buy or they could be customers in segments that have not been pursued by you or the competitors in your category.

Diff: 1 Page Ref: 38-39

97) Discuss the three general characteristics mentioned in the textbook for developing a competitive advantage for a firm.

Answer:

- a. It should generate customer value; it should improve some characteristic or be relevant to some aspect of the product or service that is valued by the customer.
- b. This increased value must be perceived by the customer—even if the product is better than the competition. If the customer cannot discern this point of difference, it is not a competitive advantage.
- c. The advantage must be difficult to imitate because a successful competitive advantage adopted by one firm will be emulated by others, if possible.

Diff: 1 Page Ref: 44

98) Discuss the three general approaches to developing competitive advantage:

Answer:

- a. Cost- or price-based competitive advantage. Firms must know the competitors' costs to be sure that they can compete on this basis by competitive matching price cuts. It is one of the most difficult approaches to competitive advantage.
- b. Quality-based or differentiation advantage. This approach is a search for some points of difference that customers value and for which they are willing to pay a price premium.
- c. Perceived quality or brand-based differentiation. Perceptual advantages are often used when actual product differences are small, hard to achieve, or difficult to sustain.

Diff: 1 Page Ref: 45

99) List the various stages of the product life cycle and describe the characteristics of each stage.

Answer:

- a. Introduction stage – the growth rate and the size of the market are low. At this stage there is normally one company, the pioneer in that category.
- b. Growth stage – there is rapid sales growth rate in the early stages which begins to flatten out in the late stages. The number of competitors increases, the focus is on sales, and communications emphasize competitive advantage.
- c. Maturity stage – where sales begin to flatten and there is competitive intensity for market share, access to distribution, large amounts of money spent on trade and consumer promotion, and competitive pricing.
- d. Decline stage – where sales decline, where marginal competitors drop out of the market, and the firm must decide whether to continue investing in the category, harvest, or withdraw from the market.

Diff: 2 Page Ref: 53