

Chapter 01

Strategic Planning and the Marketing Management Process

Multiple Choice Questions

1. The Candela Company's marketing and product design involves identifying customer needs, and then, working backwards to devise products and services to meet those needs. Which of the following statements best describes the company?

- a. The company has a customer orientation.
- b. The company does not adhere to the marketing concept.
- c. The company aims to manipulate consumers to increase sales.
- d. The company has a production orientation.

Answer: a

Topic: The Marketing Concept

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: The purpose of the marketing concept is to rivet the attention of marketing managers on serving broad classes of customer needs (customer orientation). Effective marketing starts with the recognition of customer needs and then works backward to devise products and services to satisfy these needs.

2. An organization seeking to make a profit by serving the needs of customer groups, rather than depending only on its current products or devising methods to attract consumers, has a _____ orientation.

- a. customer
- b. production
- c. selling
- d. non-profit

Answer: a

Topic: The Marketing Concept

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: Marketing concept means that an organization should seek to make a profit by serving the needs of customer groups. The purpose of the marketing concept is to rivet the attention of marketing managers on serving broad classes of customer needs.

3. The purpose of the marketing concept is to rivet the attention of marketing managers primarily on serving broad classes of _____.

- a. supplier needs
- b. employee needs
- c. management needs
- d. customer needs

Answer: d

Topic: The Marketing Concept

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: The purpose of the marketing concept is to rivet the attention of marketing managers on serving broad classes of customer needs. Thus, effective marketing starts with the recognition of customer needs and then works backward to devise products and services to satisfy these needs.

4. The crux of the marketing concept is focusing on building long-term _____, where the initial sale is viewed as the beginning step and not as the end goal.

- a. mass marketing strategies
- b. product-oriented teams
- c. research capabilities
- d. customer relationships

Answer: d

Topic: The Marketing Concept

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: The marketing concept means that an organization should seek to make a profit by serving the needs of customer groups. This means that organizations should focus on building long-term customer relationships in which the initial sale is viewed as a beginning step in the process, not as an end goal.

5. Which of the following statements is true for a firm that adheres strictly to the marketing concept?

- a. Marketing should be primarily focused on selling products to a particular class of customers.
- b. The principal task of the marketing function is to increase the company's rate of production and devise methods to aggressively attract consumers to purchase products.
- c. The principal task of the marketing function is to find effective and efficient means of making the business do what suits the interests of customers.
- d. Marketing managers of the firm must find ways to manipulate customers to do what suits the interests of the firm.

Answer: c

Topic: The Marketing Concept

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Medium

Explanation: The principal task of the marketing function operating under the marketing concept is not to manipulate customers to do what suits the interests of the firm, but rather to find effective and efficient means of making the business do what suits the interests of customers.

6. According to the marketing concept, the customer will be more satisfied and the firm will be more profitable when the:

- a. organizations and customers have a long-term relationship.
- b. organization's marketing process is solely product-oriented.
- c. products are advertised frequently but have no clear target markets.
- d. firm operates primarily through a selling orientation in the market.

Answer: a

Topic: The Marketing Concept

Blooms: Understand

AACSB: Analytic

Level of Difficulty: Easy

Explanation: Organizations should focus on building long-term customer relationships in which the initial sale is viewed as a beginning step in the process, not as an end goal. As a result, the customer will be more satisfied and the firm will be more profitable.

7. Midas Corporation is a sporting goods manufacturer. Most of its energies and resources are devoted to one line of sporting shoes that has been a reasonable hit in the past. The company rarely undertakes any marketing research studies to assess consumer wants and needs and seldom devises new advertising or promotional strategies. The company is exhibiting a _____.

- a. investor orientation
- b. market orientation
- c. customer orientation
- d. production orientation

Answer: d

Topic: The Marketing Concept

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: Production orientation is orientation towards the firm's current products rather than on the firm's customer needs.

8. Zest Sports Ltd. manufactures sports goods and the company recently introduced a new line of sportswear targeted at children between ages of 7 and 10 years. The marketing team envisions an entirely new marketing strategy for the new line of sportswear. This is an example of _____ marketing.

- a. product
- b. service
- c. cause
- d. place

Answer: a

Topic: What is Marketing?

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Refer to: Fig. 1.1

Explanation: Marketing designed to create exchange for tangible products is called product marketing.

9. The Helen Mortimer Foundation is a non-profit organization that develops strategies to encourage people to stop smoking in its efforts to reduce the incidence of lung cancer. This is an example of marketing for a(n) _____.

- a. organization
- b. person
- c. cause
- d. service

Answer: c

Topic: What is Marketing?

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Refer to: Fig. 1.1

Explanation: Marketing for a cause involves marketing designed to create support for ideas, causes, or issues to get people to change undesirable behavior.

10. Run With Scissors, Inc., a hair salon, advertizes its trendy and affordable offerings primarily through the use of social media. The type of strategy the hair salon uses can be classified as marketing for a _____.

- a. product
- b. service
- c. cause
- d. organization

Answer: b

Topic: What is Marketing?

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Refer to: Fig. 1.1

Explanation: Marketing for a service involves marketing designed to create exchanges for intangible products.

11. Run for the Cure is an annual marathon that is geared toward raising money for conducting research on breast cancer. Marketers advertize through the local media to attract participants and volunteers to the event. Which of the following types of marketing is depicted in this scenario?

- a. Place marketing
- b. Product marketing
- c. Organization marketing
- d. Service marketing

Answer: c

Topic: What is Marketing?

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Refer to: Fig. 1.1

Explanation: Marketing designed to attract donors, members, participants or volunteer's is called organization marketing. For example, strategies designed to attract blood donors.

12. Before divisional and departmental managers of a new company can start planning for their respective divisions or departments, the company must:

- a. build trust among its customer base.
- b. generate sufficient revenue from sales.
- c. base its functioning solely on a selling orientation to maximize profits.
- d. create strategic plans or blueprints for the entire organization.

Answer: d

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Medium

Explanation: Before a production manager, marketing manager, and personnel manager can develop plans for their individual departments, some larger plan or blueprint for the entire organization should exist.

13. Why is it disadvantageous for a company to carry on business as usual for too long?

- a. The company will appear irresponsible to its long-term customers.
- b. The company will end up engaging in unfair trade practices.
- c. The company will fail to develop business systems that allow for continuous improvement.
- d. The company will start to produce lower quality products and experience a reduction in its market share.

Answer: c

Topic: What is Strategic Planning?

Blooms: Understand

AACSB: Analytic

Level of Difficulty: Easy

Explanation: Corporations should recognize that business strategies need to reflect changing environments. Hence, emphasis must be placed on developing business systems that allow for continuous improvement.

14. The organization's mission, objectives, strategies, and its portfolio plan are the four major components of its ____.

- a. strategic plan
- b. vendor analysis
- c. segmentation strategies
- d. code of ethics

Answer: a

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Medium

Explanation: The four components of a strategic plan are mission, objectives, strategies, and portfolio plan.

15. Which of the following is the first step that an organization must take in the strategic planning process?

- a. Setting organizational objectives
- b. Creating organizational strategies
- c. Creating a mission statement
- d. Creating an organizational portfolio plan

Answer: c

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: The output of the strategic planning process is the development of a strategic plan. The four components of a strategic plan are the mission, objectives, strategies, and portfolio plan.

16. The organization's environment provides the resources that sustain the organization. In exchange for these resources, the organization must supply the environment with ____.

- a. services without any additional cost
- b. high priced but quality goods
- c. quality goods at an acceptable price
- d. community service at all times

Answer: c

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: The organization's environment provides the resources that sustain the organization. The organization must supply the environment with quality goods and services at an acceptable price. In other words, every organization exists to accomplish something in the larger environment and that purpose, vision, or mission usually is clear at the organization's inception.

17. "Mealtimes" was started as a fine dining restaurant serving the best of the European cuisine. The meals ran into several courses and the restaurant was frequented by people looking for a leisurely meal on a holiday. However, with changing times and needs of consumers, this restaurant altered its offerings to incorporate junk food like pizzas, burgers, and hot dogs. The company had to venture into new and different markets to maintain profitability. These new conditions and a redundant mission statement would make the restaurant a _____.

- a. process-related organization
- b. dynamic organization
- c. drifting organization
- d. global organization

Answer: c

Topic: What is Strategic Planning?

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: A "drifting" organization is without a clear mission, vision, or purpose to guide critical decisions.

18. When organizations expand into new products, markets or industries, their original purpose may become irrelevant. Such organizations can be defined as _____.

- a. drifting organizations
- b. functional organizations
- c. innovative organizations
- d. dynamic organizations

Answer: a

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: A "drifting" organization is without a clear mission, vision, or purpose to guide critical decisions. When this occurs management should search for a purpose or emphatically restate or reinforce the original purpose.

19. The things that an organization does so well that they give it an advantage over similar organizations represent that organization's _____.

- a. perceived risk factors
- b. distinctive competencies
- c. external opportunities
- d. vendor analysis variables

Answer: b

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: Distinctive competencies are things that an organization does well.

20. Formulating a strategy based on distinctive competencies provides the organization with a unique benefit that _____.

- a. allows the organization to gain advantage over its competitors
- b. allows the organization to retain its internal and product-oriented focus for growth
- c. helps the organization to progress smoothly through the marketing plan
- d. allows the organization to focus on products rather than the market

Answer: a

Topic: What is Strategic Planning?

Blooms: Understand

AACSB: Analytic

Level of Difficulty: Easy

Explanation: Distinctive competencies are things that an organization does so well that they give it an advantage over similar organizations. No matter how appealing an opportunity may be, to gain advantage over competitors, the organization must formulate strategy based on distinctive competencies.

21. Riviera is a relatively new company that mines and crushes slate for use as mulch in gardens. The managers of the company reviewed its short history, took into account the organization's environment, and identified its distinctive competencies. What are the managers at Riviera trying to accomplish at this stage?

- a. Develop a mission statement
- b. Distinguish between primary and secondary objectives
- c. Develop an effective marketing mix
- d. Evaluate its marketing plan

Answer: a

Topic: What is Strategic Planning?

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: In formulating a mission statement, the organization's history, its distinctive competencies and its environment must be considered.

22. When completed, an effective mission statement will be primarily focused on the:

- a. markets rather than its products.
- b. internal problems of the organization.
- c. needs of the marketing personnel.
- d. narrow class of employee needs.

Answer: a

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Medium

Explanation: When completed, an effective mission statement will be focused on markets

rather than products, achievable, motivating, and specific.

23. In determining its mission statement, an organization must _____.

- a. incorporate only the favorable aspects of the organizational history, while foregoing the mistakes and shortcomings.
- b. ensure that the name of the product or service it is producing is an essential part of the organization's name.
- c. reflect a market-driven approach by targeting a broad class of needs and segmented target markets
- d. invest a maximum of four to six months of time in determining the mission statement as it is a superfluous activity.

Answer: c

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: The mission statement should focus on the broad class of needs that the organization is seeking to satisfy (external focus), not on the physical product or service that the organization is offering at present (internal focus). Such market-driven firms stand out in their ability to continuously anticipate market opportunities and respond before their competitors.

24. The mission statement of a company should primarily have a(n) _____.

- a. product focus
- b. external focus
- c. internal focus
- d. selling focus

Answer: b

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: The mission statement should focus on the broad class that an organization is seeking to satisfy (external focus), not on the physical products or services that an organization is offering at present (internal focus).

25. Which of the following statements about a mission statement is true?

- a. Even though no one denies the importance of the mission statement, it is the least used of all of the management tools.
- b. An effective mission statement takes an internal organizational focus.
- c. It should focus on the physical product or service that the organization is offering at present.
- d. It should focus on the broad class of needs that the organization is seeking to satisfy.

Answer: d

Topic: What is Strategic Planning?

Blooms: Understand

AACSB: Analytic

Level of Difficulty: Easy

Explanation: The mission statement should focus on the broad class of needs that the organization is seeking to satisfy.

26. A popular brand of bed sheets in the 1940s was Indian Head. Its manufacturer claimed its sheets were so well-made that consumers might want to include them in their wills so the sheets could be passed down to their grandchildren. The company was proud of its product quality and formulated its mission statement based on it – “To be the producers of the best bed sheets in the market.” What could potentially be wrong with such a mission statement?

- a. It has an external focus.
- b. It focuses on the market for its high-quality products.
- c. It defines the company in terms of its marketing capabilities.
- d. It focuses on the product rather than on its market.

Answer: d

Topic: What is Strategic Planning?

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: The mission statement should focus on the broad class of needs that the organization is seeking to satisfy (external focus), not on the physical product or service that the organization is offering at present (internal focus).

27. What is most likely wrong with the following mission statement for a store that sells lighting fixtures: “Our mission is to make sure every customer who buys a lighting fixture at our store is 100 percent satisfied with his or her purchase”?

- a. The mission statement is not specific.
- b. The mission statement is not well framed.
- c. The mission statement does not focus on the product.
- d. The mission statement is not achievable or realistic.

Answer: d

Topic: What is Strategic Planning?

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: While the mission statement should stretch the organization toward more effective performance, it should, at the same time, be realistic and achievable.

28. It is important for the mission statement to be _____ because it provides a shared sense of purpose outside the various activities taking place within the organization.

- a. motivational
- b. product-oriented
- c. internal
- d. generic

Answer: a

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: A mission statement that is motivational provides guidance to employees and managers working in geographically dispersed units and on independent tasks. It provides a shared sense of purpose outside the various activities taking place within the organization.

29. An organization's mission statement must be _____ to be able to provide direction and guidelines to management when they are choosing between alternative courses of action.

- a. achievable
- b. motivational
- c. generic
- d. specific

Answer: d

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: An organization's mission statement must be specific to provide direction and guidelines to management when they are choosing between alternative courses of action.

30. Which of the following is true of organizational objectives?

- a. An organizational objective should reflect on the organization's finances, rather than its commitment to the customers.
- b. Organizational objectives are not considered to be dominant necessities to carry out the organizational mission.
- c. Organizational objectives are specific, measurable, action commitments on the part of the organization.
- d. An organizational objective is distilled to arrive at a specific and achievable organization mission.

Answer: c

Topic: What is Strategic Planning?

Blooms: Understand

AACSB: Analytic

Level of Difficulty: Medium

Explanation: Organizational objectives must be specific, measurable, action commitments by which the mission of the organization is to be achieved.

31. A company has the following organizational objective: “To maintain levels of employee satisfaction consistent with our own and similar industries.” Which of the following areas of performance does such an objective focus on?

- a. Market standing
- b. Worker performance and attitude
- c. Manager performance and responsibility
- d. Productivity

Answer: b

Topic: What is Strategic Planning?

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Refer to: Fig. 1.3

Explanation: Organizational objectives are necessary in all areas that may influence the performance and long-run survival of the organization. “To maintain levels of employee satisfaction consistent with our own and similar industries,” is an organization objective that focuses on worker performance and attitude.

32. When an organization has formulated its mission and developed its objectives, the next task is to develop ____.

- a. job descriptions
- b. organizational strategies
- c. mission and vision statements
- d. market segmentation dimensions

Answer: b

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: When an organization has formulated its mission and developed its objectives, it knows where it wants to go. The next managerial task is to develop a "grand design" to get there, which constitutes the organizational strategies.

33. Which of the following strategies focuses primarily on increasing the sales of present products to present customers?

- a. Market development strategy
- b. Product development strategy
- c. Diversification strategy
- d. Market penetration strategy

Answer: d

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: Market penetration strategies focus primarily on increasing the sale of present products to present customers. Tactics used to implement a market penetration strategy might include price reductions, advertising that stresses the many benefits of the product, packaging the product in different-sized packages, or making it available at more locations.

34. Cello, the largest smartphone manufacturing company in a developing country has recently come up with the world's cheapest smartphone titled "Zing." This range of smartphones has all the basic features that one would expect to have in a smartphone and Cello has priced it very low to ensure vigorous sales. The marketing slogan for the "Zing" series is "The cheapest way to get smart." Cello is using a _____ in this scenario.

- a. product diversification strategy
- b. market penetration strategy
- c. product development strategy
- d. market integration strategy

Answer: b

Topic: What is Strategic Planning?

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: Market penetration strategies focus primarily on increasing the sale of present products to present customers. Tactics used to implement a market penetration strategy might include price reductions, advertising that stresses the many benefits of the product, packaging the product in different-sized packages, or making it available at more locations.

35. When weekend gardeners think of mulch to put around their plants and keep away the weeds, they tend to think in terms of pine bark, wood chips, or pine straw. Slatescape has developed mulch made out of crushed slate rock. The company first targeted landscape businesses and was successful in marketing to businesses and to government agencies. In order to expand its business, the company must now educate consumers about the product. Slatescape will be implementing a _____.

- a. market penetration strategy
- b. market differentiation strategy
- c. diversification strategy
- d. market development strategy

Answer: d

Topic: What is Strategic Planning?

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: Pursuing growth through market development, an organization would seek to find new customers for its present products. Also, sometimes companies spend large sums of money simply to educate consumers as to why they should consider buying the product.

36. Market development strategy involves:

- a. increasing the sale of present products to present customers.
- b. finding new customers for its present products.
- c. targeting present customers for the new products.
- d. leading an organization into entirely new and unrelated businesses.

Answer: b

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: Market development strategies pursue growth through market development and finding new customers for its present products. Before deciding on marketing techniques such as advertising and packaging, companies often find they must establish a clear position in the market, sometimes spending large sums of money simply to educate consumers as to why they should consider buying the product.

37. A product development strategy:

- a. involves creating new products for customers not currently being served.
- b. offers product-line extensions of existing products to present customers.
- c. involves merely introducing a product to a new market.
- d. deals with developing a production plan for a product.

Answer: b

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: With a product development strategy, the new products developed would be directed primarily to present customers.

38. When Hilton Brews, a large company producing instant mixes for all kinds of beverages, noticed the rise in people consuming tea for its potential health benefits, the company introduced a new line of organically grown and processed teas like green tea or tea with various herb extracts and additional antioxidants. Which of the following organizational growth strategies was used by Hilton Brews?

- a. Product development
- b. Diversification
- c. Market penetration
- d. Market development

Answer: a

Topic: What is Strategic Planning?

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: With a product development strategy, the new products developed would be directed primarily to present customers.

39. Diversification involves:

- a. marketing new products to an existing customer base.
- b. seeking new customers for existing products.
- c. increasing the sale of present products to present customers.
- d. seeking new products for customers not currently being served.

Answer: d

Topic: What is Strategic Planning?

Blooms: Understand

AACSB: Analytic

Level of Difficulty: Medium

Explanation: Diversification can lead the organization into entirely new and even unrelated businesses. It involves seeking new products (often through acquisitions) for customers not currently being served.

40. Beryl Toys targets children from the age of 3 upwards, while Booker-Price makes toys for babies and toddlers. In 1999, Beryl Toys acquired Booker-Price for \$1.1 billion. This acquisition gave Beryl Toys a new product line aimed at the younger siblings of its current target market. By targeting the below-three years age group with age-appropriate toys, Beryl Toys has implemented a _____ strategy.

- a. diversification
- b. product differentiation
- c. market development
- d. market penetration

Answer: a

Topic: What is Strategic Planning?

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: Diversification can lead the organization into entirely new and even unrelated businesses. It involves seeking new products (often through acquisitions) for customers not currently being served.

41. Which of the following is an organizational strategy based on competitive advantage?

- a. Cost leadership strategy
- b. Market penetration strategy
- c. Market diversification strategy
- d. Product development strategy

Answer: a

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Medium

Explanation: Competitive advantage is an ability to outperform competitors in providing something that the market values. Porter suggests that firms should first analyze their industry and then develop either a cost leadership strategy or a strategy based on differentiation, which are the two organizational strategies based on competitive advantage.

42. Using a competitive advantage strategy based on _____, a firm seeks to be unique in its industry or market segment along particular dimensions that the customers value.

- a. commercialization
- b. cost leadership
- c. segmentation
- d. differentiation

Answer: d

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: Using a strategy based on differentiation, a firm seeks to be unique in its industry or market segment along particular dimensions that the customers value. These dimensions might pertain to design, quality, service, variety of offerings, brand name, or some other factor.

43. PureFruit is priced higher than most of its competing brands in the packaged fruit juice industry and it still enjoys higher returns than its competitors. PureFruit's large market share and returns are attributed to the fact that it is the only brand that can rightfully claim using real fruits. What kind of organizational strategy based on competitive advantage is PureFruit using in this scenario?

- a. Strategy based on market development
- b. Strategy based on differentiation
- c. Strategy based on cost-leadership
- d. Strategy based on diversification

Answer: b

Topic: What is Strategic Planning?

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: In a strategy based on differentiation, a firm seeks to be unique in its industry or market segment along particular dimensions that the customers value. These dimensions might pertain to design, quality, service, variety of offerings, brand name, or some other factor.

44. Healthline is a brand of incontinence products. Healthline products sell for \$2 to \$5 less than the rival brand called Depends. According to Michael Porter's model, Healthline is using a _____ strategy to market their products.

- a. differentiation
- b. product development
- c. market development
- d. cost leadership

Answer: d

Topic: What is Strategic Planning?

Blooms: Apply

AACSB: Reflective thinking

Level of Difficulty: Medium

Explanation: Using a cost leadership strategy, a firm would focus on being the low-cost company in its industry. They would stress efficiency and offer a standard, no-frills product.

45. When using a cost leadership strategy, a firm would offer:

- a. a standard, no-frills product.
- b. a highly-differentiated product.
- c. a prestige product
- d. an expensive product of superior design and quality.

Answer: a

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: Using a cost leadership strategy, a firm would focus on being the low-cost company in its industry. They would stress efficiency and offer a standard, no-frills product.

46. Management should choose an organizational strategy that:

- a. allows the organization to practice the strategy of differentiation, rather than cost leadership.
- b. emphasizes the use of digital media, rather than traditional media, in the marketing of products.
- c. bears consistency with the organization's mission and capitalizes on its distinctive competencies.
- d. empowers the organization to grow without creating new products or entering new markets.

Answer: c

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: Management should select those organizational strategies that are consistent with its mission and capitalize on the organization's distinctive competencies. This will lead to a sustainable competitive advantage.

47. Which of the following represents the final phase of the strategic planning process?

- a. Creating an organizational mission
- b. Formulating an organizational portfolio plan
- c. Setting organizational objectives
- d. Creating organizational strategies

Answer: b

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Medium

Explanation: The final phase of the strategic planning process is the formulation of the organizational portfolio plan. In reality, most organizations at a particular time are a portfolio of businesses, that is, product lines, divisions, and schools.

48. Which of the following observations pertains to strategic business units?

- a. They share the organizational mission statement of the larger organization.
- b. They have centralized management, no competitors, and little autonomy.
- c. They are a number of organizations which have come together to achieve some common goal.
- d. They can be planned independently of the other businesses of the total organization.

Answer: d

Topic: What is Strategic Planning?

Blooms: Understand

AACSB: Analytic

Level of Difficulty: Medium

Explanation: Strategic business units can be planned independently of the other businesses of the total organization.

49. Biotex is an enterprise that is composed of three parts. Its biotech section, which is working to develop crops that are pest and disease-resistant, provides about half of its sales. Pharmaceuticals from its G.D. Searle subsidiary contribute a third of its revenues; and food products, dominated by the artificial sweetener NutraSweet, make up less than 20 per cent of its total revenue. These three divisions are Biotex's _____.

- a. strategic business units
- b. buying centers
- c. venture teams
- d. cross-functional units

Answer: a

Topic: What is Strategic Planning?

Blooms: Apply

AACSB: Reflective thinking

Level of Difficulty: Medium

Explanation: Strategic business units (SBUs) are product lines and divisions that can be considered a “business” for the purpose of the organizational portfolio plan. In other words, SBUs are a single business or collection of related businesses.

50. Biotex is an enterprise that is composed of three parts. Its biotech section, which is working to develop crops that are pest and disease-resistant, provides about half of its sales. Pharmaceuticals from its G.D. Searle subsidiary contribute a third of its revenues; and food products, dominated by the artificial sweetener NutraSweet, make up less than 20 per cent of its total revenue. These three divisions under Biotex would generally:

- a. have no competitors.
- b. lack the power to operate independently.
- c. have centralized planning and management.
- d. have their own distinct missions.

Answer: d

Topic: What is Strategic Planning?

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: Strategic business units (SBUs) are product lines and divisions that can be considered a “business” for the purpose of the organizational portfolio plan. SBUs have a distinct mission.

51. _____ are methods used to determine how resources should be allocated among the various SBUs.

- a. Portfolio models
- b. Matrix models
- c. Variable models
- d. Vector models

Answer: a

Topic: What is Strategic Planning?

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: Once the organization has identified and classified all of its SBUs, some method must be established to determine how resources should be allocated among the various SBUs. These methods are known as portfolio models.

52. _____ is the step of the marketing management process which involves analyzing the position of the marketing division of the firm in terms of its past, present, and future situation.

- a. Situation analysis
- b. Vendor analysis
- c. Post-hoc segmentation analysis
- d. New product analysis

Answer: a

Topic: The Marketing Management Process

Blooms: Understand

AACSB: Analytic

Level of Difficulty: Medium

Explanation: Situational planning is a stage of the marketing planning process involves the analysis of the past, present, likely future in six major areas of concern: (1) the cooperative environment; (2) the competitive environment; (3) the economic environment; (4) the social environment; (5) the political environment; and (6)) the legal environment.

53. The cooperative environment includes:

- a. all firms and individuals who have a vested interest in accomplishing the firm's objectives.
- b. primarily other firms in the industry that rival the organization for both resources and sales.
- c. the attitudes and reactions of the general public, social and business critics.
- d. protection against business competition and consumer rights.

Answer: a

Topic: The Marketing Management Process

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Medium

Explanation: The cooperative environment includes all firms and individuals who have a vested interest in the firm's accomplishing its objectives.

54. Which of the following parties would come under the cooperative environment of the firm?

- a. A rival firm
- b. A non-profit organization that the firm donates funds to
- c. A government that is imposing restrictions on trade and commerce
- d. A supplier who has been chosen for sole sourcing

Answer: d

Topic: The Marketing Management Process

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Easy

Explanation: The cooperative environment includes all firms and individuals who have a vested interest in the firm's accomplishing its objectives. Opportunities in this environment are primarily related to methods of increasing efficiency.

55. The _____ for a soft-drink manufacturer would include other brands of soft-drinks, fruit juice, bottled water, sports drinks, caffeine-free colas, and dairy beverages.

- a. competitive environment
- b. technological environment
- c. cooperative environment
- d. economic environment

Answer: a

Topic: The Marketing Management Process

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: The competitive environment includes primarily other firms in the industry that rival the organization for both resources and sales.

56. Elite was developed as a brand of luxury clothing and accessories targeted at affluent working women. However, it altered its offerings to include a large proportion of standard and no-frill clothes at cheaper prices when the country was faced with severe recessionary pressures. Elite responded to the pressures in the _____ environment by scaling down the nature and prices of its clothes and accessories.

- a. legal
- b. competitive
- c. cooperative
- d. economic

Answer: d

Topic: The Marketing Management Process

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: Economic factors such as high inflation and unemployment levels can limit the size of the market that can afford to purchase a firm's top-of-the-line product.

57. Since September 11, 2001, the number of people attending church and looking to religion to provide solace has increased. As a result, Bible publishers have developed the Starting Point Study Bible, that explains what they are reading, and includes a dictionary of biblical terms. The changes in the _____ environment have led to the publication of the Starting Point Study Bible in this scenario.

- a. social
- b. competitive
- c. cooperative
- d. economic

Answer: a

Topic: The Marketing Management Process

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: The social environment includes general cultural and social traditions, norms and attitudes. While these values change slowly, such changes often bring about the need for new products and services.

58. The removal of tariffs on the importation of Canadian lumber will adversely affect the U.S. lumber industry because Canada is able to produce lumber much more inexpensively than the U.S. This tariff removal is an example of how the _____ environment can affect businesses.

- a. cooperative
- b. functional
- c. social
- d. legal

Answer: d

Topic: The Marketing Management Process

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: The legal environment includes a host of federal, state and local legislation directed at protecting both business competition and consumer rights. This usually acts as a constraint on business behavior, but again can be viewed as providing opportunities for marketing safer and more efficient products.

59. The second step in the marketing planning is the _____.

- a. selection of the target market
- b. identification of investors' needs
- c. identification of the competing firms in the market
- d. determination of the marketing mix

Answer: a

Topic: The Marketing Management Process

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: The marketing planning process can be viewed in terms of three interrelated tasks: (1) establishing marketing objectives, (2) selecting the target market and (3) developing the marketing mix.

60. The final step of the marketing planning step involves the task of _____.

- a. selecting the target market
- b. developing the market mix that is to be implemented
- c. establishing objectives based on the organizational mission
- d. determining performance objectives for individual members of the marketing team

Answer: b

Topic: The Marketing Management Process

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Medium

Explanation: Market planning can be viewed in terms of three interrelated tasks: (1) establishing marketing objectives, (2) selecting the target market and (3) developing the marketing mix.

61. The _____ involves a set of controllable variables that must be managed to satisfy the target market and achieve organizational objectives.

- a. growth profile
- b. mission statement
- c. organizational history
- d. marketing mix

Answer: d

Topic: The Marketing Management Process

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: The marketing mix is the set of controllable variables that must be managed to satisfy the target market and achieve organizational objectives.

62. Which of the following should a company NOT do when developing a marketing plan?

- a. Rank present and potential target markets according to profitability
- b. Align the marketing objectives with the organizational objectives
- c. Rank target markets according to the present and future sales volume
- d. Consider only potential customers when developing market share and sales strategies

Answer: d

Topic: The Marketing Management Process

Blooms: Understand

AACSB: Analytic

Level of Difficulty: Medium

Explanation: It is important for companies to not neglect their present customers when developing market share and sales strategies.

63. Olde Westport Spice & Trading Company sells 14 seasoning mixes for everything from spicy chili, to curry rice, to dip for chips and vegetables. A 5.5 ounce bottle of one of its seasoning mixes costs between \$3.95 and \$5.95 depending on its contents. The owners of the company market the product by attending 135 craft fairs annually, giving out free samples of food made with the various seasonings, and making sure each person who tries a sample leaves with a brochure and mail order form. People learn about the product from attending the fair, articles in cooking magazines, and word of mouth. This example best describes Olde Westport's _____.

- a. competitive advantage
- b. target market
- c. marketing mix
- d. product life cycle

Answer: c

Topic: The Marketing Management Process

Blooms: Apply

AACSB: Reflective Thinking

Level of Difficulty: Medium

Explanation: The marketing mix is the set of controllable variables that must be managed to satisfy the target market and achieve organizational objectives. The controllable variables are product, promotion, distribution and price.

64. Which of the following statements is true of strategic planning in well-managed institutions?

- a. Strategic planning is clearly a top management responsibility and does not require the active participation of marketing managers.
- b. Planning done in the functional areas of the organization should be independent of the strategic plan.
- c. There is no direct relationship between strategic planning and the planning done by marketing team.
- d. Marketing executives are involved in the strategic planning process as they influence the process by providing important inputs.

Answer: d

Topic: The Strategic Plan, the Marketing Plan, and Other Functional Area Plans

Blooms: Understand

AACSB: Analytic

Level of Difficulty: Medium

Explanation: Marketing executives are involved in the strategic planning process as they influence the process by providing important inputs in the form of information and suggestions.

65. In a _____, managers and employees are brought together to participate in creating a strategic plan to serve customers.

- a. cross-cultural team
- b. cross-functional team
- c. traditional team
- d. divisional team

Answer: b

Topic: The Strategic Plan, the Marketing Plan, and Other Functional Area Plans

Blooms: Remember

AACSB: Analytic

Level of Difficulty: Easy

Explanation: In a cross-functional team, managers and employees are brought together to participate in creating a strategic plan to serve customers. The greatest advantage of strategic planning with a cross-functional team is the ability of team members to consider a situation from a number of viewpoints.

66. Which of the following is the greatest advantage of strategic planning with a cross-functional team?

- a. It provides the organization with a chance to attract new customers.
- b. It allows the organization to avoid the high cost of dividing work strictly according to function.
- c. It allows the team members to consider a situation from a number of viewpoints.
- d. It improves the cross-cultural relations between employees.

Answer: c

Topic: The Strategic Plan, the Marketing Plan, and other Functional Area Plans

Blooms: Understand

AACSB: Analytic

Level of Difficulty: Medium

Explanation: The greatest advantage of strategic planning with a cross-functional team is the ability of team members to consider a situation from a number of viewpoints. The resulting insights can help the team avoid costly mistakes and poor solutions.