

Marketing: Real People, Real Choices, 7e (Solomon / Marshall / Stuart)
Chapter 2 Strategic Market Planning: Take the Big Picture

- 1) A business plan _____.
- A) is a document that outlines marketing strategies
 - B) identifies how a company will measure and control specific marketing strategies
 - C) is another name for a marketing plan
 - D) includes the decisions that guide the entire organization or its business units
 - E) is another name for a SWOT analysis

Answer: D

Diff: 1 Page Ref: 41

Skill: Concept

Objective: 2-1 Business planning

- 2) Which of the following is a true statement about business planning?
- A) Business planning involves taking action before developing objectives.
 - B) Business planning is an ongoing process.
 - C) Business planning is concerned with the long term but not the short term.
 - D) Business planning is concerned with the short term but not the long term.
 - E) Business planning takes place after development of the marketing plan.

Answer: B

Diff: 2 Page Ref: 41

Skill: Concept

Objective: 2-1 Business planning

- 3) A(n) _____ is a document that describes the marketing environment, outlines the marketing objectives and strategies, and identifies how the company will implement and control those strategies.

- A) marketing plan
- B) communications plan
- C) business plan
- D) operational plan
- E) financial plan

Answer: A

Diff: 1 Page Ref: 41

Skill: Concept

Objective: 2-1 Business planning

4) _____ are rules of conduct that guide how most people in a culture judge what is right and what is wrong.

- A) Plans
- B) Values
- C) Ethics
- D) Habits
- E) Tactics

Answer: C

Diff: 1 Page Ref: 42

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 2-1 Business planning

5) A _____ is a firm's set of written standards of behavior to which everyone in the organization must subscribe and which establish standards for how the organization interacts with its stakeholders.

- A) civil law
- B) strategic plan
- C) code of ethics
- D) marketing plan
- E) business plan

Answer: C

Diff: 1 Page Ref: 42

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 2-1 Business planning

6) _____ is the third, or "nuts-and-bolts," level of planning.

- A) Strategic planning
- B) Functional planning
- C) Operational planning
- D) Product development
- E) Business planning

Answer: C

Diff: 1 Page Ref: 45

Skill: Concept

Objective: 2-1 Business planning

7) The three levels of business planning are _____.

- A) managerial, operational, promotional
- B) strategic, functional, operational
- C) portfolio, strategic, functional
- D) SWOT, strategic, tactical
- E) operational, functional, tactical

Answer: B

Diff: 2 Page Ref: 43

Skill: Concept

Objective: 2-1 Business planning

8) _____ is the managerial decision process that matches the organization's resources and capabilities to its market opportunities for long-term growth.

- A) Operational planning
- B) Strategic planning
- C) Portfolio analysis
- D) SWOT analysis
- E) Corporate culture

Answer: B

Diff: 1 Page Ref: 44

Skill: Concept

Objective: 2-1 Business planning

9) The CEO, president, and top executive officers are responsible for _____ in the strategic plan.

- A) operational planning
- B) developing the details of the pricing strategy
- C) designing ad campaigns
- D) defining the firm's purpose
- E) employee benefits

Answer: D

Diff: 2 Page Ref: 44

Skill: Concept

Objective: 2-1 Business planning

10) SBU stands for _____.

- A) strategic buying utilities
- B) successful business utilities
- C) strategic business units
- D) standard business units
- E) successful business units

Answer: C

Diff: 1 Page Ref: 45

Skill: Concept

Objective: 2-1 Business planning

11) Strategic planning for a firm such as Disney with several SBUs probably occurs _____.

- A) only in its corporate headquarters
- B) only at the individual business unit level
- C) at both the overall corporate level and at the individual SBU level
- D) as needed based upon the success of the division
- E) at the location best suited for this function based upon findings of the SWOT analysis

Answer: C

Diff: 2 Page Ref: 45

Skill: Concept

Objective: 2-1 Business planning

12) Areas of business within a firm that are different enough to have their own missions, business objectives, resources, managers, and competitors are referred to as _____.

- A) strategic business units
- B) market development units
- C) market penetration units
- D) standard business units
- E) competitive intelligence units

Answer: A

Diff: 1 Page Ref: 45

Skill: Concept

Objective: 2-1 Business planning

13) The marketing plan is a type of _____.

- A) day-to-day plan
- B) code of ethics
- C) strategic plan
- D) independent plan
- E) functional plan

Answer: E

Diff: 2 Page Ref: 45

Skill: Concept

Objective: 2-1 Business planning

14) Which of the following is true about functional planning?

- A) It is conducted by the various functional areas of a firm.
- B) It is also called hierarchical management.
- C) It encompasses a longer time span than strategic planning does.
- D) It covers a shorter time span than operational planning does.
- E) It is the same as strategic planning.

Answer: A

Diff: 1 Page Ref: 45

Skill: Concept

Objective: 2-1 Business planning

15) Vice presidents of large companies are typically in charge of _____ planning.

- A) business
- B) strategic
- C) operational
- D) functional
- E) day-to-day

Answer: D

Diff: 2 Page Ref: 45

Skill: Concept

Objective: 2-1 Business planning

16) Which of the following types of managers would be most likely to engage in operational planning on a regular basis?

- A) the company's CEO
- B) the company's sales manager
- C) the company's vice president of product research and development
- D) the company's vice president of human resources
- E) the company's chief financial officer

Answer: B

Diff: 2 Page Ref: 45

Skill: Concept

Objective: 2-1 Business planning

17) In firms with multiple SBUs, the first step in strategic planning is for top management to _____.

- A) recruit and hire the right personnel
- B) examine historical data
- C) establish a mission for the entire corporation
- D) allocate resources to the company's various SBUs
- E) establish marketing's short-term objectives

Answer: C

Diff: 2 Page Ref: 46

Skill: Concept

Objective: 2-2 Strategic planning

18) Questions such as "What business are we in?" and "What customers should we serve?" are typically addressed in the _____ stage.

- A) operational planning
- B) strategic planning
- C) market targeting
- D) functional planning
- E) marketing planning

Answer: B

Diff: 2 Page Ref: 46

Skill: Concept

Objective: 2-2 Strategic planning

19) A mission statement is a formal document that describes the organization's overall purpose and what it hopes to achieve in terms of its products, resources, and _____.

- A) customers
- B) profits
- C) employees
- D) shareholders
- E) competitors

Answer: A

Diff: 1 Page Ref: 47

AACSB: Communication abilities

Skill: Concept

Objective: 2-2 Strategic planning

20) The _____ for Mothers Against Drunk Driving (MADD) is "to stop drunk driving, support the victims of this violent crime, and prevent underage drinking."

- A) operational plan
- B) mission statement
- C) portfolio analysis
- D) market penetration strategy
- E) diversification strategy

Answer: B

Diff: 2 Page Ref: 47

Skill: Concept

Objective: 2-2 Strategic planning

21) If Xerox had continued to define its _____ in terms of just producing copy machines instead of providing "document solutions," the shift to electronic documents would have left the company in the dust.

- A) return on marketing investment
- B) portfolio analysis
- C) SWOT analysis
- D) mission
- E) external environment

Answer: D

Diff: 2 Page Ref: 47

Skill: Concept

Objective: 2-2 Strategic planning

22) The second step in strategic planning is to _____.

- A) formalize a mission statement
- B) establish the business portfolio
- C) set SBU and department-level objectives
- D) set organizational objectives
- E) assess the organization's internal and external environments

Answer: E

Diff: 2 Page Ref: 47

Skill: Concept

Objective: 2-2 Strategic planning

23) Analysis of a firm's internal environment identifies the firm's _____.

- A) strengths and weaknesses
- B) strengths and opportunities
- C) opportunities and threats
- D) weaknesses and threats
- E) strengths and threats

Answer: A

Diff: 2 Page Ref: 47

Skill: Concept

Objective: 2-2 Strategic planning

24) A firm's internal business environment does NOT include _____.

- A) its employees
- B) its corporate culture
- C) its products
- D) its technologies
- E) elements of the legal environment

Answer: E

Diff: 2 Page Ref: 47

Skill: Concept

Objective: 2-2 Strategic planning

25) Analysis of the external environment of an organization identifies the organization's _____.

- A) strengths and weaknesses
- B) strengths and opportunities
- C) opportunities and threats
- D) weaknesses and threats
- E) strengths and threats

Answer: C

Diff: 2 Page Ref: 47

Skill: Concept

Objective: 2-2 Strategic planning

26) Each year, Honeywell asks every department manager to rate his or her department's strengths and weaknesses as well as those of the other departments with which the department interacts. Then each department manager is asked what he or she sees as the greatest threats and opportunities for the company. Honeywell is asking its department managers to engage in a(n) _____.

- A) SWOT analysis
- B) portfolio analysis
- C) market analysis
- D) functional planning session
- E) compatibility assessment

Answer: A

Diff: 2 Page Ref: 48

Skill: Concept

Objective: 2-2 Strategic planning

27) Effective objectives should be all of the following EXCEPT which one?

- A) aspirational
- B) specific
- C) attainable
- D) sustainable
- E) measurable

Answer: A

Diff: 2 Page Ref: 48

Skill: Concept

Objective: 2-2 Strategic planning

28) Within a larger corporation, each SBU _____.
A) has its own business portfolio
B) has access to equal resources
C) has separate shareholders
D) is a separate profit center
E) is dependent upon central management for a mission statement

Answer: D

Diff: 2 Page Ref: 49

Skill: Concept

Objective: 2-2 Strategic planning

29) A(n) _____ is a tool management uses to assess the potential of a firm's business portfolio. It helps management decide how to allocate resources among the firm's current SBUs.

- A) SWOT analysis
- B) portfolio analysis
- C) value chain
- D) operational plan
- E) compatibility assessment

Answer: B

Diff: 1 Page Ref: 49

Skill: Concept

Objective: 2-2 Strategic planning

30) The growth-market share matrix developed by the Boston Consulting Group (BCG) is a type of _____.

- A) SWOT analysis
- B) portfolio analysis
- C) value chain
- D) situational analysis
- E) compatibility assessment

Answer: B

Diff: 2 Page Ref: 50

Skill: Concept

Objective: 2-2 Strategic planning

31) There is a total of _____ different types of SBUs represented within the BCG growth-market share matrix.

- A) two
- B) three
- C) four
- D) five
- E) six

Answer: C

Diff: 2 Page Ref: 50

Skill: Concept

Objective: 2-2 Strategic planning

32) According to the BCG growth-market share matrix, _____ are strategic business units with products that have a dominant market share in a high-growth market.

- A) problem children
- B) exclamation points
- C) cash cows
- D) stars
- E) question marks

Answer: D

Diff: 1 Page Ref: 50

Skill: Concept

Objective: 2-2 Strategic planning

33) According to the BCG growth-market share matrix, _____ are strategic business units with products that have a dominant market share in a low-growth market.

- A) dogs
- B) exclamation points
- C) cash cows
- D) stars
- E) question marks

Answer: C

Diff: 1 Page Ref: 50

Skill: Concept

Objective: 2-2 Strategic planning

34) According to the BCG growth-market share matrix, _____ are strategic business units with products that have low market shares in fast-growth markets.

- A) dogs
- B) exclamation points
- C) cash cows
- D) stars
- E) question marks

Answer: E

Diff: 1 Page Ref: 51

Skill: Concept

Objective: 2-2 Strategic planning

35) According to the BCG growth-market share matrix, _____ are strategic business units with products that have a small share of a slow-growth market.

- A) dogs
- B) exclamation points
- C) cash cows
- D) stars
- E) question marks

Answer: A

Diff: 1 Page Ref: 51

Skill: Concept

Objective: 2-2 Strategic planning

36) An SBU fits into the _____ category of the BCG model when sales have been steady and the firm has a large market share.

- A) problem child
- B) dog
- C) cash cow
- D) star
- E) question mark

Answer: C

Diff: 2 Page Ref: 50

Skill: Concept

Objective: 2-2 Strategic planning

37) Which of the following is a limitation of the BCG matrix?

- A) It doesn't help managers determine which SBUs need investment to grow.
- B) It doesn't help managers determine which SBUs should be dropped from the portfolio.
- C) It focuses on the future of the market rather than current conditions.
- D) It doesn't tell managers the best ways to make growth happen.
- E) It can't be used by corporations with multiple SBUs.

Answer: D

Diff: 2 Page Ref: 51

Skill: Concept

Objective: 2-2 Strategic planning

38) A growth strategy that attracts users of competitive brands is called a _____ strategy.

- A) market development
- B) product penetration
- C) market penetration
- D) diversification
- E) product development

Answer: C

Diff: 1 Page Ref: 51

Skill: Concept

Objective: 2-2 Strategic planning

39) When McDonald's purchased Donato's Pizza and a controlling interest in Chipotle Mexican Grills, the company was pursuing a _____ strategy.

- A) market development
- B) product penetration
- C) market penetration
- D) diversification
- E) product development

Answer: D

Diff: 2 Page Ref: 52

Skill: Concept

Objective: 2-2 Strategic planning

40) The _____ provides managers with four different fundamental marketing strategies: market penetration, market development, product development, and diversification.

- A) BCG growth-market share matrix
- B) portfolio analysis
- C) strategic plan
- D) SWOT analysis
- E) product-market growth matrix

Answer: E

Diff: 2 Page Ref: 51

Skill: Concept

Objective: 2-2 Strategic planning

41) When General Mills urged consumers to lower their cholesterol by eating Cheerios twice a day over the course of six weeks, the aim was to increase usage among current customers.

General Mills used a _____ strategy.

- A) market development
- B) product penetration
- C) market penetration
- D) diversification
- E) product development

Answer: C

Diff: 2 Page Ref: 51-52

Skill: Concept

Objective: 2-2 Strategic planning

42) _____ strategies emphasize both new products and new markets to achieve growth.

- A) Diversification
- B) Market penetration
- C) Market development
- D) Product development
- E) Cash cow

Answer: A

Diff: 1 Page Ref: 52

Skill: Concept

Objective: 2-2 Strategic planning

43) The four Ps are the components of the _____.

- A) marketing environment
- B) functional planning mix
- C) marketing mix
- D) marketing concept
- E) controls

Answer: C

Diff: 1 Page Ref: 53

Skill: Concept

Objective: 2-3 Marketing planning

44) Which of the following best describes the components of the marketing mix?

- A) all aspects of the marketing environment
- B) everything considered during functional planning
- C) product, price, place, and promotion
- D) production, price, distribution, and people
- E) people, product, price, and placement

Answer: C

Diff: 1 Page Ref: 53

Skill: Concept

Objective: 2-3 Marketing planning

45) The first step of the marketing planning process involves closely examining the _____.

- A) marketing strategies
- B) product development process
- C) marketing controls
- D) marketing environment
- E) functional plan

Answer: D

Diff: 2 Page Ref: 53

Skill: Concept

Objective: 2-3 Marketing planning

46) Which step in developing a marketing plan includes an analysis of the marketing environment?

- A) situation analysis
- B) development of marketing objectives
- C) selection of a target market
- D) development of marketing strategies
- E) implementation of the marketing plan

Answer: A

Diff: 2 Page Ref: 53

Skill: Concept

Objective: 2-3 Marketing planning

47) The second step of the marketing planning process is to _____.

- A) perform a situation analysis
- B) set marketing objectives
- C) define a marketing mission
- D) identify a target market
- E) develop a marketing mix

Answer: B

Diff: 2 Page Ref: 54

Skill: Concept

Objective: 2-3 Marketing planning

48) In a marketing plan, the _____ state what the marketing function must accomplish to achieve overall business objectives.

- A) situation analyses
- B) strategic plans
- C) marketing objectives
- D) market development strategies
- E) marketing controls

Answer: C

Diff: 2 Page Ref: 54

Skill: Concept

Objective: 2-3 Marketing planning

49) In the _____ step of the marketing planning process, decisions are made concerning what markets to target and what marketing mix strategies to use.

- A) perform a situation analysis
- B) develop marketing strategies
- C) implement the marketing plan
- D) control the marketing plan
- E) develop marketing metrics

Answer: B

Diff: 1 Page Ref: 54

Skill: Concept

Objective: 2-3 Marketing planning

50) In the _____ stage of marketing planning, marketers must determine how they want consumers to think of their product in comparison to competing products.

- A) develop a mission statement
- B) perform a situation analysis
- C) develop marketing strategies
- D) develop distribution strategies
- E) implement the plan

Answer: C

Diff: 2 Page Ref: 54

Skill: Concept

Objective: 2-3 Marketing planning

51) A firm's _____ is the market segment a firm selects because the firm's management believes the firm's offerings are most suited to winning those customers.

- A) target market
- B) business portfolio
- C) SBU
- D) SWOT
- E) marketing control

Answer: A

Diff: 1 Page Ref: 54

Skill: Concept

Objective: 2-3 Marketing planning

52) _____ refers to a company's estimate of the number of consumers who are willing and able to pay for a product.

- A) The market segment
- B) Potential demand
- C) Return on marketing investment
- D) The marketing mix
- E) The mass market

Answer: B

Diff: 2 Page Ref: 54

Skill: Concept

Objective: 2-3 Marketing planning

53) _____ decisions identify how marketing will accomplish its objectives in the target markets by using product, price, promotion, and place.

- A) Marketing metrics
- B) Strategic business unit
- C) Return on marketing investment
- D) Marketing mix
- E) Strategic planning

Answer: D

Diff: 2 Page Ref: 54

Skill: Concept

Objective: 2-3 Marketing planning

54) The _____ is the most fundamental part of the marketing mix.

- A) product
- B) distribution
- C) price
- D) production
- E) profit

Answer: A

Diff: 2 Page Ref: 54

Skill: Concept

Objective: 2-3 Marketing planning

55) Product planners for JetBlue Airways decided to include in-seat video games and television during flights. This is an example of a _____ for JetBlue.

- A) target market selection strategy
- B) pricing strategy
- C) control process
- D) product strategy
- E) marketing metric

Answer: D

Diff: 2 Page Ref: 54

Skill: Concept

Objective: 2-3 Marketing planning

56) The _____ determines how much a firm charges for a product.

- A) Gantt chart analysis
- B) PERT chart analysis
- C) pricing strategy
- D) product strategy
- E) return on marketing investment

Answer: C

Diff: 1 Page Ref: 54

Skill: Concept

Objective: 2-3 Marketing planning

57) Southwest Airlines uses a _____ to target customers who could not previously afford air travel.

- A) pricing strategy
- B) market penetration strategy
- C) marketing metric
- D) distribution strategy
- E) mission statement

Answer: A

Diff: 2 Page Ref: 55

Skill: Concept

Objective: 2-3 Marketing planning

58) Marketers communicate a product's value proposition to the target market by implementing a _____.

- A) product segment
- B) promotional strategy
- C) pricing strategy
- D) distribution strategy
- E) marketing metric

Answer: B

Diff: 1 Page Ref: 55

Skill: Concept

Objective: 2-3 Marketing planning

59) Advertising, sales promotion, public relations, direct marketing, and personal selling are all part of the _____.

- A) target market strategy
- B) pricing strategy
- C) product strategy
- D) promotion strategy
- E) distribution strategy

Answer: D

Diff: 2 Page Ref: 55

Skill: Concept

Objective: 2-3 Marketing planning

60) The _____ outlines how, when, and where the firm will make the product available to targeted customers.

- A) target market strategy
- B) pricing strategy
- C) product strategy
- D) promotion strategy
- E) distribution strategy

Answer: E

Diff: 1 Page Ref: 55

Skill: Concept

Objective: 2-3 Marketing planning

61) Many airlines now encourage customers to purchase online "ticketless" flight reservations by charging a fee to those who purchase tickets at ticket counters. This is an example of a _____ strategy.

- A) distribution
- B) return on marketing investment
- C) marketing control
- D) product
- E) promotion

Answer: A

Diff: 2 Page Ref: 55

Skill: Concept

Objective: 2-3 Marketing planning

62) After marketing strategies are developed, the next step in marketing planning is _____.

- A) development of marketing objectives
- B) strategic planning
- C) implementation
- D) situation analysis
- E) pricing development

Answer: C

Diff: 2 Page Ref: 55

Skill: Concept

Objective: 2-3 Marketing planning

63) _____ is the formal process of monitoring progress toward meeting marketing objectives.

- A) Corporate culture
- B) Control
- C) Implementation
- D) Situation analysis
- E) SWOT analysis

Answer: B

Diff: 1 Page Ref: 55

Skill: Concept

Objective: 2-3 Marketing planning

64) Making adjustments to the marketing plan is part of _____.

- A) SWOT analysis
- B) portfolio analysis
- C) implementation and control
- D) situation analysis
- E) return on marketing investment processes

Answer: C

Diff: 2 Page Ref: 55

Skill: Concept

Objective: 2-3 Marketing planning

65) As a part of the _____ process, managers need to look carefully at why a company isn't meeting its objectives.

- A) diversification
- B) market development
- C) brand competition
- D) marketing mix
- E) control

Answer: E

Diff: 2 Page Ref: 56

Skill: Concept

Objective: 2-3 Marketing planning

66) Concrete measures of various aspects of marketing performance are called _____.

- A) operational plans
- B) marketing metrics
- C) action plans
- D) marketing objectives
- E) pricing strategies

Answer: B

Diff: 1 Page Ref: 56

Skill: Concept

Objective: 2-3 Marketing planning

67) The ROI of a campaign, the value of a prospect, and the response rates in direct marketing are all examples of _____.

- A) promotions
- B) marketing metrics
- C) action plans
- D) situation analysis
- E) corporate culture

Answer: B

Diff: 2 Page Ref: 57

Skill: Concept

Objective: 2-3 Marketing planning

68) Which of the following quantifies how an investment in marketing impacts the firm's success, financially and otherwise?

- A) return on marketing investment
- B) marketing metrics
- C) SWOT analysis
- D) portfolio analysis
- E) PERT chart analysis

Answer: A

Diff: 1 Page Ref: 56

Skill: Concept

Objective: 2-3 Marketing planning

69) Which of the following is a common objection to relying exclusively on ROMI for measuring marketing success?

- A) In a company's accounting statements, marketing expenditures tend to appear as investments rather than costs.
- B) Calculating ROMI requires knowing what would have happened if the marketing expenditures had never taken place.
- C) ROMI tends to lead managers toward a more long-term decision perspective.
- D) ROMI focuses on a firm's sustainability commitments to the detriment of its short-term performance.
- E) ROMI calculates profit by deducting expenditures rather than dividing by expenditures.

Answer: B

Diff: 3 Page Ref: 56

Skill: Concept

Objective: 2-3 Marketing planning

70) Reach and frequency of advertising, timeliness and accuracy of competitive intelligence, and consumer word-of-mouth activity are all examples of _____.

- A) ROMI
- B) marketing metrics
- C) action plans
- D) SBU objectives
- E) situation analyses

Answer: B

Diff: 2 Page Ref: 57

Skill: Concept

Objective: 2-3 Marketing planning

71) Action plans are often referred to as _____.

- A) marketing mixes
- B) marketing programs
- C) ROMI measures
- D) marketing metrics
- E) promotional strategies

Answer: B

Diff: 2 Page Ref: 58

Skill: Concept

Objective: 2-3 Marketing planning

72) Assignment of responsibilities, time lines, budgets, and measurement and control processes are documented in a(n) _____.

- A) price strategy
- B) promotion strategy
- C) action plan
- D) strategic plan
- E) marketing mix

Answer: C

Diff: 2 Page Ref: 58

Skill: Concept

Objective: 2-3 Marketing planning

73) Marketing planning is followed by the _____, which details how the plan will be carried out, outlining the day-to-day execution.

- A) operational plan
- B) time line
- C) SWOT analysis
- D) strategic plan
- E) marketing metric

Answer: A

Diff: 2 Page Ref: 60

Skill: Concept

Objective: 2-3 Marketing planning

74) _____ generally cover a shorter time period than other plans, perhaps only one or two months, and include detailed directions for specific activities to be carried out.

- A) Time lines
- B) Operational plans
- C) Marketing plans
- D) Strategic plans
- E) Pricing strategies

Answer: B

Diff: 2 Page Ref: 60

Skill: Concept

Objective: 2-3 Marketing planning

75) Which of the following is a tool that marketers often use to portray an action plan's time line?

- A) a Gantt chart
- B) a SWOT analysis
- C) an SBU analysis
- D) a BCG matrix
- E) a marketing metric

Answer: A

Diff: 2 Page Ref: 59

Skill: Concept

Objective: 2-3 Marketing planning

76) Kimball Gardens is a company that operates as two distinct businesses: one that sells lawn and garden products and one that markets booklets. Each business is called a _____.

- A) separate entity
- B) strategic business unit (SBU)
- C) cash cow
- D) star
- E) business portfolio

Answer: B

Diff: 2 Page Ref: 45

AACSB: Analytic skills

Skill: Application

Objective: 2-1 Business planning

77) A sales manager sets an objective for her team to increase the units sold by 5% for the quarter. This objective is most likely part of a detailed _____ plan that is created annually, semiannually, or quarterly.

- A) strategic
- B) functional
- C) operational
- D) product development
- E) human resources

Answer: C

Diff: 2 Page Ref: 45

AACSB: Analytic skills

Skill: Application

Objective: 2-1 Business planning

78) Orkin Pest Control Service knows homeowners skimp on maintenance such as pest control during recessions. It also knows that the more consumers know about bugs, the more likely they are to buy the company's services. So Orkin teamed with the Smithsonian Institution on the Insect Safari, a traveling exhibit designed to teach people about the critters. The Safari truck visited 108 cities during one year, leaving a wake of creeped-out insectophobes reaching for the phone numbers of the local Orkin franchise. Business increased in each city the Safari truck visited. Decisions on which cities to visit and what kinds of promotion to use in each city visited are both examples of _____ plans.

- A) functional
- B) portfolio
- C) operational
- D) strategic
- E) control

Answer: C

Diff: 3 Page Ref: 45

AACSB: Analytic skills

Skill: Application

Objective: 2-1 Business planning

79) Columbia Sportswear makes nylon activewear. Its marketing manager set a goal to increase sales 12 percent over the next three years through the introduction of a new line of comfortable, lightweight clothing for people who fish. The marketing manager is engaged in _____.

- A) operational planning
- B) strategic planning
- C) control planning
- D) portfolio planning
- E) functional planning

Answer: E

Diff: 2 Page Ref: 45

AACSB: Analytic skills

Skill: Application

Objective: 2-1 Business planning

80) Columbia Sportswear has introduced a new line of comfortable, lightweight clothing for people who fish. An example of _____ is the decision to run a full-page ad in *Field & Stream* magazine in May to get potential customers to ask their sporting goods stores to carry the new products.

- A) operational planning
- B) strategic planning
- C) business planning
- D) portfolio planning
- E) brand extension

Answer: A

Diff: 2 Page Ref: 45

AACSB: Analytic skills

Skill: Application

Objective: 2-1 Business planning

81) Monsanto operates in many businesses, including pharmaceuticals and food products. The company defines its _____ as creating "abundant food and a healthy environment."

- A) strategy
- B) marketing development
- C) business portfolio
- D) value-delivery network
- E) mission

Answer: E

Diff: 2 Page Ref: 47

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

82) When the makers of a ballpoint pen state they are in the communication equipment business, they are defining their mission too _____.

- A) narrowly
- B) realistically
- C) specifically
- D) broadly
- E) socially

Answer: D

Diff: 2 Page Ref: 47

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-2 Strategic planning

83) In recent years, security regulations enacted through the Transportation Safety Administration have affected Southwest Airlines. These regulations are part of the _____ affecting this airline.

- A) external environment
- B) internal environment
- C) competitive intelligence
- D) diversification strategies
- E) market development strategies

Answer: A

Diff: 2 Page Ref: 47

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

84) Biopure is a company that manufactures and markets oxygen therapeutics. Its products are Hemopure for human use and Oxyglobin for animal use. Both have been developed as alternatives to red blood cell transfusions. Which of the following would be part of Biopure's internal environment?

- A) approval by the U.S. Food and Drug Administration to allow veterinarians to use Oxyglobin
- B) the global market for the raw materials needed to make Hemopure and Oxyglobin
- C) the patented manufacturing process that Biopure uses to produce Hemopure and Oxyglobin
- D) a competitor developing a similar product
- E) changes in patent law

Answer: C

Diff: 2 Page Ref: 47

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

85) Archetype is a Unilever SBU that markets a number of different tea brands around the world. Each brand addresses the taste and emotions of local tea cultures. Which of the following would be part of Archetype's internal environment?

- A) changes in the way people drink tea
- B) increased competition from a local tea producer
- C) government regulations of information on package labels
- D) marketing Archetype does to reach consumers and satisfy their cultural needs
- E) a shortage of tea leaves due to unusual weather conditions

Answer: D

Diff: 2 Page Ref: 47

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

86) Serengeti makes lightweight sunglasses with 100 percent UV protection for people who love to hunt, hike, and bike ride. Its long-term plans include the development of lenses that, in addition to protecting users from UV rays, will also have effective water-sheeting action to reduce lens spotting. This new feature will be valuable to people who fish. In terms of a SWOT analysis, the company believes it can use the _____ of its reputation as a sunglasses manufacturer for a specialized market in combination with its current manufacturing facilities and labor force to enter this new market.

- A) weights
- B) strengths
- C) threats
- D) opportunities
- E) trends

Answer: B

Diff: 2 Page Ref: 48

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

87) Serengeti makes lightweight sunglasses with 100 percent UV protection for people who love to hunt, hike, and bike ride. Its long-term plans include the development of lenses that, in addition to protecting users from UV rays, will also have effective water-sheeting action to reduce lens spotting. This new feature will be valuable to people who fish. Serengeti has determined that fishing is one of the fastest growing sports in the United States. In terms of a SWOT analysis, Serengeti has recognized a market _____.

- A) weakness
- B) strength
- C) threat
- D) opportunity
- E) trend

Answer: D

Diff: 2 Page Ref: 48

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

88) Which of the following most accurately identifies a difference between a weakness and a threat in SWOT analysis?

- A) A company is more able to change a threat than a weakness.
- B) A company is more able to change a weakness than a threat.
- C) A company can be more negatively affected by a weakness than by a threat.
- D) A company can be more negatively affected by a threat than by a weakness.
- E) A company can more easily identify threats than weaknesses.

Answer: B

Diff: 3 Page Ref: 48

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-2 Strategic planning

89) The market for two-way radios is disappearing. A company with a small share of the two-way radio market would be considered a _____ in terms of the BCG growth-market share matrix.

- A) problem child
- B) dog
- C) cash cow
- D) star
- E) question mark

Answer: B

Diff: 2 Page Ref: 51

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

90) A film company has a high market share in the children's film market. The children's film market has low growth potential. This business fits into the _____ category of the BCG growth-market share matrix.

- A) problem child
- B) dog
- C) cash cow
- D) star
- E) question mark

Answer: C

Diff: 2 Page Ref: 50

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

91) Unilever makes Rexona deodorant and antiperspirant, a leading brand of deodorant and antiperspirant. Because the worldwide market for deodorants and antiperspirants is growing rapidly, Rexona would be classified as a _____ on the BCG growth-market share matrix.

- A) problem child
- B) dog
- C) cash cow
- D) star
- E) question mark

Answer: D

Diff: 2 Page Ref: 50

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

92) Argo is the world's leading brand of small vehicles that are designed to be driven on all types of terrain and in all types of weather. The vehicles can carry up to six passengers. The market for such vehicles has become stagnant due to the recent economic downturn. In terms of the BCG growth-market share matrix, Argo would be classified as a _____.

- A) problem child
- B) dog
- C) cash cow
- D) star
- E) question mark

Answer: C

Diff: 2 Page Ref: 50

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

93) The pharmaceuticals division of Omni Healthcare holds low market share in a high-growth market. In order to increase market share, managers would be most likely to decide which of the following?

- A) hold the pharmaceuticals division's share
- B) implement a harvest strategy
- C) use money from a cash cow to promote the pharmaceuticals division
- D) divest the SBU
- E) diversify the pharmaceutical division

Answer: C

Diff: 3 Page Ref: 50

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-2 Strategic planning

94) John H. Harland Company is a large company with 5,200 employees and almost \$800 million in sales. The company is best known for printing personal and business checks. Harland Analytical Services is a technology company that produces software that enables banks to gauge the behavior of their customers by tracking their spending habits. In addition, Harland owns Scantron, a computerized testing and assessment company. The _____ for John H. Harland Company includes its check-printing business, its financial software business, and its testing and assessment business.

- A) business portfolio
- B) marketing mix
- C) market penetration
- D) functional plan
- E) market classification

Answer: A

Diff: 2 Page Ref: 49

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

95) A donut shop chain opened its first store outside of North America with the opening of a shop in Australia. The donut company used a _____ strategy.

- A) market development
- B) product penetration
- C) market penetration
- D) cash cow
- E) product development

Answer: A

Diff: 2 Page Ref: 52

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

96) Edy's is a high quality brand of ice cream. Edy's introduced Godiva ice cream and Starbucks ice cream to tempt ice cream lovers to eat even more ice cream. Edy's used a _____ strategy.

- A) market development
- B) product penetration
- C) market penetration
- D) diversification
- E) product development

Answer: E

Diff: 2 Page Ref: 52

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

97) Teddy Grahams are small graham cookies shaped like teddy bears. Nabisco, which makes Teddy Grahams, created Teddy Graham Bearwich cookies (two Teddy Grahams stuck together with a cream filling) to implement its _____ strategy. Nabisco believed its Teddy Grahams customers would buy the new product as well.

- A) market development
- B) product penetration
- C) market penetration
- D) diversification
- E) product development

Answer: E

Diff: 2 Page Ref: 52

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

98) Fence Patrol has developed an entirely new mounting system for chain link fences. Although they are a local company, through the acquisition of a distributor they now have the ability to market their products nationwide. Fence Patrol is most likely to be following a _____ strategy.

- A) market penetration
- B) market development
- C) diversification
- D) divesting
- E) product development

Answer: C

Diff: 3 Page Ref: 52

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

99) John H. Harland Company is best known for printing personal and business checks, but it also owns Scantron, a computerized testing and assessment company. Harland's purchase of Scantron is an example of the implementation of a _____ strategy.

- A) market development
- B) product penetration
- C) market penetration
- D) diversification
- E) product development

Answer: D

Diff: 2 Page Ref: 52

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

100) The vice president of marketing of a software development company periodically develops a(n) _____, which includes marketing research data on the target market, marketing objectives such as "to increase new customers by 20 percent," and a list of who will be responsible for implementation.

- A) marketing plan
- B) marketing mix
- C) pricing strategy
- D) action plan
- E) strategic plan

Answer: A

Diff: 2 Page Ref: 53

AACSB: Analytic skills

Skill: Application

Objective: 2-3 Marketing planning

101) Business planning is a process of making decisions that guide the firm in both the short and the long term.

Answer: TRUE

Diff: 1 Page Ref: 41

Skill: Concept

Objective: 2-1 Business planning

102) The marketing planning process should be completed before the strategic planning process begins.

Answer: FALSE

Diff: 2 Page Ref: 44

Skill: Concept

Objective: 2-1 Business planning

103) The primary purpose of a firm's code of ethics is to help marketers understand the target market.

Answer: FALSE

Diff: 2 Page Ref: 43

AACSB: Ethical understanding and reasoning abilities

Skill: Concept

Objective: 2-1 Business planning

104) Strategic planning is also referred to as functional planning.

Answer: FALSE

Diff: 1 Page Ref: 44

Skill: Concept

Objective: 2-1 Business planning

105) Strategic business units (SBUs) are individual units representing different areas of business within a firm that have their own missions, business objectives, resources, managers, and competitors.

Answer: TRUE

Diff: 1 Page Ref: 45

Skill: Concept

Objective: 2-1 Business planning

106) Functional planning at the corporate level today requires the development of a very broad-based mission statement.

Answer: FALSE

Diff: 2 Page Ref: 45

Skill: Concept

Objective: 2-1 Business planning

107) Employee morale, promotion strategies, and competitors' reactions are all aspects of a company's internal environment.

Answer: FALSE

Diff: 2 Page Ref: 47

Skill: Concept

Objective: 2-2 Strategic planning

108) SWOT stands for strengths, willingness, opportunities, and threats.

Answer: FALSE

Diff: 1 Page Ref: 48

Skill: Concept

Objective: 2-2 Strategic planning

109) Opportunities and threats come from a company's internal environment.

Answer: FALSE

Diff: 2 Page Ref: 48

Skill: Concept

Objective: 2-2 Strategic planning

110) To ensure attainability, marketers increasingly try to state objectives in general terms.

Answer: FALSE

Diff: 2 Page Ref: 48

Skill: Concept

Objective: 2-2 Strategic planning

111) Managers using the Boston Consulting Group growth-market share matrix are assessing the potential of a firm's existing SBUs to generate cash needed to invest in other businesses.

Answer: TRUE

Diff: 2 Page Ref: 50

Skill: Concept

Objective: 2-2 Strategic planning

112) On the BCG growth-market share matrix, question marks are also referred to as problem children.

Answer: TRUE

Diff: 2 Page Ref: 51

Skill: Concept

Objective: 2-2 Strategic planning

113) Diversification strategies emphasize both new products and new markets.

Answer: TRUE

Diff: 1 Page Ref: 52

Skill: Concept

Objective: 2-2 Strategic planning

114) The four Ps of marketing are people, placement, promotion, and pricing.

Answer: FALSE

Diff: 1 Page Ref: 53

Skill: Concept

Objective: 2-3 Marketing planning

115) The product is the most fundamental part of the marketing mix.

Answer: TRUE

Diff: 2 Page Ref: 54

Skill: Concept

Objective: 2-3 Marketing planning

116) A firm's pricing strategy includes plans for prices for the final consumer as well as pricing that the firm will charge wholesalers and retailers.

Answer: TRUE

Diff: 2 Page Ref: 54

Skill: Concept

Objective: 2-3 Marketing planning

117) The promotional strategy identifies how, when, and where the firm will make the product available to targeted customers.

Answer: FALSE

Diff: 2 Page Ref: 55

Skill: Concept

Objective: 2-3 Marketing planning

118) The distribution strategy is the place component of the marketing mix.

Answer: TRUE

Diff: 1 Page Ref: 55

Skill: Concept

Objective: 2-3 Marketing planning

119) Operational plans focus on the long-term execution of the marketing plan performed by top-level management.

Answer: FALSE

Diff: 2 Page Ref: 60

Skill: Concept

Objective: 2-3 Marketing planning

120) Typically, each action plan carries a budget item.

Answer: TRUE

Diff: 2 Page Ref: 59

Skill: Concept

Objective: 2-3 Marketing planning

121) A manager's decision to run a quarter-page ad in the business section of the local newspaper to promote goodwill toward his company is part of an operational plan.

Answer: TRUE

Diff: 2 Page Ref: 45

AACSB: Analytic skills

Skill: Application

Objective: 2-1 Business planning

122) Runnerz is a company that makes running shoes. The company has defined its mission as follows: "At Runnerz, we make great running shoes." By defining itself in terms of its product, Runnerz has created a mission statement that is too broad.

Answer: FALSE

Diff: 2 Page Ref: 47

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-2 Strategic planning

123) Because Cie de Saint-Gobain of France is Europe's leading distributor of building materials in the high-growth building industry, it is an example of a cash cow.

Answer: FALSE

Diff: 2 Page Ref: 50

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

124) Movie production companies sometimes re-release classic films to theaters to give people who enjoyed them the first time a chance to see the movies again. This is an example of a market penetration strategy.

Answer: TRUE

Diff: 2 Page Ref: 51

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

125) Hershey introduced edible Valentine cards when it launched Hugs & Kisses Friendship Exchange and packaged one white chocolate and one brown chocolate Kiss with write-on "To" and "From" areas. This is an example of a market development strategy.

Answer: FALSE

Diff: 2 Page Ref: 52

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

126) Explain how business planning helps managers in a firm.

Answer: Business planning is an ongoing process of making decisions that guide the firm both in the short term and for the long haul. Planning identifies and builds on a firm's strengths, and it helps managers at all levels make informed decisions in a changing business environment. Planning means the company develops objectives before it takes action.

Diff: 2 Page Ref: 41

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-1 Business planning

127) Explain how society at large can be hurt by companies using unethical financial and management practices.

Answer: The fallout from the demise of WorldCom and Enron demonstrates how society at large can be hurt by unethical practices of a company. Everyone suffers from these unethical practices. Thousands of people lose their jobs and their retirement savings. Stakeholders such as stockholders lose their investments. Consumers end up paying for worthless merchandise or services.

Diff: 2 Page Ref: 41-42

AACSB: Ethical understanding and reasoning abilities

Skill: Application

Objective: 2-1 Business planning

128) Compare and contrast strategic planning and operational planning.

Answer: Strategic planning is the managerial decision process that matches the firm's resources and capabilities to its market opportunities for long-term growth. In a strategic plan, top management defines the firm's purpose and specifies what the firm hopes to achieve. Operational planning focuses on the day-to-day execution of the functional plans and includes detailed annual, semiannual, or quarterly plans. Operational planning is done by supervisory managers. Strategic planning is big picture, while operational planning is nuts-and-bolts.

Diff: 2 Page Ref: 44-45

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-1 Business planning

129) Define strategic planning. Discuss the steps involved.

Answer: The process of matching a firm's resources and capabilities to its market opportunities is called strategic planning. At the outset, beginning at the corporate level, each company must define its overall mission. What is our business? Who is the customer? How should we develop our company's capabilities and focus its efforts? Answers to these questions are crucial in writing a clear mission statement. Missions should not be too broad, too narrow, or too shortsighted. The next step in strategic planning is evaluating the internal and external environment of the firm. After conducting a SWOT analysis, top management needs to translate the firm's mission statement into organizational or SBU-level objectives. These objectives should be specific, measurable, attainable, and sustainable. The fourth step is to establish the business portfolio. The final step in strategic planning is to develop growth strategies, such as market penetration strategies, product development strategies, market development strategies, and diversification strategies.

Diff: 3 Page Ref: 44-45

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

130) PaperBackSwap.com needs to conduct a SWOT analysis. Explain the purpose of a SWOT analysis.

Answer: SWOT stands for strengths, weaknesses, opportunities, and threats. A firm's strengths and weaknesses focus on the company's internal environment, while the opportunities and threats focus on external environmental issues. A SWOT analysis enables a firm to develop strategies that make use of what the firm does best in seizing opportunities for growth, while at the same time avoiding external threats that might hurt the firm's sales and profits.

Diff: 2 Page Ref: 47-48

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-2 Strategic planning

131) Jay Minkoff at First Flavor may use the Boston Consulting Group (BCG) matrix to help him in making decisions for his firm. What does he need to understand about the purpose of the matrix and the four categories of the BCG growth-market share matrix ?

Answer: The BCG model focuses on determining the potential of a firm's existing SBUs to generate cash that the firm can then use to invest in other businesses. By categorizing SBUs as stars, cash cows, question marks, or dogs, the matrix helps managers make good decisions about how the firm should grow. Stars are SBUs with products that have a dominant market share in high-growth markets. Cash cows have a dominant market share in a low-growth potential market. Question marks, also called problem children, are SBUs with low market shares in fast-growth markets. Dogs are SBUs with low market share in low-growth markets.

Diff: 2 Page Ref: 50-51

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-2 Strategic planning

132) The BCG matrix is a useful approach to evaluate current businesses. Describe a device that a firm could use to decide how to make growth happen.

Answer: The product-market growth matrix is a useful device for analyzing different growth strategies. There are four strategies available to companies: market penetration, market development, product development, and diversification. Market penetration entails making more sales to current customers without changing products. Market development involves identifying and developing new markets for a company's products. New markets include demographic groups and geographic regions, among others. Companies can also consider product development, offering modified or new products to current markets. Diversifying companies might consider acquiring or starting new businesses unrelated to their core competencies.

Diff: 2 Page Ref: 51-52

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-2 Strategic planning

133) Briefly discuss how marketers measure return on marketing investment. Explain why this figure may not be sufficient to judge marketing's effectiveness.

Answer: Return on marketing investment (ROMI) is the net return from a marketing investment divided by the costs of the marketing investment at a given risk level. In other words, ROMI is a measure of the profits generated by investments in a marketing activity. There are several objectives to using ROMI exclusively to assess the effectiveness of marketing activities. First, in a company's accounting statements, marketing expenses typically appear as costs, rather than investments. Second, ROMI requires profit to be divided by expenses, rather than subtracting expenses from profit. Third, calculating ROMI requires that marketers know what would have happened if the marketing expenditures had not taken place. Fourth, firms use different methods for calculating ROMI, making it difficult to compare the measures. Fifth, ROMI tends to lead managers to short-term decisions. Finally, ROMI does not emphasize a firm's sustainability commitment.

Diff: 3 Page Ref: 56-57

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-3 Marketing planning

134) You are a sales manager and you are responsible for tracking a wide range of metrics related to your firm. Explain in what part of the marketing planning process these metrics would be determined and why they are important.

Answer: During the implementation and control part of the marketing planning process, metrics are developed that are concrete measures of various aspects of marketing performance. The control process determines to what degree objectives are being met by measuring actual performance, comparing performance to objectives and strategies, and making adjustments to the objectives or strategies on the basis of this analysis. Marketing metrics are important to give managers feedback on what is working and, more importantly, what isn't working.

Diff: 2 Page Ref: 55-56

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-3 Marketing planning

135) Briefly describe the purpose and components of an action plan.

Answer: An action plan, sometimes referred to as a marketing program, is a specific plan for implementation that supports the various marketing objectives and strategies developed in the marketing planning process. An action plan is titled and begins by laying out the purpose of the plan. A brief description of the action plan is followed by details on responsibility for carrying out the plan. A timeline or timetable for the steps of the plan is included, as well as a budget for the action plan. Finally, measurements and controls for the plan are identified.

Diff: 2 Page Ref: 58

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-3 Marketing planning

136) Why are business ethics an important issue in business planning?

Answer: Managers and planners at a firm should have a clear sense of business ethics that inform their business planning decisions, such as what goes into their products, where they source raw materials, and how they advertise. Businesses need to consider how business planning decisions affect their many stakeholders.

Diff: 2 Page Ref: 41-42

AACSB: Ethical understanding and reasoning abilities

Skill: Application

Objective: 2-1 Business planning

137) Why is it important for all business planning to be integrated?

Answer: For the strategic, functional, and operational plans to work together for the benefit of the whole company, planning must be integrated through all layers. Functional and operational plans should be guided by the company's strategic plans.

Diff: 2 Page Ref: 45-46

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-1 Business planning

138) Briefly describe the purpose of a portfolio analysis.

Answer: The portfolio analysis is a tool management uses to assess the potential of a firm's business portfolio. It helps management decide which of its current SBUs should receive more or less of the firm's resources and which of its SBUs are most consistent with the firm's overall mission.

Diff: 2 Page Ref: 49-50

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-2 Strategic planning

139) Periodically, the Walt Disney Company recycles its oldest animated films such as *Snow White* back into the movie theaters to delight another generation of consumers. To what classification of the BCG growth-market share matrix would these old movies belong? Explain.

Answer: These old movies would be classified as cash cows. They have a high market share that the firm can sustain with minimal funding.

Diff: 2 Page Ref: 50

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-2 Strategic planning

140) What type of strategy should a company use to manage its cash cows?

Answer: Because a cash cow generates cash without much investment, a company should use the profits to support other SBUs.

Diff: 2 Page Ref: 50

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-2 Strategic planning

141) When analyzing its portfolio of businesses with the Boston Consulting Group model, Disney views its movie brand as a star. What does this mean?

Answer: A star SBU means that Disney's movies have a dominant market share in a high-growth market. Stars generate large revenues, but also require large amounts of funding to keep up with production and promotion demands. Disney invests heavily in franchise players like Hannah Montana and Narnia to gain the largest share of loyal customers to generate profits that can be reallocated to other parts of the company.

Diff: 2 Page Ref: 50

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

142) How do product development strategies create growth? Give an example of how a company could use a product development strategy.

Answer: Product development strategies create growth by selling new products in existing markets. Product development may mean that the firm improves a product's performance, or it may mean extending the firm's product line by developing new variations of the item. Examples will vary.

Diff: 2 Page Ref: 52

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-2 Strategic planning

143) Why might a company choose a diversification strategy?

Answer: A company with low-share products in low-growth markets would likely look to a diversification strategy, developing more attractive products and targeting them at higher growth markets.

Diff: 2 Page Ref: 52

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-2 Strategic planning

144) Campbell's Soup advertised new uses for soup in lunches and dinners to encourage customers to eat more soup. The company also conducted promotions aimed at attracting users of competing soup brands. What growth strategy was Campbell's implementing? Explain.

Answer: Campbell's implemented the market penetration strategy. It tried to increase sales of existing products to existing markets such as current users, nonusers, and users of competing brands.

Diff: 2 Page Ref: 51

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

145) During past years, the Oreo cookie has undergone many changes. It is no longer just a cookie. Oreo cookies now appear in breakfast cereals, ice cream, pie crust, cake mix, frosting, brownies, and granola bars. These are all examples of which type of growth strategy?

Answer: Changes to the Oreo cookie fall within the guidelines of the product development strategies. One aspect of this strategy is extending the product line by developing new variations of the item.

Diff: 2 Page Ref: 52

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

146) Nintendo introduced the Wii home gaming system to older consumers in retirement homes for light exercise. Explain the kind of growth strategy Nintendo used.

Answer: Market development strategies introduce existing products to new markets. This can mean reaching new customer segments within an existing geographic market, or it may mean expanding into new geographic areas. Nintendo's Wii target market was originally the young, game-playing consumer.

Diff: 2 Page Ref: 52

AACSB: Analytic skills

Skill: Application

Objective: 2-2 Strategic planning

147) Identify an important difference between strategic planning and marketing planning.

Answer: Though the process is similar, marketing planning is much more focused on issues related to the marketing mix--the firm's product, its price, promotional approach, and distribution methods.

Diff: 2 Page Ref: 53

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-3 Marketing planning

148) How are marketing objectives different from corporate objectives?

Answer: Marketing objectives are more specific to the firm's brands, sizes, product features, and other marketing mix-related elements. Corporate objectives are broader.

Diff: 2 Page Ref: 54

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-3 Marketing planning

149) Why is it important to consider marketing as an investment rather than as an expense?

Answer: Considering marketing as an investment rather than an expense is critical because this distinction drives firms to use marketing more strategically. The ROMI concept heightens the importance of identifying and tracking appropriate marketing metrics.

Diff: 2 Page Ref: 56

AACSB: Reflective thinking skills

Skill: Application

Objective: 2-3 Marketing planning

150) A sales manager at ABC Services Inc. was required to track important marketing metrics each quarter. Give two examples of the marketing metrics this sales manager might report.

Answer: Answers will vary, but could include the following: customer commitment to relationship, customer loyalty, long-term value of a customer, company reputation, sales calls per day, reach and frequency of advertising, etc.

Diff: 2 Page Ref: 57

AACSB: Analytic skills

Skill: Application

Objective: 2-3 Marketing planning