

## Chapter 2—Strategic Planning for Competitive Advantage

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### MULTIPLE CHOICE

1. Compaq Computer's decision to charge customers for phone technical support to reduce the high cost of phone support and encourage customers to read documentation was a failure because consumers like the human touch. Customer rebellion forced Compaq to rethink this policy. As a result, Compaq decided to focus its resources on reaching the inexpensive home computer market segment through enhanced customer service. What is Compaq engaging in?
  - a. control and evaluation
  - b. the search for a differential advantage
  - c. strategic planning
  - d. alternative selection

ANS: C

Strategic planning provides a long-term vision and thus guides long-term commitment of resources.

PTS: 1                      DIF: Application      REF: p. 22                      OBJ: 1  
BLM: Higher order

2. What do strategic plans require?
  - a. changes in prices
  - b. long-term resource commitments
  - c. the addition of new personnel
  - d. a change in organizational structure

ANS: B

Strategic plans are long-range plans that involve developing, organizing, and controlling marketing activities.

PTS: 1                      DIF: Comprehension                      REF: p. 22  
OBJ: 1                      BLM: Remember

3. What is the managerial process of creating and maintaining a fit between the organization's objectives and resources and evolving market opportunities?
  - a. functional planning
  - b. tactical management
  - c. environmental scanning
  - d. strategic planning

ANS: D                      PTS: 1                      DIF: Definition      REF: p. 22  
OBJ: 1                      BLM: Remember

4. What is the process of anticipating events and determining strategies to achieve organizational objectives?
- portfolio evaluation
  - forecasting
  - planning
  - implementation

ANS: C                      PTS: 1                      DIF: Definition                      REF: p. 22  
OBJ: 1                      BLM: Remember

5. Marketing plans should be written to do which of the following?
- control all the elements of the external marketing environment
  - create common goals for employees and suppliers to work toward
  - allow managers to enter the marketplace with an awareness of all possibilities and problems
  - compare actual and expected performance

ANS: D  
Marketing environment variables cannot be controlled.

PTS: 1                      DIF: Comprehension                      REF: p. 22  
OBJ: 1                      BLM: Remember

6. According to the text, which of the following statements about a marketing plan is true?
- The marketing plan should be viewed as a series of sequential steps.
  - A marketing plan is created so an organization can share its marketing objectives.
  - Marketing plans usually exist as oral traditions.
  - All marketing plans have exactly the same content.

ANS: A  
Several steps of the marketing plan can be done at the same time.

PTS: 1                      DIF: Comprehension                      REF: p. 22-23  
OBJ: 1                      BLM: Remember

7. Which of the following is one of the elements of the marketing plan?
- a business values statement
  - a five-year marketing strategy
  - a situation analysis
  - an advertising cost analysis

ANS: C  
See Exhibit 2.1.

PTS: 1                      DIF: Definition                      REF: p. 22-23                      OBJ: 1  
BLM: Remember

8. Managers at Bolsum Aerospace Company recently attended several special meetings where issues such as the creation of marketing objectives, a situation analysis, a target market strategy, and modifying components of the marketing mix were discussed. What is Bolsum Aerospace engaging in?
- a financial analysis
  - the development of a marketing plan
  - re-engineering
  - strategic contingency planning

ANS: B

See Exhibit 2.1. All the listed activities are part of the marketing planning process.

PTS: 1                    DIF: Application    REF: p. 22-23            OBJ: 1  
BLM: Higher order

9. What answers the question, “What business are we in and where are we going?”
- the strategic plan
  - the situation analysis
  - the market strategy
  - the mission statement

ANS: D                    PTS: 1                    DIF: Definition        REF: p. 24  
OBJ: 2                    BLM: Remember

10. In its stockholders’ report, PepsiCo. states “... our business is to increase the value of our shareholder’s investment. We do this through sales growth, cost controls and wise investment of resources. We believe our commercial success depends upon offering quality and value to our customers; providing products that are safe, wholesome, economically efficient and environmentally sound; and providing a fair return to our investors while adhering to the highest standards of integrity ...” Which of the following describes this statement?
- a mission statement
  - a market segmentation strategy
  - a statement of economic potential
  - a marketing mix strategy

ANS: A

A mission statement answers the question, “What business are we in?”

PTS: 1                    DIF: Application    REF: p. 24                OBJ: 2  
BLM: Higher order

11. What should the focus of an organization’s mission statement be on?
- the market it wishes to serve
  - its social responsibilities
  - the products it wishes to sell
  - the desires of top management

ANS: A

The choice of the market to serve determines the product and technology decisions.

PTS: 1                    DIF: Comprehension                    REF: p. 24  
OBJ: 2                    BLM: Remember

12. By defining its business as “making movies” instead of “entertainment,” what would a Hollywood movie studio have experienced?
- nonspecific strategic planning
  - market harvesting
  - market synergy
  - marketing myopia

ANS: D

“Making movies” focuses on one product, rather than a broad range of opportunities as found in “entertainment.”

PTS: 1                    DIF: Application    REF: p. 24                    OBJ: 2  
BLM: Higher order

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

ANS: B

A broad mission statement would recognize that the firm’s business is total transportation service.

PTS: 1                    DIF: Application    REF: p. 24                    OBJ: 2  
BLM: Higher order

14. What occurs when a business is defined in terms of goods and services rather than by the benefits customers seek from it?
- a reactive focus
  - marketing myopia
  - a market barrier entry
  - unempowerment

ANS: B                    PTS: 1                    DIF: Definition    REF: p. 24  
OBJ: 2                    BLM: Remember

15. A popular technique for managing a large organization with different technologies and markets is to divide it into which of the following?
- different technologies
  - strategic target markets
  - strategic business units
  - tactical segments

ANS: C                    PTS: 1                    DIF: Definition    REF: p. 24  
OBJ: 2                    BLM: Remember

16. What does the acronym SBU refer to?
- a. standard business utilization
  - b. stock in business units
  - c. strategic business unit
  - d. samples by units

ANS: C                      PTS: 1                      DIF: Definition                      REF: p. 24  
OBJ: 2                      BLM: Remember

17. What does an SBU do?
- a. has strategic planning performed back at corporate headquarters
  - b. competes with the same companies as the other SBUs in the family
  - c. usually benefits from the combined corporate raw materials purchases
  - d. controls its business independently of other SBUs in the organization

ANS: D  
SBUs have separate business functions from one another and have their own mission statements, markets, and planning.

PTS: 1                      DIF: Definition                      REF: p. 24                      OBJ: 2  
BLM: Remember

18. General Electric has a security division that builds equipment for screening passenger luggage checked in at airports. This division comprises InVision Technologies, which manufactures CT scanners, and Ion Track, which measures luggage for trace element drugs and explosives. What is GE's security division an example of?
- a. a strategic business unit
  - b. an organizational level
  - c. a business sales unit
  - d. a secure business unit

ANS: A  
An SBU is a subgroup of a single business or collection of related businesses within a larger organization.

PTS: 1                      DIF: Application                      REF: p. 24                      OBJ: 3  
BLM: Higher order

19. What results when an organization creates a marketing mission that is too broad?
- a. sustainable competitive advantage
  - b. directional marketing
  - c. marketing synergy
  - d. marketing myopia

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

PTS: 1                      DIF: Definition                      REF: p. 24                      OBJ: 2  
BLM: Remember

20. One of the divisions of Procter & Gamble (P&G) manufactures and markets health and beauty aids. It handles products such as Olay lotions and Old Spice fragrances. This part of the business has its own accounting, engineering, manufacturing, and marketing departments, separate from the rest of the organization. This division also has its own mission statement, target markets, and planning committees. What is this segment of P&G called?
- a product market niche
  - a strategic alliance
  - a diversified division
  - a strategic business unit

ANS: D

An SBU usually has its own mission statement, target markets, and separate functional departments.

PTS: 1                      DIF: Application      REF: p. 24                      OBJ: 2  
BLM: Higher order

21. Which of the following is a formal study conducted by an organization to assess its current status and capabilities and its future expectations?
- a strategic alternative selection
  - a situation analysis
  - a marketing audit
  - a competitive advantage audit

ANS: B                      PTS: 1                      DIF: Definition      REF: p. 25  
OBJ: 4                      BLM: Remember

22. Baths From the Past is a small company that sells reproduction sinks, bathtubs, toilets, and faucets. The company's management is currently conducting a formal study of its current strengths and weaknesses by looking at the company's profit and sales histories and searching for opportunities and threats by studying consumer trends. What is Baths From the Past conducting?
- a SWOT analysis
  - a market differentiation scan
  - a marketing audit
  - an environmental scan

ANS: A

A SWOT analysis attempts to ascertain the present situation.

PTS: 1                      DIF: Application      REF: p. 25                      OBJ: 4  
BLM: Higher order

23. The SWOT acronym refers to a firm's analysis of which of the following?
- strategies, willingness to change, objectives, and trends
  - strengths, weaknesses, opportunities, and threats
  - sales, width of product mix, observations, and technology
  - service levels, willingness to spend, organizational culture, and total revenues

ANS: B                      PTS: 1                      DIF: Definition      REF: p. 25  
OBJ: 4                      BLM: Remember

24. Hustler Turf Equipment is a Saskatchewan-based company that makes landscaping equipment. The company is looking at customer trends, its competitors, and the economy to see if there are any threats or opportunities on the horizon. It has also examined its production policies and sales histories to determine its strengths and weaknesses. What is Hustler Turf Equipment conducting?
- a competitive advantage search
  - a situation analysis
  - a trend analysis
  - a market audit

ANS: B

A situation analysis contains the SWOT components.

PTS: 1                    DIF: Application    REF: p. 25                    OBJ: 4  
BLM: Higher order

25. A Canadian drink company conducting a SWOT analysis of market potential in India should be aware that which of the following are potential threats?
- a high gross national profit
  - government openness to foreign businesses
  - religious differences that could lead to terrorist acts
  - a high demand for Canadian-made products

ANS: C                    PTS: 1                    DIF: Application    REF: p. 25  
OBJ: 4                    BLM: Higher order

26. What is the collection and interpretation of information about forces, events, and relationships that may affect the organization?
- environmental scanning
  - an internal audit
  - opportunity analysis
  - stakeholder analysis

ANS: A                    PTS: 1                    DIF: Definition    REF: p. 25  
OBJ: 4                    BLM: Remember

27. All the following are environmental forces a B.C. fruit grower with both orchards and a packaging/shipping facility might consider when making marketing decisions. What factor is **LEAST** likely to impact its marketing decisions?
- changes in provincial laws concerning pollution control, waste disposal, and use of pesticides
  - inflation and interest rates
  - the number of employees of a Florida state fruit grower
  - the increase in foreign shipments to Canada of a similar product

ANS: C

The number of employees of a non-key competitor has the least impact on a marketing decision.

PTS: 1                    DIF: Application    REF: p. 25                    OBJ: 4  
BLM: Higher order

28. What would Revlon use to identify the fact that its brand names (Revlon, Almay, and Flex) had developed a poor image with both its customers and its retailers?
- a. strategic analysis
  - b. environmental scanning
  - c. environmental control
  - d. marketing control

ANS: B

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

PTS: 1                    DIF: Application    REF: p. 25                    OBJ: 4  
BLM: Higher order

29. Which of the following could the manufacturers of video games for Xbox and PlayStation2 do through the use of environmental scanning?
- a. learn why they needed to use a team management structure
  - b. periodically divest themselves of low-margin products
  - c. determine why the market for video games is slowing
  - d. benefit from experience curves

ANS: C

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

PTS: 1                    DIF: Application    REF: p. 25                    OBJ: 4  
BLM: Higher order

30. After management agrees on a mission statement, it must set objectives. Which of the following is a characteristic of a good objective?
- a. It is realistic.
  - b. It is unmeasurable.
  - c. It is independent.
  - d. It is profitable.

ANS: A

Good objectives are not necessarily stated in terms of profit.

PTS: 1                    DIF: Definition    REF: p. 26                    OBJ: 3  
BLM: Remember

31. Which of the following is a statement of what is to be accomplished through marketing activities?
- a. a marketing objective
  - b. a mission statement
  - c. a business plan
  - d. a marketing criteria

ANS: A                    PTS: 1                    DIF: Definition    REF: p. 26  
OBJ: 3                    BLM: Remember

32. Which of the following is an appropriate use for carefully specified marketing objectives?
- a. as a way to force executives to develop their marketing skills
  - b. as a method for developing standards to gauge performance
  - c. as a motivational tool for those charged with achieving the financial objectives
  - d. as a method to appeal to all market segments

ANS: B

Marketing objectives should be stated for each target market.

PTS: 1

DIF: Comprehension

REF: p. 26

OBJ: 3

BLM: Remember

33. For marketing objectives to be realized, which of the following criteria must they meet?
- a. be extremely challenging
  - b. be attainable with a short time frame
  - c. be set within a one-year time frame
  - d. be consistent with organization objectives

ANS: D

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

PTS: 1

DIF: Comprehension

REF: p. 26

OBJ: 3

BLM: Remember

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

ANS: C

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

PTS: 1

DIF: Application

REF: p. 26

OBJ: 3

BLM: Higher order

35. Tracey Read is designing a series of marketing activities to help her new catering company achieve its growth objectives in a highly competitive industry. What is Tracey engaged in?
- strategic activation
  - evaluation
  - resource commitment
  - marketing planning

ANS: D

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

PTS: 1                    DIF: Application    REF: p. 26-27            OBJ: 1  
BLM: Higher order

36. Through re-engineering, Bayer hopes to increase its profit margins, improve inventory turnover, and make itself more attractive to investors. Which of the following advantages is Bayer planning on creating by restructuring and selling off SBUs that do not complement its primary product lines?
- marketing competitive advantage
  - brand name advantage
  - cost competitive advantage
  - niche competitive advantage

ANS: C

Re-engineering is one of the methods in which costs are reduced to create a cost competitive advantage.

PTS: 1                    DIF: Application    REF: p. 27                OBJ: 5  
BLM: Higher order

37. There are many different kinds of cheese. According to its ads, only Jarlsberg Lite has 50 percent less fat, 60 percent less cholesterol, and 100 percent of the taste of other kinds of cheese. What does this advertising statement describe?
- Jarlsberg Lite's mission statement
  - Jarlsberg Lite's tactical strength
  - Jarlsberg Lite's competitive advantage
  - Jarlsberg Lite's strategic edge

ANS: C                    PTS: 1                    DIF: Application    REF: p. 27  
OBJ: 5                    BLM: Higher order

38. Which of the following companies has a competitive advantage?
- Netcentives is trying to acquire the patent on a software that allows merchants to distribute loyalty points on-line.
  - Mildred's Café makes the world's best pecan pie according to one survey.
  - DeBeers diamonds used to control 90 percent of the world's diamond mines.
  - World Wrestling Entertainment (formerly the World Wrestling Federation) holds the trademark on the names of the wrestlers who participate in the company's wrestling matches.

ANS: D                    PTS: 1                    DIF: Application    REF: p. 27  
OBJ: 5                    BLM: Higher order

39. Which of the following show costs declining at a predictable rate as experience with a product increases?
- a. liquidity growth curves
  - b. supply/demand curves
  - c. breakeven analyses
  - d. experience curves

ANS: D                      PTS: 1                      DIF: Definition      REF: p. 27  
OBJ: 5                      BLM: Remember

40. Which of the following is a source of a cost competitive advantage?
- a. production reinvention
  - b. experience curves
  - c. inefficient labour
  - d. breakeven analyses

ANS: B                      PTS: 1                      DIF: Comprehension  
REF: p. 27                      OBJ: 5                      BLM: Remember

41. Everyone knows the brand name Kleenex. Kleenex is what many consumers think of when they think of tissues. What is this widely recognized brand name a source of?
- a. a cost advantage
  - b. market augmentation
  - c. a niche competitive advantage
  - d. a product differentiation competitive advantage

ANS: D  
The brand name is unique and has a valued impression.

PTS: 1                      DIF: Application      REF: p. 28                      OBJ: 5  
BLM: Higher order

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

ANS: C                      PTS: 1                      DIF: Application      REF: p. 28  
OBJ: 5                      BLM: Higher order

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

ANS: B

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

PTS: 1                      DIF: Application    REF: p. 29                      OBJ: 5  
BLM: Higher order

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

ANS: C                      PTS: 1                      DIF: Application    REF: p. 29  
OBJ: 5                      BLM: Higher order

45. Technol Medical Products makes specialty face masks to shield health care workers from infection. Because it focuses on this narrow market, it is able to outsell its primary competitors, 3M and Johnson & Johnson. What does Technol Medical products have?
- a niche competitive advantage
  - a heterogeneous target marketing
  - a demarketing focus
  - an aggregated positioning strategy

ANS: A                      PTS: 1                      DIF: Application    REF: p. 29  
OBJ: 5                      BLM: Higher order

46. Bentley automobiles are extremely expensive and are designed to appeal to consumers who equate value and quality with price. What type of competitive advantage has the manufacturer of Bentley automobiles created?
- value enhanced
  - mass marketing
  - niche
  - social class oriented

ANS: C

A niche competitive advantage seeks to target and effectively serve a single segment of the market.

PTS: 1                    DIF: Application    REF: p. 29                    OBJ: 5  
BLM: Higher order

47. Until the patent expires, what do patents on allergy relief medications such Allegra and Claritin give the pharmaceutical companies that own the patents?
- targeted market position
  - sustainable competitive advantage
  - opportunistic privilege
  - situational strength

ANS: B

A sustainable competitive advantage is one that cannot be copied by the competition; in this case, at least until the patent expires.

PTS: 1                    DIF: Application    REF: p. 29                    OBJ: 5  
BLM: Higher order

48. What is a strategy of increasing market share for present products in existing markets?
- diversification
  - market development
  - product development
  - market penetration

ANS: D                    PTS: 1                    DIF: Definition    REF: p. 30  
OBJ: 6                    BLM: Remember

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

ANS: D

Selling more of the same product to existing markets is market penetration.

PTS: 1                    DIF: Application    REF: p. 30                    OBJ: 6  
BLM: Higher order

50. American Express offers customers a Cobaltcard, a pre-loaded credit card, to 13- to 22-year-olds looking to make on-line purchases. While American Express had previously supplied credit cards to adults, this younger group was a market that was not being served. The Cobaltcard program is an example of which type of strategy?
- a. market penetration
  - b. market development
  - c. product development
  - d. product penetration

ANS: B

Market development finds new uses for a product to stimulate sales among new customers.

PTS: 1                      DIF: Application    REF: p. 30                      OBJ: 6  
BLM: Higher order

51. What strategy attracts new customers to existing products?
- a. market penetration
  - b. product development
  - c. market development
  - d. diversification

ANS: C                      PTS: 1                      DIF: Definition    REF: p. 30  
OBJ: 6                      BLM: Remember

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

ANS: C

Molson has developed a new beer for people who are already drinkers of Molson's other products.

PTS: 1                      DIF: Application    REF: p. 30                      OBJ: 6  
BLM: Higher order

53. The television network HBO produced the drama *The Sopranos* about a New Jersey mob family. It also published *The Sopranos Family Cookbook: As Compiled by Artie Bucco*, a collection of southern Italian-style recipes. Bucco is the name of a fictional restaurateur in the show. The creation of the cookbook to appeal to fans of the show is an example of what type of strategy?
- diversification
  - product development
  - product penetration
  - market development

ANS: D

HBO has created new products for existing viewers.

PTS: 1                    DIF: Application    REF: p. 30                    OBJ: 6  
BLM: Higher order

54. Research has shown that people below the age of 15 prefer using other colours than the familiar red ketchup. To capture this market, Heinz markets blue-, purple- and green-coloured ketchups. The ketchups have an exotic look, which Heinz hopes will appeal to this market. It still tastes like the red variety. Since this is not really a new product, just an attempt to reach a new target market, what type of strategy does it exemplify?
- product development
  - product expansion
  - market development
  - market penetration

ANS: C

Market development is the introduction and sale of present products to new markets.

PTS: 1                    DIF: Application    REF: p. 30                    OBJ: 6  
BLM: Higher order

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

ANS: D

Unilever wanted to sell an existing product (ice cream) to a new market (China).

PTS: 1                    DIF: Application    REF: p. 30                    OBJ: 6  
BLM: Higher order

56. In the following examples, when does market penetration occur?
- when a Mexican distillery offers rebates to its current customers
  - when a hosiery manufacturer begins manufacturing wigs
  - when a Canadian-based company begins to sell its products in South America
  - when a supermarket chains adds another brand of ice cream to its inventory

ANS: A

Market penetration is the marketing of the same product to current customers.

PTS: 1                    DIF: Application    REF: p. 30                    OBJ: 6  
BLM: Higher order

57. In order to expand its sales into the U.S. market, BRL, an Australian-based winemaker, agreed to a merger with a U.S.–based wine distribution company. According to Ansoff’s strategic opportunity matrix, what type of strategy would BRL be implementing?
- product penetration
  - product development
  - diversification
  - market development

ANS: D

Market development refers to the attracting of new markets (U.S. consumers) to existing products.

PTS: 1                    DIF: Application    REF: p. 30                    OBJ: 6  
BLM: Higher order

58. Anbac Financial Group, Inc. is the second-largest insurer of municipal bonds in the world. Anbac is expanding its insurance services from governmental accounts to include private developers of sports stadiums and similar large multi-use facilities. According to Ansoff’s strategic opportunity matrix, what type of strategy would Anbac be implementing?
- market development
  - product development
  - product penetration
  - diversification

ANS: A

Market development refers to the attracting of new markets (U.S. consumers) to existing products.

PTS: 1                    DIF: Application    REF: p. 30                    OBJ: 6  
BLM: Higher order

59. Which of the following is a type of strategic alternative that matches products and markets?
- vertical integration
  - market redevelopment
  - product development
  - international diversification

ANS: C                    PTS: 1                    DIF: Definition    REF: p. 31  
OBJ: 6                    BLM: Remember

60. Procter & Gamble has a website, [www.pg.com](http://www.pg.com), that is designed to help customers with product questions. While at the website, readers can request free samples of Olay Radiance, Pert Plus, and Folgers Latte, all new P&G products. The site also offers “More Than a Card,” a feature that allows customers to buy an assortment hamper of new P&G products for less than \$25. This is an example of how a company can implement which of the following strategies?
- product penetration
  - product development
  - market penetration
  - diversification

ANS: B

Product development is the introduction of new products to the present market.

PTS: 1                      DIF: Application      REF: p. 31                      OBJ: 6  
BLM: Higher order

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

ANS: D

Product development stimulates new sales to existing markets.

PTS: 1                      DIF: Application      REF: p. 31                      OBJ: 6  
BLM: Remember

62. Which strategy creates new products for present markets?
- diversification
  - market penetration
  - product development
  - product penetration

ANS: C                      PTS: 1                      DIF: Definition      REF: p. 31  
OBJ: 6                      BLM: Remember

63. Which strategy increases sales by introducing new products into new markets?
- diversification
  - market penetration
  - product penetration
  - market development

ANS: A                      PTS: 1                      DIF: Definition      REF: p. 31  
OBJ: 6                      BLM: Remember

64. Due to recent hurricanes, orange growers in Florida have lost millions of dollars. As a result, some growers have decided to bulldoze their orange groves and put in freshwater lakes for raising shrimp, a popular product that is more weather-resistant. What type of strategy are former orange growers who are now raising shrimp pursuing?
- product development
  - diversification
  - market development
  - market penetration

ANS: B

Diversification is defined as selling a new product to a new market.

PTS: 1                    DIF: Application    REF: p. 31                    OBJ: 6  
BLM: Higher order

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

ANS: B

Hallmark created new Mitford-based items for its regular customers.

PTS: 1                    DIF: Application    REF: p. 31                    OBJ: 6  
BLM: Higher order

66. Juniper Group, which operates film distribution, health care, and Internet businesses, purchased shoemaker Tags Golf (Tags makes Bobby Jones-brand golf shoes) to create its sports division. What type of strategy did Juniper Group use?
- product development
  - market development
  - diversification
  - product penetration

ANS: C

Juniper entered a new market with a new product.

PTS: 1                    DIF: Application    REF: p. 31                    OBJ: 6  
BLM: Higher order

67. Tootsie Roll Industries has been in the candy business for over 100 years. Each year it produces 37 million Tootsie Roll candies and 16 million Tootsie Pop candies. During its 100+ years of operation, it has bought out 17 different candy brands. What type of strategy was it implementing?
- a. market development
  - b. product development
  - c. diversification
  - d. integrative growth

ANS: B                      PTS: 1                      DIF: Application      REF: p. 31  
OBJ: 6                      BLM: Higher order

68. Blockbuster rents and sells DVDs. When the retailer entered into the music retailing business, what type of strategy did it implement?
- a. market penetration
  - b. market development
  - c. product development
  - d. diversification

ANS: D                      PTS: 1                      DIF: Application      REF: p. 31  
OBJ: 6                      BLM: Higher order

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

ANS: B  
Wrigley makes chewing gum but would also be making chocolate, a completely different product. Also, the market for chocolate differs significantly from the market for chewing gum.

PTS: 1                      DIF: Application      REF: p. 31                      OBJ: 6  
BLM: Higher order

70. In 1969, Alberto-Culver in Canada, a hair care products company, entered the food product industry and introduced Sugar Twin, currently the best-selling sugar substitute in the Canadian marketplace. This product introduction was an example of which type of growth strategy?
- a. diversification
  - b. integrative
  - c. market penetration
  - d. market development

ANS: A                      PTS: 1                      DIF: Application      REF: p. 31  
OBJ: 6                      BLM: Higher order

71. Brickheads Ltd., located in Newmarket, Ontario, is the leading building materials manufacturer specializing in the manufacture of bricks for housing in the greater Toronto market. Tracey Dyer, Brickheads' Vice President Marketing, remarked to a board meeting that "Brickheads wished that it had an operation in lower mainland BC to capitalize on the housing boom currently being experienced there. But the overall profit picture here for us is excellent despite a slow and steady market." Brickheads would be classified by the BCG model as which of the following?
- a. a star
  - b. a cash cow
  - c. a problem child
  - d. a dog

ANS: B                      PTS: 1                      DIF: Application      REF: p. 32  
OBJ: 6                      BLM: Higher order

72. Vendarama, a specialty manufacturer of DVD and CD vending machines located in Hamilton, Ontario, has experienced meteoric growth over the past couple of years. Demand for its innovative and unique vending machines has been strong in major urban areas of the country and internationally. Vendarama has approached TJ Associates for a business loan to assist with expansion. According to the BCG model, how would TJ view Vendarama?
- a. as a dog
  - b. as a star
  - c. as a problem child
  - d. as a cash cow

ANS: B                      PTS: 1                      DIF: Application      REF: p. 32  
OBJ: 6                      BLM: Higher order

73. Wacker Ltd. a large profitable manufacturer of mouse pads located in Moose Jaw, Saskatchewan, has been the sole supplier of mouse pads for 10 large corporations in the United States. However, recent developments have included several lost contracts for business in the United States and the entrance of more large Asian specialty manufacturers specializing in producing computer peripherals and supplies. Looking at Wacker's strategic position from a potential investor's position, and according to the BCG, what is Wacker?
- a. a problem child
  - b. a dog
  - c. a star
  - d. a cash cow

ANS: B                      PTS: 1                      DIF: Application      REF: p. 32  
OBJ: 6                      BLM: Higher order

74. Bee-Clean Industries is a start-up company specializing in office building janitorial services in Victoria. Bee-Clean has experienced rapid growth of clients and has been rapidly hiring new employees to service this new business. As most employees are new to their tasks, their productivity has been below industry standard. As a result, the company's profit picture has not been pretty. According to the BCG, what would Bee-Clean be classified as?
- a. a cash cow
  - b. a question mark
  - c. a star
  - d. a dog

ANS: B                      PTS: 1                      DIF: Application      REF: p. 32  
OBJ: 6                      BLM: Higher order

75. CentralPulse is Europe's largest manufacturer of hip and knee replacement joints. Which of the company's strategies would identify the surgeons and hospitals as two market segments on which CentralPulse will focus its marketing efforts?
- a. strategic business unit
  - b. marketing sample
  - c. sales unit
  - d. target market

ANS: D  
A target market is one or more market segments on which a company focuses.

PTS: 1                      DIF: Application      REF: p. 34                      OBJ: 7  
BLM: Higher order

76. Which of the following terms would be used to describe Hispanic males between the ages of 12 and 19?
- a. exchange mixers
  - b. a diversified market
  - c. a market segment
  - d. a sustainable market

ANS: C  
A market segment is a group of individuals or organizations that share one or more characteristics.

PTS: 1                      DIF: Application      REF: p. 34                      OBJ: 7  
BLM: Higher order

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

ANS: A

The target market strategy identifies the market segment on which to focus.

PTS: 1                      DIF: Application    REF: p. 34                      OBJ: 7  
BLM: Higher order

78. What describes and estimates the size and sales potential of market segments of interest to the firm, and assesses key competitors in these market segments?
- market opportunity analysis
  - environmental scan
  - marketing mix audit
  - target market strategy

ANS: A                      PTS: 1                      DIF: Definition              REF: p. 34  
OBJ: 7                      BLM: Higher order

79. What is the unique blend of product, distribution, promotion, and pricing strategies designed to produce mutually satisfying exchanges with a target market?
- marketing mix
  - product line
  - product mix
  - market portfolio

ANS: A                      PTS: 1                      DIF: Definition              REF: p. 35  
OBJ: 8                      BLM: Remember

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

ANS: C

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

PTS: 1                      DIF: Application    REF: p. 35                      OBJ: 9  
BLM: Higher order

81. What is the starting point of any firm's marketing mix?
- the development of the good or service to be sold
  - the determination of the product's price, enabling future revenues and budgets to be estimated
  - the design of the promotion campaign to be used for the product
  - the selection of the places through which the good or service will be sold

ANS: A

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

PTS: 1

DIF: Comprehension

REF: p. 35

OBJ: 8

BLM: Remember

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

ANS: C

The product element of the marketing mix includes guarantees and quality.

PTS: 1

DIF: Application

REF: p. 35-36

OBJ: 8

BLM: Higher order

83. Ocean Spray's development of Craisins (sweetened dried cranberries) to compete against raisins most directly affected which element of the company's marketing mix?
- production
  - product
  - distribution
  - place

ANS: B

PTS: 1

DIF: Application

REF: p. 35-36

OBJ: 8

BLM: Higher order

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

ANS: C

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

PTS: 1

DIF: Comprehension

REF: p. 35-36

OBJ: 8

BLM: Remember

85. Canadian discount retail giant Zellers hopes to strengthen its position as one of the country's leading sellers of infant products with a 60-page catalogue that offers buyers the ability to purchase products via the phone or Internet. This new strategy reflects a change in which element of its marketing mix?
- a. target market
  - b. production
  - c. product
  - d. distribution

ANS: D                      PTS: 1                      DIF: Application      REF: p. 36  
OBJ: 8                      BLM: Higher order

86. Channels of distribution is just another way of describing which of the following elements of the marketing mix?
- a. place
  - b. price
  - c. promotion
  - d. product

ANS: A                      PTS: 1                      DIF: Application      REF: p. 36  
OBJ: 6                      BLM: Remember

87. For an automotive manufacturer such as BMW, deciding who will be an authorized retailer in Canada for the company's vehicles is part of which of the following marketing mix elements?
- a. place
  - b. product
  - c. promotion
  - d. price

ANS: A                      PTS: 1                      DIF: Application      REF: p. 36  
OBJ: 6                      BLM: Higher order

88. You are the owner-operator of a small business and your best friend suggests that you offer your company's products for sale on the Internet. What type of decision is this?
- a. profit
  - b. consumer
  - c. place
  - d. business

ANS: C                      PTS: 1                      DIF: Application      REF: p. 36  
OBJ: 8                      BLM: Higher order

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

ANS: B

Where a product is sold is part of the place (distribution) element of its marketing mix.

PTS: 1                    DIF: Application    REF: p. 36                    OBJ: 8  
BLM: Higher order

90. Making sure products are available when and where customers want them is the job of which element of the marketing mix?
- production strategies
  - product strategies
  - distribution strategies
  - promotion strategies

ANS: C

Distribution strategies make products available when and where customers want them.

PTS: 1                    DIF: Definition    REF: p. 36                    OBJ: 8  
BLM: Remember

91. The promotion strategy of the marketing mix deals exclusively with which of the following?
- personal selling and advertising
  - personal selling and purchased mass media time or space
  - advertising, publicity, and pricing
  - personal selling, advertising, sales promotion, and public relations

ANS: D                    PTS: 1                    DIF: Definition    REF: p. 36  
OBJ: 8                    BLM: Remember

92. SoBe nutritional beverages uses twin lizards on every bottle of its products and in all of its promotion efforts. It even has its own Team Lizard—made up of skateboarders, mountain bike riders, and in-line skaters—that it sponsors. The lizard is used to remind consumers of the product and its benefits. To which of the four Ps does this strategy relate?
- publicity
  - price
  - product
  - promotion

ANS: D

Promotion covers a wide range of communication vehicles.

PTS: 1                    DIF: Application    REF: p. 36                    OBJ: 8  
BLM: Higher order

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

ANS: D

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

PTS: 1                    DIF: Application    REF: p. 36                    OBJ: 8  
BLM: Higher order

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

ANS: A

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

PTS: 1                    DIF: Application    REF: p. 36                    OBJ: 8  
BLM: Higher order

95. What is the process that turns marketing plans into action assignments and ensures that these assignments are executed in a way that accomplishes the plans' objectives?
- a. strategic planning
  - b. strategic analysis
  - c. strategic design
  - d. implementation

ANS: D                    PTS: 1                    DIF: Definition    REF: p. 36-37  
OBJ: 9                    BLM: Remember

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

ANS: C

Implementation involves all the steps listed in the question.

PTS: 1                    DIF: Application    REF: p. 36-37            OBJ: 9  
BLM: Higher order

97. John R. Harland Company is best known for printing cheques. Its Financial Solutions division develops software for finance companies. This division is currently not producing at the desired level of profitability, but Harland plans to turn the division into a success by acquiring other companies that develop similar software. What will turn this marketing plan into action assignments in a manner that accomplishes the company's stated objectives?
- market strategizing
  - entrepreneurship
  - implementation
  - marketing plan control

ANS: C                    PTS: 1                    DIF: Application    REF: p. 36-37  
OBJ: 9                    BLM: Higher order

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

ANS: C

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

PTS: 1                    DIF: Application    REF: p. 37                    OBJ: 9  
BLM: Higher order

99. After an organization implements its strategic plan, which of the following occurs?
- Management must track results, monitor the external environment, and adjust the plan as necessary.
  - Management can stop work on this strategic plan, take a rest, and begin work on the next one.
  - Management can be assured that the plan will work for the time frame specified.
  - Management must make sure no part of the plan is changed, lest the plan fail.

ANS: A

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

PTS: 1

DIF: Comprehension

REF: p. 37

OBJ: 9

BLM: Remember

100. What is the process of gauging the extent to which marketing objectives have been achieved during a specified time period?
- heuristic measurement
  - control
  - evaluation
  - implementation

ANS: C

PTS: 1

DIF: Definition

REF: p. 37

OBJ: 9

BLM: Remember

101. What provides the mechanism for evaluating marketing results in light of the marketing plans' goals and for correcting actions that do not help the marketing organization reach these objectives within the budget guidelines?
- budgeting
  - planning
  - implementation
  - control

ANS: D

PTS: 1

DIF: Definition

REF: p. 37

OBJ: 9

BLM: Remember

102. Which of the following is a common reason that companies fail to achieve a marketing objective?
- appropriate marketing strategy
  - lack of capital
  - realistic marketing objectives
  - good implementation

ANS: C

Lack of capital is a common reason for small business failure as companies often don't budget enough money or have enough to meet their objectives.

PTS: 1

DIF: Comprehension

REF: p. 37

OBJ: 9

BLM: Remember

103. What should an international company that needs to develop a way to compare its actual marketing results with planned results engage in?
- external market research
  - comparative analyses
  - planning
  - control

ANS: D

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

PTS: 1  
OBJ: 9

DIF: Comprehension  
BLM: Higher order

REF: p. 37

104. A planning manager visiting a company's health and beauty aids division discovers that the division has no effective method for allocating resources, nor for evaluating actual results against planned results. According to the text, what would he suggest the division should prepare?
- market share analysis
  - marketing audit
  - series of tactical evaluations
  - service audit

ANS: B

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

PTS: 1  
BLM: Higher order

DIF: Application REF: p. 37

OBJ: 9

105. What is a marketing audit?
- an evaluation of pricing strategies across all the relevant competitors in an industry
  - a financial examination of the firm's marketing performance
  - a thorough, systematic, periodic evaluation of the goals, strategies, organization, and performance of the marketing organization
  - an evaluation of the effectiveness of advertising

ANS: C  
OBJ: 9

PTS: 1  
BLM: Remember

DIF: Definition REF: p. 37

106. According to the text, which of the following statements **BEST** describes marketing audits?
- a. Marketing audits simply examine the external environment in which a company operates.
  - b. The main purpose of the marketing audit is to develop a full profile of a company's marketing effort.
  - c. Marketing audits need to be performed only once.
  - d. The marketing audit should be performed only by outside accounting firms

ANS: B

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

PTS: 1

DIF: Comprehension

REF: p. 37

OBJ: 9

BLM: Remember

107. Which of the following **BEST** describes the marketing audit?
- a. It is a good tool with which to implement marketing plans.
  - b. It looks at only potential threats that the organization has identified.
  - c. It is a rather restricted, specialized tool for marketing managers.
  - d. It is an excellent way to raise the level of marketing consciousness within an organization.

ANS: D

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

PTS: 1

DIF: Comprehension

REF: p. 37

OBJ: 9

BLM: Remember

108. According to the text, which of the following statements **BEST** describes strategic planning?
- a. Effective strategic planning creates plans that are unaffected by environmental changes.
  - b. It allows a firm to replace creativity with careful analysis.
  - c. Top-management participation in and commitment to strategic planning is essential.
  - d. It is a real time-saver for marketing managers because once it has been completed, the plan can be left unchanged for years.

ANS: C

This chapter emphasizes that strategic planning is an ongoing process that needs buy-in from top-management.

PTS: 1

DIF: Comprehension

REF: p. 38

OBJ: 10

BLM: Remember

109. What does effective strategic planning require?
- a stringent and narrow mission statement for the creation of effective guidelines
  - a BCG portfolio matrix
  - a designated single time frame during the year
  - the planner to challenge existing company assumptions

ANS: D

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

PTS: 1

DIF: Comprehension

REF: p. 38

OBJ: 10

BLM: Remember

110. Bee-Dove Pottery used to sell finished pots and figurines by local artists when its owner noticed that many of her customers were asking if there were any way that they could make and personalize their own pieces. Now she sells pottery blanks, and customers create pieces that exactly suit their needs. What is this an example of?
- strategic planning based on creativity
  - the use of a BCG portfolio matrix
  - planning with the intent to challenge existing company assumptions
  - a designated single time frame during the year

ANS: A

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

PTS: 1

DIF: Application

REF: p. 38

OBJ: 10

BLM: Higher order

***Compass is a United Kingdom-based catering company that has developed a marketing plan designed to make it the largest caterer in China within the next two decades. It has begun serving meals on trains that run between Shanghai and Beijing.***

111. ***Refer to Compass.*** What is this activity part of?
- its marketing strategy
  - its marketing control
  - its marketing policy
  - its marketing implementation

ANS: D

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

PTS: 1

DIF: Application

REF: p. 36-37

OBJ: 9

BLM: Higher order

112. **Refer to Compass.** To evaluate how successful its efforts have been at the end of the first decade, what could Compass use?
- a SWOT analysis
  - a comprehensive sales analysis
  - a marketing audit
  - an environmental scan

ANS: C

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

PTS: 1                    DIF: Application    REF: p. 37                    OBJ: 9  
BLM: Higher order

***In 2004, Giorgio Armani, the Italian fashion group, announced plans to launch a \$1 billion international luxury hotel chain containing ten hotels and four resorts before the end of 2015.***

113. **Refer to Giorgio Armani.** Which of the following describes the taking advantage of an international trend toward luxury lifestyle consumerism and allowing the company to achieve its growth objectives?
- horizon planning
  - contingency plans
  - marketing implementation
  - strategic planning

ANS: D

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

PTS: 1                    DIF: Application    REF: p. 22                    OBJ: 1  
BLM: Higher order

114. **Refer to Giorgio Armani.** In terms of its situation analysis, the trend toward luxury lifestyle consumerism would be an example of which of the following?
- an advantage because it gives Armani growth opportunities
  - a strength because it is part of Armani's external environment
  - an opportunity because it is part of Armani's external environment
  - a weakness because Armani cannot control the growth of the trend

ANS: C

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

PTS: 1                    DIF: Application    REF: p. 25                    OBJ: 4  
BLM: Higher order

115. **Refer to Giorgio Armani.** Since this was Armani's first venture into the hotel industry, what would it be an example of?
- product penetration
  - product development
  - market development
  - diversification

ANS: D

Diversification is a strategy of increasing sales by introducing a new product.

PTS: 1                      DIF: Application      REF: p. 31                      OBJ: 6  
BLM: Higher order

116. **Refer to Giorgio Armani.** By conducting which of the following could Armani identify a large and growing segment of the market that wanted a luxury lifestyle?
- market audit
  - market opportunity analysis
  - niche analysis
  - social audit

ANS: B

An MOA is the description and estimation of the sales and size of potential market segments that are of interest to the firm. Armani produces luxury goods; therefore, luxury hotels seem to have excellent potential.

PTS: 1                      DIF: Application      REF: p. 34                      OBJ: 7  
BLM: Higher order

***Aldi is a no-frills grocery chain. It sells grocery staples right out of crates and boxes with emphasis on low-priced, private-label brands. Aldi stores are typically about one-third the size of traditional supermarkets. By controlling expenses, Aldi customers can expect to save 30 to 50 percent compared to Safeway customers. Aldi targets bargain hunters who are willing to rent a cart and bag their own groceries.***

117. **Refer to Aldi.** What does Aldi have?
- a profit-enhanced advantage
  - a cost competitive advantage
  - a revenue-based competitive advantage
  - a market-homogeneous focus

ANS: B                      PTS: 1                      DIF: Application      REF: p. 27  
OBJ: 5                      BLM: Higher order

118. **Refer to Aldi.** What does Aldi use to create its competitive advantage?
- demand and supply curves
  - no-frills goods and services
  - re-engineering
  - production innovation

ANS: B                      PTS: 1                      DIF: Application      REF: p. 27  
OBJ: 5                      BLM: Higher order

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

119. **Refer to Eastman Kodak Co.** As Kodak actively redefined its business mission, organization culture, and global strategy, what was it engaged in?
- market planning
  - strategic contingency planning
  - the strategic planning processes
  - writing the mission statement

ANS: C

All the listed activities are part of the strategic planning process.

PTS: 1                      DIF: Application    REF: p. 22                      OBJ: 1  
BLM: Higher order

120. **Refer to Eastman Kodak Co.** By redefining the business to focus on imaging technology, what did Fisher create?
- a new strategic plan
  - a new situational analysis
  - a new market strategy
  - a new mission statement

ANS: D

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

PTS: 1                      DIF: Application    REF: p. 24                      OBJ: 2  
BLM: Higher order

121. **Refer to Eastman Kodak Co.** Fisher evaluated Kodak's current status based on core capabilities and future expectations. What is this evaluation process called?
- an environmental scan
  - a situation analysis
  - a profit and loss assessment
  - a market audit

ANS: B

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

PTS: 1                      DIF: Application    REF: p. 25                      OBJ: 4  
BLM: Higher order

122. **Refer to Eastman Kodak Co.** By pruning product lines and assembling the corporate talent into one division, what did Fisher engage in?
- reverse engineering
  - production diversification
  - re-engineering
  - augmented production

ANS: C

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

PTS: 1                    DIF: Application    REF: p. 27                    OBJ: 5  
BLM: Higher order

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

ANS: B

Market development stimulates new sales by expanding into new markets.

PTS: 1                    DIF: Application    REF: p. 30                    OBJ: 6  
BLM: Higher order

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

124. **Refer to FFRS.** “Serving ferrets and their owners in a five-region area” would be an example of
- a mission statement
  - a strategic plan
  - a situation analysis
  - a market strategy

ANS: A

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

PTS: 1                    DIF: Application    REF: p. 24                    OBJ: 2  
BLM: Higher order

125. **Refer to FFRS.** Curtis is short of capital and labour and overcrowded with ferrets because they are not adopted fast enough. She also knows she has superior ferret knowledge and an excellent facility for housing ferrets, and hopes to increase her capacity to 100 ferrets. What is this assessment process in which she learned this about her environment?
- a. a market audit
  - b. an environmental scan
  - c. a profit and loss assessment
  - d. a situation analysis

ANS: D

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

PTS: 1                    DIF: Application    REF: p. 25                    OBJ: 4  
BLM: Higher order

126. **Refer to FFRS.** The fact the FFRS is the only shelter of its kind in Ontario to have a “no-kill” policy, to offer pickup services in a five-region area, and to have exclusive rights in the region to market Totally Ferret Food makes up which of the following?
- a. the company’s marketing alliance
  - b. the company’s penetration strategy
  - c. the company’s competitive advantage
  - d. the company’s comparative edge

ANS: C

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

PTS: 1                    DIF: Application    REF: p. 27                    OBJ: 5  
BLM: Higher order

127. **Refer to FFRS.** By marketing her existing ferret services to people who work with ferrets (such as educators, city officers, and pet store managers) in addition to ferret owners, what would FFRS be engaged in?
- a. product development
  - b. diversification
  - c. market penetration
  - d. market development

ANS: D

Market development entails marketing current products to new target markets.

PTS: 1                    DIF: Application    REF: p. 30                    OBJ: 6  
BLM: Higher order

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

ANS: D

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

PTS: 1                      DIF: Application    REF: p. 35                      OBJ: 8  
BLM: Higher order

129. **Refer to FFRS.** Curtis should know that effective strategic planning for the Ferrets First Rescue and Shelter requires which of the following?
- marketing information systems
  - sound planning based on financial measurements
  - continual environmental scanning
  - top management's support and participation

ANS: D

Top management support is essential for any strategic planning.

PTS: 1                      DIF: Application    REF: p. 38                      OBJ: 10  
BLM: Higher order

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

130. **Refer to Delta Faucet.** The marketing program, which Delta designed to develop new products to appeal to homeowners, is an example of which of the following?
- a mission statement
  - tactical planning
  - strategic planning
  - mass marketing

ANS: C                      PTS: 1                      DIF: Application    REF: p. 22  
OBJ: 1                      BLM: Higher order

131. **Refer to Delta Faucet.** How would Delta Faucet most likely have gathered the information about how homeowners perceive its products?
- through an economic forecast
  - through a situation analysis
  - through a sales potential assessment
  - through a break-even analysis

ANS: B                      PTS: 1                      DIF: Application      REF: p. 25  
OBJ: 4                      BLM: Higher order

132. **Refer to Delta Faucet.** The reputation Delta faucet has for its quality, durability, and dependability among builders is an example of which of the following?
- a competitive advantage
  - a tactical threat
  - an experience curve
  - a market differentiator

ANS: A                      PTS: 1                      DIF: Application      REF: p. 27  
OBJ: 5                      BLM: Higher order

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

ANS: B                      PTS: 1                      DIF: Application      REF: p. 31  
OBJ: 6                      BLM: Higher order

134. **Refer to Delta Faucet.** Delta's decision to make more stylish faucets represents a change in which element of its marketing mix?
- promotion
  - production
  - distribution
  - product

ANS: D                      PTS: 1                      DIF: Application      REF: p. 35  
OBJ: 8                      BLM: Higher order

135. **Refer to Delta Faucet.** Delta's development of a new slogan represents a change in which element of its marketing mix?
- product
  - place
  - promotion
  - distribution

ANS: C                      PTS: 1                      DIF: Application      REF: p. 36  
OBJ: 8                      BLM: Higher order

136. **Refer to Delta Faucet.** Which of the following is the Delta Faucet Company?
- a target market of Masco
  - a transactional division of Masco
  - a situational business usage of Masco
  - a strategic business unit of Masco

ANS: D                      PTS: 1                      DIF: Application      REF: p. 24  
OBJ: 3                      BLM: Higher order

***Thermo Electron Corp., the biggest maker of measurement instruments for medical laboratories, agreed to buy the radiation-monitoring-products unit of Compagnie de Saint-Gobain for \$30 million to gain European customers.***

137. **Refer to Thermo.** Saint-Gobain (of France) is Europe's number-one distributor of building materials, and its radiation monitoring unit did not support the company's mission statement. What does this mean?
- Thermo Electron's mission statement was incomplete.
  - Saint-Gobain's mission statement was too broad.
  - Saint-Gobain's mission dealt with providing building materials to its customers, not radiation-monitoring equipment.
  - Thermo Electron does not have a mission statement.

ANS: C                      PTS: 1                      DIF: Application      REF: p. 24  
OBJ: 2                      BLM: Higher order

138. **Refer to Thermo.** What did Saint-Gobain sell?
- one of its strategic alliances
  - one of its strategic business units
  - one of its transactional units
  - one of its synergistic divisions

ANS: B                      PTS: 1                      DIF: Application      REF: p. 24  
OBJ: 2                      BLM: Higher order

139. **Refer to Thermo.** What type of strategy did Thermo Electron engage in?
- penetration
  - building
  - market development
  - diversification

ANS: C                      PTS: 1                      DIF: Application      REF: p. 30  
OBJ: 6                      BLM: Higher order

## TRUE/FALSE

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

ANS: F

Such a short-range decision is typically a tactical plan or operating decision, not a strategic plan.

PTS: 1                    DIF: Application    REF: p. 22                    OBJ: 1

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

ANS: T                    PTS: 1                    DIF: Definition    REF: p. 22  
OBJ: 1

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

ANS: F

Mission statements should not focus on specific product offerings but on the market or markets served.

PTS: 1                    DIF: Definition    REF: p. 24                    OBJ: 2

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

ANS: T                    PTS: 1                    DIF: Comprehension  
REF: p. 26                    OBJ: 3

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

ANS: T

This objective is measurable and has a specific time frame.

PTS: 1                    DIF: Application    REF: p. 24                    OBJ: 3

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

ANS: F

A common way to conduct a situation analysis is to perform a SWOT analysis, which means examining the company's environments for strengths, weaknesses, opportunities, and threats.

PTS: 1                    DIF: Definition    REF: p. 25                    OBJ: 4

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

ANS: F

This is the definition of environmental scanning.

PTS: 1                    DIF: Definition    REF: p. 25                    OBJ: 4

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

ANS: T                    PTS: 1                    DIF: Definition    REF: p. 27

OBJ: 5

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

ANS: T

Having a cost competitive advantage means being the low-cost competitor in an industry while maintaining satisfactory profit margins.

PTS: 1                    DIF: Application    REF: p. 27                    OBJ: 5

10. Niche competitive advantages are quite common.

ANS: T

The text lists several examples of how companies have created niche competitive advantages.

PTS: 1                    DIF: Comprehension                    REF: p. 29

OBJ: 5

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

ANS: F

It would exemplify a market penetration strategy.

PTS: 1                    DIF: Application    REF: p. 30                    OBJ: 6

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

ANS: F

Market penetration is the strategy of selling more to existing customers.

PTS: 1                    DIF: Application    REF: p. 30                    OBJ: 6

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

ANS: T                      PTS: 1                      DIF: Application      REF: p. 31  
OBJ: 6

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

ANS: T  
Product development is the offering of new products to current markets.

PTS: 1                      DIF: Application      REF: p. 31                      OBJ: 6

15. Andre wanted to rent a limousine for the weekend; then he learned the rental company offered lower daily rates if he rented it for seven days. The rental company was using a market development strategy.

ANS: F  
In this case, the pricing strategy does not determine the strategic alternative used.

PTS: 1                      DIF: Application      REF: p. 30                      OBJ: 6

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

ANS: F  
This is an example of product development to the hospital market. One might argue that it is market development to the educational market, but unless the product is radically new to the company, it would not exemplify diversification.

PTS: 1                      DIF: Application      REF: p. 31                      OBJ: 6

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

ANS: T                      PTS: 1                      DIF: Definition      REF: p. 34  
OBJ: 7

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

ANS: T                      PTS: 1                      DIF: Comprehension  
REF: p. 34                      OBJ: 7

19. The four Ps of the marketing mix are product, planning, promotion, and price.

ANS: F

The four Ps are product, place, promotion, and price.

PTS: 1                    DIF: Definition      REF: p. 35                    OBJ: 8

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

ANS: F

The development of the marketing mix begins with the product.

PTS: 1                    DIF: Definition      REF: p. 35                    OBJ: 8

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

ANS: F

A marketing audit is not preoccupied with past performance but instead looks to the future allocation of marketing resources.

PTS: 1                    DIF: Comprehension                    REF: p. 37  
OBJ: 9

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

ANS: F

Strategic planning requires creativity and an ongoing commitment, not just going through the motions once a year.

PTS: 1                    DIF: Comprehension                    REF: p. 38  
OBJ: 10

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

ANS: F

The most critical element to successful strategic planning is top management's support and participation.

PTS: 1                    DIF: Comprehension                    REF: p. 38  
OBJ: 10

## ESSAY

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

ANS:

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

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

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

PTS: 1                      DIF: Application      REF: p. 22                      OBJ: 1

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

ANS:

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

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

PTS: 1                      DIF: Application      REF: p. 24                      OBJ: 2

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

ANS:

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

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

- A distinct mission and a specific target market
- Control over its own resources
- Its own competitors
- A single business or collection of related businesses
- Plans independent of other businesses of the total organization
- Its own basic business functions

PTS: 1                      DIF: Application      REF: p. 24                      OBJ: 2

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

ANS:

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

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

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

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

PTS: 1                      DIF: Application    REF: p. 26                      OBJ: 3

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

ANS:

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

PTS: 1                      DIF: Application    REF: p. 25                      OBJ: 4

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

ANS:

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

Important forces include:

- Social forces
- Demographic forces
- Economic forces
- Technological forces
- Political and legal forces
- Competitive forces

PTS: 1                      DIF: Application    REF: p. 25                      OBJ: 4

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

ANS:

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

PTS: 1                    DIF: Application    REF: p. 27                    OBJ: 5

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

ANS:

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

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

PTS: 1                    DIF: Application    REF: p. 27                    OBJ: 5

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

	Present Product	New Product
Present Market		
New Market		

ANS:

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

Text examples given for the four alternatives are as follows:

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

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

*Product development.* Nike introducing ergonomic running watches, a high-altitude wrist compass, and a portable heart-rate monitor.

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

PTS: 1                      DIF: Application    REF: p. 30-31                      OBJ: 6

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

ANS:

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

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

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

PTS: 1                      DIF: Application    REF: p. 31                      OBJ: 6

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

ANS:

The strategies are to:

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

PTS: 1                      DIF: Application    REF: p. 34                      OBJ: 7

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

ANS:

Market opportunity analysis entails:

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

*Estimating market segment size and sales potential.* This involves estimating the number of potential customers in a market segment, market segment sales potential, and company sales potential. This results in a company sales forecast.

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

PTS: 1                      DIF: Application      REF: p. 34                      OBJ: 7

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

ANS:

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

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

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

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

PTS: 1                      DIF: Application      REF: p. 35                      OBJ: 8

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

ANS:

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

PTS: 1                      DIF: Application      REF: p. 37                      OBJ: 9

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

ANS:

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

PTS: 1                      DIF: Application      REF: p. 37                      OBJ: 9

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

ANS:

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

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

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

PTS: 1                      DIF: Application      REF: p. 38                      OBJ: 10

[blank]