

Chapter 02 Elements of Marketing Strategy and Planning

True / False Questions

1. Marketing plays a central role in creating, communicating, delivering, and exchanging offerings that have value.

True False

2. The benefits of a product or service must include all types of utility.

True False

3. Starbucks is known to have shops located across the street from each other. It appears that the coffee shop chain is offering place utility.

True False

4. Customer loyalty almost always is directly related to the various sources of value the customer is presently deriving from the relationship with the company and its brands.

True False

5. Value proposition should drive customer loyalty.

True False

6. Firms should not be concerned that satisfied customers will switch to another brand.

True False

7. The two parts of value equation are benefits and cost.

True False

8. Outbound logistics refers to the transportation and distribution of products.

True False

9. As long as all activities in the value chain are working well, managers do not need to be concerned with aligning the activities.

True False

10. All of the activities in the value chain lead to margin.

True False

11. (Little m) marketing serves as the driver of business strategy.

True False

12. According to the BCG matrix, a business that is classified as a star has high growth and low market share.

True False

13. Linda imports fine art paintings and photographs that she sells to hotels. When the dollar is weak against foreign currencies, she struggles to cover her costs. Business has increased 400% in the last five years. With additional resources, she believes she can expand into profitable hospitals and nursing home markets. According to the BCG matrix, Linda's business is a representation of dog strategy.

True False

14. The GE Business Screen portfolio model evaluates businesses on the dimensions of market attractiveness and market share.

True False

15. In the GE Business Screen model, Business Position looks at factors like government regulations, sensitivity to economic trends and size of the market.

True False

16. A mission statement does not include a discussion of the firm's strategic vision.

True False

17. Objectives are measurable and goals are broad statements of generally desired accomplishments in support of the firm's mission statement.

True False

18. The Sarbanes-Oxley Act of 2002 established specific procedures to ensure ethical conduct at the highest levels of the company, including the Board of Directors.

True False

19. Strategy has two key phases: formulation and execution.

True False

20. According to Porter, when core competencies are superior to those of competitors, they are called distinctive competencies.

True False

21. According to Michael Porter, the first step of marketing planning is the establishment of goals and objectives.

True False

22. According to Ansoff's Product-Market matrix, market development strategies allow the firm to introduce existing products to new customers, often including international markets.
True False

23. Market penetration strategies allow the firm to invest additional resources to have existing customers consume new products.
True False

Multiple Choice Questions

24. Value may be defined as the ratio of bundled benefits received to the cost incurred by the customer to receive those benefits. _____ is NOT thought of as one of the costs.

- A. Monetary cost
- B. Time to shop
- C. Convenience
- D. Poor service quality
- E. Skill or expertise

25. Form utility is _____.

- A. Marketing's task in creating an offering that has value
- B. Production's task in transforming raw material into an offering that has value
- C. Management's task in deciding where to distribute the product
- D. Marketing's task in deciding how to price the product
- E. Marketing's task in deciding how to communicate the product

26. Martha purchases books, music, and videos at a large bookstore chain. Although the store nearest to her house is less than five miles away it is a bit out of the way. The location where she shops most frequently is 120 miles north of her home. It is located just off the highway and a good place to take a break when she drives 270 miles to visit her parents once a month. The store that is further away from her home offers _____ utility.

- A. Time
- B. Form
- C. Ownership and form
- D. Form and cost
- E. Place

27. Enrico pays a market rate to take his young children to daycare that is run by his employer. It is open until 9:00 p.m., a time by which everyone leaves. This service offered by his company offers _____ utility.

- A. Time
- B. Form
- C. Place
- D. Form and ownership
- E. Time and place

28. Shabreka, a senior partner with a law firm, likes to shop in a designer boutique located in a city 30 miles from her home. This store offers _____ utility.

- A. Time and place
- B. Form
- C. Ownership
- D. Form and ownership
- E. Place

29. José and Maria's son Jorge is a talented swimmer. The pool where he takes swimming lessons is 45 miles from their home in suburban Atlanta. _____ utility is NOT part of the round trip they make six days a week.

- A. Exchange
- B. Time and place
- C. Ownership
- D. Form and ownership
- E. Place

30. The concept of value chain was created by _____.

- A. Fred Wiersema
- B. Michael Porter
- C. Jim Collins
- D. Peter Drucker
- E. Ingor Ansoff

31. _____ is NOT one of the five primary activities in the value chain.

- A. Inbound logistics
- B. Operations
- C. Human resource management
- D. Outbound logistics
- E. Marketing and sales

32. A window manufacturer has trouble getting raw materials for production. The problem occurs in the _____ activity of the value chain.

- A. Inbound logistics
- B. Operations
- C. Outbound logistics
- D. Marketing and sales
- E. Service

33. Jack attributes the success of his pre-owned automobile business to the clear low-key messages created by a small advertising agency. Lately a new media buyer at the agency has changed the key radio stations where Jack's Auto ads are played and his sales are slipping. The problem occurs in the _____ activity of the value chain.

- A. Inbound logistics
- B. Operations
- C. Outbound logistics
- D. Marketing and sales
- E. Service

34. Dave is a close-up magician who is famous for his card tricks. He creates and sells DVDs of his magic tricks. Lately he has been having trouble getting the DVDs produced in a timely manner. The problem occurs in the _____ activity of the value chain.

- A. Inbound logistics
- B. Operations
- C. Outbound logistics
- D. Marketing and sales
- E. Service

35. Miriam and Gregory are partners in a manufacturing firm that supplies electronic parts to over 1,500 companies. Recently, employees have been complaining that they were not told of changes in health insurance coverage and premiums. They attribute this to a problem with _____.

- A. Firm infrastructure
- B. Human resources management
- C. Technology development
- D. Inbound logistics
- E. Procurement

36. Mammoth Foods, a major agricultural corporation, recently purchased MJS Organic Foods Co. MJS was established six years ago and has become a major supplier to restaurants in the northeastern United States. The organic herbs, vegetables, and fruit market is expected to have a double-digit growth rate over the next decade. Most like, MJS would be classified as a _____ under the Boston Consulting Group model.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

37. Ajax Corp. has a subsidiary, Ajax TV Products, which makes cable television converter boxes. This division has provided the parent company with a steady revenue stream for over thirty years and it is expected to continue its contribution to revenue even in future. Ajax TV Products most likely would be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

38. JTR Recording Company plans to close down a division that makes classical music cassette tapes. The demand for this type of recording has dwindled to the point that the cassette division is barely at break even in terms of revenue. Mostly likely the cassette division would be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

39. Lately the demand for building materials has dropped due to the slow down in new housing construction. Wood-O Corp. is thinking of closing its building materials division as it has been making a loss. Mostly likely the building materials division would be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

40. Hot and Cold Corp. makes disposable coffee and soft drink cups for use in fast food restaurants, hospitals, convenience stores and the like. The company is working on a new product that will biodegrade within five years of being put in a landfill. This promising new product line would most likely be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

41. The Green Scene Co., a struggling start-up firm, has an environmentally friendly pesticide that is approved for use by commercial organic farmers. The pesticide is made from all natural ingredients and has great potential. A small investment firm has injected cash in Green Scene. Mostly likely the investment firm views Green Scene as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

42. Round & Round, a maker of bicycle tires, has faced stiff competition from imported bicycle tires. In one high profit product line, tires for wheelbarrows and other carts, it faces almost no competition in the U.S. Round & Round thinks of the cart tires as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

43. Mega Corp. is interested in buying MD Softworks, a medical software firm. Two software engineers started the company and they have made risky financial decisions. Mega Corp. believes that with proper management, the software firm will become an industry leader. Mostly likely the software firm would be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

44. The business position dimension of the GE Business Screen includes all but _____.

- A. Technology
- B. Growth
- C. Patents
- D. Governmental regulations
- E. Marketing

45. The firm's _____ articulates an organization's purpose, or reason for existence. It should define the unique purpose that sets it apart from competitors and identifies the scope of the company's operations, products, and markets.

- A. Mission statement
- B. Goals
- C. Objectives
- D. Vision
- E. Value proposition

46. _____ is NOT considered a goal.

- A. To deliver the best customer service
- B. To practice responsible financial management
- C. To increase revenue by 15 to 20% in each of the next five years
- D. To hire the best people
- E. To minimize waste

47. _____ is NOT considered an objective.
- A. To improve customer satisfaction ratings to 95%
 - B. To increase ROI by 20%
 - C. To be the leader in our field
 - D. To reduce cost of scrap material to less than 1% of total manufacturing cost
 - E. To get five new distributors
48. Growth, stability, and retrenchment refer to a firm's position relating to its _____.
- A. Specific strategy
 - B. Generic strategy
 - C. Future strategy
 - D. Marketing strategy
 - E. Corporate strategy
49. Hernandez Brothers manufactures trailers that are used by lawn service companies. The company was started in Texas by their father but has expanded in the last 12 years to include 26 sales and service centers throughout the southeast. Mostly likely, the company is using a generic strategy based on _____.
- A. Retrenchment
 - B. Stability
 - C. Market development
 - D. Growth/Concentration via vertical integration
 - E. Growth/Concentration based on horizontal integration
50. Irma's Cupcakes, a family-owned chain of bakeries, is primarily located in malls. The bakery shops had rapid growth in its first seven years. Now the family has decided that adding more shops would make it impossible for them to monitor operations. Most likely the family is pursuing a generic strategy of _____.
- A. Retrenchment
 - B. Stability
 - C. Diversification via concentric means
 - D. Growth/Concentration via vertical integration
 - E. Growth/Concentration based on horizontal integration

51. Really Big Financial Co. has been forced to sell the under performing mortgage division so that senior management can focus on the relatively profitable sector of private banking. Mostly likely the company is pursuing a generic business strategy of _____.

- A. Retrenchment
- B. Stability
- C. Diversification via concentric means
- D. Growth/Concentration via vertical integration
- E. Growth/Concentration based on horizontal integration

52. The airline industry must comply with regulations set by the Federal Aviation Administration and the National Safety Board. A discussion of this would be included in the _____ part of a marketing plan.

- A. Socio-cultural/Demographic
- B. Firm structure and systems
- C. Political, legal, and ethical
- D. Firm resources
- E. Threat of new entrants

53. FRAGmasters Computer Games is creating a marketing plan. Managers are concerned with current distribution. An examination of this issue would be in the _____ section of the marketing plan.

- A. Firm structure and systems
- B. Technological
- C. Firm resources
- D. Segmentation strategies
- E. Supply chain strategies

54. Some large retailers require suppliers to ship products that have Radio Frequency Identification (RFID) tags to facilitate the tracking of products. Other firms may consider implementing this cost-saving tactic. Most likely a description of this would be in the _____ part of a marketing plan.

- A. Economic situation
- B. Natural factors
- C. Technological factors
- D. Bargaining power of suppliers
- E. Marketing capabilities

55. According to the 2000 U.S. Census, Hispanic Americans outnumber African-Americans. Most likely an examination of this issue would be in the _____ section of the marketing plan.

- A. Natural factors
- B. Legal issues
- C. Economic trends
- D. Socio-cultural/Demographic
- E. Threat of new entrants

56. The price of a barrel of oil has varied dramatically in the last few years. When the price of oil is high, automobile drivers look to find ways to drive less. An examination of this issue would be in the _____ section of the marketing plan.

- A. Bargaining power of buyers
- B. Bargaining power of suppliers
- C. Threat of new entrants
- D. Threat of substitute products
- E. Rivalry among existing firms

57. One competitive force NOT addressed directly by Michael Porter is _____.

- A. Power of competitive forces
- B. Power of substitute forces
- C. Power of other stakeholders
- D. Power of suppliers
- E. Power of potential entrants

58. In the section of a marketing plan devoted to firm resources, one expects to find an examination of a firm's functional/operational level of resources and capabilities and how they impact the firm's ability to develop and execute market-driven strategies. These capabilities would include all but _____.

- A. Information systems
- B. Marketing capabilities
- C. Financial capabilities
- D. Transportation systems across the country
- E. Human capabilities

59. A SWOT analysis should NOT _____.

- A. Analyze the competition
- B. Look at internal strengths
- C. Include factors from the Situation Analysis
- D. Identify natural factors
- E. Suggest solutions to problems

60. The best place in a SWOT analysis to list the competitive trends is _____.

- A. External opportunities
- B. External threats
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

61. The best place in a SWOT analysis to identify problems with hurricanes, earthquakes, major snowfalls, and other natural phenomena is _____.

- A. External opportunities
- B. External threats
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

62. An entrepreneur wants to expand her business and is faced with rising interest rates and tightening of credit. The best place in a SWOT analysis to identify this economic trend is _____.

- A. External opportunities
- B. External threats
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

63. The best place in a SWOT analysis to identify a reduced marketing budget is in _____.

- A. External opportunities
- B. External threats
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

64. The best place in a SWOT analysis to identify the possibility of acquiring a growing competitor is in _____.

- A. External opportunities
- B. External threats
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

65. The best place in a SWOT analysis to identify the threat of substitute products is in _____.

- A. External opportunities
- B. External threats
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

66. Phat Sultz, a manufacturer of male clothing, initially started as a small firm without any separate HR department. Now the firm has more than 100 employees and the administrative assistant who has taken care of issues like processing new hires and managing benefits since the founding of the company is overwhelmed with too many tasks. Managers have determined a need for a human resources department. An examination of this issue would be found in the _____ part of the situation analysis.

- A. Firm structure
- B. Firm culture
- C. Firm leadership
- D. Firm resources
- E. Firm history

67. Goals and objectives should be set _____.

- A. At the beginning of marketing planning
- B. At the end of the situation analysis
- C. After marketing strategies are fixed
- D. After completion of all market research, situation analysis, and competitor analysis
- E. None of the above

68. Beach Bums, a maker of swim suits, has contract manufacturing overseas. The firm is concerned that tariffs may be increased. An examination of this issue would take place in the _____ of the situation analysis.

- A. Economic situation
- B. Natural factors
- C. Competitive situation
- D. Political, legal, and ethical factors
- E. Logistic situation

69. Roberta, the marketing manager at New Home Builders Corp., is crafting a SWOT analysis. She should include the downturn in the U.S. economy and tightening of the credit markets in the _____ section.

- A. Strengths
- B. Threats
- C. Opportunities
- D. Strategic
- E. Weaknesses

70. Roberta has many items to include in the SWOT analysis for New Home Builders Corp. An examination of competitors that have gone bankrupt would be included in the _____ section.

- A. Strengths
- B. Threats
- C. Opportunities
- D. Strategy
- E. Weaknesses

71. Roberta's company, New Home Builders Corp., is a specialist in designing one-story homes that have wide hallways and walk-in showers that could accommodate the need to use a wheelchair or walker, and other amenities that allow couples to remain in their homes as they age. The company's strong value proposition has allowed it to maintain steady market share in a weak housing market. A discussion of this relative advantage would be included in the _____ section of the SWOT.

- A. Strengths
- B. Threats
- C. Opportunities
- D. Strategy
- E. Weaknesses

72. Open Sesame is a chain of Thai restaurants located in the western United States. The marketing manager has discovered that there is a growing demand for Spanish food and that Latino Americans spend more money on food away from home than other ethnic groups. This information would be included in the _____ part of the SWOT analysis.

- A. Strengths
- B. Threats
- C. Opportunities
- D. Strategic
- E. Weaknesses

73. The U.S. dollar has strengthened against the Euro and the Yen. A discussion of this would be included in the _____ section of the SWOT.

- A. Strengths
- B. Threats
- C. Opportunities
- D. Strategic
- E. Weaknesses

74. The marketing manager at MWJ Architects, a firm that specializes in design baseball parks, discovers a glitch in the software that the firm uses and that some of its most recent projects will come in over budget. A discussion of this would be included in the _____ section of the SWOT.

- A. Strengths
- B. Threats
- C. Opportunities
- D. Strategic
- E. Weaknesses

75. Rush Express, a North American delivery service, wants to expand service into South America. This is classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

76. Call Company has 12 call centers worldwide. The firm is considering the purchase of a software firm that serves the oil and gas industry. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

77. A former professional football player invested in a seafood restaurant chain when he played ball. Now that he is retired from the NFL, he and his partners want to start a chain of organic fast-casual restaurants in their region of 6 million households. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

78. Bliss Massage Therapy Center maintains a database of over 700 clients and sends each one a special discount offer in the month of his or her birthday. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

79. Vinny, the marketing manager for Bass Line Audio Systems, wants the company to offer an MP3 player, a product the company doesn't have. He thinks that the firm has many brand loyal customers who would buy it. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

80. Great Skate skateboarding parks' marketing team wants to stay open until 3:00 a.m. The parks currently close at midnight. Most likely, this would be classified as a _____ strategy in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

81. Jane, marketing manager at Oh, Baby!, a professional preschool center, thinks the firm should start an after school program to retain its current clients when children get old enough to go to school. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

82. Aaron's boss wants him to travel to Canada to investigate opening retail stores in Montreal and Ottawa. The firm operates under the name of Bob's Bargain Basement. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

83. The process of measuring marketing results and adjusting the marketing plan as needed is called _____.

- A. Marketing control
- B. Marketing metrics
- C. Marketing management
- D. Marketing strategy
- E. Marketing planning

84. Starbucks original marketing strategy called for little or no price-based promotion. For a while, however, the company offered breakfast and a loyalty card program as a response to market pressures. This kind of contingency planning is part of _____.

- A. Marketing control
- B. Marketing metrics
- C. Marketing management
- D. Marketing strategy
- E. Marketing planning

85. Every marketing plan includes an implementation element. These are sometimes called _____.

- A. Strategic plans
- B. Marketing programs
- C. Value propositions
- D. Action plans
- E. Marketing channels

86. Implementation elements should include all but _____.

- A. Timing
- B. A way to measure results
- C. The identity of the person in the firm who is responsible
- D. The identification of resources needed
- E. Just a brief description of the concept

87. One part of a marketing plan should identify what to do if things go wrong. This is called _____.

- A. Contingency planning
- B. Strategic planning
- C. Marketing metrics
- D. Action plans
- E. Marketing programs

88. The section of the plan that contains best case, worst case, and most likely case scenarios is called _____.

- A. Contingency planning
- B. Strategic planning
- C. Marketing metrics
- D. Action plans
- E. Marketing programs

89. Which of the following is NOT true about marketing plans?

- A. They are a means of gathering input from stakeholders throughout the firm
- B. They are essential for the firm's success
- C. They are a rallying point for creativity
- D. They are well articulated
- E. They are rarely changed in response to market pressures

90. Scott is a plumbing fixture manufacturer's representative. He sells to wholesalers, homebuilders, and retailers. His marketing plan calls for going to four trade shows a year. He recently found out that there would be a new Home Show aimed at consumers in his territory and he wants to attend. His boss says, "Go for it!" The boss is reflecting the concept of _____ in successful marketing planning.

- A. Stay flexible
- B. Utilize input, but don't become paralyzed by information and analysis
- C. Don't underestimate the implementation part of the plan
- D. Stay strategic but also stay on top of tactical
- E. Give yourself and your people room to fail and try again

91. Mary's firm has delayed making a decision on acquiring a new product line. Her staff has analyzed and tweaked numbers for three months. Most likely, the staff needs to be reminded to _____.

- A. Stay flexible
- B. Utilize input, but not become paralyzed by information and analysis
- C. Not underestimate the implementation part of the plan
- D. Stay strategic but also stay on top of tactical
- E. Give oneself and others room to fail and try again

92. Tyler's event planning company hired a new marketing assistant. He says he is a "big picture person", not a detail-oriented person. Most likely, Tyler is about to find out that the new assistant needs to be coached to _____.

- A. Stay flexible
- B. Utilize input, but not to become paralyzed by information and analysis
- C. Not underestimate the implementation part of the plan
- D. Stay strategic but also stay on top of tactical
- E. Give yourself and your people room to fail and try again

93. Samantha has worked for MJS Marketing for five years and expected a promotion next month. However, the new product launch that she organized did not go as smoothly as expected. This was the first time the company had hired an outside firm for promotions and Sam is worried that will reflect poorly on her. Sam's terrific boss will most likely remind her that she should _____.

- A. Stay flexible
- B. Utilize input, but not become paralyzed by information and analysis
- C. Not underestimate the implementation part of the plan
- D. Stay strategic but also stay on top of tactical
- E. Give herself and other people room to fail and try again

Short Answer Questions

94. Define value proposition.

95. Define value chain.

96. What are the four types of utility?

97. What is meant by market-driven strategic planning?

98. Describe the relationship between customer loyalty and satisfaction.

99. Describe the concept of the value chain. Who created the idea?

100. What are the five primary activities of the value chain?

101. What are the support activities of the value chain?

102. Your cousin has founded a computer repair service, FRAGMasters. He wants your help in understanding marketing. How do you explain the difference between strategy and tactics?

103. How does a weak link in the value chain undermine the entire value proposition?

104. In looking at the Boston Consulting Group Model and the GE Business Screen, which is the more realistic? Why?

105. You are a member of a corporation tasked with developing your firm's vision statement. What does your group need to consider?

106. What is the difference between goals and objectives?

107. What are the three generic business strategies?

108. Identify Porter's three primary categories of competitive strategy.

109. How do core competencies differ from distinctive competencies?

110. What are the various issues that would be included in the Natural Environmental factors of a marketing plan?

111. Compare and contrast the bargaining power of suppliers with the bargaining power of buyers.

112. Describe the sections of a SWOT analysis.

113. Identify and describe Ansoff's Product-Market Matrix.

Essay Questions

114. Describe how GE has used market-driven strategic planning in regards to corporate and SBU planning.

115. Amanda White, the new CEO of the Too Big Corporation, wants to use the BCG model to analyze the corporation. You are to oversee the project that must be completed in the next 60 days. Amanda has called a meeting for corporate executives and the presidents of the eleven strategic business units. Your task at the meeting is to explain the BCG model and how you will implement it. What will you say? Include any weaknesses of the BDG model.

116. Really Smart Consulting Partners uses the GE Business Screen when analyzing business for clients. Tyrone, a senior partner, has prepared a report telling a client to sell a strategic business unit. How does the report justify the recommendation to sell? What kind of analysis would you expect to be presented?

117. Describe how GE holds each individual SBU accountable for its functional level plans.

118. In the vast majority of companies the conflicting demands of securing sensitive information and open disclosure of business procedures exist relatively harmoniously. However, occasionally the system fails and the result is scandal and even criminal activity. Hewlett-Packard (HP), one of the leading global technology companies, recently found itself involved in a scandal that led to the dismissal of two members of its Board of Directors and the firing of several employees. Describe how HP came to be in this position. Do you think the people involved were unethical by nature?

119. This chapter discusses the Boston Consulting Group Growth-Share Matrix and Generic Business Strategies. How do these models relate? Which growth strategy would you recommend for companies or SBUs in each of the four cells of the BCG model?

120. Marta, a partner of Apex Corp., a business solutions consulting firm, has a client who is creating its first marketing plan. The client needs a marketing plan template. What standard items would be included that Marta would give her client?

121. Describe the factors included in the external environmental analysis.

122. Describe the major factors in the competitive environmental factors.

123. What are the major categories for the internal environmental analysis? What is included in each area?

Chapter 02 Elements of Marketing Strategy and Planning **Answer Key**

True / False Questions

1. (p. 27) Marketing plays a central role in creating, communicating, delivering, and exchanging offerings that have value.

TRUE

From Peter Drucker's early writings in the 1950s to the recently updated AMA official definition of marketing, it is clear that marketing plays a central role in creating, communicating, delivering, and exchanging offerings that have value.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Easy

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

2. (p. 27) The benefits of a product or service must include all types of utility.

TRUE

Four major kinds of utility exist: form, time, place, and ownership. The customer must be able to obtain a form of a product when and where he/she wants it and for a price he/she is willing to pay.

AACSB Standard: Reflective thinking

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

3. (p. 27) Starbucks is known to have shops located across the street from each other. It appears that the coffee shop chain is offering place utility.

TRUE

Starbucks offers place utility by making its offerings available where the consumer wants it.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Easy

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

4. (p. 28) Customer loyalty almost always is directly related to the various sources of value the customer is presently deriving from the relationship with the company and its brands.

TRUE

A firm's value proposition must be strong enough to move customers past mere satisfaction and into a commitment to a company and its products and brands for the long run. Such a commitment reflects a high level of customer loyalty, which increases customer retention and reduces customer switching.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Easy

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

5. (p. 28) Value proposition should drive customer loyalty.

TRUE

Value proposition should drive customers past mere satisfaction into a commitment to a company and its products and brands for the long run.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Easy

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

6. (p. 28) Firms should not be concerned that satisfied customers will switch to another brand.

FALSE

If a competitor comes along with a better value proposition, then even the customers who are presently satisfied may switch to the competitor's product. Customer loyalty reduces customer switching and reduces the need to replace the lost customer.

AACSB Standard: Reflective thinking

Bloom's Taxonomy: Comprehension

Chapter Topic: Value is at the core of marketing

Difficulty: Easy

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

7. (p. 27) The two parts of value equation are benefits and cost.

TRUE

From the viewpoint of the customer, value is seen as a ratio of benefits to costs.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Easy

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

8. (p. 28) Outbound logistics refers to the transportation and distribution of products.

TRUE

Outbound logistics deals with the movement of goods to the marketplace.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Easy

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

9. (p. 29) As long as all activities in the value chain are working well, managers do not need to be concerned with aligning the activities.

FALSE

When various elements of the value chain are aligned, it means that that all facets of the company are working together to ensure that no snags will negatively impact the firm's value proposition. Hence managers should ensure that the activities are aligned.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

10. (p. 29) All of the activities in the value chain lead to margin.

TRUE

Intelligent investments in the primary and support activities within the value chain tend to enhance profit margin.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

11. (p. 30) (Little m) marketing serves as the driver of business strategy.

FALSE

Big M marketing drives strategy whereas little m operates at the functional or operational level.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Marketing planning is both strategic and tactical

Difficulty: Easy

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

12. (p. 33) According to the BCG matrix, a business that is classified as a star has high growth and low market share.

FALSE

Stars have high growth and high market share.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

13. (p. 33) Linda imports fine art paintings and photographs that she sells to hotels. When the dollar is weak against foreign currencies, she struggles to cover her costs. Business has increased 400% in the last five years. With additional resources, she believes she can expand into profitable hospitals and nursing home markets. According to the BCG matrix, Linda's business is a representation of dog strategy.

FALSE

A dog strategy will have a low share and low growth rate. But as per the data in the question, the growth rate is high (400%). Hence it cannot be a dog strategy.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

14. (p. 33) The GE Business Screen portfolio model evaluates businesses on the dimensions of market attractiveness and market share.

FALSE

The GE Business Screen portfolio model evaluates businesses on the dimensions of market attractiveness and business position (not market share).

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

15. (p. 34) In the GE Business Screen model, Business Position looks at factors like government regulations, sensitivity to economic trends and size of the market.

FALSE

Business Position assesses the firm's ability to compete. Factors like government regulations, sensitivity to economic trends and size of the market are looked at in the Market Attractiveness dimension of the GE Business Screen model.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

16. (p. 35) A mission statement does not include a discussion of the firm's strategic vision.

FALSE

Most mission statements do, in fact, give the firm's vision of the future.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Easy

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

17. (p. 35) Objectives are measurable and goals are broad statements of generally desired accomplishments in support of the firm's mission statement.

TRUE

Goals are broad statements which eventually become refined into specific, measurable, and attainable objectives for the firm.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

18. (p. 36) The Sarbanes-Oxley Act of 2002 established specific procedures to ensure ethical conduct at the highest levels of the company, including the Board of Directors.

TRUE

The Sarbanes-Oxley Act of 2002 (commonly referred to as SOX) established specific procedures and processes to ensure ethical conduct at the highest levels of a company including the board of directors and senior management.

AACSB Standard: Communication

Bloom's Taxonomy: Comprehension

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

19. (p. 36) Strategy has two key phases: formulation and execution.

TRUE

Strategy has two key phases: formulation (or development) and execution. It occurs at multiple levels in the firm.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Easy

Learning Objective: 02-03 Identify various types of organizational strategies.

20. (p. 37) According to Porter, when core competencies are superior to those of competitors, they are called distinctive competencies.

TRUE

Distinctive competencies are core competencies that are superior to those of competitors. Firms should invest in distinctive competencies, as they offer opportunity for sustainable competitive advantage in the marketplace, especially if the competencies cannot be easily duplicated or usurped by competitors.

*AACSB Standard: Multicultural/diversity understanding
Bloom's Taxonomy: Knowledge
Chapter Topic: Elements of Marketing Planning
Difficulty: Moderate
Learning Objective: 02-03 Identify various types of organizational strategies.*

21. (p. 37) According to Michael Porter, the first step of marketing planning is the establishment of goals and objectives.

FALSE

Porter's premise is that firms must first identify their core competencies, or the activities the firm can do exceedingly well.

*AACSB Standard: Communication
Bloom's Taxonomy: Knowledge
Chapter Topic: Elements of Marketing Planning
Difficulty: Moderate
Learning Objective: 02-03 Identify various types of organizational strategies.*

22. (p. 47) According to Ansoff's Product-Market matrix, market development strategies allow the firm to introduce existing products to new customers, often including international markets.

TRUE

Market development strategies allow for expansion of the firm's product line into untapped markets, often internationally.

*AACSB Standard: Communication
Bloom's Taxonomy: Knowledge
Chapter Topic: Elements of Marketing Planning
Difficulty: Moderate
Learning Objective: 02-03 Identify various types of organizational strategies.*

23. (p. 47) Market penetration strategies allow the firm to invest additional resources to have existing customers consume new products.

FALSE

Penetration strategies refer to getting current customers to buy more of existing products.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Easy

Learning Objective: 02-03 Identify various types of organizational strategies.

Multiple Choice Questions

24. (p. 27) Value may be defined as the ratio of bundled benefits received to the cost incurred by the customer to receive those benefits. _____ is NOT thought of as one of the costs.

A. Monetary cost

B. Time to shop

C. Convenience

D. Poor service quality

E. Skill or expertise

Convenience is a benefit (and not a cost).

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

25. (p. 27) Form utility is _____.

- A. Marketing's task in creating an offering that has value
- B.** Production's task in transforming raw material into an offering that has value
- C. Management's task in deciding where to distribute the product
- D. Marketing's task in deciding how to price the product
- E. Marketing's task in deciding how to communicate the product

Form utility is created when the firm converts raw materials into finished products that are desired by the market.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Difficult

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

26. (p. 27) Martha purchases books, music, and videos at a large bookstore chain. Although the store nearest to her house is less than five miles away it is a bit out of the way. The location where she shops most frequently is 120 miles north of her home. It is located just off the highway and a good place to take a break when she drives 270 miles to visit her parents once a month. The store that is further away from her home offers _____ utility.

- A. Time
- B. Form
- C. Ownership and form
- D. Form and cost
- E.** Place

The location away from home offers place utility because it is actually more convenient than the hometown store.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

27. (p. 27) Enrico pays a market rate to take his young children to daycare that is run by his employer. It is open until 9:00 p.m., a time by which everyone leaves. This service offered by his company offers _____ utility.

- A. Time
- B. Form
- C. Place
- D. Form and ownership
- E.** Time and place

Since the daycare is at his place of work, he can reach there easily and it is also open when he needs it. Thus it offers both time and place utility.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

28. (p. 27) Shabreka, a senior partner with a law firm, likes to shop in a designer boutique located in a city 30 miles from her home. This store offers _____ utility.

- A. Time and place
- B. Form
- C. Ownership
- D.** Form and ownership
- E. Place

The location is not convenient and we assume it takes a long time to travel to the shop. We can assume that Shabreka chooses the designer clothing because of style (form utility) and because she is willing to pay a high price (ownership utility).

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Value is at the core of marketing

Difficulty: Most difficult

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

29. (p. 27) José and Maria's son Jorge is a talented swimmer. The pool where he takes swimming lessons is 45 miles from their home in suburban Atlanta. _____ utility is NOT part of the round trip they make six days a week.

- A. Exchange
- B. Time and place**
- C. Ownership
- D. Form and ownership
- E. Place

The time and place are not convenient for the family as suggested by the travel time in a metropolitan area.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

30. (p. 28) The concept of value chain was created by _____.

- A. Fred Wiersema
- B. Michael Porter**
- C. Jim Collins
- D. Peter Drucker
- E. Ingor Ansoff

Michael Porter introduced the concept of value chain in his book Competitive Advantage.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

31. (p. 28-29) _____ is NOT one of the five primary activities in the value chain.

- A. Inbound logistics
- B. Operations
- C. Human resource management**
- D. Outbound logistics
- E. Marketing and sales

Human resource management is a support activity in the value chain.

AACSB Standard: Reflective thinking

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Easy

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

32. (p. 28) A window manufacturer has trouble getting raw materials for production. The problem occurs in the _____ activity of the value chain.

- A. Inbound logistics**
- B. Operations
- C. Outbound logistics
- D. Marketing and sales
- E. Service

Sourcing raw materials is part of the inbound logistics activity of the value chain.

AACSB Standard: Reflective thinking

Bloom's Taxonomy: Application

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

33. (p. 28) Jack attributes the success of his pre-owned automobile business to the clear low-key messages created by a small advertising agency. Lately a new media buyer at the agency has changed the key radio stations where Jack's Auto ads are played and his sales are slipping. The problem occurs in the _____ activity of the value chain.

- A. Inbound logistics
- B. Operations
- C. Outbound logistics
- D. Marketing and sales**
- E. Service

Marketing and sales is a primary activity in the value chain and it handles the firm's communication of the value proposition to the marketplace.

AACSB Standard: Analytic

Bloom's Taxonomy: Comprehension

Chapter Topic: Value is at the core of marketing

Difficulty: Easy

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

34. (p. 28) Dave is a close-up magician who is famous for his card tricks. He creates and sells DVDs of his magic tricks. Lately he has been having trouble getting the DVDs produced in a timely manner. The problem occurs in the _____ activity of the value chain.

- A. Inbound logistics
- B. Operations**
- C. Outbound logistics
- D. Marketing and sales
- E. Service

Operations is a primary activity in the value chain where raw materials are converted into final products.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Value is at the core of marketing

Difficulty: Easy

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

35. (p. 28) Miriam and Gregory are partners in a manufacturing firm that supplies electronic parts to over 1,500 companies. Recently, employees have been complaining that they were not told of changes in health insurance coverage and premiums. They attribute this to a problem with _____.

- A. Firm infrastructure
- B. Human resources management**
- C. Technology development
- D. Inbound logistics
- E. Procurement

Human resource management is a support activity in the value chain which looks after employee issues.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

36. (p. 33) Mammoth Foods, a major agricultural corporation, recently purchased MJS Organic Foods Co. MJS was established six years ago and has become a major supplier to restaurants in the northeastern United States. The organic herbs, vegetables, and fruit market is expected to have a double-digit growth rate over the next decade. Most like, MJS would be classified as a _____ under the Boston Consulting Group model.

- A. Star**
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

In only six years MJS has become a major supplier that indicates high share; also it is expected to have a high (double digit) growth rate. Hence it is a star.

AACSB Standard: Analytic

Bloom's Taxonomy: Comprehension

Chapter Topic: Elements of Marketing Planning

Difficulty: Easy

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

Chapter 02 - Elements of Marketing Strategy and Planning

37. (p. 33) Ajax Corp. has a subsidiary, Ajax TV Products, which makes cable television converter boxes. This division has provided the parent company with a steady revenue stream for over thirty years and it is expected to continue its contribution to revenue even in future.

Ajax TV Products most likely would be classified as a _____.

- A. Star
- B. Cash cow**
- C. Dog
- D. Problem Child
- E. Top Gun

Since Ajax has generated high profits for many years and will continue to throw off cash, it is a cash cow.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

38. (p. 33) JTR Recording Company plans to close down a division that makes classical music cassette tapes. The demand for this type of recording has dwindled to the point that the cassette division is barely at break even in terms of revenue. Mostly likely the cassette division would be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog**
- D. Problem Child
- E. Top Gun

Since cassette is outdated technology and the division is not making money the cassette division can be classified as a dog.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

39. (p. 33) Lately the demand for building materials has dropped due to the slow down in new housing construction. Wood-O Corp. is thinking of closing its building materials division as it has been making a loss. Mostly likely the building materials division would be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog**
- D. Problem Child
- E. Top Gun

The building materials division is making a loss and there is a slow down in new housing construction as well. So even with additional investments, the building materials division would find it difficult to make profits. Hence it would be classified as a dog.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

40. (p. 33) Hot and Cold Corp. makes disposable coffee and soft drink cups for use in fast food restaurants, hospitals, convenience stores and the like. The company is working on a new product that will biodegrade within five years of being put in a landfill. This promising new product line would most likely be classified as a _____.

- A. Star**
- B. Cash cow
- C. Dog
- D. Problem Child
- E. Top Gun

The new technology promises to be important to building the future of the firm. We can assume that sales of this product will have high growth rate and will soon have high market share.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

41. (p. 33) The Green Scene Co., a struggling start-up firm, has an environmentally friendly pesticide that is approved for use by commercial organic farmers. The pesticide is made from all natural ingredients and has great potential. A small investment firm has injected cash in Green Scene. Mostly likely the investment firm views Green Scene as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D. Problem Child**
- E. Top Gun

The Green Scene Co. is a struggling start-up firm and has a promising future but it needs cash to operate. So mostly likely the investment firm views Green Scene as a problem child.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

42. (p. 33) Round & Round, a maker of bicycle tires, has faced stiff competition from imported bicycle tires. In one high profit product line, tires for wheelbarrows and other carts, it faces almost no competition in the U.S. Round & Round thinks of the cart tires as a _____.

- A. Star
- B. Cash cow**
- C. Dog
- D. Problem Child
- E. Top Gun

Making of cart tires would be a key source of cash generation for the firm and additionally there would be no competition in this segment in the U.S. So cart tires business is a cash cow for Round & Round.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

43. (p. 33) Mega Corp. is interested in buying MD Softworks, a medical software firm. Two software engineers started the company and they have made risky financial decisions. Mega Corp. believes that with proper management, the software firm will become an industry leader. Mostly likely the software firm would be classified as a _____.

- A. Star
- B. Cash cow
- C. Dog
- D.** Problem Child
- E. Top Gun

Although current management has made ill-advised financial decisions, the firm has great potential if properly nurtured.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

44. (p. 33) The business position dimension of the GE Business Screen includes all but _____.

- A. Technology
- B. Growth
- C. Patents
- D.** Governmental regulations
- E. Marketing

Governmental regulations are a part of the market attractiveness (not business position) dimension of the GE Business Screen.

AACSB Standard: Reflective thinking

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Most difficult

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

45. (p. 35) The firm's _____ articulates an organization's purpose, or reason for existence. It should define the unique purpose that sets it apart from competitors and identifies the scope of the company's operations, products, and markets.

- A.** Mission statement
- B. Goals
- C. Objectives
- D. Vision
- E. Value proposition

The purpose of a mission statement is to articulate the firm's reason for existence.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Easy

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

46. (p. 35) _____ is NOT considered a goal.

- A. To deliver the best customer service
- B. To practice responsible financial management
- C.** To increase revenue by 15 to 20% in each of the next five years
- D. To hire the best people
- E. To minimize waste

Goals are qualitative statements. Answer C is quantitative.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

Chapter 02 - Elements of Marketing Strategy and Planning

47. (p. 35) _____ is NOT considered an objective.

- A. To improve customer satisfaction ratings to 95%
- B. To increase ROI by 20%
- C. To be the leader in our field**
- D. To reduce cost of scrap material to less than 1% of total manufacturing cost
- E. To get five new distributors

Objectives are quantitative statements. Answer C is qualitative.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

48. (p. 37) Growth, stability, and retrenchment refer to a firm's position relating to its _____.

- A. Specific strategy
- B. Generic strategy**
- C. Future strategy
- D. Marketing strategy
- E. Corporate strategy

Generic strategy indicates the firms overall directional strategy at the business level; the possible generic strategies are growth, stability, and retrenchment.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-03 Identify various types of organizational strategies.

49. (p. 37) Hernandez Brothers manufactures trailers that are used by lawn service companies. The company was started in Texas by their father but has expanded in the last 12 years to include 26 sales and service centers throughout the southeast. Mostly likely, the company is using a generic strategy based on _____.

- A. Retrenchment
- B. Stability
- C. Market development
- D. Growth/Concentration via vertical integration
- E. Growth/Concentration based on horizontal integration**

By expanding lawn care services, the firm is growing using horizontal integration. Vertical integration would imply the firm would buy companies such as plant nurseries or suppliers to lawn care companies.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-03 Identify various types of organizational strategies.

50. (p. 37) Irma's Cupcakes, a family-owned chain of bakeries, is primarily located in malls. The bakery shops had rapid growth in its first seven years. Now the family has decided that adding more shops would make it impossible for them to monitor operations. Most likely the family is pursuing a generic strategy of _____.

- A. Retrenchment
- B. Stability**
- C. Diversification via concentric means
- D. Growth/Concentration via vertical integration
- E. Growth/Concentration based on horizontal integration

The firm is concerned about control of operations and does not wish to expand. The family is happy with the status quo and it is pursuing the generic strategy of stability.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-03 Identify various types of organizational strategies.

51. (p. 37) Really Big Financial Co. has been forced to sell the under performing mortgage division so that senior management can focus on the relatively profitable sector of private banking. Mostly likely the company is pursuing a generic business strategy of _____.

- A.** Retrenchment
- B. Stability
- C. Diversification via concentric means
- D. Growth/Concentration via vertical integration
- E. Growth/Concentration based on horizontal integration

The firm is divesting the troubled unit and is pulling back from the financial market. Thus it is pursuing the generic strategy of retrenchment.

AACSB Standard: Analytic
Bloom's Taxonomy: Application
Chapter Topic: Elements of Marketing Planning
Difficulty: Moderate
Learning Objective: 02-03 Identify various types of organizational strategies.

52. (p. 39) The airline industry must comply with regulations set by the Federal Aviation Administration and the National Safety Board. A discussion of this would be included in the _____ part of a marketing plan.

- A. Socio-cultural/Demographic
- B. Firm structure and systems
- C.** Political, legal, and ethical
- D. Firm resources
- E. Threat of new entrants

A discussion related to compliance with regulations set by various regulatory agencies would be included in political, legal, and ethical part of a marketing plan.

AACSB Standard: Analytic
Bloom's Taxonomy: Knowledge
Chapter Topic: Elements of Marketing Planning
Difficulty: Moderate
Learning Objective: 02-03 Identify various types of organizational strategies.

53. (p. 32) FRAGmasters Computer Games is creating a marketing plan. Managers are concerned with current distribution. An examination of this issue would be in the _____ section of the marketing plan.

- A. Firm structure and systems
- B. Technological
- C. Firm resources
- D. Segmentation strategies
- E.** Supply chain strategies

Supply chain strategies are used to deliver value offering to customers.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-03 Identify various types of organizational strategies.

54. (p. 40) Some large retailers require suppliers to ship products that have Radio Frequency Identification (RFID) tags to facilitate the tracking of products. Other firms may consider implementing this cost-saving tactic. Most likely a description of this would be in the _____ part of a marketing plan.

- A. Economic situation
- B. Natural factors
- C.** Technological factors
- D. Bargaining power of suppliers
- E. Marketing capabilities

RFID is a technology. So a description of this would be included in the technological factors part of a marketing plan.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-04 Conduct a situation analysis.

55. (p. 40) According to the 2000 U.S. Census, Hispanic Americans outnumber African-Americans. Most likely an examination of this issue would be in the _____ section of the marketing plan.

- A. Natural factors
- B. Legal issues
- C. Economic trends
- D. Socio-cultural/Demographic**
- E. Threat of new entrants

Tracking ethnic groups would indicate demographic trends. So a description of this would be included in the socio-cultural/demographic section of a marketing plan.

AACSB Standard: Analytic
Bloom's Taxonomy: Knowledge
Chapter Topic: Elements of Marketing Planning
Difficulty: Moderate
Learning Objective: 02-04 Conduct a situation analysis.

56. (p. 41) The price of a barrel of oil has varied dramatically in the last few years. When the price of oil is high, automobile drivers look to find ways to drive less. An examination of this issue would be in the _____ section of the marketing plan.

- A. Bargaining power of buyers**
- B. Bargaining power of suppliers
- C. Threat of new entrants
- D. Threat of substitute products
- E. Rivalry among existing firms

Bargaining power of buyers indicates the degree to which customers affect prices of the products. Thus when automobile drivers look to find ways to drive less when the oil price rises, the demand for oil will reduce which would bring down the oil price.

AACSB Standard: Analytic
Bloom's Taxonomy: Knowledge
Chapter Topic: Elements of Marketing Planning
Difficulty: Moderate
Learning Objective: 02-04 Conduct a situation analysis.

57. (p. 41) One competitive force NOT addressed directly by Michael Porter is _____.

- A. Power of competitive forces
- B. Power of substitute forces
- C. Power of other stakeholders**
- D. Power of suppliers
- E. Power of potential entrants

Stakeholders like unions, community groups, and trade associations can strongly impact industry attractiveness. But this competitive force is not directly addressed by Michael Porter.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-04 Conduct a situation analysis.

58. (p. 42) In the section of a marketing plan devoted to firm resources, one expects to find an examination of a firm's functional/operational level of resources and capabilities and how they impact the firm's ability to develop and execute market-driven strategies. These capabilities would include all but _____.

- A. Information systems
- B. Marketing capabilities
- C. Financial capabilities
- D. Transportation systems across the country**
- E. Human capabilities

Transportation systems are external to the firm.

AACSB Standard: Analytic

Bloom's Taxonomy: Comprehension

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

59. (p. 42) A SWOT analysis should NOT _____.

- A. Analyze the competition
- B. Look at internal strengths
- C. Include factors from the Situation Analysis
- D. Identify natural factors
- E. Suggest solutions to problems**

The SWOT should identify and describe key findings, not draw conclusions or provide solutions. Based on the situation analysis and SWOT, decisions can be made about the remainder of the marketing plan.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

60. (p. 42) The best place in a SWOT analysis to list the competitive trends is _____.

- A. External opportunities
- B. External threats**
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

Competitors are a threat to the firm and they are external to the firm. So analysis of competitive trends should be a part of external threats section of a SWOT analysis.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

61. (p. 42) The best place in a SWOT analysis to identify problems with hurricanes, earthquakes, major snowfalls, and other natural phenomena is _____.

- A. External opportunities
- B. External threats**
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

The firm has no control over external weather phenomena that adversely impact operations. Thus weather problems would be part of the external threats section in a SWOT analysis.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

62. (p. 42) An entrepreneur wants to expand her business and is faced with rising interest rates and tightening of credit. The best place in a SWOT analysis to identify this economic trend is _____.

- A. External opportunities
- B. External threats**
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

Rising interest rates and tightening of credit would threaten the entrepreneur's ability to borrow for expansion. So analysis of these economic conditions would be included in the external threats section of a SWOT analysis.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

63. (p. 42) The best place in a SWOT analysis to identify a reduced marketing budget is in _____.

- A. External opportunities
- B. External threats
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses**

The firm that reduces its marketing budget exposes itself to competitive threats. This would be an internal problem.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

64. (p. 42) The best place in a SWOT analysis to identify the possibility of acquiring a growing competitor is in _____.

- A. External opportunities**
- B. External threats
- C. Internal opportunities
- D. Internal strengths
- E. Internal weaknesses

The availability of a competitor (external to the firm) for purchase would represent an opportunity. So the possibility of acquiring a growing competitor can be identified in the external opportunities section of the SWOT analysis.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

65. (p. 42) The best place in a SWOT analysis to identify the threat of substitute products is in

- _____.
- A. External opportunities
 - B. External threats**
 - C. Internal opportunities
 - D. Internal strengths
 - E. Internal weaknesses

Substitute products are most likely external to the firm and would undermine the firm's offerings. So external threats is the best place in a SWOT analysis to identify the threat of substitute products.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

66. (p. 44) Phat Suitz, a manufacturer of male clothing, initially started as a small firm without any separate HR department. Now the firm has more than 100 employees and the administrative assistant who has taken care of issues like processing new hires and managing benefits since the founding of the company is overwhelmed with too many tasks. Managers have determined a need for a human resources department. An examination of this issue would be found in the _____ part of the situation analysis.

- A. Firm structure**
- B. Firm culture
- C. Firm leadership
- D. Firm resources
- E. Firm history

Creating an HR department is related to changing the firm's structure. So an examination of this issue would be found in the firm structure part of the situation analysis.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-04 Conduct a situation analysis.

67. (p. 46-47) Goals and objectives should be set _____.

- A. At the beginning of marketing planning
- B. At the end of the situation analysis
- C. After marketing strategies are fixed
- D.** After completion of all market research, situation analysis, and competitor analysis
- E. None of the above

Goals and objectives indicate what the marketing manager intends to accomplish with the marketing plan and it should be set after management has in hand as much information as possible.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

68. (p. 39) Beach Bums, a maker of swim suits, has contract manufacturing overseas. The firm is concerned that tariffs may be increased. An examination of this issue would take place in the _____ of the situation analysis.

- A. Economic situation
- B. Natural factors
- C. Competitive situation
- D.** Political, legal, and ethical factors
- E. Logistic situation

The government sets tariffs, making them a legal issue. So it should be included under the political, legal, and ethical factors section of the situation analysis.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-04 Conduct a situation analysis.

69. (p. 42) Roberta, the marketing manager at New Home Builders Corp., is crafting a SWOT analysis. She should include the downturn in the U.S. economy and tightening of the credit markets in the _____ section.

- A. Strengths
- B. Threats**
- C. Opportunities
- D. Strategic
- E. Weaknesses

These economic trends are external to the company and should be considered threats to its ability to sell homes.

AACSB Standard: Analytic
Bloom's Taxonomy: Application
Chapter Topic: Elements of Marketing Planning
Difficulty: Moderate
Learning Objective: 02-04 Conduct a situation analysis.

70. (p. 43) Roberta has many items to include in the SWOT analysis for New Home Builders Corp. An examination of competitors that have gone bankrupt would be included in the _____ section.

- A. Strengths
- B. Threats
- C. Opportunities**
- D. Strategy
- E. Weaknesses

Competitors exiting the market should present an opportunity for the remaining companies.

AACSB Standard: Analytic
Bloom's Taxonomy: Application
Chapter Topic: Elements of Marketing Planning
Difficulty: Moderate
Learning Objective: 02-04 Conduct a situation analysis.

71. (p. 42) Roberta's company, New Home Builders Corp., is a specialist in designing one-story homes that have wide hallways and walk-in showers that could accommodate the need to use a wheelchair or walker, and other amenities that allow couples to remain in their homes as they age. The company's strong value proposition has allowed it to maintain steady market share in a weak housing market. A discussion of this relative advantage would be included in the _____ section of the SWOT.

- A.** Strengths
- B. Threats
- C. Opportunities
- D. Strategy
- E. Weaknesses

The company has a relative advantage over its competitors. So it should be included in the strength section of the SWOT.

AACSB Standard: Analytic
Bloom's Taxonomy: Application
Chapter Topic: Elements of Marketing Planning
Difficulty: Moderate
Learning Objective: 02-04 Conduct a situation analysis.

72. (p. 42) Open Sesame is a chain of Thai restaurants located in the western United States. The marketing manager has discovered that there is a growing demand for Spanish food and that Latino Americans spend more money on food away from home than other ethnic groups. This information would be included in the _____ part of the SWOT analysis.

- A. Strengths
- B.** Threats
- C. Opportunities
- D. Strategic
- E. Weaknesses

Open Sesame is a chain of Thai restaurants and it discovers a growing trend for Spanish food. So it would be considered an external threat.

AACSB Standard: Analytic
Bloom's Taxonomy: Application
Chapter Topic: Elements of Marketing Planning
Difficulty: Moderate
Learning Objective: 02-04 Conduct a situation analysis.

73. (p. 42) The U.S. dollar has strengthened against the Euro and the Yen. A discussion of this would be included in the _____ section of the SWOT.

- A. Strengths
- B. Threats
- C. Opportunities**
- D. Strategic
- E. Weaknesses

The company has no control over the strength of the dollar so this is an external opportunity.

AACSB Standard: Analytic
Bloom's Taxonomy: Application
Chapter Topic: Elements of Marketing Planning
Difficulty: Moderate
Learning Objective: 02-04 Conduct a situation analysis.

74. (p. 42) The marketing manager at MWJ Architects, a firm that specializes in design baseball parks, discovers a glitch in the software that the firm uses and that some of its most recent projects will come in over budget. A discussion of this would be included in the _____ section of the SWOT.

- A. Strengths
- B. Threats
- C. Opportunities
- D. Strategic
- E. Weaknesses**

A glitch in the software is an internal problem and so it should be included in the weakness section in the SWOT.

AACSB Standard: Analytic
Bloom's Taxonomy: Application
Chapter Topic: Elements of Marketing Planning
Difficulty: Moderate
Learning Objective: 02-04 Conduct a situation analysis.

75. (p. 47) Rush Express, a North American delivery service, wants to expand service into South America. This is classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development**

As per Ansoff's Product-Market Matrix, market development strategies involve introducing existing products to new markets. Since Rush Express wants to expand its existing services in South America, this is an example of market development strategy.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

76. (p. 47) Call Company has 12 call centers worldwide. The firm is considering the purchase of a software firm that serves the oil and gas industry. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification**
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E. Market development

Market diversification strategies seize on opportunities to serve new markets with new products. Call Company, which operates call centers at present, is now entering into the software industry. So it is an example of the market diversification strategy.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

77. (p. 47) A former professional football player invested in a seafood restaurant chain when he played ball. Now that he is retired from the NFL, he and his partners want to start a chain of organic fast-casual restaurants in their region of 6 million households. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D.** Product development
- E. Market development

As per Ansoff's Product-Market Matrix, product development means introducing new products in existing markets. Since the seafood restaurant chain now wants to start a chain of organic fast-casual restaurants in their existing region, it becomes an example of product development.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

78. (p. 47) Bliss Massage Therapy Center maintains a database of over 700 clients and sends each one a special discount offer in the month of his or her birthday. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C.** Market penetration
- D. Product development
- E. Market development

As per Ansoff's Product-Market Matrix, market penetration means increasing sales of existing products in existing markets. The discount offer sent by the company to its existing clients is intended to increase consumption of its services by the existing clients. Thus it is an example of market penetration strategy.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

79. (p. 47) Vinny, the marketing manager for Bass Line Audio Systems, wants the company to offer an MP3 player, a product the company doesn't have. He thinks that the firm has many brand loyal customers who would buy it. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D.** Product development
- E. Market development

As per Ansoff's Product-Market Matrix, product development means introducing new products to existing market. The manager thinks that the loyal customers of the company would buy the new product that they are planning to introduce. Thus, it is an example of product development.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

80. (p. 47) Great Skate skateboarding parks' marketing team wants to stay open until 3:00 a.m. The parks currently close at midnight. Most likely, this would be classified as a _____ strategy in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C.** Market penetration
- D. Product development
- E. Market development

As per Ansoff's Product-Market Matrix, market penetration involves investing in existing customers to gain additional usage of existing products.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

81. (p. 47) Jane, marketing manager at Oh, Baby!, a professional preschool center, thinks the firm should start an after school program to retain its current clients when children get old enough to go to school. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D.** Product development
- E. Market development

As per Ansoff's Product-Market Matrix, product development means introducing new products to existing customer base.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

82. (p. 47) Aaron's boss wants him to travel to Canada to investigate opening retail stores in Montreal and Ottawa. The firm operates under the name of Bob's Bargain Basement. Most likely, this would be classified as _____ in Ansoff's Product-Market Matrix.

- A. Market diversification
- B. Marketing strategy development
- C. Market penetration
- D. Product development
- E.** Market development

As per Ansoff's Product-Market Matrix, Market development means introducing existing products to new markets. Since the company wants to open retail stores in new locations, this is an example of market development.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

83. (p. 48) The process of measuring marketing results and adjusting the marketing plan as needed is called _____.

- A.** Marketing control
- B. Marketing metrics
- C. Marketing management
- D. Marketing strategy
- E. Marketing planning

The process of measuring marketing results and adjusting the marketing plan as needed is called marketing control.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

84. (p. 48-49) Starbucks original marketing strategy called for little or no price-based promotion. For a while, however, the company offered breakfast and a loyalty card program as a response to market pressures. This kind of contingency planning is part of _____.

- A.** Marketing control
- B. Marketing metrics
- C. Marketing management
- D. Marketing strategy
- E. Marketing planning

Marketing control involves measuring results and making adjustments as needed to the marketing plan.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

85. (p. 48) Every marketing plan includes an implementation element. These are sometimes called _____.

- A. Strategic plans
- B. Marketing programs
- C. Value propositions
- D. Action plans**
- E. Marketing channels

Action plans or programs are the common name given to implementation elements. Action plans include details about timing, resources, responsibilities, and control.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

86. (p. 48) Implementation elements should include all but _____.

- A. Timing
- B. A way to measure results
- C. The identity of the person in the firm who is responsible
- D. The identification of resources needed
- E. Just a brief description of the concept**

Action plans are implementation elements in the marketing plan and include details about timing, resources, responsibilities and controlling elements.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

87. (p. 48-49) One part of a marketing plan should identify what to do if things go wrong. This is called _____.

- A. Contingency planning**
- B. Strategic planning
- C. Marketing metrics
- D. Action plans
- E. Marketing programs

Contingency plans are used to develop options for minimizing any disruption to the firm's operations. Contingency plans are often described in terms of best case, worst case, and most likely scenarios.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

88. (p. 49) The section of the plan that contains best case, worst case, and most likely case scenarios is called _____.

- A. Contingency planning**
- B. Strategic planning
- C. Marketing metrics
- D. Action plans
- E. Marketing programs

Contingency plans ensure that implementation of marketing strategies would be different depending on how performance against the forecast actually materializes. Hence it contains best case, worst case, and most likely case scenarios.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

89. (p. 50) Which of the following is NOT true about marketing plans?

- A. They are a means of gathering input from stakeholders throughout the firm
- B. They are essential for the firm's success
- C. They are a rallying point for creativity
- D. They are well articulated
- E. They are rarely changed in response to market pressures**

Markets, customers, competitors and external environment change frequently. Hence marketing plan must be flexible so as to address new conditions as they arise.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Tips for Successful Planning

Difficulty: Easy

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

90. (p. 50) Scott is a plumbing fixture manufacturer's representative. He sells to wholesalers, homebuilders, and retailers. His marketing plan calls for going to four trade shows a year. He recently found out that there would be a new Home Show aimed at consumers in his territory and he wants to attend. His boss says, "Go for it!" The boss is reflecting the concept of _____ in successful marketing planning.

- A. Stay flexible**
- B. Utilize input, but don't become paralyzed by information and analysis
- C. Don't underestimate the implementation part of the plan
- D. Stay strategic but also stay on top of tactical
- E. Give yourself and your people room to fail and try again

Markets, customers, competitors and external environment change frequently. Hence marketing plan must be flexible so as to address new conditions as they arise.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Tips for Successful Planning

Difficulty: Moderate

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

Chapter 02 - Elements of Marketing Strategy and Planning

91. (p. 50) Mary's firm has delayed making a decision on acquiring a new product line. Her staff has analyzed and tweaked numbers for three months. Most likely, the staff needs to be reminded to _____.

A. Stay flexible

B. Utilize input, but not become paralyzed by information and analysis

C. Not underestimate the implementation part of the plan

D. Stay strategic but also stay on top of tactical

E. Give oneself and others room to fail and try again

Marketing managers value research and analytics, but also know when to move forward with action.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Tips for Successful Planning

Difficulty: Moderate

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

92. (p. 50) Tyler's event planning company hired a new marketing assistant. He says he is a "big picture person", not a detail-oriented person. Most likely, Tyler is about to find out that the new assistant needs to be coached to _____.

A. Stay flexible

B. Utilize input, but not to become paralyzed by information and analysis

C. Not underestimate the implementation part of the plan

D. Stay strategic but also stay on top of tactical

E. Give yourself and your people room to fail and try again

Both the strategic and tactical elements have to be right for the plan to be successful. So the marketing assistant should look not only at the big picture but also at the details.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Tips for Successful Planning

Difficulty: Moderate

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

Chapter 02 - Elements of Marketing Strategy and Planning

93. (p. 50) Samantha has worked for MJS Marketing for five years and expected a promotion next month. However, the new product launch that she organized did not go as smoothly as expected. This was the first time the company had hired an outside firm for promotions and Sam is worried that will reflect poorly on her. Sam's terrific boss will most likely remind her that she should _____.

- A. Stay flexible
- B. Utilize input, but not become paralyzed by information and analysis
- C. Not underestimate the implementation part of the plan
- D. Stay strategic but also stay on top of tactical
- E. Give herself and other people room to fail and try again**

Marketing planning is not a predictable science and it is important to reward creativity and risk-taking. So Samantha should learn from her mistakes and try again.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Tips for Successful Planning

Difficulty: Moderate

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

Short Answer Questions

94. (p. 27) Define value proposition.

When a firm communicates the **value proposition** of its products to customers, the value message may include the whole bundle of benefits the company promises to deliver, not just the benefits of the product itself.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

95. (p. 28) Define value chain.

Synthesis of activities involved in designing, producing, marketing, delivering, and supporting its products. The value chain identifies nine relevant strategic activities the organization can engage in that create/impact both sides of the value equation: benefits and costs.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

96. (p. 27) What are the four types of utility?

Four major kinds of utility exist: form, time, place, and ownership. **Form utility** is created when the firm converts raw materials into finished products that are desired by the market. The other three utilities—**time**, **place**, and **ownership**—are created by marketing.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

97. (p. 32) What is meant by market-driven strategic planning?

The process at the corporate or SBU level of using resources and functional areas of the firm toward a central purpose around the customer.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

98. (p. 28) Describe the relationship between customer loyalty and satisfaction.

Customer loyalty almost always is directly related to the various sources of value the customer is presently deriving from the relationship with the company and its brands. Except in situations of monopoly (which creates forced loyalty), loyal customers by definition tend to also experience a high level of satisfaction. However, not all satisfied customers are loyal. If a competitor comes along with a better value proposition, or if a value proposition begins to slip or is not effectively communicated, customers who are presently satisfied become good candidates for switching to another company's products.

AACSB Standard: Communication

Bloom's Taxonomy: Comprehension

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

99. (p. 28-29) Describe the concept of the value chain. Who created the idea?

Michael porter created the value chain concept that holds that every organization represents a synthesis of activities involved in designing, producing, marketing, delivering, and supporting its products. The value chain identifies nine relevant strategic activities the organization can engage in that create/impact both sides of the value equation: benefits and costs.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

100. (p. 28-29) What are the five primary activities of the value chain?

The five *primary activities* in the value chain are:

1. *Inbound logistics*—how the firm goes about sourcing raw materials for production.
2. *Operations*—how the firm converts the raw materials into final products.
3. *Outbound logistics*—how the firm transports and distributes the final products to the marketplace.
4. *Marketing and sales*—how the firm communicates the value proposition to the marketplace.
5. *Service*—how the firm supports customers during and after the sale.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

101. (p. 29) What are the support activities of the value chain?

Firm infrastructure—how the firm is set up for doing business; are the internal processes aligned and efficient.

2. *Human resource management*—how the firm ensures it has the right people in place, trains them, and keeps them.
3. *Technology development*—how the firm embraces technology usage for the benefit of customers.
4. *Procurement*—how the firm deals with vendors and quality issues.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

102. (p. 30-31) Your cousin has founded a computer repair service, FRAGMasters. He wants your help in understanding marketing. How do you explain the difference between strategy and tactics?

At the strategic level, marketing (Big M) serves as a core driver of business strategy. That is, an understanding of markets, competitors, and other external forces, coupled with attention to internal capabilities, allows a firm to successfully develop strategies for the future. At the functional or operational level, marketing (little m) represents the specific programs and tactics aimed at customers and other stakeholder groups and includes everything from brand image, to the message salespeople and advertisements deliver, to customer service, to packaging and product features—in fact, all elements of operationalizing the marketing mix and beyond.

AACSB Standard: Communication

Bloom's Taxonomy: Comprehension

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

103. (p. 29) How does a weak link in the value chain undermine the entire value proposition?

From a customer's perspective, when the supplier's value chain is working well, all the customer tends to see are the *results* of a well-aligned value chain: quality products, good salespeople, on-time delivery, prompt service after the sale, and so on. However, it takes only one weak link in the value chain and the whole process of cultivating satisfied and loyal customers can be circumvented.

AACSB Standard: Analytic

Bloom's Taxonomy: Comprehension

Chapter Topic: Value is at the core of marketing

Difficulty: Moderate

Learning Objective: 02-02 Examine the conditions needed for marketing planning; marketing planning is based on the value proposition; marketing planning is dynamic

104. (p. 33-34) In looking at the Boston Consulting Group Model and the GE Business Screen, which is the more realistic? Why?

The GE business screen is a more realistic and complex portfolio model. It also evaluates the business on two dimensions—market attractiveness and business position, which refers to its ability to compete. The investment decision is again suggested by the position on a matrix. A business that is favorable on both dimensions should usually be a candidate to grow. When both market attractiveness and business position evaluations are unfavorable, the harvest or divest options should be raised. When the matrix position is neither unambiguously positive nor negative, the investment decision will require more analysis.

AACSB Standard: Reflective thinking

Bloom's Taxonomy: Analysis

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

105. (p. 35) You are a member of a corporation tasked with developing your firm's vision statement. What does your group need to consider?

A **mission statement** articulates an organization's purpose, or reason for existence. A well-conceived mission statement defines the fundamental, unique purpose that sets a company apart from other firms of its type and identifies the scope of a company's operations, products, and markets.

Most mission statements also include a discussion of what the company would like to become in the future—its **strategic vision**.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

106. (p. 35) What is the difference between goals and objectives?

Goals, general statements of what the firm wishes to accomplish in support of the mission and vision, eventually become refined into specific, measurable, and (hopefully) attainable **objectives** for the firm.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

107. (p. 37) What are the three generic business strategies?

Growth, retrenchment, stability.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Easy

Learning Objective: 02-03 Identify various types of organizational strategies.

108. (p. 38) Identify Porter's three primary categories of competitive strategy.

Low cost, differentiation, and focus (or niche). Exhibit 2.6 describes each of these, and exhibit 2.7 illustrates them further within a matrix format.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-03 Identify various types of organizational strategies.

109. (p. 37) How do core competencies differ from distinctive competencies?

Porter's overarching premise is that firms must first identify their **core competencies**, or the activities the firm can do exceedingly well. When these core competencies are superior to those of competitors, they are called **distinctive competencies**.

AACSB Standard: Communication

Bloom's Taxonomy: Comprehension

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-03 Identify various types of organizational strategies.

110. (p. 40) What are the various issues that would be included in the Natural Environmental factors of a marketing plan?

The natural environment also frequently affects marketing planning. JetBlue's highly publicized winter weather fiasco at JFK airport in 2007 prompted immediate changes in the way the company communicates with its customers. And on a broader scope, the concept of environmentally friendly marketing, or *green marketing*, has been a growing trend in socially responsible companies. *Sustainability*, which refers to business practices that meet humanity's needs without harming future generations, has evolved into a part of the philosophical and strategic core of many firms.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-04 Conduct a situation analysis.

111. (p. 41) Compare and contrast the bargaining power of suppliers with the bargaining power of buyers.

- *Bargaining power of buyers.* To what degree can customers affect prices or product offerings? So far, JetBlue has not been in much head-to-head competition with southwest, AirTran airways, frontier airlines, or other low-fare carriers in its primary markets. Should this change, passengers will have more power to demand even lower fares and/or additional services from JetBlue.
- *Bargaining power of suppliers.* Suppliers impact the competitive nature of an industry through their ability to raise prices or affect the quality of inbound goods and services. Jet fuel literally fires the airline industry's economic engine. Also, few manufacturers of commercial aircraft still exist. Both of these factors point to a competitive environment with strong supplier power.

AACSB Standard: Analytic
Bloom's Taxonomy: Comprehension
Chapter Topic: Elements of Marketing Planning
Difficulty: Moderate
Learning Objective: 02-04 Conduct a situation analysis.

112. (p. 42) Describe the sections of a SWOT analysis.

Upon completion of the situation analysis, a convenient way to summarize key findings is into a matrix of strengths, weaknesses, opportunities, and threats—a **SWOT analysis**. Exhibit 2.10 provides a template for a SWOT analysis. Internal analysis reveals strengths and weaknesses, while external analysis points to potential opportunities and threats.

AACSB Standard: Communication
Bloom's Taxonomy: Knowledge
Chapter Topic: Elements of Marketing Planning
Difficulty: Moderate
Learning Objective: 02-04 Conduct a situation analysis.

113. (p. 47) Identify and describe Ansoff's Product-Market Matrix.

- **Market penetration strategies** involve investing against existing customers to gain additional usage of existing products.
- **Product development strategies** recognize the opportunity to invest in new products that will increase usage from the current customer base.
- **Market development strategies** allow for expansion of the firm's product line into heretofore-untapped markets, often internationally.
- **Diversification strategies** seize on opportunities to serve new markets with new products.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-05 Use the framework provided for marketing planning; along with the content of future chapters; to build a marketing plan

Essay Questions

114. (p. 32) Describe how GE has used market-driven strategic planning in regards to corporate and SBU planning.

GE contains numerous SBUs that compete in very different markets, from lighting to jet engines to financial services. CEO Jeff Immelt oversees a corporate-level strategic plan to serve as an umbrella plan for the overall direction of the corporation, but the real action in marketing planning at GE is at the individual SBU level. Each GE business has its own SBU-level strategic plan, and part of GE's historical leadership culture has been to turn SBU management loose to run their own businesses under their own plans, so long as they meet their performance requirements and contribute satisfactorily to the overall corporate plan.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

115. (p. 35-36) Amanda White, the new CEO of the Too Big Corporation, wants to use the BCG model to analyze the corporation. You are to oversee the project that must be completed in the next 60 days. Amanda has called a meeting for corporate executives and the presidents of the eleven strategic business units. Your task at the meeting is to explain the BCG model and how you will implement it. What will you say? Include any weaknesses of the BDG model.

First the companies must be classified into one of four categories:

- *Stars* (high share, high growth): important to building the future of the business and deserving any needed investment.
- *Cash Cows* (high share, low growth): key sources of internal cash generation for the firm.
- *Dogs* (low share, low growth): potential high cash users and prime candidates for liquidation.
- *Problem Children*, or *Question Marks* (low share, high growth): high cash needs that, if properly nurtured, can convert into stars.

For purposes of strategy development, the BCG matrix approach is seductively simple and has contributed to decision making about internal cash generation and usage across SBUs. It has also morphed in application downward to often be applied to product lines and product groups, which is nominally possible so long as costs and returns can be properly isolated for investment decisions. But by nature of simplicity, BCG ignores other important factors that should go into this decision-making and also ignores the viability of generating cash externally.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

116. (p. 35-37) Really Smart Consulting Partners uses the GE Business Screen when analyzing business for clients. Tyrone, a senior partner, has prepared a report telling a client to sell a strategic business unit. How does the report justify the recommendation to sell? What kind of analysis would you expect to be presented?

It also evaluates the business on two dimensions—market attractiveness and business position, which refers to its ability to compete. The investment decision is again suggested by the position on a matrix. When both market attractiveness and business position evaluations are unfavorable, the harvest or divest options should be raised.

Business Position (high, medium, and low): Assess the firm's ability to compete. Factors include organization, growth, market share by segment, customer loyalty, margins, distribution, technology skills, patents, marketing, and flexibility, among others.

Market Attractiveness (high, medium, and low): For the market, assess size, growth, customer satisfaction levels, competition (quantity, types, effectiveness, commitment), price levels, profitability, technology, governmental regulations, and sensitivity to economic trends, among others.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

117. (p. 35) Describe how GE holds each individual SBU accountable for its functional level plans.

A firm's SBU plans all incorporate **functional-level plans** from operations, marketing, finance, and the other operational areas. Just as the individual SBU CEOs are held accountable for their unit's performance to Jeff Immelt within the context of GE's plan, each SBU's chief marketing officer, chief financial officer, and other operational-level executives is held accountable for the performance of his or her portion of the SBU plan to their own business unit CEO. While GE's system certainly may be larger in scope and complexity than many business-planning situations, the logic is the same regardless of the type or size of an organization. Hence, the marketing plan is nested within the context of an overall corporate and/or business-level strategic plan.

AACSB Standard: Analytic

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

118. (p. 36) In the vast majority of companies the conflicting demands of securing sensitive information and open disclosure of business procedures exist relatively harmoniously. However, occasionally the system fails and the result is scandal and even criminal activity. Hewlett-Packard (HP), one of the leading global technology companies, recently found itself involved in a scandal that led to the dismissal of two members of its Board of Directors and the firing of several employees. Describe how HP came to be in this position. Do you think the people involved were unethical by nature?

When the *Wall Street Journal* reported sensitive information about future business plans that were meant to be communicated only inside the company and in internal discussions among the Board of Directors, HP Chairman Patricia Dunn was determined to find out who was leaking the information and started an investigation into the personal and business communications (phones calls, e-mail, etc.) of several board members without their knowledge.

One of the fired HP officers was the ethics chief for the company and also a well-respected attorney. While stopping the leak of sensitive information was a valid goal, poor, even illegal, decisions were made about how to accomplish that goal. At critical decision moments, no one stepped back to reflect and asked important questions like: Does this make sense? Is this activity appropriate or ethical?

HP CEO Mike Hurd, while involved in the scandal, was not directly connected to the illegal activity. He admitted that mistakes were made during the process and the company subsequently instituted a number of changes to its ethics policies and business practices. While HP market performance remained strong, employees reported considerable conflict as the company dealt with changes to ethics procedures and policies. Hurd has admitted scandal has been a distraction for him and the company, and of course negative publicity about a company is never a good thing for customer confidence in its brands. When management gets distracted by ethics scandals, the company loses strategic focus and the company's brands could lose market share.

AACSB Standard: Reflective thinking

Bloom's Taxonomy: Analysis

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

119. (p. 33 and 37) This chapter discusses the Boston Consulting Group Growth-Share Matrix and Generic Business Strategies. How do these models relate? Which growth strategy would you recommend for companies or SBUs in each of the four cells of the BCG model?

- **BCG Stars** (high share, high growth): important to building the future of the business and deserving any needed investment. Use a **generic business strategy** of *growth*:

Concentration—via vertical or horizontal integration.

Diversification—via concentric or conglomerate means.

- **BCG Cash Cows** (high share, low growth): key sources of internal cash generation for the firm. Use a **generic business strategy** of *stability*.

The strategy to continue current activities with little significant change in direction may be appropriate for a successful organization operating in a reasonably predictable environment. It can be useful in the short term but potentially dangerous in the long term, especially if the competitive landscape changes.

- **BCG Dogs** (low share, low growth): potential high cash users and prime candidates for liquidation. Use a **generic business strategy** of *retrenchment*. An organization in a weak competitive position in some or all of its product lines, resulting in poor performance and pressure on management to quickly improve, may pursue retrenchment. Essentially, retrenchment involves pulling assets out of underperforming parts of the business and reinvesting in aspects of the business with greater future performance potential.

- **BCG Problem Children**, or Question Marks (low share, high growth): high cash needs that, if properly nurtured, can convert into stars. Use a **generic business strategy** of *retrenchment or growth*.

AACSB Standard: Analytic

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Most difficult

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

120. (p. 32) Marta, a partner of Apex Corp., a business solutions consulting firm, has a client who is creating its first marketing plan. The client needs a marketing plan template. What standard items would be included that Marta would give her client?

Exhibit 2.2



AACSB Standard: Communication

Bloom's Taxonomy: Application

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-01 Examine the concept of value and the elements and role of the value chain

121. (p. 39-40) Describe the factors included in the external environmental analysis.

1. *Political, legal, and ethical.* All firms operate within certain rules, laws, and norms of operating behavior. For example, JetBlue has myriad regulations administered by the Federal Aviation Administration, the National Transportation Safety Board, and the Transportation Security Administration. In the airline industry, the regulatory environment is a particularly strong external influence on firms' marketing planning.

2. *Sociocultural/demographic.* Trends among consumers and in society as a whole impact marketing planning greatly. Many such trends are demographic in nature, including changing generational preferences and the rising buying power of minority groups domestically and consumers in developing nations in the global marketplace. Speaking of generational preferences, JetBlue jumped on the video game trend among children and teens by providing in-seat games, much to the delight of parents who no longer have to entertain the kids for the duration of the flight.

3. *Technological.* Constantly emerging and evolving technologies impact business in many ways. The goal is to try to understand the future impact of technological change so a firm's products will continue to be fresh and viable. JetBlue ordered a number of new downsized "regional jets," planes that carry about 50 passengers and allow for entry into smaller, underserved markets. The airline is banking on these attractive, comfortable new aircraft to provide a market edge over the competition.

4. *Economic.* The economy plays a role in all marketing planning. Part of a marketing plan is a forecast and accompanying budget, and forecasts are impacted by the degree to which predicted economic conditions actually materialize. Fuel prices are a major economic cost element for any airline. JetBlue was a pioneer in hedging against rising fuel prices—that is, making speculative long-term purchase commitments betting on fuel prices going up.

5. *Natural.* The natural environment also frequently affects marketing planning. JetBlue's highly publicized winter weather fiasco at JFK airport in 2007 prompted immediate changes in the way the company communicates with its customers. And on a broader scope, the concept of environmentally friendly marketing, or *green marketing*, has been a growing trend in socially responsible companies. *Sustainability*, which refers to business practices that meet humanity's needs without harming future generations, has evolved into a part of the philosophical and strategic core of many firms.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Moderate

Learning Objective: 02-04 Conduct a situation analysis.

122. (p. 40-41) Describe the major factors in the competitive environmental factors.

- *Threat of new entrants.* How strong are entry barriers based on capital requirements or other factors? A cornerstone of JetBlue's initial market entry success was the fact that it was exceptionally well capitalized. Not many new airlines can do that.
- *Rivalry among existing firms.* How much direct competition is there? How much indirect competition? How strong are the firms in both categories? JetBlue's industry contains a number of firms that are much larger, but based on JetBlue's unique value proposition few of them can deliver the same customer experience that JetBlue can.
- *Threat of substitute products.* Substitutes appear to be different but actually can satisfy much or all of the same customer need as another product. Will teleconferencing PC-to-PC (using products such as Skype) reach a point in the near future such that business travel is seriously threatened, thus impacting JetBlue and other airlines?
- *Bargaining power of buyers.* To what degree can customers affect prices or product offerings? So far, JetBlue has not been in much head-to-head competition with Southwest, AirTran Airways, Frontier Airlines, or other low-fare carriers in its primary markets. Should this change, passengers will have more power to demand even lower fares and/or additional services from JetBlue.
- *Bargaining power of suppliers.* Suppliers impact the competitive nature of an industry through their ability to raise prices or affect the quality of inbound goods and services. Jet fuel literally fires the airline industry's economic engine. Also, few manufacturers of commercial aircraft still exist. Both of these factors point to a competitive environment with strong supplier power.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-04 Conduct a situation analysis.

123. (p. 42) What are the major categories for the internal environmental analysis? What is included in each area?

- *Firm structure and systems.* To what degree does the present organizational structure facilitate or impede successful market-driven strategic planning? Are the firm's internal systems set up and properly aligned to effectively serve customers? David Neeleman had his organizational chart right on the company Web site and talked openly about being a lean and mean operation. It's hard to find much evidence that JetBlue's structure and systems offer impediments to its marketing planning.
- *Firm culture.* As discussed previously, successful marketing planning requires a culture that includes customer orientation as a core value. If a firm's culture does not value and support a customer orientation and customer-centric approach to the overall business, marketing planning will likely disappoint. A close review of the communication with customers on JetBlue's Web site provides evidence that customer orientation is a core value at the company.
- *Firm leadership.* Of course, the CEO must believe in and continuously support (financially and otherwise) the structure, systems, and culture necessary for market-driven strategic planning. JetBlue's employee-friendly—and customer-friendly—approach epitomizes such leadership and commitment.
- *Firm resources.* Finally, internal analysis involves taking an honest look at all aspects of a firm's functional/operational-level resources and capabilities and how they play into the ability to develop and execute market-driven strategies. Key resources for study are:
 - Marketing capabilities.
 - Financial capabilities.
 - R&D and technological capabilities.
 - Operations and production capabilities.
 - Human capabilities.
 - Information system capabilities.

AACSB Standard: Communication

Bloom's Taxonomy: Knowledge

Chapter Topic: Elements of Marketing Planning

Difficulty: Difficult

Learning Objective: 02-04 Conduct a situation analysis.