

**Chapter 02: Strategic Planning for Competitive Advantage**

**True / False**

1. Unlike an operating decision, a strategic decision probably will not have a big impact on the long-run profitability of a company.

- a. True
- b. False

ANSWER: False

2. A strategic business unit (SBU) is a subgroup of a single business or a collection of related businesses.

- a. True
- b. False

ANSWER: True

3. Unlike product development, market development involves opening businesses in markets that are already served by separate, well-established companies.

- a. True
- b. False

ANSWER: False

4. Marketing managers rely on customer databases for effective implementation of the market penetration strategy.

- a. True
- b. False

ANSWER: True

5. Eldams Inc., a technological firm, started producing a new gaming console for its domestic market. This shows that Eldams Inc. has adopted a diversification strategy.

- a. True
- b. False

ANSWER: False

6. According to Ansoff's strategic opportunity matrix, both product development and diversification entail creating new products.

- a. True
- b. False

ANSWER: True

7. A diversification strategy is ideal when a firm is entering unfamiliar markets.

- a. True
- b. False

ANSWER: False

8. According to the Boston Consulting Group's (BCG's) portfolio matrix, a star is a fast-growing market leader.

- a. True
- b. False

ANSWER: True

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9. Fresnas Inc. introduced a new line of smartphones in the market. Since it generates huge profits and needs more financing, the new line of smartphones can be categorized as dogs.

- a. True
- b. False

ANSWER: False

10. RegiSure is a strategic business unit that shows low growth but has a dominant market share. Since it has a dominant market share, it should be additionally financed despite its low growth.

- a. True
- b. False

ANSWER: False

11. According to the Boston Consulting Group's (BCG's) portfolio matrix, a dog shows rapid growth but poor profit margins.

- a. True
- b. False

ANSWER: False

12. If an organization has a strategic business unit that has been classified as a star, harvesting would be an appropriate goal.

- a. True
- b. False

ANSWER: False

13. Marketing myopia means long-term thinking.

- a. True
- b. False

ANSWER: False

14. Environmental scanning refers to the process of collecting and interpreting information about forces, events, and relationships in the external environment that may affect the future of the organization or the implementation of the marketing plan.

- a. True
- b. False

ANSWER: True

15. A competitive advantage is a set of unique features of a company and its products that are perceived by the target market as significant and superior to those of the competition.

- a. True
- b. False

ANSWER: True

16. The key to having a competitive advantage is the ability to imitate a competitor's strategy.

- a. True
- b. False

ANSWER: False

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17. A company sells paper stationery made of recycled materials that no other paper manufacturing company in the market has the ability to produce. This company has a competitive advantage.

- a. True
- b. False

ANSWER: True

18. A company's skills include patents, copyrights, and technology that are superior to those of the competition.

- a. True
- b. False

ANSWER: False

19. A firm's assets are functions—such as customer service and promotions—that the firm performs better than its competitors.

- a. True
- b. False

ANSWER: False

20. Imitating a rival's competitive advantage requires a company to first identify the rival's competitive advantage.

- a. True
- b. False

ANSWER: True

21. Marketing objectives must be consistent with and indicate the priorities of an organization.

- a. True
- b. False

ANSWER: True

22. Marketing objectives serve as motivators by creating something for employees to strive for.

- a. True
- b. False

ANSWER: True

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

- a. True
- b. False

ANSWER: True

24. In a target market strategy, identifying the market segment or segments begins with a market opportunity analysis (MOA).

- a. True
- b. False

ANSWER: True

25. Market segments cannot be differentiated by demographic characteristics.

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- a. True
- b. False

ANSWER: False

26. Market segments cannot be differentiated by ethnicity and multicultural aspects.

- a. True
- b. False

ANSWER: False

27. A group of individuals in the age group of 11 to 16 years who extensively use the internet is an example of a market segment.

- a. True
- b. False

ANSWER: True

28. The term marketing mix refers to a unique blend of product, place (distribution), promotion, and pricing strategies (often referred to as the four Ps) designed to produce mutually satisfying exchanges with a target market.

- a. True
- b. False

ANSWER: True

29. A task force is a tightly organized unit under the direction of a manager who, usually, has broad authority.

- a. True
- b. False

ANSWER: True

30. Strategic planning is just an annual exercise.

- a. True
- b. False

ANSWER: False

**Multiple Choice**

31. Which of the following statements is true of strategic planning?

- a. The goal of strategic planning is to create daily operational schedules for first-line workers.
- b. Strategic decisions require short-term commitments of resources.
- c. A good strategic plan can help protect and grow a firm's resources.
- d. Strategic planning lacks an understanding of customers and the market.

ANSWER: c

32. Which of the following statements is true of strategic planning?

- a. will have its own return on investment
- b. will share the same goals and use the same strategies as Fourlotts Inc
- c. will plan collaboratively with Fourlotts Inc.'s other SBUs
- d. will refrain from performing manufacturing functions

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ANSWER: a

33. When properly created, a strategic business unit (SBU)
- a. has a specific target market.
  - b. plans collaboratively with other SBUs of the company
  - c. has no competitors.
  - d. shares the mission of its parent company.

ANSWER: a

34. Magnira Inc. plans to implement a market penetration strategy to increase its market share. According to Ansoff's strategic opportunity matrix, which of the following is most likely to happen?
- a. Magnira Inc. will enter markets that are already served by separate companies.
  - b. Magnira Inc. will target existing customers rather than new customers.
  - c. Magnira Inc. will create new products for the markets it has penetrated.
  - d. Magnira Inc. will move away from its core capabilities, and it will traverse a range of change.

ANSWER: b

35. According to Ansoff's strategic opportunity matrix, which of the following factors is associated with market development?
- a. Limiting the production of products
  - b. Increasing the prices of products
  - c. Adding new uses to products
  - d. Limiting resources used for promotion

ANSWER: c

36. Laelle Corp. is a company that produces large automotive spare parts. It has three offices in the country. According to Ansoff's strategic opportunity matrix, if Laelle Corp. follows a market development strategy,
- a. it creates new products for its present markets
  - b. it focuses on promoting new uses for old products
  - c. it focuses on attracting existing customers rather than new customers
  - d. it ventures into a new business and shut down its existing business

ANSWER: b

37. According to Ansoff's strategic opportunity matrix, unlike market development, product development:
- a. focuses on attracting present customers to existing products.
  - b. involves creating new products for present markets.
  - c. involves entering new markets as competitors.
  - d. uses existing assets to provide added convenience to existing customers.

ANSWER: b

38. Choqlate King Inc. is a large company that produces and sells chocolate bars. It plans to adopt a product development strategy. In this case, which of the following is most likely to happen?
- a. It will focus on attracting new and retaining existing customers.
  - b. It will create competition by lowering the prices of its chocolates.
  - c. It will introduce a low-fat chocolate that has zero cholesterol.

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d. It will use existing assets to provide added convenience to existing customers.

ANSWER: c

39. According to Ansoff's strategic opportunity matrix, a firm that adopts a diversification strategy:

- a. will profit if it enters a new market with little competition.
- b. will be free from risks in unfamiliar markets.
- c. will decrease the prices of existing products.
- d. will sell modified products to existing customers in existing markets.

ANSWER: a

40. Apcon Mobiles Inc. is a popular cell phone manufacturing company. To acquire new customers, it decides to launch its own sim cards in new markets. According to Ansoff's strategic opportunity matrix, which of the following is true of Apcon Mobiles Inc.?

- a. Apcon Mobiles Inc.'s entry into unfamiliar markets is likely to be risky.
- b. Apcon Mobiles Inc. follows a product development strategy.
- c. Apcon Mobiles Inc.'s strategy can be implemented by using customer databases.
- d. Apcon Mobiles Inc.'s entry into a market with high competition is likely to be successful.

ANSWER: a

41. In the context of the innovation matrix, decisions taken at the \_\_\_\_\_ level implement changes that use existing assets to provide added convenience to existing customers and potentially entice customers from other brands.

- a. divestment
- b. diversification
- c. adjacent innovation
- d. core innovation

ANSWER: d

42. In the context of the Boston Consulting Group's (BCG's) portfolio matrix, a \_\_\_\_\_ is a strategic business unit that generates more cash than it needs to maintain its market share.

- a. problem child
- b. dog
- c. star
- d. cash cow

ANSWER: d

43. In the context of the Boston Consulting Group's (BCG's) portfolio matrix, which of the following is a similarity between stars and cash cows?

- a. Both have rapid growth potential but poor profit margins.
- b. Both have a low growth potential.
- c. Both have a high market share in their respective markets.
- d. Both have a low market share in their respective markets.

ANSWER: c

44. In the context of the Boston Consulting Group's (BCG's) portfolio matrix, which of the following is a similarity between stars and question marks?

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- a. Both operate in a high-growth industry.
- b. Both operate in a low-growth industry.
- c. Both have a high market share in their respective markets.
- d. Both have a low market share in their respective markets.

ANSWER: a

45. In the portfolio matrix, a \_\_\_\_\_ has low growth potential and a small market share.

- a. question mark
- b. problem child
- c. star
- d. dog

ANSWER: d

46. In the context of the Boston Consulting Group's (BCG's) portfolio matrix, which of the following is a similarity between cash cows and dogs?

- a. Both operate in high-growth markets.
- b. Both operate in low-growth markets.
- c. Both have a high market share in their respective markets.
- d. Both have a low market share in their respective markets.

ANSWER: b

47. In the context of the Boston Consulting Group's (BCG's) portfolio matrix, like question marks, dogs:

- a. are suitable for a holding strategy.
- b. have a small market share.
- c. operate in a high-growth market.
- d. show rapid growth but poor profit margins.

ANSWER: b

48. \_\_\_\_\_ is the strategy of preserving market share so that an organization can take advantage of the very positive cash flow.

- a. Building
- b. Holding
- c. Harvesting
- d. Divesting

ANSWER: b

49. The basic goal of \_\_\_\_\_ is to increase the short-term cash return without too much concern for the long-run impact.

- a. building
- b. holding
- c. harvesting
- d. divesting

ANSWER: c

50. Issues such as product lines, promotional communications, and pricing are all delineated in the \_\_\_\_\_.

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- a. statement of qualification
- b. article of incorporation
- c. marketing plan
- d. financial statement

ANSWER: c

51. Which of the following statements is true of a marketing plan?

- a. It is a set of orally communicated rules and is seldom written down.
- b. It is developed independently of the external business environment.
- c. It defines the business mission and objectives.
- d. It lacks the elements of advanced strategic planning.

ANSWER: c

52. Which of the following statements is true of an effective business mission statement?

- a. It is based on an analysis of anticipated environmental conditions.
- b. It is kept confidential from customers and stakeholders.
- c. It should define a business in terms of goods and services rather than in terms of the benefits customers seek.
- d. It is stated after the details of a marketing plan are developed.

ANSWER: a

53. Delat Corp. is a large corporation that offers several product lines. On the company's Web site, the following content is highlighted: "The aim of our business is to achieve profitability by offering our customers high-quality products that are manufactured in a cost-effective manner. Our goals are to provide value to our customers, serve the community, and preserve the environment." This content is most likely to be Delat Corp.'s \_\_\_\_\_.

- a. article of incorporation
- b. statement of qualification
- c. scenario planning
- d. mission statement

ANSWER: d

54. When a company defines its mission statement based on its short-term objectives, it is said to be suffering from \_\_\_\_\_.

- a. marketing myopia
- b. marketing inertia
- c. marketing dissonance
- d. marketing blockage

ANSWER: a

55. Rues and West Bros., an ammunition manufacturer, defines its mission as being in the ammunition-production business rather than in the arms industry. In the given scenario, Rues and West Bros. is suffering from \_\_\_\_\_.

- a. marketing inertia
- b. marketing myopia
- c. marketing dissonance
- d. marketing blockage

ANSWER: b



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56. Addoso Inc. manufactures electronic gadgets. The marketing managers at Addoso Inc. have discovered that a new competitor is gaining more customers by selling products at lower prices. In the context of SWOT—internal strengths (S) and weaknesses (W) and external opportunities (O) and threats (T)—analysis, which of the following actions should be taken by the marketing managers at Addoso Inc.?

- a. They must analyze aspects of the marketing environment.
- b. They must focus on organizational resources.
- c. They should ignore macroenvironmental forces.
- d. They should focus on production costs and marketing skills.

ANSWER: a

57. In the context of SWOT—internal strengths (S), weaknesses (W), external opportunities (O), and threats (T)—analysis, which of the following can be considered as a strength of an organization?

- a. Imitable products and services
- b. A new unserved market
- c. A superior production technology
- d. Increased taxes on products

ANSWER: c

58. In the context of SWOT—internal strengths (S), weaknesses (W), external opportunities (O), and threats (T)—analysis, marketers can identify strengths and weaknesses by focusing on:

- a. employee capabilities.
- b. the aspects of the marketing environment.
- c. demographic forces.
- d. the macroenvironmental factors.

ANSWER: a

59. \_\_\_\_\_ tells us that costs decline at a predictable rate as experience with a product increases.

- a. A market opportunity analysis (MOA)
- b. An experience curve
- c. Marketing myopia
- d. Ansoff's strategic opportunity matrix

ANSWER: b

60. Which of the following strategies can enable companies to gain a cost competitive advantage?

- a. Removing frills from products
- b. Focusing on serving marginal customers
- c. Eliminating reverse engineering efforts
- d. Developing additional exclusive functional departments

ANSWER: a

61. A company can gain a cost competitive advantage by:

- a. reorganizing functional departments into cross-disciplinary teams.
- b. manufacturing highly customized products.
- c. providing extra options on products or services.
- d. manufacturing products using complex production techniques.

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ANSWER: a

62. Which of the following practices can help businesses gain a cost competitive advantage?
- a. Using simplified production techniques
  - b. Using expensive raw materials
  - c. Customizing products with extra frills
  - d. Focusing on serving marginal customers

ANSWER: a

63. Unlike a cost competitive advantage, a competitive advantage based on product/service differentiation:
- a. tends to be more attractive to top managers because of its durability.
  - b. provides a shorter-lasting competitive advantage.
  - c. focuses primarily on offering a low-priced product or service than that of competitors.
  - d. lowers costs by removing frills and options from a product or service.

ANSWER: a

64. Which of the following is a distinct feature of a product/service differentiation competitive advantage?
- a. Using government subsidies
  - b. Controlling overhead costs
  - c. Establishing a brand name
  - d. Obtaining inexpensive raw materials

ANSWER: c

65. A product/service differentiation competitive advantage can be achieved by:
- a. using inexpensive raw materials.
  - b. having a strong dealer network.
  - c. having low overhead costs.
  - d. creating generic products.

ANSWER: b

66. Which of the following companies adopts a product/service differentiation competitive advantage?
- a. A firm that sells its products at lower costs than its competitors
  - b. A firm that inhibits post-sale customer service relations
  - c. A firm that provides highly reliable products
  - d. A firm that solely relies on promotional strategies to increase its sales

ANSWER: c

67. Nile Inc. is one of the leading shoe manufacturing companies in Baltonia. It manufactures canvas shoes that are quite similar to those produced by other brands. The management of the company has decided to adopt a product/service differentiation competitive strategy. In this scenario, Nile Inc. should:
- a. offer its products at the lowest rates in the market.
  - b. produce aerobic, tennis, and baseball shoes that have specialized features.
  - c. advertise their products through more media outlets than it previously did.
  - d. sell products to markets outside Baltonia.

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ANSWER: b

68. Unlike a product/service differentiation competitive strategy, a niche strategy:
- a. is suitable for small companies with limited resources.
  - b. is opted in a market segment that has low growth potential.
  - c. aims at being the low-cost competitor in an industry.
  - d. removes frills and options from a product or service.

ANSWER: a

69. Which of the following actions is associated with the niche strategy?
- a. Choosing a target market that is not crucial to the success of major competitors
  - b. Manufacturing products in bulk and targeting average customers
  - c. Selling products without extra frills or options
  - d. Creating cross-departmental teams across all the strategic business units

ANSWER: a

70. Which of the following statements is true about a niche strategy?
- a. Only large companies can implement a niche strategy.
  - b. Companies that adopt a niche strategy have only a small number of customers.
  - c. Only the companies that do not have competitors can adopt a niche strategy.
  - d. Companies that adopt a niche strategy can only gain a price advantage over competitors.

ANSWER: b

71. Drafi Arts Corp. makes and sells original handicraft goods. The management of the company has been successfully using a niche strategy for many years. In this case, which of the following is most likely to be true of Drafi Arts Corp.?
- a. It serves only a limited geographic market.
  - b. It offers products at a lower price than that of the competition.
  - c. It develops products that are similar to those of its competitors.
  - d. It lowers costs by removing frills and options from its products.

ANSWER: a

72. Which of the following examples illustrates a niche strategy?
- a. Libra Inc., a motor company, using new production techniques to achieve economies of scale
  - b. Alpha Electronics deciding to dissolve one of its strategic business units
  - c. Venus Inc. selling products similar to the ones available in the market
  - d. Relish, a confectionery store, selling handcrafted chocolates in only one city

ANSWER: d

73. Unlike a sustainable competitive advantage, a cost competitive advantage:
- a. does not ensure satisfactory profit margins.
  - b. requires business firms to reduce after-purchase service options.
  - c. involves producing goods that cannot be copied by competitors.
  - d. is subject to continual erosion.

ANSWER: d

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74. Jove Inc. is a chocolate manufacturer in the city of Lumberne. While most of the companies in the market produce not more than three basic varieties of chocolates, Jove Inc. sells over 50 different varieties of flavored chocolates. This gives it an edge over the other chocolate makers in Lumberne. This is an example of \_\_\_\_\_.

- a. a divestment
- b. market penetration
- c. a sustainable competitive advantage
- d. diversification

ANSWER: c

75. Freulia Inc. manufactures and sells stationery and office supplies. The firm loses its competitive advantage with the entry of new competitors. In this case, in order to gain a sustainable competitive advantage, Freulia Inc. should:

- a. imitate the products of its competitors.
- b. depend on government subsidies.
- c. build its own competitive advantages.
- d. aim at being the low-cost competitor in the industry.

ANSWER: c

76. An effective marketing objective:

- a. is qualitative rather than quantitative.
- b. is compared to a benchmark.
- c. is written independently of the mission statement.
- d. is written after a marketing plan is drafted.

ANSWER: b

77. Nessca Inc. is pharmaceutical company. It follows a target market strategy as its products are designed to suit the needs of a group of people with similar characteristics. In this case, which of the following market segments can be targeted by Nessca Inc.?

- a. A group of individuals who are diabetic
- b. A group of individuals who work in the same organization
- c. A group of individuals who are working professionals
- d. A group of individuals who reside in the same residential area

ANSWER: a

78. The marketing mix typically involves:

- a. distribution strategies.
- b. divestiture strategies.
- c. restrictive covenants.
- d. federal regulations.

ANSWER: a

79. Which of the following is an element of the marketing mix?

- a. Pricing strategies
- b. Divestment strategies
- c. Investment strategies

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d. Trade restraint strategies

ANSWER: a

80. In the context of the marketing mix, which of the following statements is true of the product?

- a. It includes not only the physical unit but also its package, warranty, and after-sale service.
- b. It is what a buyer must give up in order to obtain a benefit.
- c. It includes all the business activities concerned with storing and transporting raw materials.
- d. It is the last element of the marketing mix.

ANSWER: a

81. In the context of the marketing mix, the product includes:

- a. the name of the brand.
- b. the point of purchase.
- c. the elements of advanced strategic planning.
- d. personal selling.

ANSWER: a

82. The product in the marketing mix includes:

- a. the point of purchase.
- b. the company image.
- c. personal selling.
- d. sales promotion.

ANSWER: b

83. MaxNutri Inc. sells cookies and nutrition bars. The marketers at MaxNutri Inc. are trying to come up with a new and attractive packaging design for its cookies. In this scenario, MaxNutri Inc. is working on its \_\_\_\_\_.

- a. purchase strategy
- b. distribution strategy
- c. advertising strategy
- d. product strategy

ANSWER: d

84. The distribution strategy in the marketing mix is concerned with:

- a. transporting raw materials or finished products.
- b. educating customers about product benefits.
- c. providing after-purchase services to customers.
- d. public relations activities.

ANSWER: a

85. In the context of the marketing mix, which of the following business activities is most closely related to distribution strategies?

- a. Attractiveness of the product packaging
- b. Market segments to be targeted
- c. Storage of raw materials

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d. Medium to be used for advertising

ANSWER: c

86. Which of the following should be the main focus of marketers in accordance with distribution strategies?

- a. Market segments to be targeted
- b. Medium to be used for advertising
- c. Products to be manufactured
- d. Physical locations of products

ANSWER: d

87. Revel Inc., a cell phone manufacturer, decides to launch its new range of smartphones on the company's official Web site so that its logistics issues can be solved. With this modification, its customers can now buy the smartphones even if they are not sold in any of the stores in their locality. In this case, Revel Inc. focuses on the \_\_\_\_\_ element of the marketing mix.

- a. evaluation
- b. promotion
- c. price
- d. distribution

ANSWER: d

88. In the context of the marketing mix, which of the following business activities is closely associated with promotion?

- a. Usage of social media to increase products sales
- b. Decisions on increasing the prices of products
- c. Changing the appearance of the product packaging
- d. Ways to improve product quality

ANSWER: a

89. In the context of the marketing mix, promotion includes:

- a. public relations activities.
- b. pricing strategies.
- c. after-purchase service.
- d. storage and transportation of finished products.

ANSWER: a

90. In the context of the marketing mix, which of the following is an element of promotion?

- a. Pricing strategies
- b. Personal selling
- c. Product packaging
- d. Manufacturing strategies

ANSWER: b

91. Marketers at Libra Electronics Inc. are developing promotional strategies to increase product sales. They want to promote the company's products among the public. In this case, which of the following is an effective promotional strategy that the marketers can follow to improve product/brand awareness among the public?

- a. They can limit the products' availability to a few retail stores in the city.

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- b. They can raise the prices of the products to signify quality.
- c. They can reduce frills or options from the products.
- d. They can print pamphlets that elaborate the products' features.

ANSWER: d

92. Varion Air, an airline company, is providing promotional offers to mark its first anniversary. Its customers will be given a complimentary air ticket on the purchase of three business class tickets. In this case, which of the following is true of its promotional strategy?

- a. It will satisfy the flyers and not the management of Varion Air.
- b. It will not be effective as promotion does not apply to services.
- c. It will increase the sales of Varion Air.
- d. It will work independently of the other three elements of the marketing mix.

ANSWER: c

93. Which of the following statements is true of the price component of the marketing mix?

- a. It does not affect a firm's competitive advantage.
- b. It is the least important of the four Ps of the marketing mix.
- c. It is what a buyer must give up in order to obtain a product.
- d. It is decided independently of the external environment of the business.

ANSWER: c

94. The price component of the marketing mix is:

- a. a competitive weapon for companies.
- b. a basis to obtain a product differentiation advantage.
- c. the starting point of the marketing mix.
- d. the least flexible element of the marketing mix.

ANSWER: a

95. \_\_\_\_\_ multiplied by the number of units sold equals total revenue for a firm.

- a. Discount
- b. Price
- c. Overhead cost
- d. Profit margin

ANSWER: b

96. Synergy Corp., a large seller of energy-efficient light bulbs, uses extensive promotional strategies to stimulate sales. The marketers at Synergy Corp. have noticed that a competitor is doing well and is steadily gaining a large market share. They want to counter the competitor immediately by increasing the sales of Synergy Corp.'s bulbs. In this case, which of the following steps should the marketers at Synergy take to stimulate the sales of its products?

- a. They should change the pricing strategy.
- b. They should create complex production techniques.
- c. They should enter into new supplier contracts.
- d. They should adopt a divesting strategy.

ANSWER: a

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97. The marketers at Gemini Inc. have prepared a marketing plan for the company's air conditioners. The managers at Gemini have outlined several activities for their subordinates based on this marketing plan. The employees are required to finish these activities within a month. The managers have also allocated a budget for each activity. In the context of marketing planning, which of the following concepts is illustrated in the scenario?

- a. Divestment
- b. Implementation
- c. Diversification
- d. Vertical integration

ANSWER: b

98. In the context of marketing planning, implementation involves:

- a. allocating resources.
- b. identifying market segments.
- c. defining the business mission.
- d. assessing internal capabilities of a firm.

ANSWER: a

99. In the context of marketing planning, which of the following statements is true of implementation?

- a. It gauges the extent to which marketing objectives have been achieved during the specified time period.
- b. Brilliant marketing plans succeed even without proper implementation.
- c. It involves a lot of communication for executing a plan.
- d. Managers hold the power to decide and implement decisions rather than delegating it.

ANSWER: c

100. Which of the following activities is carried out during implementation of a marketing plan?

- a. Defining the business mission
- b. Performing marketing audit
- c. Setting up strategic business units
- d. Creating and managing a task force

ANSWER: d

101. In the context of implementation, which of the following statements is true of a task force?

- a. Authority is equally vested in each employee.
- b. It is established to accomplish a single goal or mission.
- c. It works independent of a specific deadline.
- d. Task force is set up for simple rather than strategic plans.

ANSWER: b

102. In the context of following up on a marketing plan, \_\_\_\_\_ entails gauging the extent to which marketing objectives have been achieved during the specified time period.

- a. implementation
- b. control
- c. evaluation
- d. environmental scanning



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ANSWER: c

103. In the context of following up on a marketing plan, \_\_\_\_\_ provides the mechanisms for evaluating marketing results in light of the plan's objectives and for correcting actions that do not help the organization reach those objectives within budget guidelines.

- a. implementation
- b. control
- c. environmental scanning
- d. marketing myopia

ANSWER: b

104. \_\_\_\_\_ is a thorough, systematic, periodic evaluation of the objectives, strategies, structure, and performance of the marketing organization.

- a. Marketing mix
- b. Diversification
- c. Core innovation
- d. Marketing audit

ANSWER: d

105. Which of the following statements is true of a marketing audit?

- a. It should be carried out on a regular schedule.
- b. It is normally conducted by an outside party and restricts an inside party of a firm.
- c. It covers just the trouble spots of an organization.
- d. It is a device to implement a marketing plan.

ANSWER: a

106. Which of the following strategies can help companies make strategic planning effective?

- a. Excluding top management from the strategic planning process
- b. Making strategic planning an ongoing process rather than an annual exercise
- c. Eliminating managerial intuitions
- d. Avoiding cross-functional teams

ANSWER: b

107. Which of the following statements is true of strategic planning?

- a. It is an intermittent process.
- b. It should focus on short-run profitability and growth rather than long-run profits.
- c. It is done independently by company shareholders.
- d. It should be based on creativity.

ANSWER: d

108. Companies can make strategic planning more effective by:

- a. ensuring the participation of top management.
- b. ensuring that decision making is centralized.
- c. making strategic planning an annual exercise.

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d. focusing on short-run profitability and growth.

ANSWER: a

109. Sweet Snow is an established ice cream manufacturing company. It has recently introduced a zero-fat ice cream in the market, and as an introductory offer, it is selling its products at discounted prices. In the context of Ansoff's strategic opportunity matrix, which of the following strategies has Sweet Snow adopted?

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

ANSWER: d

110. Bill and Jill is an American pharmaceutical company. It has been the market leader in the American pharmaceutical industry for the last five years. The market has slowly started to saturate, and the management has decided to target lesser privileged countries that do not have adequate medical care facilities. According to Ansoff's strategic opportunity matrix, which of the following strategies has Bill and Jill adopted?

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

ANSWER: d

111. In the context of Ansoff's strategic opportunity matrix, which of the following companies is using a market development strategy?

- a. Open Ware, a software company, which has produced a new antivirus software for its domestic market
- b. Ozz Corp., a kitchenware company in Europe, which has opened a new facility in Asia to sell its products in the country
- c. Cool Blue, a beverage company, which has introduced a new zero-sugar cola in the market and allows its existing customers to take free samples home
- d. Ideal Sound, an electronics company in Asia, which has planned to manufacture sports gear

ANSWER: b

112. FittedStyle is a clothing company. It has recently introduced a new line of heavy-duty shirts. These shirts are made from tough fabric that is highly resistant to stains and wear and tear. FittedStyle is targeting its existing customers with its shirts. According to Ansoff's strategic opportunity matrix, which of the following strategic alternatives has been adopted by FittedStyle?

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

ANSWER: c

113. In the context of Ansoff's strategic opportunity matrix, which of the following companies is using a product development strategy?

- a. DodgeFree, a sports goods company, which has produced new basketballs for its existing customers
- b. James&Sons, a lock manufacturing company in America, which has started opening new stores in all the states

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of the country

- c. SofBake, a food and beverage company, which has reduced the prices of its scones and breads to attract more customers
- d. Juro, a weapon manufacturer from Europe, which has started selling its guns in Asia

ANSWER: a

114. FrozenFun, an ice cream company, has started manufacturing and selling refrigerators. It wants to attract customers from outside the food industry to increase its revenue. In the context of Ansoff's strategic opportunity matrix, which of the following strategic alternatives has been adopted by FrozenFun?

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

ANSWER: a

115. SpecificEffects, an electronics company, has recently adopted a diversification strategy and has started manufacturing cosmetics. In keeping with its recent strategy, SpecificEffects will most likely:

- a. attract existing customers with its popular electronic products.
- b. attract new customers with its existing range of cosmetics.
- c. create new electronic goods for its existing customers.
- d. introduce new cosmetic products in its neighboring country.

ANSWER: d

116. Specific Elements is a mobile manufacturer. Its range of Z phones that were best sellers at one point is fast losing its popularity. Other phones with more advanced technology are ruling the market and Z phones are unlikely to match up to the competitors. In the context of the portfolio matrix, Z phones is most likely to be categorized as a \_\_\_\_\_.

- a. star
- b. problem child
- c. cash cow
- d. dog

ANSWER: d

117. Cyan Software is a popular software company. The company has a strong presence in the market as it offers the best packaging, customer service, and warranty services. Most customers prefer its products and services over that of other software companies. In this scenario, which of the following competitive advantages is Cyan Software most likely to provide?

- a. Price fixing opportunities
- b. Niche competitive advantage
- c. Product/service differentiation competitive advantage
- d. Diversification opportunities

ANSWER: c

118. Which of the following companies is most likely to have a product/service differentiation competitive advantage?

- a. Lurce Inc., a soft drink manufacturer, solely relies on pricing strategies to counter competition.
- b. Minevra Corp., a home appliance manufacturer, is famous for its post-purchase customer support.

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- c. Griffin Corp., a clothing store, follows a no-return policy on all the clothes it sells.
- d. Bioglow Inc., a healthcare firm, focuses on only one segment of the market.

ANSWER: b

119. Which of the following companies is most likely to have a product/service differentiation competitive advantage?

- a. Luna Inc., a company dealing in beverages, solely relies on pricing strategies to counter competition.
- b. Zeus Corp., a tire manufacturer, has the strongest dealer network in the market.
- c. Design Corp., a supermarket, follows a no-return policy on all the products it sells.
- d. Glow Inc., a healthcare firm, plans to manufacture garments.

ANSWER: b

120. Spence is a pharmaceutical company that exclusively manufactures and sells drugs to treat a rare lung disease that affects 0.01% of the population in the world. In this case, which of the following competitive advantages does Spence have?

- a. A niche competitive advantage
- b. A cost advantage
- c. A product differentiation competitive advantage
- d. A price differentiation competitive advantage

ANSWER: a

121. Pica Paints is the largest decorative paint company in the industry. It provides the best post-sales support and is unmatched when it comes to product quality. No other brand in this segment has been able to match these qualities of Pica Paints. In this case, Pica Paints:

- a. has created a sustainable competitive advantage.
- b. is effectively serving a niche segment of the market.
- c. has repositioned itself as a business-to-business company.
- d. is a high-cost competitor in the industry.

ANSWER: a

122. The managers at IdealComm. have conducted a thorough study to identify customer groups that need to be targeted. They have a fair idea about what kind of product the customers might find attractive, the price that would seem the most reasonable, the ideal place to sell it, and the ideal way to promote it. In this scenario, the managers at IdealComm. have created its \_\_\_\_\_.

- a. marketing strategy
- b. divestment strategy
- c. mission statement
- d. portfolio matrix

ANSWER: a

123. Carl's Pens, an office supplies company, has launched a new marker pen that can be used on any surface. The company has set up booths in all the popular shopping malls in the country to demonstrate the new marker and let the public get a hands-on experience. In this scenario, Carl's Pens is focusing on the \_\_\_\_\_ element of the marketing mix.

- a. promotion
- b. distribution
- c. pricing

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d. costing

ANSWER: a

### **Essay**

124. Describe the nature of strategic planning.

ANSWER: Answers will vary. Strategic planning is the managerial process of creating and maintaining a fit between the organization's objectives and resources and the evolving market opportunities. The goal of strategic planning is long-run profitability and growth. Thus, strategic decisions require long-term commitments of resources. A strategic error can threaten a firm's survival. On the other hand, a good strategic plan can help protect and grow the firm's resources. Strategic marketing management addresses two questions: (1) What is the organization's main activity at a particular time? (2) How will it reach its goals? REJ: Please see the section "The Nature of Strategic Planning" for more information.

125. Explain the characteristics of strategic business units (SBUs).

ANSWER: Answers will vary. Large companies may manage a number of very different businesses, called strategic business units (SBUs). Each SBU has its own rate of return on investment, growth potential, and associated risks, and requires its own strategies and funding. When properly created, an SBU has the following characteristics:

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

In theory, an SBU should have its own resources for handling basic business functions: accounting, engineering, manufacturing, and marketing. In practice, however, because of company tradition, management philosophy, and production and distribution economies, SBUs sometimes share manufacturing facilities, distribution channels, and even top managers. REJ: Please see the section "Strategic Business Units" for more information.

126. Discuss the market penetration strategy of Ansoff's strategic opportunity matrix.

ANSWER: Answers will vary. A firm using the market penetration alternative would try to increase market share among existing customers. FTR Energy Services, a division of Frontier Communications, introduced a Green-e certified energy service into New York, Ohio, and Indiana markets served by Frontier's telephone and broadband services. Though these markets were already served by separate, well-established energy companies, FTR Energy hoped to penetrate the energy market by allowing customers to lock in competitive rates and offering five percent cash back on energy usage. Customer databases would help managers implement the market penetration strategy. REJ: Please see the section "Strategic Alternatives" for more information.

127. Explain how a business mission has to be defined.

ANSWER: Answers will vary. The foundation of any marketing plan is a firm's mission statement, which answers the question "What business are we in?" The way a firm defines its business mission profoundly affects the firm's long-run resource allocation, profitability, and survival. The mission statement is based on a careful analysis of benefits sought by present and potential customers and an analysis of existing and anticipated environmental conditions. The firm's mission statement establishes boundaries for all subsequent decisions, objectives, and strategies.

A mission statement should focus on the market or markets the organization is attempting to serve rather than

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on the good or service offered. Otherwise, a new technology may quickly make the good or service obsolete and the mission statement irrelevant to company functions. Business mission statements that are stated too narrowly suffer from marketing myopia—defining a business in terms of goods and services rather than in terms of the benefits customers seek. In this context, myopia means narrow, short-term thinking. For example, Frito-Lay defines its mission as being in the snack-food business rather than in the corn chip business. The mission of sports teams is not just to play games but also to serve the interests of the fans. Alternatively, business missions may be stated too broadly. "To provide products of superior quality and value that improve the lives of the world's consumers" is probably too broad a mission statement for any firm except Procter & Gamble. Care must be taken when stating what business a firm is in. REJ: Please see the section "Defining the Business Mission" for more information.

128. Explain SWOT analysis.

**ANSWER:** Answers will vary. Marketers must understand the current and potential environment in which the product or service will be marketed. A situation analysis is sometimes referred to as a SWOT analysis—that is, the firm should identify its internal strengths (S) and weaknesses (W) and also examine external opportunities (O) and threats (T).

When examining internal strengths and weaknesses, the marketing manager should focus on organizational resources such as production costs, marketing skills, financial resources, company or brand image, employee capabilities, and available technology.

When examining external opportunities and threats, marketing managers must analyze aspects of the marketing environment. This process is called environmental scanning—the collection and interpretation of information about forces, events, and relationships in the external environment that may affect the future of the organization or the implementation of the marketing plan. Environmental scanning helps identify market opportunities and threats and provides guidelines for the design of marketing strategy. The six most often studied macroenvironmental forces are social, demographic, economic, technological, political and legal, and competitive. REJ: Please see the section "Conducting a Situation Analysis" for more information.

129. List the three types of competitive advantages and define them.

**ANSWER:** Answers will vary. There are three types of competitive advantage: cost, product/service differentiation, and niche.

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

A product/service differentiation competitive advantage exists when a firm provides something that is unique and valuable to buyers beyond simply offering a lower price than that of the competition.

A niche competitive advantage seeks to target and effectively serve a single segment of the market. REJ: Please see the section "Competitive Advantage" for more information.

130. Discuss the factors that make marketing objectives effective.

**ANSWER:** Answers will vary. A marketing objective is a statement of what is to be accomplished through marketing activities. To be useful, stated objectives should be:

**Realistic:** Managers should develop objectives that have a chance of being met. For example, it may be unrealistic for start-up firms or new products to command dominant market share, given other competitors in the marketplace.

**Measurable:** Managers need to be able to quantitatively measure whether or not an objective has been met. For example, it would be difficult to determine success for an objective that states, "To increase sales of cat food." If the company sells one percent more cat food, does that mean the objective was met? Instead, a specific number should be stated, "To increase sales of Purina brand cat food from \$300 million to \$345 million."

**Time specific:** By what time should the objective be met? "To increase sales of Purina brand cat food between January 1, 2014, and December 31, 2014."

**Compared to a benchmark:** If the objective is to increase sales by 15 percent, it is important to know the baseline against which the objective will be measured. Will it be current sales? Last year's sales? For example,

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"To increase sales of Purina brand cat food by 15 percent over 2012 sales of \$300 million." REJ: Please see the section "Setting Marketing Plan Objectives" for more information.

131. Discuss the process of market opportunity analysis.

*ANSWER:* Answers will vary. The target market strategy identifies the market segment or segments on which a firm should focus. This process begins with a market opportunity analysis (MOA)—the description and estimation of the size and sales potential of market segments that are of interest to the firm and the assessment of key competitors in these market segments. After the firm describes the market segments, it may target one or more of them. REJ: Please see the section "Describing the Target Market" for more information.

132. Discuss the general strategies for selecting target markets.

*ANSWER:* Answers will vary. Target markets can be selected by appealing to the entire market with one marketing mix, concentrating on one segment, or appealing to multiple market segments using multiple marketing mixes. Target markets could be eighteen- to twenty-five-year-old females who are interested in fashion (Vogue magazine), people concerned about sugar and calories in their soft drinks (Diet Pepsi), or parents who do not have the time to potty train their children (Booty Camp classes where kids are potty trained). Any market segment that is targeted must be fully described. Demographics, psychographics, and buyer behavior should be assessed. REJ: Please see the section "Describing the Target Market" for more information.

133. Compare product strategies and pricing strategies in the context of the marketing mix.

*ANSWER:* Answers will vary. Of the four Ps, the marketing mix typically starts with the product. The heart of the marketing mix, the starting point, is the product offering and product strategy. It is hard to design a place strategy, decide on a promotion campaign, or set a price without knowing the product to be marketed. The product includes not only the physical unit but also its package, warranty, after-sale service, brand name, company image, value, and many other factors. Price is what a buyer must give up in order to obtain a product. It is often the most flexible of the four Ps—the quickest element to change. Marketers can raise or lower prices more frequently and easily than they can change other marketing mix variables. Price is an important competitive weapon and is very important to the organization because price multiplied by the number of units sold equals total revenue for the firm. REJ: Please see the section "The Marketing Mix" for more information.

134. Discuss the process of implementing a marketing plan.

*ANSWER:* Answers will vary. Implementation is the process that turns a marketing plan into action assignments and ensures that these assignments are executed in a way that accomplishes the plan's objectives. Implementation activities may involve detailed job assignments, activity descriptions, time lines, budgets, and lots of communication. It requires delegating authority and responsibility, determining a time frame for completing tasks, and allocating resources. Sometimes a strategic plan also requires task force management. A task force is a tightly organized unit under the direction of a manager who, usually, has broad authority. A task force is established to accomplish a single goal or mission and thus works against a deadline. Implementing a plan has another dimension: gaining acceptance. New plans mean change, and change creates resistance. One reason people resist change is that they fear they will lose something. For example, when new-product research is taken away from marketing research and given to a new-product department, the director of marketing research will naturally resist this loss of part of his or her domain. Misunderstanding and lack of trust also create opposition to change, but effective communication through open discussion and teamwork can be one way of overcoming resistance to change. Although implementation is essentially "doing what you said you were going to do," many organizations repeatedly experience failures in strategy implementation. Brilliant marketing plans are doomed to fail if they are not properly implemented. These detailed communications may or may not be part of the written marketing plan. If they are not part of the plan, they should be specified elsewhere as soon as the plan has been

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communicated. Strong, forward-thinking leadership can overcome resistance to change, even in large, highly integrated companies where change seems very unlikely. REJ: Please see the section "Following Up on the Marketing Plan" for more information.

135. Discuss how strategic planning can be made effective.

*ANSWER:* Answers will vary. Effective strategic planning requires continual attention, creativity, and management commitment. Strategic planning should not be an annual exercise in which managers go through the motions and forget about strategic planning until the next year. It should be an ongoing process because the environment is continually changing and the firm's resources and capabilities are continually evolving. Sound strategic planning is based on creativity. Managers should challenge assumptions about the firm and the environment and establish new strategies. REJ: Please see the section "Effective Strategic Planning" for more information.