

Chapter_02_Strategic_Planning_in_Contemporary_Marketing_

1 ■ ■ The planning process identifies objectives and determines the actions that are needed to attain those objectives.

- True
 False

2 ■ ■ The planning process creates a blueprint that everyone in the organization must follow in order to achieve the organizational objectives.

- True
 False

3 ■ ■ The planning process is an intermittent process held after substantial intervals.

- True
 False

4 ■ ■ Marketing planning establishes the basis for a firm's overall strategic plan.

- True
 False

5 ■ ■ Relationship-building goals and strategies are seldom included in the plans of business firms.

- True
 False

6 ■ ■ Good relationships with customers can equip a firm with vital strategic weapons.

- True
 False

7 ■ ■ Strategic planning has a minimal impact on a firm's destiny because it provides only short-term direction to the decision makers.

- True
- False

8 ■ ■ Planning often is classified on the basis of its scope or breadth.

- True
- False

9 ■ ■ Tactical plans typically determine an organization's primary strategic objectives and exclude short-term actions from their purview.

- True
- False

10 ■ ■ Tactical planning usually involves the production of quarterly and semiannual plans, along with divisional budgets, policies, and procedures.

- True
- False

11 ■ ■ Middle and supervisory-level managers spend less time as compared to CEOs on planning activities.

- True
- False

12 ■ ■ The chief executive officer (CEO) and vice president of marketing spend a greater proportion of their time on operational planning than do managers at all other organizational levels.

- True
- False

13 ■ ■ Operational planning that involves the creation and implementation of tactical plans for the departments within an organization is primarily the responsibility of top-level management.

- True
- False

14

- ■ The advertising director, marketing research manager, and other middle-level managers have the primary responsibility of devising and implementing the strategic plan of the company.

True
 False

- 15 ■ ■ Employees at middle-management levels engage themselves in business unit budgets and divisional policies and procedures.

True
 False

- 16 ■ ■ To be most effective, the planning process should include input from a wide range of sources both internal and external to the organization.

True
 False

- 17 ■ ■ As the senior vice-president of marketing, Naomi will be closely involved in her firm's strategic planning.

True
 False

- 18 ■ ■ Supervisory managers tend to focus exclusively on strategic planning.

True
 False

- 19 ■ ■ The planning process begins at the corporate level with the first step being the development of strategic objectives.

True
 False

- 20 ■ ■ Adjustments in the mission statement of an organization reflect changing business environments and management philosophies.

True
 False

21 ■ ■ ■ Organizations within the same industry usually have the same mission.

- True
- False

22 ■ ■ ■ The statement of Starbucks to "inspire and nurture the human spirit - one person, one cup and one neighborhood at a time" is an example of a mission statement.

- True
- False

23 ■ ■ ■ A firm describes its overall goals and operational scope in its standard operating procedures manual.

- True
- False

24 ■ ■ ■ A mission can be defined as an essential purpose that differentiates one company from others.

- True
- False

25 ■ ■ ■ A statement such as "to hit the 300 employee mark by the end of the year" is typically a part of a mission statement.

- True
- False

26 ■ ■ ■ An organization lays out its basic objectives, or goals, in its complete mission statement.

- True
- False

27 ■ ■ ■ Detailed organizational objectives should state specific intentions, such as "Snapple Corporation seeks to increase its share of the non-carbonated soft drink market to 25 percent within the next two years."

- True

False

28 ■ ■ ■ An organizational objective should specify time frames stating "Our organization aims to generate a 15 percent profit over the next 24 months."

True
 False

29 ■ ■ ■ Organizational resources include the capabilities of the firm's production, marketing, finance, technology, and employees.

True
 False

30 ■ ■ ■ Marketing strategy is an overall company-wide program for selecting a particular target market and satisfying consumers through a careful blend of the elements of the marketing mix.

True
 False

31 ■ ■ ■ Each element of the marketing mix-product, price, distribution, and promotion-is a subset of the overall marketing strategy.

True
 False

32 ■ ■ ■ Strategies once implemented should not be changed even if the actual performance does not meet the desired results.

True
 False

33 ■ ■ ■ Marketers put the marketing strategy into action in order to monitor performance to ensure that objectives are being achieved.

True
 False

34 ■ ■ ■ All planning strategies have the goal of creating a sustainable competitive advantage for a firm which other companies cannot imitate.

- True
- False

35 ■ ■ Porter's Five Forces are potential new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute products, and rivalry among competitors.

- True
- False

36 ■ ■ The Internet has impacted business for new firms by increasing the barriers to market entry.

- True
- False

37 ■ ■ The number of suppliers available to a manufacturer or retailer affects the bargaining power of buyers.

- True
- False

38 ■ ■ It can be said that the buying power enjoyed by customers has increased with Internet presence as the Internet provides detailed information that is not easily available elsewhere.

- True
- False

39 ■ ■ With increased availability of information, rivalry heats up among competitors who try to differentiate themselves from the crowd.

- True
- False

40 ■ ■ Apple iTunes is an example of a successful first mover.

- True
- False

41 ■ ■ Data suggests that business owners who adopt the first mover strategy will always be long-term market winners.

- True
- False

42 ■ ■ The idea of first movers being completely replaced by second movers and the resulting disappearance of first movers from the marketplace is a myth.

- True
- False

43 ■ ■ SWOT analysis refers to an examination of a firm that is limited to the variables of its stability, work ethic, organizational structure, and technological expertise.

- True
- False

44 ■ ■ A SWOT analysis helps planners compare internal organizational strengths and weaknesses with external opportunities and threats.

- True
- False

45 ■ ■ The disadvantage of core competencies is that they can be easily duplicated by competitors.

- True
- False

46 ■ ■ Matching an external opportunity with an internal weakness produces a situation known as leverage.

- True
- False

47 ■ ■ In a SWOT analysis, marketers face a problem when environmental threats attack their organization's weaknesses.

- True
- False

48

- ■ A strategic window is defined as a collection of situations where organizations are unable to capitalize on opportunities because of internal limitations.

True
 False

- 49 ■ ■ A customer-driven organization begins its marketing strategy with a detailed description of its target market.

True
 False

- 50 ■ ■ A target market is a group of customers toward whom a firm directs its marketing efforts.

True
 False

- 51 ■ ■ Targeting consumers in specific global markets represents a challenge.

True
 False

- 52 ■ ■ A marketing mix should be an ever-changing combination of variables to achieve success.

True
 False

- 53 ■ ■ A product strategy includes decisions about customer service, package design, brand names, trademarks, patents, and warranties.

True
 False

- 54 ■ ■ The ability to download Microsoft and IBM software products directly from the Internet is a part of each firm's pricing strategy.

True
 False

55 ■ ■ ■ Promotion is the communications link between sellers and buyers.

- True
- False

56 ■ ■ ■ The pricing strategy is the area of marketing that receives the least amount of public scrutiny.

- True
- False

57 ■ ■ ■ Fred's Wholesale Club sends emails and catalogs to all members. Additionally, in-store pamphlets promote the benefits of its products. All of these materials are part of the integrated marketing communications intended to send a consistent and unified promotional message.

- True
- False

58 ■ ■ ■ The five dimensions of the marketing environment are competitive, political-legal, economic, technological, and social-cultural.

- True
- False

59 ■ ■ ■ The five dimensions of the marketing environment exert a fairly constant and static influence on marketing strategies.

- True
- False

60 ■ ■ ■ Toyota's introduction of the hybrid-powered Prius is an example of how it has turned public concerns and legal issues about the natural environment into an opportunity.

- True
- False

Answers may vary.

61 ■ ■ ■

The rule of three states that the third major company in an industry has little chance of survival.

- True
- False

Answers may vary.

62 ■ ■ Strategic business units are key business units within small companies that offer only a few items to its customers.

- True
- False

Answers may vary.

63 ■ ■ Strategic business units (SBUs) of a diversified firm have common managers, resources, objectives, and competitors.

- True
- False

Answers may vary.

64 ■ ■ Each strategic business unit (SBU) in a firm has to prepare its plans in collaboration with other units in the organization.

- True
- False

Answers may vary.

65 ■ ■ Each SBU pursues its own distinct mission and often develops its own plans independently.

- True
- False

Answers may vary.

66 ■ ■ The position of an SBU along the horizontal axis indicates the annual growth rate of the market.

- True
- False

Answers may vary.

67 ■ ■ ■ According to the BCG matrix, stars require considerable inflows of cash to finance further growth.

- True
- False

Answers may vary.

68 ■ ■ ■ According to the BCG matrix, cash cow businesses produce strong cash flows and invest heavily in the unit's own promotions and production capacity.

- True
- False

Answers may vary.

69 ■ ■ ■ According to the BCG matrix, if a question mark cannot become a star, the firm should pull out of the market and target other markets with greater potential.

- True
- False

Answers may vary.

70 ■ ■ ■ According to the BCG matrix, dog products can be sold to other firms, where they are a better fit.

- True
- False

71 ■ ■ ■ The process of anticipating future events and conditions and determining the best way to achieve organizational objectives is known as:

- retrospecting.
- planning.
- archiving.
- correlating.

72 ■ ■ ■ Product lines, pricing decisions, selection of appropriate distribution

channels, and decisions relating to promotional campaigns are ____.

- fixed and unchanging
- independent of the impact of external factors
- dynamic in today's boundaryless business environment
- determined from a purely retrospective viewpoint

73 ■ ■ ■

Marketing planning establishes the:

- resource base provided by the firm's strategy.
- economic impact of additional sales.
- daily and weekly schedules for individual employees.
- basis for any marketing strategy.

74 ■ ■ ■

Relationship marketing can help a company:

- create long-term and cost-effective links with individual customers and suppliers for mutual benefit.
- reduce its strategic planning effort since the need for such planning is greatly diminished by relationship marketing.
- locate more effective media for use in advertising and mass marketing.
- eliminate the strategic planning process and move into tactical plans directly.

75 ■ ■ ■

Effective relationship marketing often involves:

- inside information about competitors that is not in the public domain.
- databases to track customer preferences.
- large advertising budgets aimed solely at end-users.
- internal sources of performance-related data.

76 ■ ■ ■

Relationship marketing refers to a firm's effort to develop long-term, cost-effective links with individual customers and suppliers. Many companies:

- have been reluctant to adopt such initiatives because there is no evidence of their effectiveness.
- focus on relationship marketing as the sole purpose of their marketing research efforts.
- include relationship-building goals and strategies in their larger plans for the organization.
- believe that relationship marketing is just a fad and

may not be sustainable or profitable in the long run.

77 ■—

■— Long-term plans focusing on those organizational objectives that will significantly affect a firm for five or more years are usually referred to as _____ plans.

- strategic
- marketing
- economic
- tactical

78 ■—

■— ADA Inc. stopped its production of oral care goods after determining apparel production to be its new primary objective. This is a direct result of the _____ planning process at ADA Inc.

- tactical
- research
- strategic
- economic

79 ■—

■— Strategic planning has a critical impact on a firm's destiny because it provides _____ to its decision makers.

- customer input
- individual goals
- departmental goals
- long-term direction

80 ■—

■— If an automobile manufacturer was planning to introduce a sports car powered by a hydrogen-oxygen fuel cell when the price of gasoline in the United States reached \$4 per gallon, this would best be described as a direct result of its _____ plan.

- short-term
- operational
- strategic
- tactical

81 ■—

■— The U.S. Sports and Fitness Federation is determining where they should build their permanent training facility. They want it to be located near a populated center but it must also provide ample access to those who don't reside in cities. The federation is engaged in _____ planning.

- strategic
- short-term
- operational

- economic

82



An event management company decided to use radio advertising in order to promote an upcoming music festival. The executives of the company suggested various activities that could be used for the radio campaign. These activities are a part of the company's _____.

- tactical planning efforts
- standard operating procedures
- weekly scheduling plans
- unit-wise budgeting plans

83



A company's plans that focus largely on its current and near-future activities and are determined by its middle level management are referred to as _____ plans.

- strategic
- long-term
- operational
- tactical

84



Preparation of quarterly and semiannual plans by personnel such as the general sales manager or advertising director would be classified as _____ planning.

- consumer
- tactical
- procedural
- operational

85



Compared to other organization personnel, more time is devoted to long-range strategic planning by the:

- middle management.
- manufacturing labor.
- top management.
- supervisory management.

86



In the planning hierarchy, plans dealing with organization-wide objectives, long-term plans, and the total budget would be classified as _____ plans.

- weekly
- tactical
- operational
- strategic

- 87 ■— Employees of Popsie Inc., a small grocery store chain, are working on its tactical plans. The personnel most involved in this level of its planning process would be its:
- top management, such as the owner.
 - middle management, such as the merchandising and advertising managers.
 - store managers.
 - supervisory management, such as shift managers and night auditors.

- 88 ■— Operational planning:
- should be used to establish the fundamental strategies of the organization.
 - is used to determine departmental rules and procedures.
 - is the primary responsibility of the top management.
 - should be completed at the same time the total budget is prepared.

- 89 ■— Which of the following statements is true of tactical planning?
- It is conducted exclusively by the supervisory personnel.
 - It is used to generate weekly plans, unit budgets, departmental rules and procedures.
 - It is designed to determine annual budgets and long-range strategic goals.
 - It is performed to substitute the strategic planning process in large organizations.

- 90 ■— Comcast's NBC division acquired Universal Studios and the highest executive who approved this acquisition was most likely Comcast's CEO. This decision is the direct result of _____ planning process at Comcast.
- tactical
 - strategic
 - operational
 - technological

- 91 ■— The first step of the marketing planning process involves:
- writing the mission statement.
 - establishing organizational objectives.
 - formulating a marketing plan.

- hiring a senior planner.

92 ■ —
■ —

Which of the following best represents a mission statement?

- U.S. Army: Be all that you can be
- Bass Pro Shop: To be the leading merchant of outdoor recreational products, inspiring people to love, enjoy, and conserve the great outdoors
- Kellogg's: Breakfast cereals at a price everyone can afford
- Walmart: Stores big enough to make shopping interesting for every family member

93 ■ —
■ —

Which of the following defines an organization's mission?

- Process of anticipating future events and conditions
- Companywide program for scaling down the product-lines that are low on profitability
- Essential purpose that differentiates one company from others
- Collection of limited periods during which key requirements of a market and a firm's particular competencies best fit together

94 ■ —
■ —

A company can modify a strategy when its actual performance is not in line with expected results by:

- redefining the firm's mission.
- focusing exclusively on long-range strategic issues.
- putting the marketing strategy into action and monitoring performance.
- interpreting the mission, vision, and values of the company differently.

95 ■ —
■ —

The basic objectives or goals of an organization are derived from its:

- standard operating procedures.
- operational plans.
- supervisory management strategy.
- mission statement.

96 ■ —
■ —

The _____ is the organizational program for selecting a target market and satisfying customers in that market through the marketing mix.

- operational plan
- marketing strategy

- relationship marketing approach
- short-term plan

97 ■—
■— All planning strategies have the goal of creating:

- sustainable competitive advantage.
- undifferentiated markets.
- a market with no distinct segments.
- barriers to market entry.

98 ■—
■— Business strategist Michael E. Porter identified five competitive forces that influence _____ in a model called Porter's Five Forces.

- planning strategies
- corporate social responsibility
- consumer behavior
- sustainable development

99 ■—
■— Which of the following is a dimension of Porter's Five Forces model?

- Bargaining power of buyers
- Existence of second-movers
- Existing firms in the business environment
- Rivalry among strategic business units

100 ■—
■— Promotional schemes like frequent shopper programs provide incentives to loyal buyers. Considering Porter's Five Forces model, such offers will:

- reduce the threat of new entrants.
- decrease the rivalry among competitors.
- decrease the bargaining power of the supplier.
- increase the threat of substitute products.

101 ■—
■— Business strategies are impacted by the widespread use of the Internet. Which of the following is true with respect to its impact?

- The Internet has eliminated all forms of substitution threats.
- The Internet has reduced barriers to market entry.
- The Internet has reduced the bargaining power of end-users.
- The Internet has reduced consumer awareness about the differences among competitors.

— An automobile manufacturer is dependent on a single supplier for tires. Based on this information, which of the following statements is true?

- The barriers to market entry are low.
- The buyer has greater bargaining power.
- The threat of new entrants is high.
- The supplier has significant bargaining power.

103 — A shoe manufacturer has multiple suppliers for leather. Based on this information, which of the following statements is true?

- The suppliers have lesser bargaining than the buyer.
- The barriers to market entry are high.
- The rivalry among competitors is low.
- The buyer has lesser bargaining power than the suppliers.

104 — Which of the following conditions would lead a company's marketers to find a new market, change prices, or compete in other ways to maintain an advantage?

- When the bargaining power of suppliers is low
- When the bargaining power of buyers is low
- When the threat of substitute products is high
- When the threat of new entrants it low

105 — In addition to the four forces of the Five Forces Model, which of the following influences rivalry among competitors?

- Decreased availability of information of competitors
- Decreased consumption during a lull in the economy
- Lack of differentiation between products
- Lack of major differences in pricing strategies

106 — Bell Weddings was the company that pioneered the wedding planning industry. The owners realized that customizing weddings to the wishes of the families, taking charge of the responsibilities, and creating a day that is memorable for clients was an incredible business venture. The case of Bell Weddings illustrates the value of _____.

- organizational vulnerabilities
- the first mover strategy
- operating plans

- portfolio analysis

107 ■■=

Which of the following statements is indicative of a second mover strategy?

- Entering new markets with existing products
- Making significant innovations that turn old products into new ones
- Observing closely the innovations of first movers and then improving on them
- Entering new markets with new products before any other entrants

108 ■■=

Atari, a consumer electronics and video games company, observed the innovations of Nintendo Co., the most powerful video game company at that time, and destroyed the market share of Nintendo eventually. This implies that Atari:

- followed a first-mover strategy.
- created a new product indigenously.
- remained uninfluenced by Nintendo.
- applied a second-mover strategy.

109 ■■=

Core competencies are capabilities that customers value and competitors:

- can easily copy.
- tend to overestimate.
- find difficult to duplicate.
- undervalue.

110 ■■=

A certain social networking corporation has the highest number of users in the social networking industry. This is an example of the firm's:

- opportunity.
- constraint.
- strength.
- threat.

111 ■■=

A SWOT analysis is designed to reveal, among other things, a firm's core competencies, which reflect its:

- threats.
- strengths.
- opportunities.
- vulnerabilities.

112 ■ ■ ■ —
■ ■ ■ — Matching an internal strength with an external opportunity produces a situation known as:

- leverage.
- constraint.
- vulnerability.
- plateau.

113 ■ ■ ■ —
■ ■ ■ — An example of a firm's strength discovered by a SWOT analysis might be:

- ownership of valuable patents.
- a narrow current product line.
- changing buyer tastes in the marketplace.
- existing government policies favoring the industry.

114 ■ ■ ■ —
■ ■ ■ — In SWOT analysis, situations where organizations are unable to capitalize on opportunities because of internal limitations are referred to as:

- strategic windows.
- threats.
- constraints.
- leverages.

115 ■ ■ ■ —
■ ■ ■ — Which of the following would qualify as an example of a firm's weakness?

- A bill passed by the government regarding the work timings of all organizations
- A competitor planning to open a new branch close to the firm's place of operations
- The firm's failure to pay its taxes on time leading to a poor reputation in the market
- A ban imposed on the use of animals for testing cosmetics

116 ■ ■ ■ —
■ ■ ■ — DK Motors' difficulty in competing with other car makers due to its lack of responsiveness to changing consumer preferences constitutes a:

- strategic window.
- leveraged situation.
- threat from the environment.
- constraint on its activity.

- 117 ■ ■ ■ —
■ ■ ■ — Assume that a firm would like to expand its product line. A complete expansion would cost \$100 million, but the firm can only raise \$75 million in financing. This is best classified as a(n):
- constraint.
 - opportunity.
 - threat.
 - instance of leverage.

- 118 ■ ■ ■ —
■ ■ ■ — Which of the following would qualify as an example of a firm's weakness?
- Changing buyer tastes in the marketplace
 - The presence of modern production facilities
 - Inadequate financing capabilities
 - An addition to the current product line

- 119 ■ ■ ■ —
■ ■ ■ — An example of a threat to a firm discovered by a SWOT analysis might be:
- the presence of cost advantages due to advanced technology.
 - the chance to acquire firms with the needed technology.
 - the entry of new competitors in the industry.
 - the narrow product line produced by the firm.

- 120 ■ ■ ■ —
■ ■ ■ — The limited occasions when the key requirements of a market and the particular competencies of a firm best fit together are referred to as:
- barriers to entry.
 - strategic windows.
 - question marks.
 - threats.

- 121 ■ ■ ■ —
■ ■ ■ — At a time when computer users were having trouble storing, sending, and displaying photos, Apple introduced the iMac computer, which was equipped with a digital camera interface and photo-handling software. This product was a result of Apple recognizing its:
- economies of scale.
 - competitive constraints.
 - strategic window.
 - second-mover benefits.

- — When a massive fuel hike affected the expenses of users of Cadmia
- — significantly, Flare Inc. introduced automobiles that run on solar energy. The introduction of such automobiles indicates that Flare Inc.:

- switched over to less sustainable fuels.
- recognized its competitive constraints.
- applied a second-mover advantage.
- made the best of a strategic window.

123 ■ —

- — Jose is part of a team that is analyzing current demographic trends. The team will make a recommendation concerning the groups of consumers toward whom the firm should direct its new marketing effort. Jose's team is involved in which of the following elements of the firm's marketing strategy?

- Target market
- Distribution
- Product
- Promotion

124 ■ —

- — The group of people to whom a firm directs its marketing efforts and ultimately its merchandise is known as its _____ market.

- undifferentiated
- unsegmented
- mass
- target

125 ■ —

- — The term marketing mix describes:

- a composite analysis of all environmental factors inside and outside the firm.
- a series of business decisions that aid in selling a product.
- the relationship between a firm's marketing strengths and its business weaknesses.
- a blend of the four strategic marketing elements to satisfy specific target markets.

Answers may vary.

126 ■ —

- — In marketing, the term product:

- refers only to tangible items that can be seen, tasted, or touched.
- refers to a broad concept encompassing the satisfaction of consumer needs.

- limits itself to include goods alone.
- excludes package design, brand name, or warranty from its purview.

Answers may vary.

127 ■■=

Jenny has been appointed the marketing manager for Spark Cleaning Products. Her job focuses on decisions involving customer service, package design, brand names, and warranties. In this scenario, Jenny is closely associated with the _____ dimension of the marketing planning.

- product strategy
- resource valuation and pricing
- retailing and distribution
- target market

Answers may vary.

128 ■■=

Decisions relating to the product strategy primarily revolve around _____.

- the promotional offers that would increase the visibility of the product in the market
- the features of the products being released in the market
- the choice of high/low or everyday low pricing by the company
- the selection of wholesalers and retailers to transport the stock to the market

Answers may vary.

129 ■■=

Decisions involving transportation, warehousing, inventory control, and order processing relate to the _____ strategy component.

- pricing
- competitive
- product
- distribution

Answers may vary.

130 ■■=

Decisions about distribution strategy primarily involve challenges such as:

- how to advertise the product.
- how to position a product.
- when to raise prices to cover costs.
- which marketing channels to adopt.

Answers may vary.

131 

Maxwell has been promoted to an upper-level management position at QVC. He will be involved in matters relating to transportation media, order processing, and development of marketing channels. Maxwell is involved in developing _____ strategies for the marketing team.

- product
- distribution
- promotional
- test marketing

Answers may vary.

132 

Which of the following best describes the activity of promotion?

- Making new products available to meet consumer demand
- Finding a convenient location to sell the products in
- Maintaining a high level of regulation in production
- Communicating between buyers and sellers

Answers may vary.

133 

Newsletters, catalogs, and invitations to company-sponsored events are most closely associated with the marketing mix activity of:

- product pricing.
- product distribution.
- product development.
- product promotion.

Answers may vary.

134 

Many companies use an approach called _____ to coordinate all promotional activities so that the consumer receives a unified and consistent message.

- intra-organizational communications
- internal marketing strategies
- integrated marketing communications
- corporate communications

Answers may vary.

135 

The marketing mix decisions which are closely regulated and subject to public scrutiny usually relate to a company's _____ strategy.

- short-term
- resource
- distribution
- pricing

136 

A bill passed by the government stipulates the mandatory use of revised engine mapping and particulate filters in the automobile industry. Which of the following factors of the marketing environment has affected the automobile industry in this scenario?

- competitive
- political-legal
- economic
- social-cultural

137 

The rule of three states that the three leading firms in an industry will control _____ percent of the market.

- less than 25
- less than 50
- between 70 and 90
- 100

138 

An international apparel manufacturer changed its pricing strategy as it entered a new market where recessionary trends are being observed. This implies that the _____ factors of the marketing environment led the firm to change its pricing decisions.

- legal
- political
- environmental
- economic

139 

Carmen is a marketer for a global consumer products company. She is designing a promotional campaign for a foreign market and wants to ensure that the promotional campaign is clearly understood by the target consumers. She is also taking special care to see that the

campaign is free from controversies and does not inadvertently offend anyone. In this scenario, Carmen is specifically trying to take into account variables of the country's _____ environment.

- social-cultural
- political-legal
- competitive
- economic

140 ■■=

■= As chief executive of Stalwart Shipfitting Company, a diversified producer of marine supplies and equipment, John needs a method for spotting promising product lines that warrant commitment of additional resources, as well as those that should be removed from the firm's product portfolio. A good choice for this firm at this stage would be to use:

- computer models.
- strategic business units.
- a marketing audit.
- an industry analysis.

141 ■■=

■= The strategic business unit (SBU) concept is best identified as a:

- planning tool that separates tactical and operational issues for analysis.
- strategic approach used primarily to separate marketing costs from production expenses.
- marketing planning tool that best suits the needs of large, diversified organizations.
- marketing approach appropriate for small enterprises producing a single product.

142 ■■=

■= Which of the following is true of a strategic business unit?

- A strategic unit directly adopts the mission of its parent organization.
- Each strategic unit depends on plans of the other units in the organization.
- A strategic unit has its own managers, resources, objectives, and competitors.
- A strategic unit is a key business unit within a small company that does not differ significantly from the parent company.

143 ■■=

■= In a(n) _____, firms evaluate their products and divisions to determine the strongest and weakest.

- organizational appraisal

- market analysis
- utilization analysis
- portfolio analysis

144 ■■=

■= The performance framework developed by the Boston Consulting Group (BCG) plots:

- market share against market growth potential.
- market attractiveness against number of product lines.
- current market conditions against past trends.
- performance in test markets before a full-scale rollout.

145 ■■=

■= The quadrant of the BCG market share/market growth matrix that represents both a high market share and a high rate of market growth represents the:

- cash cows.
- innovators.
- stars.
- strivers.

146 ■■=

■= Microsoft Windows generates considerable income for its parent company but is expensive to support. However, the expense is acceptable because Windows is the world's dominant operating system. Based on this information, Windows would be categorized under the BCG market share/market growth matrix as a:

- star.
- cash cow.
- question mark.
- dog.

147 ■■=

■= According to the BCG market share/market growth matrix, the SBU that produces strong cash flows which can be used to finance the growth of other SBUs is the:

- dog.
- question mark.
- cash cow.
- laggard.

148 ■■=

■= According to the BCG market share/market growth matrix, the revenues earned from cash cows should be used to finance the growth of:

- question marks and dogs.
- dogs and stars.
- stars and question marks.
- question marks and cash cows.

149 ■■=

One of General Electric's business units produces a variety of light bulbs and generates healthy revenue. The revenues of this business unit are used to finance the growth of other business units with higher growth potentials. How would this unit be classified on the BCG market share/market growth matrix?

- Cash cow
- Star
- Question mark
- Dog

150 ■■=

The BCG market share/market growth matrix classifies products with a low relative share of a high-growth market as _____.

- stars
- question marks
- cash cows
- dogs

151 ■■=

In terms of the BCG Matrix, which of the following SBUs are characterized by earning only low market shares in low-growth markets?

- Stars
- Question marks
- Dogs
- Cash cows

152 ■■=

YOU Inc., a radio cassette manufacturer, sold its business due to poor market shares. According to the BCG Matrix, the firm sold its business because the business had become a _____ as seen in its poor prospects and performance.

- star
- question mark
- cash cow
- dog

153 ■■=

According to the BCG market share/market growth matrix, _____ typically require more cash than they generate.

- cash cows

- stars
- question marks
- achievers

154 

The product manager for a line of mousetraps informs the board of directors at the company's annual meeting that the product has been classified as a "dog" according to the BCG market share/market growth matrix. This means the product:

- requires a "go/no go" decision within the next several years.
- has low market share of a high-growth rate market.
- should be withdrawn from the market or sold off as quickly as possible.
- needs heavy investment to make it a star.

155 

Define and explain the term "planning" in the context of marketing.

Answer:

Planning is the process of anticipating future events and conditions and determining the best way to achieve organizational objectives. Planning is a continuous process that includes identifying objectives and then determining the actions through which a firm can attain those objectives. The planning process creates a blueprint for marketers, executives, production staff, and everyone else in the organization to follow for achieving organizational objectives. It also defines checkpoints so that people within the organization can compare actual performance with expectations to indicate whether current activities are moving the organization toward its objectives. Before marketing planning begins, an organization must define its objectives.

156 

Define marketing planning.

Answer:

Marketing planning is the process of implementing planning activities devoted to achieving the marketing objectives. It establishes the basis for a marketing strategy. Product lines, pricing decisions, selection of appropriate distribution channels, and decisions relating to promotional campaigns all depend on plans formulated within the marketing organization.

157 

How does planning differ at various levels of organizational management?

Answer:

- a) Top managers spend greater proportions of their time engaged in strategic planning than managers at middle and supervisory levels.
- b) Middle-level managers tend to focus on operational planning, which involves creating and implementing tactical plans for their own departments.
- c) Supervisory personnel engage in developing daily and weekly programs for meeting the goals in their areas of responsibility.

158



Describe the aspects of strategic and tactical planning.

Answer:

Strategic planning is the process of determining an organization's primary objectives and adopting courses of action that will achieve these objectives.

Strategic planning has a critical impact on the organization's destiny because it provides long-term direction for its decision makers.

Tactical planning guides the implementation of activities specified in the strategic plan.

Tactical plans are usually shorter in duration than strategic plans and focus on current and near-future activities that a firm must complete to implement the larger strategies.

159



Distinguish between an organization's mission and its objectives. Provide an example of each.

Answer:

An organization's mission is its essential purpose that differentiates it from other organizations. An example of a mission statement is: "To be regarded as the quality and market leader of the hotel industry worldwide."

Objectives are organizational goals and guide the development of supporting marketing objectives and plans. Well-conceived objectives should state relatively specific intentions. An example of an objective is: "attain a 20 percent share of the market by 2018."

160



What is a marketing strategy? Explain the process of implementing the marketing strategy into action.

Answer:

A marketing strategy is an overall, companywide program for selecting a particular target market and then satisfying consumers in that market through a careful blending of the elements of the marketing mix-product, distribution, promotion, and price-each of which is a component of the overall marketing strategy.

In the two final steps of the planning process, marketers put the marketing strategy into action; then they monitor performance to ensure that objectives are achieved. Sometimes strategies need to be modified if the product's or company's actual performance is not in line with expected results.

161



Describe the structure and dynamics of Porter's Five Forces model. How has the Internet affected the operation of this model?

Answer:

Michael E. Porter identified five competitive forces that influence planning strategies in a model called Porter's Five Forces. They are potential new entrants, the bargaining power of buyers, the bargaining power of suppliers, threat of substitute products, and rivalry among competitors. The first four forces influence the fifth force.

Potential new entrants are sometimes blocked by the cost or difficulty of entering a market. The Internet has reduced the barriers to market entry in many industries. If customers have considerable bargaining power, they can greatly influence a firm's strategy. The Internet can increase a customer's buying power by providing information that might not otherwise be easily accessible. The number of suppliers available to a manufacturer or retailer affects their bargaining power. If customers have the opportunity to replace a company's products with goods or services from a competing firm or industry, the company's marketers may have to find a new market, change prices, or compete in other ways to maintain an advantage. The four previous forces influence the rivalry among competitors. In addition, issues such as cost and differentiation or lack of differentiation of products-along with the Internet-influence the strategies that companies use to stand out from their competitors. With increased availability of information, which tends to level the playing field, rivalry heats up among competitors, who try to differentiate themselves from the crowd.

The Internet has increased the speed and availability of information that the customers, suppliers, and competitors can use to make decisions. This leads to leveling of the competitive playing field which, in turn, increases the marketing challenge to stand out from the pack of competitors.



Explain the forces that influence the rivalry among competitors in Porter's Five Forces Model.

Answer:

The four forces of Porter Five Forces Model including potential new entrants, bargaining power of buyers, bargaining power of suppliers, and threat of substitute products influence the rivalry among competitors. In addition, issues such as cost and differentiation or lack of differentiation of products-along with the Internet-influence the strategies that companies use to stand out from their competitors. With increased availability of information, which tends to level the playing field, rivalry heats up among competitors who try to differentiate themselves from the crowd.

163



Explain the difference between a first-mover and a second-mover strategy. Give examples of companies that have followed each strategy.

Answer:

The first-mover strategy is based on the notion that the company who is first to offer a product in the marketplace will capture the greatest market share and be the long-term winner. Being the first can also refer to entering new markets with existing products or creating significant innovations that effectively turn an old product into a new one. An example of a successful first mover is eBay. The second-mover strategy, on the other hand, is based on the notion that the best way to gain advantage in the marketplace is to closely observe the innovations of first movers and then improve on them. Microsoft is famous for adopting a second-mover strategy.

164



Define SWOT analysis and explain its importance.

Answer:

SWOT analysis is an important strategic planning tool that assists planners in their planning task.

- SWOT stands for strengths, weaknesses, opportunities, and threats. The analysis provides managers with a critical view of an organization's internal and external environment and helps them evaluate the firm's fulfillment of its basic mission.
- a) The analysis allows planners to match the firm's internal strengths with external opportunities to secure organizational leverage in the marketplace.
- b) It further assists the firm in recognizing internal weaknesses that

- c) might prevent capitalizing on opportunities, which would constrain its activities.
- d) SWOT analysis aids in the identification of environmental threats to the firm's strengths that could lead to vulnerabilities. Finally, SWOT analysis helps spot internal weaknesses that
- e) environmental threats might attack, which would present the firm with problems.

165



What is a strategic window? Give an example of a strategic window that exists today.

Answer:

A strategic window is a limited period during which the key requirements of a market and the particular competencies of a firm best fit together.

The growth of China has increased the number of strategic windows as their demand for products increases. The auto industry, in particular, is facing a strategic window as the demand for automobiles rises in the Chinese market.

166



Describe the basic elements of a marketing strategy.

Answer:

Success for a product in the marketplace-whether it is a tangible good, a service, a cause, a person, a place, or an organization- depends on an effective marketing strategy. An effective marketing strategy reaches the right buyers at the right time, persuades them to try the product, and develops a strong relationship with them over time. The basic elements of a marketing strategy consist of (1) the target market and (2) the marketing mix variables of product, distribution, promotion, and price that combine to satisfy the needs of the target market.

167



What is a marketing mix? In order for a product to succeed, what can be said about the variables in the marketing mix?

Answer:

The marketing mix variables - product, distribution, promotion, and price - are combined to satisfy the needs of the target market. Product is a broad concept encompassing goods, services and ideas, but also including the satisfaction of all consumer needs with respect to the relevant good, service, or idea. Distribution refers to getting

products to consumers in the right quantities, at the right place, and at the right times. Promotion refers to the communications that link buyers and sellers. Pricing deals with the means of setting justifiable and profitable prices.

Successful products have a marketing mix where all variables are on target. Great pricing, product, and promotion mean nothing if the customer cannot find the product. Lack of promotion could leave a great product gathering dust on retail shelves.

168



What does a distribution strategy involve? Define two marketing channels.

Answer:

Marketers develop distribution strategies to ensure that consumers find their products in the proper quantities at the right times and places. Distribution decisions involve modes of transportation, warehousing, inventory control, order processing, and selection of marketing channels. Marketing channels are intermediaries that may be involved in a product's movement from the producer to the final consumers. Technology continually opens new channels of distribution in many industries. The Internet has caused the biggest revolution in distribution since the mail-order catalog.

Two important types of marketing channels are wholesalers and retailers.

169



Discuss pricing strategy in the marketing mix and its relevance in the changing economy.

Answer:

Pricing strategy deals with the methods of setting profitable and justifiable prices. It is closely regulated and subject to considerable public scrutiny. One of the many factors that influence a marketer's pricing strategy is competition.

A good pricing strategy should create value for customers, building and strengthening their relationship with a firm and its products. But sometimes conditions in the external marketing environment cause difficulties in pricing strategies. Political unrest overseas, the soaring price of fuel, or a freeze that destroys crops could all affect the price of goods and services.

If the economy is booming, consumers generally have more confidence and are willing to shop more often and pay more for discretionary goods. But when the economy takes a downturn, consumers look for bargains—they want high quality at low prices. It is a challenge for marketers to strike the right balance in order to make enough profits to survive and grow.

170



List the environmental characteristics that influence strategic decisions. What is the "rule of three?" Provide an example of this phenomenon.

Answer:

Marketers do not make decisions about target markets and marketing mix variables in a vacuum. They must take into account the dynamic nature of the five dimensions of the marketing environment, i.e., competitive, political-legal, economic, technological, and social-cultural factors.

In the competitive environment, some experts have coined the phrase "rule of three," meaning that in any industry, the three strongest, most efficient companies dominate between 70 and 90 percent of the competitive market. For example, the pharmaceutical industry is dominated by Merck, Pfizer, and Bristol-Myers Squibb.

171



Describe the strategic business unit concept.

Answer:

Strategic business units (SBUs) are key business units within diversified firms. Each SBU has its own managers, resources, objectives, and competitors. A division, product line, or single product may define the boundaries of an SBU. Each SBU pursues its own distinct mission and often develops its own plans independently of other units in the organization. Strategic business units, also called categories, focus the attention of company managers so that they can respond effectively to changing consumer demand within limited markets. Companies may have to redefine their SBUs as market conditions dictate.

172



Describe the market share/market growth matrix.

Answer:

The market share/market growth matrix places business units in a four-quadrant chart that plots market share - the percentage of the market the firm controls - against market growth potential.

Stars are units with high market shares and high growth potential.

The firm should invest more funds for future growth.

Cash cows are units with high market shares but low growth potential. They generate strong cash flows that should be used to finance the growth of stars.

Question marks are units with low market shares but high growth

potential. The firm needs to watch these units carefully, making prudent investment decisions. These units typically use more cash than they generate.

Dogs are units with low market shares and low growth potential. These units are least attractive and the firm should consider withdrawal.

173

Match each definition to the corresponding term.

_____ is the process of anticipating future events and conditions and determining the best way to achieve organizational objectives.

planning

The _____ process involves implementing planning activities devoted to achieving marketing objectives.

marketing planning

The process of determining an organization's primary objectives and adopting courses of action that will achieve these objectives is known as _____.

strategic planning

Strategic planning is complemented by _____ which guides the implementation of activities specified in the strategic plan.

tactical planning

_____ command high market shares in low-growth markets.

cash cows

A firm that adopts a _____, attempts to capture the greatest market share and develop long-term relationships by being the pioneer to enter the market with a good or service.

first mover strategy

_____ is a review that helps planners compare internal organizational strengths and weaknesses with external opportunities and threats.

SWOT analysis

Limited periods during which the key requirements of a market and the resources and skills of an organization best fit together are called the _____.

strategic window

The _____ is the blending of the four strategy elements to fit the needs and preferences of a specific target market.

marketing mix

_____ primarily involves decisions concerning the goods and services to be offered by a firm.

product strategy

_____ are key business units within diversified firms.

strategic business units

_____ identifies five competitive forces that influence planning strategies.

Porter's Five Forces

A _____ is the overall, companywide program for selecting a particular target market and then satisfying consumers in that market through the marketing mix.

marketing strategy

SBU's in the category of _____ promise poor future prospects, and marketers should withdraw from these businesses or product lines as quickly as possible.

dogs

_____ represent units with high market shares in high-growth markets.

stars

In the BCG matrix, the position of an SBU along the vertical axis indicates the _____ of the market.

annual growth rate

174 ■ ■ ■

- — Every company, whether for-profit or not-for-profit, must plan. Otherwise, the company will find itself reacting to future events rather than proactively positioning itself to take advantage of future events.

Which of the following statements is false in regards to strategic planning?

- It includes the process of determining the organization's primary objectives.
- It is done after the company completes its tactical planning activities.
- It involves choosing actions that will facilitate the achievement of its primary objectives.
- It provides longer term guidance for the marketers and other decision makers in the firm.
- It establishes the company objectives that are used to develop the tactical plan.

175 ■ ■ ■

- — There are many roles played in the planning process for a typical company. Depending on the organizational level, the planning focus and the effort devoted will be different. Which of the following statements is true about planning within an organization?

- In their role in the planning process, top management focuses on short-term operational objectives for the company.
- Only top management spends time focused on strategic and operational planning activities for the organization.
- Middle management employees spend more of their time focusing on planning than other levels of the organization.
- Supervisors are tasked with developing specific programs and tactics for achieving the goals of their responsibility areas.
- Middle managers are primarily focused on strategic planning considerations.

176 ■ ■ ■

- — You are the head of market strategies for a large media company, and you are responsible for leading the enterprise through its annual marketing planning process. Which one of the following statements is true about this process?

- Your organization's objectives are the essential set

of statements that outlines its purpose and differentiates it from other organizations.

- Your organization's objectives specify the organization's goals and operational scope.
- After your firm establishes its objectives, the next step in the marketing planning process is to develop the marketing strategy.
- The last step in your marketing planning process should include an analysis of the risks and opportunities that you will face in striving to achieve your objectives.
- Your organization's objectives should be specific in describing what achievements are intended and desired.

177 ■ ■ ■

Marketers can rely on a full arsenal of tools and techniques to facilitate the development of effective marketing plans. With respect to these tools and techniques, which one of the following statements is true?

- Porter's Five Forces Model is a model that identifies five competitive pricing strategies for an organization to use in its marketing mix.
- A second mover strategy suggests that the firm that is second to offer a product or service will likely be the long term winner in the market.
- The bargaining power of suppliers is influenced by the number of buyers in the market.
- Social responsibility and philanthropy influence the strategies that companies use to distinguish themselves from their competitors.
- The strategic window refers to periods of time where what a firm does well is a close fit to what the requirements are in a given market.

178 ■ ■ ■

The concept of _____ refers to the ways that marketers make sure their customers get the right amount of products at the right time and place.

- Product strategy
- Promotion strategy
- Retail strategy
- Distribution strategy
- Customer service strategy

179 ■ ■ ■

The rule of three refers to the theory that in any industry, the three strongest competitors dominate between _____ percent of the competitive market.

- 60 and 80
- 20 and 80
- 70 and 90
- 60 and 90
- 50 and 95

180 ■■=

■= The BCG (Boston Consulting Group) matrix places strategic business units into which of the following four-quadrants:

- Strengths, Weaknesses, Opportunities and Threats
- Oligopoly, Monopoly, Monopolistic Competition and Perfect Competition
- Micro, Small, Medium, and Large
- North, South, East and West
- Stars, Cash Cows, Question Marks and Dogs

181 ■■=

■= If a firm decides to make a major investment in a firm that supplies raw materials to it, this would be an example of _____ planning. If a university decides to add courses in ethics and business analysis to its master's degree program, this would be an example of _____ planning.

- Tactical, Strategic
- Marketing, Operational
- Strategic, Organizational
- Organizational, Tactical
- Strategic, Tactical

182 ■■=

■= You are the project manager for this year's planning process for your firm. Unlike in the past, you intend to get input from a variety of stakeholders during the course of the planning process. You are doing this because:

- This will ensure that the planning process will be completed faster than in previous years.
- It will ensure that many ideas are considered and these stakeholders will become advocates for the final plan.
- Your company's mission statement mandates that this approach be taken.
- All stakeholders must approve the plan once it is finalized.
- The plan will include responsibilities for all stakeholders.

183 ■■=

■= A good marketing plan revolves around an efficient, flexible, and adaptable _____.

- Strategic plan
- Marketing strategy
- Marketing mix
- Mission statement
- SWOT Analysis

184 ■—



Porter's Five Forces is a model which identifies five competitive forces that influence planning strategies. In regards to this model, which one of the following statements is true?

- It separates the forces into internal and external categories.
- The model was later updated to include the impact of the Internet on a firm's strategies.
- It identifies the threat of regulatory controls as one of the five forces.
- It only applies to firms that manufacture their own products.
- It is an integral part of the SWOT Analysis.

185 ■—



The basic elements of a marketing strategy consist of _____.

- Product and promotion
- Strategic planning and tactical planning
- The customer and the exchange
- Strategic planning and marketing planning
- The target market and the marketing mix

186 ■—



What has five dimensions, is dynamic and ever changing, and drives the marketer's decisions about target markets and the marketing mix?

- The strategic plan
- The rule of three
- The marketing concept
- The marketing environment
- The customer orientation

Answers may vary.

187 ■—



With respect to the BCG matrix, which one of the following generates considerable income, but requires sizeable investments to underwrite further growth in the future?

- Cash cows
- Stars
- Question marks

- SBUs
- Dogs

Answers may vary.

188 ■—
■—

You are the head of marketing for a technology company in Boston, and you are meeting with your company's CEO to discuss a new market opportunity that you believe offers significant profit potential for the firm. You are anxious to launch an initiative to establish the firm's presence in this new market as quickly as possible. However, your CEO is a bit more cautious about the potential in this market and would prefer that you take a more conservative approach to entering the market. In fact, your CEO would rather see what others do in the market before launching the firm's initiative.

In order to appease your CEO, which of the following strategies should you pursue?

- A target marketing strategy.
- A first mover strategy.
- A marketing research strategy.
- A product strategy.
- A second mover strategy.

Answers may vary.

189 ■—
■—

After working as an analyst in the marketing department of a large consumer products firm, you have been promoted to marketing team lead for the company's leisure products line. In your new role, you will be responsible for the following major functional areas related to this product line:

Inventory control
Order processing
Warehousing
Logistics

Within the context of the marketing mix, your responsibilities are primarily focused on

- Product strategy
- Promotion strategy
- Retail strategy
- Distribution strategy
- Customer service strategy

Answers may vary.