

Chapter 02: Strategic Planning for Competitive Advantage

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

- a. True
- b. False

ANSWER: True

2. 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

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

- a. True
- b. False

ANSWER: True

4. According to the General Electric model for strategic alternatives, conditions that have low overall attractiveness are the best candidates for investment.

- a. True
- b. False

ANSWER: False

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

- a. True
- b. False

ANSWER: False

6. A diversification strategy is free of risk when a firm is entering unfamiliar markets.

- a. True
- b. False

ANSWER: False

7. 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

8. 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

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9. Fresnas Inc. introduced a new line of smartphones in the market. As it is expected to generate huge profits and needs more financing, the new line of smartphones can be categorized as dogs.

- a. True
- b. False

ANSWER: False

10. According to Ansoff's strategic opportunity matrix, both product development and diversification entail the creation of new products.

- a. True
- b. False

ANSWER: True

11. The creation and implementation of a marketing plan will allow the organization to achieve marketing objectives and succeed.

- a. True
- b. False

ANSWER: True

12. In terms of effect strategic planning, managers should refrain from establishing new strategies.

- a. True
- b. False

ANSWER: False

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

- a. True
- b. False

ANSWER: False

14. 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

15. The best marketing tactic is to protect existing market share by reinvesting earnings in product improvement, better distribution, more promotion, and production efficiency.

- a. True
- b. False

ANSWER: True

16. By manipulating elements of the marketing mix, marketing managers can fine-tune the customer offering and achieve competitive success.

- a. True
- b. False

ANSWER: True

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

- a. True
- b. False

ANSWER: True

18. Adjacent innovation involves decisions that result in brand-new markets, products, and often new businesses by relying on new, unfamiliar assets to develop the type of breakthrough decisions that fall in this category.

- a. True
- b. False

ANSWER: False

19. A business mission does not affect a firm's long-run resource allocation, profitability, and survival.

- a. True
- b. False

ANSWER: False

20. 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

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

- a. True
- b. False

ANSWER: False

22. SharpSheets is a paper manufacturing company that sells products made of recycled materials. No other paper manufacturing company in the market has the ability to replicate its products. SharpSheets has a competitive advantage in this scenario.

- a. True
- b. False

ANSWER: True

23. Target markets can be selected only by appealing to the entire market with one marketing mix, concentrating on one segment.

- a. True
- b. False

ANSWER: False

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

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25. 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

26. A company's skills include patents, copyrights, and technology that are superior to those of the competition.
- a. True
 - b. False

ANSWER: False

27. Unlike market penetration, diversification is not profitable when a firm enters markets with prominent competition.
- a. True
 - b. False

ANSWER: False

28. The key to having a sustainable competitive advantage is having a product that can be imitated by a competitor.
- a. True
 - b. False

ANSWER: False

29. Imitating a rival's competitive advantage requires a company to first identify the rival's competitive advantage.
- a. True
 - b. False

ANSWER: True

30. 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

31. Freulia Inc. manufactures and sells stationery and office supplies. The firm begins to lose 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. develop the skills and assets of the organization.
 - d. aim at being the low-cost competitor in the industry.

ANSWER: c

32. 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

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33. 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

34. 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

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

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

ANSWER: a

36. Critics of Ansoff's matrix mention that the matrix does not:

- a. provide firms with different marketing strategies.
- b. reflect the reality of how businesses grow.
- c. match products with various types of markets.
- d. outline clear-cut sectors outlined for businesses.

ANSWER: b

37. Which of the following companies has most likely adopted 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

38. Remvauld Dairies witnessed a steady decline in the sales of its products due to increased competition in the local market. Remvauld Dairies plans to adopt the market development strategy. In this scenario, which of the following is the best step the company should take in an attempt to rejuvenate its financial losses?

- a. Introduce new products into new markets.
- b. Create new products for its present markets.
- c. Attract existing customers rather than new customers.
- d. Focus on promoting new uses for old products.

ANSWER: d

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39. 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

40. The product in a marketing mix includes:

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

ANSWER: b

41. 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

42. Which of the following is an element of a marketing mix?

- a. Pricing strategies
- b. Divestment strategies
- c. Investment strategies
- d. Trade restraint strategies

ANSWER: a

43. Nessca Inc. is a pharmaceutical company. It follows a target market strategy because 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

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44. 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 is the quickest step that the marketers at Synergy can take to stimulate the sales of its products?

- a. Changing the pricing strategy.
- b. Creating complex production techniques.
- c. Entering into new supplier contracts.
- d. Adopting a divesting strategy.

ANSWER: a

45. Unlike a cost competitive advantage, a sustainable competitive advantage:

- a. is not attractive because of its durability.
- b. cannot be copied by the competition.
- c. lowers costs by removing frills.
- d. does not offer any low-priced products.

ANSWER: b

46. The price component of a 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

47. 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

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

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

ANSWER: b

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49. Which of the following statements is true of effective strategic planning?
- a. Subordinates must persuade the management to accept their demands.
 - b. Managers should challenge assumptions about the firm and the environment.
 - c. Sound strategic planning is based on trial and error method of effective execution.
 - d. Companies should refrain from establishing new strategies to improve productivity.

ANSWER: b

50. _____ is the process of anticipating future events and determining strategies to achieve organizational objectives in the future.
- a. Divesting
 - b. Planning
 - c. Holding
 - d. Harvesting

ANSWER: b

51. In the context of the innovation matrix, _____ are decisions designed to take company strengths into new markets.
- a. transformational innovations
 - b. retroactive innovations
 - c. adjacent innovations
 - d. core innovations

ANSWER: c

52. 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

53. 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

54. 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 scenarios is most likely to happen?
- a. Magnira Inc. will try to attract new customers to its products.
 - b. Magnira Inc. will try to increase its market share among existing customers.
 - c. Magnira Inc. will create new products for its existing customers.
 - d. Magnira Inc. will move away from its core capabilities and diversify its business.

ANSWER: b

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55. 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

56. In the context of the portfolio matrix, which of the following statements is true of dogs?
- a. Protection of existing market shares is essential for dogs.
 - b. Dogs have a dominant market shares in low growth markets.
 - c. Typical marketing strategies for dogs are to harvest or divest.
 - d. Dogs are escalated in the market by strong financial funding.

ANSWER: c

57. 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

58. Fourlotts Inc. is a renowned technological firm. It controls many strategic business units (SBUs). In this case, each SBU:
- a. has its own return on investment.
 - b. shares the same goals and use the same strategies as Fourlotts Inc.
 - c. plans collaboratively with Fourlotts Inc.'s other SBUs.
 - d. refrains from performing manufacturing functions.

ANSWER: a

59. MaxNutri Inc. sells cookies and nutrition bars. The marketers at MaxNutri Inc. are trying to come up with new and attractive packaging designs 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

60. 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

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61. According to Ansoff's strategic opportunity matrix, which of the following factors is associated with market development?

- a. Limiting production
- b. Increasing the prices of products
- c. Adding new uses to products
- d. Limiting resources used for promotion

ANSWER: c

62. Rues and West Bros., an ammunition manufacturer, defines its mission statement 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

63. 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

64. In the context of implementation of marketing objectives, which of the following statements is true?

- a. Implementation 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

65. 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. focuses on using existing assets to provide added convenience to existing customers.

ANSWER: b

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66. 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

67. The basic goal of _____ is to increase short-term cash return without increased concern for long-run impact.
- a. building
 - b. holding
 - c. harvesting
 - d. divesting

ANSWER: c

68. _____ 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

69. 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 planning does not require long-term commitments of resources.
 - c. A good strategic plan can help protect and grow a firm's resources.
 - d. Strategic planning does not cater to understanding customers and markets.

ANSWER: c

70. 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

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71. Which of the following statements is true of the price component of a 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

72. 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 may not be effective because promotion does not apply to services.
 - c. It may increase the sales of Varion Air.
 - d. It will work independently of the other three elements of the marketing mix.

ANSWER: c

73. In the context of the general electric model, _____ refers to how well placed the organization is to take advantage of market opportunities.
- a. business position
 - b. experience curves
 - c. market attractiveness
 - d. marketing myopia

ANSWER: a

74. 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

75. In the context of a marketing mix, which of the following statements is true of a product?
- a. The heart of a marketing mix is the product offering and product strategy.
 - b. A buyer must give up the need for a product in order to obtain its benefit.
 - c. A product includes all the business activities concerned with storing and transporting raw materials.
 - d. Products are often the most flexible in a marketing mix— the quickest elements to change.

ANSWER: a

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76. A marketing mix typically involves:

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

ANSWER: a

77. Which of the following statements is true of 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

78. Apcon Mobiles Inc. is a popular cell phone manufacturing company. To acquire new customers, it decides to launch its own SIM cards in highly competitive 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 new markets is likely to be risky.
- b. Apcon Mobiles Inc. follows a product development strategy.
- c. Apcon Mobiles Inc.'s follows a market penetration strategy.
- d. Apcon Mobiles Inc.'s entry into new markets is likely to be successful.

ANSWER: a

79. In the context of a marketing mix, promotion includes:

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

ANSWER: a

80. 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

81. 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 high-cost production techniques.

ANSWER: a

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82. Which of the following actions is associated with a 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

83. 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

84. 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

85. 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

86. Nile Inc. is one of the leading shoe manufacturing companies in Baltonia. It manufactures canvas shoes that are 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 before.
- d. sell products to markets outside Baltonia.

ANSWER: b

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

- a. Attractiveness of the product packaging
- b. Targeting market segments
- c. Storage of raw materials
- d. Medium to be used for advertising

ANSWER: c

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88. The strategy options to invest heavily to gain better market share, acquire competitors to get the necessary market share, or drop the SBU altogether are essential in maintaining _____ in high growth industries.

- a. cash cows
- b. stars
- c. dogs
- d. question marks

ANSWER: d

89. _____ 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

90. In the context of the Boston Consulting Group's (BCG's) portfolio matrix, which of the following is true of question marks?

- a. It operates in a high-growth industry with a low market share.
- b. It generates more cash than it needs to maintain its market share.
- c. It has low growth potential and a small market share.
- d. It does not require any cash to maintain its market.

ANSWER: a

91. 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 20 different varieties of flavored chocolates. Other companies are almost out of business because they are unable to replicate Jove's collection. This gives Jove 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

92. In the context of SWOT analysis, marketers can identify strengths and weaknesses by focusing on:

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

ANSWER: a

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93. In the context of a 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

94. 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

ANSWER: c

95. The distribution strategy in a 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

96. 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

97. Addoso Inc. manufactures electronic gadgets. The marketing managers at Addoso Inc. have discovered that a new competitor is gaining more customers. In the context of SWOT analysis, which of the following actions should be prioritized by the marketing managers at Addoso Inc.?

- a. They must analyze aspects of its marketing environment.
- b. They must focus on organizational resources.
- c. They should ignore macroenvironmental forces.
- d. They should focus on lowering product prices.

ANSWER: a

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98. Which of the following statements is true of the innovation matrix?
- a. As a company moves away from its core capabilities, it traverses a range of innovation.
 - b. If an SBU of a firm is in a market with low overall attractiveness it must be harvested.
 - c. Products are matched with markets in order to develop alternative marketing strategies.
 - d. Clear-cut sectors define modern businesses' growth better than the fluid growth model.

ANSWER: a

99. In the context of a 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

100. _____ 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

101. Drafi Arts Corp. makes and sells original handicraft products. The management of the company has been successfully using a niche strategy for 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

102. Defining a business in terms of goods and services rather than in terms of the benefits customers seek is called _____.
- a. marketing myopia
 - b. marketing inertia
 - c. marketing dissonance
 - d. marketing blockage

ANSWER: a

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103. Choqlate King Inc. is a large company that manufactures and sells chocolate bars. It plans to adopt a product development strategy. In this case, Choqlate King Inc. will:

- a. focus on attracting new customers and retain existing ones.
- b. offer chocolates at competitive prices.
- c. introduce a range of low-calorie chocolates .
- d. use existing assets to provide added convenience to existing customers.

ANSWER: c

104. According to Ansoff's strategic opportunity matrix, a firm using the market penetration alternative would try to:

- a. increase market share among existing customers.
- b. attract new customers to existing products.
- c. create new products for present markets.
- d. introduce new products into new markets.

ANSWER: a

105. A premise of the Boston Consulting Group model states that:

- a. diversification strategies can be risky when firms enter unfamiliar markets even with little or no competition in those markets segments.
- b. the cash generated from cash cows should be allotted to question marks and dogs instead of stars.
- c. management must find a balance among the SBUs that yields the overall organization's desired growth and profits with an acceptable level of risk.
- d. companies must rely on new, unfamiliar assets to develop the type of breakthrough decisions that would determine their sustainability in the future.

ANSWER: c

106. 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.
- b. They can raise the prices of the products to signify high quality.
- c. They can reduce frills or options from the products.
- d. They can print pamphlets that elaborate the products' features.

ANSWER: d

107. In the context of SWOT analysis, which of the following can be considered 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

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108. 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

109. Discuss the process of market opportunity analysis.

AN Answers will vary. The target market strategy identifies the market segment or segments on which a firm should SWfocus. This process begins with a market opportunity analysis (MOA)—the description and estimation of the size and ER: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.

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

AN Answers will vary. There are three types of competitive advantage: cost, product/service differentiation, and SWniche. Having a cost competitive advantage means being the low-cost competitor in an industry while maintaining ER: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.

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

AN Answers will vary. Large companies may manage a number of very different businesses, called strategic business SWunits (SBUs). Each SBU has its own rate of return on investment, growth potential, and associated risks, and requires ER: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.

112. Discuss how strategic planning can be made effective.

AN Answers will vary. Effective strategic planning requires continual attention, creativity, and management commitment. SWStrategic planning should not be an annual exercise in which managers go through the motions and forget about ER: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.

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

AN Answers will vary. Of the four Ps, the marketing mix typically starts with the product. The heart of the marketing *SW* mix, the starting point, is the product offering and product strategy. It is hard to design a place strategy, decide on a *ER*: 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.

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

AN Answers will vary. The foundation of any marketing plan is a firm's mission statement, which answers the question *SW* "What business are we in?" The way a firm defines its business mission profoundly affects the firm's long-run *ER*: 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 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.

115. Describe the nature of strategic planning.

AN Answers will vary. Strategic planning is the managerial process of creating and maintaining a fit between the *SW* organization's objectives and resources and the evolving market opportunities. The goal of strategic planning is long-*ER*: 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?

116. Explain SWOT analysis.

AN Answers will vary. Marketers must understand the current and potential environment in which the product or service *SW* will be marketed. A situation analysis is sometimes referred to as a SWOT analysis—that is, the firm should identify *ER*: 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.

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117. Discuss the factors that make marketing objectives effective.

AN Answers will vary. A marketing objective is a statement of what is to be accomplished through marketing activities.

*SW*To be useful, stated objectives should be:

- ER*:
- **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, "To increase sales of Purina brand cat food by 15 percent over 2012 sales of \$300 million."

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

AN Answers will vary. A firm using the market penetration alternative would try to increase market share among existing *SW*customers. FTR Energy Services, a division of Frontier Communications, introduced a Green-e certified energy

ER:service into New York, Ohio, and Indiana markets served by Frontier's telephone and broadband services. Even 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.

119. Discuss the general strategies for selecting target markets.

AN Answers will vary. Target markets can be selected by appealing to the entire market with one marketing mix,

*SW*concentrating on one segment, or appealing to multiple market segments using multiple marketing mixes. Target *ER*: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.

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120. Discuss the process of implementing a marketing plan.

AN Answers will vary. Implementation is the process that turns a marketing plan into action assignments and ensures that *SW* these assignments are executed in a way that accomplishes the plan's objectives. Implementation activities may *ER*: 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 communicated. Strong, forward-thinking leadership can overcome resistance to change, even in large, highly integrated companies where change seems very unlikely.