

A Framework for Marketing Management, 5e (Kotler)
Chapter 2 Developing Marketing Strategies and Plans

1) The task of any business is to _____.

- A) create customer needs
- B) differentiate in terms of cost of production
- C) deliver customer value at a profit
- D) reduce competition
- E) communicate similar value as provided by competitors

Answer: C

Page Ref: 18

Objective: 1

Difficulty: Easy

2) What is the traditional view of marketing?

- A) Firms should just focus on production because if the products are good then they will automatically sell.
- B) Firms should just focus on production and selling because marketing occurs as a part of the selling process.
- C) Firms should have a proper marketing team that can increase consumers' awareness of their products and rouse their interest in them.
- D) Firms should price their products as low as possible so that marketing them becomes easy.
- E) Firms should remember that promotion is the most important of the four Ps.

Answer: B

Page Ref: 18

Objective: 1

Difficulty: Easy

3) Value delivery process can be divided into three phases, out of which "choosing the value" implies _____, which is the essence of strategic marketing.

- A) segmentation, developing, and delivering
- B) targeting, positioning, and communicating
- C) targeting, positioning, and delivering
- D) segmentation, targeting, and positioning
- E) researching, developing, and delivering

Answer: D

Page Ref: 34

Objective: 1

AACSB: Reflective Thinking

Difficulty: Easy

4) Apex Corporation is one of the best in its industry in terms of costs and performance. Many companies in its industry will probably consider Apex as a _____.

- A) pioneer
- B) benchmark
- C) target for acquisition
- D) future supplier
- E) sounding board for ideas

Answer: B

Page Ref: 18

Objective: 1

AACSB: Reflective Thinking

Difficulty: Easy

5) James Frank has been put in charge of gathering marketing intelligence, disseminating it within his organization, and eventually directing action on the information. Mr. Frank's task is best described as part of the _____.

- A) market-sensing process
- B) new-offering realization process
- C) customer acquisition process
- D) customer relationship management process
- E) fulfillment management process

Answer: A

Page Ref: 19

Objective: 1

AACSB: Analytic Skills

Difficulty: Moderate

6) When a customer places an order at BookBox.com, the company processes the customer's payment information, sends the order to the nearest warehouse, and ships the order via FedEx. This is best described as the _____.

- A) market-sensing process
- B) customer acquisition process
- C) customer relationship management process
- D) fulfillment management process
- E) new-offering realization process

Answer: D

Page Ref: 19

Objective: 1

AACSB: Analytic Skills

Difficulty: Moderate

7) The first phase of the value creation and delivery sequence is _____ that represents the "homework" marketing must do before any product exists.

- A) choosing the value
- B) providing the value
- C) communicating the value
- D) considering the value
- E) acquiring the value

Answer: A

Page Ref: 18

Objective: 1

Difficulty: Easy

8) The last step in the value creation and delivery sequence is _____ the value where the sales force, sales promotion, advertising, and other communication tools announce and promote the product.

- A) developing
- B) positioning
- C) communicating
- D) reversing
- E) researching

Answer: C

Page Ref: 18

Objective: 1

Difficulty: Easy

9) In the cycle of complete strategic planning, taking corrective action is a part of _____.

- A) planning
- B) implementation
- C) controlling
- D) organizing
- E) analyzing

Answer: C

Page Ref: 21

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

10) The _____ in the value chain cover the sequence of bringing materials into the business (inbound logistics), converting them into final products (operations), shipping out final products (outbound logistics), marketing them (marketing and sales), and servicing them (service).

- A) operations processes
- B) manufacturing processes
- C) primary activities
- D) secondary activities
- E) tertiary activities

Answer: C

Page Ref: 19

Objective: 1

Difficulty: Easy

11) Micheal Porter's value chain would identify which of the following as a support activity?

- A) shipping out final products
- B) marketing products
- C) procurement
- D) servicing products
- E) operations

Answer: C

Page Ref: 19

Objective: 1

AACSB: Analytic Skills

Difficulty: Easy

12) The fulfillment management process includes all the activities in _____.

- A) gathering and acting upon information about the market
- B) researching, developing, and launching new high-quality offerings quickly and within budget standards
- C) defining target markets and prospecting for new customers
- D) building deeper understanding, relationships, and offerings to individual customers
- E) receiving and approving orders, shipping the goods on time, and collecting payment

Answer: E

Page Ref: 19

Objective: 1

AACSB: Reflective Thinking

Difficulty: Moderate

13) With respect to core business processes, the _____ includes all the activities involved in gathering external information, disseminating it within the organization, and acting on the information.

- A) market-sensing process
- B) market research process
- C) target marketing process
- D) market pulse process
- E) deployment process

Answer: A

Page Ref: 19

Objective: 1

AACSB: Analytic Skills

Difficulty: Easy

14) With respect to the core business processes, the _____ includes all the activities involved in developing, and launching high-quality products quickly and within budget.

- A) market-sensing process
- B) new-offering realization process
- C) fulfillment management process
- D) customer acquisition process
- E) customer relationship management process

Answer: B

Page Ref: 19

Objective: 1

AACSB: Analytic Skills

Difficulty: Easy

15) Activities involved in building deeper understanding of existing consumers and what the product offerings mean to them would be a part of _____.

- A) customer acquisition process
- B) customer relationship management process
- C) customer prospecting process
- D) customer integrating management process
- E) customer equity process

Answer: B

Page Ref: 19

Objective: 1

AACSB: Reflective Thinking

Difficulty: Moderate

16) Another way to describe a supply chain, where companies partner with specific suppliers and distributors to ensure a smooth functioning of the system, is to call it a _____.

- A) teamwork group
- B) horizontal integration
- C) domestic power center
- D) value exploration
- E) value delivery network

Answer: E

Page Ref: 19

Objective: 1

Difficulty: Easy

17) The key to utilizing organizational core competencies is to _____ that make up the essence of the business.

- A) force organizational departments to justify the budgetary components
- B) vertically integrate and own all intermediaries
- C) own and nurture the resources and competencies
- D) emphasize global promotions
- E) segment the workforces

Answer: C

Page Ref: 19

Objective: 1

AACSB: Reflective Thinking

Difficulty: Easy

18) _____ has three characteristics: (1) it is a source of competitive advantage in that it makes a significant contribution to perceived customer benefits; (2) it has applications in a wide variety of markets; and (3) it is difficult for competitors to imitate.

- A) Core competency
- B) Market sensing process
- C) Corporate social responsibility
- D) Strategic business unit
- E) Philanthropy

Answer: A

Page Ref: 20

Objective: 1

AACSB: Analytic Skills

Difficulty: Moderate

19) Core competencies tend to refer to areas of special technical and production expertise, whereas _____ tend to describe excellence in broader business processes.

- A) process benchmarks
- B) distinctive capabilities
- C) distributive capabilities
- D) facultative benchmarks
- E) concentric capabilities

Answer: B

Page Ref: 20

Objective: 1

Difficulty: Easy

20) Holistic marketers achieve profitable growth by expanding customer share, _____, and capturing customer lifetime value.

- A) undermining competitive competencies
- B) building customer loyalty
- C) creating customer needs
- D) renewing a customer base
- E) cannibalizing products

Answer: B

Page Ref: 20

Objective: 1

AACSB: Analytic Skills

Difficulty: Easy

21) As Kodak addresses the digital revolution taking over the photographic industry, it wants customers to see it as a leader in digital photography. Thus, it is moving away from the production of film roll cameras. This would be an example of which of the following value creation steps?

- A) abandoning current product lines
- B) changing the corporate vision
- C) repositioning the company's brand identity
- D) redoing the corporate logo
- E) realigning core competencies

Answer: C

Page Ref: 18

Objective: 1

AACSB: Analytic Skills

Difficulty: Moderate

22) Of the four organizational levels, the corporate level is likely to make which of the following decisions?

- A) entering a new market
- B) resource allocation for each product
- C) strategic plan for individual business units
- D) choosing specific suppliers for each business unit
- E) marketing plan for each product

Answer: A

Page Ref: 20

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

23) Most large companies consist of four organizational levels: the corporate level, the _____, the business unit level, and the product level.

- A) board of director level
- B) major stakeholder level
- C) management team level
- D) division level
- E) strategic level

Answer: D

Page Ref: 20

Objective: 2

AACSB: Analytic Skills

Difficulty: Easy

24) During Jill's market research study, many customers indicated that traditional oven mitts made it very difficult to hold baking dishes, resulting in frequent spills. Jill brought her findings to the research department, and her company leveraged its engineering and design competencies to develop a new hand-held hot-pad that allows for significantly greater dexterity in handling hot cooking implements, while protecting the cook from burns. This is an example of the _____ element of the holistic marketing framework.

- A) integrated marketing
- B) value creation
- C) negative demand
- D) value networking
- E) value focus

Answer: B

Page Ref: 20

Objective: 1

AACSB: Reflective Thinking

Difficulty: Moderate

25) The marketing plan, the central instrument for directing and coordinating the marketing effort, operates at _____ levels.

- A) functional and operational
- B) strategic and tactical
- C) corporate and operational
- D) customer and expenditure
- E) corporate and division

Answer: B

Page Ref: 20

Objective: 2

AACSB: Analytic Skills

Difficulty: Easy

26) The _____ lays out the target markets and the value proposition that will be offered, based on an analysis of the best market opportunities.

- A) organizational plan
- B) strategic marketing plan
- C) corporate tactical plan
- D) corporate mission
- E) customer-value statement

Answer: B

Page Ref: 20

Objective: 2

Difficulty: Moderate

27) Which of the following plans would most likely include directions for implementing and addressing daily challenges and opportunities in product features, promotion, merchandising, pricing, sales channels, and service areas?

- A) the tactical marketing plan
- B) the target marketing plan
- C) the deployment plan
- D) the product-launch plan
- E) the product-development plan

Answer: A

Page Ref: 20

Objective: 2

AACSB: Analytic Skills

Difficulty: Easy

28) Which of the following is NOT one of the four planning activities undertaken by all corporate headquarters?

- A) defining the corporate mission
- B) establishing strategic business units
- C) assigning resources to each SBU
- D) assessing growth opportunities
- E) deciding sales channels

Answer: E

Page Ref: 21

Objective: 2

Difficulty: Easy

29) A clear, thoughtful mission statement provides employees with a shared sense of purpose, direction, and _____.

- A) profitability
- B) target market feasibility
- C) opportunity
- D) continuous improvement
- E) quality products

Answer: C

Page Ref: 21

Objective: 2

AACSB: Reflective Thinking

Difficulty: Moderate

30) Which of the following is one of the five major characteristics of good mission statements?

- A) They focus on a large number of goals.
- B) They expand the range of individual employee discretion.
- C) They define the major competitive spheres within which the company will operate.
- D) They take a short-term view.
- E) They are long and comprehensive to ensure that all critical concepts are included.

Answer: C

Page Ref: 21

Objective: 2

AACSB: Reflective Thinking

Difficulty: Easy

31) The _____ is the number of channel levels, from raw materials to final product and distribution, in which a company will participate.

- A) industry sphere
- B) vertical sphere
- C) product/application sphere
- D) competence sphere
- E) market segment sphere

Answer: B

Page Ref: 22

Objective: 2

AACSB: Analytic Skills

Difficulty: Easy

32) Gerber primarily serves the baby food market. In choosing to focus on this market, Gerber is defining its competitive sphere on the basis of _____.

- A) vertical segmentation
- B) backward integration
- C) market segmentation
- D) diversification
- E) differentiation

Answer: C

Page Ref: 22

Objective: 2

AACSB: Analytic Skills

Difficulty: Easy

33) While viewing businesses in terms of customer needs can suggest additional growth opportunities, a _____ tends to focus on selling a product or service to a current market.

- A) strategic market definition
- B) target market definition
- C) cognitive definition
- D) product definition
- E) tactical definition

Answer: B

Page Ref: 22

Objective: 2

Difficulty: Easy

34) What are hollow corporations?

- A) companies that market their products through franchisees
- B) companies that have liabilities exceeding their assets
- C) companies that outsource all production to suppliers
- D) companies that do not have any physical presence and only operate online
- E) companies that are horizontally integrated

Answer: C

Page Ref: 22

Objective: 2

Difficulty: Easy

35) A characteristic of a _____ is that it can be a single business or collection of related businesses that can be planned separately from the rest of the company."

- A) strategic business unit
- B) subsidiary unit
- C) merged unit
- D) niche market unit
- E) specialized business unit

Answer: A

Page Ref: 22

Objective: 2

Difficulty: Moderate

36) Market-penetration, product-development, and market-development strategies would all be examples of _____ strategies.

- A) concentric growth
- B) conglomerate
- C) horizontal
- D) intensive growth
- E) integrative growth

Answer: D

Page Ref: 23

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

37) Which of the following is an example of growth by diversification?

- A) a company introducing its existing products in a new market
- B) a company introducing new product category in a new market
- C) a company increases its product line in an existing market
- D) a company introducing a new product category in an existing market
- E) a company integrates backward to cut costs

Answer: B

Page Ref: 23

Objective: 2

Difficulty: Moderate

38) A company that seeks to increase its sales and profits through backward, forward, or horizontal integration within the industry is said to be employing a(n) _____ strategy.

- A) diversification growth
- B) intensive growth
- C) target growth
- D) integrative growth
- E) conglomerate growth

Answer: D

Page Ref: 23

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

39) If you were the CEO of a company that was looking to implement strategies to fill a perceived strategic-planning gap, you would most likely explore a(n) _____ strategy first because it is easier to improve an existing business than to build a new one.

- A) market-penetration
- B) market-development
- C) diversification
- D) product-development
- E) exclusive

Answer: A

Page Ref: 23

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

40) Once Starbucks had established its presence in thousands of cities internationally, the company sought to increase the number of purchases by existing customers with a _____ strategy that led to new in-store merchandise, including compilation CDs and high-speed wireless access.

- A) product-development
- B) market-penetration
- C) diversification
- D) market-development
- E) conglomerate

Answer: A

Page Ref: 23

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

41) A(n) _____ is when a company might seek new businesses that have no relationship to its current technology, products, or markets.

- A) concentric strategy
- B) conglomerate strategy
- C) horizontal strategy
- D) intensive growth strategy
- E) integrative strategy

Answer: B

Page Ref: 23

Objective: 2

Difficulty: Moderate

42) Which of the following terms can be defined as "the shared experiences, stories, beliefs, and norms that characterize an organization"?

- A) organizational dynamics
- B) a business mission
- C) an ethical/value statement
- D) customer relationships
- E) corporate culture

Answer: E

Page Ref: 23

Objective: 2

AACSB: Analytic Skills

Difficulty: Easy

43) The first step in the business unit strategic-planning process deals with which of the following?

- A) formulate goals
- B) define business mission
- C) implement strategies
- D) execute programs
- E) conduct SWOT analysis

Answer: B

Page Ref: 24

Objective: 2

Difficulty: Easy

44) Through its cutting-edge point-of-sale inventory management technology and highly efficient shipping practices, Wal-Mart is able to keep its inventory expenditure extremely low and to pass these savings on to consumers in the form of low prices. Wal-Mart's strategy is best described as _____.

- A) a focused approach
- B) integrative growth
- C) differentiation
- D) market development
- E) overall cost leadership

Answer: E

Page Ref: 27

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

45) When a firm aims to underprice competitors and win market share, it is using a(n) _____ strategy that requires relatively less marketing skills as compared to other strategies.

- A) product differentiation
- B) overall cost leadership
- C) focus
- D) domestic customer relationship
- E) price skimming

Answer: B

Page Ref: 27

Objective: 2

AACSB: Reflective Thinking

Difficulty: Easy

46) After analyzing their company's strengths and weaknesses, top managers at Loan Bright decided that they would serve individual loan officers who typically only wanted to purchase small sets of homebuyer data, rather than bigger institutional clients. To meet the needs of this segment, Loan Bright simplified its sales contract, restructured its advertising efforts to focus on Google ads, and created a separate customer-service department. Loan Bright's strategy is best described as a(n) _____ strategy.

- A) overall cost leadership
- B) focus
- C) differentiation
- D) diversification
- E) promotional

Answer: B

Page Ref: 27

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

47) Unlike its competitors in the online air travel industry, Travelocity provides its customers with a greater variety of services such as cruise reservations, package tours, hotel bookings, and car rentals. This is an example of a(n) _____ strategy.

- A) overall cost leadership
- B) focus
- C) differentiation
- D) diversification
- E) promotional

Answer: C

Page Ref: 27

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

48) McDonald's has often teamed up with Disney to offer products related to current Disney films as part of its meals for children. The best description of this form of alliance would be a _____.

- A) product alliance
- B) logistics alliance
- C) pricing collaboration
- D) network alliance
- E) promotional alliance

Answer: E

Page Ref: 27

Objective: 2

AACSB: Analytic Skills

Difficulty: Easy

49) Abbott Laboratories warehouses and delivers 3M's medical and surgical products to hospitals across the United States. The best description of this form of alliance would be a(n) _____.

- A) product alliance
- B) logistics alliance
- C) pricing collaboration
- D) indirect collaboration
- E) promotional alliance

Answer: B

Page Ref: 27

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

50) MasterCard and Visa may team up with university alumni associations to offer affinity credit cards that typically display an iconic image associated with the university on the card itself and may include an incremental donation program associated with purchases made using the card. The best description of this form of alliance would be called a _____.

- A) product alliance
- B) logistics alliance
- C) pricing collaboration
- D) network alliance
- E) promotional alliance

Answer: E

Page Ref: 27

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

51) When one company licenses another to produce its offerings, or two companies jointly market their complementary offerings, it is called a _____.

- A) pricing collaboration
- B) product or service alliance
- C) promotional alliance
- D) logistics collaboration
- E) total quality management

Answer: B

Page Ref: 27

Objective: 2

AACSB: Analytic Skills

Difficulty: Easy

52) To keep their strategic alliances thriving, corporations have begun to develop organizational structures to support them and have come to view the ability to form and manage strategic alliances as core skills. This is called _____.

- A) value managed partnership
- B) decentralized partnership
- C) centralized partnership
- D) partner relationship management
- E) intensive growth management

Answer: D

Page Ref: 27

Objective: 2

AACSB: Analytic Skills

Difficulty: Easy

53) Which of the following statements is true of marketing plans?

- A) They can be independently developed without worrying about other functional areas.
- B) They provide direction and focus for a brand, product, or company.
- C) They are usually profit-oriented.
- D) They are of limited use to non-profit organizations.
- E) They are typically five-year plans and they lay out the strategies required to achieve targets in those five years.

Answer: B

Page Ref: 28

Objective: 3

Difficulty: Moderate

54) Which of the following elements of a marketing plan permits senior management to grasp the plan's major thrust?

- A) the situation analysis
- B) the marketing strategy
- C) the executive summary
- D) the financial projections
- E) the short-term targets

Answer: C

Page Ref: 29

Objective: 3

Difficulty: Easy

55) The _____ is the last section of the marketing plan and spells out the goals and budget for each month or quarter, so management can review each period's results and take action as needed.

- A) executive summary
- B) situation analysis
- C) marketing strategy
- D) financial projections
- E) implementation and controls

Answer: E

Page Ref: 29

Objective: 3

AACSB: Analytic Skills

Difficulty: Easy

56) The traditional view of marketing is that the firm makes something and then sells it.

Answer: TRUE

Page Ref: 18

Objective: 1

AACSB: Reflective Thinking

Difficulty: Easy

57) The traditional view of marketing works best in economies with many different types of people, each with individual wants, perceptions, preferences, and buying criteria.

Answer: FALSE

Page Ref: 18

Objective: 1

Difficulty: Easy

58) The customer relationship management process involves all the activities related to receiving and approving orders, shipping the goods on time, and collecting payment.

Answer: FALSE

Page Ref: 19

Objective: 1

AACSB: Analytic Skills

Difficulty: Easy

59) The new-offering realization process involves all activities in defining target markets and prospecting for new customers.

Answer: FALSE

Page Ref: 19

Objective: 1

AACSB: Analytic Skills

Difficulty: Moderate

60) A principle of the value chain is that every firm is a synthesis of activities performed to design, produce, market, deliver, and support its product.

Answer: TRUE

Page Ref: 19

Objective: 1

Difficulty: Easy

61) Another name for a company's value delivery network is "distribution chain."

Answer: FALSE

Page Ref: 19

Objective: 1

AACSB: Analytic Skills

Difficulty: Easy

62) Holistic marketing focuses on the integration of value exploration, value creation, and value delivery as a means to build long-term relationships with consumers.

Answer: TRUE

Page Ref: 20

Objective: 1

Difficulty: Easy

63) The marketing plan is the central instrument for directing and coordinating the marketing effort.

Answer: TRUE

Page Ref: 20

Objective: 1

AACSB: Analytic Skills

Difficulty: Easy

64) Good mission statements should be long and clear, should emphasize on a wide range of goals, and stress on the company's major policies and values.

Answer: FALSE

Page Ref: 21

Objective: 2

AACSB: Reflective Thinking

Difficulty: Moderate

65) An intensive growth strategy involving marketing current products to new markets is a market-development strategy.

Answer: TRUE

Page Ref: 23

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

66) A company seeking to expand the number of existing products sold to its current markets, would be using a "market-penetration strategy."

Answer: FALSE

Page Ref: 23

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

67) If a company sought to grow by starting new businesses that have no relation to its current technology, products, or markets, the company would be using a market penetration strategy.

Answer: FALSE

Page Ref: 23

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

68) An environmental threat is a challenge posed by an unfavorable trend or development that, in the absence of defensive marketing action, would lead to lower sales or profit.

Answer: TRUE

Page Ref: 26

Objective: 2

Difficulty: Easy

69) Once a SWOT analysis has been completed, the strategic planner is ready to proceed to the goal formulation stage of the strategic-planning process model.

Answer: TRUE

Page Ref: 26

Objective: 2

AACSB: Analytic Skills

Difficulty: Easy

70) A firm employing a focus strategy concentrates on achieving superior performance in an important customer benefit area valued by a large part of the market.

Answer: FALSE

Page Ref: 27

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

71) Partner relationship management is now considered as a core skill fundamental to the development and maintenance of strategic alliances.

Answer: TRUE

Page Ref: 27

Objective: 2

Difficulty: Easy

72) Firms directing the same strategy to the same target market constitute a strategic group.

Answer: TRUE

Page Ref: 27

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

73) A marketing plan should open with a situation analysis.

Answer: FALSE

Page Ref: 29

Objective: 3

Difficulty: Easy

74) Sales forecasts, expense forecasts, and break-even analysis are usually found in the section on financial projections in the marketing plan.

Answer: TRUE

Page Ref: 29

Objective: 3

Difficulty: Easy

75) The marketing strategy section of the marketing plan spells out goals and budgets for each month or quarter so the management can review each period's results and take corrective action as needed.

Answer: FALSE

Page Ref: 29

Objective: 3

Difficulty: Easy

76) The firm's success depends not only on how well each department performs its work, but also on how well the various departmental activities are coordinated to conduct core business processes. List and briefly describe the five core business processes.

Answer: The core business processes include (1) the market-sensing process—all the activities involved in gathering market intelligence, disseminating it within the organization, and acting on the information; (2) the new-offering realization process—all the activities involved in researching, developing, and launching new high-quality offerings quickly and within budget; (3) the customer acquisition process—all the activities involved in defining target markets and prospecting for new customers; (4) the customer relationship management process—all the activities involved in building deeper understanding, relationships, and offerings to individual customers; and (5) the fulfillment management process—all the activities involved in receiving and approving orders, shipping the goods on time, and collecting payment.

Page Ref: 19

Objective: 1

AACSB: Analytic Skills

Difficulty: Moderate

77) Identify and give examples of the four major categories of strategic alliances.

Answer: The four major categories of strategic alliances include (1) product or service alliances, where one company licenses its product, or two companies jointly market their complementary products or a new product; (2) promotional alliances, where one company agrees to carry a promotion for another company's product or service; (3) logistics alliances, where one company offers logistical services for another company's product; and (4) pricing collaboration, where one or more companies join in an agreement on coordinated pricing. Student examples may vary.

Page Ref: 27

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

78) Describe what happens in scenario analysis and explain why firms such as Royal Dutch/Shell Group use the technique.

Answer: Scenario analysis consists of developing plausible representations of a firm's possible future that make different assumptions about forces driving the market and include different uncertainties. Answers may vary on why to use the concept but answers should be mindful of the definition given. Students should try to anticipate the problems that are likely to aggravate in the energy industry and how scenario analysis may help the companies to anticipate the future and be prepared to adjust their processes accordingly.

Page Ref: 24

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate

79) Explain what happens in a SWOT analysis during the strategic planning process.

Answer: SWOT (strengths, weaknesses, opportunities, and threats) monitors the external and internal environment by examining key macroeconomic and microeconomic forces and actors that have an impact on the organization's business and industry.

Page Ref: 25

Objective: 2

Difficulty: Moderate

80) What questions would typically be asked during a market opportunity analysis (MOA)?

Answer: Questions would typically be: (1) Can the benefits involved in the opportunity be articulated convincingly to a defined target market(s)? (2) Can the target market(s) be located and reached with cost-effective media and trade channels? (3) Does the company possess or have access to the critical capabilities and resources needed to deliver the customer benefits? (4) Can the company deliver the benefits better than any actual or potential competitors? and (5) Will the financial rate of return meet or exceed the company's required threshold for investment?

Page Ref: 26

Objective: 2

AACSB: Analytic Skills

Difficulty: Moderate